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Is a new pipeline really needed?

Utilities, officials make their case, but what's the definition of 'need?'

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(Left Photo) The proposed pipeline path will take it from Conway, on the right, into Shelburne, left, just downstream from the Bardwells Ferry Bridge, where the power lines cross the Deerfield River.

(Right Photo) This is the approximate path the pipeline will take heading east across the North Meadows in Old Deerfield. (Recorder/Paul Franz)

Second in a series

(EDITOR'S NOTE: In coming weeks, Tennessee Gas Pipeline Co.'s proposed Northeast Energy Direct pipeline through Franklin County will proceed through a Federal Energy Regulatory Commission process to choose which issues to include in an environmental review to begin this fall. This series explores the project from a variety of angles.)

To many, it may have been a convincing set of arguments presented over the past year or so, on the need for more gas pipeline capacity in New England.

The six New England governors, operators of the region's electrical grid as well as utilities like Berkshire Gas Co., Eversource and National Grid have pointed out over the past couple of years that natural gas has replaced oil as a primary, relatively inexpensive heating source in recent years and now accounts for more than 40 percent of electricity generation in the region, up from 18 percent in 2000. Yet pipeline capacity, they say, hasn't expanded along with growing demand, limiting the region's natural-gas service areas for heating to five Franklin County towns, and causing price spikes for electric generation on the coldest winter days, proponents say.

"New England has a serious and growing reliability problem due to gas pipeline constraints, a growing resource performance problem, retirements of non-gas generation, and a growing need to balance an increasing amount of intermittent renewable energy," ISO-New England's President and Chief Executive Officer Gordon van Welie told the U.S. Department of Energy last spring.

The winter of 2013-14, he said, "revealed that the pipelines into New England are more constrained than we initially understood. And we're experiencing constraints on all of the natural gas pipelines in the region — not just the pipelines from the south and the west that are trying to deliver Marcellus Shale gas. During the cold period in late January, we observed that even the pipelines from the Maritimes to our north are full supplying residential and commercial heating demand in the region. While natural-gas-fired

generators make up about half of New England's total generation capacity on an annual basis, on many cold days this winter, much of the gas-fired (generating) fleet was idle because of the lack of gas pipeline infrastructure to meet the demand of those generators."

This past winter's energy picture was a bit brighter, in part because of numerous factors, including the grid operator's incentives for gas-fired power plants to have oil and liquefied natural gas on hand to deal with the season's plummeting temperatures and spikes in demand.

Still, the ISO reported in April, "While increased competition in the gas market helped to dampen prices over the course of the winter, the amount of Marcellus shale gas that could be delivered to the region from the west remained limited by New England's constrained pipeline system. During many cold days in February, daily spot-market natural gas prices hovered in a range of \$20 to \$30 per million British thermal units, which is high by historical standards. These higher gas prices increased winter wholesale electricity prices: February's average wholesale energy price (in the region) was \$126.70/MWh, which makes it the third-highest average monthly wholesale energy price in New England. The highest and second-highest prices were logged the previous winter, during January and February 2014, respectively."

And the region's governors again met in Hartford last month, re-emphasizing their support for transmission lines, pipelines and renewable energy sources to drive down New England's high energy costs.

Massachusetts Gov. Charlie Baker says he's neutral on a variety of pipeline proposals, but his opposition to TGP's planned project expressed during last year's campaign, softened once a new route was unveiled along existing utility corridors in New Hampshire.

"Being the largest consumer of electricity in our region, we need to work closely with our partners and how we are fully committed to this," said Baker's top energy and environmental official, Matthew Beaton.

Berkshire Gas Co. says it's so dependent on getting additional gas from a new Tennessee Gas Pipeline Co. project to augment its distribution system — by tapping into a supply station that would be built near the Greenfield town border with West Deerfield — that it's imposed a moratorium on new customers and expanded service.

In a letter to the state Department of Public Utilities, which is considering Berkshire's long-term purchase agreement with TGP, Rep. Stephen Kulik, D-Worthington, wrote, "When I hear that Berkshire Gas says — right on its ratepayers' bills — that its moratorium ... will remain in place until Kinder Morgan's pipeline is 'permitted and built,' I see failure in the company's planning process as the most charitable explanation for the situation my constituents are facing. Many question whether the moratorium is really necessary. So do I."

No slam dunk?

But as TGP applies to the Federal Energy Regulatory Commission for a Certificate of Public Convenience and Necessity for its Northeast Energy Direct project, the argument that up to 2.2 billion cubic feet a day of additional pipeline capacity is needed is no slam dunk, according to critics.

Kathryn Eiseman of Massachusetts Pipe Line Awareness Network (MassPLAN) sees the argument akin to the proposed Connecticut River diversion in the 1970s to augment metropolitan Boston's water supply. The plan itself was diverted — permanently — by fixing leaky pipes and boosting water conservation. Similarly, Eiseman and others contend, what's needed is plugging gas distribution leaks that a Harvard study says amounted to about 300,000 metric tons during a year-long study from 2012 to 2013 — about 2.7 percent of all natural gas delivered to the region.

"We've got to start weaning ourselves off of natural gas in the next 15 to 20 years if we're going to meet our climate objectives," says Gregory Cunningham of Conservation Law Foundation, arguing that efforts to plug leaks, boost energy efficiency and use stored LNG for peaks could be combined to eliminate the need for costly pipelines that perpetuate the use of methane-rich natural gas.

A lengthy filing with FERC in March by pipeline opponent Nick Miller of Groton argued that the agency's definition of "need" allows "need to be determined by the market, not by a considered look at the public's current energy needs and its stated goals for a cleaner, more renewable energy future. ... Once the for-profit folks have determined that there is a 'need,' FERC will then encourage the public to comment upon the environmental and property damage that will result ... but FERC does not encourage any public input on the issue of determining the need for the project in the first place."

And, he argued, some for-profit customers of the end product “may well be planning to export the natural gas coming through the proposed pipeline. Because of FERC’s faulty definition of ‘need,’ the ‘need’ of energy companies to export natural gas is considered to be every bit as genuine as the actual need of American citizens to have a reliable and affordable energy supply.”

In an April filing with FERC, Eiseman questioned the need asserted by customers TGP’s parent, Kinder Morgan, has lined up to buy from the pipeline, especially since some of those customers, like Liberty Utilities in New Hampshire and Columbia Gas, seem to be seeking to replace existing contracts with other pipelines. Long-term commitments by prospective customers are essential, since the company could not build it otherwise.

“Kinder Morgan and the anchor shippers’ case for the ‘need’ for this pipeline is built upon abandoning pipeline contracts that are already in place, creating unused capacity elsewhere,” Eiseman argued. “The disruption to the environment this project would cause, with over 400 miles of pipeline and nine new compressor stations totaling over 373,000 horsepower in four states, is vastly out of proportion with any need the project might serve.”

Company spokeswoman Sara Loffelholz said, “The information that was released ... accurately represents current binding precedent agreements with anchor shippers. ... We strongly believe that these binding contractual commitments demonstrate the clear need for an expansion of TGP to provide a solution to reduce energy costs and enhance gas and electric reliability in New England. ”

TGP notified last week that it was eliminating two proposed lateral lines from its project — a North Worcester and a Stamford, Conn., loop — which some critics of the project, like the environmental consortium Northeast Energy Solutions, see as having “everything to do with the company’s inability to find a need for gas that does not generate electricity and lower energy prices,” in the words of NEES legal counsel Vincent DeVito.

“In view of the time lapse since TGP’s initial announcement of shippers, the probable unavailability of additional shippers, recent state regulatory rulings and TGP’s continuous representation that it does not intend to export outside the United States, it is quite likely that TGP already knows that NED is not financially viable,” DeVito wrote to FERC last week.

FERC’s decision on whether a pipeline project is in the public interest is based on its potential impact on pipeline competition, possible overbuilding, subsidization by existing customers, potential environmental impacts and avoiding unnecessary use of eminent domain, according to the Congressional Reporting Service.

In addition to TGP’s project, designed to bring up to 2.2 billion cubic feet a day to the region, there are plans by National Grid, Spectra Energy and Eversource to expand existing pipelines up the coast and entering Massachusetts near Connecticut’s northeastern corner to bring another 1 billion cubic feet a day as Access Northeast, as well as Portland Natural Gas Transmission System’s Continent to Coast expansion project, bringing Canadian gas to the Maine coast. TGP’s Connecticut Expansion project is planned for construction beginning this fall to upgrade the company’s existing line and provide an extra approximately 72,000 dekatherms per day of capacity for Connecticut.

A study conducted in the closing days of the Patrick administration, completed to check an earlier New England States Committee on Energy study of pipeline capacity needs, concluded that Massachusetts is projected to suffer a gas capacity deficit ranging from 0.6 to 1.1 billion cubic feet on peak winter days when demand is highest. Expanded to New England, “the numbers at least double and show a regionwide need for 1.2 billion to 2.2 billion cubic feet of new capacity even with the anti-gas assumptions used in the study,” according to pipeline advocate Anthony Buxton of Maine.

Speaking at a recent Franklin regional Council of Governments forum on the pipeline proposal, attorney Jeffrey Bernstein cautioned, “The need standards have changed quite a bit over time. ... FERC used to spend a lot of time looking to make sure there were subscriptions from users who wanted to contract ... for 100 percent. They no longer do it that way. They use more of a balancing approach, but it certainly is a consideration to look at the market.”

Yet opponents say the study failed to seriously look at energy efficiency, solar generation optimization and using alternatives like increased storage of liquefied natural gas for peaks, which have been limited to 30 days a year.

Shauna Cleveland, a staff attorney for the Conservation Law Foundation, told a Berkshire Regional Planning Commission gathering last fall that the Spectra Access Northeast expansion of existing pipelines would satisfy the region's pipeline constraints for peak seasonal needs from 2017 through 2023.

Until then, she added, "We have to concentrate on better aligning the gas and electricity markets" along with strategic use of LNG, more efficient generation alternatives and renewable sources. "We would propose a kind of a suite of alternatives, instead of one big pipeline to overbuild the supply."

A 1% problem

"What people need to understand is that the alleged problem is peak," Ken Berthiaume of North Quabbin Pipeline Action told a gathering in Montague last month. "Where we might run into trouble is 10 to 27 days in the winter. What we're trying to solve here, could happen for four hours or less, times 27 days a year ... a 1 percent problem."

Opponents also point to the way the "need" argument is framed by FERC and by ISO, as an expression of a national energy policy driven by corporations that are still wedded to fossil fuels and nuclear power, seeing renewable energy sources as a quaint bridge to some sustainable future rather than a realistic alternative whose time is at hand.

Everett Distrigas has two LNG tanks that can store the equivalent of 3.4 billion cubic feet of natural gas, and two more LNG tanks, 12 miles off the coast of Gloucester, long unused, are also available, pipeline opponents say — an alternative way to deal with peak need.

Distrigas operations Vice President Anthony Scaraggi told Boston radio station WBUR, "They're building a (pipeline) solution for a 365-day problem, and there's only a 30- to 40-day problem. Last year it was 42 days." Pointing to a Maritimes and Northeast Pipeline proposal to reverse its flow of Canadian gas to the region so that it would carry excess Pennsylvania shale gas back to Canada, and possibly beyond, he added, "It's very funny. When you add up all of the capacity that we actually use in New England, it's multiples of capacity that we actually use in New England. I don't know how you do that. So that's classic overbuild."

Pipeline proponents point to the volatility of LNG prices, while opponents say future uncertainties also cloud the future of the nation's shale-gas boom.

Opponents contend that overbuilding not only costs gas customers for construction — a proposed tariff has been replaced by the idea of allowing electric utilities to invest in the pipeline through long-term contracts, which would ultimately be paid for by ratepayers. Worse, they say, diverting capital away from solar, wind and other renewable projects for additional fossil-fuel infrastructure will ultimately lead to an oversupply in the region, which will push the hydrofracked gas to LNG terminals now being planned along the coast for European and Caribbean customers.

That, they insist, will ultimately drive up the domestic price for natural gas, destroying the rationale for a pipeline being billed as a way to reduce the region's energy costs.

A grassroots coalition opposing pipeline expansion, No Pipeline Expansion NOPE, pointed in late May to Department of Energy approval of the Pieridae LNG export terminal in Nova Scotia as confirmation that natural gas from Spectra Energy's northeast pipeline expansions — which would connect to a line heading north from Beverly, and from TGP's proposed project and its Peabody lateral — could feed most of Pieridae's needs for gas, NOPE claims.

"Many of us raised the issue of export to FERC during the public comment period (on the Spectra Algonquin Incremental Market Project), but we were told that the expansion was strictly for domestic use," said spokeswoman Susan Van Dolsen. "We knew otherwise."

TGP spokesman Alan Fore told a Massachusetts Farm Bureau group at the University of Massachusetts in January, "I can say unequivocally at this date, we have no contracts with anyone to ship anywhere outside the United States." But Fore, whose parent company last year announced plans to build a fuel tanker by mid-2017 that could be converted to carry LNG, and is already involved in an LNG storage and gasification terminal in Savannah, Ga., added that the size and scope of its pipeline project will remain in flux until this fall. There have been no long-term commitments from credit-worthy companies to export gas from TGP's open access line, he said. "Five years, 10 years, might there be an entity that's in the

export business, that has the credit-worthiness that they can commit for substantial capacity for 20 years? That's a possibility."

TOMORROW: Compressor station raises concerns

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