

**COMMENTS OF THE DIRECT ENERGY SERVICES, LLC  
ON HOUSE BILL NO. 5365  
AN ACT CONCERNING ELECTRIC DISTRIBUTION COMPANIES**

Direct Energy Services, LLC (“Direct Energy”) submits these comments opposing House Bill 5365, An Act Concerning Electric Distribution Companies. Direct Energy is a licensed electricity and natural gas supplier in Connecticut and, along with its affiliate, Direct Energy Business, LLC, serves approximately 90,000 residential and business customers in the State.

There are several aspects of the Bill that would be harmful to Connecticut electricity consumers, but none more so than Section 6, which would effectively repeal the availability of utility consolidated billing for Connecticut residential and business customers who take generation service from a competitive supplier. Utility consolidated billing allows a customer to get a single bill from his or her utility that contains not only the delivery charges from the utility but also the generation charges from a competitive supplier. Section 6 would require that, beginning October 1, 2010, competitive suppliers “shall provide direct billing and collection services for electric generation services and related federally mandated congestion charges that such suppliers provide to their customers.” This requirement does not appear to be limited to any particular customer class or size.

Forbidding the use of utility consolidated billing would have several negative impacts on electricity customers in Connecticut. First, it would prevent customers who choose a competitive supplier from being able to enjoy the convenience of getting a single bill, allowing that convenience only for customers who continue to take generation service from their utility. (Because supplier consolidated billing is already not allowed in Connecticut, customers on competitive supply would not be able to obtain a single bill from either a supplier or a utility.) Many customers prefer the convenience of a single bill, especially residential and small commercial customers, for whom utility consolidated billing is the overwhelming preference.

Second, ending utility consolidated billing would give utility generation service (especially standard service, which is available to customers with peak demand less than 500 kW on an annual basis) an unfair financial advantage in competing for residential and small business customers, in addition to the structural advantage of being the only offering for which a single bill option would be available. This is because the price for standard service includes only the direct costs the utility incurs in procuring power for those customers. It includes no allocation for the many services, including billing and collections services, that standard service shares with distribution service. Even under the current system this creates certain inherent advantages in favor of utility service over competitive supply. Utility consolidated billing, however, levels the playing field in one important way by allowing customers of competitive suppliers the same access to and use of the billing and collections systems of the utility – which those customers are already paying for through their distribution rates – that standard service customers have. It would certainly be possible to allocate to standard service rates an appropriate share of a utility’s total billing and collections expense, reducing distribution rates by an equivalent amount, so that standard service and competitive supply would be on equal footing in having to recover billing and collections costs only from their own generation customers, but the Bill makes no attempt to do this. Rather, it would simply grant utility service a financial advantage over competitive supply that would likely be sufficient to drive most or all suppliers out of the residential and small business market at a time when they are providing Connecticut residents and businesses millions of dollars of annual savings.

Finally, ending utility consolidated billing would decrease the overall efficiency of the Connecticut electricity market, costing consumers and businesses money at a time when they are finding much-needed savings through the competitive market which is helping to preserve jobs here in the state of Connecticut. Utility consolidated billing preserves an economy of scope that could otherwise have been lost through electric restructuring. It

allows as many customers as possible to make use of billing and collections systems that all customers have paid for and continue to pay for through their distribution rates. Forcing customers of competitive suppliers to pay for duplicative systems when the same services are available at very low incremental cost ensures that Connecticut customers are paying more in total for those services than they should have to. The result would be that competitive suppliers either will be able to offer less savings to customers or will exit the market entirely, depriving customers of the value that competition has brought by offering an alternative to utility service.

This result has no winners, only losers. The utility does not benefit, since it is already allowed by statute “to recover from the electric supplier all reasonable transaction costs to provide such billing services as well as a reasonable rate of return, in accordance with the principles in subsection (a) of section 16-19e.” Customers do not benefit, as they will see their choices and their opportunities for savings decrease. Suppliers will not benefit, as they will lose the ability to offer their customers a convenience that will remain available to utility customers in using facilities that all customers, whether on competitive supply or not, are paying for. This aspect of the Bill benefits no one, and we urge the Committee to reject it.

Direct Energy also opposes Sections 1 and 2 of the Bill, which allow distribution utilities to construct, purchase, own or operate renewable generation and customer-side distributed resources, respectively. In the case of renewable generation, “[a]n electric distribution company constructing or purchasing such generation facility shall recover the costs of such investment and operation, including a return on investment, in a nonbypassable charge as determined by the department in an annual proceeding held pursuant to sections 16-19, 16-19b and 16-19e of the general statutes.” In the case of customer-side distributed generation, utilities would recover their costs through contracts executed with the customer on whose premises the generation will be located.

Direct Energy sees no policy justification for either of these measures, and considerable risk to ratepayers. In the case of renewable generation, Connecticut already supports these technologies through a renewable portfolio standard, the Connecticut 150 program, and the Renewable Energy Investment portion of the Combined Public Benefits charge. Moreover, there are federal incentives, including production tax credits, for certain kinds of renewable generation. Utilities are already allowed to enter into contracts for renewable energy credits and recover those costs from ratepayers. There is also a robust network of renewable developers who are capable of making use of the various available incentives and the non-subsidized demand for low-carbon sources of power to build new renewable generation facilities. There is nothing about the existing system for encouraging the construction of renewable generation facilities that should lead one to conclude that the market needs a further intervention in the form of regulated utilities building facilities and recovering their costs from all ratepayers.

There is even less justification for allowing utilities to enter the business of building and owning customer-side distributed generation. There is also a robust non-utility market for these resources, and Connecticut has seen hundreds of megawatts of distributed generation come online in past several years, due in great measure to the Legislature’s previous efforts in Public Act 05-1. There is no demonstrated need for distribution utilities to be distracted from their core business of providing reliable delivery services to Connecticut residents and businesses by entering a market that is well-served by non-utility providers.

Direct Energy appreciates the opportunity to present its views and respectfully encourages the Committee to reject HB 5365.