



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

Energy and Technology Committee
March 15, 2012

Re: S.B. No. 415 THE OPERATIONS OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION, THE ESTABLISHMENT OF A COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM, WATER CONSERVATION AND THE OPERATIONS OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY.

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 proposed bill calls for many conforming changes to existing law regarding alignment of DEEP and PURA responsibilities, and we support those recommendations.

With regard to section 11, we support the clarification of the process for preparing and approving energy conservation programs. This proposed change would clearly establish the process for energy efficiency plans to be developed and reviewed by the various parties. It is also consistent with the process that is used for this purpose today in practice.

With regard to proposed amended section 19 (e) on comprehensive energy plans beginning on line 839, and proposed amended section 20 (g) on integrated resource plans beginning on line 965, both of which address cost recovery for such planning be accomplished through utility assessments pursuant to Section 16-49. While responsibility for those plans is under the DEEP, at the request of DEEP, electric distribution companies incur significant costs associated with the development of the plans. The costs recovered in the utility assessment are those costs of the PURA and Office of Consumer Council, section 16-49 assessments do not provide for utility costs. Thus, we recommend that electric distribution company cost recovery should remain through the

systems benefits charge. To accomplish this, both of these subsections, 19 (e) and 20 (g), should include an additional sentence, such as: "All electric distribution companies' reasonable costs associated with the development of the plan shall be recoverable through the systems benefits charge."

In section 22 (project 150), the proposal appears to allow the extension of contractual in services dates unilaterally by one party (the developer). We suggest that mutual agreement between such parties would be necessary to avoid interference with existing contracts.

In section 50 (utility and non-utility renewable generation up to 30 mws), we suggest that the language of section 127 (16-244v of the 2012 supplement) or P. A. 11-80 be clarified to provide for the fact that there are two processes in place, one for non-utility projects and one for utility projects. The DEEP has already issued an RFP and selected winning non-utility projects. Further, CL&P would like to use this section of law to allow it to develop initial microgrid projects consistent with a storm hardening strategy. Because fuel cells are smaller than one megawatt, this current provision would also need revision. We suggest the following language:

Sec. 127. (NEW) (Effective July 1, 2011) (a) Notwithstanding subsection (a) of section 16-244e and other provisions of the general statutes, an electric distribution company, ~~or owner or developer of generation projects that emit no pollutants,~~ may submit a proposal to the Public Utilities Regulatory Authority-Department of Energy and Environmental Protection to build, own or operate one or more generation facilities up to an aggregate of ~~thirty ten~~ megawatts using Class I renewable energy sources as defined in section 16-1 of the general statutes from July 1, 2011, to July 1, 2013~~4~~, provided that, if such proposal is designed to improve the electrical resiliency of a municipal or government critical load center, such proposal may include other generation technology that uses natural gas fuel. Each facility shall be greater than ~~one-megawatt~~ 400 kilowatts but not more than five megawatts, but the authority can waive this requirement for good cause shown. Each electric distribution company may enter into joint ownership agreements, partnerships or other agreements with private developers to carry out the provisions of this section. ~~The aggregate ownership for an electric distribution company pursuant to this section shall not exceed ten megawatts.~~ The ~~department~~ authority shall evaluate such proposals pursuant to sections 16-19 and 16-19e of the general statutes and may approve one or more of such proposals if it finds that the proposal serves the long-term interest of ratepayers. The ~~department~~ authority (1) shall not approve any proposal supported in any form of cross subsidization by entities affiliated with the electric distribution company, and (2) shall give preference to proposals that make efficient use of existing sites and supply infrastructure or are designed to improve the electrical resiliency of a municipal or government critical load center. No such company may, under any circumstances, recover more than the full costs identified in a proposal, as approved by the authority. Nothing in this section shall preclude the resale or other disposition of energy or associated renewable energy credits purchased by the electric distribution

company, provided the distribution company shall net the cost of payments made to projects under the long-term contracts against the proceeds of the sale of energy or renewable energy credits and the difference shall be credited or charged to distribution customers through a reconciling component of electric rates as determined by the department authority that is nonbypassable when switching electric suppliers.

(b) An owner or developer of generation projects that emit no pollutants may submit a proposal to the Department of Energy and Environmental Protection to build, own or operate one or more generation facilities up to an aggregate of ten megawatts using Class I renewable energy sources as defined in section 16-1 of the general statutes from July 1, 2011, to July 1, 2013. Each facility shall be greater than one megawatt but not more than five megawatts. The department shall evaluate such proposals pursuant to sections 16-19 and 16-19e of the general statutes and may approve one or more of such proposals if it finds that the proposal serves the long-term interest of ratepayers. The department (1) shall not approve any proposal supported in any form of cross subsidization by entities affiliated with the electric distribution company, and (2) shall give preference to proposals that make efficient use of existing sites and supply infrastructure. No such company may, under any circumstances, recover more than the full costs identified in a proposal, as approved by the department. Nothing in this section shall preclude the resale or other disposition of energy or associated renewable energy credits purchased by the electric distribution company, provided the distribution company shall net the cost of payments made to projects under the long-term contracts against the proceeds of the sale of energy or renewable energy credits and the difference shall be credited or charged to distribution customers through a reconciling component of electric rates as determined by the authority that is nonbypassable when switching electric suppliers.

(c) Concurrent with the authority's review of each electric distribution company's proposal, the authority shall establish a rate recovery mechanism under which the net cost of each such facility, including each facility's interconnection costs and costs resulting from a facility's provision of infrastructure hardening or electric system reliability benefits, shall be recovered from customers through the non-bypassable federally mandated congestion charge as defined in section 16-1 of the general statutes. As part of its proposal to the authority, the company shall also propose whether use the power, capacity and related products produced by such facility should be used to meet the needs of customers served pursuant to section 16-244c of the general statutes.

(e) Notwithstanding the provisions of subdivision (1) of subsection (j) of section 16-244e of the general statutes, the amount of renewable energy produced from such facilities shall be applied to reduce the electric distribution company's Class I renewable energy source portfolio standard obligations.

(d) The department shall evaluate the proposals approved pursuant to this section and report in accordance with the provisions of section 11-4a of the general statutes to the joint standing committee of the General Assembly having cognizance of matters relating to energy whether proposals shall be accepted beyond July 1, 2013 the dates authorized in subsections (a) and (b).

Regarding section 51 (audits for non-electric and non-gas heated homes), we suggest that customers who receive subsidized audits and who do not heat with natural gas or electricity are informed of the possibility, costs and potential benefits of heating with natural gas as an alternative to such customers' existing heating source.

Regarding section 53, we believe that limiting the residential heating conversion program to only existing electric heated homes is poor energy policy. Existing oil heated homes should also be included in the conversion program. Conversion of an oil heated home to natural gas could save the homeowner 40% on its energy bills, and the conversion of electric heated homes to oil heat (especially for heat pumps) may produce little or no savings, and in fact, may cost the homeowner more. We recommend that the phrase "who heat their homes with electricity" be removed from current law.

Thank you for the opportunity to testify on this matter today.