

October 25, 2016

PUBLIC ACT 15-107 SECTION 1(D) – NATURAL GAS CAPACITY, LIQUEFIED  
NATURAL GAS (LNG), AND NATURAL GAS STORAGE PROCUREMENT

NOTICE OF CANCELLATION

Pursuant to Public Act 15-107, An Act Concerning Affordable and Reliable Energy (“the Act”), the Department of Energy and Environmental Protection (“DEEP” or the “Department”) released a final Request for Proposals (“RFP”) for Natural Gas Capacity, Liquefied Natural Gas, and Natural Gas Storage pursuant to its authority under Section 1(d) of the Act on June 2, 2016.<sup>1</sup>

The 2014 Integrated Resources Plan for Connecticut (“2014 IRP”), issued by DEEP, concluded that the New England region is facing volatile electricity prices and significant risks to electric reliability due to limitations in our restructured electricity market that have driven investment in new natural gas-fired power plants, but not in the natural gas delivery infrastructure needed to ensure that those plants can run reliably all year round. The 2014 IRP concluded that investment is needed in incremental resources—including Natural Gas Resources such as natural gas pipeline capacity, natural gas storage, and liquefied natural gas, as well as clean energy resources that reduce our dependence on natural gas, such as Class I and III renewables, large-scale hydropower, energy efficiency, and energy storage.

Consistent with the 2014 IRP recommendations, the Act grants the Department, acting alone or with other states, the authority to, among other things, issue one or more RFPs to procure natural gas and clean energy resources for the purpose of securing more reliable and affordable electric service for the benefit of the Connecticut’s electric ratepayers and to meet the State’s energy and environmental goals and policies. The Act provides that DEEP must utilize a competitive procurement process, in consultation with the Office of Consumer Counsel, the Attorney General, and the Procurement Manager, to identify projects that provide net benefits to Connecticut’s electric ratepayers. The Act makes clear that under Connecticut law the costs of these investments, backstopped by long-term contracts with the state’s electric distribution utilities, may be recovered from the State’s electric ratepayers, for whose benefit these resources are procured.

The RFP noted that several states within New England were considering procurements of natural gas resources. Indeed, several of the bids submitted to DEEP contemplated

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<sup>1</sup> See [Request for Proposals \(RFP\) for Natural Gas Capacity, Liquefied Natural Gas \(LNG\), and Natural Gas Storage](#) issued June 2, 2016.

ratepayers from other New England jurisdictions funding a significant portion of the total project size. “To maximize the benefits to Connecticut’s electric ratepayers,” the RFP stated, “the Department will make every effort to align its procurements pursuant to the Act with related procurements undertaken in other jurisdictions. The Department reserves the right to withdraw, revise, and reissue this RFP at any time to facilitate this multi-jurisdictional coordination.” RFP at 2.

DEEP received seven proposals from bidders by the required deadline of June 29, 2016. Public versions of each of these bids are available on the [DEEP website](#). DEEP began preliminary evaluation of the bids. While such evaluation has been underway, however, the issuance of administrative decisions and a court ruling in other New England jurisdictions have materially reduced the ability for the costs of projects to be shared among a substantial portion of the region’s ratepayers.

As noted in the 2014 IRP, DEEP believes that this problem of inadequate gas infrastructure is greater than one state can solve alone. Regional investment is necessary to ensure that no one state disproportionately bears the costs of addressing what is a problem endemic to our regional electric system.

Therefore pursuant to Section C.2.c<sup>2</sup> of the RFP, the Department hereby cancels the RFP review process without prejudice.

The Department retains its statutory authority to issue future RFPs under Section 1(d) of the Act, either on its own or again in coordination with other states in the region, to procure natural gas resources for the purpose of providing more reliable electric service for the benefit of the Connecticut’s electric ratepayers and to meet the State’s energy and environmental goals and policies. DEEP will monitor conditions in the ISO New England market and relevant proceedings of other New England states to determine if conditions warrant reissuance. The process for reissuance of an RFP under Section 1(d) is straightforward, and could be initiated at any time.

In 2016, DEEP issued requests for proposals for all three categories of resources eligible for procurement under Public Act 15-107. While the RFP under Section 1(d) is canceled, DEEP is concurrently advancing selection of projects in two RFPs issued this year pursuant to Sections 1(b) & 1(c) of the Act, which will contribute to the broader goals of the Act, reflecting the conclusion in the 2014 IRP that a variety of clean energy resources, such as Class I, large-scale hydropower, and conservation, “can provide an attractive alternative to natural gas generation, increasing the diversity and therefore reliability of the region’s electric supply while also helping Connecticut and the region meet increasing RPS targets,” as well as “reduc[ing] demand for electricity or natural gas.” Going forward, we remain committed to utilizing our authority under all sections of the Act, in coordination with other states, to secure more reliable and affordable electric service for the benefit of the Connecticut’s electric ratepayers and to meet the State’s energy and environmental goals and policies.

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<sup>2</sup> “...the Department expressly reserves the right, in its sole and absolute discretion (exercised individually)...to terminate the process described herein...” See RFP at 11