

Wholesale Investigation (IR 15-124) - Liberty's Responses to Staff's Follow-Up Staff Questions for Liberty Utilities (Liberty)

July 23, 2015

1. In response to Staff Request 4-10 in NHPUC Docket DG 14-380 enquiring about the prospect of Liberty contracting for capacity on the Supply Path segment of TGP-NED project, Liberty responded that it intends to file a precedent agreement with the New Hampshire Public Utilities Commission for capacity on the Supply Path. Does Liberty expect other Anchor Shippers to purchase capacity on the NED Supply Path? If so, please identify those shippers.

[REDACTED]

2. Will Liberty transfer 100% of the capacity purchased on the NED project to the new receipt point or some portion of that amount, leaving the remaining capacity at Wright, NY? If the capacity purchased on the Supply Path is less than the capacity purchased on the NED Market Path, please provide in percentage terms the Supply Path amount and explain why Liberty chose not to purchase the full amount at the upstream receipt point. Also, please provide the location of the new upstream receipt point.

Response: EnergyNorth expects to sign up for approximately 70,000 (approximately 60%) Dth per day of Supply Path capacity to Wright as compared to 115,000 Dth per day on the Market Path project. The Company is still finalizing all terms and analyses associated with the Supply Path Precedent Agreement including the receipt point, which is expected to be on Tennessee's 300 line in zone 4 with access to multiple Marcellus producers and the Company's storage facilities off of Tennessee.

3. Given that Liberty has already informed the Staff in Docket DG 14-380 of its decision to enter into a second PA with TGP to purchase capacity on the Supply Path, the Staff in IR 15-124 presumes that Liberty (or the Anchor Shippers as a group) concluded based on a benefit-cost analysis that the benefits of the purchasing capacity on the Supply Path outweigh the incremental costs. If so, please describe in as much detail as possible the analysis that was conducted. Please also provide the results of that analysis and detail all assumptions.

Response: As stated in the Company's response to request #2 above, EnergyNorth is finalizing all of its analyses which include both cost and non-cost factors. As part of its analyses, the Company is conducting detailed SENDOUT runs to determine cost-effectiveness of the Supply Path capacity and is

evaluating non-cost factors such as reliability and diversity of supply, flexibility of storage access and overall viability of the project.

4. If the analysis includes the assumption that the price of natural gas at Wright, NY will materially exceed the price in the Marcellus production area for a significant portion of the contract term, please provide the basis for that assumption and indicate whether the price differential between Wright, NY and the Marcellus production area is assumed to be greatest in the winter months.

Response: The Company is relying on pricing forecasts at Wright based on significant analysis conducted by the LDC Consortium leading up to and during negotiations with Tennessee for the NED Market Path project. In that pricing analysis, Wright was assumed to trade at a premium to Marcellus based on the demand charge of approximately \$0.75/Dth on the proposed Constitution Pipeline. The logic is based on the assumption that the two producers anchoring the Constitution project would need to recoup their pipeline demand charges during the winter period of Nov-Mar on order to justify the commitment to long-term fixed pipeline demand charges to get to Wright. This "basis" of \$0.75/Dth was fully loaded in the winter period and then sculpted so that the winter months with the greatest sendout, e.g. January, had the proportionally higher basis. The rate on the Supply Path project is expected to be slightly higher than that on the Constitution project, which would increase fixed costs for producers but should be offset by the lower commodity prices on the Tennessee zone 4 300 leg pool.

5. Please clarify whether the PA for the NED Market Path is conditional on completion of the NED Supply Path and/or the Constitution pipeline.

Response: Yes, the PA for the NED Market Path capacity commitment is conditioned on either the Constitution or Supply Path facilities being in place.