



**Connecticut
Light & Power**

The Northeast Utilities System



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**TESTIMONY OF RODNEY POWELL AND JAMES ROBB
YANKEE GAS SERVICES COMPANY**

**Energy and Technology Committee
March 20, 2012**

**RE: SB 450 AN ACT CONCERNING ENERGY CONSERVATION AND RENEWABLE
ENERGY**

Good afternoon. My name is Rodney Powell, and I am President of Yankee Gas Services Company. With me is James Robb, Senior Vice President of Enterprise Planning and Development.

This proposed bill provides 28 separate provisions. In our testimony, we address provisions related to natural gas use. We support the provisions in section 3 for a natural gas vehicle pilot program. We look forward to working with DEEP, municipalities and others to make this program a success.

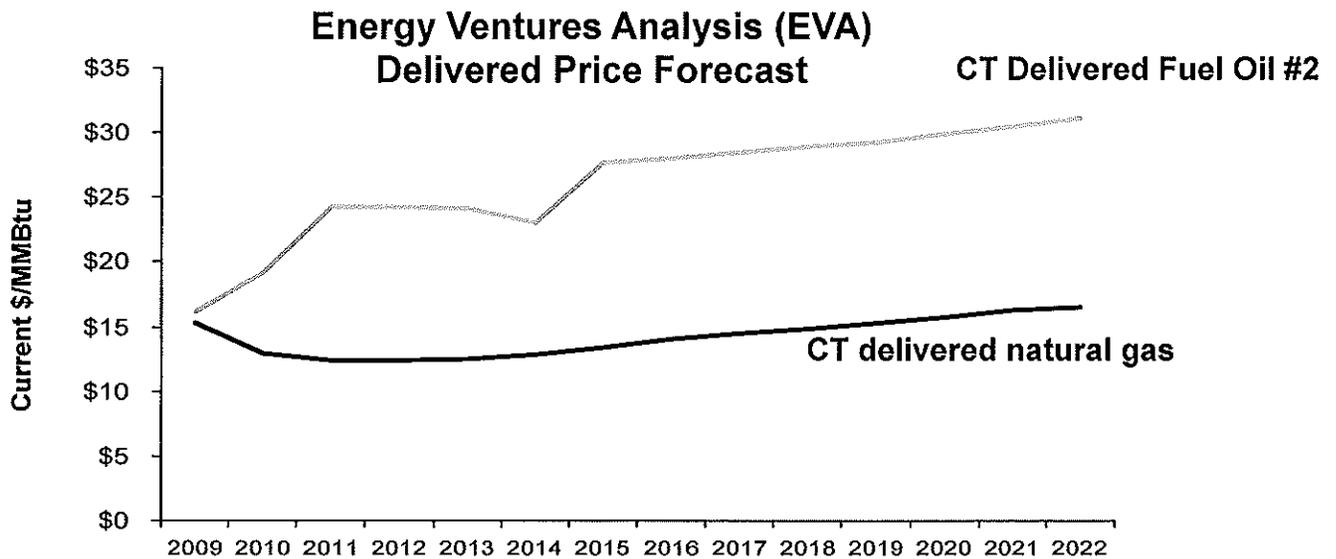
We believe that expanding the availability of natural gas to Connecticut residents and businesses as soon as possible will have great economic, environmental and jobs benefits to the state and its energy users. As you may know, natural gas is an underutilized fuel resource from almost any measure here in Connecticut.

We are concerned that the progress contemplated in this bill for expanding natural gas availability is too slow and postpones too many benefits, such as \$400 million in annual consumer savings and creation of 5,000 new jobs, for a year or more. Unfortunately, section 2 of the bill limits progress to PURA study of gas expansion, with recommended changes for future legislative sessions. While we support the interest in a study, a study was passed in P.A. 11-80 as a compromise. This bill as drafted defers yet again greater access to natural gas benefits for Connecticut's residents and businesses. The cost of natural gas is about half that of fuel oil. Attached to my testimony is proposed legislative language that will move us toward action as opposed to postponement. It contemplates gas companies filing expansion plans with the PURA,

and has PURA determining the right pace, investment and program criteria. The remainder of our testimony provides a fuller description of the benefits to Connecticut consumers. They should not be forced to wait any longer for a comprehensive plan to extend gas lines to homes and businesses.

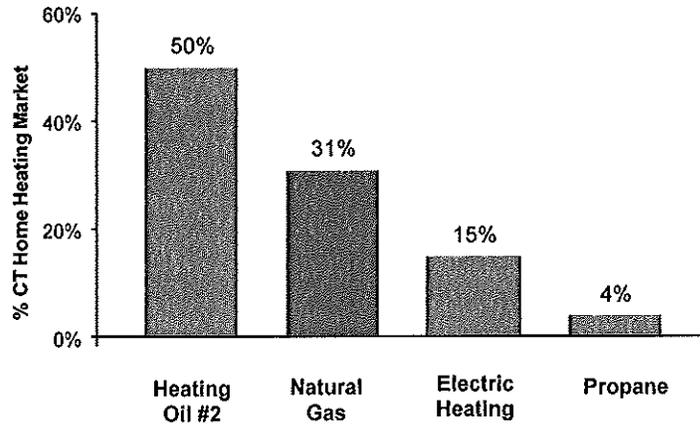
EXPANDING CONSUMER ACCESS TO NATURAL GAS FOR JOBS, ECONOMIC AND ENVIRONMENTAL BENEFITS

Even though the winter of 2011/12 was mild in Connecticut, it was also a year of frustration and economic distress for many Connecticut citizens and businesses that rely on fuel oil for heating and manufacturing. Beginning in 2009, gas and oil prices became disconnected, and that variance is expected to continue for the foreseeable future. Gas delivery prices stay in the \$15/MMBtu range for the next 10 years, about half of the cost of delivered fuel oil. Over the last few years, Connecticut has paid between \$2.5 and \$3.5 billion annually for distillate fuel oil.



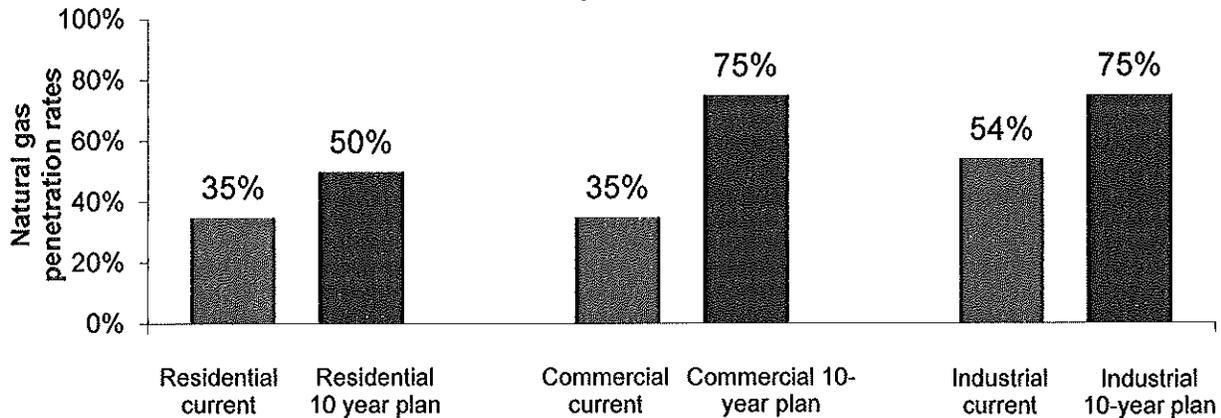
Energy production and the delivery infrastructure of New England represents “best practice” across the country in terms of clean, reliable energy. The exception is energy for heating and industrial manufacturing, where the region significantly lags surrounding states in the utilization of natural gas. Oil maintains a 50% market share in Connecticut’s residential heating market, by comparison, fuel oil penetration in the entire US is only 7%. Natural gas’ share of the heating market is only 30% with electricity and propane comprising the balance (15% and 4%

respectively). Connecticut lags regional states in energy for heating and industrial manufacturing, as well as the entire country.



Many Connecticut residents are already realizing the benefits of natural gas. In 2010, Yankee Gas converted approximately 1,000 single-family homes and multi-unit apartments to natural gas. In 2011, that number doubled to approximately 2,000. Commercial and Industrial customers are switching from Interruptible to Firm Service. Still, many energy consumers are not taking advantage of this economic benefit. Approximately 55,000 non-gas homes and businesses are within 150' of existing Yankee Gas mains. 25,000 Yankee Gas customers are low-use, do not use natural gas for space heating (11,000 of which are single-family homes). So what can be done? We believe gas expansion program can bring this energy resource to our customers in a systematic, rational manner over a ten-year period.

Potential 10-year Gas Expansion Program



Our proposed expansion plan would achieve a 50% natural gas penetration for residential and 75% for commercial and industrial after 10 years. Achieving those penetration levels would lead to a ~50% increase in the natural gas customer base (from 532k to 798k customers). Over the next five years, priorities will be on customers near existing gas mains and development of the most economic new gas mains into unserved regions of the state. Our plan will touch 33 schools/school systems in the first five years, lowering each schools costs between \$50,000 and \$150,000/year and could help fund some of the improvement mandates being considered elsewhere in legislation.

The benefits of our plan are substantial:

- 54,000 job-years of net total employment. 8,000 jobs/year in the first 5 years.
- \$4.1 billion of increased net GDP over the expansion period (\$2.8 billion first 5 years), \$0.4 billion of increased state revenue (86% in the first 5 years) and \$30-35 million of increased property taxes.
- \$250 million/year injected into CT's economy (once program is in place) by saving customers up to \$1,200 per year on their heating bills.
- \$215 million/year reduction for commercial and industrial customers' production costs once program is in place.
- 5.5 million barrels of decreased of fuel oil consumption per year (38% of CT use).
- 0.9 million tons of greenhouse gas emissions reduction per year (equivalent to building 800 MW of wind or 1,600 MW of solar) and 49% reduction in particulate matter.

We also believe that concern over existing jobs in the oil industry can be carefully considered in an organized way through the process we propose. Of course, many customers will remain on oil because it we and the PURA will determine that it is not beneficial to expand gas facilities to certain areas. For others, there will be related jobs in the expanded gas business that will need their skills and talents.

Our legislative proposal attempts to put in place a process for a sound plan to provide increased natural gas availability to consumers while assuring adequate regulatory oversight and direction. Specifically, our proposal:

- Affirms natural gas conversions as a rational State policy and establishes a review process;
- Assigns DEEP as the agency to review and approve a gas distribution infrastructure expansion plan;
- Assigns the Public Utilities Regulatory Authority (“PURA”) as the agency to set rates in accordance with a DEEP approved plan;
- Creates a recovery mechanism for costs associated with the approved plan.

We would be pleased to answer any questions about our approach or strategy. Thank you for the opportunity to provide you with our testimony.

YGS Legislative Proposals

I. Legislative Option to Implement a Gas Expansion Program for CT

Purpose: Enact new law that provides for gas companies to develop and implement plans to expand the availability of natural gas service to Connecticut citizens and business. Such plans would be subject to approval by the Department of Energy and Environmental Protection and rates to support such plan implementation would be subject to approval by the public utilities regulatory authority.

Sec. 1. (NEW) (a) (*Effective January 1, 2012*) On or before July 1, 2012, the department of energy and environmental protection shall establish a natural gas expansion and conversion program to encourage and allow a gas company, as defined in section 16-1 of the general statutes, to plan, promote, construct, finance, and otherwise facilitate the expansion of its gas distribution system and to assist customers in conversion to gas end uses, including but not limited to space heating. Such program may include the use of pilot programs, incentives or other means to accelerate the creation of jobs within the state and the realization of benefits of the expansion of and conversion to efficient natural gas usage in the state. As part of such review, the department shall identify additional incentives and opportunities that the state could provide to facilitate these programs, and report to the legislature on any such recommendations.

(b) A gas company may submit a plan for pre-approval for construction, finance, promotion and cost recovery of gas delivery facilities pursuant to the department's gas expansion and conversion program. Upon such submittal, the department shall determine whether such plan is consistent with the natural gas expansion and conversion program established pursuant to subsection (a) of this section of the general laws. If such gas company's expansion and conversion plan is approved, such company may implement such plan in a reasonable manner, and the public utility regulatory authority shall determine the rates to be charged to customers to recover the reasonable costs incurred in association with such plan.

(c) Notwithstanding other provisions of the general statutes, the department and the public utilities regulatory authority shall allow a gas company to recover the reasonable costs of such program on a timely basis, which shall include adoption of an adjustment rate that uses a methodology consistent with rates approved pursuant to section 16-19b of the general statutes.

(d) The department shall, on or before January 1, 2014, and annually thereafter, report in accordance with the provisions of section 11-4a of the general statutes to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment regarding the progress of said program.