

Connecticut General Assembly

The Energy and Technology Committee

March 15, 2011

Raised Senate Bill No. 1, *AAC Concerning Connecticut's Energy Future*

Testimony of Levco Tech, Inc.

My name is Edward Levene, I am Vice President of Levco Tech, Inc. Levco is based in Norwalk Connecticut and has a business relationship with Dominion Retail providing sales to over 80,000 small mass market electric customers in Connecticut.

Retail choice has finally begun to meet the expectations of success, with about a 40 percent of the consumers shopping for competitive rates in Connecticut from wide variety of companies. Consumers are saving millions of dollars each year compared to Standard Service.

We support the enhanced consumer protections as part of the SB1 as a benefit to consumers. There are, however, other sections of the legislation that would be detrimental to electric consumers in Connecticut.

Section 51 5 (n)

The bill states that a proceeding should determine the cost of billing and collection and other services for electric suppliers.

The bill does not state that the Standard Service providers should pay these costs as well.

The cost to collect and bill standard service rates are about the same costs for an Electric Supplier as the Standard Service supply. Without adding these costs to the collection of Standard Service bills the provision is similar to a tax on 400,000 Connecticut consumers using competitive electric suppliers and is an unfair competitive advantage to standard service providers which is not the stated goal of this bill.

Section 51 5 (n) should add the billing and collection costs for Standard Service supply to maintain a fair balance of competition between Electric Suppliers and Standard Service suppliers.

However, customers are currently paying all these costs in the distribution charges to consumers by the EDC's. If a credit is not provided to those customers for these costs the customers will be paying double for these costs.

As written this provision will increase electric bills to over 400,000 Connecticut consumers without a corresponding benefit.

If the costs are determined to be credited to consumers then costs move from distribution charges as they are today by way of a credit and then are charged on the generation portion of an Electric Supplier's bill or portion of the bill. This makes the bill more complicated without an economic benefit. The future of evaluating an electric choice offer under this scenario will be more complex which would reduce the benefit of available cost savings to consumers.

This section 51 5 (n) is a problem and requires more work or elimination to not create significant issues and costs for Connecticut electric consumers.

51 5 (n) The department shall conduct a proceeding to determine the cost of billing, collection and other services provided by the electric distribution companies or the department solely for the benefit of participating electric suppliers and aggregators. The department shall order an equitable allocation of such costs among electric suppliers and aggregators. As part of this same proceeding, the department shall also determine the costs that the electric distribution companies incur solely for the benefit of standard service and last resort service customers. The department shall allocate and provide for the equitable recovery of such costs from standard service or last resort service customers.

Section 55

Section 55 would require Electric Supplier's to offer a TOU (time of use) rates with a peak period price five times the standard nonpeak use rate. This rate would be almost punitive with no justification and is outside the sphere of what retail market participants offer or desire.

One EDC states their billing system and meters are not able to bill time of day rates to almost all the residential customers at this time, nearly one million Connecticut customers. To comply a second meter would be effectively authorized and direct billing mandatory until the EDC are ready with systems. This appears unlikely to be a workable scenario at this time in Connecticut until time of day meters are installed for all customers and billing systems are ready to bill all customers a time of use rate.

Alternatively, a proceeding could be requested to determine if such a rollout of TOU meters is desirable in Connecticut with an evaluation if a mandatory economic separation on peak and off peak rates is desirable and practical.

Section 66 (d)

Section 66 (d) states that "The costs of procurement for standard service shall be borne solely by the standard service customers." This sentence should be clarified to state that such costs should be allocated to the generation portion of customer charges so as not to distort market prices by potentially allocating such charges to all distribution customers.

Section 67

In Section 67 the newly-created DEEP Bureau of Public Utility would be instructed to initiate a proceeding to consider the "buy down" of utility companies' current standard service contracts. Such a docket hardly seems necessary considering that the utilities have no long term contracts and they are benefiting from falling wholesale electric prices as their portfolio of contracts begin to reflect current market conditions. If such a "buy down" is adopted, the DEEP should be instructed to properly allocate the buy-out costs to standard service customers' generation charges to avoid any market distortions and harm to the retail choice program.

Section 71

Section 71 requires an RFP for 5-15 year procurements of electricity for Standard Service customers with the intent that this procurement will be less costly for consumers. If the EDC's move away from administering the procurement of a scientific methodology for Standard Service procurement to managing potentially 5 - 15 year procurements speculating that the procurement will be lower than prices over a decade in the future is filled with dangerous potential outcomes. Without knowing the exact quantity of the supply requirement the ability to accurately predict the future is a very difficult if not an impossible task with large risks and costs going the Connecticut consumers.

If adopted these procurements must be open transparent and identified to the public immediately with the full public documentation of contractual arrangements and specify that costs including losses will be born by Standard Service customers on the generation portion of the bill.

Sec. 71. (NEW) (*Effective July 1, 2011*) On or before September 1, 2011, the Department of Energy and Environmental Protection shall initiate a request for proposals to consider bilateral purchasing contracts for electricity from existing or new generators, provided such contract shall be for a term of not less than five years and not more than fifteen years, shall reduce electricity rates by pricing such electricity on a cost-of-service basis, power purchase agreement or other mechanism the department determines to be in the best interest of Connecticut's customers and shall directly, or in combination with other initiatives, provide electricity at lower rates for Connecticut consumers.

Failure to provide this information will cause hundreds of thousands of consumers to not be able to make completely informed decisions about electric supply. Electric Suppliers have a right as does the public to monitor the contract costs and potential escalations. If long term contracts are placed and prices fall expensive power costs for out of the money contracts will potentially have to be paid by a small pool of people.

The scenario is one if a 15 year supply commitment is procured and the price of natural gas falls to \$2.00/MMBtu with mostly all customers having switched away from Standard Service:

Who will pick up a possible billion dollar mistake?

The few remaining Standard Service customers?

If a few people are left on Standard Service and the bill for power is many times higher than today's rate this section would have been bad policy for Connecticut. We do not believe guessing at the price of power a decade in advance is good policy for Connecticut.

Electric Competition is evolving and successful. We look forward to a stronger competitive environment in the future.

HB 6592

We have two issues of concern about this bill that cause us to oppose it. First, Section 15 (c) purports to allow electric suppliers to provide direct billing and collections services for customers with a demand of not less 100kW but certain restrictions apply. Unlike similar language in SB 1, the customer of direct billing would not receive a credit on their bill from the electric distribution company for not receiving utility service yet would still be paying for it through distribution rates. Additionally, a supplier providing direct billing service would be prohibited from terminating a customer for non-payment. This action is anti-competitive and

would put a supplier at a severe disadvantage to the incumbent utility that does have the right to terminate and disconnect a non-paying customer.

Secondly, Section 16 of the bill contains consumer protection provisions similar to those also found in SB 1. We recommend that if this bill is to be approved, that it at least include in subsection (f) that the statutory language also be applicable to multi-level marketers (MLM) as well.