



Marty Durbin
Executive Director

Market Development

1220 L Street, NW
Washington, DC 20005-4070
USA
Telephone 202-682-8000
Email durbinm@api.org
www.api.org

March 10, 2016

Mark D. Marini
Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, Massachusetts 02110

Re: D.P.U. 16-07

Dear Mr. Marini:

The American Petroleum Institute (API) appreciates this opportunity to comment on National Grid's natural gas transportation agreement with Tennessee Gas Pipeline Company, LLC for firm transportation capacity on their Northeast Energy Direct Project ("NED project"). While API has no comment on the specific terms of the agreement, we would like to express our support for the use of these types of agreements to support the development of necessary pipeline infrastructure as a mechanism for ensuring reliable gas delivery for power generation.

API is a national trade association representing over 650 member companies involved in all aspects of the oil and natural gas industry. API's members include producers, refiners, suppliers, pipeline operators, and marine transporters, as well as service and supply companies that support all segments of the industry. API advances its market development priorities¹ by working with industry, government, and customer stakeholders to promote increased demand for and continued availability of our nation's abundant natural gas resources for a cleaner and more secure energy future.

Natural gas plays a crucial role in maintaining the cost-effectiveness and reliability of electricity in the region. Massachusetts and the other New England states are all in the top ten for highest energy costs.² These costs are driven by natural gas pipeline capacity constraints, particularly during seasonal peaks in demand.³ The region must establish new and expand existing means for

¹ Effective January 1, 2016, America's Natural Gas Alliance ("ANGA") dissolved as a separate organization but its mission — to promote the demand for and use of natural gas — and a supporting staff team was combined into the API.

² WalletHub, 2015's Most & Least Energy-Expensive States, <https://wallethub.com/edu/most-least-energy-expensive-states/4833/>

³ Along with many other entities, ISO-NE, the region's power system operator and wholesale electricity market administrator, has frequently stated their position that the pipeline delivery system is constrained during the winter peak demand periods and has advocated for increased pipeline capacity. Most recently, their concerns were discussed in their



natural gas delivery to reduce congestion and increase natural gas capacity available for electricity generation during these peak demand periods. As such, the development of additional natural gas pipeline infrastructure is critically needed.

As has been discussed at length in D.P.U. Docket 15-37, a number of studies have consistently concluded that additional natural gas pipeline capacity is needed in the region.⁴ Construction of additional energy infrastructure, including additional natural gas pipeline capacity, will have direct benefits to consumers. According to a 2015 study commissioned by the New England Coalition for Affordable Energy, failure to build more energy infrastructure will cost the region \$5.4 billion in higher energy costs and reduce household spending by \$12.5 billion.⁵

Decreasing energy costs is one benefit of increasing natural gas infrastructure, but the environment also gains when a cleaner fuel is used. Data shows that natural gas is the prime power source in 11 of the 22 states with below average emission rates.⁶ By utilizing more natural gas in power generation, the United States has reduced its carbon emissions by 728.72 million metric tons from 2005 to 2012 – the largest reduction by nearly 600 million tons compared to the world's top 20 economies.⁷

“State of the Grid: 2016” presentation delivered on January 26, 2016, available at http://www.iso-ne.com/static-assets/documents/2016/01/20160126_presentation_2016stateofthegrid.pdf.

⁴ Competitive Energy Services, February 2014, (Based on 2013 demand, an additional 1 Bcf/d of pipeline capacity would provide partial relief of the current high gas and electricity prices but would not eliminate the basis differential between prices in New England versus other points west and south of the region. To completely remove the current basis differential, 2 Bcf/d of pipeline capacity would need to be added.); DOE, February 2015, Natural Gas Infrastructure Implications of Increased Demand from the Electric Power Sector, (An additional 3.2 Bcf/d of incremental capacity will be needed in the Northeast by 2030); Synapse Energy Economics, January 2015, Massachusetts Low Gas Demand Analysis: Final Report, (Across eight different scenarios (including a low demand case) conducted by Synapse, required pipeline additions for just Massachusetts ranged from 0.6 Bcf/d to 0.8 Bcf/d through 2020 and 0.6 Bcf/d to 0.9 Bcf/d by 2030.)

⁵ The Economic Impacts of Failing to Build Energy Infrastructure in New England, La Capra Associates and Economic Development Research Group, August 25, 2015, <http://media.gractions.com/5CC7D7975DFE1335100A9E9B056042840005CCF0/25e72b85-c007-4b98-a851-8b31563c9559.pdf>

⁶ U.S. Energy Information Administration, State Energy Data System - <http://www.eia.gov/state/seds/>

⁷ U.S. Energy Information Administration, Emissions Data; World Bank, GDP Data



API applauds the Department for seeking new and innovative ways to improve supply and reliability for the state's gas and power customers and encourages the Department to approve this agreement and the similar agreements before them.

Sincerely,

A handwritten signature in black ink that reads "Marty J. Durbin". The signature is written in a cursive style with a large, looped initial "M".

Marty Durbin