June 5, 2014

Ms. Heather Hunt
Executive Director
New England States Committee on Electricity
655 Longmeadow Street
Longmeadow, MA 01106

Re: Gas Capacity Infrastructure Expansion in New England

Dear Ms. Hunt:

In December 2013, the New England Governors issued a joint statement (the *New England Governors' Commitment to Regional Cooperation on Energy Infrastructure Issues*) regarding energy infrastructure diversification. Consistent with that directive, NESCOE has identified an approach to facilitate the development of gas pipeline capacity infrastructure to be funded by a FERC-approved tariff. NESCOE has called upon interested parties, including gas and electric utilities in New England, to participate in a collaborative process to assist in the development of strategies and projects that would contribute to the expansion of gas pipeline capacity to serve New England. It is widely acknowledged that the market conditions experienced in the winter of 2013/14 underscore the need to take immediate action to relieve pipeline capacity constraints, particularly with increasing regional reliance on gas-fired electric generation.

In a letter to you dated April 22, 2014, Northeast Utilities (NU), National Grid (National) and United Illuminating (UIL) set forth an approach whereby electric distribution companies, subject to appropriate cost recovery mechanisms and remuneration acceptable to them, would consider entering into long-term contracts with interstate pipeline companies for new firm gas transportation capacity. The capacity associated with these contracts would enable the delivery of adequate gas supplies necessary to fuel the gas-fired electric generation units in the region. Central Maine Power Company (CMP) and Emera Maine likewise support this approach to facilitate the development of gas pipeline capacity infrastructure in New England.

The need for investment in gas pipeline infrastructure is appropriately described in the NU/National/UIL letter of April 22, 2014. CMP and Emera Maine agree that the construction of pipeline capacity necessary to achieve the goal advocated by NESCOE (an overall increase of at least 1,000 MMcf/day of capacity for the region over 2013 capacity levels) will require an extraordinary level of investment by a variety of parties. The pipeline companies who have traditionally constructed these projects require long-term contract commitments with highly creditworthy counterparties to support construction. Provided that their cost recovery is assured, electric distribution companies could play a significant role in providing the creditworthiness necessary for these long-term contracts.

The role of an electric distribution company could take several forms. For example, in Maine there is an open proceeding (MPUC Docket No. 2014-00071) to consider the parameters under which such long-term contracts for gas capacity would be implemented by the Maine

Public Utilities Commission (MPUC) pursuant to The Maine Energy Cost Reduction Act, 35-A M.R.S. § 1901 *et seq*. This Act provides that the MPUC may direct one or more transmission and distribution utilities, gas utilities or natural gas pipeline utilities to be a counterparty to one or more contracts for natural gas transmission pipeline capacity. Alternatively, the MPUC itself could execute one or more of these natural gas capacity contracts. Under both of these options, the Act authorizes the MPUC to assess the utilities for the costs of the contracts for recovery from their customers in rates. Another variation would be the model advocated by NU/National/UIL in their letter of April 22, 2014, whereby electric distribution companies would not only enter into contracts for gas pipeline capacity, but would also arrange for the management of such capacity by a capacity manager(s), who would manage the capacity and allocate the capacity among the electric generators through pre-determined means designed to achieve the intent of the added infrastructure.

Under any of these models, electric distribution companies would need to be appropriately compensated for entering into these long-term contract commitments and for lending financial stability in the form of balance sheet and credit-rating qualifications. This compensation could be in the form of equity participation in the capacity expansion project and/or other compensation, depending on the size of the contract commitments and the equity participation opportunity.

As noted in the NU/National/UIL letter of April 22, 2014, their proposed solution is scalable to allow the participation of additional electric distribution companies. CMP and Emera Maine believe that the existing region-wide problem requires a region-wide solution among of the New England states. As noted above, the authorizations contained in the Energy Cost Reduction Act position the State of Maine to participate in a regional effort to expand natural gas pipeline capacity in New England. CMP and Emera Maine stand ready to work with other stakeholders to achieve a mutually beneficial solution to the existing gas capacity shortage.

Given the complexity and scope of the project like this, we are in the early stages of our due diligence processes, including legal and regulatory review. As such, any commitments would of course be subject to each utility's or their parents' board approvals and would be contingent on regulatory and legislative approvals on the state or federal level as required. However, based on the preliminary work we have conducted, we believe that the NU/National/UIL proposal may be a workable and preferred option for delivering increased gas capacity and supply to generation in New England.

We look forward to further discussion with you at the earliest convenient date.

Sara J. Burns
President & CEO
Central Maine Power Company

Gerard R. Chasse
President & COO
Emera Maine