



**CONNECTICUT GENERAL ASSEMBLY  
ENERGY & TECHNOLOGY COMMITTEE**

**H.B. 5505 – AN ACT CONCERNING ELECTRIC RATE RELIEF**

**PUBLIC HEARINGS – MARCH 16, 2010**

**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. ("ConEdison Energy"), 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 ConEdison Energy's affiliate Consolidated Edison Solutions, Inc. ("ConEdison 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.

ConEdison Energy and ConEdison Solutions submit this statement in opposition to H.B. 5505, which, if adopted, would substantially change how Connecticut utilities procure electric supply for consumers and could expose all ratepayers to significant, long-term financial risks which are currently born by the independent companies and their shareholders.

Section 17 of H.B. 5505 would require the individual distribution utilities to implement a utility-managed procurement where the utility and their customers assume all the costs and risks of supplying electric generation service to customers that had not selected a competitive electric supplier. In contrast with the current practice of soliciting an all-in price to supply electric generation service, a utility-managed portfolio approach would not lock in all the supply components and instead relies on estimates of what the all-in cost is likely to be. Recently, the Wellsboro Electric Company in Pennsylvania had to request extraordinary cost recovery because its actual costs under a managed portfolio procurement plan were roughly double the level that had been included in Wellsboro's rates. Furthermore, the use of bilateral supply contracts would likely require the distribution utilities to post significant amounts of collateral with trading partners and with ISO New England as well. As indicated in testimony by Baltimore Gas and Electric ("BGE"), a 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."<sup>1</sup> In addition, the collateral requirements could preclude utilities from being able to adequately fund necessary investments in transmission and distribution infrastructure. Based on the BGE testimony, the collateral obligations of a utility-managed procurement model could be as much as \$372 million, and in comparison "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."<sup>2</sup>

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<sup>1</sup> See BGE's February 4, 2009 filing in Case 9117 at page 3  
[http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3\\_VOpenFile.cfm?ServerFilePath=C%3A%5CCasenum%5C9100%2D9199%5C9117%5C204%2Epdf](http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3_VOpenFile.cfm?ServerFilePath=C%3A%5CCasenum%5C9100%2D9199%5C9117%5C204%2Epdf)

<sup>2</sup> *ibid*

Section 7 of HB 5505 would create the Connecticut Electric Authority which could “own and operate electric power plants” and Section 9 would allow the Authority to direct the electric distribution utilities to be a builder or provider of last resort of such plants. While **ConEdison Energy** and **ConEdison Solutions** support actions necessary to ensure reliability, there is no immediate need for new generation in Connecticut or elsewhere in New England. To the extent future needs for new generation are identified, competitive companies and their shareholders rather than a new state agency should provide the needed capital funding and assume the investment and operational risks of those facilities.

Alternatively, if there is a need for a competitive procurement to meet a defined reliability need, such a solicitation should be open to all participants. If utilities and their affiliates wish to participate in such a solicitation, their bids should be submitted on a financially binding basis without any true-up for cost over-runs so that the Authority can select the project or projects which are truly the lowest cost to Connecticut consumers.

Section 29 of H.B. 5505 would inappropriately extend consumer protection rules, that may be appropriate for door-to-door sales, to virtually all interactions with all customers including the largest commercial and industrial customers.

Section 30 of H.B. 5505 would restrict the ability of all customers to switch suppliers, requiring them to stay with the utilities for up to 24 months or pay the utility a switching fee. This restriction would inappropriately deny customers of competitive opportunities that they cannot obtain from the distribution utilities.

For the reasons expressed above **ConEdison Energy** and **ConEdison Solutions** urge the Committee to reject H.B. 5505.

Respectfully Submitted

*/s/ Stephen B. Wemple*

Stephen B. Wemple  
Vice President, Regulatory Affairs