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Mr. Branden Blum
Senior Counselor
c/o Office of Assistant General Counsel for Ocean Services
National Oceanic and Atmospheric Administration
U.S. Department of Commerce
1305 East-West Highway
SSMC-4, Room 6111
Silver Spring, MD 20910

**RE: Islander East Pipeline Company, L.L.C. v. Connecticut Department of
Environmental Protection**

Dear Mr. Blum:

Subsequent to the filing of Islander East's Initial Memorandum of Law in the above matter, we received a letter from Senator Lieberman on February 27, 2003 objecting to the reference in a footnote to Senator Lieberman's statement to the FERC in its *Staff Analysis of Natural Gas Consumption and Pipeline Capacity in New England and the Mid-Atlantic States*, December 1999 ("FERC Staff Report"). In our Initial Memorandum of Law, at page 11, footnote 46, we repeated the statement in the FERC Staff Report that Senator Lieberman had requested that the FERC "ensure that there is sufficient pipeline capacity to meet the demand". A copy of the FERC Staff Report page where this comment is attributed to several members of Congress, including Senator Lieberman, accompanies this letter. FERC Staff Report p. 14. Utilizing this statement attributed to Senator Lieberman, the Islander East footnote then stated "By its approval of the Islander East Project, the FERC is doing exactly what Senator Lieberman asked." This statement was a conclusion Islander East inferred from Senator Lieberman's statement to the FERC as to the addition of pipeline capacity to the State of Connecticut. It was not Islander East's intention to convey to NOAA that Senator Lieberman is in favor of the Islander East Project because he is not. His written statements in this proceeding make that clear. Accordingly, we would request that NOAA disassociate Senator Lieberman from the conclusion that Islander East drew in its footnote.

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Mr. Branden Blum

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Thank you for your consideration of this matter.

Very truly yours,



Frank L. Amoroso

FLA:mm

cc: David H. Wrinn, Esq.
Thomas L. Stanton, Jr., Esq.

Notwithstanding claims of surbeck capacity on Texas Eastern's system, neither Texas Eastern, the studies referenced above, or any other party claim that this capacity represents a reduction in demand for natural gas in the Northeastern United States. This surbeck capacity may represent shippers shifting their transportation preferences among pipeline suppliers of transportation capacity, as opposed to a real reduction in demand.

Reliance on Market

The F&CNY urged the Commission to rely on the market to decide whether the additional capacity should be built in the form of incremental expansions to existing pipeline or "greenfield" (i.e., pipelines not constructed in existing pipeline corridors) pipelines. It, and others, contended that investors in new pipeline capacity are more likely to evaluate changes in natural gas demand, and to make better and faster decisions than regulators in forecasting demand and deciding how much capacity should be built. El Paso/Tennessee, on the other hand, urged that while allowing the market to decide is generally appropriate, this approach should not be used in the Northeastern United States in light of existing capacity and potential turndowns in the region.

Several Congressmen also commented on the issue of anticipated natural gas demand in the Northeastern United States. Representative Frelinghuysen (New Jersey), who authored the directive that resulted in the instant analysis, noted the need for study of this issue. Senator Lieberman (Connecticut) and Representatives Moskley (Massachusetts) and Pataki (Pennsylvania) noted the need for additional electric generation in their areas, and requested that the Commission ensure there is sufficient pipeline capacity to meet the demand. Representatives Blagojevich and Evans (Illinois) noted that the North American Electric Reliability Council projects an electric generation capacity shortfall for the Northeast region, and requested that the Commission consider the environmental and economic advantages of natural gas in satisfying this demand.

CONCLUSION

This study analyzes forecasts of natural gas consumption in the Northeastern United States and compares those forecasts to existing capacity in that region. Given the difficulty of examining this issue on less than a regional basis, the study does not attempt to break out issues of consumption of natural gas and pipeline capacity for particular states or portions of states.