From: McCluskey, George
To: Scott, Robert
Subject: Kinder Morgan Call
Date: Thursday, January 30, 2014 12:56:22 PM

Bob

Just got off the call with Kinder Morgan (TGP Parent) people regarding the proposed new TGP pipeline. Tom Welch lead the discussion for the states. The primary question for KM was whether a stream of revenues from a FERC approved ISO electric tariff would provide sufficient security to move forward and build/contract for new pipeline capacity. In general, the idea didn't seem to raise great concerns. KM's biggest concern is sovereign risk- the ability of regulators (I guess in this case FERC) to change their minds and terminate the tariff. This raised the issue of the credit worthiness of the shipper, which could be the ISO or some yet to be determined third party. Regarding the former, Ray Hepper noted that the ISO has no assets to speak of and that the NEPOOL Participants would be the credit worthy parties. In my mind, this statement reinforces your point that this idea requires NEPOOOL stakeholder review and approval.

Tom kept describing the transaction between the pipeline and generators in terms of a capacity release. However, KM seemed confident that there is good precedent for believing FERC would approve exemptions to its capacity release rules to allow generators to access the firm capacity.

KM said that it is moving forward with TGP's Northeast Expansion project-conducting environmental review . Expected in service date shifted from 2017 to 2018. KM already in discussions with LDCs and power producers in Canada. Project is scalable with minimum of 0.6 Bcf/day up to 1.2 Bcf/day. Considering installing larger diameter pipe which would raise maximum above 1.2 Bcf/day.

KM looking for "anchor" shippers who are given the flexibility to negotiate different terms including the firm capacity rate; a cap and floor on the rate; shorter/longer payment periods (10, 15, 20 years) which correspond to higher/lower rates. Non-anchor shippers may have to accept 20 years payment period and no cap on rates going forward. Anchor shippers are defined not by quantity purchased but by timing. That is, whether the shipper can commit to the project within a specified time period. KM said beginning of 1st Quarter is the key date. Tom said such timeline not practical for states. KM said Precedent Agreements (PAs) with LDCs include regulatory outs if approval for cost recovery not provided. Could include such an out in PA with states.

Tom told KM that NESCOE was working with ISO on draft tariff language. Are states involved? Should NH be involved regardless?