



OCC Expresses Support for Interstate Natural Gas Pipeline Contracts Proposed by Connecticut's Natural Gas Utilities

In a Brief filed by the Office of Consumer Counsel (“OCC”) on November 23, 2015, in a Public Utilities Regulatory Authority (“PURA”) proceeding, Docket No. 13-06-02RE02,¹ OCC supported the entrance by Connecticut’s natural gas utilities into certain proposed contracts with interstate gas pipelines that are under development. The contracts between our gas utilities, Southern Connecticut Gas Company (“SCG”), Connecticut Natural Gas Corporation (“CNG”), and Yankee Gas Services Company, and the proposed interstate pipelines would allow the utilities to transport needed gas along the pipeline and are called “pipeline capacity contracts.” Basically, the utilities are buying space on the pipe for a period of years, and the necessary gas molecules are then purchased separately at a later date for customer heating or process uses.

Some of the contracts at issue in the PURA proceeding provide the key benefit of giving Connecticut gas utilities the rights to ship gas all the way from the Marcellus Shale Production areas in western New York and northern Pennsylvania into pipelines that in turn enter into Connecticut. This will increase Connecticut’s access to low-cost shale gas for heating purposes as well as providing diversity of supply sources and reducing market power concerns at the key, eastern New York receipt points. OCC also supported CNG and SCG’s contracts with the “Northeast Direct” gas pipeline being developed in Massachusetts by Kinder Morgan, which will support additional deliveries to Connecticut through Agawam, Massachusetts.

¹ OCC’s Brief is available at the following link to the PURA web site:
<http://www.dpuc.state.ct.us/DOCKCURR.NSF/6d791bb4bbbfc33c85257523004e0194/ed5331e6f473bcf385257f060070a545?OpenDocument&scrollTop=596>

The contracts at issue are intended in part to support and enable Connecticut's increasing usage of natural gas for space heating and processes, as part of the Comprehensive Energy Strategy developed by the Connecticut Department of Energy and Environmental Protection ("DEEP") and supported by Governor Malloy. Although interest in gas conversions, including by residential customers, has dampened somewhat with the diminished price of oil, Connecticut still expects to see increasing gas usage over the next two decades because of the price and perceived environmental benefits of natural gas. Service of this additional demand requires new pipeline capacity contracts. OCC's analysis, as supported by experts from the firm of Blueflame Consulting, showed that the proposed capacity contracts were appropriate in size and likely to be necessary and beneficial. Even if there are less gas conversions than projected, the utilities should be able to sell off excess pipeline capacity to New England electric generation plants, which are increasingly relying on natural gas to produce electric energy.

Questions also arose in the proceeding regarding whether PURA should be reviewing gas pipeline capacity contracts, or whether such contracts should solely be a business decision of the utilities. OCC expressed support for PURA review of gas pipeline capacity contracts of significant value (over \$20 million) that are related to the gas expansion effort in terms of reliability or price.