The Energy and Technology Committee

Public Hearing, March 20, 2012

Office of Consumer Counsel

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Testimony of Elin Swanson Katz

S.B. 450, *An Act Concerning Energy Conservation and Renewable Energy*

S.B. 450 is an ambitious bill with some laudable goals, including the provision of fuel oil funding for conservation programs and the development of plans for utility infrastructure reliability improvement. The Office of Consumer Counsel ("OCC") does have significant concerns regarding funding by utility customers for programs and initiatives proposed in this bill that are not related to the provision of safe, reliable, clean and efficient utility service to utility ratepayers. OCC also has suggestions for fine-tuning some of the language related to programs and initiatives for which it does agree that utility ratepayer funding is appropriate, or where utility ratepayer funding is not required but other adjustments to the proposed language may be appropriate.

Section 1 of this proposed bill tasks the Fuel Oil Conservation Board ("FOCB") with administering an account within the General Fund, funded by revenue from the Petroleum Products Gross Earnings Tax that is in excess of the amount of such revenue collected during the last fiscal year, not to exceed ten million dollars. OCC strongly supports the funding of the FOCB, which has been unfunded since 2009. Electric utility customers have been funding conservation programs for many years, partially subsidizing oil heat customers in the process, and gas utility customers have recently increased their funding of conservation programs. It is only equitable that oil heat customers who want to participate in conservation programs contribute to the programs proportionately, as noted in the discussion of Section 21, below. OCC further believes that it would be most efficient for the FOCB to coordinate with the Energy Efficiency Board ("EEB"), as the EEB already has the infrastructure in place to administer residential energy efficiency programs.

Section 3 of S.B. 5474 establishes a natural gas transportation pilot program to facilitate the deployment of natural gas vehicles in municipalities, to be funded either by the Department of Transportation or by natural gas ratepayers through their conservation adjustment mechanism. OCC supports the concept of promoting natural gas vehicles for large fleets, but notes that the problem being addressed by this initiative - - transportation emissions - - is not a problem being caused by natural gas utility customers. Moreover, rather than conserving natural gas, this proposal would increase natural gas usage; thus, the natural gas conservation adjustment mechanism is not the appropriate funding mechanism. Rather, under principles of cost causation, OCC believes that funding for this program should come from the Department of Transportation or otherwise from the transportation sector, and not from natural gas utility customers through their conservation adjustment mechanism.   If OCC's objection to the use of ratepayer funds for this program is not heeded, OCC suggests that a cap of $1 million per gas company be included, and that, in the interest of transparency, it be listed as a separate line item on customer bills, rather than included in a funding mechanism to which it is wholly unrelated.

Section 8 is concerned with the development of electric distribution company resiliency plans, a concept which OCC fully supports. However, OCC believes that the pass through of the costs of such plan (approved by the Public Utilities Regulatory Authority ("PURA")) through the Systems Benefit Charge ("SBC") should be limited to the time period before the companies' next rate cases. At that point and thereafter, review and approval of the plan should be accomplished in the context of a full rate proceeding and projects can be rolled into base rates.

Section 9 proposes the creation of a new paradigm for tree trimming and notice requirements to property owners. This section requires the EDCs to publish notice of the intent to cut or trim each particular tree or limb outside of the defined "utility clearance zone" in a newspaper of general circulation, and to provide notice of same to the municipal tree warden and the Commissioner of Transportation. OCC believes this may not provide sufficient notice to property owners, since not all property owners read newspapers. OCC believes that the EDCs should provide notice by mail to property owners whose trees outside of the utility clearance zone will be trimmed, with a copy of such notice to the municipal tree warden and the Commissioner of Transportation. Moreover, OCC believes that the period for objection and request for a hearing should be at least two weeks, to cover the possibility that property owners may be on vacation when the notice is received.

Section 12 proposes to amend the SBC to include incremental capital and operating costs related to the ten year system hardening plan proposed in Section 8, the cost of any tree cutting or trimming performed pursuant to Section 9, and the cost of a study of the regional independent system operator pursuant to PA 11-80. OCC objects to the perpetual use of the SBC for the first two proposed purposes. As further set forth in the discussion of Section 8 above, OCC believes that capital and operating costs and expenses due to infrastructure improvements and tree trimming should be approved the context of a rate case and recovered through rates.

OCC is concerned about Section 14 insofar as it amends 16-245a(c) to require that we must meet twenty-five percent of our Class I and Class II requirements with power generated from microgrids. This could create a near term increased cost for ratepayers and for two types of electric supplier: (i) those who bid to serve standard service (or last resort service) and (ii) competitive electric suppliers. These are the entities that purchase the renewable energy credits ("RECs") to ensure Renewable Portfolio Standard ("RPS") compliance. A supplier bids to supply standard service with an expectation of what its costs will be. For RPS compliance, the suppliers surely expected that their costs for 2012 would be quite low, but this requirement will likely raise those costs, perhaps significantly. Changes of this type that have a near-term start date would likely cause suppliers to standard service to start putting higher risk premia in their bids, which raises costs for customers. As to competitive electric suppliers, any added cost from this proposal would be a pure cost item for them that would likely force them to raise their prices for customers.

Right now, we don't have true microgrids in Connecticut, but we do have CHP units that qualify as "microgrids" under Section 13. It would be more straightforward, if desired, to: (i) add true microgrids to Class III requirements, and (ii) increase the Class III RPS a bit. It is well-known that we presently have a glut of Class III RECs, so the

Class III RPS could probably be increased by 1% or perhaps slightly more than that without significant ratepayer impact.

Section 21 removes the cap of $500,000 for subsidization of oil heat customers by electric customers for the Home Energy Solutions ("HES") program. OCC understands the concern that fuel oil customers are not able to participate in the current HES program at the same level as gas and electric heat customers if this cap is not raised or eliminated. However, while OCC believes it would be ideal for fuel oil customers to be able to fully participate in HES, such participation comes at a significant cost, which, with the proposed revision, would be subsidized in great part by electric and gas heat customers. It would be equitable for fuel oil customers to contribute to the HES program at the same proportional rate that gas and electric heat customers contribute in order to participate in the program.

To be sure, fuel oil customers are also electric customers, thus they do contribute to the energy efficiency fund, and thus the HES program, through their electric use (but not their heating use). OCC believes that fuel oil customers should be permitted to participate in HES to reduce their electric usage. OCC notes that many fuel oil customers could achieve significant electric savings through measures such as lighting, air conditioning, hot water heating, and appliance replacements, and they should be able to participate in Home Energy Solutions in order to achieve those savings. However, any fuel oil measures in fuel oil heated homes should be funded by the FOCB, as discussed in the comments related to Section 1, herein.

Section 24 proposes to create an "electric vehicle infrastructure support account" within the General Fund. The current language does not provide a funding source, but states that "the account shall contain any moneys required by law to be deposited in the account." OCC anticipatorily submits that electric ratepayers should not be funding this account, as electric ratepayers are not the cause of the environmental problem being addressed by this initiative. Since the transportation sector causes the emissions being addressed by electric vehicles, an initiative aimed at resolving this problem should be funded by the transportation sector under principles of cost causation . In fact, widespread use of electric vehicles could put a significant strain on the electric distribution system and the cost of electricity for electric ratepayers, especially if charging were to occur during peak hours. Moreover, charging during peak hours would increase emissions from electric generating facilities, the cost of which could also be passed on to electric ratepayers. Thus, since this initiative addresses a transportation sector problem, it should be paid for through the transportation sector, and not electric ratepayers.