Connecticut
Light & Power

The Northeast Utilities System

TESTIMONY OF JEFFREY D. BUTLER
THE CONNECTICUT LIGHT AND POWER COMPANY

Energy and Technology Committee
March 15, 2011

Re: S.B. No. 1 AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE.

Good afternoon. My name is Jeffrey Butler, and I am President of The Connecticut Light and Power Company.

We have been fortunate to have seen electric rates decrease over the last two years, and we anticipate a further decrease in 2012. We have adequate supply, we provide our customers with nationally recognized energy efficiency programs, and we are also concurrently meeting the increasing resource portfolio standards for renewable energy. Those rate decreases provide some relief to customers, and, coupled with adequate resources, create an opportunity to reconsider which future energy policies are appropriate for the state.

In recent years, the State of Connecticut has not had a coherent energy policy. It has often pursued two often competing policy goals, lower rates for consumers and promotion of renewable energy resources, with fragmented programs that have had marginal success. We support both of these goals, but we realize that there are often times tension between them. This tension is difficult to resolve, but we are willing to work with this Committee and the Governor to find ways to do so.

This proposed bill is a combination of last year's energy bill, Gov. Malloy's reorganization of energy and environmental agencies, and many new, expanded provisions not previously seen until last Thursday. We are generally supportive of most of the provisions related to reorganization of energy policy into the Department of Energy and Environmental Protection ("DEEP"), and we are hopeful that this reorganization leads to more effective, streamlined and consistent policy and sound regulation that favors choices that benefit electric consumers. Other sections appear to provide for reasoned evaluations of new policy options over the next year by

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- specific basis at the discretion of the commissioner. It would also make sense that the BPUC and PUCA retain the adjudication division, since they are the ones that perform most adjudicatory proceedings.
- Electric distribution companies have long participated in the advancement of energy policy initiatives with the state, and we hope that we continue to have that opportunity in the future. The DEEP reorganization provisions in this proposed bill appear to reduce or minimize our participation in those areas (e.g. least cost planning and program implementation), wherein the reorganization language in H.B. 6386 retained participation by electric distribution companies.
- We believe that the provisions that permit electric distribution companies, with oversight by the DEEP, to manage a portfolio of contracts for standard service supply creates an opportunity for lower costs for customers.
- We support the study of a low income rate funded primarily through reductions in existing low income programs.
- We support the provision that enhances the customer protections related to competitive suppliers.

As you are aware, we have advocated that Connecticut evaluate and determine the benefits and consequences of energy policy before implementing such policy. A responsible renewable policy needs to balance several factors, including jobs added and jobs lost (as a result of higher energy costs), and economic impacts on consumers. We agree with several provisions in the proposed bill that follow the normal sequence of (1) develop options; (2) evaluate strategies; and finally (3) implement programs. For example, several provisions in the proposed bill appropriately allow the new DEEP to follow this path:

- Section 82 requires the DEEP to study available financing programs to determine what exists on the state and national levels and recommend how best to establish a state program for financing renewable energy and conservation. Section 49 adds a new requirement for evaluating options to reduce the price of electricity and maintain such reduction. This section also requires analysis of whether the private wholesale market can provide additional sources, or whether state financial assistance, long term contracts or other interventions are needed, implementing without recognizing the consequences approach in the draft bill include the following:

- Sections 56-63 require a significant solar program on top of existing renewables programs, but additional program is limited by rate caps amounting initially to ½% of total electric distribution company rate revenues ($15 million annually), growing to 1% ($30 million annually). While renewable energy is sound policy, placing too much of the available financial resources (customer rates) in one basket such as solar can lead to a costly and ineffective renewable program. There will be a short-term "boom" period that will attract out-of-state developers to get the 15 year contracts or feed-in tariffs. Unfortunately, because of the high cost of this technology, it will produce very few megawatts of new renewable capacity. Once these 15 year obligations are awarded, there will be the "bust" of the cycle because no more funding will be available (unless customer rates are further raised). This is exactly what happened to the Clean Energy Fund programs, which ran out of funding even though customers continued to contribute $30 million to the fund every year. We also remain concerned that, while this solar program would create some temporary jobs within Connecticut during the "boom" period, higher electric rates from these programs will cause the loss of existing jobs at existing local businesses for the duration of the solar contracts.
- The bill provides a commitment to funding subsidies for up to 250 MW of combined heat and power ("CHP") systems, with a net cost to other customers of $25 million annually. There had been a program for CHP in the past, and program funding was approved for 258 MW of CHP projects. That program was discontinued because the economic analysis indicated it did not provide sufficient benefits to offset the program costs. The proposed expansion of the CHP program does not appear to address the conclusions of the study of the prior CHP program that caused it to end, or whether there are 250 MW of cost effective CHP opportunities remaining within Connecticut.
- The proposed bill includes a provision for a feed-in tariff for other renewable technologies, without such tariff being evaluated as part of the state's overall strategy, or how it might compete with the solar program for funding.