New England Consumer Liaison Group

Gas and Electric Price Drivers in New England

Sara Wilmer, Executive Consultant

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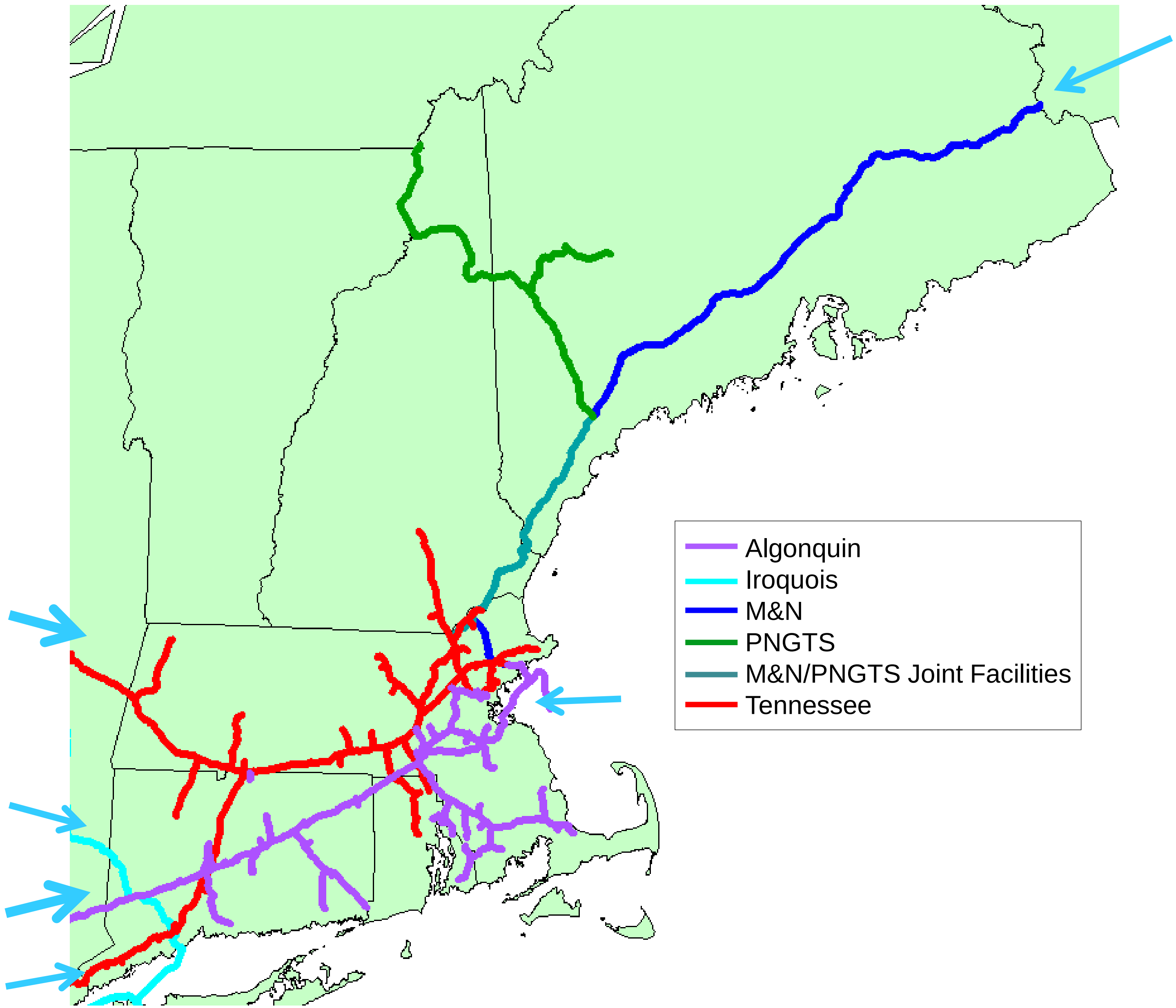
LEVITAN & ASSOCIATES, INC.
MARKET DESIGN, ECONOMICS AND POWER SYSTEMS

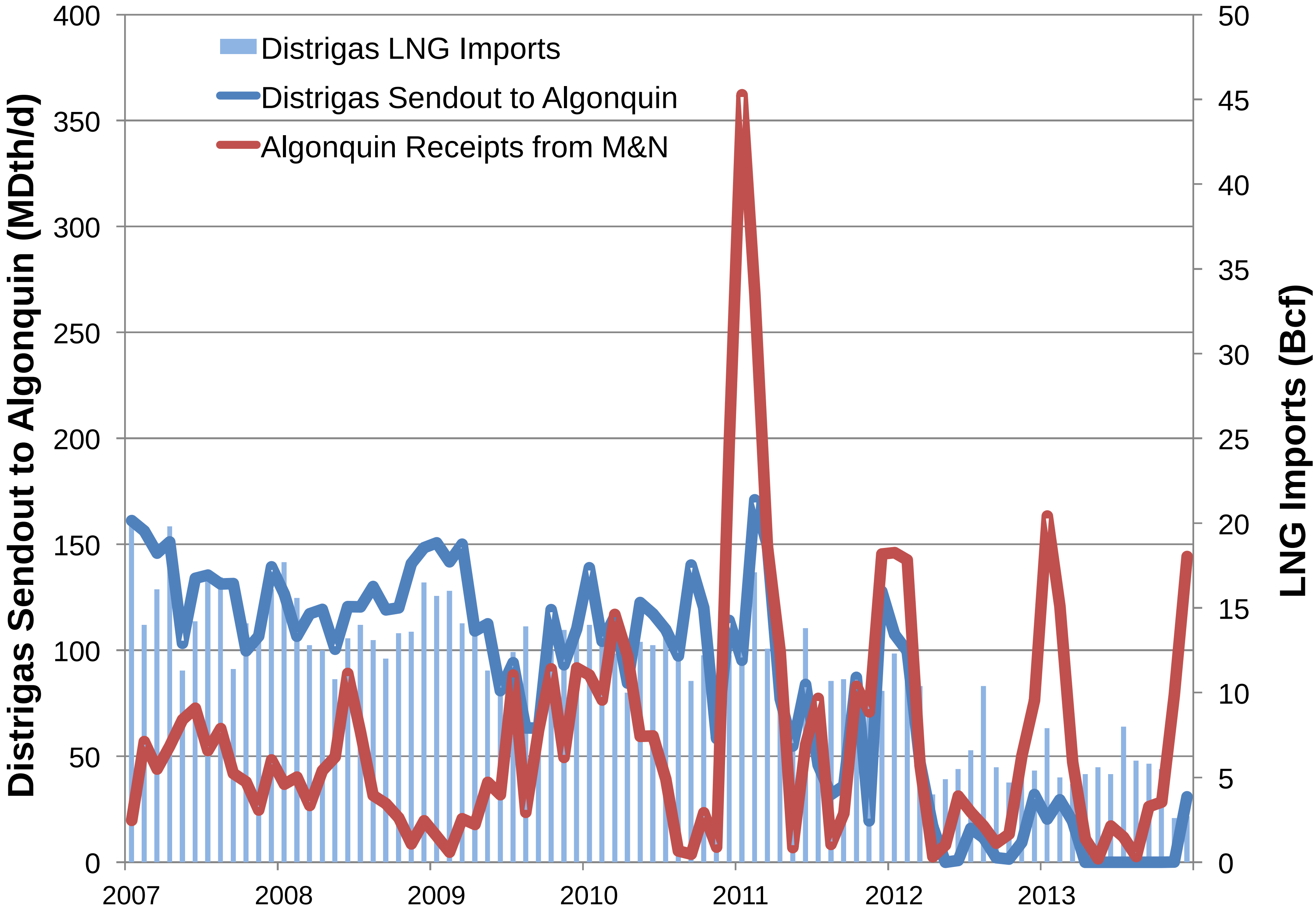
Key Questions

- What are the drivers of high and volatile gas prices in New England?
- What are the wholesale and retail impacts of high and volatile gas prices on electric prices?
- What is the outlook for gas prices – both in New England and in relation to New York and PJM?

Pipelines and Gas Supplies into New England



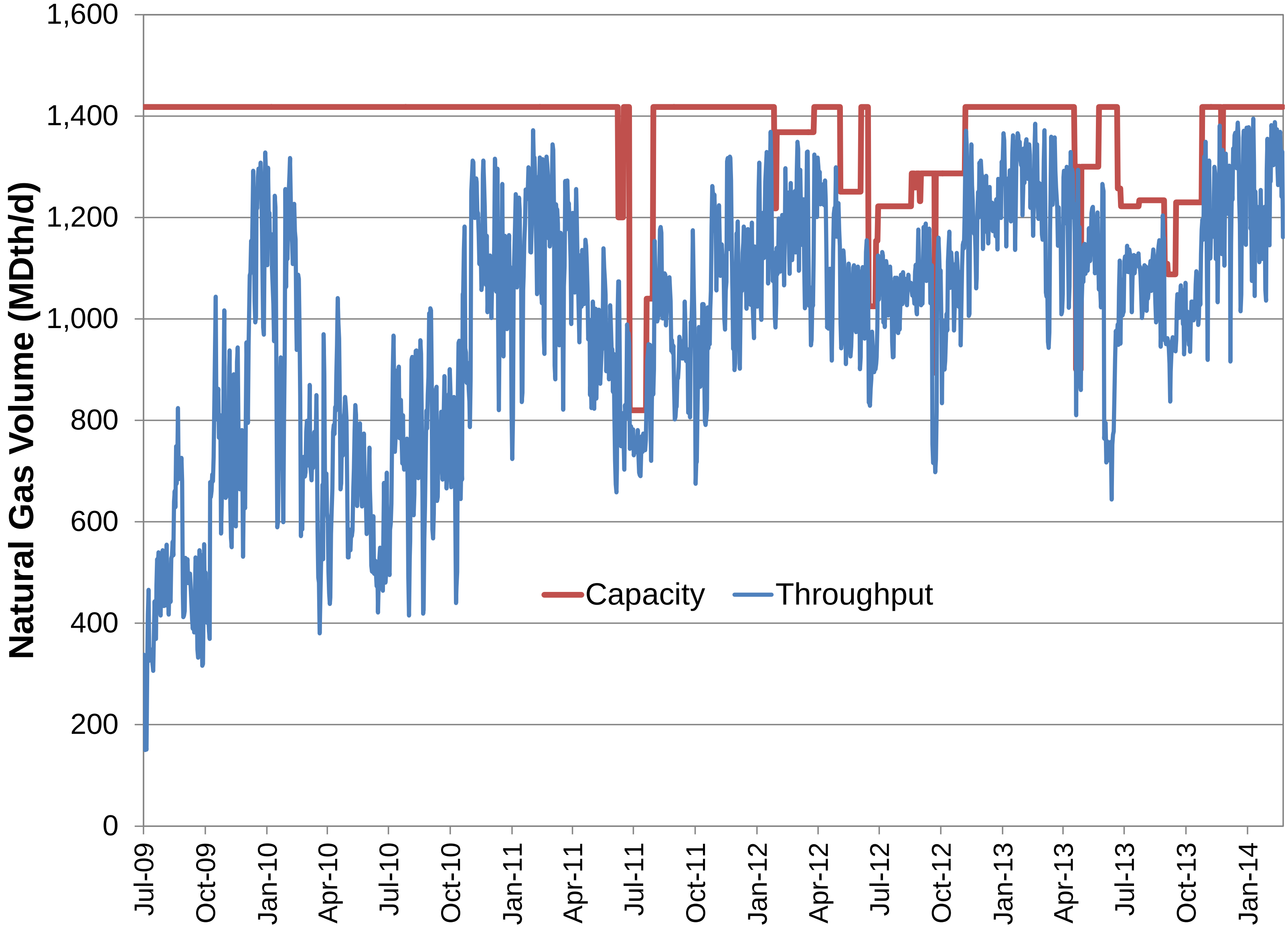
Decline in East-End Supplies



Source: DOE Office of Fossil Energy, Spectra Energy

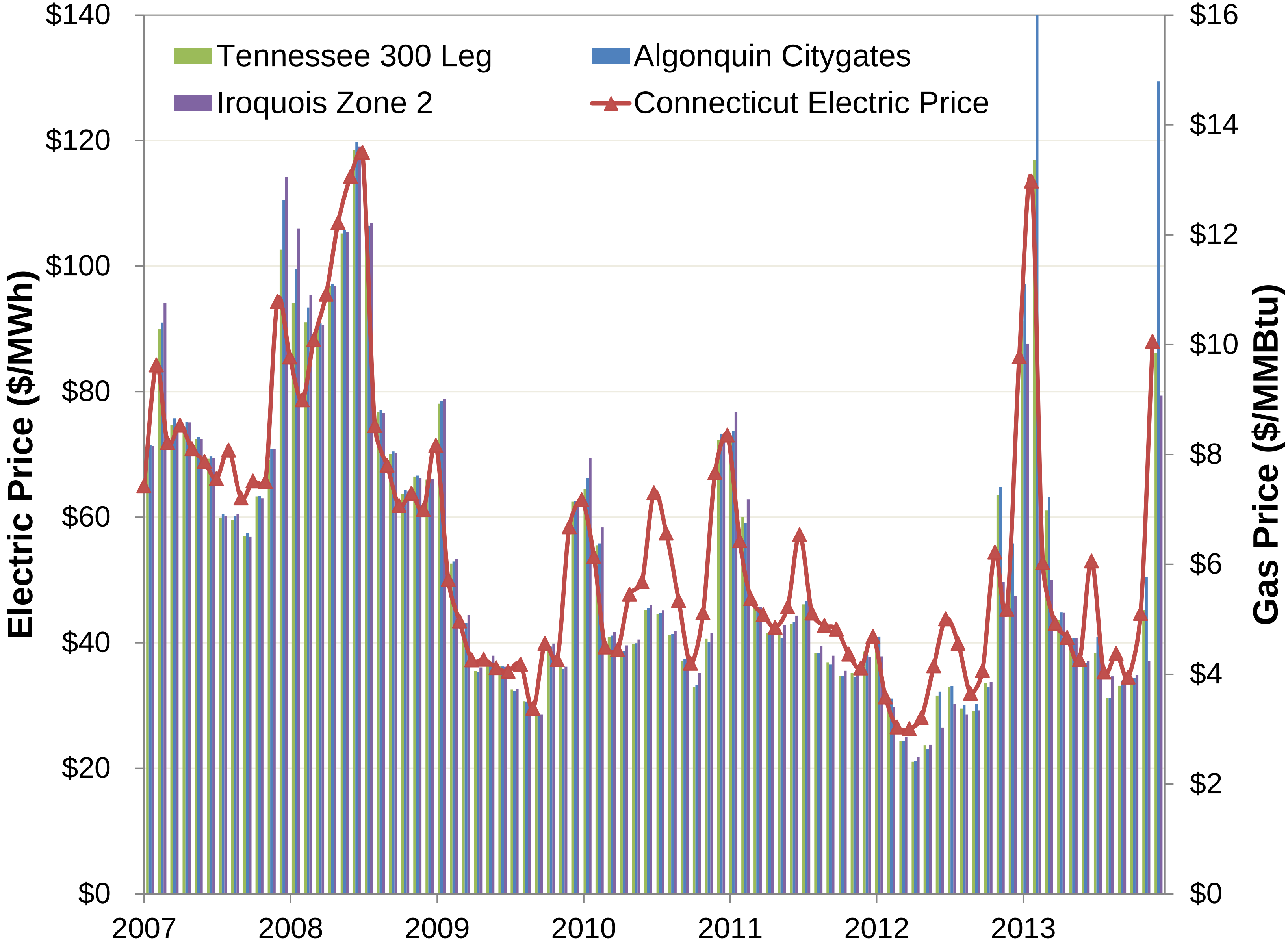
Constraints on West-End Supplies

Algonquin Southeast Compressor Station (NY/CT Border)



Source: Spectra Energy

Wholesale Gas and Electric Prices

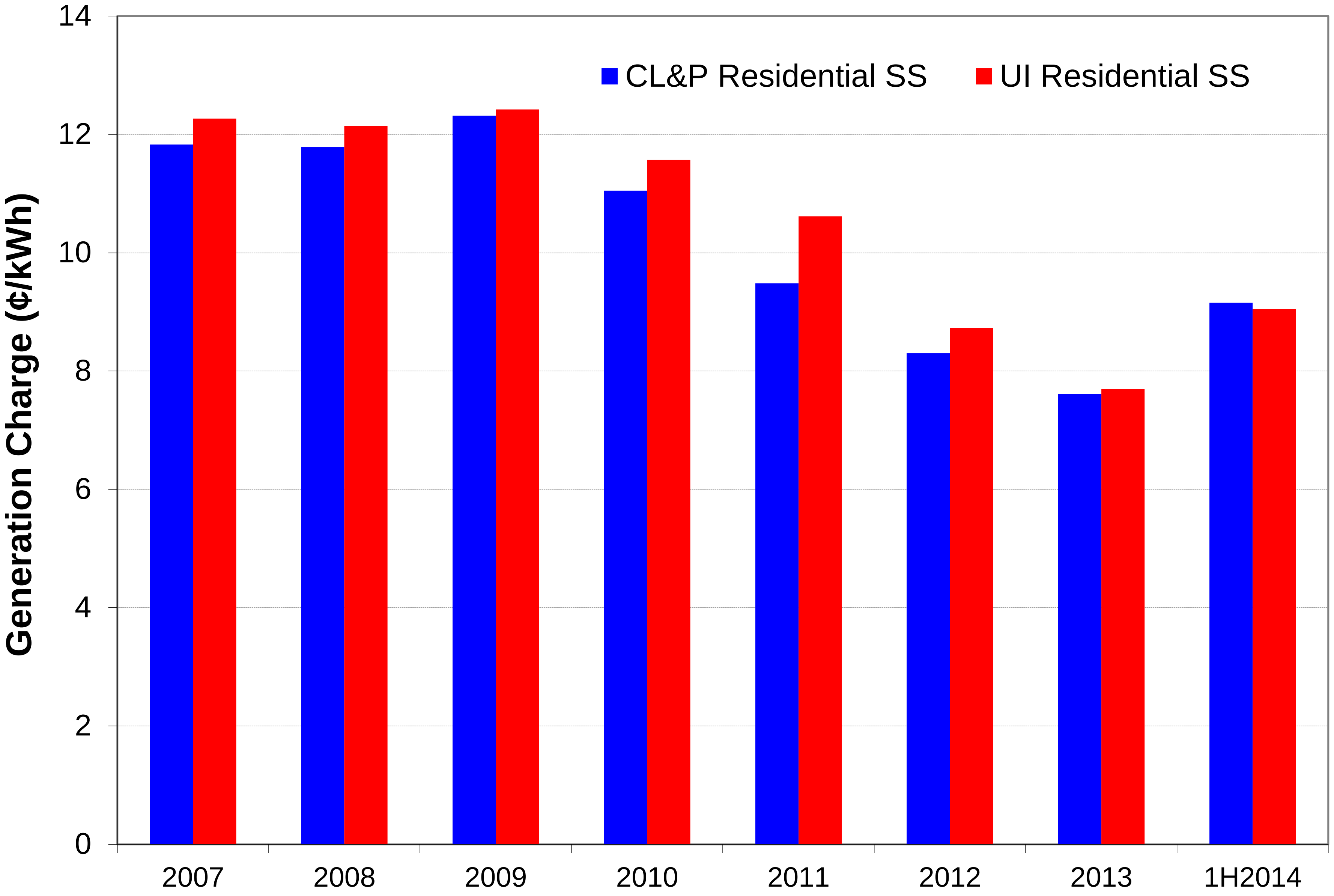


Source: Bloomberg, ISO-NE

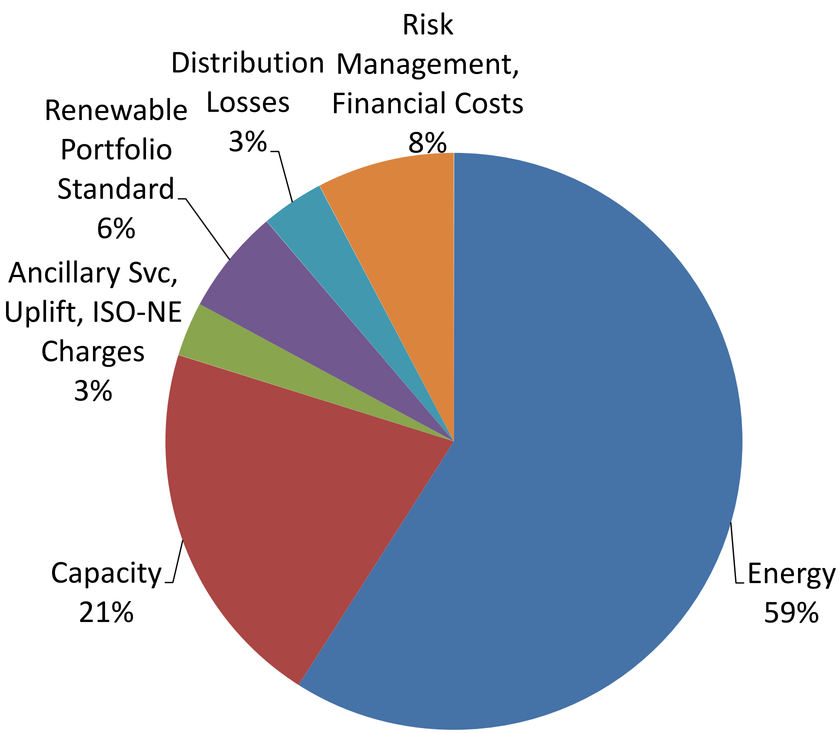
How Are CT Retail Electric Prices Set?

- EDC Delivery Charge
  - Covers the cost of distribution service, including social programs and system benefits
  - Non-bypassable ISO-NE charges
- Generation Service Charge
  - By far the cost of energy is the largest portion
    - The delivered cost of natural gas is the key driver
    - Forward power and gas prices drive wholesale prices
    - Other important components include capacity charges, RPS, risk management
  - Utilities hold regular procurements for Standard Service and Last Resort Service customers
  - Competitive retail market – customers can choose alternate supplier or rely on Standard Service/LRS

CT Utility Standard Service Generation Charges



Generation Charge Components (Estimated)



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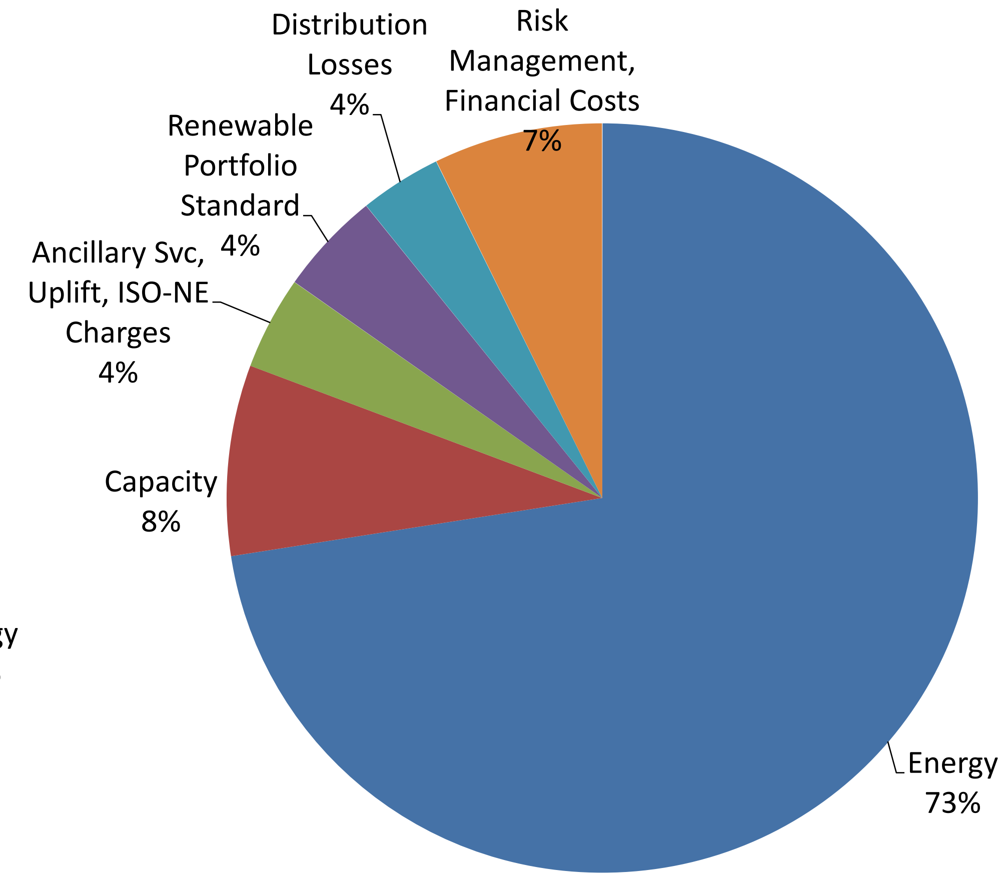

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Help is on the way: Upcoming Pipeline Expansions

- Algonquin AIM Project
  - 342 MDth/d from New York into New England
  - November 2016 target in-service date
- Tennessee CT Expansion
  - 72 MDth/d from New York into New England
  - November 2016 target in-service date
- Atlantic Bridge (Algonquin and M&N)
  - 100-600 MDth/d from New York into New England
  - November 2017 target in-service date
- Tennessee Northeast Expansion
  - 0.6-2.2 Bcf/d from New York into New England
  - November 2018 target in-service date

Concluding Thoughts

- Near Term Outlook reflects the decline in New England's P/L portfolio, reduced LNG imports, continued congestion on AGT and Tennessee
- High and volatile gas prices here to stay until pipeline expansions improve liquidity into the region
- ISO-NE's dependence on gas-fired generation likely to increase
- ISO-NE's dependence on oil-fired generation critical to ensure reliability during the peak heating season