

Holyoke Gas & Electric

Commissioners:

Francis J. Hoey, III, Chairman
Robert H. Griffin, Vice Chairman
James A. Sutter, Secretary
Manager: James M. Lavelle



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Heather Hunt, Executive Director
New England States Committee on Electricity
4 Bellows Road
Westborough, MA 01581

RE: Comments on increased pipeline capacity

Dear Heather,

We are one of the four municipal companies that sell natural gas in Massachusetts. The efforts NESCOE has undertaken along with the New England Governors to increase natural gas pipeline capacity are very much appreciated. Our perspective from the front lines shows us we need even more capacity. We support efforts to provide an additional 2 billion cubic feet of natural gas per day. With that additional capacity, we would be competitive commercially with the rest of the country and our residents would no longer have to pay a premium for their gas.

This first 1 billion cubic feet of additional natural gas capacity was based on assumptions that placed gas in the \$7 to \$9 dollar MMBtu range, with spikes in the \$13 range. Right now, we regularly see prices in the \$25-\$38 range and spikes in the \$60s and \$70s. New York and New Jersey have seen spikes over \$100.

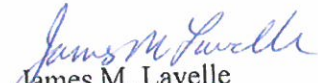
Our customers are paying significantly more for natural gas compared to last year due to the lack of pipeline capacity. This will be an increasingly vocal constituency and I would like to tell them that we truly are taking all the necessary steps to provide them with relief.

In addition, natural gas fueled electric generation is becoming increasingly expensive because of a lack of supply and ISO-NE has been forced to turn to the

greater use of higher priced coal and oil as fuel sources to generate electricity, which completely undermines the efforts regulators throughout the Northeast have taken to protect the environment through the use of natural gas. There is no apparent end in sight to the current upward pressure on gas and electric rates due to the lack of pipeline capacity.

Thank you for your efforts to date and I strongly urge you to take advantage of this opportunity to once and for all place New England on an even footing with rest of the country with adequate access to natural gas.

Sincerely,


James M. Lavelle
Manager