Connecticut Industrial Energy Consumers
100 Pearl Street, 14th Floor, Hartford, Connecticut 06103 • (518) 426-4600

TESTIMONY OF THE CONNECTICUT INDUSTRIAL ENERGY CONSUMERS BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE

March 4, 2021

The Connecticut Industrial Energy Consumers (CIEC), an *ad hoc* coalition of large commercial and industrial (C&I) end-users which collectively employ thousands of Connecticut workers at numerous plant locations throughout the State hereby offers its comments on the following proposed bills:

- H.B. No. 882, *An Act Concerning Climate Change Mitigation And Home Energy Affordability*.
- H.B No. 952, *An Act Concerning Certain Solar Energy Projects*.
- H.B. No. 6523, *An Act Concerning Virtual Net Metering Credits For Manufacturers In Distressed Municipalities*.
- H.B. No. 6525, *An Act Establishing A Task Force To Study Electric Distribution Companies*.
- H.B. No. 6527, *An Act Increasing The Total Output Of Class III Sources*.

CIEC members collectively employ over 40,000 Connecticut workers at numerous locations throughout the State (close to 3% of the State's working population). The average median income for CIEC member employees well exceeds the State average for household median income of $74,168. With over 6,000 companies, Connecticut manufacturers and large commercial businesses account for over 12% of the State's economy, provide employment to more than 190,000 residents, and pay over $460 million in property taxes to the State's towns and cities.

CIEC members account for a substantial portion of all electricity consumed in Connecticut, with members accounting for at least 3% of the State's energy usage, annually. Significantly, CIEC members pay close to $100 million in energy costs, annually. Energy is an integral component to members' operations in the State, and the effect of a $0.001, or "mill", increase per kilowatt hour (kWh) results in an increase of hundreds of thousands of dollars for a single large C&I customer. Having access to reliable and quality power is vital to CIEC members' business operations and the economic competitiveness of the State of Connecticut.

CIEC fully supports efforts to increase system reliability while reducing carbon. As you are well aware, CIEC members are leaders in energy reduction and conservation by dramatically reducing their usage to meet decarbonization and climate goals as well as operational efficiencies. They actively engage in load reduction efforts and are subject to interruption during peak periods. These efforts have resulted in less strain of the bulk power system and produced significant environmental benefits by reducing emissions and potentially displacing older, less efficient units.

CIEC members account for a substantial portion of all electricity consumed in Connecticut, with members accounting for at least 3% of the State's energy usage, annually. Significantly, CIEC members pay close to $100 million in energy costs, annually. Energy is an integral component to members' operations in the State, and the effect of a $0.001, or "mill", increase per kilowatt hour (kWh) results in an increase of hundreds of thousands of dollars for a single large C&I customer.

I. H.B. No. 882, *An Act Concerning Climate Change Mitigation And Home Energy Affordability*

This bill proposes to codify the State's current policy of reducing greenhouse gas emissions from electricity supplied to electric customers in the State to zero percent by January 1, 2040. The State has been actively working towards this goal from a policy standpoint over the past several years. In tandem with making this goal law, **CIEC recommends also including certain guardrails in the law as well to protect customers.**

CIEC is concerned that absent careful planning and controls, climate change impacts can have unintended and detrimental cost and reliability impacts on ratepayers. This is especially true for large, non-residential customers for whom reliable energy is vital and the costs of energy comprise a significant portion of operating costs. Fundamentally, CIEC submits that it is **imperative to ensure that Connecticut's climate change objectives are implemented as cost-effectively as possible, while also adequately maintaining the reliability of the electric and natural gas systems.** To further this objective, CIEC recommends three additional provisions be included in H.B. No. 882 as a means of protecting ratepayers.

First, H.B. No. 882 should require the Public Utilities Regulatory Authority (PURA), as the regulator of the electric and gas utilities, to implement the objectives of the bill in a manner that ensures safe and reliable electric and gas service. Correspondingly, PURA should have the authority to modify or suspend any programs that implement Connecticut's climate objectives after finding that such programs jeopardize safe and adequate service. New York State's Climate Leadership and Community Protection Act (CLCPA) provides an example. The New York State Public Service Commission ("Commission") must establish a program to implement the CLCPA's emissions targets, to wit: a zero-emissions electric system by 2040. However, the law provides for certain guardrails. Specifically, "the Commission may temporarily suspend or modify" any program if the Commission finds "that the program impedes the provision of safe and adequate electric service." Incorporating a similar guardrail in this bill would allow the State to simultaneously address climate change while maintaining electric and gas reliable service.

Second, the programs that are developed to implement H.B. No. 882's objectives should be cost-effective. To that end, CIEC recommends that any state agency – in particular PURA, as the regulator of the electric and gas utilities – should conduct a quantitative analysis of the potential impacts of compliance with achieving zero percent emissions from electric supplied to customers by 2040 on Connecticut businesses. Cost-effectiveness and climate policy are not mutually exclusive; Connecticut can control emissions while simultaneously protecting manufacturing jobs, as well as supporting research, development, and engineering jobs in the State. A quantitative cost-benefit analysis would ensure that Connecticut takes the most cost-effective approach to addressing climate change.

Third, the voice of large, energy-intensive non-residential ratepayers should be included in any implementation efforts. These large employers are highly sensitive to the price of electricity, and indeed fundamentally dependent on reliable and affordable electric and gas service. Therefore, they provide an important viewpoint in developing a cost-effective and reliable path to addressing climate change that is not available from any other group. Adopting such a structure here will help Connecticut support economic development and protect existing jobs alongside climate change mitigation.

CIEC is supportive of greenhouse gas emissions reduction and energy usage reduction goals. However, an innate tension exists when entering into long-term out-of-market contracts to satisfy these obligations – which is another part of what this bill proposes to do. Such long-term contract commitments have the potential to be more costly for ratepayers compared to market commitments. As the Committee may recall, that is exactly what happened to Connecticut ratepayers with respect to the long-term contracts the utilities were ordered to enter into with Millstone. CIEC submits that despite the State's meritorious policy goals, it is imperative that **there is a balancing between the State's policy implementation and costs to ratepayers.** This is why consumer impact analyses are so important in understanding the overall cost impacts to customers resulting from legislation.

CIEC respectfully submits that **the legislature should refrain from including specific cost collection mechanisms for State energy policies in legislation.** Utility bill ratemaking is a complex and tedious art. All of the State policy programs that ratepayers fund via utility bill surcharges are prescribed through law, which doesn't consider any other fluctuating bill components that may impact customers (*e.g.*, electricity and natural gas supply, revenue shortfalls). More flexibility in the manner that State policy programs are funded and implemented will provide better protections for customers. **CIEC respectfully recommends that more authority be provided to PURA in implementing the State's energy policies and how such programs are reflected on ratepayer bills.** In fact, as the regulator of the State's utilities, CIEC supports providing PURA with the ultimate authority as to whether certain actions are in ratepayers' best interests.

Moreover, **CIEC urges the Committee to rely on PURA in conducting ratepayer impact statements pursuant to Chapter 16 Section 2-24a accompanying new legislation.** In effectuating State policies, it is critical that the Committee consider the costs of new initiatives comprehensively and not in isolation. New expenditures, even if well-intentioned, must be examined vigorously in the context of the collective costs and impacts to ratepayers. Such costs are also impacted by the revenue needs of the utilities to ensure the continued provision of safe and reliable service to ratepayers. As mentioned above, State policy goals as well as distribution system investments all come with a price tag that ratepayers must shoulder. Greater coordination to balance the two is needed. This bill should undergo a ratepayer impact analysis as it is required to under the statute.

II. H.B. No. 952, *An Act Concerning Certain Solar Energy Projects*

This bill proposes to allow electric distribution companies to own one or more solar power generation facilities up to an aggregate of 150 MW. Such generation project must be approved by the Department of Energy and Environmental Protection (DEEP). As stated more fully above, CIEC submits that it is imperative that there is a balancing between the State's policy implementation and costs to ratepayers. If the State is going to open the door to utility-owned generation for achieving this goal, it must **ensure that the market continues to remain competitive for private companies to build and own solar generation**.

The legislature should consider **building ratepayer protections into the proposed bill,** because unlike private developers, utilities are subject to zero development cost risk given that a utility's costs are passed through and collected from ratepayers in addition to the fact that utility shareholders get to earn a return on their capital investments (*i.e.*, the solar generation projects).

As currently drafted, DEEP is the agency charged with evaluating the utility generation proposals and determining if they are in the best interests of ratepayers. However, CIEC submits that PURA, as the utility regulator, should be equally involved in making such a determination as to whether the utility generation project is beneficial to ratepayers. The standard of review in determining what constitutes "the long-term interest of ratepayers" should be set at such a level where both DEEP and PURA can reject a proposal if it doesn't reach a certain threshold. More discretion should be permitted at the agency level to making such a determination.

CIEC again urges the Committee to rely on PURA in conducting ratepayer impact statements pursuant to Chapter 16 Section 2-24a accompanying this proposed bill. In effectuating State policies, it is critical that the Committee consider the costs of new initiatives comprehensively and not in isolation.

Sections six and seven of H.B. No. 952 propose to include municipal utilities in the State's carbon reduction efforts. CIEC strongly supports this initiative for a number of reasons. First, excluding a large subset of Connecticut's residents and businesses from participating in the State's climate change goals is counterproductive. If Connecticut is to make progress in reducing emissions then it is only **equitable that all customers be subject to the reduction targets and limits as well as the funding obligations.** Municipal utilities, and their customers, are currently enjoying the benefits (*e.g.*, health, environmental, societal, economic) of the efforts and hard work that the investor-owned utilities and customers have undertaken since the deployment of the systems benefits charge.

Second, **including municipal utilities in the State's carbon reduction efforts will socialize the costs to fund such efforts across a larger pool of ratepayers, thus providing overdue and equitable monetary relief to Connecticut ratepayers**. As it currently stands, Connecticut could be viewed as the "tale of two cities" – ratepayers that receive service from municipal utilities subject to no oversight and low rates as compared to ratepayers that receive service from investor-owned utilities subject to the oversight of PURA and DEEP with rates that are significantly more than the municipal utilities. This dichotomy is largely driven by the ability of municipal utilities to avoid paying State policy surcharges, which have added upward pressure of over 25% to large manufacturer and industrial customer utility bills.

Including the municipal utilities in the funding and achievement of Connecticut's carbon reduction goals is not only the fair and equitable path forward, but it is necessary to achieving the zero percent by 2040 emissions reductions goals set forth in this bill.

III. **<u>Bill No. 6525, *An Act Establishing A Task Force To Study Electric Distribution Companies*</u>**

CIEC is generally supportive of this bill, as its primary purpose is to increase accountability to ratepayers and increase responsiveness to ratepayer needs, including greater competition in both the transmission and distribution sectors. Greater competition should, in theory, lead to more responsive market pricing and lower costs to customers. CIEC also supports the concept of performing a study first to inform any potential future decisions regarding changes to the current electric distribution system paradigm. The act of providing safe and reliable service to customers at just and reasonable rates is no small feat, and the more data and information the legislature has to assist in its recommendations, the better off ratepayers will be.

CIEC submits that in addition to having task force members that represent the interests of residential customers, **the task force should also include a representative from a consumer advocacy group that can communicate and draw on the unique and important perspective of large industrial and manufacturing utility customers.** As the Committee is well aware, electricity costs in Connecticut far exceed the national average. For example, the electricity prices paid by industrial customers in Connecticut are nearly double the national average for similar customers,[1] with nonbypassable surcharges being a large contributor to these costs. The upward pressure from these two components (*i.e.,* increased energy costs and increased surcharges) impose additional costs on high-load-factor customers that are disproportionate relative to the cost of "traditional" delivery service to such customers.

The price of electricity places Connecticut businesses at a significant disadvantage with respect to businesses and manufacturers in other regions and nations. In fact, these high energy costs are a significant contributing factor to the decline in Connecticut's manufacturing and commercial sectors – resulting in the loss of thousands of jobs over the past decade. For these reasons, **CIEC supports the creation of a task force to examine the ability to provide greater accountability and competition to Connecticut customers so that businesses will stay in the State.**

Additionally, CIEC members' businesses rely on the constant flow and delivery of electricity to their facilities in order to remain operational and economic. Manufacturing processes involve various steps in the production line, as well as sophisticated and sensitive equipment. For many, when there is a loss of power and the machine stops, whatever part or widget is being produced in the production process is then scrapped. This results in tens of millions of dollars per manufacturer in lost production revenue, scrap and equipment damage when the electricity is out for multiple days. This perspective is important in considering any potential alternative to the status quo for electric service in Connecticut.

CIEC would welcome being a part of the task force and its process, and submits that the input from the industrial and manufacturing sector will be imperative to studying the objectives set forth in this bill.

---

1 U.S. Energy Information Administration, Electric Power Monthly, Table 5.6.A Average Price of Electricity to Ultimate Customers by End-Use Sector (February 26, 2020) available at: https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a.

IV. H.B. No. 6527, *An Act Increasing The Total Output Of Class III Sources*

This bill proposes to increase the percent of the total output that suppliers must purchase from Class III resources from four percent to five percent. CIEC supports the intent of this bill. As stated above, CIEC is a strong proponent of adopting a balanced approach to implement the State's policy goals while also minimizing costs to ratepayers. As the State's energy paradigm shifts to relying increasingly more on intermittent resources such as wind and solar, Class III resources provide a reliability benefit as a backstop to balancing the electric system during periods of intermittency or peaks. We recognize that Class III resources play an important role in the State's energy plan and increased reliance on such resources as proposed is appropriate.