

Northeast Forum on Regional Energy Solutions

Remarks by Elin Swanson Katz

April 23, 2015



Good morning. I am Elin Katz, the Consumer Counsel for the State of Connecticut.

Thank you, Governor Malloy and Governor LePage, for the invitation to participate in this panel.

After listening to Mr. Van Welie and Mr. Levitan, I suppose we should feel lucky – lucky that the cost of LNG dropped because of the Asian market; lucky that our extreme weather this winter was in February instead of January; lucky that the cold weather broke before the backup fuel from the winter reliability ran out; and lucky that we didn't see quite the same spike in energy prices this winter as we did last winter.

But I don't feel very lucky. We may avoided a winter reliability problem this year, but the margin was pretty thin. We also continue to see elevated electricity costs across New England. The greatest contributor to those high costs are the constraints on the natural gas pipelines into the region.

If you look at this slide (Slide 2), you will see just how much higher those costs. In the 2012-2013 season, the differential between New England and the Mid-Atlantic was about 1.5 cents/kWh. Now it stands at 4.5 cents/kWh, a 3 cent difference. Much of this is reflective of the cost of gas.

Last year, New Englanders paid about \$3 billion dollars more for electricity than their counterparts in surrounding states. This year, with our “luck,” it was only about \$1 billion dollars more.

These elevated electricity prices don't just hit our wallets. They also have a very human cost. For example, Eversource (formerly CL&P), the state's largest utility with about 75% of the state's electric consumers, has seen an ever-increasing number of non-hardship customers going onto payment plans. (Slide 3). These are typically people who with jobs or steady incomes, who are struggling to pay their electric bill.

If you look at the slide, that's 1/6 of all Eversource customers! We heard from proud people who do a great job with their finances and NEVER fail to pay a bill on time but were nevertheless forced into a situation where they simply could not pay and had to ask for help. They felt remorse about their loss of dignity.

We also heard from seniors – more than one – who live in senior housing, many with electric heat, who turned their heat down to 50 degrees in the coldest part of winter, or turned it off altogether, because they just couldn't afford their bill. Others spoke of delaying refills of their prescriptions, and we had one woman who testified that she's down to one light bulb at night, and that she walks around her house with a flashlight.

We also heard from working parents who struggled to pay the electric bill, even with two jobs or two wage-earners in the home, who chose

between rent, food, clothing for their kids, and the electricity bill. I think all of us can imagine how stressful that juggling is, when there's not enough money to go around, and you don't pay this bill because that one is overdue. This just is not the way we want our citizens to live, these aren't the choices we want to give them.

And it's not just about the money. I am also very concerned about the reliability risks we've just heard about. Last winter, we were down to just a few days of reserve fuel during the polar vortex, and this year, we were fortunate that there's a few more minutes of sunshine in February than there are in January. If there is a shortage of fuel for generation, we face an electricity shortage – what ISO calls “a Capacity Deficiency.”

A Capacity Deficiency is not some scare tactic – it could happen and it has happened. The nightmare would be extreme cold weather coupled with restrictions on gas availability, and the loss of a large nuclear unit or transmission line. Imagine if in the middle of February, during all of those snow storms, Millstone, which generates almost half of all the electricity produced in Connecticut, had gone down? It's not inconceivable, the Pilgrim nuclear facility in Massachusetts shut down twice this winter, and Millstone faced a partial shutdown last summer. If that happens, we could well face a Capacity Deficiency.

What does that mean? At its extreme, rolling blackouts. I remember speaking with a former Vermont commissioner about a Capacity Deficiency they faced. It was probably during 2004, when thousands of megawatts of gas-fired generation were unable to get the gas they needed, threatening power system reliability. She was advised that there was the possibility of rolling blackouts. She described her raw fear, and the sleepless night she had, as she worried about the many, many Vermont citizens living in isolated, poorly insulated homes out in

the country. A blackout, she said, would create a real risk of people freezing to death.

Connecticut is no stranger to blackouts. (Slide 4) This is a map from the 2011 Halloween Nor'easter. Governor, I apologize, I'm sure this map haunts you, as it haunts me, because we spent a lot of time looking at it in the Emergency Operations Center. This blackout caused tremendous hardship for Connecticut, but it was in October. Imagine if this had occurred in January or February. An outage for even an hour, six hours, or a day or two when it's 10 degrees out would be potentially disastrous.

I'm not trying to be alarmist; I am truly worried about this. I don't want any of us to receive that call from Mr. Van Welie about a Capacity Deficiency, but unfortunately, I know that but for some "luck," it could have happened last winter and it could have happened this winter.

Fortunately, we have solutions. Bringing more energy resources into the region is feasible, and we're very close, with the six New England Governors and their staffs working on this. As the pressures on the natural gas distribution system continue to rise, and we see increased retirements on existing alternative energy sources, including retirements of nuclear, oil, and coal facilities, we need to create more options, including pipelines, transmission, and clean energy alternatives. That's why I was supportive of the Six State Agreement and that's why I'm supporting Senate bill 1078, as it is the next step to procuring these options. Whether it's three billion last winter or one billion this winter, we're paying too much for natural gas, and in turn, for electricity. You can build a lot of infrastructure for a billion dollars. Nonetheless, this bill isn't a blank check. It also involves a competitive procurement for resources, which the Office of Consumer Counsel is a part of, which has yielded very strong results when we used that

method in the past. It also requires a rigorous cost-benefit analysis, and PURA must approve the contracts. It's a responsible bill.

It's time, however, for us to find a long-term solution to the long-term price and reliability problems in New England. I don't want to rely on luck anymore.

