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PREFILED STATEMENT OF
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IN RE: PROPOSED BILLS NO. 78 AND 79
PROPOSED BILLS 4, 413, AND 5234

COMMITTEE ON ENERGY AND TECHNOLOGY
FEBRUARY 21, 2017

Introduction

The Third Taxing District of the City of Norwalk, a political subdivision of the City of Norwalk, provides electric service through its operating utility, Third Taxing District (TTD). Approximately 4,000 customers in East Norwalk receive their electric service from TTD.

TTD has been a member of the Connecticut Municipal Electric Energy Cooperative (CMEEC) for nearly thirty (30) years, and is a signatory to its Membership Agreement; TTD purchases all of its electric energy and capacity requirements from CMEEC through the organization's Replacement Power Supply Agreement. TTD's annual purchases of energy, capacity, and ancillary services total over $5 million.

Issues with Proposed Bills No. 78 and 79

TTD asserts, beyond a shadow of belief, the proposed legislation will cause significant and irreversible damage to the interests of its customers in three distinct areas:

1. Dismantling CMEEC will immediately and significantly raise purchased energy costs and harm TTD's customers
2. CMEEC provides other benefits and services to TTD and our customers beyond the cost of purchased energy, which would require TTD to contract others to provide those services and incur additional costs
3. The proposed dismantling of CMEEC cannot be accomplished without creating bond defaults for jointly owned generation and transmission assets, generating many millions of stranded investment and bond holder lawsuits against those creating contract disruption

1. Dismantling CMEEC will raise purchased energy costs and harm TTD's customers

As noted above, TTD customers purchase energy from CMEEC under an "all requirements" contract, at an annualized cost approaching $5 million per year. When compared to a wholesale regional benchmark, CMEEC all-in cost of energy is consistently fifteen percent to twenty percent (15% to 20%) lower on a cost per kilowatt-hour basis. If not but for CMEEC, TTD wholesale energy cost would increase by this magnitude, and our customers' energy bills would increase by $15 to $20 per month.

2. CMEEC provides other benefits beyond the cost of purchased energy which will be lost if CMEEC is dissolved

TTD customers benefit from CMEEC's investment in generation and transmission projects, which provide a positive net benefit that reduces the net cost of power that TTD purchases. Without CMEEC, TTD could not participate in such value creation projects on its own, and therefore, the customers' bills will increase.

CMEEC also provides Conservation and Load Management program coordination and management services to its members at a cost significantly lower than the cost of TTD creating those services on a stand-alone basis. TTD customers who avail themselves of these programs see a direct benefit which would be lost if CMEEC were dissolved.

Finally, CMEEC's business model results in the creation of significant annual margin and net income, which increases the value of the owners, including TTD. The combination of revenues produced by non-member sales and from net income of CMEEC are additional financial resource gains that offset the cost of energy. In fact, due to these value streams, TTD realizes an overall net reduction in cost for CMEEC to perform all services. The CMEEC model for an owner is far superior to any other energy model because of these value streams.

3. The proposed dismantling of CMEEC cannot be accomplished without significant financial harm, which will have to be borne by CMEEC's members, including TTD.

For CMEEC to be dissolved, Members must approve concurrent resolutions to dissolve, and must retire all outstanding debt incurred by CMEEC in support of the generation and transmission assets, prior to dissolution. This reality creates over $100 Million of stranded investment without ability to utilize the underlying assets to perform work or to create value. The Member rate payers would realize significant incremental cost. Additionally, the bond holder would more than likely file lawsuits against the state for contractual interference in their investment.

In addition, replacing CMEEC with a new joint action agency would require an investment in facilities, processes, systems, people and working capital, and would likely take a considerable period of time before it said agency would reach operational maturity and be capable of creating savings similar to those being created by CMEEC today. These incremental costs and lost efficiencies would be borne by the customers of CMEEC's members, including TTD.

For all of these reasons, on behalf of its 4,000 customers, TTD requests that the Energy and Technology Committee decline to approve these bills for consideration by the full legislature.

Issues with Proposed Bills No. 4, 413, and 5324

1. Proposed Bill No. 4

TTD has no objections to Bill No. 4 other than to not require CMEEC to perform postings to the municipal utility or to the municipality's website as they have no direct control or ability to do so

2. Proposed Bill No. 413

TTD opposes Bill No. 413 for the simple reason that there is no problem that requires a legislative solution. CMEEC already posts financial statements on its website, so the proposed bill is redundant and unnecessary. With the exception of those records that are exempted from FOIA disclosure by the statute, CMEEC records are already subject to disclosure under FOIA requirements.

3. Proposed Bill No. 5234

TTD opposes Bill No. 5234 because it is a solution in search of a problem. Disclosure requirements, as well as billing and cost accounting standards, involving non-member customers of CMEEC are determined by contracts between CMEEC and the customers which are negotiated at arms-length by equal parties. This bill circumvents that process by application of a non-specific legislative remedy which is simply not necessary.

Concluding, other than Proposed Bill No. 4, all other Bills listed are immediately and significantly destructive to CMEEC customers and their end-use customers, including numerous large employers throughout the state. No substitution or replacement entity can restore CMEEC capabilities or the value proposition. Bills 5234, 78, 79, and 413 are not required, do not serve to improve CMEEC operations, and appear to be based in ulterior motives regardless the harm the proposed Bills create for the people of Connecticut.

Respectfully,

James Smith
General Manager