



**Testimony of:
Tony Scaraggi, Vice President of Operations
GDF SUEZ Gas North America, Inc.**

**Before the Joint Committee on Energy and Technology
Public Hearing – March 17, 2015**

**Regarding:
HB 6958, An Act Concerning Natural Gas Contracting
HB 6985, An Act Increasing Natural Gas Transportation Capacity; and
SB 1078, An Act Concerning Affordable and Reliable Energy**

Chair Reed, Chair Doyle, and Members of the Committee, good morning and thank you for the opportunity to testify on some of the important energy legislation before the Committee today. My name is Tony Scaraggi, and I am Vice President of Operations for GDF SUEZ Gas North America, Inc. In that capacity, I am responsible for the operation of the Distrigas Liquefied Natural Gas (or LNG) Import Terminal in Everett, Massachusetts.

In addition to LNG, our parent company, GDF SUEZ Energy North America (GSENA) maintains a diverse portfolio of energy-related businesses including a New England generation fleet fueled by natural gas, biomass, run-of-river hydro-electric, pumped storage hydro-electric, and solar. We also have a retail electricity affiliate. Here in Connecticut, our company owns a plant in Waterbury and we are the largest owner of hydro-electric generation with facilities located primarily on the Housatonic, Shetucket, and Quinebaug Rivers representing hundreds of millions of dollars in investment and with direct employment of approximately forty (40) people in the state.

The Distrigas LNG terminal is the longest-operating facility of its kind in the United States. We have a proven history of safety, reliability, and innovation. Our facility is a critical part of New England's energy infrastructure, connecting to and delivering revaporized LNG into both the Algonquin and Tennessee pipeline systems from the east to the west, and supplying local gas distribution companies by pipeline as well as trucked liquid to a system of 46 LNG storage tanks throughout New England, including 4 here in Connecticut.

The following bills being heard today, HB 6958, An Act Concerning Natural Gas Contracting; HB 6985, An Act Increasing Natural Gas Transportation Capacity; and SB 1078, An Act Concerning Affordable and Reliable Energy, contain provisions which would permit the state's electric distribution companies to

embed the cost of natural gas pipeline expansions into the federally mandated congestion charge, essentially adding a new fixed cost onto Connecticut ratepayer bills.

The bills are at least in part a response to the IRP's focus on expanding pipeline capacity in the absence of a market solution to solve a winter peaking problem in our region. In our opinion, using ratepayer dollars 365 days a year to solve a 30 to 40 peak winter day problem will lead to both unintended consequences and a self-fulfilling prophecy.

A new fixed cost for such a capital investment would necessarily remain on consumer bills for years, irrespective of whether consumers will see any rate relief or reliability benefit from the increased costs. If the real problem is a mismatch between procurement responsibility and responsibility for reliability, new spending on pipeline capacity will not make the system any more reliable and consumers will see no benefit.

History has proven and recent experience reinforces the risk to consumers of long-term, large scale infrastructure investments on their behalf. As the prior and current winters demonstrate, future benefits of a long term commitment will be subject to significant volatility in net value, including the possibility that such investment yields net cost (losses) to consumers. Such actions can likewise chill existing proposals to build new plants and merchant transmission lines represent billions of dollars in potential new investment.

To the extent one believes that supply of natural gas may be an issue, the energy markets have begun to correct the problem on their own. New, privately owned pipeline capacity is being proposed and constructed to help augment the system without government intervention. LNG deliveries have significantly increased this winter, supplementing the needs of the region. Thousands of MW of new generation, including new renewable generation, participated and cleared in the most recent forward capacity auction held in February. New England not only experienced record breaking snowfall this winter, but the all-time record for natural gas demand was broken twice in 4 days in February, yet prices barely moved. The cost of natural gas has not spiked this winter as it had in previous winters. And wholesale electricity costs have fallen over \$2 billion year over year for the December to February period. All of this points to robust competitive markets that are adjusting to the current situation. In short, Connecticut does not need additional state subsidized infrastructure. Rather, Connecticut should take steps to maximize the current existing regional infrastructure and support the initiatives proposed by private investors to build the system up appropriately.

Thank you for the opportunity to testify today, I look forward to any questions.