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*Richard J. Kruse*  
*Vice President, Regulatory and*  
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May 7, 2014

Ms. Heather Hunt  
Executive Director  
New England States Committee on Electricity  
655 Longmeadow Street  
Longmeadow, MA 01106

Re: Electric Distribution Company (EDC) Proposal and Incremental Gas for Electric Reliability (IGER) Approach in New England

Dear Ms. Hunt:

Spectra Energy is in receipt of the April 30, 2014, letter from the New England States Committee on Electricity ("NESCOE") outlining and requesting comments on the six New England states' Incremental Gas for Electric Reliability ("IGER") concept as well as inviting responses to a proposal from electric distribution companies ("EDC Proposal") whereby electric distribution companies would, subject to the necessary cost recovery assurances and remuneration acceptable to them, consider entering into long term contracts with interstate pipeline companies for new firm gas transportation capacity. The capacity associated with these contracts would enable the delivery of adequate gas supplies necessary to fuel the gas-fired electric generation units in the region.

As the operator of the largest natural gas infrastructure business serving the Northeast for the past 60 years, Spectra Energy believes this proposed approach is workable, and we are developing proposals to support this concept.

This past winter highlights both the high costs to regional energy consumers that arise from inadequate natural gas pipeline capacity and the underlying cause – a mismatch in market signals that prevents power generators from supporting needed pipeline expansion.

The region's six governors are to be commended for their leadership and collaboration in working to address infrastructure constraints in New England. Spectra Energy has been actively pursuing the safe, timely, and environmentally responsible expansion of our existing systems to meet the growing needs of the region. In recent years, Spectra Energy has invested more than \$2 billion in private capital to bring reliable natural gas supplies from the

Marcellus to the Northeast. Our New Jersey-New York expansion was placed in service just last November, delivering new gas supplies into New Jersey and New York City for the first time in 40 years – and also helping consumers of both states realize significant energy savings of about \$700 million a year. The key lessons learned are that strategic infrastructure expansion positively impacts the basis differential to lower costs to consumers while also resulting in significant reliability benefits for gas deliverability. The six governors recognize the importance of both increased reliability and lower costs to consumers in advocating for the addition of natural gas pipeline capacity in the region.

Currently an expansion of our Algonquin pipeline through the Algonquin Incremental (“AIM”) Expansion Project is under review at the Federal Energy Regulatory Commission, underpinned by commitments from gas utility companies across southern New England. The AIM project will begin to de-bottleneck the pipeline system by the winter of 2016, helping to enhance reliability and soften prices specifically in New England. These gas utilities entered into long-term capacity contracts with support from their regulators, who value reliable supply for gas consumers, helping to lower the delivered cost of natural gas. This direct, long-term contracting is a concept that the EDC Proposal specifically attempts to replicate. Similarly, the IGER approach of incorporating a capacity manager and contracting entity could be equally viable in reaching the end goal of increased electric reliability in the region through additional natural gas infrastructure.

In New England electric consumers are relying more and more on natural gas for their power needs -- and for all the right reasons -- but without reliable access to the fuel during peak periods of demand. A logical, and cost-effective solution would be to allow electric utilities to enter into long-term contracts, similar to gas utilities in the region (and electric utilities in other parts of the country), to support investment in necessary pipeline capacity for the electric generation that their customers rely upon.

This past winter highlighted the need for electric utilities and pipelines to work together to develop creative solutions to provide timely and right-sized answers to meet the needs of the region. Spectra Energy supports the EDC Proposal and IGER approach conceptually and appreciates NESCOE’s recognition of the EDC’s constructive input and the relative urgency in making timely decisions to allow regulatory processes and construction efforts to begin for in-service dates that bring capacity to the region as quickly as possible.

Sincerely,



Richard J. Kruse  
Vice President, Regulatory and  
FERC Compliance Officer

cc: Cynthia K. Jacobs, NEPOOL Administrator  
New England Gas - Electric Focus Group