

To: NESCOE

From: New England Public Power Sector Representatives

Date: July 3, 2014

Subject: New England Governors' Infrastructure Proposal

You have asked for additional correspondence and input on the various alternatives for meeting the objectives of the New England Governors' Infrastructure proposal. In my capacity as the Vice-Chair for the Publicly-Owned Entities Sector of the New England Power Pool (NEPOOL), we have prepared this memorandum to provide such additional feedback on behalf of the sector as a whole. We also understand that the Massachusetts Municipals Wholesale Electric Company (MMWEC) will be providing additional information in conjunction with their proposed *Consumer Model for Natural Gas Infrastructure Development* in New England.

As we have stated previously, New England has clear and obvious infrastructure problems resulting from a mismatch between the mix of electric supply resources installed in the region and inadequacies in the fuel supply and delivery system needed to support these resources. Over the past two or more years the implications of this problem has been evidenced by compromised reliability, increasing and more electric costs to electric consumers, retirement of generation assets due to inadequate market revenues and the need for direct intervention by state government entities to meet public policy concerns. The root cause of these challenges is a wholesale market structure that attempts to meet reliability objectives by sending short-term price signals, without any way of considering the impact on cost to consumers, compensation to asset owners or the ability to address local state, and national public policy concerns. While the states, regulators, the electric industry and its stakeholders continue to explore better ways to balance this equation, we view the Governors' proposal as a necessary and limited intervention into the marketplace to address electric reliability and economic issues that have risen to a crisis level in New England.

As a basic design objective, we would suggest that the States remain focused on maximizing the consumer benefits of any actions that are taken with respect to the region's fuel supply and electric infrastructure. Based upon submittals to date, assuming an electric tariff charge to finance natural gas pipeline infrastructure is approved, we see two proposals that maximize consumer benefits. In this regard, we see the MMWEC proposal referenced above as being the one that brings the greatest potential benefit to all electric consumers in the region. Alternately, the IGER-based proposal put forward by the electric distribution companies (EDCs) can provide some of the consumer benefits of the MMWEC model, but only if the region's public power systems have the opportunity to have a load-ratio participation share of pipeline capacity.

We commend the States for your focus and diligence in pursuing realistic and practical solutions to this overarching regional problem. We also commit to stay engaged and continue providing feedback and serving as an information source as the project unfolds. Thank you for the opportunity to provide these comments.