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Quadrennial Energy Review 04-21-2014

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NEW ENGLAND REGIONAL INFRASTRUCTURE CONSTRAINTS

A Public Meeting on the Quadrennial Energy Review,  
Hosted by the United States Department of Energy

Part II: Hartford, Connecticut

April 21, 2014

Connecticut Department of  
Energy And Environmental Protection  
Phoenix Auditorium  
79 Elm Street  
Hartford, Connecticut

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1 AGENDA: NEW ENGLAND REGIONAL INFRASTRUCTURE CONSTRAINTS  
Part II: Hartford, Connecticut, April 21, 2014

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3 Introduction & Officials Panel

4 U.S. Secretary of Energy Ernest Moniz

Governor Dannel P. Malloy

5 Representative Elizabeth Esty

Representative John B. Larson

6 Commissioner Robert Klee

7

8 Panel 3: Infrastructure Needs for Gas-Electricity  
Transmission, Storage and Distribution

9 Gordon van Welie, President & CEO, ISO New England,  
Inc.

10 Thomas May, Chairman of the Board, President & CEO,  
Northeast Utilities

11 Tom King, President, National Grid US

12 Bill Yardley, President, U.S. Transmission and  
Storage, Spectra Energy

13

14 Panel 4: Infrastructure Needs: Challenges and Solutions

15 Glenn Poole, Manufacturing Support Manager - Energy,  
Verso Maine Energy, LLC

16 Lawrence J. Reilly, Principal, Rosewood Energy  
Consulting, LLC; Chairman, Vermont Electric Power  
Association

17 John F. Bilda, General Manager, Norwich (CT) Public  
Utilities; past president of Northeast Public  
18 Power Association

19 Peng Zhang, Assistant Professor, University of  
Connecticut

20 Rick Terven, Executive Vice President, United  
Association of Journeymen and Apprentices of the  
Plumbing and Pipe Fitting Industry of the United  
21 States, Canada & Australia

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1 P R O C E E D I N G S

2 MR. HANSEN: Good afternoon. I'd like to  
3 officially call this meeting to order. My name is Fred  
4 Hansen. I am the facilitator for this afternoon, and I'd  
5 like to begin by reading an official statement about our  
6 purpose today.

7 Pursuant to the Federal Advisory Committee Act,  
8 the purpose of today's meeting is to ask your individual  
9 input or your organization's input regarding regional  
10 infrastructure constraints and provide a forum to exchange  
11 information. To that end, it would be most helpful to us  
12 for you to provide these recommendations and information  
13 based on your personal experience, your advice,  
14 information, or facts regarding this topic. The object of  
15 this session is not to obtain any group position or  
16 consensus. Rather, the department is seeking as many  
17 recommendations as possible from the individuals at this  
18 meeting.

19 Before we begin, I'd like just a few housekeeping  
20 items. First, the rest rooms are right out this door.  
21 Make a hard left, go past the elevators, through the double  
22 doors, and that's where they are.

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1           Second, at the end, at 4 o'clock, we will have an  
2 open mic session. If you would like to make a comment, you  
3 have made a mark next to -- when you signed in. So if you  
4 want to make a comment and you haven't checked that box  
5 when you signed in, you have to go do that.

6           With that, it's my distinct honor to introduce  
7 Robert Klee, commissioner for Connecticut's Department of  
8 Energy and Environmental Protection. Commissioner Klee.

9           COMMISSIONER KLEE: Hi. Good afternoon,  
10 everyone. Thank you, Fred. Thank you, Secretary Moniz,  
11 Governor Malloy, Congressman Larson, Congresswoman Esty.  
12 Thank you all for being here today. And thank all of you  
13 out there in the audience for your interest in critical  
14 energy policy choices.

15           One more little housekeeping. If anyone wants to  
16 access wireless today, the logon is DEEPguest, D-E-E-P  
17 guest, and the password is Energy2014. I had to get that  
18 one out of the way. Thank you.

19           As Fred mentioned, I am Rob Klee, the  
20 commissioner of Connecticut's Department of Energy and  
21 Environmental Protection. I was recently honored to be  
22 nominated by Governor Malloy to serve as commissioner, and

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1 I was confirmed by our general assembly with the support of  
2 legislators, I believe some of whom are in the audience  
3 today.

4 I want to welcome you all to the headquarters  
5 building of what is truly a remarkable state agency. Here  
6 at the Department of Energy and Environmental Protection we  
7 are responsible for everything from energy policy to  
8 protecting the quality of the state's air, water, and lands  
9 through our regulatory programs, to operating our  
10 remarkable state park system, to maintaining our state  
11 forests, and regulating hunting and fishing. So it's a  
12 broad remit for the Department of Energy and Environmental  
13 Protection.

14 But today, of course, we're here to talk about  
15 energy issues, which has been a major focus of Connecticut  
16 under the leadership of Governor Malloy. I know the  
17 governor will tell you more about the progress we have made  
18 in a few minutes.

19 I also wanted to open up by thanking the Obama  
20 Administration for ordering the Quadrennial Review that is  
21 being headed up by the Department of Energy. We believe  
22 this process can lead to real solutions to some of the most

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1 critical energy challenges we face.

2           So thank you, Secretary Moniz, and your agency  
3 for leading the charge on this, and thank you for selecting  
4 Hartford and our DEEP building as a site of one of the  
5 public meetings you're holding around the country.

6           So now I'd like to ask you, Mr. Secretary, to  
7 come down and share your thoughts with us on energy issues  
8 and the Quadrennial Review. Secretary Moniz.

9           SECRETARY MONIZ: Well, thank you, Commissioner  
10 Klee, and thank you, Governor Malloy and Congressman Larson  
11 and Congresswoman Esty, great friends. And I must say even  
12 before the governor describes what's going on in the state,  
13 I would say how much we admire what's going on in the state  
14 in terms of clean energy and some of the really pioneering  
15 efforts, Green Bank and other mechanisms, but I guess I  
16 will leave that for you to describe.

17           Let me say a few words about the Quadrennial  
18 Energy Review, just as a context. I don't want to spend  
19 too much time on this, but the idea, first of all, is that  
20 we know that, although we are the Department of Energy,  
21 energy equities, energy concerns, energy perspectives are  
22 very important throughout the entire government, and

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1 multiple agencies have very important roles. And that's  
2 why one of the purposes of the QER is under the  
3 chairmanship in the White House, in the Office of Science  
4 and Technology Policy, the Council for Environmental  
5 Quality, we are bringing together colleagues across the  
6 government to look at energy in the context of our economic  
7 aspirations, our environmental concerns, and our security  
8 concerns, integrating all three of those. In that  
9 structure the Department of Energy then plays the role of  
10 an executive secretary, providing a lot of the analytical  
11 focus and providing an organization for multiple  
12 stakeholder meetings across the country.

13           Today we are in Providence and in Hartford having  
14 the first of those regional meetings following a kickoff  
15 that we had in D.C. Why are we doing that? Because we  
16 know as we examine the energy infrastructure issues that  
17 will be the focus of this year's activity, the  
18 transmission, storage, and distribution of energy, that we  
19 know those challenges are very regional in nature. So we  
20 are going out to all the regions in this country to get  
21 input, which I want to assure you is and will be for our  
22 analysis extremely important to us.

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1           Here we are, you know, we are living, speaking of  
2 this region, New England, and one of the reasons we're  
3 starting here is that we live in a time in which there out  
4 there in much of the country the talk is about the energy  
5 revolution, the abundance of energy that we have, the way  
6 that we are in fact drawing upon new resources, natural  
7 gas, for example, across the country, promoting renewables,  
8 at the same time reducing carbon emissions. But yet if we  
9 come here it's not a discussion of abundance. It's a  
10 discussion of, in particular, infrastructure constraints,  
11 for example, that really, first of all, have prices here  
12 often very volatile and much higher than other parts of the  
13 country.

14           I was telling the governor, Governor Malloy,  
15 earlier that an interesting kind of bizarre anecdote that  
16 almost makes the point is that some years ago in looking at  
17 solar energy we found that the payback period for a solar  
18 installation was significantly shorter here than in Arizona  
19 because, although the sun may be better in Arizona, the  
20 price that you're competing against is quite different.  
21 And so it just kind of makes the points of our country have  
22 such different energy challenges, and this is what we are

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1 about to look at.

2           Another point in terms of integrating different  
3 issues with regard to infrastructure is that we also should  
4 keep in mind that what we're about really in the end is  
5 providing services, lighting, heating, mobility, good  
6 business environment through energy. And so, again, as we  
7 look at solutions, it's not just one thing. For example,  
8 natural gas pipeline infrastructure is obviously a big  
9 issue here. But this past winter fuel-switching was a big  
10 issue, bringing in potentially renewables from other parts  
11 of this country or Canada. All I'm saying is that there  
12 are many ways of addressing the key services that we need  
13 to provide. That's also part of the integrated analysis.

14           Another part -- and I'll just end with this -- is  
15 if we look at the risks to the energy infrastructure. We  
16 have seen multiple occasions, just in the last couple of  
17 years, Sandy in 2012. Polar vortex had quite some direct  
18 relevance here and other parts of the country. We saw  
19 tremendous strains in the system from energy  
20 infrastructure, whether it was propane in parts of New  
21 England or the upper Midwest especially, infrastructure  
22 problems in moving product to that place. Here in New

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1 England we can talk about \$80 gas spikes here over the  
2 winter, competition between heating and electricity,  
3 et cetera. So we have those challenges, particularly in  
4 the context of global warming, but we also have cyber  
5 challenges. We have physical risks of that infrastructure.  
6 We have risks that come from the interdependency of  
7 different infrastructure, as in Sandy when fuels could not  
8 be moved for lack of electricity, even though the fuels  
9 were there. So these are all a set of risks that we will  
10 want to be looking at also in a unified way as we look to a  
11 21st century infrastructure that is resilient and satisfies  
12 our economic, environmental, and security concerns.

13           So that's kind of a big-picture backdrop as to  
14 what we are doing, and I'll just end by repeating again the  
15 regional variation in this country is tremendous. The need  
16 to look at these solutions, in particular the low-carbon  
17 solutions for the future, we need to look at those as  
18 solutions that will themselves be quite different in  
19 different parts of the country. What's the mix? How do we  
20 get the infrastructure in place to enable that to occur?  
21 And that's what we look forward to hearing from you. Thank  
22 you.

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1           COMMISSIONER KLEE: Thank you, Secretary Moniz.  
2 I now would like to introduce my boss, Connecticut's  
3 governor, Dannel Malloy, who is truly a visionary in energy  
4 matters. With his guidance and leadership our state has  
5 reversed decades in which energy issues were an  
6 afterthought. With his direct and active involvement we  
7 have now emerged as a leader among states with a bold and  
8 innovative approach for a new cheaper, cleaner, and more  
9 reliable energy future for the citizens and businesses of  
10 our state. Governor Malloy.

11           GOVERNOR MALLOY: Thank you. Thanks for the  
12 introduction, and thanks for the hard work that you and  
13 this department are doing on a daily basis. I very much  
14 appreciate it.

15           I want to welcome the secretary here, and I want  
16 to thank you for selecting Hartford as one of the locations  
17 for this type of meeting. We're honored to have you here.  
18 It was great to spend some time over lunch with you as  
19 well.

20           Mr. Secretary, what you will hear today is that  
21 families and businesses in Connecticut and in fact all  
22 across the New England region have for too many years paid

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1 some of the highest energy costs in the nation, as you  
2 indicated. Since I took office it has been one of my top  
3 priorities to bring these costs more in line through  
4 innovative programs and policies. Under my direction, we  
5 have created a Department of Energy and Environmental  
6 Protection to harmonize our energy policy with our  
7 environmental goals. With the input of hundreds of  
8 stakeholders we wrote a comprehensive energy strategy for  
9 the state, the first-ever long-range plan for cheaper,  
10 cleaner, and more reliable energy in Connecticut.

11           At the core of our strategy is energy efficiency,  
12 because the cheapest and cleanest form of energy is the  
13 energy you don't use. And so my administration has doubled  
14 the funding for efficiency programs that help homes and  
15 businesses bring down their energy bills. Reliability is  
16 another concern brought home by the extreme storms that we  
17 have experienced in the last few years, and you  
18 specifically referenced one of those.

19           Through legislation and regulatory action, we are  
20 building a more resilient electricity distribution  
21 infrastructure. It features development of innovative  
22 microgrid systems that use cutting-edge technology to keep

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1 power in key government facilities and in some downtown and  
2 commercial areas across our state. Under my leadership we  
3 are meeting the state's commitment to rapid deployment of  
4 renewable generation at the lowest cost to our ratepayers,  
5 and we are harnessing market forces to secure the lowest  
6 cost clean energy projects through reverse auctions and  
7 competitive procurements. We launched the first-ever Green  
8 Bank to attract private investment and clean energy  
9 projects here in our state, and I'm very proud of the  
10 results. Since 2010 the amount of in-state renewable  
11 generation has increased tenfold, and long-term power  
12 purchase agreements -- one that we recently signed will  
13 supply 3.5 percent of the state's electricity needs from  
14 wind and solar facilities, saving ratepayers more than \$200  
15 million from what previously had been estimated would be  
16 the cost.

17           It will take some time for renewable energy to  
18 meet a large portion of our energy needs. So my energy  
19 strategy identified natural gas as the bridge to the  
20 future. Natural gas prices are well below the cost of oil  
21 and expected to remain so for many years. And it is a fuel  
22 that burns much cleaner than oil. So we directed the gas

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1 utilities to expand the state's natural gas distribution  
2 infrastructure through a ten-year plan that will give  
3 280,000 homes and businesses in Connecticut the opportunity  
4 to save from their current costs.

5           We are also modernizing our transportation  
6 infrastructure to support alternative fuels and alternative  
7 fuel vehicles, cutting down on major sources of air  
8 pollution and energy costs. I recently signed an  
9 eight-state agreement to promote the use of zero-emission  
10 vehicles in order to put 3.3 million of them on the road in  
11 the next twelve years. We've become a range-confident  
12 state for electric vehicles with the help of small grants  
13 that give our state an unrivaled network of public  
14 available charging stations, one of which we will dedicate  
15 here tomorrow.

16           In implementing our energy strategy, we've  
17 developed an approach that we think can be a model,  
18 Mr. Secretary, for states and communities across the  
19 nation. We believe that price competition and not price  
20 subsidies is the key to an affordable, renewable future.  
21 The public should not have to pay unreasonable prices for  
22 clean energy. Ratepayers and developers win when we open

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1 up the playing field to all takers and technologies so that  
2 the market can determine what works best. We believe that  
3 we can't finance our energy future through taxpayer or  
4 ratepayer support alone. We are engaging private capital  
5 through our Green Bank, and we're having success in  
6 leveraging precious public funds to attract private  
7 investment in our energy initiatives.

8           With the firm direction provided by our energy  
9 strategy, we are making progress in reducing bills for  
10 homeowners and reducing operating costs for businesses,  
11 helping them to be more competitive and freeing up capital  
12 for expansion and job creation. However, I do not and will  
13 not ignore the spikes that you've referenced in your  
14 comments earlier and that we experienced here in costs in  
15 Connecticut.

16           We are also making a real dent in reducing air  
17 pollution and carbon emissions, giving us cleaner air and  
18 helping to combat climate change, and our clean energy  
19 programs are creating jobs across the state. Skilled  
20 workers are weatherizing homes, installing and maintaining  
21 solar systems and fuel cells and other renewable energy  
22 facilities and putting new natural gas lines under our

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1 streets.

2           Despite our tremendous success and optimism for  
3 our energy future, there are limits, however, to what we  
4 can achieve as a single small state. We are facing  
5 tremendous energy infrastructure challenges that transcend  
6 our state borders and demand a regional solution. Just a  
7 few hundred miles to the west of us are plentiful domestic  
8 supplies of low-cost natural gas that are attracting  
9 industry back to America's shores for the first time in  
10 decades. Our electric generation fleet has increasingly  
11 shifted to burning gas over the past few years, which has  
12 contributed to lower wholesale prices and lower greenhouse  
13 gas emissions.

14           But we no longer have enough pipeline capacity to  
15 bring all of the gas we need into our region. We  
16 experienced the consequences this winter. There were days  
17 when thousands of megawatts of natural gas generation in  
18 the Northeast were not operating because they couldn't  
19 access gas fuel. This jeopardized the reliability of our  
20 grid and caused us to rely on dirtier coal and oil plants  
21 to keep ourselves running. And these natural gas supply  
22 constraints spiked the wholesale price of electricity to

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1 record highs, costing consumers of our six-state region an  
2 estimated \$3 billion in extra energy costs. Factories shut  
3 down, homeowners saw their electricity rates jump to  
4 all-time highs, and the market has not produced a solution  
5 to this particular problem.

6           These consequences are unacceptable to our  
7 economy, our environment, and our citizens. That's why I  
8 led the charge with my colleagues in New England for a  
9 six-state initiative to expand energy infrastructure and  
10 lower the cost of electricity for our region. This  
11 regional governors' initiative will help us make the new  
12 investments needed in electric transmission and natural gas  
13 capacity. We need to modernize and expand New England's  
14 electric transmission system in order to tap the potential  
15 of clean and cheap domestic renewable and Canadian  
16 hydroelectric power to help meet our needs for electricity  
17 from more diverse resources or set of resources. We also  
18 need to build up the network of natural gas pipeline so  
19 that we can bring much needed fuel to the region's power  
20 plants.

21           We are pleased, Mr. Secretary, that the focus of  
22 this session today is New England's regional infrastructure

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1 constraints. Upgrading our electric transmission system  
2 and natural gas pipeline capacity are two of the major  
3 challenges facing New England. I know I can safely speak  
4 for all six New England governors in saying that we welcome  
5 the support and the assistance of the U.S. Department of  
6 Energy and other federal agencies in supporting our  
7 regional efforts. Finding positive solutions to the energy  
8 challenges facing Connecticut and New England and the  
9 nation is critical to building our economy and creating  
10 jobs, providing opportunities and prosperity for our  
11 citizens, protecting our environment, and slowing climate  
12 change. We look forward to working with you,  
13 Mr. Secretary, to find workable, commonsense answers that  
14 will ensure a bright future for our state, our region, and  
15 our nation. Thank you.

16 COMMISSIONER KLEE: Thank you very much,  
17 Governor.

18 Also with us today are Congressman John Larson  
19 from Connecticut's first district and Congresswoman  
20 Elizabeth Esty from our state's fifth district.  
21 Congressman Larson and Congresswoman Esty have been strong  
22 voices for our state in efforts to address the energy

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1 challenges facing Connecticut and our nation, and we thank  
2 you both for all your good work in Congress, and we'd like  
3 to give you a few moments to share your thoughts with us.  
4 I'll start with Congressman Larson.

5           CONGRESSMAN LARSON: Thank you, Commissioner.  
6 It's great to be here, great to be joined by my colleague  
7 Elizabeth Esty, who serves so well on the Science and  
8 Transportation Committees and understands these issues so  
9 thoroughly well for the State of Connecticut. She also had  
10 a husband, I think, that was involved recently with the  
11 state and knows a little bit about it as well, and we thank  
12 him for his service as well.

13           It's always good to be here with the governor of  
14 this state. As you just heard in his address, I've served  
15 in government for quite a bit of time now, both in the  
16 state legislative process and now in Congress, and one  
17 thing you recognize immediately in leadership is someone  
18 who has the skill and the administrative ability to make  
19 tough decisions and make tough decisions amidst crisis.

20           Now, would it be that Sandy and the polar vortex  
21 were the only two things that this governor has faced, that  
22 would be one thing. But he has not, and these have been

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1 tough times. But through it all I think people from every  
2 walk of life in this state understand what principled,  
3 centered leadership is all about in the way that Dannel  
4 Malloy conducts himself and continues to the run the State  
5 of Connecticut. Just in his address he talked about two  
6 things that I think are worth underscoring. One, for the  
7 first time in the state's history, first time, we have a  
8 comprehensive energy strategy. Would it be that we had a  
9 national strategy as well. No fault of the secretary or  
10 the President's, but we'll get to that later.

11           Further, not only is he first in putting this  
12 forward for the state, recognizing the regional problems  
13 that we face and the importance to business and commerce  
14 and also for those of us that have to survive and saw the  
15 spikes that the governor alluded to in our heating costs  
16 this past year, but in order to get that done we have to  
17 pull together as a region, and here's the leadership again  
18 with someone who is spearheading bringing New England  
19 together and beyond. But it's not just New England, but I  
20 want to underscore New England because we do have in the  
21 federal government twelve United States senators. That's  
22 more than any other region can boast, and we ought to be

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1 able to take advantage of that and the twenty-one  
2 representatives of the House of Representatives so that  
3 we're able to have the kind of infrastructure plan that  
4 would be appropriate to support, as the governor pointed  
5 out, the new industry that is emerging, take advantage of  
6 the United States becoming a natural gas gamin for the  
7 world, but that doesn't happen without leadership. And so  
8 how important that the President in his State of the Union  
9 address again underscored what the governor was talking  
10 about and what the secretary is in the midst of executing.

11 Secretary Moniz, so great to have you here with  
12 us as well, and thank you for including and making Hartford  
13 part of your stop. You were in Providence earlier and on  
14 through Boston. But to put together both a comprehensive  
15 and strategic plan is vitally important.

16 As some of you in this audience know, I'm a big  
17 fan of T. Boone Pickens, but T. Boone has it right. It's  
18 abundant, it's American, and it's ours. Natural gas.  
19 Recently with events unfolding in the Crimea and concern  
20 about Russia, T. Boone published an article, and in his  
21 article, in his op-ed piece that he published, he talked  
22 about making sure that we place America first and how this

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1 race to try to become an LNG-exporting country is putting  
2 the cart before the horse. America first. Develop the  
3 strategic comprehensive energy plan that we need. Start at  
4 home with the infrastructure that we need. And while we're  
5 talking infrastructure, how about having a vote in the  
6 United States Congress so we can support not only this  
7 region but every state in this great union of ours so that  
8 we can put the country back to work, so that we can utilize  
9 and harness the great resources that we have. And that's  
10 why the secretary's trip, not only here to Connecticut and  
11 throughout New England but around this country, is so  
12 vitally important, so that we can begin to understand what  
13 T. Boone and, frankly -- and Elizabeth knows this because  
14 we had Chairman Shuster up here as well who had the  
15 temerity to say, "Look, infrastructure is not Democrat or  
16 Republican. It's American." And it's about putting the  
17 country back to work. And as T. Boone says, when we're  
18 energy-independent, that will send the strongest message  
19 around the world and continue to serve as a deterrent and  
20 keep us at the seat of power where we need to be as it  
21 relates to energy. God bless you, and thank you. God  
22 bless America.

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1           COMMISSIONER KLEE: Thank you, Congressman  
2 Larson. And, lastly, I would like to call up Congresswoman  
3 Esty. Thank you.

4           CONGRESSWOMAN ESTY: Well, thank you so much,  
5 Secretary Moniz, for joining us here. I hope you find us a  
6 little more collegial than our last meeting with the  
7 Science Committee.

8           You can ask Secretary Moniz about that endeavor.

9           Governor Malloy, we applaud you for your  
10 incredible leadership on this and so many other issues.

11           Commissioner Klee, I know it's not bear cubs  
12 today, but thank you for welcoming us anyway with your many  
13 duties here.

14           And to John Larson, my good friend and colleague.

15           I want to mention that we have our leaders here  
16 in the state legislature here, my friends and colleagues  
17 from the Energy and Technology Committee, Senator Bob Duff  
18 and Representative Lonnie Reed. Thank you for joining us,  
19 because your input is vitally important for us here today.

20           I would really like to applaud what this state  
21 has done and what our New England governors have done  
22 because it is incredibly important. As we have heard,

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1 Connecticut is a small but a mighty state in terms of  
2 innovation, and the governor's leadership on these issues  
3 as part of a New England region is vitally important  
4 because we're going to hear more today about these  
5 challenges, about energy affordability, energy efficiency,  
6 energy security while preserving the environment. All of  
7 these are vital and important goals, and all of them need  
8 to be planned for and worked on in the state, regionally,  
9 and at the national level.

10           It's no surprise to anyone in this room. We are  
11 a state with high heating costs, and in fact I will tell  
12 you just earlier this morning I had a telephone town hall  
13 with seniors in my district. Two of the thirteen questions  
14 were about energy, one about high energy prices, and one  
15 someone deeply concerned about where this country is going  
16 on climate change and what are we going to do to show our  
17 leadership. So I can assure you, the folks I represent in  
18 the fifth district of Connecticut are aware about this  
19 every day when they pay their home heating bills and are  
20 aware of this every day when they think about the future of  
21 the world.

22           I want to applaud the governor for his leadership

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1 in helping to lead the New England states in the governors'  
2 regional energy infrastructure initiative. This is going  
3 to be incredibly important for the infrastructure we so  
4 vitally need to ensure our energy security, to bring down  
5 those costs for our residents and for our businesses who  
6 also have to pay that high price, and that affects jobs in  
7 our region that we desperately need to retain, attract, and  
8 grow.

9 I want to touch on a few initiatives that we've  
10 been working on to note as we're aware, or you should be,  
11 the governor's work on energy issues here, including fuel  
12 cells in the state, microgrids and, as has already been  
13 mentioned, fleets of alternative energy vehicles with  
14 charging stations and the effort to expand and transport  
15 natural gas throughout our region. I'd like to touch on a  
16 couple of the issues I've been working on on the federal  
17 issues that tie in to our conversation today.

18 I've been working, taking up the good leadership  
19 of now-Senator Murphy, on expanding local renewable power.  
20 I introduced the Collinsville Renewable Energy Production  
21 Act, which is designed for Canton, Connecticut, which is  
22 trying to put back into play two hydrodams that are

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1 over 100 years old, and this is an example of how we in  
2 Connecticut take our longstanding ingenuity and we put it  
3 to work in the modern world. And I'm hopeful with Senator  
4 Murphy -- and, actually, Senator Kane told me two weeks ago  
5 he would help me with this too -- we can get this not only  
6 passed in the House, which we did last year, but,  
7 hopefully, passed in the Senate too, to allow Canton to  
8 repurpose that hydrodam, those two hydrodams, and put it to  
9 work right now in our communities.

10 In the next few weeks I will be joining with  
11 Representative Chris Van Hollen, with John Larson and the  
12 rest of our Connecticut delegation in introducing a bill we  
13 are very excited about because it champions and expands and  
14 builds on the great work here in Connecticut, and that is  
15 the Green Bank Act. The bill would establish nationally a  
16 Green Bank to assist in the financing of qualified clean  
17 energy and qualified energy-efficiency projects. The bill  
18 is modeled after CEFIA here, the Connecticut Clean Energy  
19 Finance and Investment Authority, which is truly a model  
20 for the nation. The Green Bank would be supported with \$10  
21 billion in green bonds issued by the Treasury and will  
22 provide loans, loan guarantees, and other forms of

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1 financing support. The Green Bank would be issued a  
2 twenty-year charter and would be authorized to co-fund the  
3 creation of state-level green banks with low-interest loans  
4 of up to \$500 million for states that would be matched with  
5 federal funds.

6 I cannot stress enough what we have learned in  
7 the last few years about the importance of predictable  
8 funding from the federal government to make projects like  
9 this work. I'm a strong supporter of robust federal  
10 funding for the Department of Energy, something Secretary  
11 Moniz and I discussed two weeks ago when he appeared in  
12 front of the Science, Space and Technology Committee, and  
13 it is why I'm fighting so hard for basic research and  
14 development. That is critically important in this area,  
15 both on the efficiency side as well as on the alternative  
16 energy side, and that is part of what is at stake in the  
17 budget battles in Washington right now is this fundamental  
18 commitment in this country. Are we going to support --  
19 does the federal government have a critical role in  
20 supporting basic research and development? And I think the  
21 answer in this state is clearly emphatically yes.

22 Finally, I'd like to touch on some very real

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1 concerns which have been raised somewhat here today about  
2 energy resiliency and the security of our power grid. We  
3 saw that right here in this region with several storms.  
4 But we have also seen it with the tax on the power grid in  
5 this country. We've had hearings in Washington, including  
6 the Science Committee that I'm a member of. And this is  
7 going to take enormous work, state level, local level, with  
8 our colleagues in the energy distribution and transmission  
9 and generation business to keep us safe from cyber attacks.  
10 This is something that we will need to be working on for  
11 long-term security. It is a national security issue and is  
12 something I know the governor takes very seriously, having  
13 dealt with the reality of that here in this state.

14           Again, I want to mention how many of the  
15 companies in our state are deeply aware of the importance  
16 of energy to this country's future. I was at DRS  
17 Technologies in Danbury just last week, and as they look at  
18 a world which perhaps has the Defense Department budget  
19 moving and changing, we had a discussion about the  
20 possibility of adapting their technology, their sensors,  
21 their expertise and putting it to work for safer, cleaner  
22 energy and microgrids and distributed energy in the United

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1 States. So I think we need to be very aware this is about  
2 affordability of energy for the folks I represent, the  
3 governor represents, John Larson represents. But it is  
4 also about encouraging a future, an economic future, for  
5 this state and this country that is clean, that's  
6 renewable, that's vibrant, and that's innovative.

7 So I want to thank you again, Governor, for your  
8 leadership.

9 Thank you, Secretary Moniz, for your listening  
10 around the country and in this critically important region  
11 about how we can work together for a brighter energy  
12 future. Thank you.

13 COMMISSIONER KLEE: Thank you, Congresswoman  
14 Esty.

15 I believe we now still have a little time left to  
16 take some questions from you, and I'm going to bring Fred  
17 back up, today's facilitator, to sort of lead that segment  
18 of the meeting. But I would like to close and say on  
19 behalf of everyone here at the Department of Energy and  
20 Environmental Protection I want to thank you for joining us  
21 today. It's great to see such a large audience from across  
22 our state and representing such a wide array of groups. So

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1 I know you'll benefit from your time here today, really  
2 interesting topics, and that your contribution will be of  
3 real value as the Department of Energy moves forward with  
4 this Quadrennial Energy Review. So thank you. I'll turn  
5 it to Fred.

6 MR. HANSEN: We have time for maybe one or two  
7 questions. Are there any questions that people would like  
8 to ask? Okay. I'm going to move on if there aren't any.

9 Okay. Well, thank you very much, panel.

10 (Discussion off the record.)

11 MR. HANSEN: I'm going to ask everyone to just  
12 bear with us while we change out the panels. But I would  
13 like to ask the members of the Infrastructure Needs for  
14 Gas-Electricity Transmission, Storage, Distribution to come  
15 up, that panel, as this other panel leaves.

16 (Discussion off the record.)

17 MR. HANSEN: While they're getting set, I would  
18 just like to give you some sense of the process. Each one  
19 of the panelists will get a chance to speak, and then I'll  
20 ask them some questions, and the panel will leave, and  
21 we'll get the next panel. That's kind of how it's going to  
22 go. I would ask you to hold your applause until all the

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1 panel is complete, and then we're switching off. That will  
2 help us expedite things on that.

3 (Discussion off the record.)

4

5 PANEL 3: INFRASTRUCTURE NEEDS FOR GAS-ELECTRICITY  
6 TRANSMISSION, STORAGE AND DISTRIBUTIONS

7 MR. HANSEN: I'd like to introduce our panelists  
8 right now. Gordon van Welie is president and CEO of ISO  
9 New England, Inc. Thomas May is chairman of the board and  
10 president and CEO of Northeast Utilities. Tom King is  
11 president of the National Grid US. And Bill Yardley is  
12 president of the U.S. Transmission and Storage, Spectra  
13 Energy.

14 Gordon, would you like to start us off?

15 MR. VAN WELIE: Sure.

16 MR. HANSEN: Oh, I'm going to ask you also to  
17 remember that -- try to stay to the five minutes so we can  
18 have a robust discussion at the end.

19 MR. VAN WELIE: Can you hear me yet? There we  
20 go. Well, thanks very much for the invitation. I really  
21 appreciate the secretary coming here this afternoon with  
22 the DOE to create this forum. I think it is a vitally

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1 important forum for us. We've got some serious problems to  
2 solve in the region and, quite frankly, we need the help of  
3 the secretary and all the political leaders in this region  
4 to get this done.

5           Several years ago we recognized that New England  
6 was facing a significant shift in the region's electrical  
7 energy production due to the retirement of a lot of older  
8 non-gas-fired generation and a significant increase in  
9 gas-fired generation and both grid-scale and "behind the  
10 meter" renewable energy. Along with that shift in  
11 electricity production we see a noticeable decline in many  
12 of the power system resources in New England leading to  
13 even greater reliability challenges, and with the major  
14 retirements of these non-gas-fired power plants starting  
15 this year and infrastructure improvements years away, we  
16 only have to look at the past two winters to understand the  
17 precarious position we're in for the next several years.

18           I mentioned that New England's experiences of the  
19 past few winters clearly demonstrate the challenges we  
20 face. As we expected, during this past winter New England  
21 faced severe natural gas pipeline constraints that drove  
22 gas and electricity prices to record levels. During times

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1 when the gas pipelines are constrained we depend heavily on  
2 all non-gas-fired generation in the region, and in  
3 particular oil has become a critical fuel during the  
4 winter.

5           To address the reliability concerns we  
6 experienced last winter, the FERC approved a \$75 million  
7 Winter Reliability Program to ensure that oil generators in  
8 New England had adequate fuel supplies beginning this past  
9 December, and as we had anticipated during times of high  
10 demand for natural gas, prices for natural gas increased  
11 significantly, leading the region's oil-fired power plants  
12 to become baseload energy producers. The additional oil  
13 resources the region procured proved critical to helping us  
14 operate reliably this past winter.

15           These high natural gas prices are symptomatic of  
16 the region's severely constrained natural gas  
17 infrastructure, and the problem will only get worse unless  
18 this infrastructure issue is addressed. To give you a  
19 sense of the magnitude of these costs, the energy market  
20 and the wholesale electricity market for the period of  
21 December 2013 to February 2014 was \$5.05 billion compared  
22 to \$5.2 billion for the entire twelve-month period in 2012

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1 when we had relatively mild weather and the pipelines were  
2 unconstrained.

3           Unfortunately, this winter revealed that the  
4 pipelines into New England are even more constrained than  
5 what we had initially understood. While natural gas  
6 generators make up about half of New England's total  
7 generation capacity on an annual basis, on many cold days  
8 this winter much of the gas-fired fleet was idle because of  
9 the lack of gas pipeline infrastructure to meet the demand  
10 of those generators.

11           In order to achieve a more accurate assessment of  
12 these challenges, in 2012 we commissioned a study of the  
13 natural gas system in New England. Amongst its conclusions  
14 the study noted that New England's natural gas supply  
15 infrastructure is not adequate to meet the region's winter  
16 power generation needs over the next decade. A recent  
17 update of the study confirms that the gas pipeline  
18 constraints are even more severe than what was originally  
19 forecast in 2012.

20           We've made it through these past two winters by  
21 relying heavily on non-gas-fired resources, but as I  
22 mentioned previously, that landscape is changing rapidly

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1 due to the retirement of approximately 3,200 megawatts of  
2 non-gas generators. The dominant new generation proposals  
3 in New England are gas-fired and wind-generator projects,  
4 creating an even bigger need to invest in additional gas  
5 pipelines to support gas generators and the transmission  
6 infrastructure necessary to enable the delivery of wind.

7           While more direct infrastructures are being  
8 discussed in the region, the ISO is also attempting to  
9 address the issue of declining performance amongst many of  
10 our power system resources due to inadequate fuel  
11 arrangements or lack of investment in maintenance and  
12 staffing. This presents a continued and worsening  
13 challenge to electrical reliability as well.

14           We believe the solution to this  
15 resource-performance problem is to make appropriate changes  
16 to something called the forward capacity market design that  
17 will create strong financial incentives for resources that  
18 take on a capacity obligation, to provide the system with  
19 required energy and reserves when the system is stressed.  
20 This will incent generators to make forward fuel  
21 arrangements and improve their performance. The proposal  
22 will also enhance revenues for efficient high-performing

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1 resources, including oil generation, that performs well  
2 during critical periods.

3           We call this proposal "pay for performance," and  
4 we filed that proposal in January with the FERC. However,  
5 we won't see the resource performance improvements until  
6 the rules are implemented in mid-2018, and the pipeline  
7 expansion we are discussing likely won't be in service  
8 until 2017 or 2018 at the earliest.

9           A few moments ago I mentioned the possibility of  
10 specific infrastructure solutions in New England. As many  
11 of you know, in January the New England governors requested  
12 assistance from ISO New England to ensure that the region  
13 benefits from the additional pipeline and transmission  
14 infrastructure. The governors' proposal is a truly  
15 creative solution to address the energy challenges facing  
16 the New England region. We are appreciative of the  
17 governors' efforts and look forward to continuing to  
18 support their initiative as they work through the  
19 stakeholder process.

20           In summary, New England has a serious and growing  
21 reliability problem due to gas pipeline constraints, a  
22 growing resource performance problem, retirements of

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1 non-gas generation, and a growing need to balance and  
2 deliver an increasing amount of the renewable energy.

3 I am thankful that the U.S. Department of Energy  
4 and Secretary Moniz personally took time to come out to New  
5 England today. I think it illustrates and showcases the  
6 problem that we have, and I'm hopeful that the QER process  
7 will help achieve a broader understanding of the challenges  
8 facing our region and even identify and possibly support  
9 solutions to improve our regional electric reliability.  
10 Thank you.

11 MR. MAY: Well, good afternoon, everyone. I was  
12 going to, as the CEO of the local utility here in Hartford,  
13 welcome all of the people from DOE and our elected  
14 officials, but they have all left but Commissioner  
15 Betkoski, who is from the Public Utilities Regulatory  
16 Authority of Connecticut, so welcome. No one else  
17 recognized you so I had to step up.

18 We all submitted and I submitted a prepared  
19 statement last Friday. So I won't repeat everything I put  
20 in that document, but let me summarize a couple of my  
21 concerns about the situation that the governor and the  
22 secretary and everyone else referenced this afternoon. And

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1 it certainly is an opportune time for the Department of  
2 Energy to visit New England and discuss our energy  
3 infrastructure needs.

4           This past winter clearly exposed the weaknesses  
5 in our power markets caused by the constraints within our  
6 gas infrastructure. Gordon van Welie of ISO New England  
7 just described the situation very well. And we believe, as  
8 the governor said, that the impacts resulted in \$3 billion  
9 of excess costs for our customers this past winter. And  
10 that's just in the four months, December, January,  
11 February, and March, the heating season. We do need to  
12 aggressively address this situation, and so I thank  
13 everybody for being a part of this discussion today.

14           Our New England states also have aggressive  
15 renewable and greenhouse gas emission goals that Gordon  
16 also referenced. We will not achieve these goals without  
17 nontraditional transmission investment and help from our  
18 neighbors to the north. We're working with our regulators  
19 and with the New England States Committee on Electricity,  
20 or NESCOE, which is the group formed by our governors that  
21 Governor Malloy spoke of earlier, to address our needs for  
22 this particular issue, the need for additional

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1 infrastructure investment.

2           To put in a commercial, the Northeast Utilities  
3 is developing a 1,200 megawatt transmission line referred  
4 to as the Northern Pass Transmission Project from Canada to  
5 southern New Hampshire to bring clean, cheap hydropower to  
6 our market. The project will eliminate 5 million tons of  
7 carbon per year and provide a much-needed addition of  
8 dispatchable power for ISO New England.

9           The project's licensing process is currently  
10 before the Department of Energy in order to complete its  
11 review of the environmental impact of the project and to  
12 issue a presidential permit. We appreciate DOE's efforts  
13 to date and ask that you continue work to complete the  
14 approval process as expeditiously as possible. New England  
15 needs the line.

16           Northeast Utilities also supports the NESCOE  
17 initiative that calls for expanding the region's natural  
18 gas infrastructure to address the dysfunctional power  
19 markets that cost our customers \$3 billion this last  
20 winter. While this appears to be a nontraditional  
21 solution, we believe that precedent does exist for  
22 regulators to intervene when markets are not working

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1 appropriately. We've tried market-pricing incentives, and  
2 they haven't worked. And we cannot put our region's  
3 economy at risk while we continue future pricing  
4 experiments.

5           So with that, thank you all for participating in  
6 today's hearing, and I look forward to discussing New  
7 England's energy future with all of you and my fellow  
8 panelists. Thank you, Fred.

9           MR. KING: Thank you for the invitation and the  
10 opportunity to address this group. I certainly recognize  
11 both President Obama as well as Secretary Moniz for pulling  
12 this important leadership task force together to address  
13 the very important issues. And also thank you to the  
14 Connecticut leadership that was here inviting us.

15           National Grid owns and operates both gas and  
16 electric facilities networks across New England and New  
17 York. We serve about seven million gas and electric  
18 accounts. That means we're touching fifteen to sixteen  
19 million people every day. Therefore, we clearly understand  
20 the importance of regional coordination, and this is a very  
21 important conversation for us to be having. We have an  
22 extraordinary opportunity in front of us. As you heard

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1 from the opening comments as well as from both Gordon and  
2 Tom, infrastructure is required to address these, and it's  
3 time to take action. We've been talking about it a long  
4 time. It's time to move forward and put the infrastructure  
5 in place.

6           Customers not only want the solutions that are  
7 both economic as well as environmentally positive, they  
8 have to be resilient. Resiliency is critical, I think, at  
9 this region as well as our entire region we have been  
10 serving. We were directly hit by Sandy as well as many  
11 other intense storms over the past period, and it's time to  
12 ensure that as we develop the networks of the future  
13 they're also resilient.

14           I'm going to focus on three key areas: gas and  
15 electric interdependency that you've heard about today, the  
16 gas distribution pipeline infrastructure. And methane  
17 reduction is the second area. And I will talk about the  
18 utility of the future very briefly.

19           First, on the interdependency between gas and  
20 electric, over half of New England now is served by gas and  
21 half of Massachusetts homes are now heated with gas. For  
22 the period just from 2008 to 2012, National Grid converted

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1 oil to gas heating for 46,500 new customers. Since then --  
2 this is from 2008 to 2012. Just since 2012 we've added  
3 another 19,700 oil-to-gas conversion customers to our  
4 network. This combined with the ever-increasing aspect of  
5 gas-fired generation to the market area brings this issue  
6 even closer. The important piece about the oil-to-gas  
7 conversions is that in itself reduces carbon emissions  
8 by 50 percent. And then I'll address the infrastructure  
9 topic a little bit later on the gas distribution system.

10           So as we've already identified firsthand  
11 experience this past winter with the polar vortex, and you  
12 heard the impact on cost both from the governor as well as  
13 from Tom and Gordon. To bring that down to an average rate  
14 increase, that's a 35 percent increase in the commodity  
15 bills, the commodity side of the bills, year over year,  
16 very significant impact. In addition to that, just within  
17 the Boston area there's roughly a \$250 million a year  
18 constraint on the transmission system. So between the gas  
19 as well as the electric, we have to build new  
20 infrastructure, and it has to be built very, very soon.  
21 There are investments like the NEEWs transmission projects  
22 that both National Grid and Northeast Utilities are

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1 undertaking. These not only strengthen the networks, build  
2 resiliency, they also reduce congestion, alleviate customer  
3 cost, and create the opportunity for cleaner generation  
4 resources into the area.

5 Further, to meet the clean energy goals as  
6 defined earlier today, which is certainly something we're  
7 committed to, additional electrical transmission will have  
8 to be built. Therefore, we know that. You've heard it  
9 clearly. It's time to put the right markets in place and  
10 go pursue it. Just recently we have reached an agreement  
11 for an undersea cable to connect with Deepwater Wind.  
12 There is initial phases of offshore wind for Rhode Island.  
13 It has much more expansion capacity, and we're building the  
14 transmission that will connect it and be ready to serve  
15 that. So in support of what you've already heard, we must  
16 move quickly to place effective market structures in place  
17 for generators, and we need to incent the generators that  
18 step up and hold firm capacity for transportation  
19 arrangements.

20 Further, National Grid supports also taking a  
21 position in long-term pipeline capacity commitments. As  
22 you know, we're a significant gas distribution system

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1 within the Northeast, and we believe that these commitments  
2 also have to be coupled with the right legislative and  
3 regulatory mechanisms in place to ensure that the customers  
4 are protected as this pipeline capacity is added.

5           Now moving to the second topic, that's the  
6 downstream solutions on the gas side. A critical part of  
7 the issue within our networks within the Northeast is we  
8 have an aged infrastructure. So we have a significant  
9 amount of older infrastructure that fundamentally needs to  
10 be replaced. This is not only an opportunity to reduce  
11 methane emissions in the market area. It's a public safety  
12 issue, and it provides economic and environmental goals and  
13 objectives. We need to advance leak-detection technology,  
14 and we need to drive regulatory innovation to ensure that  
15 we accelerate the pipeline-replacement investment recovery.

16           I'll offer an example of just one state that we  
17 operate in and how significant this has been: Rhode  
18 Island. We have over 3,200 miles of natural gas mains  
19 within the Ocean State providing gas service to 257,000  
20 customers. With the support of the Rhode Island Public  
21 Utilities Commission we have undertaken an accelerated  
22 pipeline replacement program. This "Distribution Integrity

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1 Management Plan" boasts an ambitious strategy to replace  
2 1,400 of the 3,200 miles of natural gas lines. By  
3 prioritizing the leak-prone pipe areas, we will replace it  
4 with more efficient plastic mains and services. These leak  
5 repairs have already dropped the emission leaks by 40  
6 percent. Both leaks as well as emission reductions are  
7 by 40 percent by what we have already delivered on the  
8 program today. Our Rhode Island customers expect that we  
9 offer a safer, cleaner, more efficient system, and we're  
10 delivering on it.

11 In the same light, I'm also proud that National  
12 Grid is a founding member of the Natural Gas Downstream  
13 Initiative. This initiative is working with other gas  
14 distribution companies to work to manage methane reduction  
15 from infrastructure operations. We also have identified  
16 the opportunity to accelerate investments in modernizing  
17 the infrastructure, promote operational excellence, and  
18 utilize advance technologies.

19 Finally, I'd like to address the utility of the  
20 future. We have a program that we have named Connect21,  
21 and it's about designing, building, and operating an energy  
22 infrastructure that's responsive to the 21st century needs.

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1 At the heart of it is a framework that links the customer  
2 needs and policy goals with technology and market  
3 solutions. It starts with putting the customer first by  
4 equipping them and informing them with the information that  
5 customers can then make efficient energy decisions with.  
6 By providing the options about the sources of electricity,  
7 for solar, wind, a stronger market for renewables, as well  
8 as the most efficient way to consume energy, we put  
9 customers in control. This enables the data and energy  
10 management to enhance the network with technology and with  
11 the innovation. And by opening up the networks to  
12 third-party providers, we bring the technology capabilities  
13 in to help customers more efficiently manage their energy  
14 needs. This only works with regulatory innovation that  
15 supports long-term infrastructure investment, rewards  
16 policy goals of resiliency, energy efficiency, and  
17 technology investment.

18 Thank you for listening to the comments from  
19 National Grid today, and we look forward to addressing all  
20 the issues discussed.

21 MR. YARDLEY: Great. Well, good afternoon. It's  
22 great to be here with everybody today, especially my fellow

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1 panelists. Outstanding. Lest you think I'm the Texas  
2 pipeline interloper, I am a New England native. I went to  
3 school here, was born here, raised here, grad school here,  
4 and only was lured down to Texas a few years ago. So I  
5 have a great deal of interest in what happens here in New  
6 England.

7           So we'll talk a little bit about what Spectra  
8 does here in New England and the Northeast and nationwide.  
9 First of all, we operate about 20,000 miles of interstate  
10 natural gas pipelines, some crude oil lines, some storage  
11 nationwide, predominantly in the eastern half of the  
12 country, but also in Canada. And it includes the largest  
13 natural gas transmission infrastructure here in New England  
14 by virtue by the Algonquin system that runs up through from  
15 New Jersey up to Boston and through Connecticut and the  
16 Maritimes & Northeast Pipeline system which comes down from  
17 Nova Scotia into northern Massachusetts.

18           So a very important topic. I will say over the  
19 past several years we've invested more than \$10 billion in  
20 sixty different midstream and pipeline infrastructure  
21 projects nationwide, including about \$2 million to move  
22 more gas from the Marcellus region right up this region's

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1 doorstep, closer and closer to the Northeast. And a lot  
2 more is needed. We've got about \$35 billion of projects in  
3 our outlook over the next five years.

4           Certainly the winters -- this past winter has  
5 really shined a spotlight on this region, and it's very  
6 clear that this region is inadequately supplied with  
7 pipeline infrastructure. In fact, I'll go so far as to say  
8 our Texas Eastern system, which comes across Pennsylvania,  
9 is about 6 billion cubic feet per day. By the time it gets  
10 to New Jersey it's about 4 billion cubic feet per day. As  
11 it comes right through here, it narrows to about 1.5  
12 billion cubic feet per day, a little less than that. So  
13 that infrastructure can be improved with the right  
14 contracting mechanisms. And certainly with over half of  
15 the electricity now, as the gentlemen have said, being  
16 produced by natural gas or generated by natural gas now,  
17 now is the time to make sure that we have the right  
18 contracting scheme in place.

19           Just as an example, we recently built a 16-mile  
20 pipeline into New York City to de-bottleneck that area.  
21 Before we built the pipeline -- it just went into service  
22 last winter. So two winters ago the premium that New York

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1 City paid versus its neighbor was 63 percent. Last winter  
2 it was 16 percent. So de-bottlenecking does make an  
3 enormous difference to a region. We're doing the same  
4 thing here. So the Algonquin Incremental Expansion Project  
5 is one that we've had on the books for a little while.  
6 It's subscribed to by almost every major gas distribution  
7 company in the region, including National Grid, including  
8 Northeast Utilities, City of Norwich, and UIL, so all the  
9 major players here. But it's just gas utilities, and until  
10 we find a way for the electric generators or some proxy  
11 thereof to sign up, the generation issue isn't going to be  
12 going away.

13           So a lot of things are necessary for this to  
14 happen. I mentioned the New York project. It took us four  
15 years to get that project permitted. We certainly would  
16 like to see a more expedited time line. In fact, we noted  
17 that the Federal Energy Regulatory Commission back in '05  
18 had an effort to streamline the process and, in fact,  
19 unfortunately, the process just got a little bit longer,  
20 and it keeps getting longer as we move through with all  
21 this infrastructure being proposed.

22           So I look forward to that, to the discussion, and

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1 I'll just leave it there. My prepared remarks, I think,  
2 have been distributed.

3 MR. HANSEN: Thank you. Let me ask you a few  
4 questions. Let me start out with a general question of  
5 basically we're here to inform the QER. So do you see a  
6 federal role for helping addressing New England's  
7 infrastructure needs? And think about executive,  
8 legislative, administrative options. So, Gordon, we'll  
9 start with you.

10 MR. VAN WELIE: Sure. I think there's multiple  
11 roles. The one role that the DOE, I think, is doing a good  
12 job of now is putting a spotlight on the problem. I'm not  
13 sure the DOE specifically can solve this problem, but I  
14 think there is a way that the FERC could help us solve the  
15 problem. And if they need legislative help, there's  
16 another avenue as well.

17 The basic problem is that when we restructure the  
18 industry, sort of look at the way the industry worked and  
19 still works in other parts of the country, like Florida,  
20 for example, Florida is highly dependent on natural gas.  
21 They don't have the issue that we have today. They really  
22 only have, you know, solar, nuclear, and natural gas. If

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1 they need to build new gas pipelines to supply generation  
2 demand, Florida Power & Light goes to the state regulator  
3 and asks them to the approve the flow-through of those  
4 costs. That linkage got broken when we restructured the,  
5 I'll say, electricity markets. Without getting into a long  
6 discussion about that, the consequences that the generators  
7 in the wholesale electricity markets, although fairly  
8 short-term focus, as Bill will tell you, he's not going to  
9 build a pipe unless somebody is prepared to sign up for a  
10 long period of time. And that's the problem that has to be  
11 solved. And it's going to take some creative thinking, I  
12 think, here in New England and possibly with the FERC to  
13 get this done.

14 MR. MAY: I would agree. Obviously, DOE can play  
15 a key role in not only shining the light on the process but  
16 bringing together the parties that we need to address this.  
17 It is, as Tip O'Neill said, all politics are local, and  
18 this is a local issue in New England. And we hang  
19 together, the six states, but sometimes not so much. So  
20 anything you can do to encourage that and convene these  
21 kinds of things between the six states to bring a common  
22 focus on the issue would be terrific.

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1           As Gordon said, FERC is our key. I personally  
2 don't believe and our attorneys don't believe that we need  
3 to have legislation. We think the Federal Power Act is  
4 broad enough for them to act. But we are going to need to  
5 intervene in the markets when they don't work, and that  
6 means a special kind of tariffing that had been suggested  
7 in capacity managing that had been suggested by this  
8 committee that we refer to as NESCOE in order to bring the  
9 powers to bear and get the commitments we need to have the  
10 pipelines expanded.

11           MR. KING: I think the only thing that I would  
12 add to that is I think we've got a really unique situation  
13 right now with the New England governors' initiative that  
14 have come together and really appear to be strongly aligned  
15 with the infrastructure requirement. I would seize on that  
16 opportunity, both with DOE, ensuring that we're  
17 coordinating with the states, but ultimately to push  
18 through the -- help us collectively push through with the  
19 mechanisms we have in place to see if we can get something  
20 done now.

21           MR. YARDLEY: I'd just add that the good news is  
22 that in a lot of our dialogue with FERC I think they're

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1 really willing to be helpful, and I think the DOE shining  
2 the spotlight on this issue is helpful as well. So a lot  
3 of good proposals have gone forward. We think we need to  
4 adopt one, and I think we'll find a receptive audience.

5 MR. MAY: So thank you for bringing the  
6 Quadrennial Task Force here to New England to start this  
7 discussion. The timing is perfect.

8 MR. HANSEN: A lot of you mentioned the idea of  
9 trying to stimulate investment and restructuring or  
10 changing the markets a little bit through stimulation  
11 through a market intervention. It seems like a very  
12 complex issue, a lot of different players involved, a lot  
13 of different perspectives involved in that. What is the  
14 path forward that you see for getting all those  
15 perspectives together and sort of developing a solution in  
16 the light of that? At least what are some of the key  
17 elements of that path forward that need to be in place in  
18 order to make that happen?

19 MR. VAN WELIE: So I'll just jump in, and I'm  
20 sure I'll light the fire and it will start burning.

21 You know, I think the first problem that has to  
22 be solved is that generators need to have a strong

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1 incentive to make sure that they firm up their fuel  
2 arrangements, and they need to feel like they can get paid  
3 for taking on those long-term commitments.

4           The problem we've got today is that, particularly  
5 when it comes to gas generators, they essentially are  
6 buyers of spot gas, and to solve this problem we need  
7 somebody to go out there and make a long-term arrangement.  
8 And whether they're making long-term arrangements to put  
9 oil in their tanks or signing up for LNG or signing up for  
10 a strip from the next Spectra pipe, we're ambivalent to  
11 that.

12           So the thing that we want to get out of this  
13 arrangement is to make sure that when we call in a  
14 generated run they've got fuel to burn. We've made some  
15 changes and proposed some changes in our capacity market  
16 because that is the element of the market that has  
17 long-term payment associated with it. We've made some  
18 changes, proposals to the FERC to change the incentive  
19 system to drive generators to firm up their fuel  
20 arrangement. The question is, though, will that be  
21 sufficient to get generators to sign up for new gas  
22 pipelines. We've done the analysis, extensive analysis, on

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1 this, and today the most cost-effective thing for a gas  
2 generator to do is to put in dual fuel capability, because  
3 the cost of dual fuel is less than signing up for a  
4 long-term pipeline.

5           So now I think this is where policymakers come  
6 into the discussion, because ultimately that's a solution  
7 from a reliability point of view, but it still results in  
8 very high prices during the winter because oil is  
9 expensive. So if you have to wait for gas prices to get up  
10 beyond \$20 per million BTU so that you can burn oil, you're  
11 going to have the billion-dollar problem we were talking  
12 about in the wholesale energy markets.

13           There's also an environmental impact. So I think  
14 policymakers in this region are very focused on trying to  
15 lower CO2 emissions, and if our solution to reliability is  
16 burning oil in the winter, that's not sort of helping us  
17 down that path. And I think that's where sort of the  
18 policy initiative makes sense to me, that effectively what  
19 the states are doing is buying down the cost of burning gas  
20 instead of oil by making this investment together with  
21 whomever they need to sort of get the pipelines built.

22           MR. MAY: You started off by saying there's lots

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1 of parties, and I agree with you. Sometimes too many come  
2 to the party, and special interests start to dominate the  
3 conversation. I think we have a good start in that  
4 Governor Malloy and the other governors have put this  
5 committee together to start to look at this issue  
6 regionally. Gordon talks about the need for long-term  
7 commitments.

8 I think we have to recognize where we are in the  
9 history of deregulation in our country, which has the  
10 generators in very poor financial shape. In this region  
11 we've had two large companies decide to pull out of it  
12 because they can't make money. These aren't the kind of  
13 institutions that are going to make twenty-year commitments  
14 to anything. And therefore we're left with the dilemma of  
15 hoping for something that's just not going to happen in the  
16 near term.

17 That's why I believe and in my prepared remarks I  
18 suggested that, like we do in so many times when we're in  
19 crisis, we need to lean on the local utility companies that  
20 have strong balance sheets, and they're the ones that can  
21 make these commitments with the right regulatory schemes  
22 and incentives in place to get this done, get these

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1 commitments done, get the adequacy of our infrastructure  
2 back on track and get our markets normal and our economy  
3 back to a place where we're not dumping every year \$3  
4 billion onto our consumers' bills.

5 MR. KING: The thing I would add to that is that  
6 this is -- I think this is an economic issue as well as an  
7 environmental issue. As Gordon points out, the dual fuel  
8 puts you in a position of oil. You heard certainly from  
9 Connecticut this morning on the importance of clean  
10 resources, and certainly most of the states that we're  
11 operating in have the same objectives. So ultimately I  
12 think there has to be a value associated with firm  
13 capacity, whether you're a generator or a local  
14 distribution company. The sooner that we make that value a  
15 critical part of the market structure, the sooner, I think,  
16 we're going to get the infrastructure built.

17 MR. YARDLEY: I'd just add that I cringe when I  
18 hear about oil backup. I appreciate the efficiency of it.  
19 I appreciate that. But I do look at the map of the U.S.  
20 and the resource base that we have for gas and recognizing  
21 that it's so close -- it's right at our doorstep -- and we  
22 have conduits that actually go there. They just need to be

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1 improved. And we're extremely familiar with both the local  
2 distribution companies for gas and electricity. So as  
3 Mr. May points out, we have a very long sixty-year  
4 contracting history with those entities, not so much good  
5 luck with the generators, honestly. So I agree. I think  
6 there is a nice opportunity and some symmetry there.

7 MR. HANSEN: Well, that kind of leads me to my  
8 next question, which is the theme of regional coordination.  
9 The theme of partnerships, public/private partnerships, is  
10 very strong here in moving toward a solution. I guess I'm  
11 wondering what would you identify as the most significant  
12 barriers to maintaining those partnerships, and do you see  
13 a role for the federal government to help in addressing  
14 those barriers?

15 MR. VAN WELIE: I think one of the issues that  
16 the states are working through is it's a thorny problem.  
17 It comes up every time we need to make infrastructure  
18 investments, and that's cost allocation. Who should pay  
19 for what? And so we have got a fairly -- it's a creative  
20 solution, but it's also a complex solution that is being  
21 proposed by the New England states, which is a combination  
22 of transmission to enable renewable energy and natural gas

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1 pipeline infrastructure. And so I think the fact that all  
2 those initiatives are sort of in one large package deal is  
3 what makes it complicated in terms of dealing with cost  
4 allocation. The states need to work through that. And,  
5 you know, I think the reality of it is they're coupled at  
6 this point. Is it possible to uncouple them or not? I  
7 don't know. We've focused on the gas pipeline issue.  
8 That's the most immediate issue that we've got.

9           The longer term issue, I think -- and this is  
10 part of what's caused this to be a complicated  
11 discussion -- is the fact that many states in this region,  
12 Massachusetts in particular, have made a commitment to  
13 reducing CO2 below a certain level by 2050. So there's  
14 this dilemma of how do you sort of deal with both the  
15 short-term objective as well as the long-term objective.  
16 So those are the dynamics that people are dealing with.  
17 And I'm not sure that the DOE can specifically help that  
18 because that's something that the six New England states  
19 need to work out together.

20           But the pipeline part of this really is something  
21 that I think we need to move along as quickly as we can. I  
22 think the transmission side of things we've got more time

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1 to work through those issues. But the pipeline part of  
2 this I'm really worried about because we -- I said this in  
3 my opening remarks. We're in a precarious operating  
4 position. We can't survive the loss of a large nuclear  
5 power station or a large transmission line from Canada  
6 during a cold period like this past winter without really  
7 dire consequences. And we have to live like that for the  
8 next three to four years. And it's only going to get worse  
9 going forward. So we really do need to step up and solve  
10 this problem.

11 MR. MAY: You started the conversation with  
12 barriers, which is how many parties that were in and  
13 seeking for the perfect solution where everybody agrees  
14 unanimously. I think that Gordon references the FERC's  
15 authority to allocate costs in a traditional way when we're  
16 dealing with reliability, and they're now going one step  
17 further to deal with it in achieving renewable goals. I  
18 think this is just taking it one step further, and we need  
19 FERC to -- they're the ones that can break through these  
20 barriers. They're the ones that have the authority to  
21 allocate if we've got a majority opinion rather than a  
22 unanimous opinion. And they can allocate across New

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1 England to everybody, recognizing that this market -- we  
2 all live and die with it. We all either suffer or benefit  
3 from an efficient operating market. So we are tending to  
4 look toward FERC to help us in getting through these  
5 barriers.

6 MR. KING: Well, I'll go a little provocative on  
7 you. Everything we've talked about today is not new.  
8 We've been dealing with this for years. We just happen to  
9 have come out of a winter that really exacerbated  
10 everything that we've already known. And my worry is we're  
11 here again a year from now and nothing happens. So I think  
12 probably one of the bigger roles that you could play is to  
13 continue to be very, very noisy about it, and the noise  
14 will get the region moved. Because this is really -- it is  
15 a public/private issue, and it is lots of stakeholders, as  
16 Tom mentioned, lots that have to be dealt with, and the  
17 more that this is on the top agenda of DOE and continue to  
18 ask once a week, "Where are you? Where are you?" very,  
19 very helpful.

20 MR. YARDLEY: I'll echo that. I agree 100  
21 percent. I'll add one more thing, and that's the, yep,  
22 we're here talking this. We've got some nice projects for

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1 gas distribution companies coming in 2016 and 2017. But  
2 the fact is we don't have anything in the pipeline for  
3 electric generation, and it's going to take four years. So  
4 some assistance that we can get is some certainty with  
5 regard to the permitting process and some streamlining that  
6 says maybe it doesn't have to take four years to get this  
7 done.

8 MR. HANSEN: Well, we have time for one last  
9 question, and I'm going to go back to a general question  
10 and say do you have any closing advice or thoughts for QER,  
11 anything you would advise or talk to them about moving  
12 forward, advice?

13 MR. VAN WELIE: You know, there was a point  
14 several years ago with the DOE that I think was quite  
15 effective at spotlighting transmission congestion, and I  
16 think you've got, according to -- you know, in light of the  
17 comments that my colleagues made here, you can sort of put  
18 us on the radar screen as much as you can through a similar  
19 mechanism with regard to this infrastructure deficit that  
20 we have.

21 MR. MAY: This is very serious for the region. I  
22 think we need to stay focused on it. And I agree with Tom

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1 and Gordon. Anything you can do to keep the pressure on  
2 and keep this in the public's domain, because my biggest  
3 fear is the spring has sprung, rates go down, and people  
4 forget it, and again next winter -- Tom mentioned how  
5 quickly he's hooking up customers. We're doing the same  
6 thing in our gas businesses, which means there's less and  
7 less available each year to run our power plants. As Bill  
8 would tell you, we haven't brought any capacity, new gas  
9 capacity, into this region in twenty years. It's about  
10 time we do something about it, and we've got to find a  
11 solution.

12 MR. KING: So to build on that -- and this isn't  
13 a "cry wolf" situation. I think we've watched it  
14 deteriorate year over year and got very close this past  
15 winter. I would suggest that we're near a crisis, and if  
16 it's not addressed, then we're going to have a problems  
17 heating homes and keeping the lights on. So it's that  
18 significant of a priority.

19 MR. YARDLEY: I couldn't say it any better. Just  
20 keep the pressure on.

21 MR. HANSEN: Thank you very much. Now we can  
22 applaud. Thank you very much.

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1           Okay. We're going to switch panels again.

2                   (Discussion off the record.)

3

4    PANEL 4:  INFRASTRUCTURE NEEDS:  CHALLENGES AND SOLUTIONS

5           MR. HANSEN:  If we could start up again, I'd like  
6 to introduce our next panel.  This is the Infrastructure  
7 Needs:  Challenges and Solutions panel.  We have Glenn  
8 Poole, manufacturing support manager for energy, Verso  
9 Maine Energy, LLC; Lawrence Reilly, principal of Rosewood  
10 Energy Consulting, also chairman of Vermont Electric Power  
11 Company; John Bilda, general manager, Norwich Public  
12 Utilities and past president of Northeast Public Power  
13 Association.  We have Peng Zhang, assistant professor at  
14 University of Connecticut -- did I get it right?

15           MR. ZHANG:  Close.

16           MR HANSEN:  Close?  Okay.  Thank you.  -- and  
17 Rick Terven, executive vice president, United Association  
18 of Journeymen and Apprentices of the Plumbing and Pipe  
19 Fitting Industry of the United States, Canada, and  
20 Australia.  So would you like to start us off?

21           MR. POOLE:  Thank you for the invite.  My name is  
22 Glenn Poole, and I'm the energy manager for Verso Paper

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1 Corporation. Verso has three paper mills. We make  
2 lightweight coated magazine and catalog paper, and we  
3 supply about 30 percent of that market in the United  
4 States. Of those three mills, I want to focus on a couple  
5 of them that are in Maine.

6           We have two mills in Maine: one on the  
7 Androscoggin River and one in Bucksport, Maine. Between  
8 those two mills we have about 1,600 employees and about 150  
9 million in annual payroll, which is a lot in the state of  
10 Maine. At those two mills we also have 550 megawatts of  
11 generation. About 325 megawatts of it is natural gas.  
12 There is about 30 megawatts of hydro, and the remainder is  
13 steam-fired generation. Much of the steam is from the  
14 natural gas combined-cycle generation. We also supply  
15 about just under 100 megawatts of demand response to the  
16 New England grid. So our major fuels that we use in the  
17 paper process are natural gas and biomass. Those are the  
18 two largest fuels.

19           At our two mills in Maine we've eliminated the  
20 use of coal and almost entirely eliminated the use of oil  
21 at our two mills. And over the past decade or so that has  
22 reduced our emissions by well over 80 percent. In the

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1 meantime, we have increased our generation by over 50  
2 percent. We've really done that by the installation of  
3 natural gas-fired combined-cycle generation with  
4 cogeneration, and that's been about a \$350 to \$400 million  
5 investment to install that equipment.

6           In that combined-cycle arrangement, the fuel is  
7 effectively used three times. You use the natural gas to  
8 make power. The exhaust is used to make steam. Then the  
9 steam is used to make power and paper. So it's a very  
10 efficient process, in the 60 or 70 percent range.

11           Three or four years ago we took the DOE Better  
12 Plants Pledge, which is a pledge to reduce energy use  
13 intensity by 25 percent over ten years, and we met that  
14 goal this past year.

15           Well, we have heard a lot today about what's  
16 happened in New England, you know, with gas prices. We're  
17 just a short snowmobile ride away from some of the cheapest  
18 gas in the world, really, in Marcellus. But we're short by  
19 about 2 Bcf of pipeline to be able to access it all the  
20 time. The first-of-month prices for natural gas doubled  
21 last winter, and by "last winter" I mean the '12-'13  
22 winter. We're still having winter in Maine, and it doubled

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1 again this year.

2           So you've heard what consumers are paying, 3  
3 billion or so extra. On some days that's 100 million in  
4 one day. So what's happened is industrials are shutting  
5 down and putting people out of work. Our mill in Bucksport  
6 was not able to revert to coal or oil so we were shut down  
7 for the better part of January and February, putting 600  
8 people directly out of work along with 3,000 or 4,000 other  
9 people that supply goods and services, whether it's wood or  
10 shipping or trucking or whatever. So there were a lot of  
11 people out of work at that time in those two months. Not a  
12 good time to be out of work in Maine. Groveton Paper also  
13 shut down. Huhtamaki Fiber also shut down, and many others  
14 as well.

15           The consumers in Maine have not been fully hit by  
16 this yet because there is a three-year rolling standard  
17 offer, but it won't be long, and it will come at the same  
18 time that increase in transmission costs hit them. We  
19 don't see any relief in sight in the next two or three  
20 winters.

21           This is a classic problem. We're bleeding  
22 profusely, and we need a tourniquet, and I think you know

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1 you can't wait very long to put a tourniquet on. It's a  
2 desperate situation. Jobs, the economy, and even, as  
3 Gordon pointed out, the security of the grid is at stake.  
4 Everyone knows what has to be done. The problem is  
5 location, location, location. The solution is pipe, pipe,  
6 pipe. We can't solve the problem ourselves. FERC has got  
7 to step in and make this happen. And as other people have  
8 said, the DOE just needs to persuade them that it's a  
9 critical situation and help make it happen. Thank you.

10 MR. REILLY: Thank you very much. I would like  
11 to thank the Department of Energy for having this hearing  
12 and inviting me to offer a few comments today. By way of  
13 background, I should mention that VELCO, Vermont Electric  
14 Power Company, or VELCO, was established in 1956 when  
15 Vermont's local utilities joined together to establish the  
16 nation's first statewide transmission-only company.

17 Electricity, as everyone in this room knows, is  
18 critical to our economy and the quality of life of our  
19 citizens. We tend to focus, as we should, on the issues  
20 associated with having too little transmission capacity  
21 because the consequences are so clear: degradation in  
22 service quality, higher power costs due to congestion, the

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1 inability to meet all customer needs at peak times and in  
2 the extreme blackouts.

3           Although we can never compromise on meeting  
4 reliability standards, our electric transmission grid also  
5 needs to be affordable. No one has perfect vision of how  
6 customer demand for electricity will change over time, but  
7 we need to be careful not to consistently err on the side  
8 of overbuilding transmission. It may sound funny coming  
9 from a transmission-only company, but we really believe  
10 that. There are very real costs associated with having too  
11 much transmission: economic costs, because those  
12 facilities are included in the rates paid by customers; and  
13 environmental costs associated with the construction of new  
14 facilities.

15           In terms of evaluating future transmission  
16 infrastructure needs, it makes sense, both economic and  
17 environmental sense, to thoroughly consider nontransmission  
18 alternatives. Striking the balance between too little  
19 transmission infrastructure and too much is not easy. We  
20 suggest a three-prong strategy to help address this  
21 question and help ensure that there is adequate  
22 transmission capacity in place at a reasonable cost to

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1 customers. Specifically as a region we suggest that we  
2 should make sure we are, one, implementing all  
3 cost-effective energy efficiency; two, expanding to the  
4 fullest extent possible the amount of price-responsive  
5 demand on the system; and, three, fully integrating the  
6 increasing volume of distributed energy resources into our  
7 resource-planning efforts. I'll describe each of these  
8 points briefly.

9           First, with respect to energy efficiency, plain  
10 and simple, if we are not implementing all the  
11 cost-affective energy efficiency that we can, we're going  
12 to build too much infrastructure. Energy efficiency, as  
13 we've heard this morning, is the most cost-effective way to  
14 meet customer needs from both an economic and environmental  
15 perspective. You don't need infrastructure to meet a load  
16 that doesn't exist. And as I will discuss more fully  
17 later, targeted energy-efficiency efforts can play a key  
18 role in deferring or eliminating the need for new  
19 transmission facilities. I'm not talking about the sorts  
20 of transmission facilities that would import thousands of  
21 megawatts of new power into the region but just the general  
22 reinforcement of our grid. I think most would agree that

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1 New England is a leader in energy efficiency, and I would  
2 suggest that other regions could benefit from considering  
3 the approaches that have been implemented here.

4           Second, in terms of price-responsive demand, the  
5 vast majority of electric consumers in New England pay for  
6 electricity on a per kilowatt-hour basis that does not  
7 change with the changing costs for electricity in the  
8 wholesale market. Because of this dislocation, most  
9 customers have no incentive whatsoever to reduce  
10 consumption when wholesale power costs are high or shift  
11 usage to times when costs are low. Thanks in large part to  
12 a \$69 million Smart Grid Investment Grant from the  
13 Department of Energy, Vermont now has smart meters in place  
14 for more than 90 percent of its customers. This investment  
15 is already providing benefits in terms of improved customer  
16 service and reduced labor costs. But more needs to be done  
17 to fully realize the potential of this new technology and  
18 increase the use of price-responsive load to defer or  
19 eliminate the need for construction of new transmission  
20 facilities. As a suggestion, although it's already an area  
21 of focus for DOE, we suggest an increased emphasis on  
22 studying how best to influence or change customer behavior

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1 and evaluating technologies to automate demand-response  
2 activity.

3           Finally, with respect to integrating distributed  
4 energy resources, New England, like much of the country,  
5 has experienced a significant increase in the number of  
6 distributed energy resources. There can be no doubt that  
7 these resources provide real value to the grid. The  
8 challenge is determining that value and then integrating it  
9 into the regional transmission planning process lead by ISO  
10 New England.

11           Notwithstanding economic incentives to the  
12 contrary, in 2013 VELCO, in collaboration with other  
13 entities in Vermont and ISO New England, avoided a \$157  
14 million transmission upgrade. This was accomplished by  
15 targeting investment and energy efficiency, incremental net  
16 metering, and incremental renewable distributed energy  
17 resources to specific geographical locations. If savings  
18 such as this are possible by targeting investments to  
19 specific areas in Vermont, it stands to reason that  
20 significantly larger benefits could be achieved if a  
21 similar approached were applied more broadly in New  
22 England. I suggest that as part of the Quadrennial Energy

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1 Review, DOE consider expanded emphasis on nontransmission  
2 alternatives as you deliberate.

3 Thank you for the opportunity to present these  
4 comments, and I look forward to questions.

5 MR. BILDA: Thank you for the opportunity to be  
6 here this afternoon and share my view. I operate one of  
7 the 90-plus municipal electrical utilities around the New  
8 England region and the only local natural gas distribution  
9 company in the state of Connecticut. So what I would  
10 argue, I have a real, real local view of how the systems  
11 operate here. Because when I stop at a coffee shop in the  
12 morning to grab a coffee, everyone knows who I am. And I  
13 get asked two questions very frequently: One, "Why did my  
14 lights go out last night?" And I can answer that question  
15 quickly because I know what happened and in confidence I  
16 can say how long until it's going to be fixed. And then  
17 I'm asked, "Why does my bill cost me so much?" And the  
18 answer to that question becomes very much complicated and  
19 irrational, because I have to tell people that the price  
20 that you're paying in that bill has nothing to do with the  
21 cost of producing the energy. The price is set every five  
22 minutes, and that price can swing on a very hot day from

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1 \$35 a megawatt hour to \$350 a megawatt hour, and you're  
2 exposed to some of that, and you're going to have to pay  
3 for that, and that on those very hot days, the most costly  
4 and the most inefficient generators set the price that all  
5 the other generators get paid. So I would argue that, you  
6 know, there are generators making a lot of money in the way  
7 the markets are structured right now.

8           And then I go on to explain to a retired senior  
9 citizen, Don, who is 84 years old, who spent 46 years of  
10 his life working in a coal-fired generator down in  
11 Montville, Connecticut, that has since been retired for a  
12 bunch of good reasons. And I explain to him, you know, how  
13 all that's been replaced around New England with natural  
14 gas-fired generation. It's cleaner, it's more efficient,  
15 it's going to work better, but there have been no pipelines  
16 built to supply these generators with the natural gas.  
17 There has been a huge mismatch as a result of the lack of  
18 long-term planning. And in my mind I think we're still  
19 going down that path today. And with these gas generators,  
20 when you can get the fuel on a day where things might be  
21 tight, you can pay anywhere from three years ago \$1.60 a  
22 decatherm from a pooling point at Henry Hub up to the

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1 Algonquin market as here, \$1.60 three years ago to \$14 now,  
2 and at the same time the price of that natural gas isn't  
3 really what it costs to produce it at this abundant shale  
4 gas place. That price is set on Wall Street with marketers  
5 and speculators. So the cost element is not included in  
6 that.

7           As tough of a winter as it was this year, there  
8 was a warm Sunday when the temperature did peak above 60  
9 degrees, and on that day Algonquin Citygate was \$88 a  
10 decatherm and the LMP was 350 on a Sunday. I don't know  
11 and I can't have anyone answer the question in terms of  
12 where did all the money go. So when I explain all this at  
13 a local Rotary club or to the chamber of commerce to a lot  
14 of smart business people who work real hard to keep their  
15 businesses running, they either don't believe me or they  
16 say, "This is nuts. You've got to do something about  
17 this." So that's why I'm here today and thanking everyone  
18 for this opportunity.

19           Because here's what I think: I agree with  
20 everything we've heard about needing to increase the  
21 pipeline capacity coming into this region, provide us  
22 access to the abundance of natural gas supplies. But the

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1 devil's in the details. We have to be very, very surgical  
2 about how we go about who pays for that, who owns it, and  
3 who is going to manage all this capacity that needs to get  
4 billed out, and it needs to be done in a hurry. Because  
5 last year when the Algonquin system hit its peak, which it  
6 never did before, was in March, not January this year. And  
7 a little community like Norwich got all its gas, and we  
8 only paid a buck and a quarter to move it from the Gulf of  
9 Mexico to Greenville, Connecticut.

10           A second piece, I think, is that we need to  
11 reinstitute some long-term thinking in an integrated  
12 resource management plan. These five-minute price signals  
13 and, you know, one-year capacity auctions are not going to  
14 cause this high capital investment in generation. There is  
15 no other market that works like that. The investors have  
16 too much financially at risk. And I believe if this  
17 investment doesn't happen and generation isn't built, you  
18 know, the reliability of the bulk electric system is going  
19 to be at risk also.

20           The last thing is just that I think we need to do  
21 either wholesale changes with the ISO New England or begin  
22 to phase it out. Because if you were measuring performance

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1 based upon its mission and what it is today, I would give  
2 it a fair rating. But if you were to measure the  
3 performance in terms of what it costs the consumers and  
4 what it has cost businesses here in New England, there is  
5 no one looking out for the middle-class, hard-working  
6 American that's paying all this bill. They continue to  
7 struggle and get the squeeze. They have to be part of  
8 every single bit of the solutions that we're working hard  
9 to put in place. And those are my thoughts. Thank you.

10 MR. ZHANG: Thank you. I really appreciate the  
11 invite from DOE for me to talk about the topic of microgrid  
12 for enhancing power system resilience and efficiency on  
13 behalf of the power team at the University of Connecticut.

14 Microgrid is not a new concept. It had been  
15 studied for years, and also there are some real microgrids  
16 operating in the field. For example, at UConn we do have a  
17 microgrid in the Storrs campus with a total capacity of 25  
18 megawatts mainly supported by the co-gen plants. As you  
19 all probably still remember, in 2011 we had two major  
20 storms that caused certain power outages in the state, and  
21 what happened at UConn at the time, actually, we still had  
22 our lights on, and we didn't lose our power supply for even

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1 one minute. The reason is because we do have a microgrid  
2 that supports our power supply. Also because of UConn's  
3 microgrid we were able to survive the 2012 Hurricane Sandy.  
4 So we didn't lose our power on the main campus.

5           So, actually, I did a little bit of an estimate  
6 about the reliability of our campus power systems. If we  
7 assume that we have a very conservative availability of  
8 co-gen plant, like 98 percent availability, and let's  
9 assume that our utility has a very kind of low  
10 availability -- actually, it's not true. It's a very  
11 conservative estimate. Suppose reliability is 99.5  
12 percent. Because of the power load connection of the  
13 microgrid to the UConn campus grid, our UConn power systems  
14 should be able to achieve a reliability of 99.99 percent,  
15 which means that you wouldn't lose power more than one hour  
16 per year.

17           So actually a more detailed study has been  
18 carried out so we have a study collaboratively with  
19 Northeast Utilities. We produced a report entitled  
20 "Reliability Evaluation of Selective Hardening Options."  
21 In the report we summarized the reliability benefits of  
22 microgrid for critical infrastructures within selected

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1 Connecticut towns under different weather conditions. So  
2 we can see there is a lot of reliability benefit. Besides,  
3 microgrid can also provide a wide variety of technical,  
4 economic, environmental, and societal benefits to  
5 stakeholders and electricity users.

6           So one important benefit I want to mention here  
7 is ancillary services because the participation in local  
8 ancillary service markets, so if the market is created and  
9 operating well, then that will open up new opportunities  
10 for microgrid to meet the system obligations and achieve  
11 business proliferation for microgrids. So, for example, if  
12 the microgrid is seen in a grid-connect mode, it could  
13 provide different services such as frequency control  
14 support, voltage control support, congestion relief, the  
15 reduction of grid losses, and power quality improvement to  
16 help maintain the integrity, stability, and power quality  
17 of our main grid system, like distribution or transmission.  
18 So if the main grid has some problems or in emergencies,  
19 microgrid could offer black start capabilities to help pick  
20 up local load as well as providing a frequency voltage  
21 control to accelerate the restoration speed of the utility  
22 grid. So this is a very good benefit.

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1           And, besides, microgrid has other benefits, as  
2 most of us already know. For example, it can better  
3 integrate renewability into the grid and it can stabilize  
4 distribution transmission grids. The reason is in the  
5 future we can envision that a lot of renewable resources  
6 and also ancillary load will be penetrated in the grid, and  
7 then system operators will soon find themselves closer to  
8 the technical limits of the power systems and they will be  
9 enterprising to find ways to the cost-effectively increase  
10 those limits. If we are able to accomplish this valuable  
11 generation and also add certain loads at the local  
12 distribution levels through the microgrids, then that will  
13 greatly reduce the stresses for distribution and  
14 transmission and increase security and the adequacy of the  
15 power infrastructures.

16           So also a microgrid can provide a peak load  
17 reduction and also provide a good platform to realize the  
18 demand-side management for power systems. So currently, as  
19 we all know, a few microgrid pilot programs have been  
20 developed to test and validate the benefits, efficiency,  
21 and performance in their community and also critical  
22 infrastructure connections. For example, in Connecticut

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1 right now we have a statewide microgrid program that's  
2 supporting nine microgrid constructions in the state, and  
3 also DOE is supporting the New Jersey Transit System  
4 microgrid to test the microgrid to support a transportation  
5 network.

6           So that being said, it still should be emphasized  
7 that the marketing environment and regulatory settings have  
8 a significant impact over whether or not a commercial  
9 microgrid will be able to survive and thrive. Public  
10 policy support, therefore, will be one of the key enablers  
11 that help create local markets for ancillary services to  
12 recognize the local value of microgrids and to popularize  
13 the demand responses through microgrid and also encourage  
14 technological innovations to further reduce the costs for  
15 microgrid.

16           So last but not least I want to emphasize that  
17 it's very important to continue the research and  
18 development of technologies that unlock the potentials of  
19 microgrids as a building block of smart grid, because only  
20 through the R and D activities we're able to eliminate  
21 these major barriers for wide implementation of microgrid  
22 in the power system. For example, there are some barriers

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1 such as high cost of the microgrid and lack of quantity  
2 control and long-term optimization in microgrid. And,  
3 also, we do need some policy and regulatory research to  
4 make the microgrid viable in terms of commercialization.  
5 So through the research we should be able to turn these  
6 barriers into enablers so that we make microgrid one of the  
7 powerful solutions for enhancing the system's resilience  
8 and efficiency.

9           That's my talk. I really appreciate you  
10 listening to this, and I'm waiting for your discussions and  
11 questions. Thank you.

12           MR. TERVEN: Thank you. Good afternoon. I am  
13 happy to be here on behalf of my boss, General President  
14 Bill Hite, who has been an outspoken leader on the need to  
15 repair and upgrade our nation's aging infrastructure,  
16 particularly our natural gas pipeline networks. I would  
17 like to thank the Obama Administration, the secretary, the  
18 governor, the representatives, and everyone involved for  
19 this invitation to speak on this very important topic.

20           Our organization represents 370,000 highly  
21 skilled members throughout the United States, Canada, and  
22 Australia, and much of the day-to-day work of our

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1 membership is devoted to improving the sustainability and  
2 efficiency of our nation's energy systems.

3           We spend, with our government dollars, over \$250  
4 million annually to ensure we are properly trained for this  
5 type of work. Our pipeline infrastructure is one of our  
6 country's most important energy assets, and we must  
7 maintain it if we are to enjoy the benefits of clean,  
8 abundant natural gas as a share of the nation's electricity  
9 generation.

10           Upgrading the standards of our current natural  
11 gas pipelines will create thousands of jobs for American  
12 workers and help protect the environment with reduced  
13 energy cost, fewer emissions, and increased resilience  
14 during severe weather that has been spoken of so many, many  
15 times today.

16           For most of us, the more than 1.25 million miles  
17 of natural gas distribution pipeline across the United  
18 States are out of sight and out of mind until something  
19 goes wrong, and that's what happened when Harlem residents  
20 learned just two months ago when a cast iron gas main from  
21 1887, over 127 years old, exploded. Nationally the  
22 Department of Transportation estimates that more than

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1 30,000 miles of decades old cast iron pipes are still being  
2 used to deliver this gas.

3           There are currently reported numerous leaks also  
4 in the natural gas pipeline system, reported in various  
5 cities that service the public, in one city methane  
6 concentrations about ten times greater than the threshold  
7 at which explosions can occur exist. Methane, as you know,  
8 is the second largest greenhouse gas emitted into the  
9 atmosphere, contributing 18 percent of our emissions.

10           Gas companies, as you heard, throughout the  
11 country are recognizing the problem with the deteriorating  
12 network and are engaging in pipeline replacement programs.  
13 This could take up to 30 years or longer to upgrade our  
14 systems. We can't wait that long, and we can't afford to  
15 wait that long, either. Every day that we postpone this  
16 critical investment we are placing the health and even the  
17 lives of our citizens at risk. Adopting a more aggressive  
18 time frame for replacing leak-prone pipes would reduce the  
19 amount of gas leaking from the system. It would return  
20 value from our gas customers paying for lost gas. It would  
21 improve public safety and cut greenhouse gas emissions.  
22 The BlueGreen Alliance, of which the United Association is

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1 a partner, estimates that accelerating the repair time line  
2 could create hundreds, I mean, hundreds of thousands of  
3 jobs that could save businesses and consumers almost \$1.5  
4 billion and keep 81 million tons' worth of global warming  
5 pollution out of the atmosphere.

6           Many states and local leaders are stepping up to  
7 fix this problem. In Massachusetts, for instance, Governor  
8 Deval Patrick has led the state's Department of Public  
9 Utilities to launch incentive programs to encourage gas  
10 companies to replace leak-prone pipelines and operate more  
11 efficiently. The City of Chicago in Illinois, where I'm  
12 from, is undertaking a similar program, launching a  
13 ten-year initiative to repair and replace 900 miles of  
14 water mains and 2,000 miles of gas pipelines. Families in  
15 the Chicago area have been working on this initiative from  
16 the beginning, but unfortunately this kind of commitment to  
17 infrastructure improvements is the exception, not the rule,  
18 and we must change that.

19           Efforts to expedite the build-out and repair of  
20 our natural gas pipeline network is by doing swifter  
21 permitting processes by the DOE and Federal Energy  
22 Regulatory Commission. Support for a program we call

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1 Replacing Cities' Aging Pipelines -- ReCAP -- is a great  
2 example of using education and advocacy tools to promote  
3 and accelerate large-scale investments, innovative  
4 financing approaches, and supportive policies for improving  
5 our natural gas pipeline infrastructure. This initiative  
6 is supported by BGA's four national environmental partners  
7 and from BGA's ten major union partners as well as the  
8 national AFL-CIO. Collectively we represent more than 15  
9 million Americans and recognize the importance of investing  
10 infrastructure to improve our environment and also to  
11 create good-paying jobs for our communities for the people  
12 who live there.

13           We are committed to actively working with  
14 policymakers, stakeholders, and the public to brainstorm  
15 innovative ways to finance infrastructure projects. This  
16 involves community education and awareness efforts,  
17 encouragement of public/private partnerships, and  
18 partnering with consumers' groups and state officials to  
19 develop mutually acceptable finance solutions. We have  
20 found that it is important to engage consumer groups in  
21 particular because ratepayers often bear the brunt of  
22 postponed improvements. There is a report out that said

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1 consumers paid at least \$20 billion for gas that was  
2 unaccounted for and never used between 2000 and 2011. That  
3 is totally unacceptable.

4           Our organization this year will be 125 years old.  
5 We have learned a lot about pipelines in the past several  
6 decades, and we know how to build them better and safer  
7 than ever before. New pipeline technology and safety  
8 advances that were not available when many of our current  
9 pipelines were originally installed can readily address  
10 environmental risk factors and dramatically improve  
11 efficiency, and it's time we make these investments to  
12 ensure our that pipelines are safe, reliable, and built to  
13 last, and we are hopeful that the QER process will help  
14 foster a commitment to this process. And so on behalf of  
15 my General President Bill Hite and the entire United  
16 Association, thank all of you for having us here today.

17           MR HANSEN: Thank you all very much. I've heard  
18 a lot of solutions and a lot of urgency. I guess my  
19 question is how do you balance the priorities. How do you  
20 decide where you start and what you commit to now? And how  
21 do you get together on all of that? So I'm going to ask  
22 you. What's your idea for how to figure out sort of some

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1 priorities and an integrated plan? What do we need to do?

2 MR. POOLE: I think the priority right now is to  
3 get some more pipe installed into New England from the  
4 resources just next door. There is nothing else that will  
5 solve this kind of problem. You know, Gordon mentioned how  
6 few of the electricity generators that use gas are able to  
7 operate. No contracts are going to solve that. There just  
8 isn't enough pipe. So the solution is build more pipe as  
9 fast as you can.

10 MR. REILLY: You know, it's been clear from all  
11 the discussion this afternoon that this is a regional  
12 problem, the shortage of gas and the kind of the  
13 codependency of the heating load and the generation on the  
14 same resource. I think the actual critical step has  
15 happened earlier this year when the six New England  
16 governors got together and recognized this and the efforts  
17 that NESCOE, the regional regulation group, is doing to  
18 move that agenda forward, both from the electric --  
19 bringing more renewable electricity into the region and  
20 also more gas is the way to go. I think what the governors  
21 have come up with, though, is just a vision, and I think  
22 there are countless details to be sorted out underneath

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1 that process. But I think that's the way to go, move  
2 forward on that effort.

3 MR. BILDA: I think that the pipeline is really a  
4 short-term solution in terms of priorities. I think the  
5 focus needs to circle back to long-term thinking and what  
6 is going to happen. And you heard the governor talk about,  
7 you know, innovation. So as people come together to try to  
8 put together -- you know, get the industry experts out of  
9 the equation. Experts are like the enemy of innovation.  
10 You know, you need to get some folks that maybe are not  
11 outside the box but sit in a different box to come up with  
12 better solutions for the long term. Because I believe the  
13 lights will really still stay on. But it's how much you're  
14 going to cost to it. Everyone's going to figure out a way  
15 to make sure these lights to stay on, whether it's the ISO  
16 or the big utilities or the small ones, but it's going to  
17 cost us a lot -- a lot -- of money to do it, and as that  
18 cost continues to escalate, new technology is going to come  
19 in, whether you want it or not.

20 MR. ZHANG: Actually, I like the idea, John's  
21 idea, of looking into the long term. Actually, to me, you  
22 know, I'm from the research community. I wish there could

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1 be more support in terms of R and D. That's, of course, my  
2 priority here.

3           But I talked about microgrid. Microgrid is only  
4 one of the potential solutions for the infrastructure issue  
5 if we just focus on microgrid. So right now the most  
6 important thing, I think, right now is to reduce the cost.  
7 Right? So to make it a viable solution for many different  
8 scenarios, not just for important critical infrastructures  
9 but also for community level application, commercial  
10 applications. So reducing cost, but that relies on the  
11 power industry, for example, to find out the better  
12 material, better system control and policies so that to  
13 lower down the cost on the technical aspect.

14           Also, we need to do -- actually, our recent  
15 research found out although the concept of the microgrid is  
16 clear, kind of clear, the other control methodologies are  
17 there. People proposed it in academia or in publications,  
18 but if you really implemented that in the real system, it's  
19 really hard to make it successful. It needs a lot of work,  
20 a lot a research to study the control and corners of the  
21 distribution controls and also to seek some very particular  
22 opposition message to make sure the microgrid can not only

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1 be successful short-term against this extreme weather, for  
2 example, but also that it can run for the long term, to  
3 achieve long-term profits. And also, of course, there is  
4 something that's now out of my control. It's kind of, I  
5 think, policy-wise, the regulatory bodies. They need to  
6 think about something that can provide good incentives for  
7 the solutions and make it a viable solution. Thank you.

8 MR. TERVEN: You know, I have to agree with the  
9 speakers. I think that a long-term policy really is what  
10 we need to figure out and sit in a room with experts and  
11 nonexperts, as I was listening to. I think you have to get  
12 in a room. You have say there is an issue here and that  
13 you have to address it. I think the long, hard winter made  
14 us all address the all-of-the-above approach for energy  
15 efficiency.

16 You know, in construction buildings, like this  
17 building here alone, it takes 36 percent of our energy for  
18 this building alone, right here. And of that 36 percent,  
19 because a lot of our buildings are over 100 years old, we  
20 lose 65 percent of that energy right out the window. So I  
21 think we have to have long-term solutions, but we have to  
22 figure out how to maintain them so that we're not right

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1 back here in a month, six months, or a year from now trying  
2 to figure out the same solution, because technologies will  
3 control a lot of the things we do in the future, and you  
4 can see a lot of the advancements in technology coming.

5 MR. HANSEN: So there's not agreement even on how  
6 to get to an agreement, in a way, on this. So let me ask  
7 you, does a federal role -- let me just close with, what  
8 would you give as advice or key messages for the QER to  
9 take away from this panel discussion?

10 MR. POOLE: I think it's the same thing you heard  
11 from the last panel. Keep the pressure on FERC. It's  
12 going to take FERC to solve this problem, to help solve it.  
13 You know, the ISO is going to be going to FERC for  
14 leadership and direction, and so the DOE can keep the  
15 pressure on FERC to help solve the problem.

16 MR. REILLY: I'd agree with that. I think  
17 there's a clear role for FERC in the cost-allocation  
18 process. I think when you take the vision down to the next  
19 level and start talking about the economics of new  
20 construction and the cost of new energy imports from other  
21 regions, you quickly are going to come to the question,  
22 "Well, who pays for that?" And we have in New England, I

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1 think, a somewhat unique ISO tariff which has been  
2 incredibly effective of getting transmission infrastructure  
3 built here, and this is where the costs of the common grid  
4 are allocated proportionately around New England on the  
5 basis of load, and that has worked extremely well. We have  
6 built \$5 billion worth of transmission in the last nine  
7 years. It's been very effective. You know, those  
8 cost-allocation questions are all handled through FERC, and  
9 I think these issues of pipeline capacity costs and  
10 allocations are going to be very contentious, I think, when  
11 we get down to the final strokes, and I think that's  
12 something that FERC is going to pay attention to. And I'd  
13 emphasize Glenn's point and also the prior panel about  
14 having the DOE keep the eye on the ball here.

15 MR. BILDA: And I would agree with what's already  
16 been said, other than, you know, make sure the consumer is  
17 part of the equation.

18 MR. ZHANG: So I just hoped this meeting could be  
19 initiative for communications between the people here and  
20 the government to UConn. Actually, I want to emphasize  
21 that at UConn we do actually have a lot of potentials.  
22 Everybody knows that UConn is a great university, but very

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1 few people really know we do have a strong power system  
2 program here. So every year we publish in top journals.  
3 We're working with the federal agencies to provide a lot of  
4 good solutions for infrastructure, power systems. So we do  
5 want to be able to help, to contribute to the state. So we  
6 wish this is an opportunity for us to build connections and  
7 communications for future solutions. Thank you.

8 MR. TERVEN: I was a political director for an  
9 organization for six years before I became the utility man,  
10 as they call me now. You called me the executive vice  
11 president, but my boss calls me the utility man. And what  
12 I had learned in six years in D.C. was this: It takes  
13 federal, local, and state all working together to come up  
14 with solutions that work together. You can't do it alone,  
15 FERC can't do it alone, state can't do it alone, and local  
16 can't do it alone. And consumers need to be in the room,  
17 just like I was listening to a while ago. We all share in  
18 this because we all have a part of this. So I think  
19 collectively we have to stay together and stay in the room  
20 until we find a solution and make sure it's a solution that  
21 is reasonable and it's something that we can work with.

22 MR. HANSEN: Well, thank you very much, panel.

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1 We really appreciate your contributions and your answers.

2 (Discussion off the record.)

3

4 PANEL 5: REGIONAL APPROACHES TO SOLUTIONS

5 MR. HANSEN: Our last panel is Regional  
6 Approaches to Solutions. We have on the panel Steven  
7 Clarke, assistant secretary, Executive Office of Energy and  
8 Environmental Affairs for the Commonwealth of  
9 Massachusetts; Nicholas Ucci, chief of staff, Office of  
10 Energy Resources for the State of Rhode Island; Asa  
11 Hopkins, deputy commissioner for energy, Department of  
12 Energy and Environmental Protection, State of  
13 Connecticut -- right? Oh, I'm sorry. Director of Energy  
14 and Policy Planning, Vermont Department of Public Service.  
15 I am sorry about that, Asa. -- Katie Dykes, deputy  
16 commissioner for energy for DEEP; and Patrick Woodcock,  
17 director of Maine Governor's Energy Office. I'd like to  
18 introduce Katie, have Katie come down and make some opening  
19 -- you can do if from there, I guess, yes.

20 MS. DYKES: Well, thank you so much. Can  
21 everyone hear me okay? There we go.

22 I first want to thank the secretary of the

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1 Department of Energy for choosing Hartford for this portion  
2 of the QER process. I want to thank everyone who has been  
3 here all afternoon. And I know there was a really great,  
4 robust discussion in Rhode Island earlier today. So it's  
5 wonderful to see the turnout and the interest in helping to  
6 inform the DOE's Quadrennial Energy Review.

7 I also want to thank my colleagues from the other  
8 New England states who were able to travel here today to  
9 participate in this panel. All of us sitting here on the  
10 stage have been working very closely together over the last  
11 six months to carry forward on the governors' historic  
12 commitment to a regional energy initiative that will ensure  
13 a cleaner, cheaper, more reliable energy future for New  
14 England.

15 It's been great to hear, you know, the  
16 discussions in the previous panels, the secretary and the  
17 governor's remarks. I mean, it's clear, I think, without  
18 going over what's been said previously, that New England's  
19 economic future is really in the bounds, that we're facing  
20 a tremendous challenge from the region's lack of an energy  
21 infrastructure.

22 And so without retreading over what's been

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1 discussed, I wanted to -- you know, we're hoping that this  
2 panel will be an opportunity for folks to hear more about  
3 the current status of this regional energy infrastructure  
4 initiative that everyone has been talking about today. As  
5 I said to some of my counterparts as we were listening to  
6 the previous panels, I think the theme here is "No  
7 pressure, guys."

8           But, you know, clearly the situation that we're  
9 in is not acceptable. You know, the rising prices that  
10 we've seen that already retail customers here in  
11 Connecticut have experienced, increases in the standard  
12 offer price as well as we're seeing a lot of volatility in  
13 the offers from competitive suppliers, that's produced a  
14 tremendous amount of consumer outcry. We have the  
15 retirement of a lot of the non-gas resources that are  
16 challenging the reliability of the grid, companies that are  
17 exposed to the spot market. Companies that don't have firm  
18 gas supply have faced curtailment this past winter.

19           And let's not forget the environmental  
20 consequences of our lack of gas capacity or additional  
21 imports or transmission for Class 1, or hydro, which we've  
22 seen just this past winter this inversion of the gas and

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1 oil prices such that oil units were running in merit, which  
2 is certainly not something that we want to see happen from  
3 the standpoint of our air-quality goals.

4           So I can say that the situation is really  
5 unacceptable to us, and we believe that the market has not  
6 produced any solutions to this challenge. There's been a  
7 lot of discussion, a lot of productive discussion, I think,  
8 among stakeholders who are involved in this market about  
9 trying to find productive solutions to this gas/electric  
10 challenge. And, frankly, I think we would not be all here  
11 working on this if we felt that the market was going to  
12 deliver a solution.

13           And the other take-away is that, you know, it's  
14 impossible for one state to solve this problem alone. We  
15 saw -- I think you've heard discussion earlier about  
16 Connecticut's comprehensive energy strategy. Just to take  
17 an example, we embarked on an ambitious natural gas  
18 expansion plan to make the opportunity of fuel-switching  
19 available for more homes and businesses, and as an  
20 incidental benefit of that process our LDCs have made  
21 investments in new capacity that's going to come online in  
22 2016, and as we over time see those new customers being

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1 added to the system, there will be some excess capacity  
2 that will be available for generators. That's really not  
3 what we set out to do with our gas-expansion plan. We're  
4 excited to -- you know, it's helpful to see that there may  
5 be some relief provided in the interim step by that  
6 capacity addition. But, frankly, you know, it's not a  
7 proper solution to have gas ratepayers or a program  
8 designed to add customers to our gas distribution system  
9 being a solution for providing reliable access to gas for  
10 electric generators. That's just not a solution, and  
11 that's not a subset of ratepayers that should have to bear  
12 the costs and the risks associated with getting  
13 infrastructure built out.

14           So let me talk a little bit now about what we've  
15 been working on for these past several months. I think  
16 most of you are familiar. Last December the governors  
17 issued a statement in which they agreed to advance this  
18 regional energy initiative to diversify our energy supply  
19 portfolio while ensuring that the benefits and costs of  
20 transmission and pipeline investments are shared  
21 appropriately among the New England states. And then in  
22 January we sent a letter on behalf of the New England

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1 governors to the ISO requesting assistance in clarifying  
2 the specific infrastructure needs that the governors are  
3 seeking to address, and those include incremental gas  
4 pipeline capacity on the order of about 600 MMcf above 2013  
5 levels, in other words, in addition to the Spectra AIM  
6 Project that's been discussed, as well as transmission to  
7 deliver up to 1,200 megawatts and as much as 3,600  
8 megawatts of low or no emission resources into the grid.  
9 So since January we have been meeting and talking nearly  
10 constantly to refine this proposal and move it forward.

11           So what I can tell you today as far as our  
12 progress with respect to the gas pipeline investment, I  
13 want to note that the states -- we are still in discussion  
14 about what the precise amount of gas capacity would be that  
15 we ultimately want to seek. We have received stakeholder  
16 comment about that 600 MMcf level was in our January letter  
17 indicating that that was not sufficient. Some would like  
18 to see us go up to as high as 2 Bcf. I think in our  
19 discussions we were talking about or revising that number  
20 upward. So that is something we look forward to clarifying  
21 very soon.

22           It's also important to clarify that the level of

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1 the gas that the states are focused on is not only targeted  
2 to improving the reliability of the grid but also on  
3 achieving an economic goal in terms of securing the same  
4 access to low-cost domestic shale gas that other regions  
5 such as PJM enjoy. So reliability as well as that economic  
6 benefit are our key drivers here and important to clarify.

7           The other key questions are who would backstop  
8 the contracts for the gas pipeline capacity, who should  
9 manage the capacity on behalf of the electric ratepayers  
10 who would be funding the gas capacity investment, and how  
11 would that capacity be released. Should the capacity be  
12 released into the market for any taker? Is it legally  
13 defensible to give gas generators a right of first refusal  
14 for the gas capacity? At stake here is the state's  
15 interest in ensuring that the benefits of the gas pipeline  
16 investment flow back to the electric ratepayers who are  
17 paying for the costs of that investment.

18           With respect to the transmission, I know many of  
19 you are familiar that NESCOE has been working in this area  
20 for some time to develop a model for coordinated regional  
21 procurement to help facilitate the multiple states  
22 achieving their various public policy goals. And we expect

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1 that we would build on the work that NESCOE has done to  
2 coordinate procurement for the transmission portion of this  
3 package deal. We expect that an RFP will be issued on  
4 behalf of six states for transmission and on behalf of a  
5 subset of states with that list, that subset, to be  
6 determined, who will be seeking to purchase generation or  
7 capacity or renewable energy credits. Connecticut, I can  
8 say, will be one of the states that will be seeking to  
9 purchase generation and will be using the authority that  
10 was vested in this department by Section 7 of Public Act  
11 13-303 to seek proposals for long-term contracts for  
12 Class 1 or large-scale hydropower. Other states, including  
13 Massachusetts and Rhode Island, have bills under  
14 consideration by their legislature to authorize similar  
15 procurements, and they may speak to that today.

16 I think it's also important for us to distinguish  
17 this effort from FERC's Order 1000, a framework for  
18 supporting transmission for public policy needs. We are  
19 not anticipating using a FERC -- an Order 1000 default cost  
20 allocation or having that applied to this effort. So I  
21 want to be clear about that. The six states are not  
22 sharing the costs of transmission to achieve certain

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1 states' public policy needs. While some states will be  
2 purchasing generation to meet public policy goals such as  
3 climate commitments or renewable portfolio standard  
4 requirements, to the extent that those project require  
5 transmission, the six states would share the transmission  
6 costs if the benefits of the project in terms of reducing  
7 wholesale electricity prices outweigh the costs of the  
8 transmission.

9           Just a few last points. The states have been  
10 working very, very hard to reach collective agreement about  
11 how to share the costs of this investment fairly across all  
12 six states. I think we've made great progress on what has  
13 been always a traditional, challenging issue for states to  
14 resolve, and I expect that we will have that issue resolved  
15 very shortly.

16           And then, lastly, I also wanted to note that the  
17 states have taken effort to ensure that we're getting  
18 stakeholder input on this process, particularly through  
19 NEPOOL. We announced or we kicked off our engagement with  
20 NEPOOL on March 7 at the participants' committee meeting,  
21 and we've had several day-long sessions where we've gotten  
22 input from various sectors. We're taking that input very,

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1 very seriously, and we are looking forward to incorporating  
2 or addressing some of the comments and issues that have  
3 been raised by various participants in our next engagements  
4 with NEPOOL. And as well we have gotten comments through  
5 the NESCOE Website, and to the extent that we're here  
6 today, it's yet another opportunity which we embrace to  
7 talk about what we're doing and to hear from the public  
8 because we want to make sure that we're being as  
9 transparent and engaging folks as much as possible, given  
10 the broad impacts of what the states are trying to do to  
11 address the solution. So I'll stop there and look forward  
12 to the discussion.

13 MR. HANSEN: I'd like to give the other panelists  
14 a chance to just make an opening statement. I'd ask, if  
15 you want, I'd ask you to keep it brief. So, Mark --  
16 Steven. I'm sorry.

17 MR. CLARKE: No problem. Thanks, Katie, for that  
18 great introduction.

19 And as Katie mentions, there are a variety of  
20 imperatives that have united our respective governors in  
21 this regional energy infrastructure initiative. She  
22 mentioned cleaner powers. I'll very quickly talk about how

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1 important that particular imperative is to this process  
2 from a Massachusetts perspective.

3 Governor Patrick has made clean energy a top  
4 priority in Massachusetts since day one of his  
5 administration, and the results have been quite impressive.  
6 We've seen some of the fastest growth rates in our wind and  
7 solar markets in history. We're up at 600 megawatts of  
8 clean energy, and our sector is growing very robustly and  
9 quickly.

10 The governor also signed into law one of the most  
11 ambitious greenhouse gas emission-reduction laws in the  
12 entire country. So Massachusetts is on the hook to reduce  
13 our greenhouse gas emissions by 25 percent from 1990 levels  
14 by 2020, so in the next five and a half years, and at  
15 least 80 percent from 1990 levels by 2050. So in order to  
16 help us get there, we're joining this initiative which, as  
17 Katie mentioned, will help us untap some of the region's  
18 clean energy potential as well as unlock bottlenecks to  
19 other regions that could also supply New England with large  
20 amounts of clean energy, whether it's renewables, large  
21 hydro, you name it.

22 So, very quickly, we do have a bill in the

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1 Massachusetts legislature that would mandate that our  
2 utilities go out for long-term contracts up to the amount  
3 of 18.9 tera hours or 2.4 gigawatts of clean energy. It's  
4 a large amount, but that amount of clean energy, that  
5 additional amount, will make sure that Massachusetts  
6 complies with our greenhouse gas, our Global Warming  
7 Solutions Act. It will also provide the region with all  
8 the benefits that you've heard from all the other panelists  
9 earlier today: increased fuel diversity, higher enhanced  
10 reliability for the grid, price suppression, so a variety  
11 of different benefits, in addition to reducing the  
12 greenhouse gas emissions portfolio for the region. So that  
13 bill is making its way through our legislature, and it's an  
14 important part of this regional mission that the six  
15 governors are united behind in terms of making our energy  
16 grid much more cleaner, diverse, and reliable. So with  
17 that, I'll pass it along to Rhode Island.

18 MR. UCCI: Thank you. I'm from the state of the  
19 Rhode Island, which is that little, tiny place you drive  
20 through on your way from here to Boston. It takes like 40  
21 minutes to get through. We have great beaches. So please  
22 come see us in the summer.

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1           So I want to give you my viewpoint from on the  
2 ground in Rhode Island and where we're at. In Rhode Island  
3 our employment figures right now are about 20,000 jobs  
4 below our December 2006 peak. That's pretty significant  
5 for a state our size. Our unemployment rate heading into  
6 this winter leads the nation. It was over 9 percent. We  
7 just hit 8.7 percent this past month. That was big news  
8 for us, positive news, I think, but in comparison to some  
9 of my colleagues up here, we're a little behind the times.

10           Residents in my state, the average residential  
11 consumer experienced a 12 percent increase in the total  
12 utility bill in January, and if you look at the power  
13 supply component of that bill, the increase was over 20  
14 percent. The fact is because of our regulatory paradigm,  
15 residents in particular, but also many of our commercial  
16 small businesses, haven't really faced the true impact of  
17 the price volatility we've seen over the past couple years  
18 in particular. It's just now starting to work their way  
19 into rates. And so if we have a 12 percent rate increase  
20 in January, I sort of wonder what it will look like again  
21 when those rates are filed later this fall for next  
22 January.

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1           So this is not a recipe for sustained, viable  
2 economic growth, and to different degrees all of our states  
3 face the same problem.

4           And we've made a calculated decision, thanks to  
5 the leadership of our respective governors, that we either  
6 fix this problem together or we don't fix it at all. What  
7 do we risk if we don't fix it? Well, you heard Gordon and  
8 the ISO earlier talk a little bit about the reliability  
9 concerns, and that's clearly pretty important. Right? I  
10 think the ISO had some analysis done a year or so ago that  
11 showed that a loss, interruption to load in New England for  
12 one hour, cost us nearly a billion dollars. That's not  
13 something we can accept.

14           I think also from a political, regulatory, and  
15 sort of public-interest perspective we jeopardize the  
16 buy-in we've received on very important long-term strategic  
17 investments and clean energy programs that we rely on and  
18 also help drive investment in our local economies. It's  
19 energy efficiency. It's distributed generation, renewable  
20 growth. These things are critical to our long-term ability  
21 to meet our energy goals and make us more secure as a  
22 region. But if we don't fix the problem that's in front of

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1 us right now, the support for those programs will wither  
2 away as will the support we have for the existing market  
3 paradigm in this region.

4           And you've heard -- you may have seen public  
5 statements, and I know that I've heard personally -- folks  
6 all the way up to the highest levels, FERC commissioners,  
7 saying, "Well, you know, why continue with the markets?  
8 Why not just vertically introvert again?" And I'm not sure  
9 that's really, you know, a viable solution. So we've  
10 attempted to do our research. As the six states and  
11 through NESCOE we've done a substantial amount of study and  
12 analysis on this problem. Our governors have helped sort  
13 of create a pathway for us to pursue, and we look forward  
14 to continue to, you know, utilizing this forum, working  
15 with DOE, the FERC, ISO New England, and the viable  
16 stakeholder community in this region to see how we can  
17 implement the pathways that Katie laid out for you earlier.  
18 Thank you.

19           MR. HOPKINS: I, first, want to thank DOE for  
20 convening this and having us here. As one of the folks who  
21 staffed the trial run for this effort on the Quadrennial  
22 Technology Review a few years ago, it's nice to see

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1 something like this actually come to bear and to look  
2 beyond DOE's silos and look out into the real world and,  
3 you know, the challenges that are being faced on the ground  
4 in New England and elsewhere.

5 I guess I could say all the same things that my  
6 colleagues have said. Vermont has a somewhat different  
7 structure than other states. We remained vertically  
8 integrated, and that has allowed us to maintain a long-term  
9 perspective to make long-term investments and to think  
10 about costs and benefits on a long-term basis, and we think  
11 that the stability that comes with that has been very  
12 beneficial for us. That said, one of the ways you do that  
13 is with diversity of supply and so that when one fuel  
14 becomes more expensive or constrained, you have options.  
15 And so these kinds of infrastructure investments that  
16 enable access to options, whether they are domestic or  
17 offshore wind or hydro or access to natural gas from  
18 elsewhere, really do play a role in making sure that we can  
19 get that kind of stability and have the resources we need  
20 for those long-term goals.

21 In Vermont we have aggressive goals. Our goals  
22 are to get 90 percent of our energy across all sectors, not

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1 just electric, from renewable energy by 2050. Now, that's  
2 an aggressive goal. I couldn't tell you sitting here today  
3 exactly how it will be achieved. But thinking about laying  
4 the groundwork for that and what are the kinds of things  
5 you need in terms of infrastructure, is it long-lived  
6 infrastructure? What do you need to build? What do you  
7 need to have in the way of policy and market structures and  
8 tools in your toolbox in order to be able to access that is  
9 a continuing challenges and driver for us.

10 MR. WOODCOCK: I want to thank the Department of  
11 Energy for taking the QER initiative on. It is a complex  
12 and multifaceted initiative. But I have to say that, you  
13 know, looking at what the secretary has done to assemble a  
14 great team, see some familiar faces that I used to work  
15 with, that I think they have assembled the right team, and  
16 I think they're starting it off in the right way, because I  
17 think New England highlights what a changing dynamic in our  
18 energy situation in the United States -- it's revealing  
19 itself in New England right now.

20 I think we have -- I want to highlight a few  
21 things I think New England is well positioned for. I think  
22 we have made a huge amount of progress with moving forward

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1 to a clean energy, especially in our electrical sector.  
2 We're well positioned for GHG regulations. We have the  
3 support for clean energy from offshore wind with our  
4 renewable portfolio standards. And what really is alarming  
5 about this last winter is that it highlighted how close we  
6 are to having an affordable and clean energy situation in  
7 New England and also having one where we have oil  
8 generation burning that is not meeting our environmental  
9 objectives and is costing our businesses.

10           You know, I've been in this job for about a year  
11 now, and there have been three moments that really are  
12 striking and highlight, you know, what is going on in North  
13 America. The first is getting a call about the oil train  
14 disaster in Lac-Megantic, right across the Maine border.  
15 We've had about a 700 percent increase in shipments of oil  
16 across the state of Maine on very old oil tracks, going to  
17 access the refinery in New Brunswick. We have to move  
18 forward with a sensible policy of managing oil shipments  
19 across our country.

20           The second was getting a call on Christmas Eve  
21 where somebody could not access propane. They had a cold  
22 home, and they were looking to the energy office for

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1 support. There's been a lot of progress moving to propane  
2 in New England. Our infrastructure has not kept up with  
3 it. People should not have to be calling their energy  
4 director and asking for propane supplies at Christmas Eve.

5           The third element is really at, I think, the  
6 governors' conference where looking across -- and we would  
7 be remiss if we didn't outline that our partnership is  
8 across the Canadian border where the resources that we  
9 have. We have actually become a potential powerhouse when  
10 it comes to energy production between our neighbors to the  
11 southwest in Pennsylvania and north with hydroelectric  
12 generation. It's trying to take advantage with the basic  
13 infrastructure to take advantage of those resources.  
14 That's the simple fact of what this initiative is it all  
15 about.

16           We're at the point -- and I'll just finish here.  
17 Glenn Poole from Verso was here. I remember at a meeting  
18 he was watching electrical prices and trying to figure out  
19 if he was going to stay open or shut down that day. We  
20 have had companies come to the state of Maine who haven't  
21 done their homework and say that this is a great place to  
22 invest in, geographically well positioned, great access to

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1 a wood basket, and they haven't done their homework, and  
2 they say that you have, of course, access to natural gas  
3 pricing that puts you at a competitive advantage. Those  
4 companies are not investing in New England right now, and  
5 we have companies that are deciding whether to keep the  
6 lights on. It's an economic imperative. I don't think  
7 we're all happy that we're here, but we've got to move  
8 forward with taking advantage of the changing energy  
9 dynamics in the Northeast.

10 MR. HANSEN: Thank you. Okay. I have some  
11 questions that I want to ask you. I want to -- sort of a  
12 disclaimer here. These are not sort of DOE questions that  
13 reflect DOE's opinion or anything. They're more, like, to  
14 stimulate the discussion here.

15 So the regional governor initiative focuses a lot  
16 on infrastructure projects like pipeline natural gas  
17 transmission, large-scale transmission for large-scale  
18 hydropower, and some Class 1 renewables. What would you  
19 say to people who would question you and say, "But why  
20 aren't you focusing on other solutions such as LNG, demand  
21 response, distributed generation, or energy efficiency?"  
22 So what would your response be?

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1 MR. CLARKE: It's a great question. We get it as  
2 a group frequently. I think the short answer would be  
3 most -- all six states are actually pursuing a lot of those  
4 solution unilaterally now. You know, in Massachusetts in  
5 particular, we've constantly been highlighted as a leader  
6 when it comes to energy efficiency for the past three to  
7 four years or since Governor Patrick took office. We spend  
8 upwards -- we've committed upwards of \$2 billion  
9 specifically in energy efficiency to help reduce demand in  
10 Massachusetts as well as the same with demand response. So  
11 we've taken sort of a very flexible and diverse perspective  
12 when it comes to addressing some of these challenges with  
13 these alternative resources that you mentioned.

14 But collectively, some of these infrastructure  
15 projects, it's very difficult for any single state to  
16 develop a solution unilaterally, as Katie had mentioned  
17 earlier, so hence the focus amongst the six governors on  
18 large-scale infrastructure, which no single state could  
19 tackle on its own. So I think that's sort of the short  
20 answer to the question. Hopefully -- you know, we're also  
21 interested in nontransmission alternatives of addressing  
22 some of these critical issues aside from the large-scale

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1 infrastructure investments. But, you know, we're very  
2 focused on reducing the prices and enhancing the diversity  
3 that these infrastructure projects would usher into the  
4 region.

5 MR. HANSEN: Anybody else?

6 MR. UCCI: Yes. That's a great question, and  
7 I've heard it several times. And I don't mean for this to  
8 sound flip, but I would say, "What else does New England  
9 need to do to prove our commitment to some of these  
10 long-term clean energy investments?" So again I'll just  
11 use Rhode Island as an example. So we have energy  
12 efficiency targets in place for 2017 to reduce the load  
13 by 2.6 percent. That's about 200 megawatts, give or take,  
14 for Rhode Island. Substantial, nation-leading. For a  
15 tiny, little state like ours to be making these sorts of  
16 investments, I'm biased, but I think it's pretty  
17 phenomenal.

18 Distributed generation. We have a bill in our  
19 legislature pending right now to basically quadruple the  
20 size of our local renewable distributed generation program  
21 from 40 megawatts, add another 160, for a total of 200 over  
22 the next five years. Substantial.

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1           Renewable energy portfolio standards that all of  
2 us have and one instance, volunteer goals, I think, but  
3 along the same lines. You know, our state has a long-term  
4 contracting statute for utilities to get renewables. Our  
5 state has had a contract for Deepwater Wind, which may or  
6 may not be, Steven, whoever finishes the race first may be  
7 the first offshore wind project in the country. So, you  
8 know, I understand the concern. In Rhode Island we're  
9 taking sort of an "all of the above" clean energy approach  
10 here that must include this sort of regional engagement and  
11 activity if we're to survive and, frankly, continue making  
12 those other very important investments today and into the  
13 future.

14           MR. HOPKINS: I think some of it is a question of  
15 time scales. You could imagine, for example, you could do  
16 the back-of-the-envelope, nontraditional alternative  
17 transmission analysis for the gas pipeline. How much would  
18 you have to reduce heating demand on peak days in southern  
19 New England in order to relieve the pipeline constraint and  
20 get the prices down? Well, you'd have to be on a sort of a  
21 one-quarter-ish reduction, but you can't implement  
22 efficiency programs that fast to get a one-quarter

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1 reduction on the time scale that we need in order to unlock  
2 that potential and get -- you know, on the time of scale  
3 that you can imagine building a pipeline. A pipeline is  
4 not built overnight, but it's faster than weatherizing  
5 every home in southern New England by 25 percent.

6           So thinking through those kinds of analyses, some  
7 things you really do need to build in order to get the  
8 benefits from them. Other things you don't. You know, as  
9 Larry mentioned in the previous panel, we have a  
10 transmission upgrade in Vermont that we didn't have to  
11 build because of investments in efficiency investments and  
12 solar and those other pieces so that we can actually put  
13 those together, build the infrastructure we need, and not  
14 build the infrastructure we don't need.

15           MS. DYKES: I might just add that this is an area  
16 that, you know, we've looked at through NESCOE last year.  
17 The states commissioned a study done by Black & Veatch  
18 which evaluated some of the costs and benefits of various  
19 different resource investments to address this issue. And  
20 I think -- you know, you raised LNG as well as demand  
21 response and these others, and we did look at that. This  
22 study, as with many studies, due to the constantly changing

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1 retirements picture and so on in the region, became  
2 outdated almost as soon as we put it out in terms of its  
3 actual numbers, but I think directionally we still find it  
4 to be very useful in outlining, you know, that there are  
5 benefits, particularly from LNG, for example, as a  
6 short-term solution. But the gas pipeline and the  
7 transmission far and way as long-term solution are the most  
8 cost-effective approaches, particularly where you have firm  
9 contracts backing up or ensuring that the power is  
10 delivered over the transmission.

11           And I think that -- you know, your asking that  
12 question also gives an opportunity to say just another sort  
13 of design criterion on what the states are doing here.  
14 We've gotten a lot of questions about, you know, the states  
15 are intervening into this market. You deregulated, and now  
16 that you step into this area you're affecting that market.  
17 How do we ensure that we still have a functioning market?  
18 And I think that we certainly don't want to be doing this.  
19 As I said, we feel confident that the market isn't  
20 delivering the solutions. In the time horizon it will  
21 still continue to support industry in the region.

22           But with that said, we're looking at how we

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1 ensure that this activity, this initiative, is really  
2 limited, at least as a one-time thing. While we're  
3 investing, we're looking at the longer term solutions  
4 because they're the most cost-effective. It's also in part  
5 that we don't want to be coming back and doing this every  
6 year, that we want to be clear about what we're doing, send  
7 that signal to the market, get this additional  
8 infrastructure built, and then be done. I think there's  
9 many that would be glad to see that as well.

10 MR. WOODCOCK: I would just add that the decision  
11 of New England being heavily reliant on gas has been made,  
12 and it is something that we are going to have to manage for  
13 the foreseeable future. In that context, trying to manage  
14 the situation or trying to solve it? And I think we've  
15 seen that we've tried to manage it over this last winter.  
16 It was costly. It did keep the lights on, but it cost us a  
17 whole lot of money. Looking long term, we've had  
18 retirement since this initiative was initially thought  
19 about back in the summer. We clearly need to manage our  
20 natural gas load when we've highlighted this year where  
21 we're not using the natural gas that is just adjacent to  
22 us.

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1 MR. HANSEN: From a similar point, I can imagine  
2 someone saying, you know, "Why are the states seeking to  
3 support infrastructure investments through FERC-approved  
4 tariffs? Couldn't you do the same thing through state  
5 legislation? And, if so, why are the states not pursuing  
6 that path?" So, Patrick, I'll start with you.

7 MR. WOODCOCK: Well, interesting enough, the  
8 State of Maine has passed authorizing language for our  
9 Public Utilities Commission to purchase pipeline capacity,  
10 and currently the commission, under the Maine Energy Cost  
11 Reduction Act, has the authority to buy 75 million cubic  
12 feet per day. We're doing the analysis. If any situation  
13 could arise where it would make it cost effective -- where  
14 it could be cost effective to utilize that authority.  
15 We've passed that with our hope that New England  
16 collectively would move forward. But, frankly, the costs  
17 to the Maine economy are so severe. We are looking to  
18 partner with anyone. We've had conversations with Nova  
19 Scotia. We've had conversations with New Brunswick. We've  
20 had productive conversations across New England. The real  
21 bottom line is results. You know, we heard that.  
22 Everybody up here today has said we need results. We don't

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1 care how we get there, but it needs to move forward, and it  
2 needs to move quickly.

3 MS. DYKES: I would add, similarly, we've been  
4 looking at -- we need to ensure that we have -- because the  
5 benefits of this investment will flow to all six states, to  
6 electric ratepayers across all six states, we're really  
7 looking for solutions that would ensure that those costs  
8 are fairly recovered from that same set of six states and  
9 those ratepayers are going to benefit. And I gave that  
10 earlier example about Connecticut's gas expansion plan  
11 which we've had legislation and a comprehensive energy  
12 strategy that drove that forward, and that is providing  
13 benefits when those pipeline additions come online in 2016  
14 to electric ratepayers across the region, you know, for  
15 that temporary time until those new customers take up that  
16 additional capacity. But all of those costs and risks are  
17 being borne by gas ratepayers in Connecticut.

18 And so I think that as we considered whether to  
19 go down a legislative path -- I mean, there are many  
20 attractions to that. We don't want to discount the  
21 challenge of getting FERC approval, but at the same time  
22 there's also challenges in terms of getting, with no

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1 disrespect to any of my esteemed legislators who may be in  
2 the room, particularly from committees of relevant  
3 jurisdiction, but trying to get that legislative action  
4 done uniformly in six different states on the time horizon  
5 that we would need in order to provide solutions to this  
6 pressing problem before we have to go through too many  
7 additional winters like the one we've just had drove us to  
8 trying to pursue a FERC tariff instead.

9 MR. HOPKINS: The answer is we share a common  
10 regional grid with all sorts of tariffs and costs that are  
11 allocated across the region, and the costs and benefits of  
12 any one thing are going to flow around. This kind of an  
13 issue wouldn't work with only southern New England as its  
14 driver because the northern New England states are also  
15 part of the same grid, and we happen to be between the  
16 southern states and Canada. And so those issues matter,  
17 and we need to be all six together and sharing that grid,  
18 sharing the process, sharing the cost allocation. So it  
19 makes sense to try to do that in a unified fashion.

20 MR. UCCI: Let me just add to that. Frankly, as  
21 you can see from the participation up here today, this is  
22 an interstate problem that deserves an interstate solution.

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1 You know, these projects are going to cross political  
2 borders. And in a way I think that we're also taking our  
3 cue a little bit from FERC. I mean, they implemented this  
4 Order 1000 framework where they're looking at tariff  
5 mechanisms for projects driven by public policy.

6           Moreover, we build transmission today, interstate  
7 transmission, for reliability under federal tariff. And,  
8 boy, there is no bigger, greater reliability problem facing  
9 us today than what we're talking about now. So I think  
10 there is a timing constraint here. We don't want to go  
11 through any more winters than we need to without a longer  
12 term solution. But, you know, I think we see precedent for  
13 this sort of activity, and I think you heard some of the  
14 utility executives earlier echo this same sentiment. So  
15 we'll see where it takes us.

16           MR. CLARKE: Just very quickly, two things: One,  
17 I think it will be a combination of some state-level  
18 action, as everyone up here mentioned, whether it's the  
19 enabling statutes in Maine or Connecticut or our bill in  
20 Massachusetts. We will need that combination between the  
21 state-level action as well as this regional action around  
22 the tariffs.

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1           Secondly, I think it's a matter of scale. So,  
2 for example, ISO New England released a report about four  
3 years ago that looked at the resource potential for wind in  
4 New England, huge resource potential, upwards of 10 to 12  
5 gigawatts. We could power 24 percent of our electricity  
6 needs just from either onshore wind or offshore wind. But  
7 most of that resource is transmission constraint. No  
8 single state can make or afford the investments to unlock  
9 that potential and supply the region with all of the  
10 benefits that would come along with 10 to 12 gigawatts of  
11 wind, but working collectively we do think we can untap  
12 that resource potential as well as allocate those benefits  
13 regionally without it being an undue burden on any single  
14 state. So I think scale plays a critical role in the  
15 regional perspective.

16           MR. HANSEN: Unfortunately, we only have a few  
17 minutes left so I'm just going to ask. Any final words to  
18 the QER? Comments? Suggestions? We'll start with you.

19           MR. CLARKE: Very briefly, I think we are at an  
20 historic juncture here in New England in terms of the  
21 future of our energy system. All six governors have really  
22 united and shown really historic leadership -- I don't

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1 think this has ever been done before -- in an attempt to  
2 really position New England to be a leader, not just sort  
3 of in terms of, you know, your traditional criteria for a  
4 reliable and robust electricity system that's diverse and  
5 reliable and the like, but I think the future of our  
6 regional economy is at play here.

7           I think looking at Massachusetts is a great  
8 example of how the clean energy component of this could  
9 lead to significant job growth, economic competitiveness,  
10 and the like. So we're really excited to be a part of  
11 this. The collaboration has been fantastic. I mean, if we  
12 can get this right in a very short time frame -- we're  
13 literally talking a matter of months to get these tariffs  
14 going and the state-level bills passed -- we can really put  
15 the region in a place to assume a leadership role  
16 nationally.

17           MR. UCCI: You know, the mere fact that you're  
18 having this forum here in New England, just to start it all  
19 off, I think is testimony to the importance of this issue,  
20 and I don't think a weak New England will be good for the  
21 rest of the country, either. I think that we're certainly  
22 biased up here in our little area. But, you know, this is

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1 an issue that other regions in the nation are facing as  
2 well. And so, you know, I was there this morning in  
3 Providence with my governor and Secretary Moniz, and I know  
4 that we're very appreciative in Rhode Island of you guys  
5 hosting that, having that event there, and I look forward  
6 to continued dialogue as we move forward.

7 MR. HOPKINS: So I'll just take this one last  
8 moment to plug and to plug DOE to continue to look and to  
9 feature in the QER nontransmission alternatives and only  
10 building the infrastructure that we actually really need to  
11 build, and that includes DOE's investment in R and D and  
12 financing and planning tools for renewables and for energy  
13 efficiency so that those tools are in our toolbox. We know  
14 how to integrate those resources in. We know how to  
15 account for them in planning. We know if a thousand  
16 customers in this area each put 5 kW of solar on their  
17 roof, what does that mean in terms of what infrastructure  
18 do I actually need to build? Is there a turning point  
19 where there's too much solar and when is that and how do we  
20 plan for that?

21 And another key component of that is energy  
22 storage technologies and figuring out whether it's in the

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1 microgrid context or in the NTA context or other ways of  
2 taking these intermittent renewables, firming them up in  
3 that respect, providing regulation service, all these other  
4 kinds of ancillary services, and figuring out where the  
5 value propositions are and building what we need to build  
6 and not building what we don't need to build.

7 MS. DYKES: I would just add, you know, I think  
8 that what we've been engaged in, I think when the dust  
9 settles and when we're done, you know, it will be  
10 interesting to look at whether or not this is actually a  
11 good model for regional cooperation. I think we heard the  
12 secretary say several times about, you know, whether it's  
13 actually a desirable goal to pursue a national energy  
14 policy or whether our national energy policy is actually a  
15 collection of salient regional energy policies. And I  
16 think that it's been a privilege to get to work with this,  
17 with my counterparts in these other states on these issues.  
18 I think that it raises, you know, a question about if we're  
19 successful on this effort whether we can apply a similar  
20 collaboration on further efforts.

21 There is a real challenge, you know, though, when  
22 you're working as a state regulator and trying to achieve a

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1 common goal among multiple states in how you take  
2 recognition of the public policy objectives and goals of  
3 states other than your own and how you factor that in when  
4 you're evaluating the cost-effectiveness and sharing the  
5 costs of particular projects that you would not necessarily  
6 be pursuing if not for something else that you want the  
7 other states to help you achieve. I think the fact that  
8 we've been able to work so productively together so far  
9 really speaks to the gravity of the problem that we're  
10 facing, that I think the fundamentals of this problem are  
11 very transparent across political boundaries, across our  
12 state boundaries, and that's why we're here and working  
13 together.

14           But, you know, on the dark days I see it as this  
15 is why the Articles of Confederation didn't work. But I  
16 think that on the bright side, though, I think that there  
17 may be some lessons for us to take away here about how we  
18 can search for those more issues like the ones that we're  
19 trying to address here where we can identify common and  
20 compatible public policy objectives that we can try to  
21 achieve together, even if each one individually may not be  
22 one that the states can support. And that may be something

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1 for DOE to think about is, you know, we happened upon  
2 something where we all needed something and to  
3 collectively -- you know, it comes together, and we can  
4 make it work. And trying to find those other types of  
5 collections of goals that make sense across a region I  
6 think are the key to seeing if this model can be effective.

7 MR. WOODCOCK: I'd just echo that, that I thought  
8 the secretary's comments that really we do have very  
9 diverse regions throughout our country, each challenge --  
10 each region facing its unique challenges. I think really  
11 what I've been struck with is just aligning policies that  
12 integrate our electric and natural gas markets. They are  
13 not working together. We do need market solutions  
14 ultimately, but at this time it is an economic imperative  
15 to move forward with this basic infrastructure.

16 MR. HANSEN: Well, thank you very much, all of  
17 you, for very thoughtful discussion. I appreciate it very  
18 much. The next section will be the public comments, and if  
19 you give us a minute for our transition here.

20 (Discussion off the record.)

21

22 OPEN MICROPHONE FOR PUBLIC COMMENTS

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1 MR. HANSEN: Okay. We're just about to start the  
2 public comment section. Just a few comments ahead of time.  
3 I'm going to read the name of each speaker. You'll be  
4 coming up in pretty much the order in which you signed in.  
5 You will have three minutes to talk, and that is a hard  
6 stop, unfortunately. So if the three-minute time comes and  
7 passes, with all due respect, I'm just going to thank you  
8 and move on to the next one. Someone will be sitting here  
9 doing these cards so that you can see how your time is  
10 coming. Okay.

11 And so we have on stage Karen Wayland. She is  
12 pretty much the head of all this. She's the director for  
13 the state, local, tribal, cooperation, Energy Policy and  
14 Systems Analysis. Did I get that right, Karen? Good. And  
15 next to her is Larry Mansueti. He's the director for state  
16 and regional assistance, Office of Electricity Delivery and  
17 Energy Reliability, and sort of on loan to help Karen. And  
18 then Matt McGovern is senior advisor, office of the deputy  
19 director for state, local, tribal cooperation, Energy  
20 Policy and Systems Analysis. So they're the EPSA  
21 representatives who essentially you will be giving your  
22 comments to.

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1 Leigh Youngblood.

2 MS. YOUNGBLOOD: Hello. Thank you for the  
3 opportunity to speak. So my name is Leigh Youngblood. I'm  
4 the executive director of Mount Grace Land Conservation  
5 Trust, the North Quabbin Regional Landscape Partnership,  
6 and the Massachusetts Land Initiative for Tomorrow. My  
7 comments address the Tennessee Pipeline Proposal.

8 Since 1986 Mount Grace Land Conservation Trust  
9 has conserved 27,000 acres of land in two dozen  
10 north-central Massachusetts cities and towns, partnering  
11 with hundreds of private landowners and state, local, and  
12 federal agencies for the benefit of the environment, the  
13 economy, and future generations. Mount Grace is keenly  
14 aware that no public convenience will be achieved by  
15 construction of a new shale gas pipeline across the  
16 northern tier of the commonwealth of Massachusetts. Kinder  
17 Morgan's Tennessee Gas Pipeline Proposal to have local  
18 ratepayers finance the destruction of conserved and/or  
19 intact natural resources that are relied upon for good  
20 health for the purpose of transferring outdated fossil  
21 fuels which are unnecessary for meeting an already  
22 shrinking regional energy demand and detrimental to a

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1 global atmosphere increasingly reactive to greenhouse  
2 gases, this taxes the public in multiple ways only to  
3 funnel the resulting immense private profits to relatively  
4 few.

5           The New England states are increasingly achieving  
6 record energy efficiencies and readily embrace community  
7 scale renewable energy infrastructure in lieu of a new  
8 pipeline. For example, the \$2 billion price tag of the  
9 Mass section of the Tennessee Gas Pipeline could be more  
10 prudently spent installing 4 kW rooftop solar systems on  
11 100,000 homes, which would collectively generate \$80  
12 million worth of electricity annually, this without  
13 destroying the land or atmosphere.

14           An alternative infrastructure investment such as  
15 this at this scale, 400 megawatts, would provide numerous  
16 benefits to the public interest while avoiding critical  
17 losses to 100 years of prior investments in land  
18 conservation and by avoiding time-sensitive exacerbations  
19 of climate volatility extremes that we are experiencing  
20 today, and they are projected to worsen. Thank you for  
21 your time.

22           MR. HANSEN: Okay. Stephan Kurasaki.

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1 MR. KURASAKI: Thank you. I would first like to  
2 say that the Northeast doesn't have a supply-side problem.  
3 The problem that we have is a demand and supply-side  
4 problem. If the problem is only referred to as a supply  
5 problem, then only a supply solution will be looked at. If  
6 we talk about meeting our needs, the conversation should  
7 start with conservation, energy efficiency. And if we have  
8 a concern about the climate change, fairly would be  
9 renewables, and lastly would be the polluting technologies  
10 such as fossil fuels and nuclear. If we do not implement  
11 this list in this order, we will leave a very different  
12 climate and a planet that is difficult to live on for our  
13 grandchildren.

14 I would like to illustrate the power of  
15 conservation, energy efficiency, and renewables. Two years  
16 ago my wife and I had the good fortune to participate in  
17 the National Grid Deep Energy Retrofit Program. Thank you,  
18 National Grid and Massachusetts. By superinsulating and  
19 air-sealing our house -- we installed a heat pump,  
20 a 2-kilowatt solar system -- and practicing conservation we  
21 were able to bring our total cost for electricity, heat,  
22 and the entire energy use down to \$60 a year. This is

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1 equivalent of 60 pounds of CO2. Conservation efficiency  
2 renewables have been mentioned by a few different  
3 presenters today. We need to bring conservation, energy  
4 efficient, and renewables to the center stage to solve our  
5 energy needs. So I have six recommendations.

6           Number one, incentivize to a greater extent peak  
7 load shaving. Number two, make it mandatory that any  
8 building that is built be built to zero net energy or zero  
9 plus energy perimeters. Number three, institute a more  
10 aggressive time-of-use electric metering system that  
11 Mr. Reilly of the Vermont Electric Power Company mentioned  
12 earlier. Number four, put a severe carbon tax on all  
13 polluting energy producers. Number five, measure CO2  
14 equivalent emissions for the complete cycle of extraction,  
15 manufacturing, production, and burning of all fossil fuels.  
16 Number six, remove all incentives for energy produced from  
17 fossil fuels and nuclear. Thank you for your time.

18           MR. HANSEN: Thank you. Could I encourage you  
19 both to submit your comments in writing? And you can do  
20 that at [QERcomments@HQ.DOE.gov](mailto:QERcomments@HQ.DOE.gov). And I'd like all of the  
21 people who comment to also submit their comments in writing  
22 as well. Thank you. Next up is Janice Kurkoski.

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1 MS. KURKOSKI: Hello. Thanks for hearing us. My  
2 name is Janice Kurkoski.

3 MR. HANSEN: Oh, I'm sorry.

4 MS. KURKOSKI: That's okay. I am the chair of  
5 the Warwick Buildings and Energy Committee. That's  
6 Warwick, Massachusetts, population 750. I'm also a member  
7 of the North Quabbin Energy Group. Our members in North  
8 Quabbin Energy represent the nine towns of the North  
9 Quabbin energy committees appointed by the town-select  
10 boards. We are grappling with how to reduce our energy  
11 consumption and save money in our small towns.

12 For the past six years we've participated in many  
13 different types of events and activities, always with an  
14 emphasis on the idea that the single best way to address  
15 the high financial, social, and environmental costs of our  
16 current energy use patterns is to consume less energy in  
17 the first place. We discovered in our community work that  
18 most people seem aware of the reasons for conserving energy  
19 and they're also knowledgeable about the basic  
20 weatherization and conservation strategies that utilities,  
21 municipalities, and community groups like ours try to  
22 promote. But except when energy prices are extraordinarily

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1 high, it appears that there is a great deal of inertia  
2 among the general public about actually making changes in  
3 their energy consumption patterns.

4           So I want to bring to your attention a  
5 legislation that we would like the states and also working  
6 with the Department of Public Utilities to implement, a  
7 rate-structuring program or stepped utility or a tiered  
8 rate as has been done successfully for many years in the  
9 state of Vermont by a small utility called the Washington  
10 State Cooperative. They have a tiered rate. National Grid  
11 does that in our area but in a very minuscule way. So if  
12 you use over the average amount of electricity, you get to  
13 pay a little bit more for that. In the Washington State  
14 Cooperative they made that even more pronounced, and as a  
15 result their customers use on average about 17 percent less  
16 than households in our area.

17           So I'm asking for how could these -- well, one,  
18 how could the concerns of low-income customers or those  
19 with large families, how could their concerns be addressed?  
20 And I can say that the programs that are already in place  
21 have answers to those questions. I also want to know what  
22 could the revenue do from these increased revenues from

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1 people who overconsume, and I would suggest that public  
2 outrage would be justified if the money went into the  
3 general coffers of the utility companies. Enhanced  
4 conservation programs should be the target of these  
5 revenues. Thank you.

6 MR. HANSEN: Next up is Joe Dolten. Okay. I  
7 will go on. William E. Dornbos. Did I get it right?

8 MR. DORNBOS: Dornbos. Yes. Thank you. Thank  
9 you for the opportunity to comment. I'm an attorney and  
10 the ENE Connecticut director for Environment Northeast. I  
11 just want to make three high-level points because in three  
12 minutes it's not very possible to talk about detailed  
13 energy policy.

14 The first would be that it's very important and  
15 we would encourage DOE to think about the top-order  
16 question that it's going to ask itself as it analyzes these  
17 energy issues, and we would propose that that question  
18 should be formulated somewhere along the lines of how do we  
19 address New England's future energy needs at the lowest  
20 cost consistent with our environmental goals, and we think  
21 that this question then, if you approach it in that manner,  
22 then the resource analysis falls out in a way that

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1 highlights the advantages of demand-side resources, which  
2 we would politely disagree with. Some of the speakers  
3 earlier today have not actually been studied and given  
4 equal weight, at least according to the studies we've  
5 looked at. In particular, distributed generation, combined  
6 heat and power, and energy efficiency have all been  
7 essentially left out of most of the major studies. These  
8 are huge resources that can be deployed at low cost and at  
9 lower risk than a pipeline and actually faster. And we  
10 disagree with Vermont on that too.

11           The second point I want to highlight is that  
12 there are technology changes that are happening right now,  
13 and they're pointing to an energy future that depends more  
14 heavily on distributed energy and renewable supply.  
15 Long-lived infrastructure investments that do not recognize  
16 this future energy world could very well prove economic,  
17 potentially saddling ratepayers with stranded costs, and  
18 this is the major risk of a new natural gas pipeline.

19           An example of a very promising technology that  
20 we've spotlighted in our energy vision report that has the  
21 potential to transform the thermal sector are cold-climate  
22 ductless heat pumps. They're actually viable now in New

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1 England and commercialized. They have a coefficient  
2 performance of about 2.4, which makes them much more  
3 efficient than thermal technologies for heating your home,  
4 and they also have the advantage of both heating and  
5 cooling your home. We think that technologies like these  
6 should be studied and incorporated into any regional  
7 analysis of New England's energy future.

8           Finally, I think we have an historic opportunity  
9 to get this right, and we just encourage DOE to not rush to  
10 judgment on this. There are a few principles we'd like to  
11 humbly suggest. First, please keep consumers first in mind  
12 when we're thinking about making these investment choices.  
13 Also please think about aligning infrastructure  
14 expenditures with state public policy priorities, including  
15 long-term energy and climate goals. And then please also  
16 be sure to think about viable advanced technologies that  
17 are now entering the marketplace that could have the  
18 potential to disrupt long-term investments in traditional  
19 infrastructure. Thank you.

20           MR. HANSEN: Thank you. Next is Doug Pflieister.  
21 Okay. Rich Cowan.

22           MR. COWAN: Hi. My name is Rich Cowan. I have a

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1 master's in electrical engineering at MIT. I want to just  
2 react to some of the things that were said on the panel.  
3 And I'm not speaking as an energy expert. I do not work in  
4 the energy field currently. I speak as a consumer and a  
5 parent, and I also work with the Mass Pipeline Awareness  
6 Network.

7           We heard a lot on the panel today about pipeline  
8 constraints, about how we urgently need to add, I think it  
9 was, 2 billion cubic feet of capacity in order to serve our  
10 needs. As you all know, people who are in the energy  
11 industry, there already is a project that will add about  
12 one-half billion cubic feet of new natural gas supply  
13 slated to go into service in 2016.

14           Also, as somebody who grew up in the South Shore  
15 near Boston, I remember driving by the Dorchester gas  
16 tanks. I remember when I was little there were two of  
17 them. There were two gas tanks there that I assumed  
18 supplied LNG during the winter so that during peak months  
19 the Boston area had an adequate natural gas supply.  
20 Currently there's only one natural gas tank in Dorchester,  
21 and I'm wondering, if the situation is that urgent, would  
22 it make more sense as a short-term solution to add

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1 additional peak shaving tanks to these facilities in Boston  
2 and other power plants around the region as opposed to  
3 going into an area that currently has no gas infrastructure  
4 at all.

5           The third point I wanted to make is that we heard  
6 today that natural gas has about 50 percent of the global  
7 warming potential as oil. As many of you may be aware,  
8 Professor Moniz was the director of the MIT Energy  
9 Institute and was involved in an academic dispute with  
10 other academics at Cornell University who claim that  
11 natural gas when produced by fracking has almost the same  
12 global warming potential as oil. So I would just ask you  
13 all to try to analyze what the actual effect of these  
14 energy conservation and initiatives are. We don't want a  
15 situation where our consumers are paying tariffs to support  
16 new infrastructure that actually does not make any  
17 meaningful contribution to reducing global warming.

18           The fourth point is that there is no reason why  
19 programs that help people insulate their attics, air-seal  
20 their basements, replace 40-year-old heating equipment  
21 should only kick in if you convert your heating system to  
22 gas. Clearly that's increasing the gas-shortage problem,

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1 and maybe what we need to do where there is an emergency  
2 situation is to cut these programs off temporarily, have a  
3 moratorium, and allow people with oil heating to get their  
4 homes done.

5           The final point is that this was a very cold  
6 year. I know that in the future we will probably also have  
7 cold years, but it's possible we'll never have a year as  
8 cold as the one we just had because the planet is warming.  
9 Consider that also before we decide to invest in new  
10 pipelines. Thank you.

11           MR. HANSEN: Thank you. Next is Jeffrey Leitz.  
12 Francis Pullaro. Did I get it right?

13           MR. PULLARO: Pullaro, two Ls.

14           MR. HANSEN: Okay. Sorry.

15           MR. PULLARO: Good afternoon. My name is Francis  
16 Pullaro. I'm the executive director of Renewable Energy  
17 New England, or RENEW. RENEW is an alliance of  
18 environmental advocates and renewable energy developers  
19 here in New England. Our mission is to ensure that New  
20 England's own renewable energy resources are able to be  
21 developed.

22           The only point I would like to make today picks

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1 up on some of the comments you heard on the energy  
2 secretary's panel. I think Congressman Larson pointed out  
3 that he sees natural gas as a bridge to the future, the  
4 renewable energy future. And I would just ask that as the  
5 federal government considers policies that it continue to  
6 keep in mind that here in New England, even if you see  
7 natural gas as a bridge to the future, we're still at the  
8 end of the pipeline, and if it's made too big you might  
9 thwart state policies that have been in the works for the  
10 last decade or so to help develop the region's own  
11 renewable resources, so that any policy that is developed,  
12 pipelines that are built are not overbuilt.

13 I think you heard from Bill Dornbos talking about  
14 the dangers of stranded costs. You heard from the last  
15 panel about a lot of the economic development benefits,  
16 reliability benefits, clean energy benefits that come from  
17 having renewables built and sited here in New England. So  
18 I urge that federal policies help the states achieve their  
19 goals that they've been so successful at achieving in the  
20 past and that from what you heard on the last panel they're  
21 looking to do over the next number of years. Thank you.

22 MR. HANSEN: Thank you. Okay. Next up is Tim

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1 Costellot. Chris Recchia. No? Steve Kaminski.

2 MR. KAMINSKI: Actually, I'm going to pass on any  
3 substantive comments but just to say I'm with New Hampshire  
4 Electric Co-op. It's a consumer-owned utility in New  
5 Hampshire. And I really support the work that DOE is doing  
6 here. I just want to say somebody was here from New  
7 Hampshire, and I noticed there wasn't a single person on  
8 any of the panels. But we're interested in this, and it's  
9 a very big concern. All of these concerns are big for us  
10 consumers in New Hampshire as well. Thank you.

11 MR. HANSEN: Thank you. Taofeer Orekan. Erin  
12 O'Sullivan. Lannu Reed. Chris Herb.

13 MR. HERB: Good afternoon. My name is Chris  
14 Herb. I'm the president of the Connecticut Energy  
15 Marketers Association. We're a trade association that  
16 represents 600 petroleum marketers and their associated  
17 businesses in Connecticut. Our members employ about 13,000  
18 people in Connecticut.

19 We're here today in support of the New England  
20 Fuel Institute's recommendations that were submitted to you  
21 this morning in Providence. CEMA would like to emphasize  
22 that the petroleum industry is a big part of the solution

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1 to the region's natural gas issue. Bioheat fuel provides a  
2 cleaner and more reliable alternative to natural gas. The  
3 liquid petroleum distribution chain is strong and has  
4 evolved without government policies promoting it or public  
5 subsidies paying for it.

6           The most commonsense approach to ensuring that  
7 energy resources are available in New England to meet power  
8 generation demand, home heating, and the needs of  
9 businesses is to have a diverse mix of fuels to rely upon.  
10 If reliability is a top concern of the federal government,  
11 then the answer is simple: Continued and greater use of  
12 bioheat fuels is the solution. History proves that when  
13 the natural gas industry fails to meet demand, the liquid  
14 petroleum industry steps up to bail them out. You cannot  
15 find a more reliable fuel source than heating oil or diesel  
16 fuel in this region. The only way that the petroleum  
17 distribution system can be compromised is by misguided  
18 state energy policies that promote one fuel over another  
19 and send market signals that discourages future investment  
20 in pipeline, terminals, or other storage and transportation  
21 infrastructure.

22           CEMA agrees with the following NEFI

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1 recommendations: Number one, the administration should be  
2 active and vocal in support of the industry-wide transition  
3 to an ultra-low sulfur heating oil product throughout the  
4 entire Northeast that is in keeping with the President's  
5 environmental goals and is in the interest of the region's  
6 businesses and consumers. Our industry stands ready to  
7 work closely with USDOE on this issue.

8           Second, the administration should be active and  
9 vocal in its support of the transition to heating oil to a  
10 more affordable, efficient, environmentally secure  
11 renewable fuel. NEFI and CEMA encourages the task force to  
12 explore ways to increase the production of biofuels that  
13 are ready for introduction to the region's heating oil  
14 supply and encourage their use. The administration should  
15 support the industry's application to amend the ASTM D 6751  
16 specification of bioheat fuel to a 20 percent biodiesel  
17 blend or higher.

18           Third, before investing in new natural gas  
19 infrastructure or expanded pipeline capacity, state and  
20 federal government should require that existing lines are  
21 repaired or replaced at the expense of for-profit utilities  
22 themselves, not taxpayers or ratepayers. Power generation,

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1 large-scale consumers, heating oil dealers, and suppliers  
2 should coordinate to plan properly and head for supply  
3 situations prior to each heating season to ensure adequate  
4 access to all heating sources. While liquid fuels continue  
5 to be the backstop for energy consumption, its suppliers  
6 must be an integral part of public policy planning.

7           Number four, as the regions transition to an  
8 ultra-low sulfur heating oil, supplies of all distillate  
9 will become more dependent on supplies from refiners in the  
10 Gulf Coast, Pennsylvania, New Jersey, the Virgin Islands,  
11 and Canada as opposed to higher sulfur fuel imports  
12 delivered by non-Jones Act ships from Russia and elsewhere.  
13 Therefore, the QER task force should support investment in  
14 upstream transportation in New England and the border  
15 Northeast region states to ensure adequate supply. Thank  
16 you.

17           MR. HANSEN: Thank you. Again, I'd encourage all  
18 of you to submit your comments in writing, QERcomments@  
19 HQ.DOE.gov.

20           Next up, Eric Brown.

21           MR. BROWN: Good afternoon. Eric Brown with the  
22 Connecticut Business & Industry Association. Thank you all

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1 for being here today. With no offense to the headliners on  
2 the first panel, my sense was that the last panel with the  
3 state representatives -- I was very, very encouraged by  
4 that. That is an incredible display of different states  
5 run by governors of different parties with different  
6 agendas coming together and really solidifying around a  
7 couple of core messages for all you to take back to  
8 Washington. They all want to promote renewable power.  
9 They all have aggressive renewable portfolio standards.  
10 They all want to encourage local distributed generation,  
11 but I think they made a resounding message for you guys to  
12 take back to Washington is that right now the priority, the  
13 urgent priority -- many of them used that word -- is to get  
14 this transmission put in place so we can access energy that  
15 ten years ago or five years ago, if we had said we've got  
16 the possibility of being energy independent with cleaner  
17 natural gas and emission-free hydro -- you want to talk  
18 about out-of-the-box thinking -- there would have been  
19 rejoicing in the streets, not to mention the impact on our  
20 national security situation.

21           So please heed their message, which I thought was  
22 clear. There are a lot of components to this, and there's

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1 a lot of things we want to promote over a long period of  
2 time. But the urgency, I thought, that they gave was very,  
3 very clear. And I hope that you'll bring that back with  
4 you. Thank you very much.

5 MR. HANSEN: Okay. And then, lastly, Peter Aziz

6 MR. AZIZ: Thank you. My name is Peter Aziz  
7 Along with my family, I own and operate Bantam Home &  
8 Energy, located in Litchfield County. We provide our  
9 customers with bioheat home heating oil, propane, HVAC  
10 services, and energy audits. I currently serve as the  
11 chairman of the board of directors of the Connecticut  
12 Energy Marketers Association, and we represent 600  
13 family-owned home heating oil dealers in the state. We're  
14 proud that we can now make claim to a radically cleaner  
15 renewable fuel. Bioheat, the combination of ultra-low  
16 sulfur fuel with biodiesel, is cleaner than natural gas in  
17 its emission standard and should be encouraged.

18 In view of the rampant methane leakage from  
19 natural gas lines and its impact on climate change, the  
20 government should encourage domestic production of bioheat  
21 by renewing the biodiesel tax credit. The home heating oil  
22 industry has delivered remarkable efficiency savings to

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1 millions of customers, reducing consumption for a typical  
2 home from 1,200 gallons per year in 1989 to 700 gallons  
3 today. These advancements in combustion technology have  
4 come through private innovation and competition. Liquid  
5 petroleum product come into New England and are delivered  
6 to end user via pipeline, rail, barge, and over-the-road  
7 transport, an extensive distribution infrastructure that  
8 was developed privately, without any government policy  
9 promoting it or any taxpayer subsidies.

10           During the blizzards of 2010 when millions of  
11 customers were without electricity, the seven days of the  
12 October snowstorm of 2011, Hurricane Sandy in 2012, the  
13 February nor'easter of 2013, and the events of this winter,  
14 these crises which happen every single year, not one  
15 community was left without heating oil or propane. This is  
16 an industry and an infrastructure that works when the  
17 darlings of public energy policy fail.

18           Our industry will continue to function as the  
19 supplier of last resort as long as the pro natural gas  
20 polices don't send market signals that discourage future  
21 investment. When that private investment is undermined,  
22 we'll quickly lose our infrastructure diversity. Why do we

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1 care about infrastructure diversity? Because deliverable  
2 liquid propane is what we pump into natural gas lines when  
3 their pressure drops. When the gas lines utterly fail to  
4 meet demand, as they do every single year and they cut off  
5 their commercial and industrial customers, home heating oil  
6 is what we deliver to those customers to keep the economy  
7 moving. That's why we need infrastructure diversity today,  
8 and we will need it tomorrow.

9 To maintain the diversity, the government should  
10 ensure a level playing field when it comes to investment.  
11 It should be incumbent on natural gas pipeline owners to  
12 invest their own capital to expand, just as we must in our  
13 industry. One reason for government support of natural gas  
14 is the assumption that it will remain cheaper than  
15 competing energies for decades. This is false, both  
16 historically and in the future.

17 Is that me?

18 MR. HANSEN: Yes.

19 MR. AZIZ: I could go on. Thank you very much.

20 MR. HANSEN: Thank you. Again, I can't emphasize  
21 enough. Please submit your comments in writing.

22 And now to close this off, Karen Wayland will

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1 make some final comments.

2 MS. WAYLAND: I want to thank you all for coming  
3 and giving us your input. I thank many of you for  
4 traveling from all over New England, and not just all over  
5 New England, but we also had people flying in from much  
6 farther away.

7 This exercise of soliciting stakeholder comment  
8 is not just sort of an exercise to make us feel good. It  
9 actually is critically important to the outcome of the  
10 Quadrennial Energy Review. In fact, the presidential  
11 memorandum that President Obama when he created the QER in  
12 January actually specifically contains paragraphs devoted  
13 to our direction to do stakeholder outreach. We are joined  
14 by somebody from the White House who's been here to  
15 emphasize the importance of this process, not just to make  
16 sure that we don't redo all the work that you're doing to  
17 plan out the work on energy infrastructure investments and  
18 the needs that you have as consumers, but because your  
19 input is actually going to help tell us where we're going  
20 right, where we're going wrong. And this is the second of  
21 the meetings that we've had so far, and I can tell you that  
22 everyone from the Department of Energy has said to me over

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1 the course of the last few hours and after the first  
2 meeting we had, "We learned something new." So this is  
3 critically important to the integrity to the QER process.

4 I want to emphasize again that we do have a  
5 Website where you can find more information out about the  
6 QER and you can submit written comments. It's  
7 [www.Energy.gov/QER](http://www.Energy.gov/QER). You go on there. You can see  
8 information about the other meetings, both that we've had  
9 and that we're planning. We have announced four more  
10 meetings, but there are many more to come. Those meetings  
11 are in Portland, New Orleans, Chicago, and North Dakota,  
12 the dates to be determined, but they'll be in the next six  
13 to eight weeks these four meetings will be done. We will  
14 have a number, as I said, of other meetings before we  
15 finish the analysis portion of the QER because, as I said,  
16 there's no sense in soliciting input after we've already  
17 done the analysis, because your input is so critical to  
18 that work.

19 I want to thank Governor Malloy and his staff for  
20 hosting us and for helping us put this meeting together and  
21 also to my staff who've been here. Some came last night,  
22 some were here last week as well, and I couldn't do this

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1 without them.

2           The final recommendations of this installment of  
3 the QER we are planning to release in January 2015. There  
4 will be interim products that you can find out on our  
5 Website. One of them will likely be a summary of what  
6 we've been hearing from stakeholders to date over the next  
7 few months. So please keep checking that Website. Your  
8 e-mails will become a part of LISTSERV of a list that we'll  
9 send out notification so you can get more information.

10           And with that I want to thank you again for the  
11 time that you spent in letting us know your opinion on  
12 energy infrastructure in New England. Thank you.

13

14                           (Whereupon, the meeting concluded  
15                           at 4:45 p.m.)

16

17   \* \* \*

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1 STATE OF CONNECTICUT :  
2 COUNTY OF HARTFORD : ss

3

4

I, Joanne L. DeMasco, LSR, a Notary Public duly  
commissioned and qualified within and for the State of  
Connecticut, do hereby certify:

7

That said proceeding was reported by me, a  
Licensed Shorthand Reporter, was thereafter transcribed  
under my direction and is a true and complete transcription  
of all testimony given by said witness.

11

IN WITNESS WHEREOF, I have hereunto set my hand  
and seal at Danielson, Connecticut, this 1st day of May,  
2014.

12

13

14

15

16

\_\_\_\_\_  
Joanne L. DeMasco, LSR  
Licensed Shorthand Reporter No. 478  
Notary Public - Court Reporter  
My commission expires 12/31/2016

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