Wholesale Investigation (IR 15-124) Initial Staff Questions for Liberty Utilities (Liberty)
June 26, 2015
Instructions for responses: Please e-mail responses in PDF format to alexander.speidel@puc.nh.gov; responses will be promptly posted to the NHPUC website here:
http://puc.nh.gov/Electric/Investigation_into_Potential_Approaches_to_Mitigate_Wholesale_Electricity_Prices.html

1. Page 3, Variant 1. The second paragraph appears to suggest that Liberty is in the process of considering a utility-specific solution to the high winter period electricity price problem instead of a region-wide solution. What, if any, are the benefits of a utility-specific solution over a region-wide solution such as that proposed by the developers of Access Northeast where the capacity purchased by affiliated EDCs is transferred to a capacity manager for resale to gas-fired generators via a centralized auction?
   LU Response: In the introductory paragraph to this section, Liberty notes, "This is a New England-wide problem that needs to be solved with a variety of region-wide solutions." Liberty is not considering entering into a utility-specific solution but provided this suggestion as one of many suggestions the Staff may consider in this investigation
2. Page 3, Variant 1. In order to implement a utility-specific solution, Liberty would need to enter into a long-term contract for firm pipeline capacity and then make that capacity available to wholesale suppliers selected to serve load in its service territory. Assuming there are multiple pipeline expansion projects vying to sell incremental capacity to Liberty, please identify and discuss the features of pipeline projects that have the greatest effect on the purchase decision.
   LU Response: Liberty provided this suggestion at a conceptual level and has not developed any criteria to evaluate pipeline projects.

3. To the extent the price of capacity is one of the key factors in the purchase decision, is it likely that Liberty would use a competitive solicitation to identify the least cost service provider? Please explain your answer.
   LU Response: Liberty provided this suggestion at a conceptual level. Any solicitation process would need to be reviewed and approved by the Commission.

4. Please explain how a precedent agreement for a specified amount of firm pipeline capacity with a specific pipeline project can provide for the delivery of gas to multiple wholesale suppliers each of which has a different set of primary delivery points.
   LU Response: Releasing a specific amount of pipeline capacity to a supplier would allow a supplier to then hedge its cost of energy using the pipeline capacity as a way to reduce the basis for natural gas delivered to New England. How a supplier utilizes this capacity would be up to the supplier.

5. Page 3, Variant 1. Assuming implementation of a utility-specific solution, should the pipeline capacity be made available to wholesale suppliers on a short-term basis, say annually, or on a

long-term basis to support a longer-term power supply agreement? Discuss the pros and cons of short and long contract terms.
LU Response: Theoretically, capacity would be released similarly to how pipeline capacity is released to suppliers providing natural gas commodity service in an LDC's service territory. Liberty expects that such pipeline capacity would be released on a short-term basis to coincide with the amount of load a supplier is serving. Releasing such capacity on a long-term basis to a supplier or suppliers would provide suppliers with an unfair competitive advantage when competing against other suppliers without such capacity in the wholesale and retail electric markets.

6. Page 3. Please identify the major issues that Liberty would need to study before proposing and implementing a utility-specific solution of the type outlined in the second paragraph.
Liberty Response: Liberty provided these general suggestions for discussion purposes and is not proposing to implement any utility specific solution. As a result, Liberty has not investigated these suggestions to identify the major issues required to be studied before implementing such a solution.

7. Page 3. Variant 1 has Liberty entering into a contract to purchase sufficient pipeline capacity to fuel the generation requirements needed to meet the utility's distribution peak load (i.e., the peak demand of default service customers and customers served by competitive suppliers). Given that competitive suppliers are responsible for meeting the needs of customers that have elected to purchase their energy requirements from someone other than the default supplier, please explain why Liberty would size the pipeline capacity purchase to meet the needs of all distribution customers.
Liberty Response: In its suggestion, Liberty proposed that the cost of pipeline capacity would be recovered from all customers as a non-bypassable charge. As stated in its response to Question 5, Liberty would release the capacity to all suppliers serving load in its service territory. Thus, the size of the pipeline capacity would need to serve all customers, not just default service customers. Since this is a suggestion for further evaluation in this investigation, Liberty is not proposing this as the only metric in determining a pipeline capacity purchase.

8. Please provide estimates of the annual cost of purchasing sufficient firm pipeline capacity from either Access Northeast or Northeast Energy Direct to meet Liberty's: (i) distribution peak load; and (ii) default service peak load. Please also provide for each scenario the unit cost on a $/MWh basis.
Liberty Response: Liberty provided these general suggestions for discussion purposes and does not have the information to provide a response to this question.

9. Page 3, Variant 2. Instead of paying the market price of electricity under a region-wide solution, Liberty suggests that a utility could enter into a long-term hedged power purchase agreement with a new natural gas generation resource for a portion of its load requirements. Please

discuss the pros and cons of hedged contracts including the factors that determine the optimal percentage of load to hedge.
Liberty Response: Liberty provided these general suggestions for discussion purposes and has not explored the issues regarding the implementation of such a solution.

10. In comments supporting a region-wide solution to the electricity price problem, National Grid reasons that since "all electric distribution customers in New England will ultimately benefit from the lower energy costs and enhanced reliability resulting from increased pipeline capacity ……………… it is critical that electric distribution customers across New England together support the costs of the additional natural gas delivery infrastructure investments." Assuming a region-wide solution is implemented in New England, and Liberty elects not to proceed with a utility-specific solution, would Liberty be agreeable to charging its electric customers a portion of the regional infrastructure costs, regardless of whether it purchased some of the available pipeline capacity? Please explain your answer.
    Liberty Response: Liberty would be willing to pay its portion of any region-wide solution that may be implemented provided such costs would be fully recoverable from all of its customers during the period Liberty is obligated to pay for such costs.