New England States
Committee on Electricity

SUMMARY OF STAKEHOLDER INPUT AND REQUEST FOR FURTHER INFORMATION ON CAPACITY MANAGEMENT, OTHER CONCEPTS AND EXPRESSIONS OF INTEREST IN ACTING AS A COUNTERPARTY

Responses and Further Comments by July 3, 2014

June 11, 2014 – The six New England states appreciate the thoughtful comments stakeholders provided in response to the states' April 30, 2014 request for input on several potential conceptual means to increase natural gas infrastructure in New England. This memorandum summarizes those comments at a high level and offers some initial state observations. As explained below, the states also 1) welcome expressions of interest from entities interested in acting as a Counterparty, 2) request further guidance on issues associated with the Capacity Manager and/or indications of willingness to serve in that role and 3) invite other structures that would increase natural gas infrastructure in New England in a way that delivers the highest value to electric consumers.

I. Summary of Comments

NESCOE appreciates the thoughtful and extensive comments submitted by stakeholders. On April 30, 2014, NESCOE distributed a request to the New England Power Pool participants and the New England Gas-Electric Focus Group stakeholders welcoming feedback on the Incremental Gas for Reliability (IGER) concept to increase natural gas infrastructure, the Electric Distribution Companies' (EDC) concept, any alternative proposals, and comments on going forward market adjustments. NESCOE requested comments by May 30, 2014.[1]

NESCOE received letters from four pipelines and a gas storage developer, a liquefied natural gas (LNG) import facility owner, a gas capacity and asset management group, two gas and power marketers, two associations of large end users, a municipal aggregation competitive supplier, a competitive generator, a large municipal entity, the Public Power sector, two environmental advocates, and, collectively, the local natural gas distribution companies (LDCs), and two EDCs located in Maine (Maine EDCs).[2] The letters included, among many other things:

- Support for and opposition to the EDC concept and the IGER concept;

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1 NESCOE's April 30, 2014 issuance is available at www.nescoe.com/uploads/LettertoNEPOOL_Gas-Electric_30April2014.pdf.

2 The comments NESCOE received from interested stakeholders are available at: www.nescoe.com/Regional_Infrastructure.html.

- Several pipeline expansion and development proposals, a report on LNG economics, and recommendations to pursue a portfolio of solutions;

- Comments on, and a request for clarity regarding, the scope and mechanics of the capacity manager role;

- Views regarding allocation of the financial risks associated with the contact entity and capacity manager function, and whether and how much these entities should be compensated; and

- Suggestions for further study of alternative solutions and associated costs.

Commenters generally agreed with the states that New England's natural gas constraints, given the existing infrastructure, have reached a critical stage that requires resolution. While some, like the states, would have preferred market-based solutions to the region's electric reliability and economic competitiveness challenges, many commenters commended the states for their leadership in advancing solutions and support the development of additional pipeline infrastructure through the IGER or EDC concept. Not all commenters agreed that new, firm natural gas transportation capacity is the most appropriate or cost-effective solution and proposed alternatives.

Commenters provided diverse views on a wide range of subjects associated with the Governors' Infrastructure Initiative. Some comments focused on the solution funding mechanism and provided pros and cons of various entities performing the contract entity role. Others were more targeted to the transportation capacity management role, the potential for conflicts of interest, and the impact on natural gas and electricity markets. Views ranged from support for expedited action on a 2 Bcf/day pipeline investment to a reliance on market reforms and better utilizing or expanding on existing infrastructure.

Some Common Themes

Support for both the EDC Model and the IGER Approach

The EDCs indicated they "would, subject to the necessary cost recovery assurances and remuneration acceptable to them, consider entering into long term contracts with interstate pipeline companies for new firm gas transportation capacity."[3] The IGER approach would similarly have a credit-worthy counterparty(ies) enter into long term contracts with interstate pipeline companies for new firm gas transportation capacity and is flexible on the entity(ies) performing the role of contract entity. The four pipelines and the gas storage developer offered support and characterized both approaches as "workable." The Maine EDCs indicated that based on a preliminary assessment, the EDC approach may be a workable and preferred option. A competitive generator provided qualified support, in the absence of certain market-based solutions. An

[3] For more information, see the EDC letter to NESCOE at www.nescoe.com/uploads/EDCLetter_RegionalInfrastructure_22April2014.pdf.

association of large end users that consume both electricity and natural gas supports both approaches and urges quick action.

A competitive generator found the EDCs a logical choice for the contract counterparty, as they are investment grade credit-worthy and eligible under existing regulations to recover incurred costs through the transmission tariff. Also, the EDCs are limited in number, which may simplify the mechanics of the precedent agreements, tariff-based cost-recovery, and nexus with the capacity manager(s).

Preference for the IGER Approach[4]

Other entities expressed support for the notion of long-term contracts with interstate pipeline companies, but preferred other entities assume the contract entity role. An association of large end users recommended that the LDCs build, own and operate the new gas transportation capacity, rather than the EDCs. This approach would allow for clearer separation of responsibilities between the EDCs and LDCs.

In contrast, the municipal aggregation competitive supplier objected to either the EDCs or LDCs, and instead offered support for the IGER approach with a neutral, independent third party providing non-discriminatory gas transportation capacity. Concerned over the potential conflicts of interest associated with parent holding companies that may own both electric and natural gas subsidiaries, the municipal aggregation competitive supplier would not object to a non-profit third party able to provide tax-exempt financing.

Alternatively, the large municipal entity supported a variation of the IGER, whereby the municipal entity would own and finance the new pipeline transportation capacity, rather than a pipeline developer. Using a tax-exempt municipal debt issuance as the source of funding, the municipal entity suggested that its proposal would eliminate unnecessary layers of management and reduce costs for consumers relative to the EDC model.

Support for a Portfolio Approach to Solutions

In addition to, or in lieu of, additional pipeline transportation capacity, some commenters recommended a combination of solutions that included gas storage, imported LNG, and increased gas energy efficiency. The gas storage developer contended that owning or contracting for a mix of long haul transport, storage and peaking assets is a proven approach to handling different portions of daily natural gas demand. According to the gas storage developer, peak storage better serves power generation needs and would lead to better asset utilization, compared to a transportation-only solution that may have excess capacity for much of the year and source gas from constrained markets on the peak day.

The LNG import facility owner asserts that the region's reliability and economy would be best served by first utilizing existing infrastructure before investing in new pipeline

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4 See also the flowchart graphic related to NESCOE's April 30, 2014 communication at www.nescoe.com/uploads/GasforElectricReliabilityGraphic_April2014.pdf.

transportation capacity. According to a consultant report provided by the LNG import facility owner, an existing LNG import facility is a relatively low cost way of meeting the region's short duration infrastructure constraint and one of the few options available over the next two to three years.

An environmental advocate, with an affiliate that works for developers and others, focused on the need to examine other solutions such as market reforms and energy efficiency. Out of concern for the climate change mandates and policies of the New England states, this advocate contends that a new, greenfield gas pipeline will lock in decades more of fossil fuel dependence with substantial economic risks. Preferring market reforms and a new surcharge on natural gas infrastructure to fund gas energy efficiency measures, the advocate recommends support for imported LNG and the build-out of existing gas pipeline projects. Another environmental advocate expressed concern that the states have not adequately evaluated resource alternatives to pipeline expansion.

Capacity Manager needs to Achieve Intended Objectives and Address Conflicts of Interest

With regard to the capacity manager role in the IGER and EDC model, commenters opined on access to the new gas transportation capacity, the appropriate type of entity that should perform the role, and proposed details associated with the management of the capacity. Some requested more information and detail from the states on these issues.

A competitive generator contended that primary access to the new gas transportation capacity should first be provided to the gas-fired electric generators in New England, with any remaining capacity then made available to the broader secondary marketplace. In contrast, an association of large end users that consume electricity and natural gas prefers the capacity manager to passively hold the firm capacity for release consistent with FERC regulations. Most commenters agreed that the value associated with the new gas transportation capacity should flow back to electric ratepayers through the tariff-based funding mechanism.

Several commenters expressed views on the appropriate entity for the capacity manager role. Out of concern for potential conflicts of interests associated with entities that participate in the restructured electricity market, the natural gas distribution business, and/or the natural gas marketing trade, many commenters recommended that the capacity manager be a newly created special purpose entity with no pecuniary interest and amenable to oversight. A competitive generator suggested that the states form such an entity and bundle the new gas transportation capacity with natural gas commodity to provide full service to the electric generators and maximize the value of the asset. A large municipal entity that proposed to fund the new transportation capacity would establish an affiliate to manage the capacity. An association of large end users recommends the LDCs perform the capacity manager role, rather than the EDCs.

Others provided relatively specific recommendations for capacity management role. Two commenters provided views on the term that the capacity would be made available to customers. A competitive generator maintained that the capacity should be made available for term sales of 1, 3, 5, and 10 year periods. A gas and power marketer proposed an approach that would auction off the entire capacity to the broad secondary marketplace for the entire term of the precedent agreement (e.g., 20 years), thereby potentially eliminating the need for a capacity manager.

II. Some State Observations

- The six New England states agree emphatically with stakeholders who express that it would have been ideal if a market-based solution was now in place or could be put in place to effectively solving the region's infrastructure challenges and that in its absence, it is imperative to consumers that other solutions move forward now.

- The states agree entirely with those who endorse a portfolio approach to achieving adequate energy infrastructure, including the New England states' continued aggressive investment in energy efficiency and renewable energy. The incremental infrastructure identified by the Governors is in addition to, and not in lieu of, the states' sustained commitment to investment in resources that support clean power deployment and reduce energy demand. In fact, the American Council for an Energy Efficient Economy most recently released its seventh annual edition of the *State Energy Efficiency Scorecard*.[5] The 2013 *State Scorecard* shows that four New England states - Massachusetts, Connecticut, Rhode Island and Vermont - are in the top ten states nationally for energy efficiency. In 2013, Massachusetts retained the top spot for the third year in a row. Moreover, the New England states have worked with ISO-NE, NEPOOL, and other stakeholders to ensure that these substantial investments are accounted for in regional system planning

- Since various resource studies concluded, New England's operational experience has shown that the region's natural gas constraint problem is more severe than contemplated in those studies. ISO-NE, for example, commissioned its consultant to update ISO-NE's natural gas study to reflect operational experience observed this past winter and to take into account the upcoming retirement of non-gas-fired generation on the system. The results increasingly suggest that, with the exception of some minor relief in the winter of 2016/17 (due to the addition of the Spectra AIM project during 2016), the gas pipeline system constraints are more severe than what was originally forecast in 2012. With respect to the study commissioned by NESCOE, the states evaluated the costs and benefits of various resource solutions, including new pipeline capacity, transmission for economic or firm imports, LNG, dual fuel and demand response. While the "low demand" scenario in that study concluded that no additional infrastructure would be needed if demand reduction and energy efficiency programs were to offset any growth in electric load and there was no growth in residential, commercial and industrial natural gas demand, the region has since seen unanticipated non gas-fired generator retirements, pipeline capacity projects subscribed at lower than

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[5] http://aceee.org/press/2013/11/massachusetts-most-energy-efficient-

expected levels, and observed congestion-driven basis differentials that far exceeded those projected for the winter of 2013-14. These more recent developments suggest that the study's estimate of the benefits of infrastructure investments are conservative and that avoiding the need for additional infrastructure would require substantially lower demand than what was modeled in the "low demand" case.

- The states agree with stakeholders who urge caution in thinking through issues associated with the entity that serves as a capacity manager, to the extent one is needed, and the states particularly agree with the need to manage actual or apparent conflicts of interests.

- The states agree with those stakeholders who, in various ways, urge the states to ensure that the way forward places a priority on ensuring that benefits resulting from electric customer investment in incremental infrastructure flow back to electric customers.

III. Requests for Further Information

To further inform consideration of the way forward, the states welcome further information by July 3, 2014 to regionalinfrastructure@nescoe.com as follows:

1) **Request for expressions of interest to act as a Counter Party (the Contract Entity from the IGER approach)**: The form and substance of the request is set forth below. The request is designed to solicit uniform information to enable a full and comparable comparison of potential alternatives. The request does not necessarily assume that a counterparty will select or use a Capacity Manager, but allows for that potential outcome. The states encourage interested entities that have begun the important work of developing solution paths to continue to do so.

2) **Request for further guidance on issues associated with the Capacity Manager and/or indications of willingness to serve in that role:** Many commenters offered divergent views about issues associated with a Capacity Manager. To further inform states' thinking about this issue, states welcome any additional input on or reaction to those Capacity Manager-related comments.

   In addition, the states welcome any entity to indicate interest in serving as a Capacity Manager. Entities should include information about the type of business they are engaged in, including but not limited its specific business(es) in the New England gas and electric markets and the corporate or organizational structure of the entity (including an organizational chart illustrating parent and affiliate companies and an explanation of the relationships).

This request is not set out in the same form and detail as the request for expressions of interest associated with the counterparty (below) in part because the states intend to include specific terms and conditions relative to transportation capacity utilization, and how such capacity is to be managed, in a FERC-approved tariff. Any Capacity Manager would be bound to strictly conform to those requirements.

However, one issue that requires further scrutiny is the fact that the Capacity Manager's existing business arrangements and/or affiliate relationships may present an actual or apparent conflict of interest. Therefore, any entity interested in acting as a Capacity Manager should describe the proposed means by which they would demonstrate that they are operating in a transparent manner and strictly adhering to the requirements set forth in any FERC-approved tariff and/or associated reporting requirements that may be imposed by any state agency or regulatory authority. This should also include a description of the proposed means to provide assurance and verification that there is no self-dealing or appearance of self-dealing.

3) **Other approaches**: The states continue to welcome input on other approaches and concepts designed to achieve the Governors' Infrastructure Initiative objectives in the nearest term. For example, if a stakeholder believes a Capacity Manager is unnecessary or too costly in relation to other approaches, the states welcome a detailed explanation of how the management of the capacity could otherwise be achieved in a transparent way to maximize benefits to electric consumers. And, if a stakeholder believes that the entire incremental firm gas transportation capacity should (or should not) be auctioned off to the highest creditworthy bidders in the gas-fired electric generation and/or broad marketplace for the full term of the precedent agreement(s), with the ISO-NE tariff contributing the balance of the development costs (see, TransCanada comments at www.nescoe.com), or some variation thereof, the states welcome additional information. Or, if a stakeholder believes the highest value to regional electric customers lies in an entity taking an equity position in a new gas pipeline and owning such asset once it is paid for through the ISO-NE tariff (see, MMWEC comments at www.nescoe.com), the states are interested in those views. Finally, the states continue to welcome any other concepts that could achieve the Governors' objectives.

Request for Expression of Interest to Act as a Counterparty

Submissions due: July 3, 2014

The New England States Committee on Electricity (NESCOE) is issuing this Request for Expressions of Interest (REI) to further inform the New England states' understanding of (i) the entities that have an interest in serving as creditworthy counterparties to precedent agreements with natural gas pipeline companies (Pipeline Companies), (ii) the qualifications of those entities, and (iii) the conditions under which entities would serve in that role. **Respondents should submit their expressions of interest, as detailed below, no later than 5 p.m. on July 3, 2014.**[6]

The objective of this REI is to obtain information to help the New England states evaluate potential approaches to structuring a proposal that would utilize the ISO New England (ISO-NE) tariff as the funding mechanism for strategic investment in natural gas pipeline capacity for the benefit of regional electric customers. Responses to this REI will assist the states' identification of an entity or entities that have the requisite financial creditworthiness to contract with Pipeline Companies as described below and that can offer regional electric ratepayers the best overall value in exchange for providing this and any associated services. Ultimately, implementation of a proposal that the states develop and support is subject to review and approval by the Federal Energy Regulatory Commission (FERC).

All entities interested in fulfilling the role detailed below should respond to this REI. The New England states may identify one or more entities to serve in this role based on an assessment of the quality of responses received in reply to this REI and other information received.

I. <u>Background</u>

A. Governors' Statement

The six New England Governors announced their joint commitment in December 2013 to make strategic investments in the region's energy infrastructure (the Governors'

[6] Material related to the Governors' Infrastructure Initiative, and material received in reply to this request, other than material that respondents assert to be confidential as described in Section V. will be available at www.nescoe.com

Infrastructure Initiative).[7] These investments would address power system reliability risks identified by ISO-NE and others, diversify New England's fuel source supply, enhance the region's economic competitiveness by reducing energy price disparities, and protect New England's environment and quality of life.

In furtherance of the Governors' Infrastructure Initiative, the six states, through NESCOE, have been developing a framework through which to advance an interrelated portfolio of infrastructure investments in both natural gas pipeline and electric transmission to deliver additional amounts of no and/or low carbon-emitting energy into the New England power system. This incremental energy infrastructure would be in addition to the states' continued aggressive investment in energy efficiency and distributed renewable resources, among other resources.

B. Potential Approach

This REI is related to the proposal for incremental firm gas transportation capacity. At this time, the states expect to issue a one-time solicitation for incremental capacity to be offered in increments of 200 MMcf/day. This approach would allow states to evaluate the costs associated with adding increments of natural gas capacity to achieve levels of at least 1 Bcf/day above 2013 levels.

The states have identified the ISO-NE tariff as the optimal funding mechanism to recover the costs associated with new pipeline capacity. The costs of this regional infrastructure investment would address regional electric power system reliability risks and economic disparities and would thus be appropriately allocated among electric consumers across the six states consistent with the judgment of each state regarding the benefits of infrastructure investments.

The FERC must approve tariff changes before implementation. As noted in communications to the New England Power Pool (NEPOOL) and to the New England Gas Electric Focus Group, prior to any anticipated ISO-NE filing with the FERC for approval, the states will present proposed tariff language to New England market participants and others through the NEPOOL stakeholder process. The New England states consider the current infrastructure constraints to be acute and unsustainable for consumers and have thus indicated to NEPOOL interest in bringing the stakeholder discussion to close in September 2014, with a FERC filing by ISO-NE to implement this proposal to follow.

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7 The statement can be accessed at: www.nescoe.com/uploads/New_England_Governors_Statement-Energy_12-5-13_final.pdf.

C. Creditworthy Counterparty

The proposal under development, the Incremental Gas for Electric Reliability (IGER) concept,[8] sets forth a framework whereby a "Contract Entity" to be identified by the states would enter into long-term contracts with one or more Pipeline Companies. The objective of these long-term contracts is to provide Pipeline Companies with a creditworthy counterparty, with the ISO-NE tariff as the funding mechanism.

Under the IGER, the Contract Entity would pay the Pipeline Companies the costs associated with the newly acquired capacity, net of payments from release of the capacity to New England electric generators and the secondary gas transportation market. The Contract Entity would then recover these and any additional reasonable costs from the ISO-NE tariff or refund any over-collection to the ISO-NE tariff. ISO-NE would serve in a billing and collection role, paying the Contract Entity from charges ultimately levied to electric customers as the beneficiaries of the new infrastructure. ISO-NE would not have any other role in the process. To the extent necessary (see Section II.F below), the IGER also contemplates that the Contract Entity would enter into a contractual relationship with a Capacity Manager, who would administer the capacity utilization on behalf of New England's electric ratepayers and undertake associated duties in strict conformance with governing provisions that are expected to be reflected in a FERC-approved tariff. Subject to states' consideration of responses and other information provided in reply to this request, the states may rely on a Contract Entity to select a capacity manager. Alternatively, based on an evaluation of responses, the states may conclude that they will select a capacity manager. As noted below in Section F, respondents should indicate whether their interest in acting as Contract Entity is contingent upon the authority to select a capacity manager.

The following graphic[9] illustrates the framework under the proposal:

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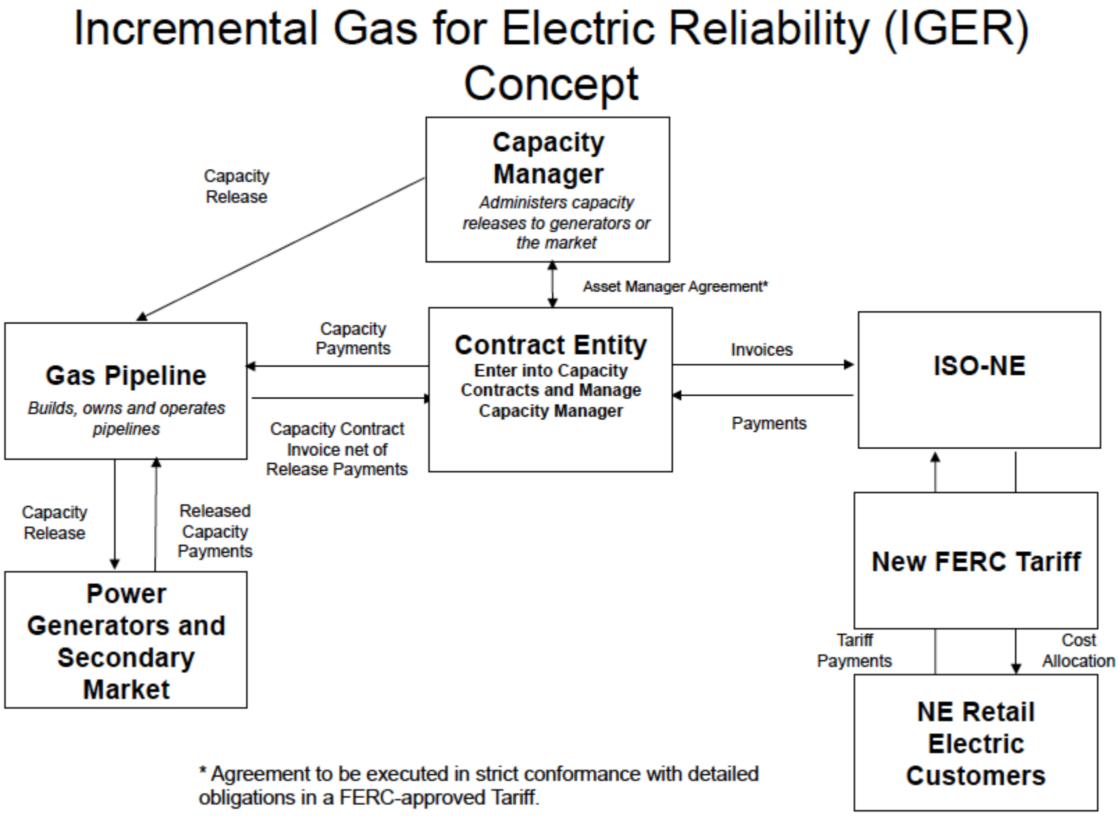
8 For further information, see http://www.nescoe.com/uploads/LettertoNEPOOL_Gas-Electric_30April2014.pdf.

9 This graphic is intended to be generally illustrative, and not definitive.



II. <u>Submission Requirements</u>

A. Deadline for Responses

Respondents should submit their expressions of interest no later than **5 p.m. on July 3, 2014** to <u>RegionalInfrastructure@nescoe.com</u>. Respondents should <u>not</u> include information marked as confidential and/or proprietary in this electronic submittal. Details on the form and content of expressions of interest and confidential treatment of certain materials is provided below.

Respondents submitting information marked as confidential and/or proprietary, as described in Section V below, should send one loose-leaf binder, containing the entirety of the response, to:

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

Respondents who submit information marked as confidential and/or proprietary must also submit *redacted* versions in electronic form to <u>RegionalInfrastructure@nescoe.com</u>.

If a respondent does not receive a written confirmation of submittal by reply e-mail by close of business on July 7, 2014, the respondent should call 203-610-7153 to confirm receipt. In reviewing responses, NESCOE may request that a respondent provide supplemental information or written clarification to the information provided in a response.

B. Content and Format

Responses should reflect a straightforward, concise description of the respondent's ability to serve as the Contract Entity. Emphasis should be on completeness, clarity of content, qualifications, and the case for electricity customer value and regulatory approval. Except for any Excel spreadsheets submitted as part of a response, all documents submitted should be formatted as searchable files (e.g., if scanned, optical character recognition feature has been enabled). Proposals must be complete and include all requested information.

C. Executive Summary

Respondents should provide a one-page Executive Summary outlining the response's critical features. This should include:

- A brief overview of the qualifications to serve as the Contract Entity.
- Any proposed plan for selecting and overseeing a Capacity Manager (or, alternatively, why a Capacity Manager is not part of the expression of interest or why the expression of interest is not contingent upon the Contract Entity having the authority to select or use a capacity manager).
- The remuneration and other business terms necessary for the respondent to serve as the Contract Entity.
- How the respondent's participation would contribute to FERC approval of the proposed tariff changes reflecting the IGER approach and state approval of any precedent agreements that may be required by state public utility commissions and siting board approvals.
- Any potential benefits, pre-requisites, regulatory approvals or barriers to serving as the Contract Entity.

D. Description of Entity

Respondents should describe the organization of the entity expressing interest from a financial and legal perspective, including: (1) the type of business(es) engaged in by the entity, including but not limited its specific business(es) in the New England natural gas and electricity markets (2) the corporate or organizational structure of the entity (including an organizational chart illustrating parent and affiliate companies and an explanation of the relationships), (3) the capital structure of, and if available the providers of equity and debt, to the entity expressing interest, (4) the entity's principal business address and business address in New England, if different from the principal business address, and (5) the contact information for individuals authorized to represent the entity in this REI process.

Respondents should indicate whether they have had any complaints alleging misconduct or malfeasance or requesting an investigation filed against them with FERC or any state agency in connection with the provision of any natural gas-related service, the nature of any such complaints and resolution.

Different entities may associate with one another to provide a single response to this REI. In that circumstance, information described above should be provided for each of the associating entities.

In addition, preliminary feedback to the IGER approach preceding this REI indicates that there is a diverse group of entities potentially interested in serving as the Contract Entity. Responses to this REI may provide greater detail relative to the advantages of more than one entity or entity type serving as the Contract Entity. Accordingly, respondents are encouraged to explain how their participation as a Contract Entity would not preclude the participation of others in this role. Respondents are encouraged to identify with specificity whether there are any limits to the level of gas transportation capacity over which they could act as the Contract Entity, and the reason for any limit.

E. Qualifications

Respondents should explain their qualifications to serve as the Contract Entity. Descriptions should include the necessary financial information for states to assess a respondent's creditworthiness, including the most recent audited financial statement or annual report for the bidder, and any relevant affiliates. Also, respondents should list the current credit rating from an independent rating service provider (*i.e.*, Standard & Poor's and Moody's) for themselves, affiliates, partners, and any credit support provider, as well as any relevant experience that respondents have in serving in a similar Contract Entity role. Respondents should highlight any factors that make them uniquely qualified to be the Contract Entity. Respondents should provide a succinct description of experience transacting business in a way that is transparent and accountable to government agencies or authorities, including but not limited to the FERC.

F. Capacity Manager Selection and Controls

The response should describe the respondent's proposed process to select a capacity manager and any experience interacting with entities that manage pipeline capacity.

Respondents should indicate whether their interest in and acceptance of the role of counterparty is contingent upon the authority to select a capacity manager, and explain why or why not.

The Capacity Manager's existing business arrangements and/or affiliate relationships may present an actual or apparent conflict of interest. The states intend to include terms and conditions relative to capacity utilization, and how such capacity is to be managed, in a FERC-approved tariff. Respondents should describe the proposed means by which they would oversee the Capacity Manager, including any procedures or controls they would put in place to ensure that the Capacity Manager operates in a transparent manner and strictly adheres to the requirements set forth in any FERC-approved tariff and/or associated reporting requirements that may be imposed by any state agency or regulatory authority. Respondents should also describe their proposed means to prevent any Capacity Manager from self-dealing or the appearance of self-dealing.

Alternatively, if a respondent views a Capacity Manager as unnecessary to the IGER concept or more costly than other approaches, it should describe this perspective and explain in detail how the management of capacity could otherwise be accomplished in an independent, transparent way to maximize benefits to electric customers.

G. Costs and Other Business Terms

Responses should include a detailed description of the form and level of remuneration, if any, that interested entities would require to collect through the tariff in order to serve in the role of Contract Entity. Respondents should include the basis for the identified level. Respondents should include other basic terms upon which it expects to condition its participation as Contract Entity under the IGER approach.

H. FERC Review

Respondents should describe how their participation would contribute to the FERC's favorable review and approval of the proposed tariff changes reflecting the IGER approach.

I. State Review

Respondents should describe how their participation would contribute to state approval of any precedent agreements or other regulatory approvals that may be required at the state public utility commissions and siting board approvals.

J. Prerequisites or Impediments to Participation

Other than the FERC review and approval required for the contemplated tariff changes, respondents should describe in detail any potential prerequisites, pending or anticipated regulatory and/or board approvals, or barriers (e.g., legal, state regulatory, corporate) that could delay or impede a respondent from serving as the Contract Entity. Associated with any identified prerequisite or barrier, respondents should include the projected timeframe associated with satisfying such prerequisite(s) or eliminating such barrier(s).

K. Conflicts of Interest

Respondents should identify any potential actual or apparent conflict of interest between the respondents and current or potential customers of the natural gas pipeline capacity.

III. Communications

Potential respondents who have questions or comments about this REI may send communications to RegionalInfrastructure@nescoe.com. NESCOE reserves the right to post any such communications to www.nescoe.com. For questions and answers of general interest, NESCOE expects to post such communications without identifying the person or entity posing the question. Potential respondents may submit such questions in writing until 5:00 p.m. on June 19, 2014, and NESCOE expects to post responses within four business days of receipt.

IV. General Disclaimers

This REI is intended solely to collect information that would support the states' consideration of an approach to facilitate strategic investments in incremental gas pipeline capacity. This REI does not commit NESCOE, any one or more states, or any other entity to any further action. NESCOE may, at its sole discretion, suspend, cancel or modify this REI in any manner and at any time.

Similarly, participating in this REI, or submitting any information as part of a response to this REI, will not create or imply any obligation on the respondent to take any further action. Respondents may, at their sole discretion, withdraw from or continue participation in the REI process. Respondents are solely responsible for the costs incurred in preparing and submitting a response and will not be reimbursed for any such expenses.

V. Confidentiality/Proprietary Information

Respondents should clearly identify any specific information submitted in response to this REI as confidential and/or proprietary. Respondents should not mark each and every page of a proposal as confidential and should only 1) mark such pages that genuinely warrant confidential treatment of commercially valuable information and 2) **highlight** the specific confidential information on the page(s) marked "confidential information." Respondents marking any portion of their responses as confidential must also provide redacted responses as provided in Section II.A above. NESCOE reserves the right, without permission, to make public, including posting on its website, redacted responses and/or any portion of a response not clearly marked confidential and/or proprietary as described above.

By submitting a response, respondents acknowledge and consent to NESCOE sharing with, and/or providing access to, responses and any confidential and/or proprietary information contained therein to representatives of New England state agencies and any consultant(s) retained by NESCOE and/or one or more New England states to assist in matters related to the Governors' Infrastructure Initiative. NESCOE will make reasonable efforts to treat clearly marked non-public information it receives from respondents in a confidential manner and will not, except as provided in this paragraph or required by law or in a regulatory, administrative, or judicial proceeding, disclose such information to any third party or use such information for any purpose other than in connection with this REI.

NESCOE does not guarantee that information submitted in a response to this REI that respondent considers confidential and/or proprietary will not be disclosed. By submitting a response, the respondent acknowledges and agrees that NESCOE and/or any one or more states will not be held responsible or liable in the event such confidential and/or proprietary information is disclosed.