



# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC UTILITY CONTROL THE ENERGY & TECHNOLOGY COMMITTEE

### House Bill 5505: AAC ELECTRIC RATE RELIEF

March 16, 2010

#### TESTIMONY OF CHAIRMAN KEVIN M. DELGOBBO

The Department of Public Utility Control (Department) notes that this Raised Bill has several mutually exclusive provisions and will submit the following comments on a section by section review of House Bill No. 5505. The Department also notes that its proposed bill on an Electric Suppliers' Code of Conduct has been included under this Committee Raised Bill under Section 29. This Raised Bill comes by way of Speaker Donovan's Electric Rate Relief Group, Chaired by Rep. Vickie Nardello to which this Department was asked to participate in over the course of the month of December and into early January. Consequently, the Department finds several worthy provisions which should be further explored as well as certain provisions the Department has serious concerns with and must oppose.

**Section 1** of the bill requires the Department to conduct a proceeding to establish and implement into rates, a rate for low-income customers who receive means-tested assistance administered by the state or federal government. Further, the Department is charged under this provision with coordinating resources and programs of, it is presumed, the Office of Policy and Management (OPM) as well as of the Department of Social Services (DSS) as they relate to initiatives for low-income applicants and to prepare a cost-benefit analysis of the cost of such discounted programs. If this bill should become law, the costs of those programs will shift to a different class of ratepayers.

While the Department is not opposed to opening a docket on this matter to analyze the total implications of creating a low-income rate, the Department is concerned with the manner in which this proposal moves from exploring the concept to implementation regardless of what conclusion the Department uncovers in its analysis of the facts. Rather, the Department would propose that this section be re-written to allow for a Department proceeding on the matter, in which the Department would conduct a thorough examination and strive to meet the intent of this bill by developing a rubric whereby those who need a lifeline rate are not burdening a different class of ratepayers to meet the inherent goals addressed by this section.

The Department recognizes that the underlying intent of this section certainly is admirable. However, it urges that the policy makers proceed more cautiously and take full consideration of exponential cost such initiatives might have on other ratepayers before moving to implementation by enacting law. Furthermore, since this new rate may be in addition to those programs undertaken by OPM and the CAPP agencies, the Department notes that the average utility ratepayer may be paying for this subsidy both as a taxpayer and as a utility consumer.

The Department once again states its serious concerns and objections to such a proposal which seeks to establish yet another agency in state government to assemble resources and a management team to perform many of the same functions and to do substantially the same obligations the Department has already spent significant time, money and training to do. Now that the Department, the Office of Consumer Counsel and the utilities and their respective staffs have gained expertise in areas of procurement, new technologies, renewables etc. it seems an imprudent expenditure of resources and money to create the entity as proposed herein. Therefore, the Department remains opposed to this concept and to adding any additional charges to ratepayers' bills to finance such an entity. Ratepayers have shouldered the brunt of too many projects and programs that have not necessarily been cost beneficial to electric consumers.

The Department also believes that it is problematic for this agency to be charged with the ability of owning and operating electric generation facilities for two reasons. First, the responsibility of owning and operating electric generation facilities is not an insignificant task. This requires substantial knowledge, people and resources to administer, let alone the financial capital and cost associated with this endeavor and whose risk will once again be borne by the ratepayer. Secondly, it is well documented that Connecticut is already well placed to have all the capacity it needs for the next decade or two according to the IRP, LMP, LFRM and FCM. As such, the Department questions the timing of creating more bureaucracy to focus on procuring assets when this challenge has already been met.

Lastly, the Department has serious reservations should this bill pass that players in the market will behave differently with responding to this new Division in procuring less costly contracts as compared to what the EDCs have been able to procure. The Department notes that the energy market has been achieving lower costs largely due to the current state of the economy. The Department has yet to review any research or facts that would provide assurances that what is promised thorough the creation of such a power authority or Division as raised here will deliver the intended results anticipated by this legislation.

**Section 17** of the Raised Bill regards the manner in which electric distribution companies (EDCs) currently procure standard service. The Department notes that the issue of procurement and rates has been an active area of discussion in the Rate Relief roundtable discussions. The current manner in which the state procures its load profile for standard service is the direct result of the General Assembly's objective to inject the value of stability of rates over all else. To that end, the Department has worked diligently over the past several years to gain expertise in the area of laddering contracts for its standard service. Now this same concept is being examined and reproduced in several other states.

However, the Department does want to make clear that it does not object to considering different methods or tools for procurement. The Department notes that over the past two years it did testify in support of legislative proposals to allow the utilities to procure load using a hybrid of methods. The Department would not object to this proposal being

Accordingly, the Department opposes this section and urges policy makers to strike this section and to be cautious when considering proposals which negatively impact customer's level of expectations on the tools afforded to them at this stage of their evolved understanding and ability to control a portion of their electric costs.

**Section 32** authorized the EDCs to establish a pilot program to fund additional investments in energy efficiency and renewable energy programs. The Department does not believe this section is necessary since it already has the legal authority to order the EDCs to do so. This issue is also being considered in the Integrated Resources Procurement Docket.

**Section 33** requires the Department to review and report to the legislature on the RPS standards and the level of power being purchased from renewable sources. The Department already conforms to this provision in its annual RPS report and believes that this new statute is duplicative of current requirements.

**Section 34** requires the Department to hold a contested proceeding on maximum rate increase for end use customers that result from renewable energy technologies. The Department seeks clarification as to the intent of this section.

**Section 36- 37** establishes a windfall profits tax on all electric generation in this state, this seems to also include renewable resources. It also requires this Department to conduct a proceeding to distribute the funds from this new revenue source. The Department is still concerned with the ability to create such a provision in law but considers this more a question for the Department of Revenue Services to ponder whether there is a the legal nexus for tax purposes to implement what is required by this Raised Bill should it become law. The Department's fundamental concern with this provision is that any new taxes will be borne by ratepayers in higher rates. The Department notes that over the years several states as well as the federal government have proposed enacting such a provision but none to date have been able to accomplish this.