

TESTIMONY OF
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Before the Energy & Technology Committee
February 21, 2019

RE: S.B. No. 220, AN ACT CONCERNING CERTAIN SOLAR POWER FACILITIES AND NET METERING CREDITS FOR MUNICIPALITIES WHERE SUCH FACILITIES ARE LOCATED

S.B. No. 600, AN ACT CONCERNING ENERGY STORAGE RESOURCES AND WIND AND LARGE-SCALE HYDROPOWER FACILITIES

S.B. No. 678, AN ACT CONCERNING MARKINGS MADE PURSUANT TO CALL BEFORE YOU DIG REQUIREMENTS

H.B. No. 5002, AN ACT CONCERNING THE DEVELOPMENT OF A GREEN NEW DEAL

H.B. No. 5181, AN ACT EXEMPTING CERTAIN FACILITIES FROM THE NATURAL GAS DEMAND USE CHARGE

H.B. No. 5380, AN ACT REDEFINING "CLASS I RENEWABLE ENERGY SOURCE" TO INCLUDE CERTAIN USEFUL THERMAL ENERGY GENERATED FROM BIODIESEL AND CREATING A HOMEOWNER-GENERATED USEFUL THERMAL ENERGY PROGRAM

H.B. No. 6239, AN ACT CONCERNING ELECTRIC SUPPLIERS, DIRECT BILLING AND CLEAN ENERGY FACILITIES

H.B. No. 6242, AN ACT PROHIBITING SURCHARGES FROM BEING LEVIED ON UTILITY CUSTOMERS TO SUBSIDIZE INTERSTATE NATURAL GAS PIPELINE CAPACITY

H.B. No. 7114, AN ACT CONCERNING MUNICIPAL COMPETITIVE PROCUREMENT OF ELECTRICITY, NATURAL GAS, RENEWABLE ENERGY AND OTHER ENERGY-RELATED PRODUCTS BY NONPROFIT ENERGY BUYING CONSORTIA

My name is Vincent Pace and I am Associate General Counsel, for Connecticut State Regulatory matters, for Eversource Energy. I am offering Eversource's testimony on the above-listed bills that have been raised for public hearing.

Eversource transmits and delivers electricity to 1.2 million customers in 149 cities and towns, and provides natural gas to 222,000 customers in 72 communities in Connecticut. Eversource harnesses the commitment of its approximately 8,000 employees across three states to build a single, united company around the mission of delivering reliable energy and natural gas, and superior customer service.

1. S.B. No. 220, AN ACT CONCERNING CERTAIN SOLAR POWER FACILITIES AND NET METERING CREDITS FOR MUNICIPALITIES WHERE SUCH FACILITIES ARE LOCATED

Eversource **does not support** S.B. No. 220, which proposes to “allow any municipality with a solar power facility located in such municipality that gives credits to other municipalities to receive thirty per cent of any net metering credits generated by such a solar power facility.”

Eversource understands the strong interest that municipalities have in utilizing municipal-owned solar powered facilities to benefit other municipal-owned buildings in the same town. Therefore, Eversource looks forward to continuing to work with the Committee, DEEP, PURA, the Office of Consumer Counsel (“OCC”), the Connecticut Green Bank, Acadia Center, municipalities and other stakeholders to address important questions that are unresolved by the current version of this Bill, including: (1) does this Bill apply to existing municipal-owned solar powered facilities, new facilities, or both; (2) what is the minimum size of eligible facilities; (3) to the extent this Bill seeks to apply to existing municipal-owned solar projects, how can this Bill be reconciled with the terms and conditions the legislature and PURA already developed for the existing virtual net metering program under Conn. Gen. Stat. § 16-244u; and (4) to the extent this Bill seeks to apply to new municipal-owned solar projects, how can this Bill be reconciled with the terms and conditions the legislature already developed, and PURA will implement, under Section 7 of Public Act 18-50 because PURA is presently developing new, more transparent rates for compensating municipal and other renewable power facilities in Docket No. 18-08-33, Proceeding to Establish Section 7 of Public Act 18-50, Procurement Plans and Related Tariffs and Other Issues.

It is especially important to note that Eversource has been working with these stakeholders to implement the provisions under section 7 of Public Act 18-150 that provide municipalities with transparency and the flexibility and control over the allocations of such credits to municipal beneficiaries. For prospective projects, section 7 of Public Act 18-150 already allows for pricing to be determined through a competitive solicitation process that provides long-term certainty, and for the specific allocation of credits to qualified municipal customers, designated by the municipality. With a range of allocations already available to a given municipality under Public Act 18-50, it would appear unnecessary to introduce a more narrowly targeted threshold in S.B. No. 220.

2. S.B. No. 600, AN ACT CONCERNING ENERGY STORAGE RESOURCES AND WIND AND LARGE-SCALE HYDROPOWER FACILITIES

S.B. No. 600 proposes that “the general statutes be amended to require the leveraging of *existing* energy storage resources in programs for future wind and large-scale hydropower facilities.”¹ Eversource looks forward to collaborating with this Committee, DEEP, PURA, OCC and other stakeholders to facilitate their analysis of the important subject matter addressed by this Bill.

It is unclear, however, why this Bill unnecessarily limits its analysis to “existing” energy storage resources when the benefits of both existing and potential future energy storage resources should be evaluated to help ensure this Committee, DEEP, PURA, OCC and other stakeholders make the most informed decision possible. Additionally, Eversource is only aware of approximately 600 kilowatts (kW) of *existing* distribution-interconnected energy storage systems in its Connecticut service territory.

¹ (Emphasis added).

3. S.B. No. 678, AN ACT CONCERNING MARKINGS MADE PURSUANT TO CALL BEFORE YOU DIG REQUIREMENTS

Eversource **does not support** S.B. 678,² which would require all companies that mark-out the location of underground electric, natural gas, water and communications utility equipment to utilize paint “that begins to fade not more than three months after such markings are made”.

As the Committee is aware, these markings are critical to ensure that state, municipal, utility company and private field workers excavating on and near roads, sidewalks and other areas do not damage underground utility equipment in order to avoid interruptions in utility service and to protect the safety of workers. For these important reasons, utilities need to ensure that such markings can remain visible for a reasonable period of time while a variety of excavation projects of different sizes are being worked-on, including ensuring that such markings can withstand our harsh and ever-changing New England climate and the wear-and-tear of vehicle traffic.

From Eversource’s perspective, the paint it and its contractors currently use to mark-out underground utilities already *does begin to fade* within three months of when such markings were initially made. Therefore, it is unnecessary to pass a new law that orders Eversource to perform what it is already performing. If, however, this law is adopted, it is critically important that such markings only be required to *begin* to fade within three months, because it is not possible (to the best of Eversource’s knowledge) for such markings to completely dissolve within three months.

4. H.B. No. 5002, AN ACT CONCERNING THE DEVELOPMENT OF A GREEN NEW DEAL

H.B. No. 5002 currently states that “the general statutes be amended to create new programs and to provide additional funding for such new and other existing programs concerning energy efficiency, the deployment of renewable energy resources, sustainability initiatives and resiliency, including resiliency of the electric grid in the state and coastal protection.” Eversource looks forward to collaborating with this Committee, DEEP, PURA, OCC and other stakeholders to facilitate providing the citizens of our State with the benefits resulting from a Green New Deal.

5. H.B. No. 5181 AN ACT EXEMPTING CERTAIN FACILITIES FROM THE NATURAL GAS DEMAND USE CHARGE

Eversource **does not support** H.B. 5181 for the following reasons:

H.B. 5181 exempts a subset of customers that use natural gas for heating from a “demand use charge” when those customers (1) have a building that contains at least one large room that constitutes not less than twenty-five per cent of the square footage of the entire facility and (2) where that room is used either one day per week, not more than seventy days in a calendar year or not more than two hundred hours in a calendar year.

A demand use charge helps the states’ three local natural gas distribution companies (“LDCs”), which are Yankee Gas Services Company, Southern Connecticut Gas Company and Connecticut Natural Gas

² S.B. 678 states in relevant part that “The authority shall prescribe by regulations adopted pursuant to section 16-357, as amended by this act, that any designation or mark made pursuant to this section that includes markings on streets, sidewalks or other surfaces shall be made with a material that begins to fade not more than three months after such markings are made.”

Corporation, recover a proportionate share of the cost to operate and maintain the natural gas system from the customers who use it. H.B. 5181 would shift a portion of the cost to operate and maintain the natural gas system from the intended beneficiaries of this Bill onto all other natural gas customers, including residential gas customers.

No analysis was performed to estimate how many natural gas customers in our State are eligible for the Bill's proposed exemption. Nor was any analysis performed as to how many non-profit and for-profit entities in our State have buildings that currently meet the Bill's criteria, as well as how many additional owners or occupants of buildings can adjust their future usage of an existing building to take advantage of this proposed exemption.

This Bill is also problematic because it is unclear how LDCs or PURA will be able to monitor whether customers claiming eligibility under this Bill actually use the above-described large room more or less than one day per week, not more than seventy days in a calendar year, or not more than two hundred hours in a calendar year.

For all of these reasons, Eversource does not support H.B. 5181.

6. H.B. No. 5380, AN ACT REDEFINING "CLASS I RENEWABLE ENERGY SOURCE" TO INCLUDE CERTAIN USEFUL THERMAL ENERGY GENERATED FROM BIODIESEL AND CREATING A HOMEOWNER-GENERATED USEFUL THERMAL ENERGY PROGRAM

H.B. 5380 proposes to, among other things, amend the definition of "Class I renewable energy source" to include "certain useful thermal energy generated from biodiesel" Eversource looks forward to collaborating with this Committee, DEEP, PURA, OCC and other stakeholders to help determine whether biodiesel does or does not achieve comparable carbon reduction goals such as solar, wind and other resources currently classified as Class I renewable energy resources in Conn. Gen. Stat. § 16-1(a).

7. H.B. No. 6239, AN ACT CONCERNING ELECTRIC SUPPLIERS, DIRECT BILLING AND CLEAN ENERGY FACILITIES

Eversource **opposes** H.B. No. 6239³ because, among other things, it allows competitive retail electric suppliers to invoice and collect from customers monthly charges on the utility bill that reimburse Eversource for, among other things, the costs Eversource incurs to pay its line workers, trim trees, and maintain poles, wires, transformers and other equipment. The Bill does not specify how long suppliers can hold onto Eversource's funds before they remit them to Eversource. Eversource opposes this radical and unprecedented change in the current billing process for the following reasons.

First, under the new billing process proposed by H.B. No. 6239, when retail suppliers go bankrupt or have severe financial difficulties, they will be holding customer funds that belong to Eversource. Those customer funds will be lost, or at best – after a long and expensive bankruptcy proceeding – only pennies on the dollar will be recouped. Bankruptcies and severe financial problems among retail suppliers are not hypotheticals.

³ H.B. 6239 states "That the general statutes be amended to allow electric suppliers to provide direct billing and collection services for all components of electric service and allow electric suppliers to own and operate clean energy facilities, contract with third parties to build, own or operate clean energy facilities and contract with subscribers for subscriptions to a clean energy facility."

For example, in 2014, a Connecticut retail supplier, People’s Power & Gas, LLC, went bankrupt.⁴ Also in 2014, Dominion Resources Inc. abruptly announced its decision to sell its entire unregulated retail supply business because, among other things, it was estimated that its retail supply business lost approximately \$100 million due to the 2013-14 polar vortex.⁵ In January 2018, another Connecticut retail supplier, AmericaWide Energy LLC, defaulted on its financial obligations to ISO New England.⁶ Most recently in February 2019, another Connecticut retail supplier, Great Eastern Energy, LLC, defaulted on its financial obligations to ISO New England and filed for bankruptcy.

Additionally, a March 30, 2016 report from PURA found that – since electric deregulation began in 1999 – 10 suppliers have had their licenses revoked by PURA and an additional 20 supplier applications were withdrawn.⁷ These facts demonstrate that the risks are too high – and the dollar amounts in question are too large – to authorize retail suppliers to collect and hold customer funds that are owed to Eversource. Of greater importance, Eversource’s customers should not have to pay Eversource twice because a supplier becomes bankrupt or experiences severe financial problems while the supplier is holding customer funds before they are remitted to Eversource.

Second, supplier bankruptcies and financial problems would also adversely impact the State of Connecticut because significant state gross earnings taxes, municipal real property taxes and municipal personal property taxes are collected through non-generation-related charges on customer bills, which Eversource timely remits to the State and municipalities.

Third, Eversource has already constructed, operates and maintains a sophisticated billing system that issues bills to customers of retail suppliers, and Eversource timely remits the appropriate share of those funds to suppliers. Additionally, Eversource already has experienced customer service professionals available to answer customer questions about bills, and other professionals that handle collection services. It would be duplicative and wasteful to now authorize over 40 other entities, who are currently licensed as active retail suppliers in Connecticut,⁸ to develop billing, customer service and collections processes that will duplicate Eversource’s existing processes. Such duplication is expensive and inefficient, and retail suppliers will pass the additional costs onto consumers.

Fourth, this Bill will create substantial confusion among customers because it will create a “hodge-podge” of different billing approaches in which some suppliers will elect to bill customers for all charges, whereas other suppliers will continue to have Eversource submit monthly invoices for all charges. This confusion will be exacerbated when customers switch retail suppliers because, for example, a customer’s current supplier might direct-bill for all charges, but the customer’s new supplier could elect to have Eversource issue invoices for all charges.

⁴ See PURA Docket No. 13-12-27, PURA Investigation Into People's Power & Gas, LLC's Default of Service, October 30, 2014 decision at page 3.

⁵ See Rod Kuckro, E&E NEWS, “Dominion's exit from retail electric business illustrates risks of market”, February 7, 2014, copy available at: <https://www.eenews.net/stories/1059994207>

⁶ See <http://www.energychoicematters.com/stories/20180122a.html>

⁷ PURA Docket No. 16-01-08, 2014 And 2015 Report To The Legislature - Electric Supplier Report, March 30, 2016 Decision at Page 2 (stating in relevant part, “In total, since the Authority began receiving license applications on June 14, 1999, 84 suppliers have been licensed and 74 aggregators have been registered. Of these: 20 supplier licenses and 6 aggregator registration applications have been withdrawn; 10 supplier licenses and 4 aggregator registrations have been revoked.”)

⁸ See the list of currently licensed active retail suppliers in Connecticut at:

[http://www.dpuc.state.ct.us/electric.nsf/\\$FormByElectricApplicantsView?OpenForm&Start=1&Count=1000&ExpandView](http://www.dpuc.state.ct.us/electric.nsf/$FormByElectricApplicantsView?OpenForm&Start=1&Count=1000&ExpandView)

Fifth, this Bill creates additional customer confusion about who customers should call when they have questions about the non-generation-related components of their bill. Should they call Eversource or the retail supplier that issued their monthly bill? Retail suppliers are unequipped to process calls about the non-generation-related charges on a bill.

Since restructuring was implemented, customers on retail supply have received, and have come to expect, a monthly invoice from their electric distribution company. H.B. No. 6239 provides no justification for this radical change to this well-established process.

8. H.B. No. 6242, AN ACT PROHIBITING SURCHARGES FROM BEING LEVIED ON UTILITY CUSTOMERS TO SUBSIDIZE INTERSTATE NATURAL GAS PIPELINE CAPACITY

Eversource **opposes** H.B. 6242⁹ because it repeals the existing authority of the Commissioner of DEEP – acting in consultation with the State’s energy procurement manager, the OCC and the Attorney General – to voluntarily elect to include in future competitive procurements any proposals to increase natural gas pipeline capacity to help ensure there is sufficient natural gas to meet the needs of (1) residential, commercial and industrial customers, who are increasingly switching to natural gas, and (2) owners of natural gas-fired power plants, which fuels an existing power plant in Middletown, a new power plant in Oxford that achieved commercial operation in 2018, and other New England power plants that help serve Connecticut.

As the Committee is aware, natural gas is the primary fuel source for New England’s fleet of power plants. The attached report dated January 2018 entitled “Winter Cold Snap Review” (the “Report”) demonstrates that – during three of the past five winters – there has been severe cold weather in New England. During these cold periods – due to constraints on the existing natural gas pipeline system serving Connecticut and other New England states – natural gas-fired power plants have had to use more expensive and less carbon friendly oil because natural gas was unavailable due to pipeline constraints.

The attached Report demonstrates that – during the 13-day cold snap of January 2018 alone – the lack of sufficient natural gas pipeline capacity:

- Increased New England’s energy costs by approximately \$500 million.
- 100 million gallons of oil was burned as a substitute for natural gas, which generated 1 million tons of additional carbon emissions that is equivalent to the output from 6 million additional cars.

The existing statute correctly recognizes that DEEP’s Commissioner should continue to have the ability to elect to evaluate proposals to expand gas pipeline capacity (as well as other potential options) to help mitigate this important problem. The existing statute does not obligate the Commissioner to select any such proposals, but, for the reasons described above, it is critical to continue to ensure that the Commissioner has the ability to voluntarily elect to evaluate such proposals in the future. Because H.B. 6242 repeals the Commissioner’s existing authority in this area, Eversource opposes H.B. 6242.

⁹ H.B. 6242 states “That section 16a-3j of the general statutes be amended to prohibit surcharges from being levied on utility customers to subsidize the cost of interstate natural gas pipeline capacity.”

9. H.B. No. 7114, AN ACT CONCERNING MUNICIPAL COMPETITIVE PROCUREMENT OF ELECTRICITY, NATURAL GAS, RENEWABLE ENERGY AND OTHER ENERGY-RELATED PRODUCTS BY NONPROFIT ENERGY BUYING CONSORTIA

Eversource **does not support** H.B. 7114. This Bill seeks to permit any municipality located in the service territory of Eversource, The United Illuminating Company, Southern Connecticut Gas Company and Connecticut Natural Gas Corporation to become a member of a “program organized and administered by or on behalf of a nonprofit energy buying consortium” to purchase electricity, natural gas, renewable energy, energy efficiency and other energy-related products. This Bill exempts from membership in any such consortium those municipalities that have municipal-owned electric utilities.

Regarding electricity procurement, the language of H.B. 7114 is unclear regarding the functionality and scope of municipal competitive procurements. First, it is unclear whether a “nonprofit entity buying consortium” is functioning as a supplier to participating buyers or merely acting as a middleman between for-profit suppliers and participating buyers who already have access to competitive energy supply. Second, the definition of “participating buyers” provides no context as to the scope of the allowed customer base. Is it only for electric consumption by municipal entities, such as schools and town buildings, again which already have access to the competitive market? Or is it intended to mean that a municipality could purchase power for all residents within its municipal borders?

Additionally, H.B. 7114 is unclear as to whether Eversource is responsible for serving as a back-stop if the supplier providing electric service under these arrangements defaults or is otherwise unable to meet its power supply obligation.

Given the uncertainties and not knowing what the cascading impact may be on Eversource’s existing responsibility to provide a fair and reasonable power supply price to the almost one million Connecticut customers on Standard Service, Eversource cannot support this bill.

APPENDIX 1

January 2018 entitled “Winter Cold Snap Review”

Winter Cold Snap Review – Reversal Of The Region's GHG Emissions Reduction Progress

January 2018

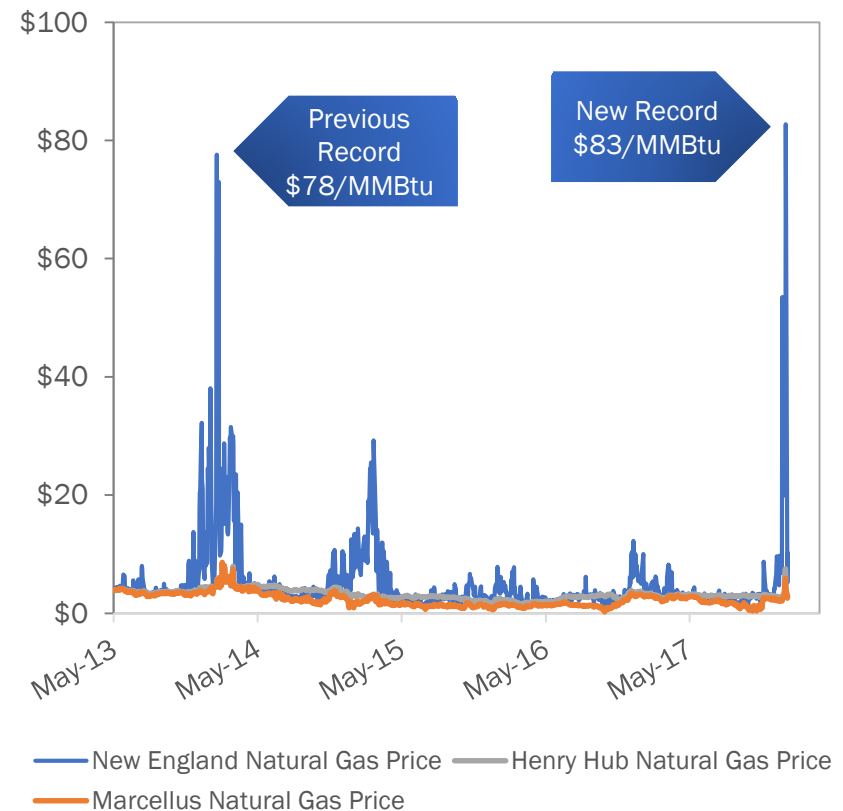
EXECUTIVE SUMMARY

2018 Cold Snap By The Numbers

Major cold weather events have occurred in 3 of the past 5 winters including the 2014 Polar Vortex and the 2018 Cold Snap

2018 Cold Snap – 13 Days

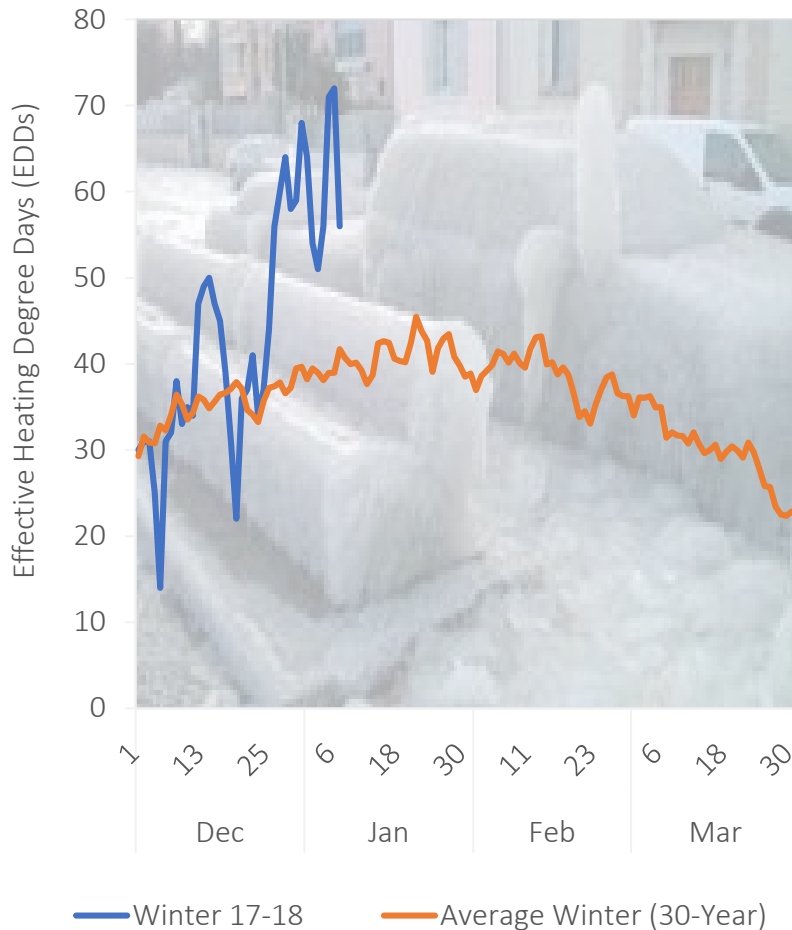
- Sufficient natural gas was available for just 2,500 MWs of generation
- Resulted in:
 - \$500 million of additional energy costs to the region
 - 100 million gallons of oil burned as a substitute for natural gas
 - 1 million tons of additional carbon emissions; equivalent to 6 million additional cars during the cold snap
- Meanwhile, gas at 1/10th the cost was available just 200 miles away



Source: S&P Global Market Intelligence

COLD SNAP OVERVIEW

Winter 2017/18 Cold Snap – It Happened Again



Major cold weather events have occurred in 3 of the past 5 winters

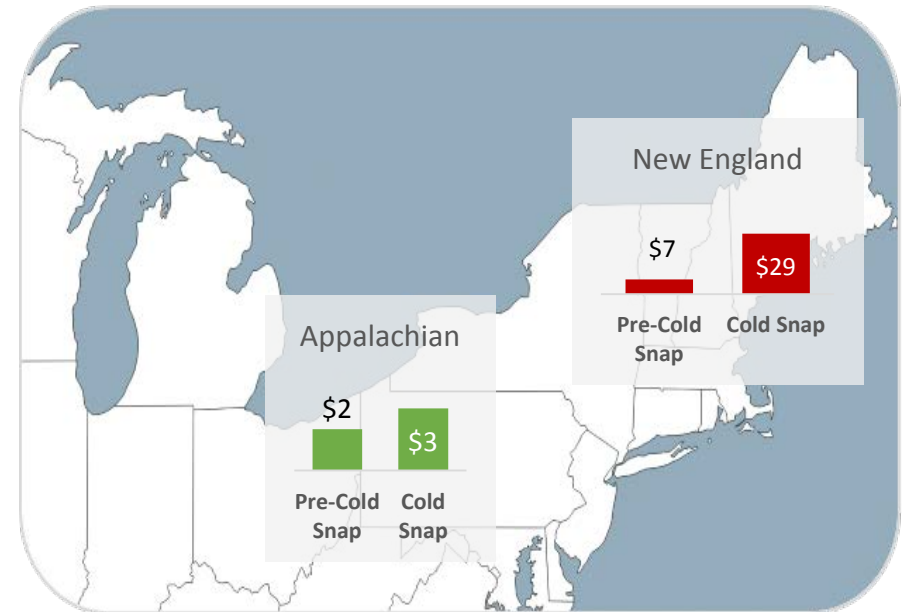
- 60% colder than normal for the time of year
- Twice As Long And 24% Colder Than The Polar Vortex (2013/14)
- Two coldest days were 10% colder than the Polar Vortex
- 10-Day average temperature was 17% colder than the Polar Vortex

“Cold snap makes New England the world’s priciest gas market”

- Bloomberg (Dec. 27, 2017)

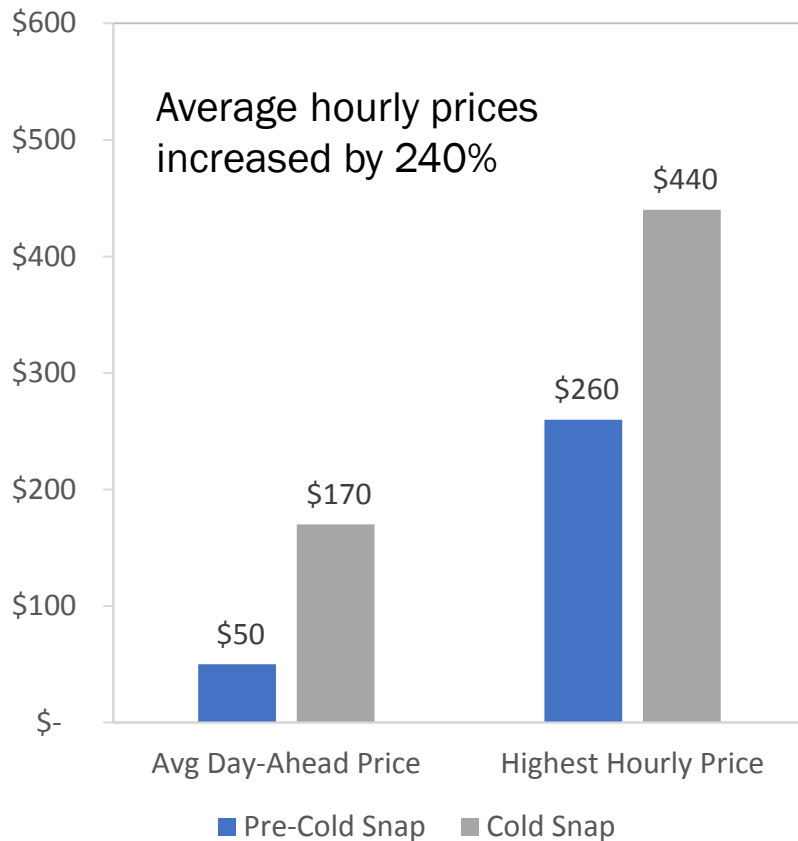
New England experienced the highest prices in the world despite that some of the lowest prices were available just 200 miles away

- New England natural gas prices increased more than 300% on average
 - Firm heating demand consumed New England’s pipeline capacity
 - Interruptible loads including power generators competed for scarce available gas
- Prices in the nearby Appalachian basin were generally stable during the same period



Cold Snap Cost The Region More Than \$500 Million In Just 2 Weeks

New England Real Time Hourly Prices



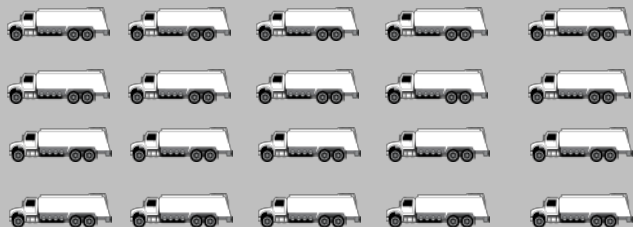
Natural gas expansion would have been paid for in just the two week cold snap

- Average day-ahead prices increased by more than 240%.
- The highest real-time hourly price experienced in each period doubled
- 5-minute real-time prices often exceeded \$750/MWh
- A 50 percent decline in oil prices since 2013/14 likely saved New England from even greater costs

Without Natural Gas New England Turned To Coal & Oil Power Plants

- New England burned nearly 100 million gallons of oil for power generation during the cold snap
- $\frac{3}{4}$ of the region's oil-fired power plants were within 3 days of running out of fuel
- The region remains at risk of future outages given that this level of fuel oil is unlikely to be replenished before the end of the winter

Equivalent to 10,000 Oil
Truck Deliveries




2%

Proportion of total electricity produced by oil & coal power plants prior to the cold snap

33%

Proportion of total electricity produced by oil & coal power plants during the cold snap

*  represents 500 tanker trucks

The Cold Snap Is A Major Setback In Meeting New England's GHG Goals



1 Million Tons of Incremental Carbon Emissions – The incremental emissions due to the increased use of oil and coal to produce electricity



6 MM Additional Cars – The incremental emissions during the 13 day cold snap are equivalent to adding 6 million cars to our roads during that same period



More Than Double The Cars In Massachusetts – The incremental emissions during the 13 day cold snap were equivalent to more than doubling the number of cars registered in Massachusetts

The Same Power Plants New England Relied On To Keep The Lights On Are Retiring

- Nearly 1/3 of New England's generating capacity is at-risk of retirement
- Most of the retiring power plants use fuels other than natural gas.
- Pilgrim Nuclear Power Plant is a key non-natural gas resource retiring in 2019
- Natural gas-fired power plants will replace these retiring power plants
- The region must improve its natural infrastructure to fuel these new plants while supporting the transition hydro and renewable power

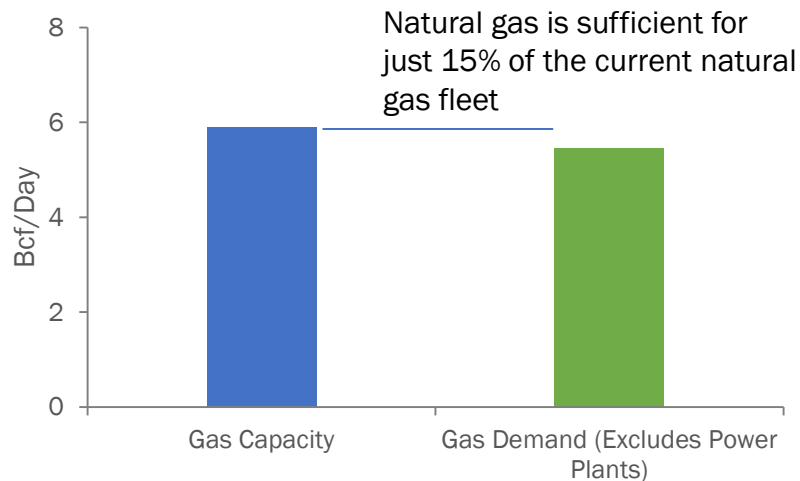


“Fuel-Security Risk...Is The Foremost Challenge To A Reliable Power Grid In New England”

- ISO-NE (Jan. 18, 2018)

- 22 of 23 scenarios - resulted in emergency actions to manage the power system
- 19 of 23 scenarios - resulted in rolling or controlled blackouts

Natural Gas Supply & Demand Balance



Renewable & Import Resource Assumptions

