October 20, 2014

Ms. Meg Lusardi
Acting Commissioner
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: DOER's Low-Demand Gas Study

Dear Acting Commissioner Lusardi:

The Northeast Gas Association (NGA) appreciates the opportunity to provide comments on the Massachusetts Department of Energy Resource's (DOER's) low demand analysis.

The initial stakeholder meeting on October 15 provided some helpful context on the intent of the study. Initial comments were requested to be submitted by October 20, although the details on assumptions and variables have yet to be revealed. As such, at this time NGA is providing brief comments for your consideration and looks forward to reviewing forthcoming data and modeling characteristics.

Certainly, the issue of natural gas supply and demand in New England and its inter-relations with the regional power market has been well-studied over the past decade. Synapse Energy Economics noted at the first stakeholder meeting on October 15, 2014 that it would review and incorporate to the extent possible the numerous studies on this topic as it undertakes its own analysis for DOER. These studies include, to name a few, the recent Black & Veatch studies for NESCOE, the ICF studies for ISO-NE, the Levitan studies for ISO-NE, the Sussex Economic Advisors study for Spectra Energy, and the proceedings of the New England Gas-Electric Focus Group. They treat various aspects of system modeling, infrastructure capability, price impacts, and scenario analysis. At the outset, we encourage DOER and Synapse to utilize these available studies as directly pertinent resources – of particular value given the short timeframe of this new analysis.

Gas expansion opportunities should be modeled by Synapse to reflect the economically feasible potential for utility system growth. In 2013, DOER commissioned a study by Sussex Economic Advisors to develop an analytical framework, findings, and recommendations for the Commonwealth “to review gas distribution expansion in light of changing market conditions and environmental imperatives.” We think it would be helpful to Synapse for DOER to make the Sussex study available as a relevant piece of analysis. The Sussex presentation to the DOER-assembled stakeholder group a year ago, at a public meeting on October 25, 2013, noted that there are approximately 1.2 million homes in the Commonwealth not heating with natural gas, and that the feasible potential market for conversions was half that, or 0.6 million households.

In addition, the Commonwealth enacted legislation (H. 4164) in June 2014 that includes a provision on gas expansion, which has the potential to expand considerably the gas utilities’ demand growth over the next several years, within the timeframe of this analysis. This
legislation was approved unanimously by both houses of the Legislature and signed by Governor Patrick.

On a related note, we look forward to discussing with DOER and Synapse in this process the level of real-time customer demand that the Commonwealth’s natural gas utilities are experiencing, especially in regards to the recent winter. We hope that this pending study will reflect the natural gas demand that the LDCs are currently experiencing -- and that is before considering the impact of implementing the recent legislation regarding gas expansion that is designed to reduce economic barriers toward connecting new customers throughout the Commonwealth that are requesting natural gas service. It is our hope that the study will be able to utilize the most recent available utility data on design day, for example.

The model structure is designed to focus on the sufficiency of gas pipeline capacity under winter peak day conditions, and will consider a series of three winter peak days. As was noted at the stakeholder meeting, the Commonwealth’s natural gas utilities model for design day and design season. We would encourage Synapse to consider a sensitivity scenario that addresses the potential of an extended cold period and not just an individual peak day or a few peak days, to capture the true impacts of protracted high demand on capacity, power generation, spot market prices, and consumer impacts.

Thank you for the consideration of our initial comments.

Sincerely,

[Signature]

Thomas M. Kiley
President and CEO

cc: Fahrad Aminpour