Connecticut Light & Power

The Northeast Utilities System

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TESTIMONY OF RICHARD A. SODERMAN
THE CONNECTICUT LIGHT AND POWER COMPANY
and YANKEE GAS SERVICES COMPANY
Energy and Technology Committee—March 4, 2010

H.B. No. 5365 AN ACT CONCERNING ELECTRIC DISTRIBUTION COMPANIES.

The proposed bill would enable electric distribution companies to own and operate renewable and distributed generation, to make changes to the Connecticut electric efficiency partner program, to provide for direct billing from electric suppliers, to allow electric distribution companies to terminate residential service on certain Fridays, and to enable electric distribution companies to notify certain state agencies when nursing home and long-term care facilities are at risk for service termination due to nonpayment. We support adoption of this proposed legislation.

The key provisions of this proposed bill provide for greater utility involvement in implementation of energy policy within Connecticut. Since restructuring was implemented in 2000, we accomplished significant progress in improving the electric system and the efficiency of our customers' energy usage. We have advocated for means to improve the costs of services we provide within the context of our diminished overall role within the electric industry. Our more than 4,000 employees serve day and night to keep the lights on, and to keep the public safe.

Our track record includes several notable accomplishments for the betterment of energy supply and usage for our citizens and businesses:

- Connecticut faced electric reliability risks and higher energy costs resulting from insufficient transmission. We probably all remember the hundreds of millions of dollars that customers were required to pay for congestion and Reliability Must Run contracts with local generators. CL&P stepped forward and developed a plan to refurbish the transmission system to assure reliability and access to lower cost generation. We invested about $1.6 billion in transmission facilities in Connecticut. We have built these projects on time and under budget, even though we needed to use new construction techniques to address local siting concerns. We plan to invest about $1.5 billion more related to the NEEWS projects. As a result, Connecticut's residents will benefit from lower rates, increased property taxes paid by CL&P to our communities, and well-paid construction jobs at a time when our state's economy really needs them. ***The savings in congestion alone from the projects we already completed will more than offset the entire customer rate impacts Connecticut will see from all of these transmission projects***. These savings are already flowing to customers in the form of lower bills. Lower rates, more property taxes for our communities, and well-paid construction jobs at a time when our state's economy really needs them.

- Connecticut's energy efficiency programs are another public policy success. Connecticut is nationally recognized for its leadership and innovations in these programs. These programs are managed and administrated by regulated utilities, with oversight by the Energy Conservation Management Board and the DPUC. Our programs are transforming our State's productivity and enhancing the energy efficiency of existing and future homes:
    - Saving our customers nearly $4 in electric system benefits for every $1 invested in energy efficiency;
    - $774 M in future energy savings by means of 2008 program expenditures;
    - 2.4 M tons of C02 not released in 2008;
    - 23,202 participants = 211,282,289 lifetime kWh savings per household;
    - 3,697 kW (summer) savings for 2009.

The programs are delivered to customers through the engagement of numerous private energy efficiency vendors. These initiatives have resulted in a vibrant GREEN JOBS program - years before green jobs became popular. Current program operations require more than 2,500 individuals trained in a number of skilled disciplines. When induced/indirect jobs are factored into the picture, nearly 7,000 jobs have been created, the vast majority of which are Connecticut based.

As practical matter, energy efficiency is one of the few ways that customers can manage their electric bills, even when they are faced with high rates.

- We have adopted creative means to procure power for standard service customers. Standard Service electric rates in Connecticut (residential and small business customers less than 500 kW demand) are among the highest in the nation, driven primarily by the high cost of power supply purchased in the wholesale power market, in accordance with restructuring laws passed during the last several years. Power supply represents about 2/3's of a customer's total electric bill. Currently, power is purchased twice annually for periods of up to three years into the future, with contracts laddered and overlapped in order to provide more stability in the price. The suppliers of this power are supply aggregators, or energy traders, who do not generally own the generating plants, but instead aggregate those generators and bid in response to the utility RFPs, a process overseen by the DPUC and OCC.

  The laddering process we adopted in the past has resulted in substantial savings for our customers as the price of natural gas (and in turn the wholesale price of electricity) escalated from 2004 to 2008. During this period, we saved our customers over $200 million compared to what they would have paid had we not entered into longer term contracts. Now, as natural gas (and wholesale electric) prices are declining, our customers have the option of saving by purchasing from competitive electric suppliers. Our rates decreased by about 5% on January 1, 2010, and we anticipate another decrease of about 5% next January, as a result of our efforts to buy power into the future. Further, we expect that both our standard service rates, and the cap from which competitive suppliers index in their offerings, will be going down. We anticipate that, within 1 ½ years, our standard service prices fully reflect the current impact of lower gas prices.

What does this track record suggest? Electric distribution companies have been a most effective partner with the state and its citizens and communities in implementing sound energy policy. The proposed bill permits the state to take advantage of our expertise to plan, develop and implement programs to meet Connecticut's aggressive energy goals. As we have seen, there have been changes in investment criteria, risk analysis and laws and regulations that have caused less than expected performance in some of the state's energy policies.

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Generation projects that would lower costs or meet renewable standards and criteria are having difficulty reaching completion. To date, the efficiency partner program is virtually non-existent. Now is the time to make changes so the energy policy programs can flourish.

Section 1 of the proposed bill removes of the existing prohibition on electric distribution companies owning and operating Class I or Class II renewable generating facilities. Projects undertaken within this provision would be based on cost-of-service principles, and would be subject to approval and oversight by the DPUC. This provision is needed generally and also to pursue the partners program in Section 3.

Section 2 removes the existing prohibition on electric distribution companies owning and operating distributed generation. Projects undertaken within this provision would be based on cost-of-service principles, and would be subject to approval and oversight by the DPUC. This provision is needed generally and also to pursue the partners program in Section 3.

Section 3 removes the prohibition on electric distribution companies from being an electric efficiency partner under current law. This program has accomplished very little since its inception. Our participation, with DPUC oversight, will kick-start this stagnant program.

Section 5 provides for the ability for electric distribution companies to rate base energy efficiency measures. This authorization would facilitate the ramp up of cost effective energy efficiency programs while deferring some of the near-term rate impacts.

Section 6 provides for the billing of generation charges for customers taking service from competitive suppliers directly by such suppliers. We appreciate the intension of this proposal, and we suggest that, before it is implemented, it be the subject of a DPUC proceeding.

Second 7 proposes limited revisions to the rules for Friday shut-offs. Uncollectible levels have increased significantly, and ultimately must be paid by other customers. This added tool would help in our collection activities and remove some of this cross subsidy. We also suggest that a provision be added to eliminate the recycling of shut-off notices that can occur under current law (sec. 16-262d). This will improve collections by providing a more consistent message to customers and process collections more efficiently.

Second 8 provides for notice of issuance of a any nursing home or other long-term care facility to which the electric distribution company has sent a shut-off notice as a result of the facility's payment delinquency to the Department of Public Utility Control, the Department of Social Services and the Department of Public Health. This notice will assure that state agencies are informed of possible service disruptions or other difficulties at these facilities.

Thank you for the opportunity to testify on this matter.