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July 3, 2014

Via Electronic Mail  
Ms. Heather Hunt  
Executive Director  
New England States Committee on Electricity  
655 Longmeadow Street  
Longmeadow, MA 01106  
RegionallInfrastructure@nescoe.com

Re: Comments on the REQUEST FOR FURTHER INFORMATION ON CAPACITY MANAGEMENT,  
OTHER CONCEPTS AND EXPRESSIONS OF INTEREST IN ACTING AS A COUNTERPARTY

Dear Ms. Hunt:

Cavus Energy LLC ("Cavus") again appreciates the opportunity to submit limited comments to the New England States Committee on Electricity ("NESCOE") regarding its Request For Further Information in its June 11<sup>th</sup> posting.

As stated in its May 30<sup>th</sup> letter, Cavus is an asset development company, working with Apollo Global Management affiliates, to bring additional gas assets to New England, including a LNG liquefaction, storage and revaporization facility. Cavus continues to support NESCOE's efforts to advance and promote natural gas infrastructure development and believes a mix of portfolio assets will provide the greatest reliability for the least cost.

In direct response the REQUEST FOR FURTHER INFORMATION, Cavus notes the following:

- 1. Cavus does not seek to act as a counterparty or contract entity.**
- 2. Cavus does not seek to act as capacity manager.**

FERC-regulated storage assets are generally subject to the same FERC regulations, including capacity release rules, nominations deadlines, and scheduling, as interstate natural gas pipelines. In general, as a potential "natural-gas company" as that term is defined in the Natural Gas Act, Cavus remains generally agnostic about the role of Capacity Manager, as the

methodology for allocating access to peak storage assets will likely fit the model chosen for pipeline assets.

Nonetheless, Cavus notes the following:

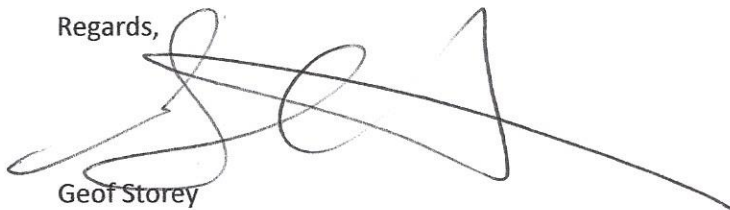
- The Capacity Manager role should be as auction administrator, as opposed to directly utilizing the assets through the buying and selling of gas. While the EDC proposal notes that “portfolio management services” are common among LDCs, which they are, they are also subject to regulatory oversight and scrutiny as all LDC gas-related transactions are. We would advise against an SPV that partakes in the complications of trading gas, or engaging a third party that will have few advantages if properly walled off from conflicts. The Capacity Manager should oversee and administer the auctioning of assets to the competitive market through the interstate natural gas pipeline capacity release mechanisms governed by FERC regulations and pipeline tariffs.
- Auctioning of assets should be short term in nature. Several responders to NESCOE have proposed auctions of long durations. The market will price a significant risk premium into any long duration capacity bid. The longer the duration the greater the risk premium. This premium will be greatest at the inception of a capacity expansion, as the long term market impact of the expansion is uncertain. A gas asset will have its greatest value to a power plant and the electric customers they serve, when that plant knows it will be dispatched for generation. Therefore if practical and feasible, the capacity should be auctioned in conjunction with the power day ahead market (DAM).

### **3. The market does not support municipal entities as developers of gas infrastructure projects.**

We suggest NESCOE rely on the market experience of others. The market has almost exclusively preferred that gas infrastructure projects be developed by participants whose expertise is the permitting, construction and operation of gas infrastructure. NESCOE should simply invite all entities, including municipals, to participate in the bid process.

Finally, Cavus notes that NESCOE should pursue the gas infrastructure auction process as soon as practical and in parallel with pursuing FERC tariff filings. Regulatory contingencies are commonplace with infrastructure developers and would not be a hindrance to bidding. While the IGER process is novel, if it is delayed in its implementation, it will be increasingly disruptive to participants pursuing long term market based energy infrastructure investments in New England.

Regards,

A handwritten signature in black ink, appearing to read 'Geof Storey', with a long horizontal line extending to the right.

Geof Storey  
Principal, Cavus Energy LLC