



**Connecticut
Light & Power**

The Northeast Utilities System



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**TESTIMONY OF RICHARD A. SODERMAN
THE CONNECTICUT LIGHT AND POWER COMPANY
and YANKEE GAS SERVICES COMPANY**

**Committee on Finance, Revenue and Bonding
March 21, 2011**

**Re: S.B. No. 1157 AN ACT CONCERNING THE RESTORATION OF THE ENERGY
CONSERVATION AND LOAD MANAGEMENT FUND.**

Good afternoon. My name is Richard Soderman, and I am Director of Legislative Policy and Strategy for Northeast Utilities Service Company, appearing on behalf of The Connecticut Light and Power Company and Yankee Gas Services Company.

This proposal is intended to substantially restore the funding of energy efficiency programs that had been diverted by P. A. 10-179 to support the deficit in the State's budget. We applaud this committee for taking creative and bold steps to restore these programs that are so essential to lower bills for Connecticut electric consumers and these important jobs in our communities.

P. A. 10-179 originally called for issuance of economic recovery revenue bonds ("ERRBs") to permit transfer to the general fund of \$956 million, with such amount to be reduced by the amount of unappropriated surplus for the fiscal year ending June 30, 2010. Based on the Treasurer's report, the amount of the transfer to the general fund was reduced as a result of the FY 2010 surplus to \$646.6 million, which represents the net amount from issuance of \$760 million of ERRBs. Gov. Malloy has since indicated that he intends to use additional surpluses (\$43 million) for FY 2011 to further reduce the diversion, reducing the transfer payment to about \$603 million. Recent indications suggest that the surplus could reach \$166 million. If that surplus was used for this purpose, then the transfer to the general fund could be reduced to \$480 million.

Simply put, this bill contemplates using some or all of the surpluses as described above, and by doing so, reducing the amount of annual debt service payments required for the ERRBs. As such, the need for diversion of 35% of the energy efficiency funding beginning in April 2012 could be



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substantially or perhaps fully mitigated, thereby allowing continuation of higher levels of energy efficiency programs (and jobs) to be delivered into the future. At the \$43 million surplus level, perhaps one-quarter to one-third of the efficiency diversion could be restored, at the full allocation of the surplus, perhaps all of the diversion could be eliminated.

We support the restoration of the energy efficiency fund to the maximum extent possible. We suggest that the language in the proposed bill be made clearer to reflect that additional surpluses are to be used for this purpose, and that the 35% number represents a cap on the diversion of energy efficiency funds that will be adjusted downward depending upon the need for such funds beyond the ERRB charges approved in the DPUC's financing order.

We also request that the proposed language be modified to clearly indicate the intent of the legislation that the charges to support these bonds shall be collected from all electric customers throughout the state, including those of municipal electric light departments. Although the financing orders do not make the municipal light departments responsible for their portion of the payments, the legislative debate and intent indicated that sharing of the ERRB obligation would occur. When P. A. 10-179 was originally debated, it was clear that all customers throughout the state would bear a portion of this obligation (attached transcript excerpt). See the attached map for an illustration of where customers will pay for this tax.

As it now stands, this assessment is unfairly assigned to only a portion of electric consumers. Further, limited income families in our service territories will pay this charge, but higher income families in areas that are served by municipal electric light departments would not. There is no reasonable basis for our customers to pay now, and other customers to pay less or never. All customers should pay on the basis of an equitable share of this burden. I note that the financing order, which does not include the municipal electric departments, uses a discount rate of 3.1% to distribute the charge on a net present value basis. This rate is too low, and it should be based upon the utilities' average cost of capital. It is important that this allocation is borne equitably by all electricity consumers. Attached is draft language to remedy this problem.

Thank you for the opportunity to provide testimony on this matter.



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Excerpt from Transcript: May 5, 2010

3



The Northeast Utilities System

SENATOR DOYLE:

Thank you, Mr. President.

I have -- I just have a particular area that I wanted to discuss briefly with Senator Daily, regarding for -- for purpose of legislative intent in connection with the Economic Recovery Revenue Bonds.

Earlier in the year I was concerned about the allocation of the responsibility to pay the Economic Recovery Revenue Bonds, specifically, in connection with the utilities. And today, I've done some -- I spoke to an official at the Treasurer's Office. I'm comfortable how they're allocated between CL&P, UI and the municipal utilities. And really my main concern in lay language is that each household basically in the state is equally responsible for the payback figures. And that being said, I've looked in the -- in the bill on page 212 of it. There is language there that -- that comforts me. And I'll just kind of recite it. And I just want to confirm this is the understanding of Chairman Daily. But in this or on line 4492, it details the departments to allocate the responsibility of the funding for these equitably between the electric distribution companies -- being the three companies I just previously mentioned -- and further language states that such allocation, you know, may commence of different dates and may vary over term provided -- and this is that language that I -- that I'm concerned about or I should say I'm comfortable about now -- such charges are equitably to be allocated to the customers of each electric distribution company. And they all have this -- the substantially the same present value after consultation.

So in normal language, I'm just trying to get -- get -- get across for legislative intent, do -- over the three electric companies, is it fair to say that the electric consumer, statewide, will have the same proportionate allocation or burden under the bill? Through you, Mr. President.

THE CHAIR:

Senator Daily.

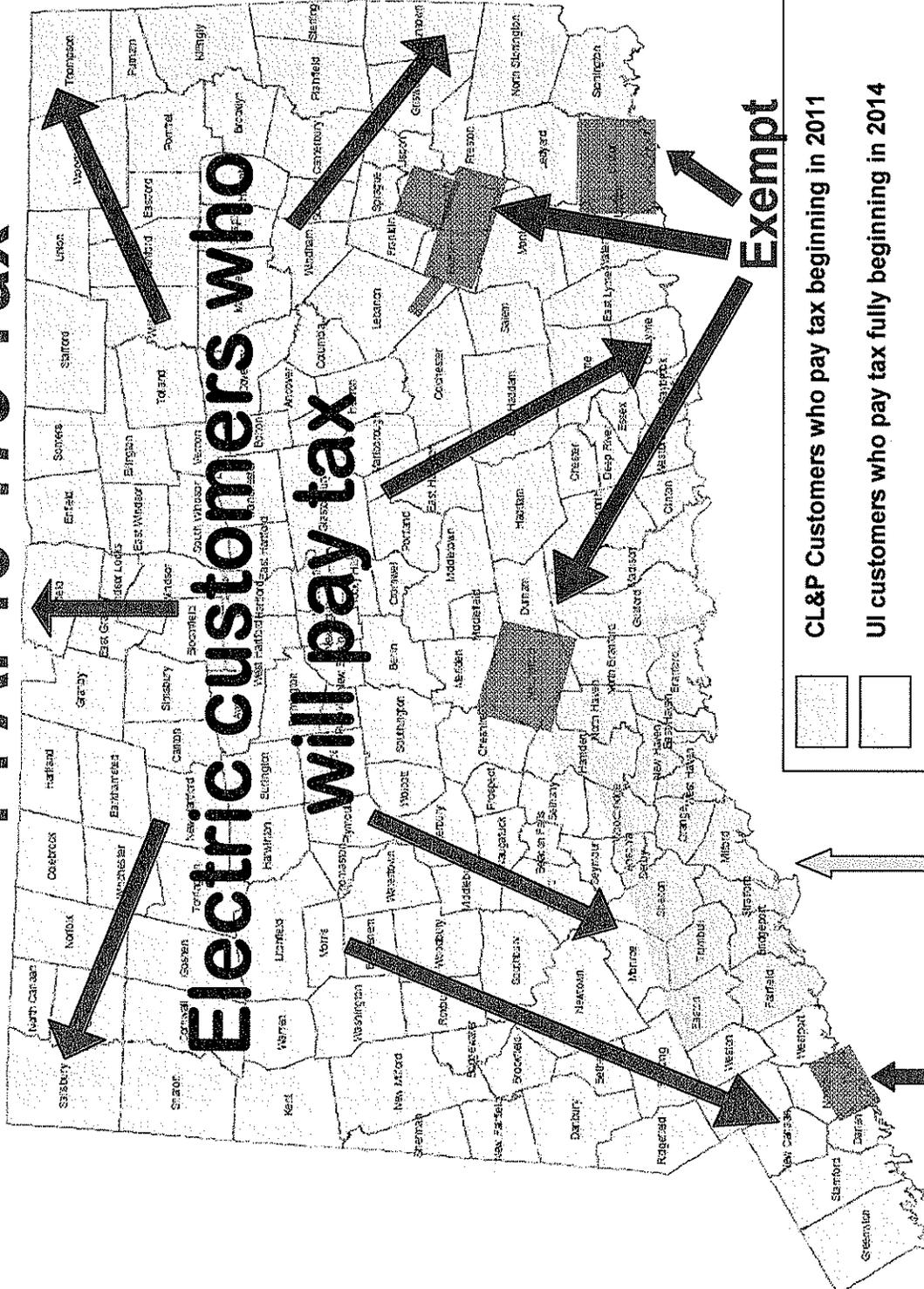
SENATOR DAILY:

Thank you very much, Mr. President.

And, through you, Mr. President, yes, Senator Doyle, that is the intention. It is the direction in this language to the Department to set this up so it's equitably allocated and so that every household has basically the same responsibility.



P. A. 10-179 Tax



CL&P Customers who pay tax beginning in 2011

UI customers who pay tax fully beginning in 2014

Municipal electric department town customers who never pay
 (Norwich Public Utilities, Groton Dept. of Utilities, Jewett City Dept., S. Norwalk Electric, 3rd Tax Dist. of Norwalk Electric Dept., Wallingford Dept. of Public Utilities, Groton Dept. of Utilities)

Delayed

Exempt



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Insert for Raised Bill No. 1157

Purpose: To assure that the electric consumer, statewide, will have the same proportionate allocation or burden under P. A. 10-179 so it's equitably allocated and so that every household has basically the same responsibility.

Note that the proposed insert contains bracketed choices that the committee should determine. We recommend that, in order to be fully equitable, the charge commence on the same date as that of the first required payment by electric distribution companies.

An Act Concerning the Restoration of the Energy Conservation and Load Management Fund

Sec. 6. (NEW) (*Effective from passage*): Notwithstanding any general or special law, rule, or regulation to the contrary, each municipal electric utility created pursuant to chapter 101 or by special act shall pay an equitable share of the debt service on the economic recovery revenue bonds issued pursuant to subsection (b) of section 16-245f of the general statutes, as amended by this act. The equitable share of each municipal electric utility shall be determined by the Office of the State Treasurer consistent with its methodology utilized to determine the equitable share of each electric distribution company. Each municipal electric utility shall assess a charge to its retail customers[, exclusive of sales to United States government naval facilities,] to collect such equitable share, commencing on or before [date] but no later than the date on which similar charges commence to any customer of an electric distribution company. Funds assessed and collected shall be transferred by the municipal electric utility to [the General Fund] [the trustee under the indenture associated with such bonds] on a [daily, weekly, monthly, etc.] basis.

