



Public Hearing – February 14, 2023
Energy and Technology Committee

Testimony Submitted by Commissioner Katie S. Dykes

Senate Bill No. 966 – An Act Concerning the Procurement of Standard Service and the Regulation of Public Utilities

Senate Bill No. 7 – An Act Strengthening Protections for Connecticut’s Consumers of Energy

Thank you for the opportunity to submit testimony regarding **Senate Bill No. 966 – An Act Concerning the Procurement of Standard Service and the Regulation of Public Utilities** and **Senate Bill No. 7 - An Act Strengthening Protections for Connecticut’s Consumers of Energy**. The Department of Energy and Environmental Protection (DEEP) commends the Committee’s leadership in putting forth a wide range of ideas to address the state’s energy prices and to create a more equitable and transparent energy market.

DEEP’s testimony focuses on Senate Bill 966, because Senate Bill 7 appears to be still under development. DEEP supports many of the principles reflected in this bill, including ensuring that utility and utility executives’ compensation is based on performance and macroeconomic conditions; greater transparency on the cause of outages and the incidence of accidents; and clarity regarding which business expenses should be allocated to utility shareholders versus ratepayers. Given the array of proposals in SB 966, DEEP looks forward to learning more about the concerns that led to the concepts, as well as about proposed implementation for certain changes. **DEEP supports many aspects of SB 966**, and stands ready to work with all involved to ensure the bill language is tailored to effectively address areas of concern, as further set forth below.

DEEP highlights comments on key aspects of the proposed bill for the Committee’s consideration.

Decoupling: Section 1 of this proposal places the decision of whether and how to decouple the state’s gas and electric distribution companies’ revenues from their sales within the discretion of PURA, which decision must be guided by the state’s energy policies developed by DEEP. Under the current law, revenue decoupling is mandatory. Revenue decoupling is a mechanism that partially addresses the utility disincentive to encourage energy efficiency and behind the meter measures such as rooftop solar and battery storage, by ensuring utilities’ compensation is not strictly based on the amount of electricity they sell. Instead, as the General Assembly and Governor Lamont recognized in passing and signing into law the Take Back Our Grid Act, utilities should be compensated based on their performance. Divorcing a utility’s compensation from its volume of sales through revenue decoupling is considered one of the foundational

aspects of a performance-based ratemaking regulatory paradigm that seeks to encourage distributed energy resources. As such, giving PURA wide discretion to reverse revenue decoupling, without clear objectives or implementation guardrails, could have the potential to undermine demand reduction policies and programs.

The language in Section 1 is not narrowly tailored to address an identified concern. DEEP looks forward to hearing about any concerns or goals the Committee has with revenue decoupling, and stands ready to work with the Committee and stakeholders to explore how best to address such concerns, and suggests doing so in a more narrowly tailored manner.

Settlements: Section 4 modifies Title 16 as it pertains to settlements. Settlements can provide efficient resolution of complex issues, defer cost increases during times of economic instability, and avoid costly and time-consuming litigation that may delay outcomes. Thus, settlements are widely supported across judicial and quasi-judicial forums. Settlements can also foster creative solutions among parties, including solutions that PURA may not have jurisdiction to direct on its own, that benefit all parties involved.

It is DEEP's understanding that PURA already has the discretion to do what is described in this Section. By majority vote, PURA Commissioners can reject a settlement outright, or they can reject a settlement absent specific modifications and conditions. In that way, PURA is able to influence actual settlement provisions. PURA also has the authority to require testimony or discovery in any proceeding it conducts, pursuant to the Uniform Administrative Procedures Act. It is not clear to DEEP why this Section is necessary or what issue this proposal would resolve. DEEP looks forward to hearing any specific concerns that this section is meant to address that are not already within PURA's considerable authority with respect to settlement review and approval, and stands ready to work with the Committee to address those concerns.

Compensation for stakeholder participation in proceedings: Section 19 provides a compensation mechanism for stakeholder participation in PURA proceedings to those intervenors representing the interests of more than one residential utility customer in environmental justice communities, small businesses, or non-profits representing those interests. DEEP supports this concept, provided it does not create an unreasonable economic burden on ratepayers. A number of other states have adopted such a program, as summarized in a recent report by the National Association of Regulatory Utility Commissioners.¹ DEEP looks forward to hearing from stakeholders on this provision and stands ready to work with the Committee and stakeholders to ensure that such a mechanism works efficiently and effectively to create a more inclusive process with equitable representation.

Funding for Energy Assistance Nonprofits: DEEP recognizes the tremendous contributions of nonprofit agencies that are engaged in energy assistance programs, providing lifelines to customers who could not afford to heat or power their homes otherwise. Operation Fuel is an example of one of these nonprofits, which is currently funded in part by the systems benefits charge, with statutory parameters for use of a portion of the funds for administrative purposes.²

¹ *State Approaches to Intervenor Compensation*, National Association of Regulatory Utility Commissioners (December 2021), available at <https://pubs.naruc.org/pub/B0D6B1D8-1866-DAAC-99FB-0923FA35ED1E>.

² Conn. Gen. Stat. § 16-245f.

These nonprofits may also receive funds through PURA's discretionary authority to direct a portion of fines it levies against utilities to such nonprofits.³

DEEP notes that, as Sections 17 and 18 are drafted, cost recovery for the operational expenses of such non-profit agencies would come from ratepayers. Funding the operational costs of nonprofit agencies through ratepayers would create an uncapped draw against ratepayers, not subject to any limitation, review, or transparency, a model without precedent within Title 16 and contrary to the budgeting processes for state agencies, which are public, and are open to scrutiny and comment through the legislative process. DEEP suggests that, if the Committee seeks to fund the operations of nonprofit agencies through ratepayer funds, then reasonable parameters should be put into place for this funding, such as a cap, and only allowing for funds to be used for operational expenses that are directly related to utility assistance and excluding certain activities such as lobbying. Additionally, transparency and public process should be instituted, including requiring PURA to conduct a proceeding to review and approve costs for which the agencies seek compensation, with the opportunity for interested parties to provide comments, as well as auditing authority.

Greater oversight over large water companies: While water companies have not received the same amount of public attention as electric distribution companies recently, water rates are similarly at risk of rising, as recently seen in The Connecticut Water Company rate case,⁴ and as is proposed in the pending Aquarian Water Company case.⁵ Therefore, DEEP supports sections 10 and 11 of the bill, affording PURA the authority to perform four-year reviews of the rates of water companies with more than 75,000 customers and to complete audits of such companies no less than every six years.

DEEP welcomes the opportunity to work with the Committee to further develop the concepts in this bill. DEEP understands the significant impact that high energy prices have on the state's residents and businesses and is open to exploring all ideas that may help address them.

Thank you for the opportunity to present testimony on this proposal. Should you have any questions, please do not hesitate to contact Harrison Nantz at Harrison.Nantz@ct.gov.

³ Conn. Gen. Stat. § 16-41.

⁴ PURA Docket No. 20-12-30, Application of the Connecticut Water Company to Amend its Rate Case.

⁵ PURA Docket No. 22-07-01, Application of Aquarion Water Company of Connecticut to Amend its Rate Schedules.