

**PREFILED STATEMENT OF  
PAUL YATCKO  
GENERAL MANAGER AND CEO  
SOUTH NORWALK ELECTRIC & WATER  
NORWALK SECOND TAXING DISTRICT**

**IN RE: PROPOSED BILLS NO. 78 AND 79  
PROPOSED BILLS 4, 413, AND 5234**

**COMMITTEE ON ENERGY AND TECHNOLOGY  
FEBRUARY 21, 2017**

**Introduction**

The Second Taxing District of the City of Norwalk, a political subdivision of the City of Norwalk, provides electric and water utility service through its operating utility, South Norwalk Electric and Water (SNEW). Approximately 6,500 customers in South Norwalk receive their electric service from SNEW.

SNEW has been a member of the Connecticut Municipal Electric Energy Cooperative (CMEEC) for nearly 30 years, and is a signatory to its Membership Agreement; SNEW purchases all of its electric energy and capacity requirements from CMEEC through the organization's Replacement Power Supply Agreement. SNEW's annual purchases of energy, capacity, and ancillary services amount to almost \$10 million annually.

**Issues with Proposed Bills No. 78 and 79**

SNEW believes the proposed legislation will damage the interests of its customers in three distinct areas:

1. Dismantling CMEEC will raise purchased energy costs and harm SNEW's customers.
2. CMEEC provides other benefits to SNEW customers beyond the cost of purchased energy which will be lost without CMEEC.
3. The proposed dismantling of CMEEC cannot be accomplished easily and will result in "breakage costs" which will have to be borne by CMEEC's members, including SNEW.

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

As noted above, SNEW customers purchase energy from CMEEC under an "all requirements" contract, at an annualized cost approaching \$10 million per year. When compared to a regional benchmark, CMEEC all-in cost of energy is over 20 percent lower on a cost per kilowatt-hour basis. SNEW's share of this benefit is on the order \$2 million per year; for the typical small residential customer in SNEW's territory who uses 700 kwh per month, this translates into monthly savings of about \$13. Given the demographic of South Norwalk, SNEW's customers can ill-afford to forgo these savings.

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

SNEW customers benefit from CMEEC's investment in generation and transmission projects, which provide a cash flow stream that serves to reduce the net cost of power that SNEW purchases. Replacing CMEEC with another entity would eradicate this benefit stream, raising the cost of energy to SNEW customers.

CMEEC also provides Conservation and Load Management program coordination and management services to its members at a cost significantly lower than the cost of SNEW creating those services on a stand-alone basis. SNEW 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, which increases the value of the equity held by its owners, including SNEW. From time to time, as approved by its Board, CMEEC distributes a portion of this increasing value to its members in the form of a dividend. SNEW customers benefit from this dividend in that it directly contributes to SNEW's electric fund balance. Elimination of this dividend payment would clearly be a detriment to SNEW's customers.

**3. The proposed dismantling of CMEEC cannot be accomplished easily and will result in "breakage costs" which will have to be borne by CMEEC's members, including SNEW.**

In order for CMEEC to be dissolved, all of its current members are required to agree to the dissolution, and all of the outstanding CMEEC debt must be paid off in full. This could require CMEEC to liquidate its generation and transmission assets in a "fire sale" under pressure from the legislation, likely resulting in depressed prices for those assets. If the proceeds from such a "fire sale" were less than CMEEC's outstanding debt, CMEEC's members would each be required to pay off its share of the remaining debt.

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 SNEW.

For all of these reasons, on behalf of its 6,500 customers, SNEW 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**

SNEW has no objections to Bill No. 4

**2. Proposed Bill No. 413**

SNEW 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**

SNEW 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.