

May E-Newsletter

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In this issue: Transmission infrastructure improves summer reliability; Offshore LNG projects receive licenses; Connecticut selects new electricity generating capacity; Cape Wind advances to state permitting; Alliance joins with AIM, NEPGA on proposed MA regulation to revoke sales tax exemption; Alliance to meet with MA officials on results of regional consumer survey on electricity issues.

Adequate Summer Electricity Supplies Projected – New Transmission Lines Diminish Reliability Concerns: Comprehensive assessments by the Northeast Power Coordinating Council and ISO New England indicate New England will have adequate and reliable electricity this summer. New transmission projects completed since last summer diminish concerns in areas that faced past reliability problems due to transmission constraints. These include: the addition of the Phase 1 of the Southwest Connecticut Reliability Project in October 2006 which will allow an additional 275 MW to be delivered to Southwest Connecticut and 200 MW into the Norwalk-Stamford area; the completion this spring of Phase II of the NSTAR 345-kV line which will increase import capability into the Boston area by an additional 1,000 MW (first phase of the project was energized in October 2006); and a new 345-kV line in Vermont which became operational in January 2007 to improve reliability in the northwestern area of Vermont.

The Alliance is undertaking a comprehensive assessment of the expanding role of transmission in the region's competitive wholesale electricity marketplace to not only ensure system reliability and security, but to support resource adequacy in delivering economic and environmental benefits to the region.

MA Offshore LNG Projects receive Licenses from U.S. Maritime Administration: Two proposed offshore LNG facilities off the coast of Gloucester Massachusetts received Deepwater Port Licenses from the U.S. Maritime Administration. The Northeast Gateway, a subsidiary of Excelerate Energy LLC, received its deepwater port license on May 14, 2007. Construction on this offshore facility to be located about 13 miles southeast of Gloucester is scheduled to begin immediately to allow natural gas deliveries to commence into Massachusetts and the rest of New England by year's end. This followed approval of SUEZ Energy North America's Neptune

offshore LNG facility license on March 26, 2007 – the first offshore LNG project on the East Coast to reach this milestone. The Neptune project to be located about 10 miles off the coast is being developed to provide between 400 and 750 million cubic feet of natural gas per day – enough to serve 1.5 to 3 million homes daily. It is scheduled to be completed by 2009. While the Alliance does not advocate for specific projects, the Alliance did send letters to the U.S. Coast Guard, U.S. Maritime Administration and the MA Executive Office of Environmental Affairs supporting the need for additional natural gas supplies in the region.

Connecticut Selects New Electric Capacity – Increases Need for New Natural Gas Supplies: In April, the Connecticut Department of Public Utilities announced winning bidders for electric capacity in the state – to include two peaking facilities (oil- and gas-fired), a state-wide energy efficiency project and a 620 MW gas-fired combined cycle baseload plant to be located in Middletown which will generate enough electricity for 550,000 homes. This facility will further increase the state’s need for new natural gas supplies. In its 2007 energy plan, the Connecticut Energy Advisory Board recommended that the state encourage the expansion of both natural gas supply and pipeline/storage capacity to include new pipelines, new LNG import terminal facilities or a combination of the two.

As much as 25 percent of the LNG from the proposed Broadwater Energy Project in Long Island Sound would supply Connecticut’s natural gas demand. At a January hearing on the Broadwater project, the Alliance testified that additional natural gas supplies to the region would enhance reliability, make natural gas more affordable and, to the extent natural gas replaces other fossil fuels, help the environment.

Cape Wind Advances to Permitting at State Agencies: The MA Environmental Affairs Secretary has determined that the Final Environmental Impact Report submitted by the Cape Wind project “adequately and properly complies” with the Massachusetts Environmental Policy Act – clearing the way for the project to advance to the state permitting process. Cape Wind can now file for permits from the various state agencies needed to proceed with construction.

Alliance Joins With AIM and NEPGA on Proposed MA Regulation to Revoke Sales Tax Exemption in Furnishing Electricity: The Alliance submitted [written comments](#) and testified at a hearing in February on Proposed MA Regulation 830 CMR 62C.3.1. which would make obsolete previous critical rulings providing a sales tax exemption for materials, tools, machinery, fuel, etc. used directly in the furnishing of steam or electricity when delivered to consumers through mains, lines or pipes. The Alliance testified that revocation of these rulings would increase energy costs to consumers, create regulatory uncertainty for energy companies; and create a more negative investment climate for the maintenance and construction of energy infrastructure.

In response to a subsequent DOR request for more substantive legal comments from trade organizations concerning the applicability of sales tax exemptions for tangible personal property purchased by contractors, the Alliance teamed with the Associated Industries of Massachusetts and the New England Power Generators Association, Inc. The [joint comments](#) filed on May 2, 2007 reiterated that revoking the sales tax exemption is not practical and not in the public interest. "It is wholly inconsistent with the current business model of the regulated energy industry and will impede the energy industry from developing, building, operating and maintaining affordable energy infrastructure". DOR is currently reviewing the comments. A decision is expected this summer.

Alliance to Brief MA Office of Attorney General and Office of House Speaker DiMasi on Results of Regional Consumer Survey on Electricity Issues: The Alliance will meet with the Office of MA Attorney General and Chief Counsel to MA House Speaker DiMasi on the results of the Alliance-sponsored consumer survey conducted by Opinion Dynamics Corporation this spring. Similar briefings are being offered and scheduled in other New England states. The [survey results](#) found: consumer concern about future electricity supplies; desire to choose electricity suppliers; preference for competitive electricity markets; and support for addressing global warming.

NECPUC Annual Symposium to be Held in June: The New England Conference of Public Utilities Commissioners (NECPUC) Annual Symposium will be held June 24 – 27 in Mystic Connecticut. The Symposium provides an opportunity for regulators, consumer advocates and industry representatives to discuss emerging issues. Regulators and senior Commission staff from all six New England states participate. For more info go to www.necpuc.org

The New England Energy Alliance is a coalition of energy providers, business and trade organizations and other concerns about future energy supplies. For more information, visit our website at www.newenglandenergyalliance.org