
MEMORANDUM

TO: SENATOR FONFARA
REPRESENTATIVE NARDELLO
SENATOR WITKOS
REPRESENTATIVE WILLIAMS

FROM: SECRETARY ROBERT GENUARIO, OPM
CHAIRMAN KEVIN DELGOBBO, DPUC

SUBJECT: ENERGY BILL

DATE: 5/3/2010

We continue to have **significant concerns** of what we believe would be adverse impacts the proposed legislation would have on Connecticut ratepayers.

First, the additional new incentives for solar and other programs would **add significant cost the ratepayers** of Connecticut Light and Power and United Illuminating. At the very least, our analysis is that these incentives would result in at least \$72 million in additional ratepayer costs for various incentives plus \$9 million in administrative costs. These additional costs will be borne by both residential and commercial ratepayers.

We would respectfully request that as you consider your position on this proposed legislation you consider, not only these **additional ratepayer costs**, but that you also seriously consider what are the impacts of these new incentives on provisions already enacted in previous legislative sessions but not yet reflected in rates. Even without the proposed legislation being enacted there are still costs to be added into rates. For example, provisions that require the Department to grow our renewable portfolio, once fully ramped up, will increase ratepayers' costs. In addition the Department has awarded contracts to implement project 150; as these projects come on-line in the coming months, the costs of this project will also be reflected in ratepayers' costs.

Secondly, we have serious concerns over the **risks to ratepayers** which we believe would result from the proposed procurement strategy in the legislation. The Administration can accept a number of these provisions as well intended; however we believe that the provisions of this proposed legislation passes the tipping point which place the Connecticut's ratepayers at risk for increased costs. Specifically, while we can support the concept to authorize greater flexibility in laddering, it must be understood that this represents increased possibility of increasing risk to ratepayers.

Additionally, we have and can continue to support allowing direct management by utilities of their portfolios. We all agree this concept has consequences that can lead to rewards as well as risks. However we believe that in order to protect our ratepayers, some limitations on this risk need to be outlined. The Department has consistently expressed a position that utilities be allowed to manage no greater than 20% of the standard service load. Simply put, we believe that the provisions in the proposed legislation would expose ratepayers to far too many adverse consequences with the open ended allowances provided for in this legislation.

We also believe that some provisions in the proposed legislation would **adversely impact ratepayers' ability to choose** alternative electric suppliers. The Department's proposed legislation would have provided a code of conduct for electric suppliers and would provide the Department with greater authority to police the marketplace. The currently proposed bill adds provisions that we believe would diminish ratepayer choice and possibly result in the loss of jobs in the alternative supplier industry.

Finally, we have grave concerns over the proposed legislation's provisions reorganizing the Department. We agree that there is merit to the proposal to evaluate how Connecticut can better streamline our energy policy planning and execution. However, the proposed legislation that would statutorily restructure the Department presents significant concerns. These are best highlighted in pointing out that a core function of the Department is as an adjudicatory/regulatory body. The reorganization proposed in this legislation could adversely hamper and impact our ability to properly and legally regulate, not just the electric industry, but all of those entities currently regulated by the Department (gas, water, telecom).

For these reasons, we respectfully request that the proposed legislation not move forward as proposed.