



The Energy and Technology Committee

Public Hearing, February 21, 2019

Office of Consumer Counsel

Elin Swanson Katz, Consumer Counsel

Testimony of Elin Swanson Katz

Proposed Bill No. 6242

An Act Prohibiting Surcharges from Being Levied on Utility Customers to Subsidize Interstate Natural Gas Pipeline Capacity.

The Office of Consumer Counsel (OCC) has reviewed Proposed Bill No. 6242, which seeks to “prohibit surcharges from being levied on utility customers to subsidize the cost of interstate natural gas pipeline capacity.” OCC understands the concerns that the bill seeks to address, but respectfully opposes this bill.

First, OCC opposes the bill as written because the above sentence refers to all “utility customers” and not solely to “electric utility customers,” as was presumably intended. As written, the bill would create the risk and profound danger that the gas local distribution companies (Connecticut Natural Gas, Southern Connecticut Gas, and Yankee Gas) would not be able to make essential interstate natural gas pipeline arrangements to serve their natural gas customers.

Second, even if the bill is amended to solely refer to “electric utility customers,” OCC remains in opposition. New England cold snaps during this decade have cost electric ratepayers billions of dollars for one primary reason: we have not had enough natural gas pipeline capacity into the region. In recognition of this fact, current General Statutes § 16a-3j allowed a procurement to be conducted by the Department of Energy and Environmental Protection, in conjunction with other states in our region, for new natural gas pipeline capacity. The new natural gas pipeline capacity would have been paid for by electric ratepayers for an incredibly sound reason: the new gas capacity

was needed and intended to serve the needs of electric ratepayers by ensuring adequate gas pipeline capacity for gas power plants. DEEP, PURA, OCC and other stakeholders supported this procurement, and there were initial efforts to commence the procurement in 2016. However, the Supreme Judicial Court of Massachusetts ultimately prevented Massachusetts' involvement by ruling in 2016 that Massachusetts electric ratepayers are not legally permitted to support gas capacity. (The plaintiff was a company that owned interests in liquefied natural gas, the competing (and far more expensive) product to gas pipelines).

Fast forward a few years, and electric usage is down, renewable developments have grown, and efficiency investments have been installed. ISO-New England remains concerned that we do not have enough natural gas pipeline capacity into the region, but the need appears to have been reduced from what had been feared in 2016. OCC no longer expects, given the changes in circumstances, that new interstate gas pipeline capacity will soon or perhaps will ever be developed based on the needs of electric ratepayers. Still, OCC is against this bill because it would, in OCC's view, take a "tool out of the toolbox" that was viewed as entirely necessary as recently as 2016. At present, the need for natural gas capacity to serve electric customers may be down. However, any of the following events could once again increase the need for new interstate natural gas pipeline capacity and perhaps new natural gas power plants in Connecticut:

- (1) a sudden retirement of the Millstone Nuclear Power Station;
- (2) significant increases in electric demand for electric vehicles, electric heat systems, or an unforeseen consumer technology;
- (3) A failure of an existing natural gas pipeline into the region necessitating a rapid replacement;
- (4) A failure of various major proposed renewable energy developments, such as the offshore wind projects, to materialize;

(5) Major increases in the cost of oil such that customers are clamoring to convert home heating to natural gas from oil, with the resulting reduction in the “slack” pipeline capacity available to New England electric generation plants using natural gas.

OCC understands the desire to limit Connecticut from making future, long-term commitments to fossil fuels. Natural gas pipeline capacity is a long-term commitment. It may also be a necessary commitment in unusual circumstances, such as those listed above. If unforeseen circumstances militate in favor of us making the difficult decision to add gas pipeline to ensure reliable energy and avoid huge price spikes, then that tool should remain available to the State of Connecticut on the basis of prudence.