

New England States
Committee on Electricity

November 1, 2013

Mr. Stephen Leahy, Vice President
Northeast Gas Association
75 Second Avenue, Suite 510
Needham Heights, MA 02494

RE: Northeast Gas Association's Comments on Phase III Gas-Electric Study

Dear Steve:

The New England States Committee on Electricity (NESCOE) appreciates the Northeast Gas Association (NGA) October 16, 2013 comments on the Phase III Gas-Electric Study conducted by Black & Veatch (the Gas-Electric Study). The NGA's input on the Gas-Electric Study, like its participation on the New England Gas-Electric Focus Group, has helped policymakers better understand the interactions between the natural gas industry and the electric sector.

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. 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 NGA observations, which we agree could be significant factors in reaching any conclusions about supply, are helpful and NESCOE appreciates them.

With regard to one aspect of the Gas-Electric Study, the NGA's comment about a natural gas "supply cushion" suggests a misinterpretation of the results. As explained in the executive summary, "under the design-day criteria, New England could face a supply deficiency of approximately 500 million cubic feet per day ("MMcf/d") of natural gas in the absence of infrastructure resiliency and capacity/delivery-related solutions, thereby creating serious reliability concerns for the regional electric power supply." Further, the report states on page 57 that, "The 500 MMcf/d constraint will be embodied in the market as extremely high and volatile natural gas prices. The monthly basis at Algonquin City-Gates is projected to rise above

\$10/MMBtu, exceeding historical highs experienced in the winter of 2012-2013, and daily prices will spike up to \$35/MMBtu, as shown in Figure 38.” Rather than implying a supply cushion for the New England market, Black & Veatch asserts that in the absence of infrastructure or demand-side management solutions New England will experience capacity constraints.

NESCOE welcomes the natural gas industry’s efforts to provide policymakers with comprehensive information and invites any additional data or analysis the NGA would like to share.

Sincerely,

/s/ Heather Hunt

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