

DETRIMENTAL IMPACTS OF AGT'S PROPOSED EDC CAPACITY RELEASE EXEMPTION

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Forward Looking Statements



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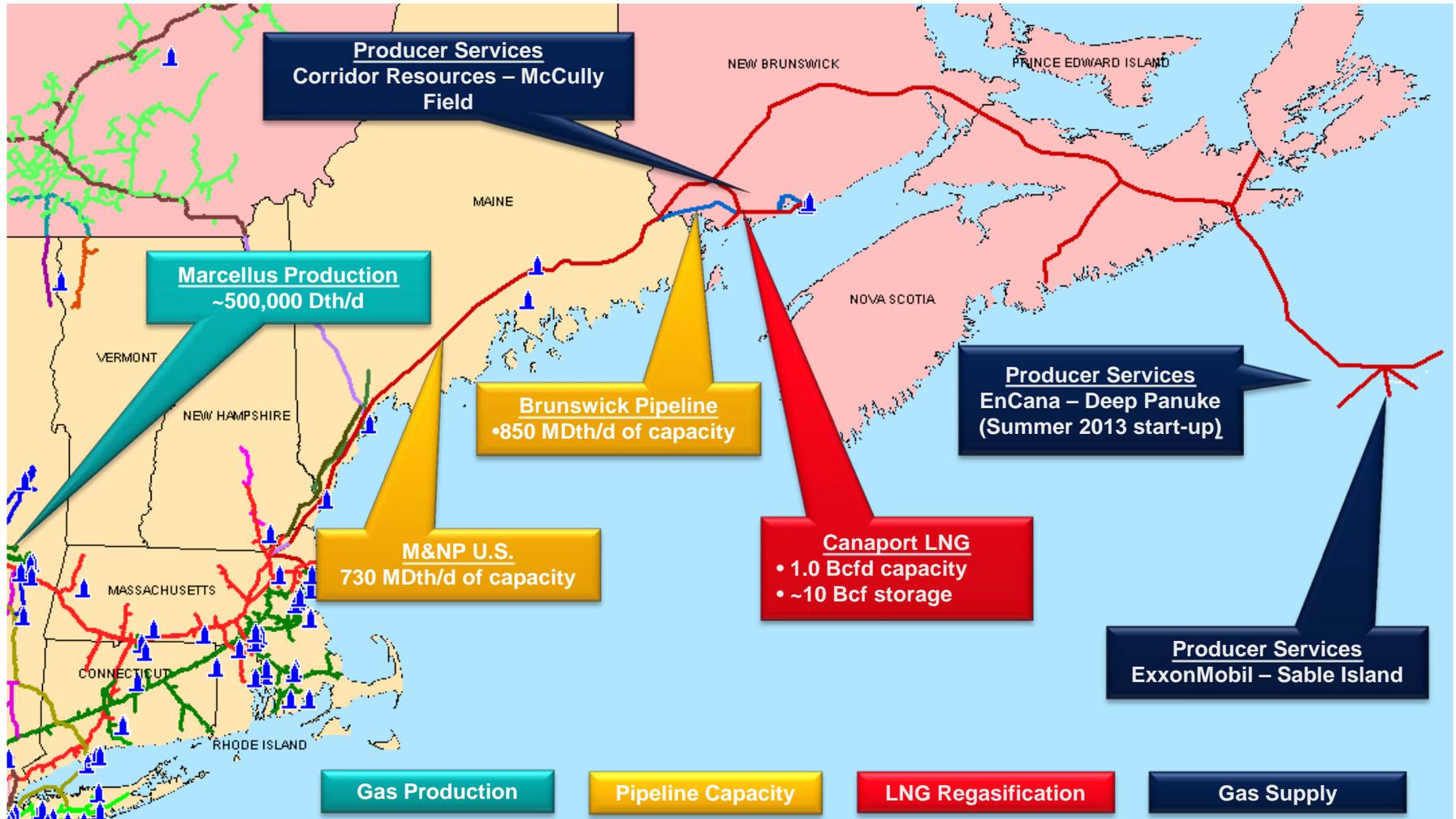
DISCUSSION TOPICS



- **Repsol's Northeast Assets**
- **AGT Capacity Utilization Overview**
- **AGT Capacity Expansions**
- **Access Northeast Proposal for EDCs**
- **Historical AGT Capacity Utilization**
- **Market Value of AGT Capacity**
- **Issues and Conclusions**

REPSOL ENERGY NORTH AMERICA

Northeast U.S. / Maritimes Canada Natural Gas Assets



AGT Capacity Utilization Overview

Designed for Peak Winter Demand



- The West-to-East market delivery capacity on AGT into New England is ~1,360 MDth/d¹.
- The LDCs own the vast majority of this capacity to supply the residential/commercial markets that peak in the winter due to the heating load.
- The LDCs' capacity is fully utilized on peak winter days but has a much lower utilization factor (25% to 30%) during the summer months, which can make capacity in excess of ~1,000 MDth/d available to other discretionary markets (primarily power generators).
- On peak winter days discretionary markets (primarily power generators) typically rely on gas supply from back-feed supply sources (Everett LNG, Canaport LNG, Northeast Gateway LNG, PNGTS, and M&NP).

1. per Ramapo Expansion Project (CP06-76) Exhibit G-1

AGT Capacity Growth

How much new capacity is needed?



- There are two expansion projects on AGT that will add ~478 MDth/d of market delivery capacity into New England:
 - AIM: 342 MDth/d by Nov. 2016
 - Atlantic Bridge (“AB”): 136 MDth/d by Nov. 2017
- The Access Northeast Project (“ANE”) proposes to add 900 MDth/d of market delivery capacity into New England specifically for power generators, but it will be contracted by EDCs.
- ~2,700 MW of new natural gas fired generation has been awarded in ISO New England’s forward capacity auctions, which equates to ~500 MDth/d of potential gas demand (peak).
- Given the 478 MDth/d of new capacity that will already be added on AGT by 2017 and the limited growth potential overall in electricity demand in new England, the primary impact of ANE will be to create expensive new excess capacity on AGT that will diminish the value of the existing capacity on AGT.

ACCESS NORTHEAST PROPOSAL

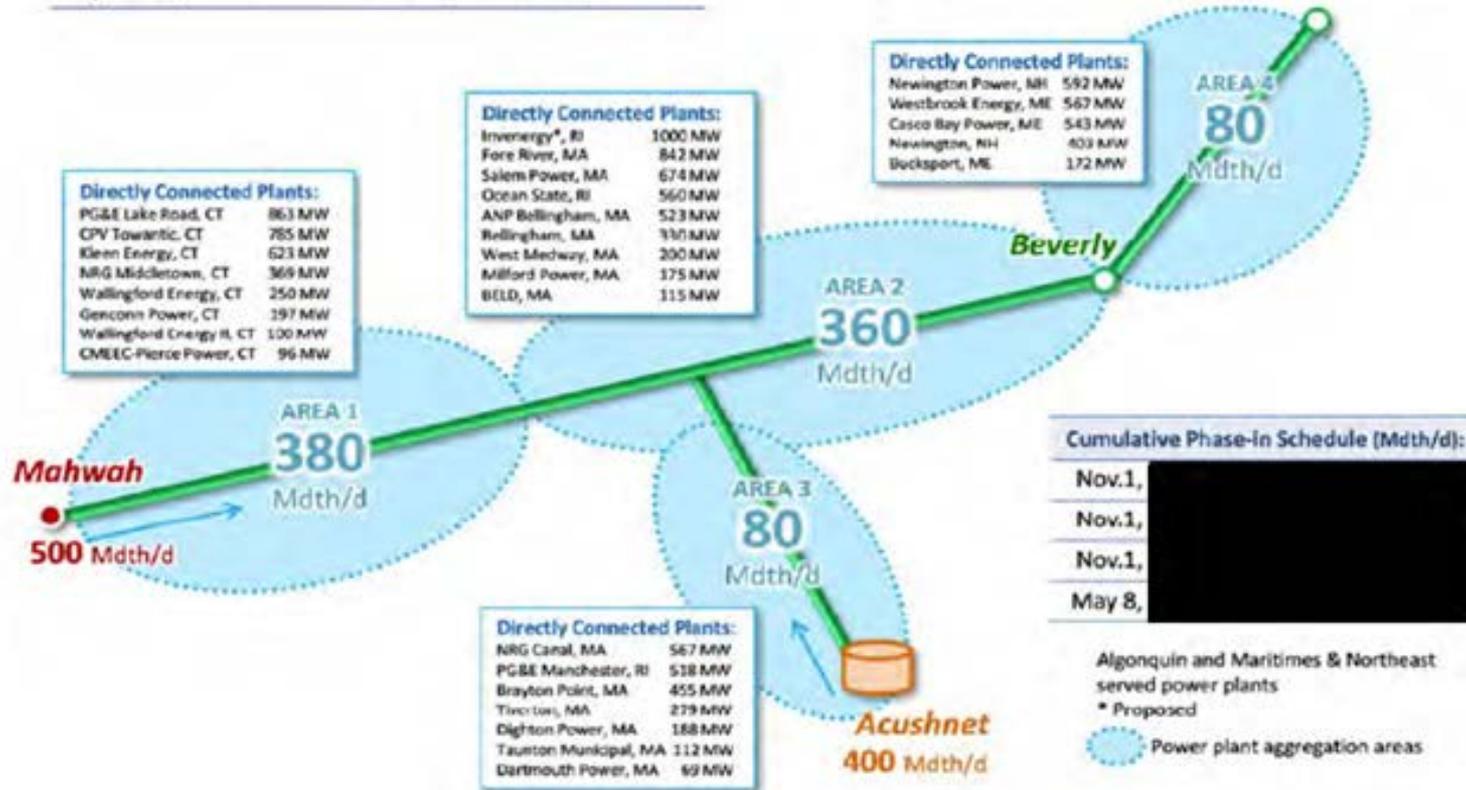
900 MDth/d of New Capacity



Aggregation Areas

Capacity:	900 Mdt/d
Customers:	Electric distribution companies
Pipeline/LNG:	500/400 Mdt/d

~5,000 MW
Peak gas generation served

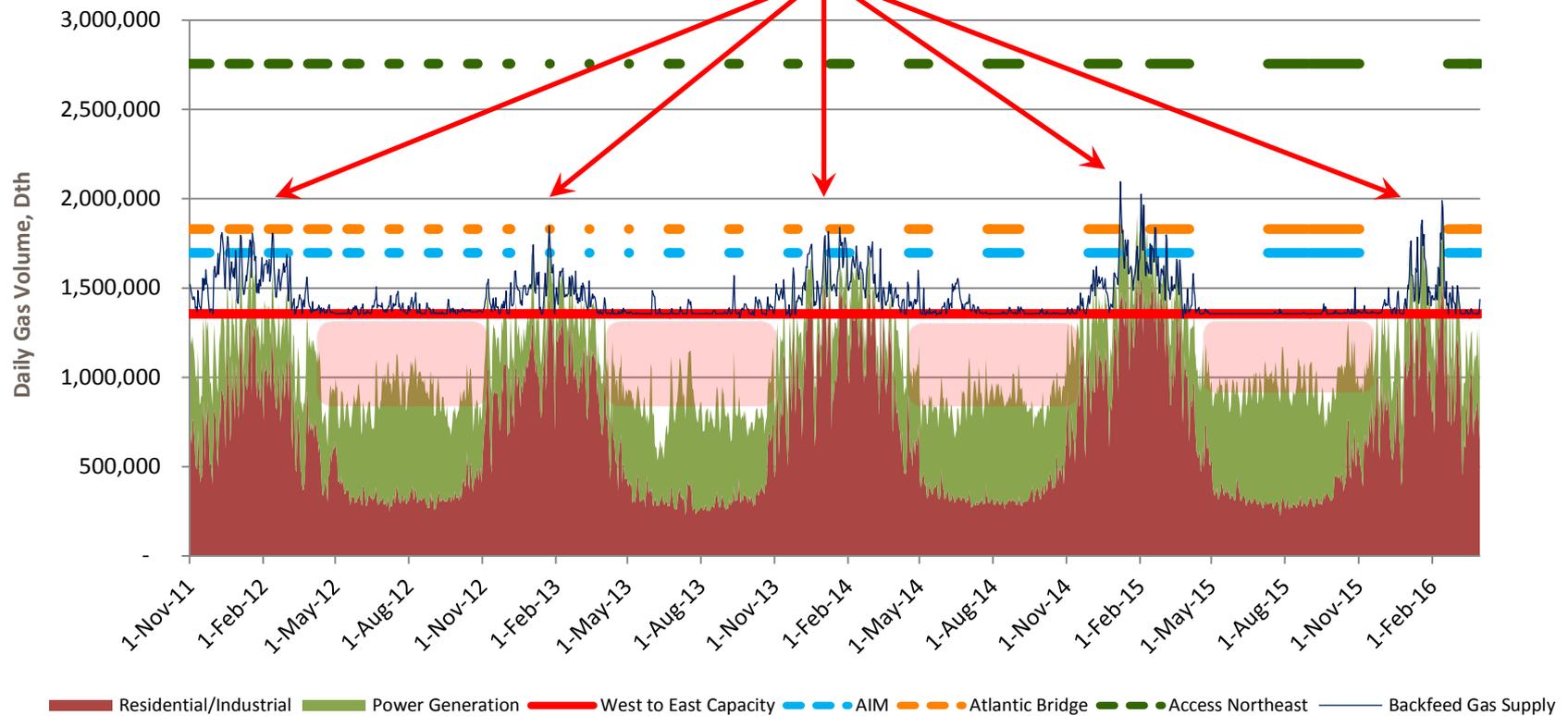


CAPACITY UTILIZATION ON AGT

Designed for Winter Peak Demand



Back-feed gas supply sources (primarily imported LNG) serve peak gas demand that exceeds the existing West to East pipeline capacity.



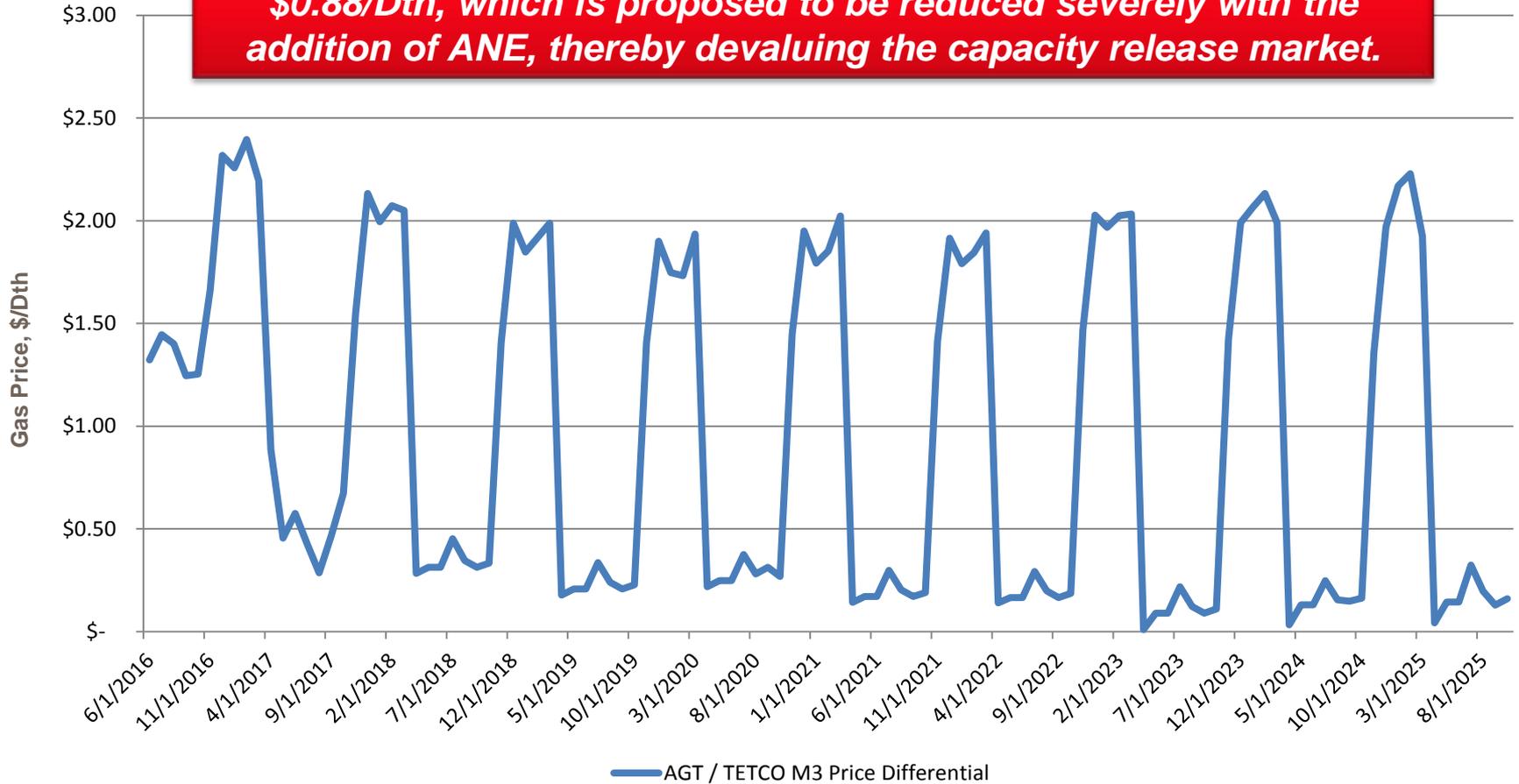
Shaded pink areas above represent potential capacity available during periods of low demand.

Source: Ventyx

MARKET VALUE OF AGT CAPACITY



The average AGT to TETCO M3 basis after November 2018 is \$0.88/Dth, which is proposed to be reduced severely with the addition of ANE, thereby devaluing the capacity release market.



Note: Price forecasts reflect the addition of the contracted expansions (AIM and Atlantic Bridge) on AGT.

AGT CAPACITY RELEASE ISSUES



- The proposed exemption of the EDCs from AGT's capacity release bidding requirements gives the new ANE capacity preference over the existing available capacity on AGT.
- The capacity that will exist prior to the commencement of ANE will be adequate to serve both current and anticipated power generation markets, so it appears as though most of the existing relatively cheap capacity will be stranded in lieu of the more expensive ANE capacity.
- The key questions are whether the power generators will be required to take assignment of the more expensive ANE capacity in lieu of the available legacy capacity on AGT, and at what cost the capacity will be released.
- The excessive amount of capacity that will be available if ANE is implemented will diminish the value of other capacity in the release market, which will reduce/eliminate value that the LDCs earn from the capacity release market and refund back to their customers.

CONCLUSIONS



- **Since ample capacity will exist to serve discretionary markets if ANE is implemented, the EDCs that hold ANE capacity should be subject to the same capacity release rules as all other capacity holders.**
- **The proposed EDC capacity release exemption appears to enhance the subsidization of the EDCs at the expense of the current capacity-holders (primarily LDCs) since the capacity will not be released via a competitive market-based mechanism.**
- **The capacity release mechanism also potentially eliminates cost effective peak-day gas suppliers (primarily back-feed supply sources) from the market, which in turn could increase the overall cost of electricity to the market.**
- **Competitive and transparent markets are the foundation of New England's gas and electric markets, so giving the EDCs preferential treatment in the capacity release market will disrupt the open market process.**