

ORIGINAL

- NECA Board of Directors
- C. John Meeske, President
- President
- Energy Market Decisions, Inc.
- Mary Beth Castleman, V.P., Policy Partner
- Policy Group LLP
- Frederick M. Sallant, V.P. Administration
- Senior Vice President
- TRC
- Mark C. Kalpin, Secretary
- Partner
- Wilmer Cutler Pickering Hale and Dorr LLP
- Don C. DiCristofano, Treasurer
- Vice President, Environmental Affairs
- Papapost Power, LLC
- Scott J. Mueller, President Emeritus
- Partner
- Leifwood Lamb, Greene & MacRae, L.L.P.
- William C. Jack, Stephen, President Emeritus
- President, Managing Director
- Financial Management Group, LLC
- Paul J. Aalto
- President
- PA Energy Systems Design
- Scott M. Albert
- Principal R. Northeast Region Manager
- GIS Associates, Inc.
- Theodore A. Barton, PE
- Managing Principal
- Epinion Associates, Inc.
- John R. Baker
- Principal
- Levine & Associates, Inc.
- Stephen Bryant
- President
- Bay State Gas Company
- Chris Burnaw
- Electric Market Policy Manager
- Dominion Energy, New England
- Joseph Cavetto
- Vice President
- Lexiplex an FTI Company
- Paul Clark
- Principal Engineer
- R. W. Beck Inc.
- David Corbin
- Executive Vice President
- Ameresco, Inc.
- Michael D. Ernst
- Vice President
- TransEnergy U.S. Ltd
- Roger D. Feldman
- Partner
- Bingham McCutchen LLP
- Robert G. Fraser
- Senior Technical Director
- ENSR International
- Damon Prickett
- Vice President, Energy & Industrial Services
- ENS Group, Inc.
- Ted Gehrig
- President & Chief Operating Officer
- Beaver's Curve Energy
- Sandra Hennessey
- Director, Regulatory/Legislative Affairs
- Consultation Energy Consultants Group
- Shawn Komary
- Director, Environmental, Safety & Health
- Adipram Corporation
- Eric Kruttschnitt
- Managing Director
- Hatch Mott Macdonald
- George Lipka
- Principal Engineer
- Burns Tech, Inc.
- Mark Maguire
- Managing Director
- Energy Management Group
- Donald S. McCauley
- McCauley & Pihl LLC
- Tim Roughan
- Director of Distributed Resources
- National Grid USA
- James P. Swanson
- Vice President
- Natural Resources Group
- NECA Administrative Director
- Lisa W. Lawson



Northeast Energy and Commerce Association

1040 Great Plain Avenue - Needham, Massachusetts 02492-2517
Phone: (781) 449-5959 Fax: (781) 449-8319
E-Mail: lois@necanews.org WEB: www.necanews.org

December 27, 2005

Governor M. Jodi Rell
Executive Office of the Governor
State Capitol
210 Capitol Avenue
Hartford, CT 06106

CP06-54-000
CP06-55-000

F.led by:
Broadwater Energy

FILED
OFFICE OF THE
SECRETARY
2005 MAR - 2 P 10: 11

Dear Governor Rell:

RE: Needed Natural Gas Supplies

I am writing you and each of the other New England Governors this letter on behalf of the Northeast Energy and Commerce Association ("NECA") regarding a matter of great importance to the continued development of competitive electricity and natural gas markets in New England. NECA is New England's oldest and most broadly based non-profit trade association serving the competitive energy industry. Founded in 1985, NECA's mission is to facilitate an open forum among all energy stakeholders to foster the development and maturation of competitive energy markets.

NECA promotes environmentally sound, reliable and cost-effective wholesale and retail markets for the production and delivery of energy, as well as competing energy services and resource alternatives, including conservation, innovative demand-side and power delivery technologies, renewable energy and distributed generation. This letter is written on behalf of NECA's 500+ members including developers and owner/operators of competitive energy projects, both regulated and merchant transmission and distribution companies, power generators, energy marketers and traders, fuel and equipment suppliers, energy consumers and various service providers to the energy industry, including law firms, investment bankers, environmental, engineering and economic consulting firms.

Natural Gas Supply Crisis Pending

NECA agrees with assessments that the Region is facing an energy supply crisis in the near future, perhaps as soon as this winter. NECA also recognizes that siting, permitting and building the infrastructure required to resolve this crisis will take years. While estimates made by various agencies and forecasters may differ with respect to the exact timing and severity of the regional energy shortage, one common thread connects all of

has the luxury to ponder various choices for meeting our Region's energy needs. The New England states cannot afford to wait until the Region's gas supply dwindles to a critical stage, and hope that some as yet ill-defined process results in a unanimous decision with regards to the acceptability of any specific proposal. There exists a well proven and time tested regulatory process to assess and evaluate energy proposals. The region needs to let the process work and avoid unnecessary delay. Once the projects are permitted, the market will determine which projects will ultimately be built. The Region can ill afford delay associated with proposals to engage in planning studies and to change jurisdictional siting rules – particularly when such proposals are designed to delay or disrupt the siting process to appease anti-growth, anti-development stakeholder groups.

States' Critical Role Can Be Constructive

NECA believes that each state in the New England region must recognize the critical role and importance of LNG in enhancing the region's economic development and competitive viability, and more specifically LNG's crucial role in averting the region's growing energy crisis and maintaining the region's standard of living and its future economic competitiveness, stability and industrial growth. NECA encourages each state to constructively participate in the on-going regulatory proceedings for the proposed projects. Active state support for the development of new LNG import terminals is critical for the timely authorization by federal agencies with primary jurisdiction over such facilities and in accord with the critical supporting role provided by state agencies.

We simultaneously urge each State to redouble its resources allocated to energy efficiency, and encourage electric generation diversification via streamlining regulatory procedures for renewables and other generation sources. While these efforts are of the utmost importance, it does not alleviate the critical need to permit and construct LNG receiving terminals in the Northeast.

Thank you for the opportunity to comment on this important matter. If NECA can be of any assistance to you or you staff in your continuing efforts to improve the energy markets in the Region, please do not hesitate to contact me. Our membership asks each of you to encourage the permitting agencies within your state to follow their review procedures without delay and to work cooperatively with Federal agencies when processing the number of LNG applications that are pending. The energy consuming public can only benefit from the timely approval and construction of badly needed new LNG and pipeline supply infrastructure.

Sincerely,

/s/ C. John Meeske

C. John Meeske
President

the studies: namely, the demand for electric power and natural gas in the Region will continue to increase steadily for the foreseeable future. Hurricanes Katrina and Rita have driven home the point that we cannot continue to rely almost exclusively on energy infrastructure located in the Gulf Coast. The fallout from these hurricanes also highlights that even small perturbations in gas supply can have dramatic pricing impacts here in the New England States because New England's existing gas delivery infrastructure is operating near its operational capacity limits. While NECA supports conservation and the expansion of renewable resources, the existing and proposed renewable resource base when combined with the existing energy delivery infrastructure is not sufficient to meet the growing demand for natural gas and power in New England. Gas consumption has risen as most new residential and commercial construction uses gas for space heating. New England is also more dependent on gas to generate electricity than any other region of the country except Texas. To ensure that the existing and expanding future fleet of natural gas fired electric power generation facilities has a sufficient and a reliable fuel supply, New England needs to have an adequate and reliable supply of natural gas, including liquefied natural gas (LNG) to meet the Region's growing energy demands. LNG provides a clear opportunity to diversify our sources of gas supply.

According to the Energy Information Administration (EIA):

- Over the 2000-2003 timeframe, natural gas demand in the New England region increased by 5.4% per year.
- US natural gas demand is estimated to increase by almost 38% between the 2002 and 2025.
- New England already has higher than average energy costs because it is literally at the end of the gas pipeline. The Region's dependency on "imported gas" – whether from domestic or international sources – means that the Region's energy costs reflect both the fuel cost itself *and* the fuel transportation costs.
- New England is the second most dependent region in North America with respect to using natural gas for electric generation (40%), surpassed only by Texas (44%) (a state that is located in a major natural gas producing region, and located at the *start* of many major transportation pipelines).

Increased LNG Supply Will Reduce Electric Prices

Gas fired power generation plants set the regional price of electricity roughly 55% of the time. Projected gas price increases from 30% to 60% this year will tend to drive electric prices up as well. To bring prices down the region must decrease demand, increase supply, or some combination of both. New England for a number of years has executed an aggressive conservation effort, but the facts show that we are not going to conserve our way out of our current situation. The region needs to continue its ongoing conservation efforts while increasing gas supply into the region. The resource base is available; the region simply needs to put a delivery chain in place to bring the gas to New England's consumers.

Lack of Storage and Natural Gas Supplies Creates a Competitive Disadvantage

New England has no indigenous supply of natural gas, and no ability to store needed supplies of gas underground. This puts New England at a competitive disadvantage to the rest of the country when it comes to supply choice, reliability, and pricing. As a result, natural gas that is consumed in the region must be transported via pipeline from the Gulf Coast and Canada, or by tanker in the form of liquefied natural gas from overseas ports. To protect and promote the existing business climate, minimize energy costs to New England's consumers, and to encourage future expansion and relocation of new industry to our region, we need a reliable and competitively priced supply of natural gas.

States Must Support Regulatory Proceedings

North American supply can no longer meet North American demand. NECA believes that each of the New England states must expeditiously support regulatory proceedings and reviews to objectively evaluate all reasonable proposals to increase the supply of natural gas to the region.

Viable LNG Project Proposals Are Available

For over thirty years LNG has been, and continues to be, a vital component in keeping a balance in the New England Region between natural gas supply and demand. Currently, LNG accounts for nearly 20% of the region's total year round natural gas supply, but closer to 40% during peak periods of winter demand. NECA is aware of efforts by a number of companies to develop new LNG import terminals to serve New England gas markets. Land based LNG terminal proposals have been filed with relevant regulatory authorities for new terminals in Providence, RI; Fall River, MA; a number of towns in Maine; New Brunswick, Canada and Nova Scotia, Canada. In addition, four companies have proposed offshore LNG terminals. One is offshore in the Long Island Sound between Connecticut and New York, while the other three are located in Massachusetts Bay. One is located on an island while the other two located in open water.

As was the case when New England replaced and expanded much of its electric generating capacity in the last decade, market demands for energy are best satisfied in a commercial marketplace where suppliers (and supply projects) are allowed to compete to serve the market. Existing environmental laws will protect the environment while this competitive market will determine which and how many of these projects will be constructed. Current permitting procedures support this market driven response to the Region's energy needs.

Region Can Ill Afford Delays

The permitting and approval process for new LNG facilities is comprehensive and thorough, but costly and subject to delay by opposition groups. Industry is willing to bear these risks when they know the process will be allowed to work. Given the lead-time necessary for any such approvals and for actual construction of these proposed projects, the decisions of today (or perhaps more importantly, the lack of decision-making) will have a marked impact on the availability and price volatility of natural gas supplies well into the future. The Region no longer