



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. 5364 AN ACT CONCERNING VIRTUAL NET METERING.**

We support the rational and effective deployment of renewables to meet the state and federal goals for clean energy, but we do not think that virtual net metering is neither rational nor effective. Most people would ask what is virtual net metering, or even plain old net metering, and I would be happy to explain it. Let me summarize it as simply a way to create additional, non-transparent subsidies to some of those already authorized by law for certain renewable installations. Virtual net metering would allow customers who own Class I renewable energy sources and who use less energy than they generate to assign their unused credits to other customers, virtually a make-believe notion that there are not wires and equipment in between. This is bad policy, and we strongly oppose this bill.

First, Connecticut already has substantial incentives for development of Class I renewables and we do not believe that it is appropriate to add through the back door additional, non-transparent subsidies that are paid for by all other customers. If the state wants to give greater incentives, then it should do so directly and transparently, and not hide them behind the intricacies of rate design. Doing so can lead to uneconomic decision-making and contribute to the reasons why Connecticut has among the highest rates in the nation.

Second, the proposed net metering bill is bad policy because it seeks to disrupt basic fundamental principles of utility regulation, cost causation and the definition of a customer. While seeming to be simply just another incentive for renewable generation, at its heart, this proposal would shift cost responsibility from a select group of customers to other customers, many of whom do not have options to participate in the subsidized renewable program. Thus, elderly, limited income, and perhaps all residential customers would be required to pay more so that a few can receive even greater state subsidies for their project. Taken to the extreme, the redefinition of customers and cost causation inherent in this proposal could ultimately have a



few consumers without options eventually paying for the entire cost of the electric system. Let me discuss these two reasons for opposing this bill in greater detail.

### **Existing Renewable Incentives**

Connecticut has an assortment of clean energy incentives that have been implemented over many years. They include renewable portfolio standards, Project 150, Regional Greenhouse Gas Initiative, projects funds by the Connecticut Clean Energy Fund, tax benefits and DEP emissions standards. In addition, there are several more hidden incentives, such as certain net metering applications for individual customers (where a customer is paid for excess generation), and waiver of gas delivery charges for certain renewable distributed generation applications.

- Today, we estimate that resource portfolio standards, which require that all generation service providers include about 14% of the energy provided to be renewable this year, costs about 0.3 cents/kwh, or \$2.10 per month for a typical residential customer. This amount will grow as the renewable requirement increases to 27% in 2020.
- Customers pay 0.1 cent/kwh for funding the Connecticut Clean Energy Fund (\$.70 per month). Since its inception, consumers have funded nearly \$200 million for these programs.
- Project 150 has not produced any energy yet, but the contracts that have been awarded are estimated to cost electric consumers between \$100-600 million in above market payments over the terms of the contracts. While some contracts are relatively attractive, others are more costly.
- The list of Connecticut incentives already in place include: CCEF - Operational Demonstration Program, New Energy Technology Program, Leasing Program, CT Solar Lease, Local Loan Program, New Generation Energy - Community Solar Lending Program, Property Tax Incentive, Property Tax Exemption for Renewable Energy Systems, Sales Tax Incentive, CCEF - On-Site Renewable DG Program, and State Loan Program.

These programs have been determined by the enabling legislation to provide appropriate levels of incentives for renewable technologies and were designed to encourage development. The



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proposed bill attempts to add to these incentives, without any quantification of costs. To give a sense of the potential magnitude of the subsidy and cost shift to other customers, an example may be helpful. If 10% of customers were able to avail themselves of this beneficial rate treatment, the remaining 90% of customers could see a \$150 million rate increase (4%, or \$5.40 more per typical residential monthly bill) related to fixed costs incurred by the preferred customers but shifted to others.

### **Fundamental Principle of Cost Causation and Definition of a Customer**

Electric distribution companies have a set of distribution infrastructure (poles, wires, transformers, substations, etc.) that are constructed and maintained to serve the demands of our customers. In this regard, each customer on our system has a responsibility to contribute their fair share toward the cost of these facilities, and they do that through the rates that we charge. Under traditional net metering, these same facilities remain in place to provide service to customers whenever their generation does not meet their load. Thus, the costs also remain. Net metering allows customers to avoid paying for the cost of the facilities dedicated and standing ready to serve them by enabling the generation to reduce the billable kWh and KW usage, and thus reduce the bill for the customer.

The costs don't go away - so who pays for the costs that the net metered customer avoided? All other ratepayers/customers through higher rates. The higher rates come from having the same facilities with the same costs, but fewer billable kWh sales to recover the costs.

This "virtual" net metering bill potentially extends significantly the unfair cost avoidance to not only the participating net metered customer, but also to 5 of their friends ("beneficial accounts"). Imagine you are a "Customer Host" who has a generator in Stonington. You produce electricity that offsets your bill via net metering. Now you want to use that same generator located in Stonington to offset the utility bills for 5 customers in potentially completely different areas of the state. Let's say one of those customers was in Torrington. From a physical flow perspective, what happens in Stonington has nothing to do with Torrington. The customer in Torrington still



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uses CL&P's system to take power. The other 4 customers, wherever they may be, also use CL&P's system to deliver their power requirements. Nothing has changed in terms of how the electrical requirements of these 5 "beneficial accounts" are served. The same facilities are used and the same costs are incurred by CL&P. Under this proposed bill, not only would the single host customer reduce their bill via net metering, but now so would his 5 friends. The result is that CL&P would see no reduction in its cost of providing service, but realize less revenue as the virtual net metering allows a total of 6 customers to escape payment. In the short term, it is CL&P shareholders that will pay the bills of the 6 participating customers. More importantly, in the longer term it is all other CL&P customers that will pay the bills of these 6., and the next 6, and the next 6, .....

The effect of this action is that it could ultimately lead to a frustration and destruction of the means by which the DPUC designs and approves rates. In effect, the proposed bill would effectively allow six customers to become one. I can imagine a scenario that builds upon this approach, for example, the owner of 50 large retail stores install renewable generators at any location within the state, and net meters several other accounts.

In the end, this virtual net metering provision does not change the infrastructure requirements and costs for electric distribution companies, and in fact, as drafted, the bill calls for added metering at such locations. Administratively, there is an added cost of getting the right metering in place to capture the information, developing and implementing processes for calculating and allocating credits, and applying those to bills. These provisions will cost all nonparticipating customers money, and potentially significant amounts of money as net metering rules continue to be expanded to more and more customers.

If this bill moves forward, then we suggest that a fiscal note be included that determines the likely impact on electric bills of government facilities.

We strongly oppose this bill.