

**CONNECTICUT GENERAL ASSEMBLY
ENERGY & TECHNOLOGY COMMITTEE**

S.B. 1 – AN ACT CONCERNING CONNECTICUT’S ENERGY FUTURE

PUBLIC HEARINGS – MARCH 15, 2011

**STATEMENT OF STEPHEN B. WEMPLE
ON BEHALF OF CONSOLIDATED EDISON DEVELOPMENT, INC.
AND CONSOLIDATED EDISON SOLUTIONS, INC.**

Good afternoon. My name is Stephen Wemple and I am Vice President of Regulatory Affairs, at Consolidated Edison’s Competitive Shared Services. I am here today on behalf of Consolidated Edison Development, Inc. (“ConEdison Development”), which is a developer of solar generation and other energy infrastructure projects, and Consolidated Edison Solutions, Inc. (“ConEdison Solutions”), which supplies electricity, including Green Power, to all customer segments throughout Connecticut. ConEdison Solutions also provides commercial and industrial companies customers a wide range of energy services including customer-sited solar generation, traditional energy efficiency measures, as well as price responsive and demand curtailment strategies.

ConEdison Development and ConEdison Solutions submit this statement expressing both support for some elements of S. B. 1 and significant reservations about other elements that, if not amended, would substantially change how Connecticut utilities procure electric supply for consumers and expose all ratepayers to significant, long-term financial risks.

The positive elements of S. B. 1 include the solar energy programs outlined in Sections 57 through 61. Collectively, these programs would provide incentives to develop a broad spectrum of solar projects ranging from rooftop installations to larger ground-mounted systems and would transform Connecticut from a lagging to a leading state in the development of clean, reliable solar energy.

Section 8, paragraph (a) (26), would expand the eligibility for Class I hydro resources, which is currently limited to run of the river facilities under 5 MW in size and built after

2003, to include virtually all hydro generation including those units that would otherwise be ineligible for Class II. Given this planned expansion of resources eligible to supply Class I credits, it is not clear why Section 52, paragraph (j) (2), would require the EDCs to file by July 1, 2012 to enter into “one or more long-term power purchase contracts from Class I renewable energy source projects” at a price of up to \$55/MWH over wholesale prices or \$125/MWH in total.

Turning to the issue of retail competition, S. B. 1, as proposed, would direct the individual distribution utilities to pursue a new form of commodity procurement where their standard service customers would be at risk for all the costs associated with the utility’s “managed portfolio” and long term procurement decisions. In contrast with the current practice of soliciting an all-in price to supply electric generation service that provides customers with a known cost for a known term, a utility-managed portfolio approach would not lock in all the supply components. Instead it relies on estimates of the all-in cost with any difference between estimates and actual costs being passed on to standard service customers in a future period. Specifically, Section 66 of S. B. 1 envisions a broad based procurement strategy including “contracts for generation or other electricity market products and financial contracts” while Section 71 calls for the Department of Energy and Environmental Protection to solicit bilateral contracts “from existing or new generation ... for a term of not less than five years and not more than fifteen.” Both of these approaches will expose Connecticut consumers to uncertain energy costs and are likely to lead to future stranded costs as technology advances improve the efficiency of new generation and additional gas supplies become available and lower the cost of existing generation. Another area of concern with both the use of bilateral supply contracts and a managed portfolio strategy is the significant amounts of collateral that would have to be posted with trading partners and/or ISO New England. As Baltimore Gas and Electric (“BGE”) testified before the Maryland Commission, 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."¹ 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."²

The concept of a managed portfolio and the risks associated with it are not new. In fact, that was the procurement approach pursued by the EDCs for decades up until the time that the legislature decided to deregulate the electricity industry. Even with deregulation, Northeast Utilities continued to pursue a competitive supply business for stockholder benefit until their own management decided to exit that business and focus exclusively on running their transmission and distribution systems. Given the risks of a managed portfolio and the less than stellar historical experience from the EDCs, Con Edison Solutions would recommend that S. B. 1 be amended to retain the current practice of a full-requirements procurement for Standard Service load until the department can study the viability and likely economic impacts of alternative models.

Turning to the issue of consumer protections, Sections 53 and 54 of S. B. 1 would apply consumer protection rules to larger commercial and industrial customers (i.e., those with demands as high as 100 KW) and potentially impede their ability to shop for electric supply by precluding scheduled sales calls before 10 a.m. or after 6 p.m. In addition Section 54 requires that a supplier compare its price "to the customer's existing electric generation service charge" and, if providing billing service, to display "the rate and usage for the current month and each of the previous twelve months". These requirements are not appropriate as most suppliers do not know and are not in a position to verify what a customer was paying to previous supplier(s). ConEdison Solutions would recommend that S. B. 1 be amended to apply the consumer protections only to customers under 10

¹ 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

² *ibid*

KW, explicitly exempt pre-scheduled appointments with the customer and eliminate the requirement to present historical billing and pricing information.

For the reasons expressed above ConEdison Development and ConEdison *Solutions* urge the Committee to amend S.B. 1 to retain the full-requirements procurement for Standard Service and to amend Sections 53 and 54 as discussed above.

Respectfully Submitted

/s/ Stephen B. Wemple

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