

New England States
Committee on Electricity

November 12, 2013

Mr. Stephen Molodetz, Vice President
HQ Energy Services, Inc.
225 Asylum Street, 27th Floor
Hartford, CT 06103

Via electronic mail

RE: H.Q.US's Comments on Phase III Gas-Electric Study

Dear Steve:

The New England States Committee on Electricity (NESCOE) appreciates the H. Q. Energy Services, Inc. (HQUS) November 6, 2013 comments on the Phase III Gas-Electric Study conducted by Black & Veatch (the Gas-Electric Study). HQUS's input on the Gas-Electric Study has helped policymakers better understand the interactions between the natural gas industry and the electric sector and a potential solution to address infrastructure constraints.

As NESCOE has indicated in releasing the Gas-Electric Study, such studies are based on hypothetical assumptions, any one or more of which history may prove wrong in the near term or at any time during the study period. Indeed, the Gas-Electric Study did not assume some recent generator retirement announcements. Moreover, the study applied cost of service valuation techniques for solution cost estimates, which are imperfect substitutes for actual costs. The study's purpose is to provide *directionally indicative* information. It is not predictive or precise. Policymakers apply their judgment to the assumptions in each scenario, and their relation to policymakers' beliefs about the future. In this regard, the HQUS observations, which policymakers will keep in mind as they evaluate the study, are helpful and NESCOE appreciates them.

HQUS's comments suggest that that Gas-Electric Study undervalues the benefits, overstates the costs, and underestimates the availability of imported Canadian hydropower. NESCOE agrees entirely that the actual costs of incremental hydro imports are unknown absent a competitive solicitation, negotiation process, or a comparable project reaching commercial operation. Further, quantifying additional benefits associated with potential solutions to address New England's natural gas infrastructure constraints were beyond the scope of the Gas-Electric

Study. NESCOE also concluded that issues associated with the potential to increase imported hydropower merit examination beyond that undertaken in the context of the Gas-Electric Study. For that reason, NESCOE produced the September 2013 *Incremental Hydropower Imports Whitepaper* and commissioned Black & Veatch to produce the *Hydro Imports Analysis*.

NESCOE welcomes the HQUS's efforts to provide policymakers with comprehensive information and invites any additional data or analysis HQUS would like to share.

Sincerely,

/s/ Heather Hunt

Heather Hunt

Executive Director

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