

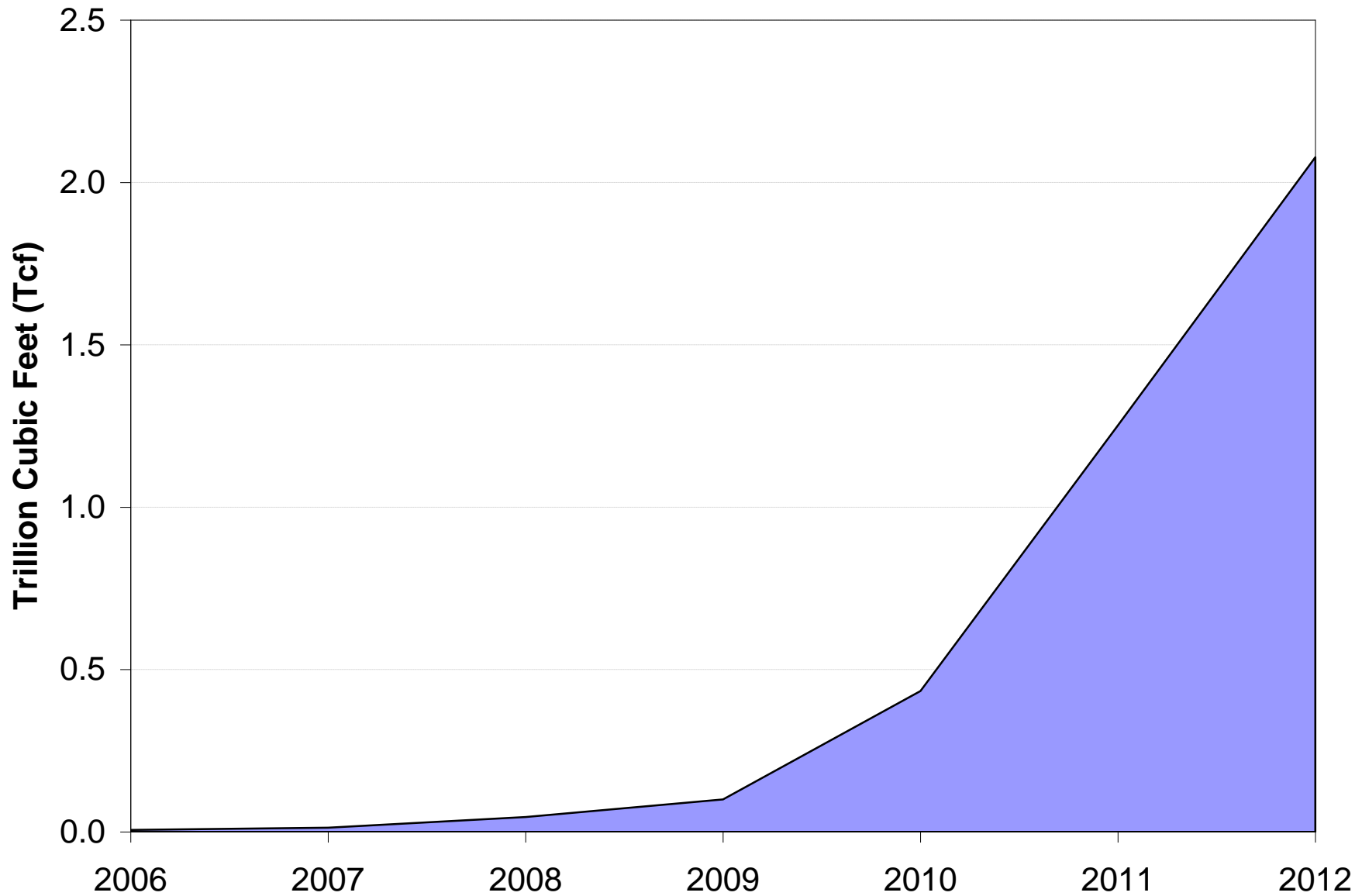
Maine Energy & Environmental Policy: Priorities for the 126th Legislature

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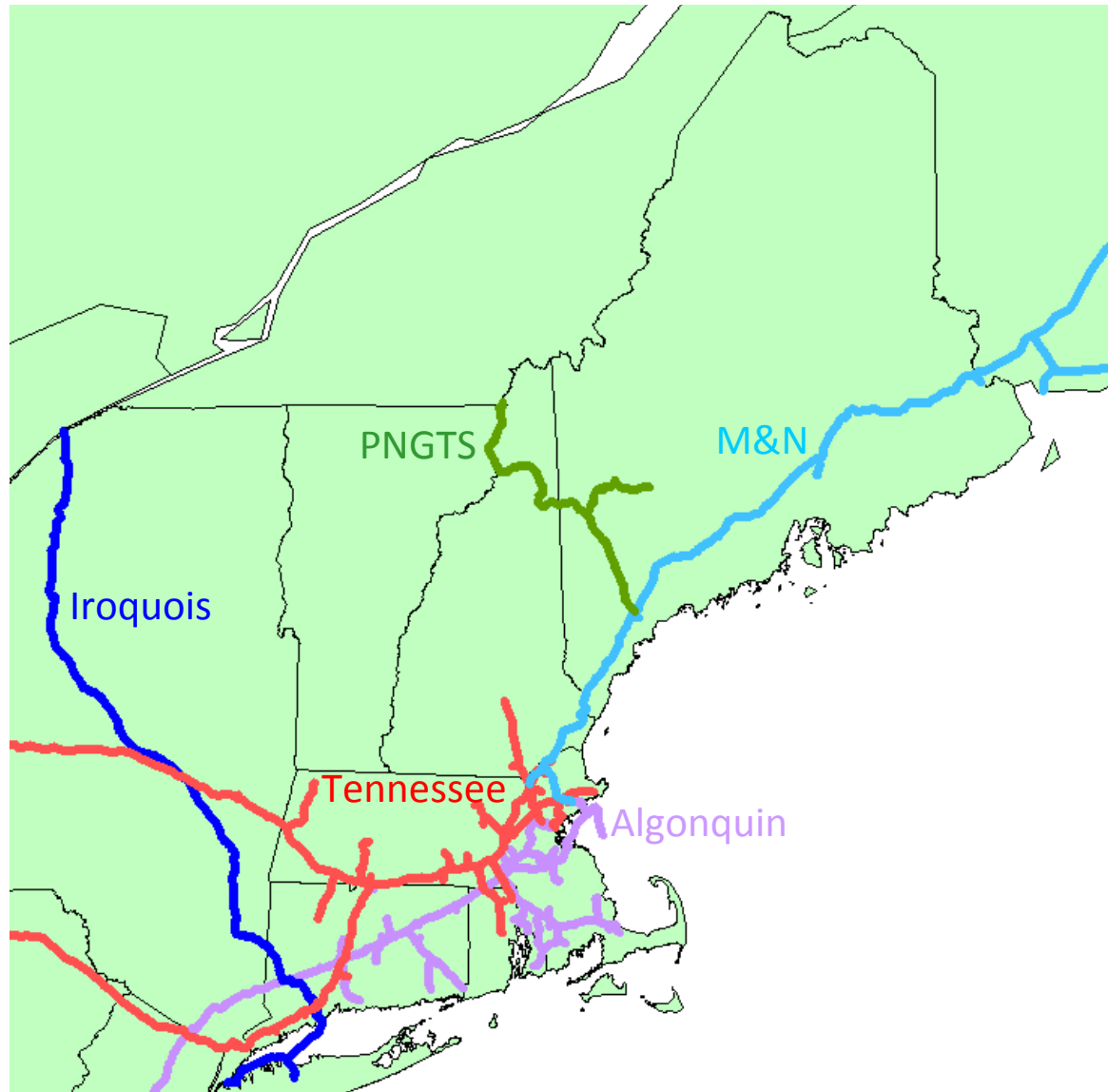
March 21, 2013

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

Marcellus gas production skyrocketing



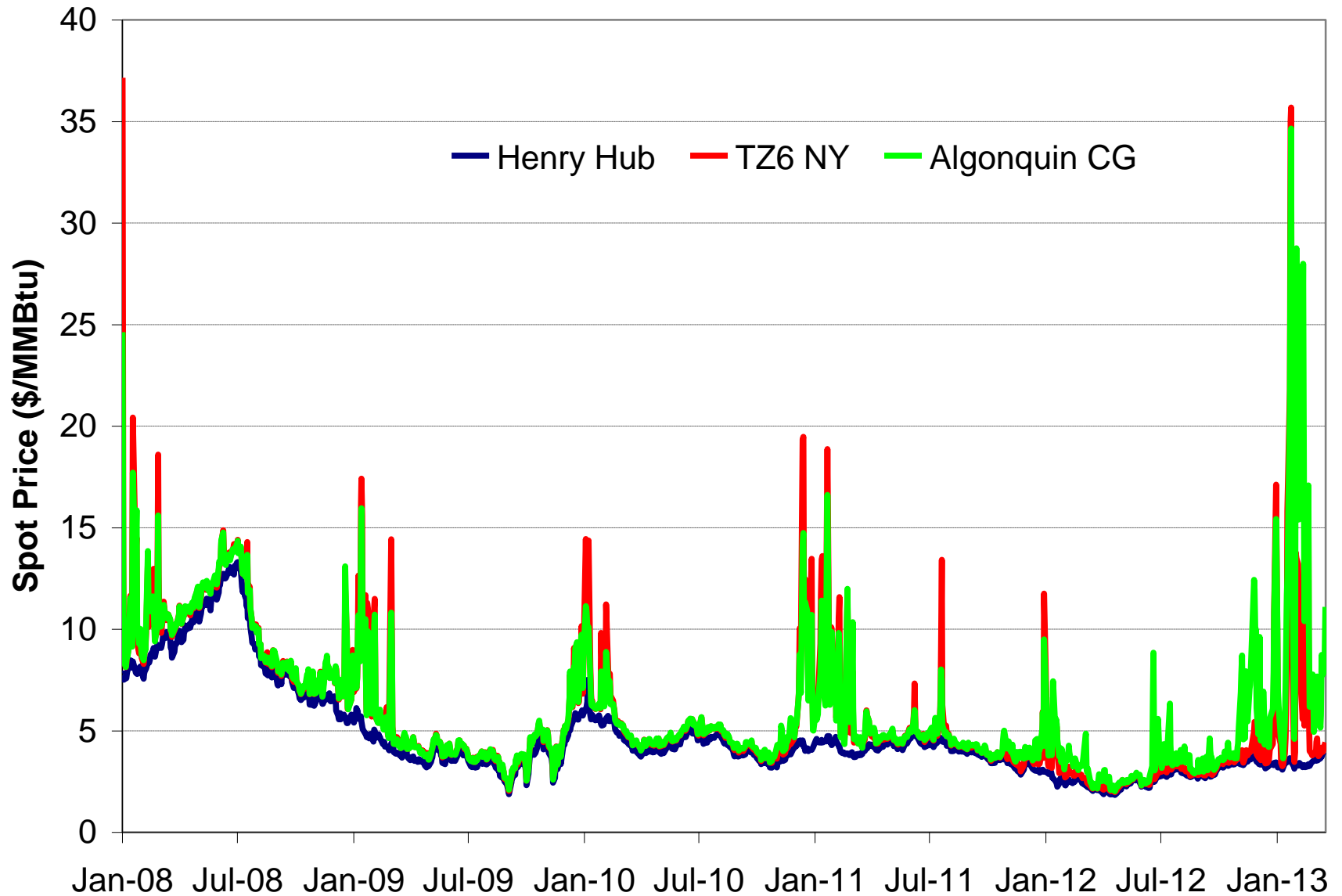
New England's Pipeline Infrastructure



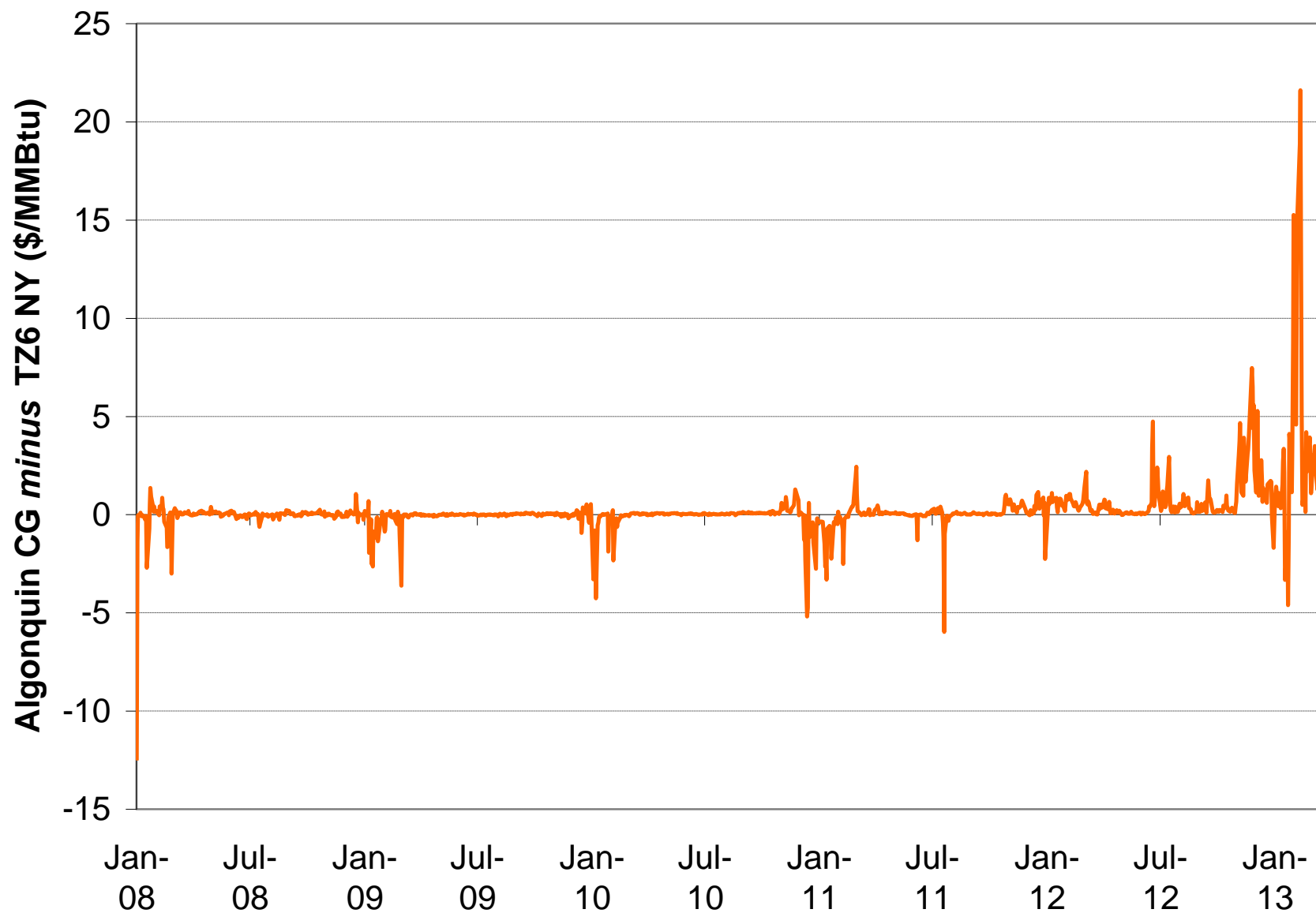
Key Market Trends

- ◆ Shale gas boom
- ◆ Deterioration in New England's P/L portfolio diversity
- ◆ Increased P/L congestion along Algonquin / Tennessee
- ◆ Decline in production from Atlantic Canada
- ◆ Inexpensive gas at the wellhead \neq low delivered prices
 - Price volatility effects
 - Uncertainty about timing of new infrastructure

Insert



Basis in New England has skyrocketed



Potential Infrastructure Additions

- ◆ Algonquin Incremental Market Project
 - +450 MDth/d into New England from Ramapo, NY

- ◆ Tennessee Northeast Exchange Project
 - +600 MDth/d into New England from Marcellus/Utica shales

- ◆ Deep Panuke

The challenge for the 126th Legislature

- ◆ Support the development of new P/L capacity

- ◆ Benefits include:
 - Reduced costs for both gas and electric customers
 - Reduction in uplift
 - Increased electric reliability
 - Environmental benefits
 - Enhanced adaptability when electric and gas side contingencies arise

What's to be done?

- ◆ Pipelines need anchor shippers
- ◆ Structural changes to the Forward Capacity Market
- ◆ Producers not cultivating New England market
- ◆ Cost allocation and the missing money problem
- ◆ State jurisdictional issues