

Maine's Natural Gas Industry

Briefing for the Energy, Utilities and
Technology Committee by

Chairman Thomas L. Welch
Maine Public Utilities Commission

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Maine Natural Gas Utilities

- **Northern Utilities, Inc. d/b/a Unitil (1969)**
 - Serves approximately 28,000 customers in greater Portland/Westbrook and Lewiston/Auburn areas, Kittery, Portsmouth Naval Ship Yard, Biddeford, Saco, Sanford, Cape Elizabeth, South Portland
 - Owned by Unitil Inc. which provides electric and gas service in New Hampshire & Massachusetts
 - In service over 40 years
- **Maine Natural Gas Corporation (1999)**
 - Serves approximately 3,000 customers in Gorham, Westbrook, Windham, Brunswick, Topsham, Freeport, Pownal
 - Owned by Iberdrola, affiliated with CMP
 - Serves Calpine electric generation facility in Westbrook
- **Bangor Gas Company LLC (1999)**
 - Serves approximately 2,000 customers in Bangor, Brewer, Old Town, Orono and Veazie
 - Owned by Energy West which also provides electric and gas services in Montana, Wyoming and North Carolina
 - Services Bucksport co-gen and Independence Station in Veazie
- **Summit Natural Gas of Maine (2013)**
 - Proposes to serve 17 municipalities in the Kennebec Valley area from Augusta to Madison starting in 2013
 - Owned by Summit Utilities Inc. a Colorado corporation owned by the JPMorgan Infrastructure Investment Fund

Natural Gas in Maine (Cont'd)

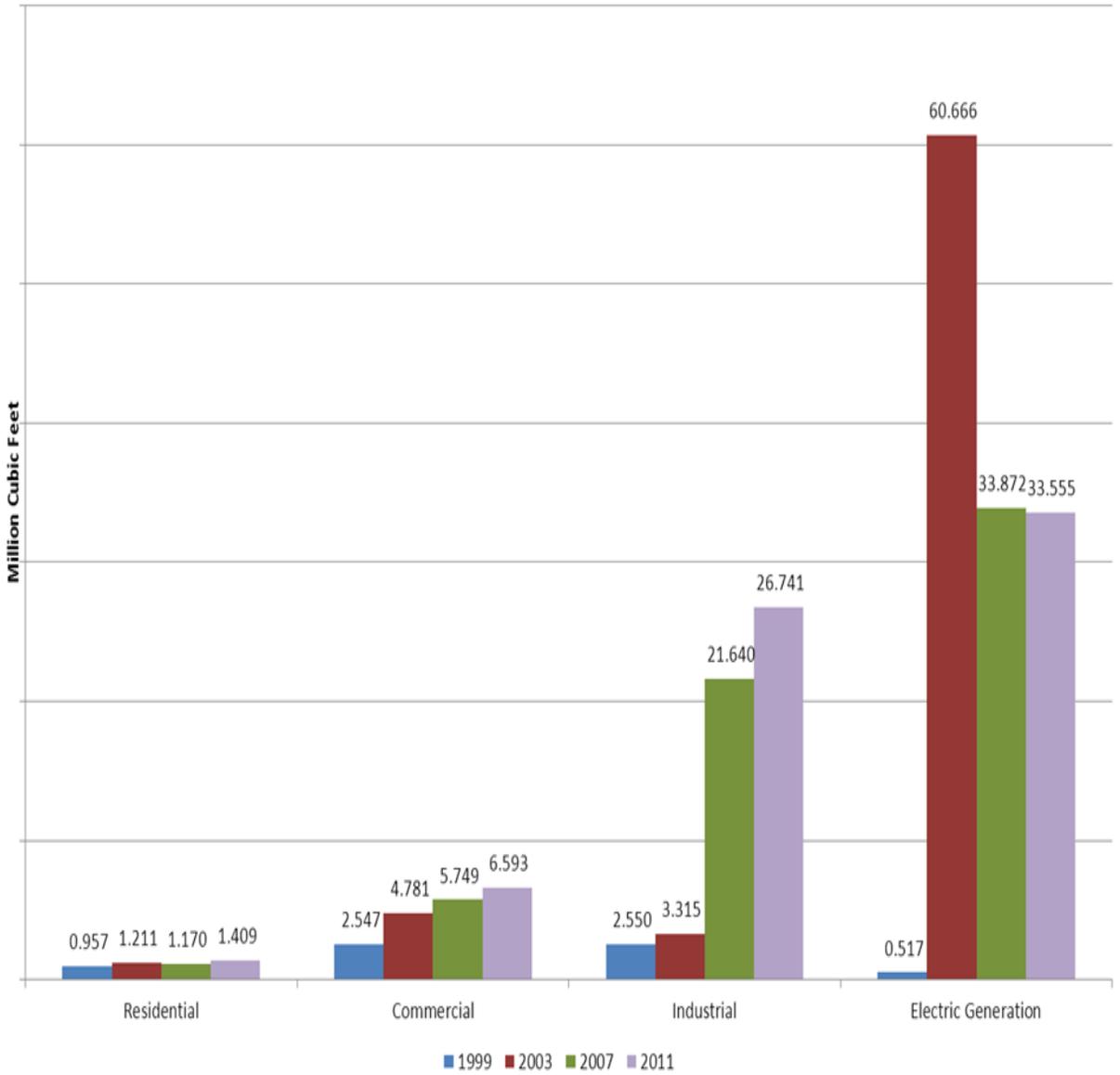
Interstate Pipelines Constructed through Maine in 1998-1999:

- **Portland Natural Gas Transmission System (PNGTS)**
 - Brings western Canadian gas to Westbrook, then joins Maritimes Northeast Pipeline to Boston area
 - Serves mills & electric generators located in Rumford and Jay
- **Maritimes & Northeast Pipeline, LLC**
 - Brings gas from offshore Nova Scotia and New Brunswick LNG to markets in Maine, New Hampshire, Massachusetts
 - Serves Bucksport co-gen & an electric generator in Veazie

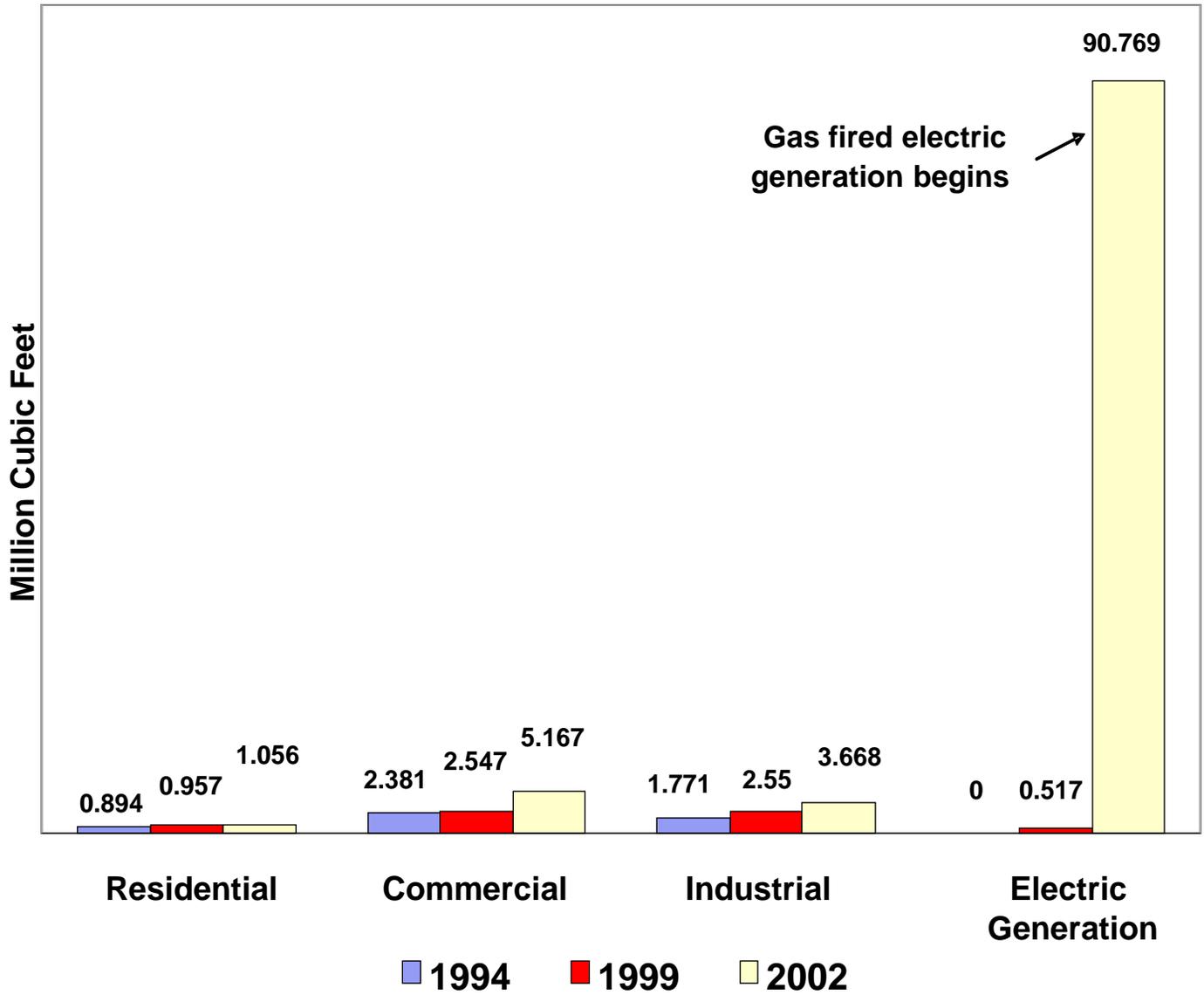
Electric Generation's Use of Natural Gas 1999-2006:

- Five gas-fired electric generators built in Maine, capable of providing 1,725MW of electricity
- As a result, natural gas consumption in Maine increased ten-fold from 1999 to 2002
- New gas-fired generation in New England region exceeds 10,000 MW

Maine's Natural Gas Usage by Customer Class



Maine's Natural Gas Usage by Class



Natural Gas Prices & Rates

- Before 1999 natural gas price is relatively stable around **\$2/MMbtu**. No. 2 heating oil and No. 6 industrial oil are price-competitive
- In 2005-2006, natural gas prices rise to **\$6-\$8/MMbtu** and spike to **\$15/MMBtu** during cold weather events or supply interruptions such as those caused by Hurricane Katrina in 2005
- In 2009-2012, shale gas extraction results in plentiful supplies which lead to natural gas prices of **\$2.00 - 5.50/MMBtu**, while oil prices rose to over **\$20/MMBtu**
- Interstate Pipeline constraints limit gas flow into New England, leads to insufficient gas for electric generation
- Maine gas utilities purchase gas commodity from suppliers at city gate and deliver it to customers through local distribution pipelines. Cost of delivery, or “pipes,” service cost is charged in “Base” rates; gas commodity cost is charged in “Cost of Gas” rates
- **2012 Maine gas utility average price ranges**
 - Residential/Small Commercial \$0.78 - \$1.65/therm
 - Large Commercial \$0.68 - \$1.63 /therm
- **Northern (Unitil) Base Rate Increase** of 29-59% approved in 2011, raised Residential customers total bills 18%

Liquefied Natural Gas (LNG)

- **Import facilities are authorized in public proceedings before the Federal Energy Regulatory Commission (FERC)**

Maine

- Liquefied natural gas (LNG) import facilities applications for authority to construct in eastern Maine have been withdrawn or delayed (Calais LNG and Downeast LNG)

Massachusetts

- Distrigas in Everett, MA provides vaporized LNG supply to Maine gas utilities via pipeline and trucks.

Canada

- Canaport LNG, Irving's import facility in St. John New Brunswick, sends gas to US markets via Maritimes & Northeast Pipeline

Gas Safety

- **Program run by PUC has safety oversight responsibilities for over:**
 - 670 miles of natural gas mains
 - 30,000 customers
 - 1 LNG facility
 - 850+ propane distribution systems that serve multiple customers
- **Goal of program is to protect the public by reducing risks associated with transporting natural and propane gas through pipelines**
- **Commission monitors compliance by:**
 - Performing comprehensive and frequent inspections
 - Requiring monthly and annual reporting of operator and facility performance
 - Enforcing state and federal regulations

Safety Enforcement Activities

- **The Commission may issue fines for violations of safety regulations with regard to:**
 - Natural gas and propane facilities' integrity
 - Operator Qualifications (technician training and evaluation)
 - Operations, Maintenance and Emergency Response Procedures
 - Applicable federal code: 49 C.F.R. Part 192 including National Fire Protection Association Standard 58 (storage and handling of propane gas)
 - Applicable Commission Rules: Chapter 420 (natural gas), Chapter 421 (propane), Chapter 895 (underground facility protection)
 - Fines can be up to \$100,000 per violation per day, and up to \$1 million for series of related violations

PUC Actions For Safe Gas Operations

- Ordered 4-year replacement of cast iron pipe in Northern's Lewiston/Auburn natural gas distribution system completed in 2008
- By 2010 Order, Unitil will replace all cast iron and bare steel pipe in Northern's Portland/Westbrook distribution system over 14 years, or as late as October 31, 2027 if the utility demonstrates the need to coordinate with scheduled municipal projects
- Safety regulation of pipeline-related facilities for LNG, compressed natural gas (CNG), and landfill gas, such as Woodland Pulp compression facility and EcoGas LLC proposed landfill gas pipeline to serve UMO
- Safety oversight of proposed redevelopment of the decommissioned Loring AFB jetfuel pipeline