CONNECTICUT GENERAL ASSEMBLY
ENERGY & TECHNOLOGY COMMITTEE

H.B. 6512 – AN ACT CONCERNING THE ELECTRIC PROCUREMENT PROCESS

PUBLIC HEARINGS – FEBRUARY 24, 2009

STATEMENT OF STEPHEN B. WEMPLE
ON BEHALF OF CONSOLIDATED EDISON SOLUTIONS, INC.
AND CONSOLIDATED EDISON ENERGY, INC.

Good afternoon. My name is Stephen Wemple and I am Vice President, Regulatory Affairs, at Consolidated Edison's Competitive Shared Services. I am here today on behalf of Consolidated Edison Energy, Inc. which supplies electricity to various utilities through their Basic, Default and Standard Service programs approved by various state commissions in New England and PJM and its affiliate Consolidated Edison Solutions, Inc. (collectively, "**Energy and Solutions**") which supplies electricity, including Green Power, to all customer segments throughout Connecticut. **ConEdison *Solutions*** also provides a wide range of energy management services including traditional energy efficiency measures as well as price responsive and demand curtailment strategies to commercial and industrial companies.

Energy and Solutions submit this statement today in opposition to H.B. 6512, which, if adopted, would substantially change how Connecticut utilities procure electric supply for consumers an higher costs, more price volatility and less price transparency for customers smaller than 500 KW. Instead of soliciting an all-in price to supply electric generation service, H.B. 6512 would require the individual distribution utilities to develop a procurement plan that could include individual bilateral contracts for specific components of the electricity supply. One problem with such a portfolio management approach is that is does not lock in all the supply components and instead relies on estimates of what the all-in cost is likely to be. This means that consumers would not know what their actual price with the utility will be and would be unable to make an informed decision as to whether competitive alternatives would indeed be beneficial. Furthermore, the use of bilateral supply contracts would likely require the distribution utilities to post significant amounts of collateral with trading partners and if the utilities are also load serving entities, they would have collateral requirements with ISO New England as well. As indicated by Baltimore Gas and Electric ("BGE") in its February 4, 2009 submission in Case No 9117, the portfolio management approach "could expose BGE to substantially greater credit risk and financial risk due to the potential need to post collateral with wholesale power suppliers. This increased risk will result in higher costs for BGE's customers."[1] Furthermore, BGE estimates that, under a bilateral procurement model, its collateral obligations would have been as much as $372 million earlier this year. "To put this risk in perspective, BGE's existing credit facility for the Company's entire business is just $400 million and is being consumed by the needs of the distribution operations only."[2]

For the reasons expressed above **Energy and Solutions** urge the Committee to reject H.B. 6512.

Respectfully Submitted

/s/ Stephen B. Wemple

Stephen B. Wemple
Vice President, Regulatory Affairs

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[1] See BGE's February 4, 2009 filing in Case 9116 at page 3
http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3_VOpenFile.cfm?ServerFilePath=C%3A%5CCasenum%5C9100%2D9199%5C9117%5C204%2Epdf

[2] ibid