



August 21, 2014

VIA Email

Ms. Heather Hunt
Executive Director
New England States Committee on Electricity (NESCOE)
655 Longmeadow Street
Longmeadow, MA 01106
regionalinfrastructure@nescoe.com

RE: Process for Natural Gas Infrastructure Development

Dear Ms. Hunt,

As a proponent of the need for additional natural gas infrastructure to support electric generation in New England, the Massachusetts Municipal Wholesale Electric Company (MMWEC) was disappointed to see the NESCOE process for the development of such infrastructure interrupted. MMWEC continues to believe new pipeline capacity is a requirement to address the electric reliability issues and overcome the negative economic impacts on consumers and businesses created by insufficient pipeline capacity.

We understand that the Governors' plan for energy infrastructure development has included a component for development of natural gas infrastructure as well as a component for the development of electric transmission infrastructure. We also understand that the reason for interruption of the NESCOE process primarily is related to the electric transmission component of this plan.

While we certainly understand and appreciate the need for electric transmission facilities to expand and diversify New England's energy portfolio, the need to expand the region's natural gas infrastructure is urgent, as clearly supported by numerous studies conducted by NESCOE, ISO New England (ISO-NE) and others. The urgency of this need is bolstered by experience over the past two winters, which brought the region serious electric reliability

challenges and unnecessary economic hardship, which will continue until new natural gas infrastructure is constructed.

Consequently, MMWEC urges NESCOE to move forward with its process for development of natural gas infrastructure independent of the process for development of electric transmission. The reasons for such action are clear. First, there is already a process in place and working market mechanisms for the development of electric transmission facilities, including the kind of facilities contemplated in the Governors' plan to deliver clean, renewable energy to New England. In fact, the developers of such transmission facilities have initiated the development process through ISO-NE. In addition, the development of transmission facilities like those contemplated in the Governors' plan is specifically addressed in FERC's Order 1000, the landmark federal order on transmission planning and cost allocation recently upheld by the U.S. Circuit Court of Appeals in Washington, D.C. Second, the Governors' plan for natural gas infrastructure development grew from the absence of a viable, marketplace mechanism to develop pipeline capacity for electric generation, a void that continues to exist.

We write also to address the August 15, 2014 letter to NESCOE from the EDCs - Northeast Utilities, National Grid and United Illuminating. We note that the EDC letter mischaracterizes MMWEC's proposed Consumer Model for pipeline development as a solution "where MMWEC would own and operate an interstate pipeline solution." The Consumer Model calls for MMWEC ownership of the pipeline with operation performed by a pipeline company under contract with MMWEC.

More importantly, we agree wholeheartedly with the EDCs' suggestion that NESCOE continue to pursue an aggressive schedule to achieve the goal articulated by the Governors' plan for natural gas infrastructure development. In addition, we agree with the EDC suggestion that NESCOE should proceed without delay to issue a Request for Proposals (RFP) to develop pipeline capacity to be funded by a FERC-approved electric tariff.

In their letter, the EDCs propose to develop an RFP with NESCOE that would "solicit the market for actual proposals" and would "define the need in terms of firm fuel supply to power generation." We also agree with these points, as a definition of the fuel supply need and receipt of "actual proposals" are required to move the process forward expeditiously.

In its July 29, 2014 response to NESCOE questions about the MMWEC Consumer Model for pipeline development, MMWEC requested that NESCOE's RFP for pipeline development be structured to require respondents to submit separate development proposals based upon 1) the Incremental Gas for Reliability (IGER) concept, and 2) the MMWEC Consumer Model concept. We believe an RFP structured in this manner is the best vehicle to produce "actual proposals" reflecting the differences in costs and potential benefits associated the IGER concept and Consumer Model. This information is critical in

the decision-making process to ensure that the selected proposal delivers the highest value to electric consumers, a threshold NESCOE requirement.

We have understood to-date that the RFP development process will include input from and review by stakeholders, and MMWEC is willing to work with NESCOE in developing an RFP that produces results that enable NESCOE to make a fully informed decision. In order to advance this process, we are working to draft RFP language describing the two-pronged response suggested by MMWEC.

I will be happy to discuss any of the above with you in greater detail, and thank you for the opportunity to participate in this process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ronald C. DeCurzio', written over a horizontal line.

Ronald C. DeCurzio
Chief Executive Officer
Massachusetts Municipal Wholesale Electric Company (MMWEC)