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October 17, 2013

New England States Committee on Electricity
4 Bellows Road
Westborough, MA 01581
Attn: Heather Hunt
Via Email: HeatherHunt@NESCOE.com

Re: Black & Veatch Phase III Study for NESCOE Entitled *Natural Gas Infrastructure and Electric Generation: Proposed Solutions for New England.*

Spectra Energy Corp ("Spectra Energy") has a long-standing presence in New England as a major transporter of natural gas through Spectra Energy's Algonquin Gas Transmission, LLC ("Algonquin") and Maritimes & Northeast Pipeline, L.L.C. ("Maritimes") systems. Spectra Energy greatly appreciates the efforts of the New England States Committee on Electricity ("NESCOE") and Black & Veatch to conduct an intensive, multi-phased analysis of interactions between the New England natural gas and electricity markets, specifically the examination of the adequacy of New England's natural gas infrastructure to meet growing demands of the electric sector in the region ("Gas-Electric Study").

Spectra Energy and other New England gas industry participants have for some time concluded that additional pipeline capacity is needed in New England both in the short- and long-term with increasing demand from the traditional local distribution company and electric generation sectors in the years to come. Consequently, Spectra Energy strongly agrees with the fundamental conclusions of the Gas-Electric Study that additional natural gas pipeline infrastructure is needed in New England to relieve New England's electric reliability issues, decrease prices, and reduce daily price volatility.¹

Spectra Energy notes here that Black & Veatch reached the conclusion that additional pipeline infrastructure is needed even assuming a project size for the Algonquin Incremental Market Expansion Project ("AIM") of approximately 500,000 Dth/day. Market response for AIM, however, has resulted in a current projected volume of 342,000 Dth/day for the project, largely as a result of electric generator interest waning to zero due to, as the Gas-Electric Study correctly observes, a lack of incentives in the competitive wholesale electricity markets for generators to support long-term firm infrastructure development.

Spectra Energy stresses here, however, that additional expansion of the Algonquin pipeline is still feasible beyond AIM if additional market support materializes. Additional expansion of existing pipelines was excluded from the Gas-Electric Study for long-term

¹ Further, Spectra Energy suggests that the Low Demand Scenario in the study which does not contemplate long-term infrastructure solutions is not likely to materialize in reality given demand projections and the abundance of domestic supply.

solutions, but had it been considered it would show that such expansions increase supply liquidity (considerations of supply liquidity also appear to be absent from the Gas-Electric Study), provides citygate deliveries to existing power plants, and minimizes environmental impact during construction by utilizing existing or adjacent rights-of-way.

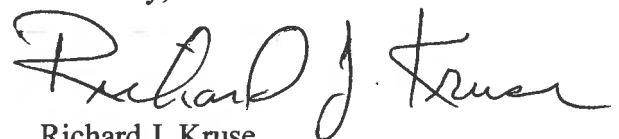
Further, as alluded to by Tennessee Gas Pipeline Company LLC in its recent letter to you regarding assumptions in the Gas-Electric Study, our experience shows that a greenfield project would be of a significantly greater cost than the limited cost estimation of \$0.45 reflected in the Gas-Electric Study. Based on our experience in the marketplace with generating support for AIM, achieving long-term contracts for a 1.2 Bcf/day project with a 2017 in-service date is unrealistic. Even with the desirable receipt and delivery point optionality offered by AIM, the power sector still did not sign up for capacity, and Spectra Energy suggests here that when realistic cost estimates are applied to a cross-regional proposal, the likelihood of generator support remains low absent other changes in the wholesale market to incentivize such support.

Spectra Energy stands ready to construct a cross-regional pipeline or an expansion of its existing system to meet the demands of the marketplace and will continue to work with all stakeholders and potential shippers to define such demand and the best infrastructure solutions for the region. That said, when realistic cost estimates are applied to a cross-regional pipeline, those increased costs could well show that an expansion of existing pipelines is the more economical approach to serve the future needs of the gas and electric markets.

Spectra Energy reiterates its view that the costs of infrastructure development pay for themselves in terms of returns on electric reliability, lower prices, and decreased price volatility. Spectra Energy believes the Gas-Electric Study supports this statement, as well. Spectra Energy agrees that significant benefits will accrue to the electricity sector from additional natural gas infrastructure, but it should not go unobserved that the benefits of lower prices and decreased price volatility that will result from the addition of pipeline capacity will serve both electric and natural gas consumers alike.

Again, Spectra Energy is supportive of the fundamental conclusions of the Gas-Electric Study, and, consistent with those conclusions, believes that the AIM project currently in process toward operation provides significant economic benefits to electricity customers under all scenarios. Spectra Energy greatly appreciates NESCOE's efforts in this regard to more formally and through data-intensive research support what the natural gas pipeline industry in New England has for some time tried to do: bring additional pipeline infrastructure to the region. If New England wants to realize these benefits, time is of the essence in mobilizing decisionmakers to get infrastructure constructed as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Kruse". The signature is written in a cursive, flowing style.

Richard J. Kruse
Vice President, Regulatory