



State of Connecticut

Office of Consumer Counsel

Mary J. Healey
Consumer Counsel

The Energy and Technology Committee
March 4, 2010

Raised Bill No. 5365, AAC Electric Distribution Companies
Testimony of Mary J. Healey, Consumer Counsel
Presented by Joseph Rosenthal, Principal Attorney

The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 5365, *An Act Concerning Electric Distribution Companies*, and has concerns and questions about the bill.

Section 1 would allow the electric distribution companies to own, construct, purchase, and/or operate renewable generation facilities. OCC has questions about the interaction of this provision with the integrated resource plan provisions at Conn. Gen. Stat. § 16a-3a, et seq. Under Conn. Gen. Stat. § 16a-3b(b), the electric distribution companies (EDCs), along with non-EDC power generation companies, are already allowed to submit proposals to build resources identified as needed in the IRP process, including but not limited to renewable facilities. It has been hoped that through these competitive processes for long-term contracts, Connecticut would be able to select the best proposals regardless of the identity of the supplier. Moreover, under Conn. Gen. Stat. § 16a-3c(a), the Department of Public Utility Control (DPUC) already has the power to order the EDCs to submit proposals to build and operate facilities if the DPUC does not receive appropriate or sufficient proposals in an initial bidding process. So, the question arises, does this provision seek to authorize construction of renewable facilities outside of the competitive processes contemplated to occur as part of the IRP process? If so, that is a major change, as current law has set up the IRP process to be the primary means of addressing supply needs.

OCC *does* look with favor on the last clause of Section 1, which states that costs would be passed to customers by a *non-bypassable* line item. OCC has long stated that the costs and benefits of long-term measures done for the sake of the State's energy needs should be passed through and shared equally by all customers through non-bypassable charges.

OCC has a similar concern as to Section 2 that it expressed as to Section 1. Conn. Gen. Stat. § 16a-3a explicitly mentions combined heat and power resources (the most common type of customer-side distributed resource) as being an item that is part of the IRP process. To the extent that Section 2 would create ratepayer charges for combined heat and power facilities that have not been identified as needed in the IRP process, such would be a significant change that warrants significant study. More generally, OCC notes that (1) significant numbers of combined heat and power units have already been developed pursuant to prior statutory programs; and (2) OCC is not certain that the EDC involvement in development of new combined heat and power

units is the best or most cost-effective approach. Among other things, customer-side distributed resources tend to benefit most the individual customer hosting the unit, rather than the system as a whole. The individual customer hosting the unit therefore ought to pay a substantial share of the cost of the unit, rather than passing that whole cost to the rest of the end users through rates. Finally, OCC notes that Section 2 contains no cap on the number of units to be installed, meaning that there would be an uncapped potential rate increase for the general class of ratepayers.

Section 5 would allow the electric distribution companies to put new efficiency investments in rate base. OCC does not believe that putting conservation in rate base is the most economic way to go, and prefers the well-established and highly successful Connecticut Energy Efficiency Fund process. This process, managed by the Energy Conservation Management Board (ECMB), develops programs that attempt to reach the right figures for customer incentives to install efficiency measures. The ECMB's recommendations are then presented to the DPUC for review and approval as to programs and budget amount. Under this process, the electric distribution companies only receive a one-time management incentive rather than a stream of payments, as would occur through rate base treatment. In this difficult economy and electric rate environment, OCC is concerned about the cost impacts of this proposal.