



STATE OF CONNECTICUT
GOVERNOR DANIEL P. MALLOY

Governor Daniel P. Malloy
Speech at CBIA's 2012 Business Energy Conference – *as prepared*
October 5, 2012

“Connecticut’s Comprehensive Energy Strategy”

Thank you, John, for the introduction. I also want to thank the CBIA, as well as the Connecticut Power and Energy Society headed by Fred Klein of Pullman & Comley for their continued support of this important annual forum.

I would also like to recognize the Co-Chairs and Ranking Members of the Energy and Technology Committee, Consumer Counsel Elin Katz, Directors of PURA represented by Director Michael Caron, and the Connecticut Siting Council for their efforts in moving Connecticut forward with passage of Public Act 11-80 that calls for the creation of a Comprehensive Energy Strategy for the state.

It used to be that you could only be pro-business or pro-environment. You had to pick sides between business and labor. Let me say clearly that I reject those false choices. Energy is an issue that allows us to rise above these dividing lines and presents us with an opportunity to tackle some of the toughest challenges of our time.

A comprehensive energy strategy can help us create jobs, it can make our state’s businesses more competitive, and it can ensure that we preserve and protect our environment for generations to come.

For too long in Connecticut, it was the same old story. Connecticut families paid among the highest prices for energy in the country and got little in return.

Our businesses struggled to compete because the costs to keep your lights on, heat your buildings, run your manufacturing equipment or fuel the cars and trucks that are essential to your operations was too high.

When I was campaigning for this job, I called for a comprehensive plan to conserve and control the cost of energy. I believed then as I do now that we need a statewide effort to deliver cheaper, cleaner, and more reliable energy.

Today, we are releasing a draft of that plan – one that I believe takes us leaps and bounds toward that goal.

Our environmental, energy, and economic challenges are all related – and tackling them together offers the best chance to lower the cost of electricity and heat for our families and seniors, the best chance to lower the cost of power and make our businesses and industries more competitive so you can create the jobs that our residents need, and the best chance to reduce air emissions and other harmful impacts on our land and water.

Since I took office we've been working to accomplish these goals:

- We've cut electric rates by about 12% across the board, with rates for the industrial sector having decreased faster than in other states.
- We created the nation's first "green" bank with the Clean Energy Finance and Investment Authority and launched programs to fund renewable power and energy efficiency that use limited taxpayer or ratepayer money to leverage private capital. Our approach is also delivering renewable power at a price lower than virtually anywhere in the nation.
- And, we are practicing what we preach by building a "Lead by Example" program to attack efficiency challenges in state and municipal buildings – a program we believe will save taxpayers \$1.5 million a year in energy savings.

The energy strategy that I am unveiling provides a blueprint looking out to the future – to the year 2050. It analyses all energy needs for residents and businesses, ranging from electricity and heating to power for our large and small manufacturers and fuels for vehicles.

It examines challenges and opportunities for meeting future needs. And finally, it offers specific recommendations that tell us how to turn these opportunities into a reality in a way that advances our energy future while benefiting our economic and environmental goals.

This strategy covers a lot of ground.

But today, I'd like to talk about what this plan means for job creation in our state and what it means for consumer choice for both families and businesses.

The most dramatic element of this strategy is the opportunity presented to us by the increased supply of low cost domestic natural gas. Let me be clear – this is not a mandate for the consumption of natural gas. All this plan does is put Connecticut on equal ground with other states that have already made these investments, creating jobs for residents in the process.

The availability of what is called “shale gas” has reversed a long-standing pricing picture in which the cost of natural gas tended to be a little higher than oil. Today, natural gas costs much less than oil. This means the heating bill for an average natural gas customer is about \$1,600, while the family two streets over using heating oil pays about \$3,400.

With the availability of new reserves, natural gas seems likely to be plentiful at prices well below the cost of oil and gasoline for many years to come.

Our challenge is to give our residents and our businesses a choice – the option to choose cost-effective opportunities to convert to natural gas for heating and to run appliances and equipment.

For residents, connecting to natural gas can save real money every month.

For businesses, especially manufacturers, the cost savings from switching to natural gas may be a key to competitiveness and profitability in the years ahead.

Right now, only about 31% of our households use natural gas for heat. This is much lower than the percentage of household use in neighboring states. It’s at about 47% in Massachusetts and Rhode Island, it’s 72% in New Jersey, and the national average is about 53%.

Our strategy lays a path to take us to 50% and put us on par with these other states by giving more than 250,000 residential customers a real choice to switch to natural gas over the next seven years if they so desire.

In these same seven years, we want to ensure that more commercial and industrial customers have this same lower cost option. We could potentially increase the percentage of commercial customers enjoying the benefits of conversion from 35% to 75% and increase the industrial sector from 50% to 75%.

Our vision for the natural gas initiative looks like this:

- First, we want to make sure that homes and businesses on streets with gas lines have an opportunity to connect.
- And second, we want to have policies in place to extend natural gas mains to new loads where it is most economical.

All of this activity is expected to create up to 7,000 construction jobs – good paying jobs in a field that has been battered by the recession.

And when businesses lower their operating costs by switching to natural gas, there is a better chance they will grow and expand – creating still more new jobs.

I know this is a pretty savvy crowd, so the question you all want to ask is, “How are we going to pay for all this?”

We estimate a cost of about \$815 million for gas companies to connect “on main” customers. This would be financed by the gas companies and largely repaid through the distribution charges on the bills of new customers, a common utility practice.

The second piece is financing over time the expansions to “anchor” customers – factories, businesses, schools, and hospitals – and other off-main customers. This would require approximately 900 miles of new mains and cost somewhere around \$1.4 billion. Our strategy suggests options for financing this cost and we’ll want to hear from all of you about how to best do this.

The final piece is what businesses and homeowners will need to invest to install new gas furnaces, hot water heaters, appliances and equipment.

Think about it. If I tell you that you can save money by converting to natural gas but it will cost \$7,000 or \$8,000 to connect and get your new furnace and appliances, you might decide to pass.

But, if I tell you there are minimal out-of-pocket expenses and that you can finance all this over time for a monthly cost that is less than your current bill, you are likely to make the move.

That’s what our strategy recommends.

In promoting a major conversion to natural gas, we are talking about more than cost savings and economic growth; we are also talking about significant air quality and public health benefits.

I know there are some very real concerns over the manner in which these reserves are tapped. Techniques known as hydraulic fracturing (or “fracking”) and improved horizontal drilling are used to make it practical to remove gas that was previously left trapped in the ground.

There have been cases where this has impacted water supplies or when drilling and transmission have led to the release of methane, a very potent green house gas.

First, let me be clear – we will not be “fracking” in Connecticut – we simply don’t have natural gas deposits in our state.

Second, as this expansion goes forward, we will encourage states where drilling takes place to put appropriate requirements and regulatory oversight in place. We will also aim for a “zero leak standard” for methane on pipelines that bring gas to Connecticut.

And, of course, we will insist on the highest safety standards for the expanded natural gas infrastructure in Connecticut – the pipes that bring this product to our state and the pipes that carry it to our homes and businesses.

For those who can take advantage of it, we want to provide a real natural gas choice, to create a path that allows them to lower costs for their families or businesses in an easy and seamless manner.

For those who will not be reached by natural gas mains, or who choose for whatever reason not to convert, we remain committed to helping them with strong efficiency programs and the chance to lower their energy bills.

That takes me to the second aspect of the plan that I'd like to discuss today.

The fact is that the cheapest energy resource is the one you never use. Investments made in energy efficiency reduce the amount of electricity and heat we consume in our homes and in our businesses, and they pay big dividends for the consumer and the community at large.

Each dollar invested in efficiency produces more than twice that amount in savings over the useful life of that investment.

The truth is, we've got a pretty good foundation in this field already. Just a few days ago, Connecticut moved up three places to number six in rankings of most energy efficient states in the nation, according to American Council for an Energy-Efficient Economy.

Whether it's through the replacement of a furnace as part of an energy retrofit at a home in Berlin or the installation of a new solar panel system on a small business in Fairfield, a deeper and broader investment in energy efficiency will yield a net savings of more than \$500 million annually for ratepayers in electricity costs alone by the end of the decade and create and sustain thousands of jobs in the sector.

These are real savings and real jobs.

The enhanced audits called for in this plan go beyond simply changing out light bulbs and weatherization. They'll provide a comprehensive energy reduction program aimed at heating, lighting, air conditioning, windows, ventilation, insulation and appliances, replacing furnaces, refrigerators, and every other appliance that becomes an energy draw.

We will also introduce new initiatives and opportunities to those who have not had programs in the past to address their efficiency needs: small businesses and limited income families.

In fact, we are launching the new Office of Energy Efficient Businesses, which will put boots on the ground to bring the benefits of efficiency programs to small urban businesses. This means

energy auditors, trained in the communities they are serving, will be on the street in our city centers helping small businesses solve the energy problems they face.

We want everyone to have the opportunity for a low-cost energy audit and follow-up energy efficiency investments in their home or business. This time, we will leave no one behind in our commitment to bringing down energy bills.

Today is a historic day for us.

This draft energy plan promises an energy future for Connecticut that is vastly different from the past – a strategy that will:

- Focus sharply on the availability of cheaper, cleaner and more reliable energy,
- Reduce costs for residents and businesses,
- Make us more economically competitive,
- Create middle class jobs,
- Improve the quality of our lives,
- And reduce pollution to better protect human health, the environment and natural resources all around us.

The strategy we are presenting today is just a draft. With its release, we are opening a two-month long public dialogue about our energy needs. We will be hosting a series of public meetings and technical hearings on various aspects of the draft strategy. We invite everyone to participate in this critical discussion. We want to hear your comments so we can refine this draft plan and finalize Connecticut's Energy Strategy by the end of the year.

I am confident that the new chapter we are writing in our state's history represents not just a break with the past but a strategy that will set Connecticut apart. It's a chance for us to seize control of our own destiny – instead of allowing our future to be shaped by people and forces beyond our borders.

Thank you for listening.

You can find the strategy at ct.gov/energystrategy.

And please participate in the discussion over the next two months. We truly welcome your thoughts. Thank you once again for inviting me and I'd be glad to take some questions if time permits.

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