



AARP CONNECTICUT TESTIMONY ON SENATE BILL 1

John Erlingheuser, Advocacy Director, AARP Connecticut

AARP would like to thank Chairman Fonfara and Chairman Nardello for introducing Senate Bill 1, An Act Concerning Connecticut's Energy Future. This bill closely mirrors legislation that the General Assembly passed last year and Governor Rell vetoed. AARP endorsed last year's legislation, even though there were costs associated with the legislation around the renewable energy components, we felt that the net result of the legislation would bring rate relief to electric consumers in addition to many other pro-consumer pieces of the bill.

AARP strongly supports many sections of this legislation. Those sections were included as questions in AARP's 2010 state voters' guides. Our energy questions around the sections of S.B. 1 received overwhelming support from members of the General Assembly and the Governor.

Sections of S.B. 1 AARP strongly supports:

SECTIONS 48 AND 49– INTEGRATED RESOURCES PLAN

These sections of the bill have the potential to reduce rates by up to 15%, to get Connecticut's rates more in line with neighboring states, as opposed to paying some of the highest rates in the continental United States. The bill requires Department of Energy and Environmental Protection to (1) assess future electric demand and how best to meet it and (2) develop a comprehensive plan to meet the demand through procuring a mix of generating facilities and efficiency programs. It requires (1) DEEP's Bureau of Energy to hold a hearing and make recommendations to the DEEP commissioner on the plan and (2) DEEP's commissioner to accept, reject, or modify the plan.

The bill requires the 2012 plan to, among other things (1) indicate specific options to reduce the price of electricity and (2) assess and compare the cost of transmission line projects, new power sources, renewable electricity sources, conservation, and distributed generation projects to ensure the state pursues only the least-cost alternative projects (this provision is effective upon passage.)

SECTION 52 – STANDARD SERVICE

Electric companies must provide standard service to small and medium size electric customers who do not choose a competitive supplier. Currently, the electric companies procure the power to provide this service. The bill modifies the process by which the companies procure power for the service; among other things, there is a requirement that the companies buy overlapping contracts in order to reduce rate volatility (commonly called laddering). It permits the companies to procure short-term contracts under a broader range of circumstances.

SECTION 53 – ELECTRIC BILLING AND COLLECTION SERVICES

Under current law, competitive suppliers can provide billing and collection services for their customers that have at least 100 kilowatts of demand. The bill requires suppliers to provide these services or obtain these services from the electric company, paying their fair share of these costs. Currently the utility companies, CL&P and UI, conduct the billing and collection for customers who choose to purchase their electricity from a competitive supplier. Those costs are factored into the rate that standard offer customers pay for electricity. These costs should be paid for by the companies that are making profits off the competitive market, not the customers who choose not to use their services.

SECTION 54 – ELECTRIC SUPPLIER CODE OF CONDUCT

The bill establishes a Code of Conduct for competitive suppliers and related entities. The Code would protect residents that choose to switch from standard electric service (UI or CL&P) to a retail electric supplier from unscrupulous and aggressive marketing practices. The bill does this by requiring electric suppliers, their aggregators or agents to identify themselves appropriately to avoid misrepresentation, and explain to customers the fundamental terms and conditions of the service contract, as well as any hidden fees or variable charges.

SECTION 66 – STANDARD SERVICE POWER PROCUREMENT

The bill would create a procurement officer at the Department of Energy & Environmental Protection (DEEP). It requires the procurement officer in consultation with the electric companies, to develop a plan for procuring power and related products that will enable each electric company to manage a portfolio of contracts to reduce the average cost of standard service while maintaining cost volatility within reasonable levels. The plan must provide for the use of a variety of procurement approaches and can be amended by the DEEP commissioner.

SECTION 67 – STANDARD SERVICE CONTRACT BUYDOWN

The bill requires DEEP to (1) initiate a docket to consider the buying down of an electric company's current standard service supply contract to reduce ratepayer bills and (2) conduct a cost benefit analysis. If the department determines a buy down is in ratepayers' best interest, DEEP must proceed with the buy down.

SECTION 71 – BILATERAL SUPPLY CONTRACTS

DEEP must issue an RFP to award bilateral purchasing contracts for electricity from existing or new generators, i.e., contracts directly with the generator rather than through a third party. The contracts must be for five to 15 years and reduce electricity rates by pricing the purchased power on a cost-of-service basis or using a power purchase agreement or other financing mechanism DEEP determines to be in the best interest of customers.

SECTION 90 – FINANCIAL ASSISTANCE HEATING EQUIPMENT

DEEP must offer financial assistance for the replacement of natural gas or oil heating equipment. This would be done through low interest loans from a revolving loan fund. The incentives must

ensure that the recipient's energy savings exceed the loan repayment by at least \$100 per year and the loans must be payable on the borrower's electric or gas bill.

Sections of S.B. 1 AARP has concerns with:

SECTION 55 & 64: TIME OF USE RATES and TIME OF USE METERS

AARP has strong concerns about the use of time of use meters and time of use rates. Advanced meters enable a "time of use" pricing structure, the highest electricity prices will occur during peak periods, which are usually during the summer and the day. Retirees who are home during the day could see significant increases in their bills if Connecticut under time of use rates. And, AARP is concerned that many residential customers would not benefit from advanced meters because they have very limited means to shift electric use to lower priced times of day. While the time of use rates would be considered "voluntary," this label is usually temporary at best. It is also important to spell out who would pay for the cost of advanced meters that would be needed for the time of use pricing scheme.

Judging from the negative reaction from consumers in states that are installing advanced meters we have no reason to believe advanced metering consumers Connecticut won't experience similar concerns. **New York** previously had a mandatory time of use rate for very high usage residential electric customers. The program was so unpopular the state legislature amended the law to make any residential time of use program voluntary. People in California are complaining about extraordinarily high bills with the same usage once the meters are installed and some California communities are passing resolutions to ban installation of the meters.

SECTION 57-63: SOLAR ENERGY PROGRAMS; SECTION 91: PROMOTING COGENERATION

AARP has significant concerns about the costs associated with sections 57-64 and section 91. While we understand the desire to make the investments being considered in solar and cogeneration, and we do not oppose these investments, the costs associated with these sections should be weighed against all the rate relief provisions that AARP supports throughout the rest of the bill. These sections should either be eliminated or should be capped to ensure that their costs are mitigated. If at all possible they should be funded by sources outside of rate payer dollars.