



## State Energy Strategy Includes Boost for Natural Gas

OFFICIALS OFFER PLANS FOR PIPELINE EXPANSION, TOUT JOB CREATION

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In August, Gov. Dannel P. Malloy joined officials from the town of Wilton and representatives of Yankee Gas to announce the start of a natural gas expansion project in the town. The project, which will take place over several months, involves the installation of a 3.5-mile underground pipeline along existing roads to connect gas to Wilton's downtown business district, municipal buildings and several schools. The governor estimated the project would save taxpayers hundreds of thousands of dollars each year in energy costs and would be available for private residential and business use.

With the announcement, Wilton became the first community in the state to partner with a utility through the state's Comprehensive Energy Strategy. Required by Public Act 11-80 and developed by the governor and Department of Energy and Environmental Protection in fall 2012, the strategy offers recommendations in five priority areas: energy efficiency; industrial energy needs; electricity supply, including renewable power; natural gas; and transportation. The DEEP issued the final strategy in February 2013 and many of its recommendations were adopted by the General Assembly in Public Act 13-298. This article focuses on the natural gas provisions of the strategy.

The natural gas initiative attempts to take advantage of the emerging opportunity presented by the Marcellus Shale in Pennsylvania and New York, one of the nation's largest reserves of natural gas. Only 31 percent of Connecticut homes heat with gas; the strategy seeks to make it available to as many as 300,000 additional Connecticut homes and businesses. To reach that goal, the state wants to install up to 900 miles of new gas mains to convert customers to natural gas over a 10-year period. Plans call for providing incentives for the state's gas companies to ramp up the required construction quickly, which DEEP estimates will translate into as many as 7,000 jobs. Additionally, the strategy calls for linking utility construction projects so the construction cost of new gas mains can be shared.

The strategy also establishes a planning process for natural gas expansion. Gas companies can optimize alignment of expansion territory with state and municipal road construction projects and with utility activities (including replacement or extension of water and sewer pipes, fiber optic cables, or underground electric wires), as well as with other planned infrastructure build-out.

The strategy also seeks to reduce the costs of equipment conversion and main extensions such as the paving cost component of gas main extensions and the labor costs involved in deploying crews to install meters,



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service lines and gas mains. These so-called "soft costs" involved in complying with state and local permitting and siting requirements applicable to gas main extensions and the unit costs of the natural gas heating equipment itself would be reduced. This, in turn, provides benefits for consumers, ratepayers, taxpayers, contractors and the environment.

### Additional Savings

There are additional cost savings that the strategy expects to achieve where gas main extensions are coordinated with other infrastructure projects. If a municipality is already planning to install or repair water lines, sewage pipes or other infrastructure, for example, installing a gas main at the same time can save 20 percent of the costs of main extension by sharing the costs of excavation and repaving the street, according to the strategy.

Pursuant to Conn. Gen. Stat. §13a-126d, the Connecticut Department of Transportation and municipalities are required to notify the Public Utilities Regulatory Authority of pending construction projects on state highways and other public highways, so that PURA can notify public service companies of the opportunity to install water, sewer or gas lines. Accordingly, the PURA, in developing the procedures to implement this notification requirement, should ensure that the gas companies “have the information needed to focus their natural gas expansion plans in areas where [ConnDOT] and municipalities are planning road construction.”

Under the program, natural gas expansion projects are projected to grow by 30 percent to 50 percent, according to DEEP Commissioner Robert Klee, who spoke at a recent Construction Institute State of the State program. The natural gas program provides a “competitive advantage for businesses and homeowners,” he said, and is designed to “give them an option. Multiple sectors across society will benefit.” The agency, he said, projects to add 20,000 new customers over the next year; 22,000 in 2016; and 27,000 in 2017.

Environmental groups, utility construction contractors, and pipeline and energy distribution companies generally support the policy. On the other hand, many local heating oil dealers—often mom-and-pop businesses—oppose it, arguing in a public hearing before DEEP that the plan would interfere with the marketplace and favor utilities over small, family-owned companies. Other opponents are concerned that the policy may have unintended negative environmental impacts such as encouraging greenfield development and greater suburban sprawl rather than addressing existing constraints in the natural gas infrastructure. DEEP also “acknowledges that there are significant environmental and public health issues associated with the drilling and transport of natural gas” but it intends to actively address those

issues as the strategy is implemented.

### **New Jobs**

The governor projects that the strategy will create new construction jobs and put “into place the infrastructure to support a growing economy that leads to long-term job growth.” Indeed, in September, Spectra Energy and Northeast Utilities announced plans for the expansion of an existing pipeline infrastructure. The joint project, known as Access Northeast, is designed to meet growing demand for natural gas in home heating systems and power plants in New England while providing environmental and economic benefits to the region.

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By giving local natural gas utilities more access to the transmission pipeline, the NU-Spectra project will expand capacity by about 1 billion cubic feet of gas. The project, which will expand the Algonquin and Maritime pipeline systems, will “help deliver increased, guaranteed daily supplies of natural gas to consumers, as well as enhanced service on peak days for strategic natural gas-fueled electric generation plants, to address New England’s reliability concerns and reduce costs paid by the region’s electric and gas consumers,” the companies said in a statement.

Not surprisingly, the Comprehensive Energy Strategy is not without controversy. Last month,

the Connecticut Energy Marketers Association sued the state, claiming DEEP and PURA violated the Environmental Policy Act, Conn. Gen. Stat. §22a-1a et seq., by not conducting an environmental impact evaluation as required by the law before implementing the plan. CEMA, which represents about 600 oil dealers, says in its complaint filed in Superior Court in Hartford seeking declaratory and injunctive relief, that the DEEP failed to perform an assessment of the “direct, indirect, and cumulative impacts of methane leakage from the state’s natural gas distribution system.”

CEMA seeks to enjoin DEEP from taking any action approving, authorizing, or directing any work to be conducted by gas companies to implement the plan and direct the companies to suspend any work in furtherance of the plan, until DEEP has made an assessment in full compliance with the Environmental Policy Act.

In response, a DEEP spokesman said the lawsuit was groundless and based on inaccurate information. The DEEP claims that an environmental assessment was not required because the expansion plan is not a state or agency-sponsored action. In a statement to the Hartford Courant, the spokesman said the lawsuit is “simply another in a series of steps by the heating oil dealers aimed at protecting their lock on the market and preventing homeowners and businesses from having a choice to select a cheaper and cleaner fuel.”

Whatever the outcome of the lawsuit, the state is moving in a new direction with an energy policy designed to provide cleaner, less expensive and more reliable energy to residents while also spurring efforts to increase energy efficiency and deploy more renewable energy. According to the DEEP commissioner, the state is making similar progress in implementing other components of the strategy and has “doubled funding for popular and cost effective energy efficiency programs; increased by tenfold the amount of renewable energy we are generating in state; committed to the procurement of 270 MW of power from grid-scale wind and solar projects; and built out a system of charging stations to encourage the use of electric vehicles.” Together, the five elements of the state’s strategy will shape development and utility construction for years to come and provide increased opportunities for construction contractors. ■

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