



21 Oak Street  
Suite 202  
Hartford, CT 06106  
(860) 246-7121  
www.env-ne.org

Rockport, ME  
Portland, ME  
Boston, MA  
Providence, RI  
Hartford, CT  
Ottawa, ON  
Canada

**TESTIMONY OF ENE (ENVIRONMENT NORTHEAST)  
TO THE ENERGY AND TECHNOLOGY COMMITTEE  
SB 1079  
AN ACT CONCERNING OPERATIONS OF PUBLIC SERVICE COMPANIES**

March 3, 2011

Good afternoon Senator Fonfara, Representative Nardello, and members of the Committee. My name is Joyce Kung, and I am Staff Counsel for ENE (Environment Northeast), a non-profit research and advocacy organization that focuses on energy, air quality and climate change solutions for New England and Eastern Canada. ENE appreciates the opportunity to provide testimony to the Energy and Technology Committee on S.B. 1079, An Act Concerning Operations of Public Service Companies.

ENE strongly supports Section 1 of the bill which would mandate that the DPUC actually and fully decouple distribution revenues for natural gas and electric distribution companies from volumetric sales. We believe that the intent of the existing language, which was part of P.A. 07-242, was to do exactly that. However, the result of providing the Department three options for how to accomplish decoupling has been an inconsistent and incomplete application of the law. Requiring use of a mechanism that fully reconciles actual distribution levels to allowed distribution revenues is the most direct, easy, and fair way to accomplish the desired goal of removing any disincentive for the companies to support increased efficiency and conservation. This is the wisdom that the General Assembly has specifically codified in section (a) of C.G.S. § 16-19kk (stating that “if the earnings of [electric and gas distribution companies] are adversely affected by such companies’ conservation and load management programs or other programs promoting the state’s economic development, energy and other policy, those companies will have a disincentive to implement such programs.”).

In 2007, the General Assembly enacted P.A. 07-242, which wisely adopted a progressive stance toward promoting energy efficiency and demand reduction through a variety of approaches involving state agencies, the utilities and the private sector. P.A. 07-242 required, among other things, that “[r]esource needs shall first be met through all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible.” The utilities play a critical role in the process as program administrators and members of the Energy Efficiency Board, pursuant to C.G.S. § 16-245m. Thus, fulfilling this obligation requires a full commitment by the utilities. Clearly, this level of commitment is compromised if the utilities retain a throughput incentive to maximize sales in order to maximize revenues, which is why the General Assembly wisely included in P.A. 07-242 the decoupling provision currently in § 16-19tt.

However, despite that directive, only one of five distribution utilities in the State is fully decoupled. The United Illuminating Company (UI) is currently under a two-year pilot that uses a full revenue adjustment clause. This means that UI can encourage efficiency and conservation without any conflicting interests that would affect its bottom line. Currently, Yankee Gas

Services Company (Yankee) is undergoing a rate case before the Department, and ENE has limited intervention rights in that proceeding. The Department has indicated that it is not even requiring direct testimony on decoupling in the rate case, despite the fact that it is Yankee's first rate case since the enactment of § 16-19tt. Meanwhile, the Department has stated that it has satisfied its decoupling obligation through rate design in rate cases for Connecticut Light & Power Company, Connecticut Natural Gas Company, and The Southern Connecticut Gas Company. Essentially, this means recovering more revenue through a fixed customer charge, but still maintaining—on top of that—volumetric delivery and service charges. This means that these three companies still have an incentive to increase volumetric sales to increase revenue. The Department's decision to rely upon increasing fixed customer charges not only unnecessarily and unduly burdens low income and low use customers, but increasing fixed customer charges also reduces the amount of money customers are able to save by using less electricity, thereby sending the wrong price signal and message about reducing consumption. To date, the Department's incomplete application of the decoupling statute seems to frustrate the intent and purpose of P.A. 07-242. At this point, aside from UI for the duration of its pilot, the distribution companies in Connecticut continue to increase their revenues when consumers use more energy—which, of course, also means higher carbon, NOx, and SOx emissions.

In 2010, the American Council for an Energy Efficient Economy's State Efficiency Scorecard dropped Connecticut's ranking lower than it's ever been. Last session's budget bill diverted 35% of the Conservation and Load Management customer funding to the General Fund for the eight years to help cover the budget deficit. At the same time, a report by the Commission on Enhancing Agency Outcomes revealed that in FY 2010, energy costs of state-owned facilities, including higher education facilities, totaled over \$200 million, which reflected a 60% increase over the previous four years.

While the DPUC rejected a plan to increase cost-effective efficiency investments as recommended in the 2010 Integrated Resource Plan docket, Rhode Island and Massachusetts have committed to tripling and quadrupling their efficiency investments. Thus, while our Energy Efficiency Fund and Energy Efficiency Board have some of the most innovative, effective, and well-evaluated programs in the country, the State has begun to falter in recent years in its commitment to efficiency.

Clarifying and strengthening the current decoupling statute—as this Committee has proposed in Section 1 of SB 1079—is a strong and definitive step in renewing the State's commitment to efficiency. ENE fully supports Section 1 of this bill and commends the Energy & Technology Committee's dedication to energy efficiency.