

The Attorney General's Initial Comments on D.P.U. 15-37, "Investigation By the Department of Public Utilities Into the Means By Which New Natural Gas Capacity May Be Added to the New England Market"

On April 27, 2015, the Department of Public Utilities ("DPU") opened an investigation ("NOI") into how new natural gas delivery capacity may be added to the New England market, including by way of experimental out-of-market actions to be taken by the Massachusetts electric distribution companies ("EDCs") to purchase pipeline capacity and recover related costs from customers.

On June 15, 2015, the **Attorney General's Office ("AGO")** filed Initial Comments in the NOI focusing on finding the most beneficial and cost effective way to address spikes in winter electricity prices due to gas capacity constraints. **The AGO argues that DPU must first undertake a rigorous regional economic study of new gas capacity and alternatives before considering any proposal to authorize EDCs to purchase gas capacity with ratepayer backing.**

Specifically, the AGO calls upon the DPU to:

- Undertake a full and careful analysis of the causes of high winter electricity prices and the need for potential solutions;
- Rigorously study the economics of new gas capacity and the full range of available options for addressing any winter pricing problems, including options that can reduce natural gas demand as well as options that can augment natural gas supply; and
- Determine, based on consistently applied economic metrics, which combination of legally available options, including market solutions, most cost effectively addresses the need while maintaining system reliability and meeting climate and other environmental requirements.

If, after performing the study, the DPU concludes that an out-of-market procurement of additional gas capacity is warranted and feasible, any proposed plan must ensure:

- A competitive, transparent procurement process that avoids conflicts of interest; and
- The fair management of any procured capacity that achieves stated goals for the benefit of ratepayers.

The AGO maintains that any proposals advanced by the EDCs must (1) show that shareholder interests were not placed ahead of ratepayer interests; and (2) further the public interest to a greater degree than alternative candidate solutions. In addition, the AGO recommends that DPU conduct panel hearings and discovery to determine if there is agreement that state intervention is warranted and also to explore the scope of and procedure for conducting a meaningful regional study.