

# MAINE STATE LEGISLATURE

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# NATURAL GAS FOR MAINE

REPORT OF THE  
NATURAL GAS STUDY SUBCOMMITTEE  
OF THE  
JOINT STANDING COMMITTEE ON PUBLIC UTILITIES  
to the  
Maine Legislature  
January 12, 1982

Chairman:

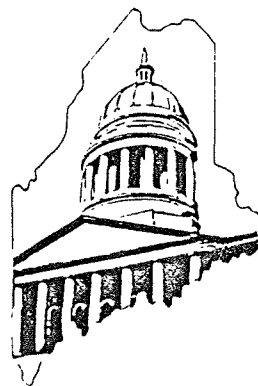
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## Introduction

The Natural Gas Study was authorized by the Legislative Council in May of 1981, and conducted by a Subcommittee of the Joint Standing Committee on Public Utilities.

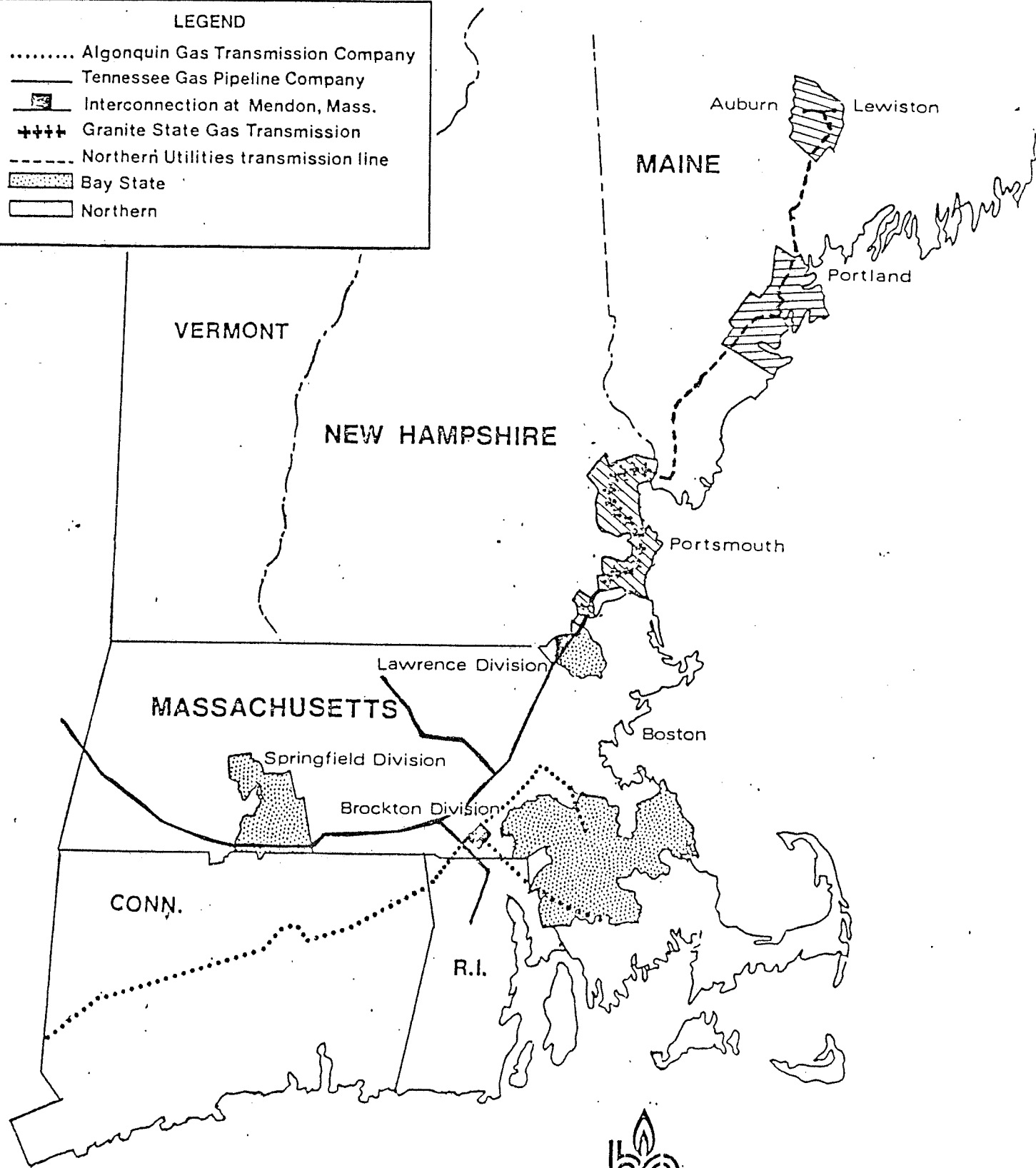
Its purpose was to determine how much additional natural gas could reasonably be used in Maine, and what the necessary steps are to make it available. The study was stimulated by the proposal to build a new pipeline from New Brunswick to Rhode Island, the New England States Pipeline Project. That project has now applied for the necessary Canadian and U.S. Federal permits.

The Subcommittee had three full-day meetings and heard testimony from the major participants in the pipeline and in natural gas distribution in Maine, as well as several government officials and technical experts. Since this was a new subject to many of the members, we feel satisfied at gaining this initial overview of the industry and the problem. But, further efforts will be needed to obtain positive commitments to bring more natural gas to the people of Maine.

# Map of the Combined Service Area

**LEGEND**

- ..... Algonquin Gas Transmission Company
- Tennessee Gas Pipeline Company
- Interconnection at Mendon, Mass.
- ++++ Granite State Gas Transmission
- - - - Northern Utilities transmission line
- ▨ Bay State
- Northern



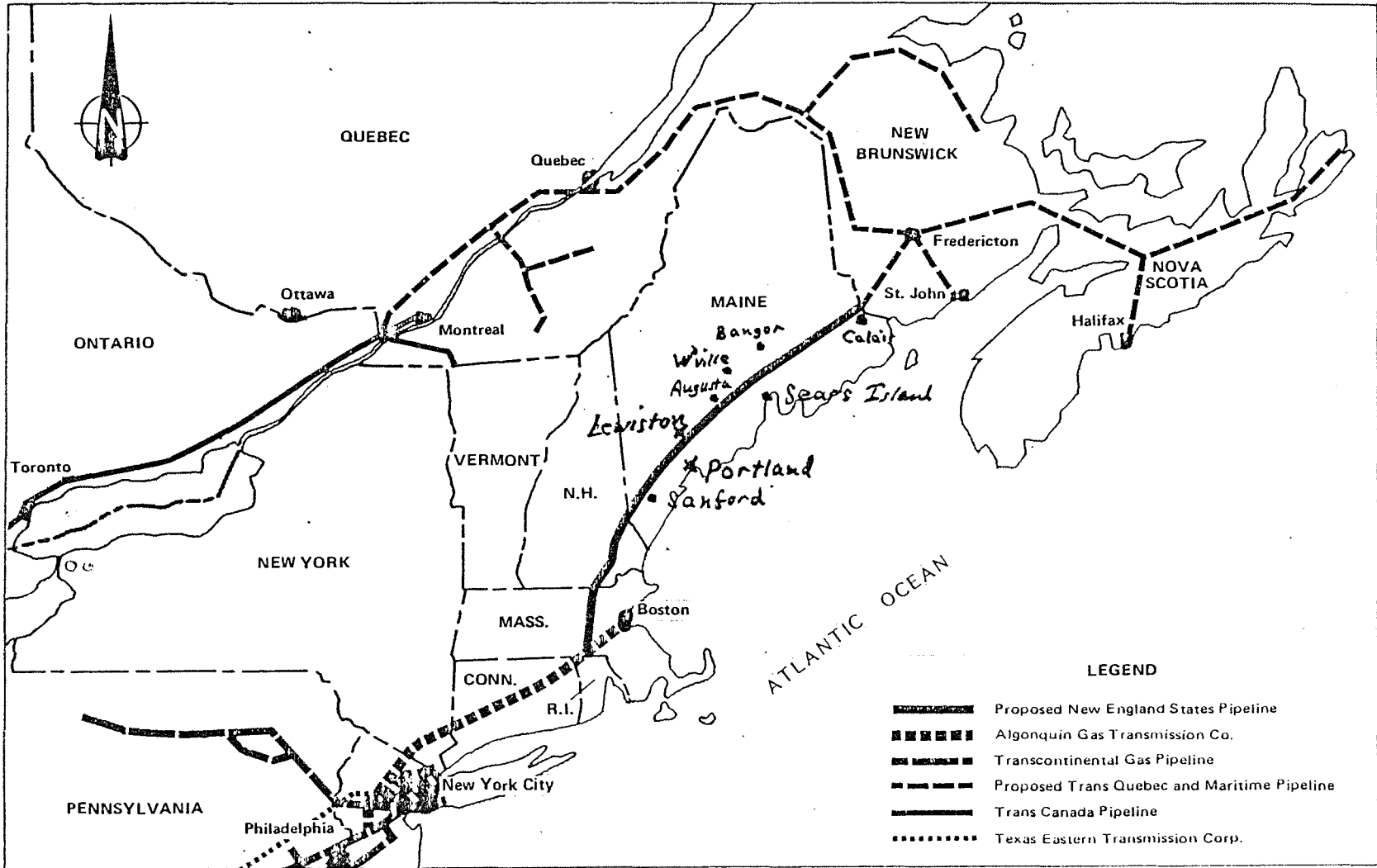


Figure 1-1 PROPOSED NEW ENGLAND STATES PIPELINE PROJECT





# BOUNDARY GAS PROJECT

TransCanada  
Pipelines, Ltd.

Tennessee Gas  
Pipeline Company

## FINDINGS

Natural gas is very efficient, produces little pollution, and is priced below oil or electricity. It can be used as an industrial fuel, for space heating, and for other domestic uses. But it is less than 1% of the energy supply in Maine, compared to 9% in the region and 25% nationally. As a result Maine depends on 68% oil compared to only 42% nationally.

Why? Maine has a low population density, so distribution costs are high, and Maine is at the end of the pipelines from the supplies in the southwestern U.S..

### Present Use of gas

At present 15,000 customers in the Portland and Lewiston-Auburn areas are served by Northern Utilities Company, a division of Bay State Gas. The gas is obtained from Tennessee Gas Transmission Company through a pipeline limited to 24,000 thousand cubic feet (MCF) per day. However, winter peak use reaches 38,000 MCF/day. The difference must be made by the vaporizing of LNG (liquified natural gas). There has been a backlog of 1,000 residential and 150 commercial/industrial customers awaiting service. Completion of a new gassifier in the fall of 1981 will help, but there is a need for more supply at the wholesale level, even with the present distribution system.

### Wholesale Supply

Canadian gas provides an interesting supply option. Maine may get 1300 MCF/day beginning in 1983 from the planned Boundary Gas Project which will bring 185,000 MCF/day of Alberta gas

through existing pipelines at Niagara Falls. The Canadian National Energy Board has approved the Trans Quebec and Maritime Pipeline Project, to bring Alberta gas further east. A longer term possibility would be the gas which has recently been discovered off Sable Island. If either of these work out, the New England States Pipeline (NESP) (proposed by Algonquin Gas Transmission Co., Transcontinental Gas Pipeline Corp., Texas Eastern Gas Transmission Co., and NOVA, An Alberta Corporation) could bring 300,000 MCF/day of the gas to the Boston area through Maine. If so, Maine might get some of the gas. That would depend on: (1) FERC approval of the NESP transmission line, and (2) FERC approval of an allocation to a retail distributor, with a tap in Maine.

FERC (the Federal Energy Regulatory Commission) is likely to approve NESP if they have a suitable gas supply. They are still awaiting the Canadian export permit, but the FERC application was filed in October. As for the retail allocation to Maine, NESP has said they "will not oppose" it, but they clearly don't need it because they have other markets. Northern Utilities has said they will apply for a tap at Gray and at least 10,000 MCF/day (presumably 5000 MCF/day would go to Maine and the other half to New Hampshire). If NESP is built, far more gas would be available to somebody. But to get it, Maine would have to compete for a FERC allocation, and have the distribution system to use it.

The proposed route of the NESP is from the Calais area through Orrington, Hallowell and Gray to Rochester, New Hampshire.

#### Retail Distribution

Most of Lewiston/Auburn and 2/3 of the population in the Portland area, 130,000 people, live within 100 feet of an active gas main. But service piping adequate to handle heating needs

does not exist in most locations, and it is expensive to install. As a result, new developments are being served with gas, but older ones are not.

Although Northern Utilities has the franchise for the entire State (except the Bangor area) they have not developed it outside the Portland and Lewiston areas.

In Bangor, Waterville and Augusta, all of which are near the proposed NESP pipeline, there are no active gas mains remaining. The cost of installing mains is an important factor, and Northern Utilities suggests that a new residential distribution system could not be installed without financial support. It is possible that 1981 P.L. c. 473 might allow use of the Public Utility Financing Bank for this purpose.

For larger users, the picture is somewhat more optimistic. Last year PUC authorized customer payment for installation of service mains, and some industrial and large institutional users are already making use of this option. The cost is about \$20,000 for the connection and \$20/foot for the line. The customer pays this plus the usual cost of gas. This is the most likely way to expand gas use in Maine, and market surveys are under way to determine the potential.

#### Future use of gas

Increased use of natural gas could be favorable to Maine because:

- (1) Price is attractive, at least short-term
- (2) Reserves in U.S. and Canada are relatively large
- (3) It would diversify the State's energy mix
- (4) It is a clean, efficient fuel.

The question of timing may be important. The rest of the country has had the benefit of plentiful cheap natural gas for years. It would be too bad if Maine did not get it until the supplies start dwindling and the price gets high.

The potential market is significant. At present growth rates Northern Utilities would double their sales by the mid 1980's, and development of new areas could add an equal amount or more. A market survey is necessary to give better estimates, but it is not unreasonable to expect that potential demand exists for at least 15 to 30,000 MCF/day, or 5 to 10% of the gas from NESP.

#### RECOMMENDATIONS

It is recommended that:

- (1) The State should support the proposed New England States Pipeline (NESP), provided that a fair share of the natural gas is allocated to the State, that taps are installed at various reasonable locations, that a fair pricing schedule is established for the gas and its transportation, and that the route is well chosen from an environmental and an economic standpoint. This support should include intervention before U.S. Federal Energy Regulatory Commission (FERC) and Economic Regulatory Administration (ERA) by the Public Utilities Commission and the Office of Energy Resources.
- (2) The State should support the Boundary Gas Project, provided that existing Maine distributors get a fair share of the gas and that this project does not preempt the gas supply from the New England States Pipeline.
- (3) The State should work through FERC, Northern Utilities and others via a "7(a)" application or other means to get substantial gas allocations to Maine for retail distribution. The precise amount of gas must be justified by market survey,

but is likely to include 5 to 10% of the gas from NESP.

(4) The Standing Committee on Public Utilities should review the natural gas statutes and recommend an update as necessary to further the best interests of the State in connection with transmission, distribution and supply of natural gas.

(5) The State Development Office should ensure that a market survey is conducted along the proposed NESP route.

(6) The State should encourage development of active distribution systems, at least for major users, in the major cities near the new NESP pipeline corridor. This could be done by Northern Utilities, by formation of a municipal gas district, or by some other entity.

(7) A Joint Select Committee should be established to continue to follow the natural gas issue.

AN ACT to Encourage Fuel Diversity by Increased Use of Natural Gas.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, permit applications are pending right now before Canadian and U.S. Federal Agencies for a major new international and interstate natural gas pipeline through Maine: the New England States Pipeline Project; and

Whereas, this presents an opportunity to obtain additional natural gas supplies in the State, but only if qualified distributors and users are available in a timely fashion; and

Whereas, in many areas of the State either no natural gas distribution company has authority to furnish service, or the company which has the authority is not actively furnishing service; and

Whereas, potential market information is not now available for areas which might be served; and

Whereas, a Joint Select Committee can represent the Legislature's interest in this matter and include other interested parties in a continuing fashion, and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 35 M.R.S.A. §15 is amended by adding new subsection 9-A, as follows.

9-A. Natural gas distribution company; distributor.

"Natural gas distribution company; or "distributor" means a corporation or other entity with the purpose of selling, distributing or supplying natural gas, whether or not mixed with other kinds of gas, for lighting, heating, manufacturing or mechanical purposes anywhere in the State.

Sec. 2. 35 M.R.S.A. §2301 is amended by adding at the end the following:

'For any natural gas distributor authorized or re-authorized to furnish service by the commission after July 1, 1982, that authorization shall be effective for a period of 10 years. At the end of the 10 year period, for those areas in which service is actually being provided by the distributor, the authorization shall be renewed, provided that the conditions of that authorization are being met. But, for those areas in which service is not actually being provided by the distributor, the authorization to serve shall be terminated, without prejudice. The holder of any authorization to serve terminated by the 10 year limit may reapply at anytime.'

'No natural gas distributor organized under Title 13-A shall have authority without the consent of the Public Utilities Commission to furnish its service in or to any city or town within the State even if no other corporation, person, association or cooperative is furnishing or is authorized to furnish a similar service. Any distributor providing service on January 1, 1982 shall have until January 1, 1983 to obtain the consent of the commission to continue to furnish service.'



Sec. 3. 35 M.R.S.A. §2537 is amended by adding at the end the following:

'For any natural gas distributor authorized or re-authorized to furnish service by the commission after July 1, 1982, that authorization shall be effective for a period of 10 years. At the end of the 10 year period, for those areas in which service is actually being provided by the distributor, the authorization shall be renewed, provided that the conditions of that authorization are being met. But, for those areas in which service is not actually being provided by the distributor, the authorization to serve shall be terminated, without prejudice. The holder of any authorization to serve terminated by the 10 year limit may reapply at anytime.'

Sec. 4. Definitions

As used in this Act, unless the context otherwise indicates, the following terms have the following meanings.

1. Area. "Area" means a group of at least 4 adjacent municipalities, or any number of adjacent municipalities at least 100 square miles in area which may, in the sole judgement of the Commission be feasible for natural gas service.
2. Commission. "Commission" means the Public Utilities Commission.
3. Natural gas distribution company; distributor. "Natural gas distribution company; or "distributor" means a corporation or other entity with the purpose of selling, distributing or supplying natural gas, whether or not mixed with

other kinds of gas, for lighting, heating, manufacturing or mechanical purposes anywhere in the State.

Sec. 5. Distribution Franchise Review

1. Review. The commission shall review, before July 1, 1982, the service and plans of any existing natural gas distribution companies to determine:

- A. What areas of the state are actively being served; and
- B. What areas of the state are likely to be served within the next 5 years; and
- C. What areas of the state are not likely to be served within the next 5 years.

2. Unserved Areas; termination. For areas of the state not likely to be served by natural gas within the next 5 years the Commission shall:

- A. Give public notice inviting applications for authority to serve in those areas; and
- B. Terminate any existing authority to serve in those areas, without prejudice to the possibility of a future award of authority to serve to the distributor whose authority is terminated.

3. For any areas determined under subsection 1 to be likely to be served within 5 years, the commission shall review progress by July 1, 1984. If the commission finds that the distributor has not made reasonable progress towards providing service, then the authority to serve shall be immediately terminated in that area, in accordance with subsection 2.

Sec. 6. Joint Select Committee on Natural Gas

A. There is hereby established a Joint Select Committee on Natural Gas to be composed of 7 members of the Joint Standing Committee on Public Utilities, the Director of the Office of Energy Resources, the Director of the State Development Office, the Commissioner of Environmental Protection, a representative of Northern Utilities Inc., a representative of the Maine Development Foundation, and the chairman of the Public Utilities Commission.

B. The Joint Select Committee shall study the opportunities for bringing additional natural gas to users in Maine, including such factors as: supplies, pipelines, wholesalers, distributors, and consumers. The Joint Select Committee shall report to the Legislature, including any legislative recommendations, at the beginning of the 1st Regular Session of the 111th Legislature, and at other times, as appropriate.

C. There is appropriated from the Legislative Account for the work of the Joint Select Committee, including expenses for expert witnesses, and per diems and travel expenses for legislative and non-legislative members, the sum of \$2500.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

STATEMENT OF FACT

The bill responds to the opportunity described in the preamble for making more natural gas available in Maine by:

- (1) Putting a 10 year sunset date on new distribution franchises if they are not exercised.
- (2) Requiring the PUC to review the service and plans of existing distributors, and terminate their authority to serve in inactive areas.
- (3) Establishing a Joint Select Committee on Natural Gas to continue oversight of the issue.

Joint Resolution in Favor of Additional Natural Gas supplies  
for the State of Maine

Whereas, natural gas is a clean, efficient fossil fuel  
that can be an attractive alternative to oil or electricity,  
frequently at lower cost; and

Whereas, Maine gets less than 1% of its energy supply from  
natural gas, compared to 9% in the New England region and 26%  
in the nation; and

Whereas, the New England States Pipeline Project is pro-  
posed to run from the New Brunswick border near Calais, through  
Maine to Rhode Island; and

Whereas, this new international and interstate pipeline  
presents an opportunity for Maine to become fully tied in to the  
interstate pipeline system, and to receive significantly more  
natural gas; now, therefore be it

Resolved: that construction of the proposed New England  
States Pipeline is in the best interest of the people of the State  
of Maine, provided that a fair share of the natural gas is  
allocated to the State, that taps are installed at various  
reasonable locations, that a fair pricing schedule is  
established for the gas and its transportation, and that the  
route is well chosen from an environmental and an economic  
standpoint; and be it further

Resolved: That the Office of Energy Resources and the Public  
Utilities Commission are authorized to negotiate with the principal  
parties and intervene before appropriate federal agencies to  
support the interest stated here; and be it further

Resolved: That the State Deveopment Office, with the assistance of other appropriate agencies and public and private organizations is authorized to ensure that an adequate market survey is prepared by March 1, 1982 for potential major natural gas users within distances of 5 miles, 10 miles and 20 miles of the proposed route including Sanford, Augusta, Waterville, Sears Island, Bangor and Calais; and be it further

Resolved: That the Joint Standing Committee on Public Utilities shall consider MRSA Title 35, chapter 181 (Natural Gas Pipelines) as well as those parts of chapters 171 and 173 dealing with gas, and report to the Legislature before March 15, 1982 on any need to amend that chapter in order to further the best interests of the State with respect to transmission, distribution, and supply of natural gas. The committee report shall include any proposed legislation for consideration by the second regular session of the 110th Legislature.

#### STATEMENT OF FACT

The New England States Pipeline project (NESP) has applied to the Federal Energy Regulatory Commission for a permit to construct a new interstate natural gas pipeline through Maine from New Brunswick to New Hampshire. In order to further the best interests of the State, several actions may be necessary, and the statute dealing with gas pipelines may need some modification.

The resolution supports the NESP, provided certain conditions are met; directs the OER and the PUC to negotiate in

support of the pipeline; directs the State Development Office to ensure that an adequate market survey is prepared and requires the Joint Standing Committee on Public Utilities to review the statutes and report out a bill proposing any changes in Title 35 if needed to further the best interests of the State in connection with transmission, distribution and supply of natural gas.