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?
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.
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.
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.
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.
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.
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.
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.

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.
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.