

May 30, 2014

**Via Electronic Mail**

Ms. Heather Hunt  
Executive Director  
New England States Committee on Electricity  
655 Longmeadow Street  
Longmeadow, MA 01106  
[RegionalInfrastructure@nescoe.com](mailto:RegionalInfrastructure@nescoe.com)

Re: Comments on Governors' Infrastructure Initiative in New England - Incremental Gas for Electric Reliability ("IGER") Concept and Electric Distribution Companies Proposal ("EDC Proposal") for Management of Pipeline Capacity

Dear Heather:

Portland Natural Gas Transmission System ("PNGTS") is pleased to provide the following comments in response to the April 30, 2014 memorandum from the New England States Committee on Electricity ("NESCOE"), which outlined and requested feedback on the IGER Concept and the related EDC Proposal.

**PNGTS Comments on the IGER Concept**

PNGTS is supportive of the efforts of NESCOE and the New England states to coordinate and develop a comprehensive, robust and innovative solution to the region's energy shortfall and resultant high costs. North American natural gas is abundant and clean, and is also revitalizing the American economy. By implementing the IGER Concept, this regional initiative will help extend those benefits to New England.

**PNGTS Comments on the Characteristics of the Contracting Entity and Capacity Manager**

In compliance with FERC policy and its own tariff, PNGTS does not discriminate between similarly situated creditworthy shippers, and therefore has no comments on characteristics on which the states may focus when identifying a contracting entity or capacity manager.

**PNGTS Comments on the EDC Model**

If the states choose to take action to underpin capacity purchase(s), the EDC model proposed in the letter sent to NESCOE on April 22, 2014 could be an effective process. As another option, natural gas local distribution companies ("LDCs) could acquire and manage natural gas pipeline capacity for generators under a sales or a transportation service.

PNGTS suggests one clarification to the illustrated EDC model attached to the April 22 letter. The capacity release process arrows should go directly between the box labeled "Capacity

Manager” and the box labeled “Power Generators and Secondary Market” and not through the box labeled “Gas Pipeline”. Gas pipelines only administer capacity release directives received from original capacity owners (releasers) and secondary market capacity purchasers (releasees) after open market transactions occur between those two parties. The arrow labeled “Released Capacity Payments” from the box labeled “Power Generators and Secondary Market” to the box labeled “Gas Pipeline,” as well as the arrow labeled “Capacity Contract Invoice net of Release Payments” from the box labeled “Gas Pipeline” to the box labeled “Contract Entity”, are properly drawn on the chart.

**PNGTS Recommendation on Capacity Acquisition to achieve IGER goals:**

A judicious approach to infrastructure growth should balance diversity of supply, increased reliability, and prudent cost management. PNGTS recommends that the Regional Initiative build an asset portfolio that is scalable, provides multiple supply options, allows for staged growth, and diversifies infrastructure. This will include solutions that can be implemented over time and allow access to multiple supply locations.

PNGTS recognizes the urgency of the situation and offers its Continent to Coast Project (“C2C”) as the first capacity increment that should be utilized in New England. C2C can provide up to 200,000 Dth/day of new firm capacity, and could come on line as early as November 2016 – years before construction-based projects can come into service. In addition to providing the most expeditious solution available and increasing natural gas capacity for more reliable electric system operations, C2C is the only project that offers lower rates in New England, by utilizing its cheap expansibility. In fact, PNGTS’s rates will decrease by approximately 30% through C2C. Utilizing this option will address the regulators’ need to best serve ratepayers’ interests.

In addition, PNGTS delivers Marcellus and other North American supply basin gas into the far end of the New England natural gas grid at Dracut and Methuen, MA. An investment in PNGTS capacity relieves one of the most constrained and volatile areas of New England and allows the breathing room necessary to carefully plan for increments of capacity with longer lead times.

PNGTS appreciates the opportunity to provide comments on this process and welcomes the opportunity to further develop solutions for the region. Please do not hesitate to contact me if you have any questions or wish to schedule a meeting.

Very truly yours,



Cynthia Armstrong  
Director, Marketing and Business Development  
Portland Natural Gas Transmission System

Cc: New England Gas-Electric Focus Group  
Cynthia Jacobs, NEPOOL Administrator