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Electric Co-op
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579 Tenney Mountain Highway
Plymouth, NH 03264-3154
www.nhec.coop
603-536-1800 / 800-698-2007

June 2, 2015

Deborah A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

In re: Docket No. IR15-124

Dear Ms. Howland,

This is New Hampshire Electric Cooperative's (NHEC's) response to the invitation of staff for stakeholders to provide proposed solutions and comments on the "problem of high winter wholesale electricity prices that have plagued New Hampshire's and the region's electricity markets in recent winters".

We believe and expect most stakeholders agree as to the root cause of the immediate problem – inadequate natural gas pipeline and storage infrastructure into and within New England. The problem is exacerbated by the retirement, already or pending, of some significant non-gas-fueled base load resources. Since the problem was first raised as a serious concern by ISO-New England and NEPOOL, the gas pipeline industry, and state and federal officials began discussions on possible solutions, the consumer-owned utility members of the Northeast Public Power Association (NEPPA), including NHEC, have been active participants. In addition to the obvious solutions of additional pipeline capacity, and more intra-regional storage, there are also proposals for high capacity transmission projects capable of bringing large volumes of energy into the region and there is interest among some of the states for intra-regional transmission projects to facilitate additional renewable generation to meet state public policy objectives.

NEPPA's 70-plus consumer-owned municipal and cooperative utility members of NEPOOL from all six states have generally supported all of the efforts to encourage and enable any of these suggested approaches to improving reliable availability of electricity, meet public policy goals, and, at the same time and most importantly, contain costs to consumers. Public power actively responded to and engaged in the 2014 NESCOE initiative aimed at seeking competitive proposals (separately) for gas pipeline infrastructure and electric transmission for public policy objectives.

Much of the NESCOE initiative discussion was centered on how such initiatives should be paid for by electricity consumers. There was much talk about the prospect of paying for pipeline infrastructure by charging electricity consumers through the NEPOOL Open Access Tariff, though the legality of that approach was, and still remains, unclear. Regardless of whether that particular mechanism would be used or electricity consumers would bear the cost through other means, public power's position was, as it has long been, that for infrastructure projects paid for by our consumers, such projects should be chosen and done with the lowest cost to consumers as a primary objective. And, to that end, to the extent that public power systems can facilitate lower costs for its (and all) consumers, the option to do so should be available and explicit.

In the instance of the NESCOE pipeline infrastructure initiative and proposed NEPOOL tariff cost recovery, the Massachusetts Municipal Wholesale Electric Company (MMWEC) offered to utilize its Massachusetts statutory financing authority to fund the development and construction of whatever pipeline project(s) were selected. MMWEC's proposal brought to the table the prospect of the whole region benefiting from building with low cost municipal bond debt in place of much higher cost private equity. Public power further proposed that, to the extent MMWEC's financing could not or would not be utilized, public power systems (and others) be offered the option to participate directly as equity investors, allowing injection of some lower cost public power debt financing and the opportunity to participate directly in equity returns earned by the project.

As a matter of information, beyond the pipeline initiative, public power systems in New England and elsewhere have sought to utilize the same kind of equity ownership and financing approach to investment in large transmission infrastructure. In New England, both the Vermont Electric Power Company (VELCO) business model and the Connecticut Transmission Municipal Electric Cooperative are examples of where public power systems participate as owners in bulk transmission with costs recovered through the NEPOOL Open Access Tariff.

NHEC, along with the other public entities in New England, believes these kind of options can provide significant help in getting necessary infrastructure projects built, at lower costs to the consumers who ultimately pay through their rates. We do believe there are other factors that do contribute significantly to the problems in lack of infrastructure and high costs, such as the nature and structure of the mandatory centralized procurement Forward Capacity Market. Under the current construct, there has been little incentive for generators to enter into long-term contracts for natural gas, a reason cited by the pipeline companies for the lag in meeting combined winter needs of heating and electricity production. Public power entities have argued that the FCM should be designed to encourage particular types of generation that may be desirable from time to time to meet the region's or any particular state's goals in terms of reliability, risk aversion, environmental or other public policy objectives. In addition, over time the ability for any particular entity with load serving responsibilities to, in the first instance, meet their own share of capacity obligations through their own resources at their own costs (even if lower) has effectively disappeared through the current form of FCM. This contributor to the pipeline infrastructure problem and resulting costs that are the subject of this docket may not be directly relevant or changeable, but the commission and other policy makers should be aware it is part of the discussion within New England.

We thank you for the opportunity to submit our comments and look forward to continued discussion and the staff's report to the Commission.

Sincerely,

Stephen E. Kaminski
VP, Power Resources and Access