



**Connecticut
Light & Power**

The Northeast Utilities System



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**TESTIMONY OF JAY FLETCHER
THE CONNECTICUT LIGHT AND POWER COMPANY
and YANKEE GAS SERVICES COMPANY**

**Energy and Technology Committee
March 7, 2013**

**RE: GOVERNOR'S BILL NO. 6360, AN ACT CONCERNING IMPLEMENTATION OF
CONNECTICUT'S COMPREHENSIVE ENERGY STRATEGY**

Good afternoon. My name is Jay Fletcher, Director of Regulatory Policy for Northeast Utilities Service Company. I am appearing on behalf of The Connecticut Light and Power Company and Yankee Gas Services Company. Here with me today is Stephen Gibelli, Assistant General Counsel for NUSCO.

The proposed legislation implements several of the items contained in the Governor's Comprehensive Energy Strategy ("CES"). While we support many of the principles in the CES, there are some aspects of this legislation, however, where we offer suggested changes for your consideration. We would like to highlight those that we support as well as those that concern us.

Section 1 of the bill authorizes PURA to implement full decoupling at the time of the utility's next rate case. Decoupling is critical to ensure that the utilities can implement many of the programs outlined in the CES, without concern for lost revenues. We have long supported decoupling, and support the language of Section 1.

Section 19 of the bill contains language legislating certain provisions of the gas companies' existing "hurdle rate" model. The hurdle rate model is used by the gas companies to evaluate the cost effectiveness of adding additional customers. The provisions of this section extend the time horizon over which the model is analyzed. This provision will enable more customers to "pass" the hurdle rate model, therefore eliminating the need for those customers to make an upfront payment to the gas company prior to receiving service. We have found that, generally speaking, once a customer converts to natural gas that customer will most likely remain a customer for a

very long time, most often in excess of 25 years. So, it is logical to align the hurdle rate model accordingly.

The last sentence in this section provides for PURA to allow gas companies to forecast revenues that would reasonably be anticipated to occur up to three years after a gas line is constructed in a given neighborhood. Currently, only the revenues from the customer for whom a gas extension is run count in the hurdle rate model, yet history has shown that, once the line is built, other customers will also convert. This provision allows for those incremental revenues to be counted in the hurdle rate model, thus making it easier for that initial customer to receive gas service. The alternative would be that the first customer would have to bear the entire cost of the line and, most likely, would choose not to make that investment. While three years is helpful, allowing the gas companies to reasonably forecast revenues for up to five years would be an added benefit and allow even more customers to convert to natural gas. We support this section and believe our suggestions will be beneficial.

Section 5 of the proposed legislation expands the virtual net metering provisions currently in statute, allowing state and agricultural facilities to participate in a virtual net metering program. We are concerned about this provision for several reasons. First, and foremost, the credits given to the beneficial accounts designated by the host net metering facility will end up being subsidized by all of our other customers. Expanding the subset of customers who can take advantage of virtual net metering, and by increasing the cap from \$1 million to \$10 million annually, this subsidy will grow larger. These subsidies are unfair to non-participating customers and will result in higher rates to these customers to support this program.

Second, while the bill increases the program cap from \$1million to \$10 million, it does not provide for the timely recovery of these costs by the electric distribution companies. Section 5 also introduces a credit of a portion of the host customer's distribution charges as part of the virtual net metering credit. It is not clear to CL&P from reading this legislation how this will work. However, this credit to distribution charges is a direct erosion of CL&P's approved revenue requirement. CL&P requests that the bill provide for cost recovery of the program and lost distribution revenues through the non-bypassable federally mandated congestion charge pursuant to Conn. Gen. Stat. §16-243p.

In summary, we oppose Section 5 of the bill.

Section 8 of the bill pertains to microgrids. We support microgrids and DEEP's microgrid pilot program. We have worked with DEEP and potential microgrid owners on designs that will benefit the state, that live within the specific parameters created by DEEP for the purpose of developing this program and do not infringe upon the electric distribution companies' franchise rights. We would suggest that the legislature allow DEEP to complete its pilot program, which is currently underway, before any further changes are proposed to statute in regards to microgrids.

This section allows microgrids to cross the public rights of way. We, as the franchise utility, regulated by PURA, have the responsibility to safely and reliably distribute electricity to our customers. This provision begins to dismantle that covenant. There is also a public safety concern with allowing non-utility entities, not regulated by PURA, to distribute electricity across public rights of way. In daily operation, and, more specifically during an electric outage, the delivery and restoration of power is complicated and requires great coordination and synchronization of systems. CL&P is very concerned that allowing other entities to either build their own or utilize existing distribution facilities will cause confusion. This confusion has the potential to jeopardize the safe and reliable distribution of electricity.

For the aforementioned reasons, we feel that the language of Section 8 is unnecessary and we oppose its inclusion in this bill. While we do not support Section 8 as written, we are supportive of microgrids and will continue to work with DEEP through the implementation of its ongoing pilot program.

Section 6 of the bill contains an expansion of the current allowances for submetering. While there are certain protections afforded to submetered customers in this section, they fall short of the numerous protective statutes and regulations that protect non-submetered customers. As written these customers will have no regulations protecting them with respect to termination, late payment charges, meter testing, and termination notices, among many others. Existing legislation already allows PURA to grant exemptions to the submetering prohibition. Therefore, we believe this section is unnecessary.

Section 7 of the bill is vague, as written we have questions regarding the intent of this section. If the intention here is to allow customers to aggregate bills to avoid certain charges such as the customer charge, then we are deeply concerned that this would be a direct erosion of our revenue requirement which will ultimately cause other customers' costs to increase. If the intention is to simply allow for administrative ease, the printing of bills into a single statement, keeping all charges from the original bills intact, then our concerns are lessened. Such a provision could require costly changes to our computer systems to allow these bills to be combined.

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