

February 9, 2006

Governor M. Jodi Rell
Office of the Governor
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Dear Governor Rell:

In his State of the Union Address, President Bush reminded the nation that “keeping America competitive requires affordable energy.” That statement is even more relevant when applied to New England where high energy costs, possible shortages of natural gas and electricity in the next few years, and the lack of political support for major energy projects present a very real danger to the region’s economy.

It underscores the concerns of those who produce, market, transmit and deliver by various means the natural gas and electricity consumed in New England, as well as many of the region’s business leaders and consumers, and is the reason behind the formation of the New England Energy Alliance. As president of the Alliance, I am writing to express the ongoing concerns of our members about the region’s energy future and to offer the resources of the Alliance and its members in creating an energy vision for the region.

For decades, the region’s lack of indigenous resources has put New England at a competitive disadvantage. Consumers spend at least a third more for natural gas than the rest of the country and four of the six New England states have the highest electricity rates in the nation. Unfortunately, there is no relief in site. High energy prices are amplified by in-region deficiencies in energy infrastructure and supply. Yet, given these challenges, we nevertheless find ourselves in an era marked by opposition to virtually every energy project that can help mitigate the impact of higher prices and ensure long-term reliability.

Energy experts have warned repeatedly in recent years that natural gas and electricity shortages are possible unless the region acts quickly to develop new energy infrastructure and supplies. ISO New England, operator of the region’s electric transmission network has warned that as early as 2008 current resources may not be adequate to maintain reliability of the electricity supply. Similarly, the Analysis Group, in an assessment prepared for the New England Energy Alliance, concluded that additional natural gas supplies may be needed as soon as 2007 and certainly no later than 2010 if the region is to avoid severe shortages.

Today, the lack of infrastructure development combined with the effects of high energy prices driven by worldwide competition, especially from rapidly growing economies such

as China and India, and the impact of hurricanes on Gulf of Mexico production, have put New England in a precarious position. New energy infrastructure will help moderate energy prices – and actions deferred or undertaken now will significantly influence the region's economy for years to come.

The time to meet these challenges is now. Unfortunately, there is no clear vision of New England's energy future. The development of projects to meet future energy needs is being undermined by regulatory uncertainties, local opposition and a lack of coordinated, integrated energy and economic policy development. It is vital to New England's economic interests that some of the projects proposed throughout the region be approved and that policy and regulatory uncertainties impeding further investment be resolved.

These types of challenges have been overcome before with strong leadership. The region responded to the energy crises of the 1970s by reducing dependence on imported oil. It undertook aggressive energy efficiency programs, encouraged the use of nuclear and coal for power generation consistent with environmental standards, strengthened its transmission network, expanded natural gas pipelines and began to diversify its electricity generation fuel mix. With the deregulation of electricity markets in the 1990s, the lower cost and environmental benefits of natural gas led to the construction of a record number of power plants in the region and put into place programs for greater energy efficiency and renewable energy development. However, increased reliance on natural gas combined with the closure of four nuclear plants has created new supply and pricing issues for New England.

The New England Energy Alliance is a diverse coalition of energy providers, business and trade organizations concerned about potential energy shortages and the impact on consumers and the economy. We are working to build awareness of the threat to our region that the current energy situation presents and to provide support to policy makers, the business community, stakeholder groups and all other parties interested in tackling the challenges that are before us to bring energy supply and demand and environmental and economic policies and actions in line.

One of our core principles is that we believe the region cannot afford to exclude any energy resource from active consideration including:

- LNG facilities to ensure adequate gas supplies;
- The continued operation of existing base load power plants that contribute to fuel diversity and in the case of nuclear, play a major role in addressing climate change concerns;
- Construction of electric transmission lines needed to move electricity from the plants that produce it to consumers;
- Large-scale renewable projects;
- Policies to enhance competitive markets and to bring wholesale and retail markets into better alignment; and
- Aggressive energy efficiency programs.

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It will take bold leadership from the public and private sectors to address New England's pressing energy needs, but failure to exert such leadership will only push the region further behind, impacting our economic competitiveness and social well-being.

Over the next six months, the Alliance will be issuing a series of reports on regional energy issues. We will provide copies of these reports and post them on our website (www.newenglandenergyalliance.org) as they are released and we urge your review of them. We will be available to answer questions or provide additional information on each of the topics.

In the meantime, we would look forward to an opportunity to meet with you to discuss the region's energy challenges and possible solutions in more detail.

Sincerely,

Carl Gustin
President

Cc: Donald W. Downes, Chairman
Connecticut Department of Public Utility Control