
Another Peak Summer Algonquin Outage?

Atlantic Bridge construction is likely to blame.

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Data Sources Used in this Publication

- ▶ Argus Media
- ▶ EOX Live
- ▶ Pointlogic

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Atlantic Bridge Expansion to Complete Connecticut Upgrades

On March 14, Spectra posted its updated outage schedule, which included some major outages at Stony Point and Oxford, most likely related to construction connected with the Atlantic Bridge expansion project along Algonquin (132 million cubic feet per day), which was recently approved by a FERC order on Jan. 25. This project will add 6.3 miles of replacement pipe along Algonquin in New York and Connecticut, as well as a new compression station in Weymouth, Massachusetts, and upgraded horsepower to existing compression stations in New York and Connecticut. The upgraded Algonquin gas transmission outage schedule likely stems from Algonquin's request for authorization to commence construction for certain segments of the Atlantic Bridge project. While all necessary preconstruction permits and authorizations have been granted in Connecticut, authorizations in New York and Massachusetts have been delayed. Therefore, Spectra Energy plans to proceed with construction on the Connecticut segments. Construction activities in Connecticut include:

- ▶ Southeast Discharge: take up and relay 2.3 miles of 26-inch pipe with 42-inch pipe in Fairfield County, Connecticut
- ▶ Oxford Compressor Station: install a new 7,700-horsepower gas-fired compressor and cooling unit
- ▶ Chaplin Compressor Station: install a new 6,300-horsepower gas-fired compressor unit and replace two 6,950-horsepower units with two new 7,700-horsepower compressor units in Windham County, Connecticut

These upgrades are likely the cause of the large outage at the Oxford compressor station this summer, as well as the upstream Stony Point compressor station. Because only a portion of the Atlantic Bridge project will be complete this summer, owing to the permitting delays in New York and Massachusetts, only 40 mmcf/day of incremental capacity will be available by November, with the remaining 92 mmcf/day to be complete by mid-2018 (132 mmcf/day total incremental capacity). Combined, these outages are bullish Algonquin summer 2017 deliveries, as the market has indicated with the recent rally, as well as bullish winter 2017-18, with 92 mmcf/day of incremental delayed until 2018. In addition, this increases the chance of a similar outage season next summer, as work remaining in New York and Massachusetts will likely cause some major outages.

There are seven firm shippers on this project: Heritage Gas Limited, Maine Natural Gas Company, NStar, Exelon, Irving Oil Terminal Operations, New England NG Supply Limited, and Norwich Public Utilities.

What's the Summer-Over-Summer Outage Comparison?

Last summer, construction related to the Algonquin Incremental Market project caused large outages at the Stony Point and Oxford compressor stations, which raised peak capacity through Stony Point by 342 mmcf/day. Because of the year-over-year capacity increases, this year's peak power season (July-August) will see similar gas transmission line derates, but overall capacity through the Stony Point and Oxford constraint points will be higher. However, the retirement of the Brayton Point plant and the addition of Footprint Power in Salem, Massachusetts, will add significant gas demand this July and August when ISO-NE peaks.

Stony Point Outage

Most likely, given post-outage capacity and forecast power demand on Algonquin this summer, we do not expect constraints to show up at the Stony Point constraint, except perhaps for the large outage in late September, when Stony Point capacity drops to just under 700 mmcf/day. However, because of the increase in capacity post-AIM, overall capacity will be higher at Stony Point this summer, at approximately 1,100 mmcf/day in July and August. Also, constraints at Stony Point can be solved with flows from the Iroquois pipeline upstream, but usually at a higher cost. This is bearish summer over summer.

Exhibit 1 Stony Point Outage Forecast With Historical Capacity and Power Demand



Source: Morningstar Commodity Data, PointLogic Energy, Spectra

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