

**MAINE PUBLIC UTILITIES
COMMISSION**

**Report to the Legislature
Regarding the Status of
Energy Cost Reduction Contracts
Pursuant to
Public Law 2013, Chapter 369**

December 31, 2015

I. INTRODUCTION

During its 2013 session, the Maine Legislature enacted The Maine Energy Cost Reduction Act (Act).¹ The Act resulted from concerns about regional natural gas price increases and the resulting impact on electricity prices in Maine over the past several years driven by constraints on natural gas supply into and within the New England region. The Act authorized the Commission, in consultation with the Public Advocate and the Governor's Energy Office, to execute or direct one or more utilities to execute, consistent with specific pre-conditions, an "Energy Cost Reduction Contract" (ECRC) to procure capacity on a natural gas pipeline that would increase the flow of natural gas into New England. The Act requires that the Commission consider ECRCs in the context of an adjudicatory process. Before the Commission may authorize an ECRC, the Act requires that it must have pursued, in the appropriate regional and federal forums, market and rule changes that would reduce the constraints on natural gas delivered into New England.

Section B-3 of the Act, which is unallocated language, directs the Commission to report on the status of ECRCs by December 31, 2015 to the Joint Standing Committee on Energy, Utilities and Technology (Committee). The Act further provides that the Committee may submit legislation related to the report.

II. COMMISSION PROCEEDING AND REGIONAL EFFORTS

Pursuant to the Act, on March 20, 2014, the Commission initiated an adjudicatory investigation to consider issues regarding whether and how it should exercise its authority to approve an ECRC. A Phase 1 Order was issued on November 13, 2014 in which the Commission found that, based on the evidence, it could not determine that an ECRC would be cost-effective. However, given the importance of the issue, the Commission decided to proceed to Phase 2 in order to receive and consider actual ECRC proposals. The Commission received three proposals in December 2014.

The Commission engaged London Economics International (LEI) to conduct an independent analysis of whether the benefits to Maine electricity and natural gas consumers from any of the ECRC proposals would be likely to outweigh the costs. On July 14, 2015, LEI submitted its report which concluded that none of the ECRCs proposals would provide net benefits. The report did not imply that new gas pipeline capacity into New England would be uneconomic or a bad investment; rather, that the costs of Maine acting alone would outweigh the benefits because, although Maine would pay the entire cost for the new pipeline capacity, it would receive a relatively small share of the benefits, which would be spread across all of the region.

¹ P.L. 2013, ch. 369, codified at 35-A M.R.S. § 1901 *et seq.*

After submission of the report, parties conducted discovery and provided testimony on the merits of the LEI report. Parties have also had the opportunity under the adjudicatory process to provide alternative analysis and expert testimony on the merits of their respective ECRC proposals. In addition, the process allows for the parties and LEI to provide evidence and analysis on the costs and benefits of ECRC proposals assuming that Maine acts in coordination with other New England states. The schedule provides for additional testimony, discovery, hearings, briefs, reply briefs, an examiner's report, parties' exceptions and a Commission decision on the ECRC proposals in June 2016. This schedule balances several competing concerns including procedural steps requested by some parties; the desire to process the remainder of the case as expeditiously as reasonably possible and the procedural steps necessary to provide a sufficient record in the case.

On a regional level, Massachusetts, Connecticut, Rhode Island and New Hampshire are all proceeding to consider pipeline capacity contracts with their utilities as a means to support the expansion of capacity into and within New England. Each state has differing statutory authority and requirements and is proceeding according to its individual processes and procedures. Pursuant to the Act, the Commission continues to monitor these activities and to consider opportunities to act in conjunction with other New England states to support pipeline expansion.