Connecticut Office of Consumer Counsel

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OCC Newsletter

Spring 2004

OCC Promotes Green Power Options And Energy Efficiency Programs In DPUC Hearing

In public hearings before the Department of Public Utility Control ("DPUC") on December 17-18, 2003, the Office of Consumer Counsel ("OCC") encouraged the DPUC to give Connecticut consumers quality green power options. The DPUC held the hearings pursuant to a recent Connecticut statute that calls for consideration of giving customers of The Connecticut Light and Power Company ("CL&P") and The United Illuminating Company ("UI") the ability to choose green power for some or all of their electricity needs. Green power options, also known as "green pricing", give electricity consumers choice over the fuel source of the power they purchase. This promotes the replacement of fossil fuel electricity generation sources with renewable energy sources, such as fuel cells, wind power, solar, etc. Customers that choose to participate agree to pay a premium on their bills in order to advance the environmental and technological benefits of renewable power.

OCC stressed in its arguments to the DPUC that:

- consumers should have several green power choices, including choices of types of renewable technologies as well as the level of participation (for example, allowing customers to choose to have 50% green power at a lesser premium).

- consumers should have quality choices that favor new renewable energy sources and the cleaner renewable technologies (with an emphasis on "Class I" renewable energy sources as defined by the Legislature).

- DPUC should favor bids that best meet the environmental and technology goals of promoting renewable power, while still offering reasonable premiums.





- bidders should be allowed to use renewable energy sources and renewable energy credits ("RECs") from inside and outside of New England in crafting their bids. Connecticut's air quality is affected by fossil fuel plants in New England, as well as plants in nearby states to our west (including New York, Pennsylvania and Ohio). Thus, promoting renewable energy development in nearby states may well maximize the benefits of the green power program.

In addition to green pricing, OCC promoted the development of energy efficiency customer options on UI and CL&P customer bills or bill inserts. The exact nature of such a program would depend on the bids received by the DPUC. A typical program would encourage participating business consumers to install equipment on their premises that will monitor and reduce energy usage. Such a program would have significant potential to reduce costly summer peak loads.

The public hearings described above took place pursuant to the DPUC Docket No. 03-07-16, entitled "Investigation of Alternative Transitional Standard Offer Services for United Illuminating and CL&P Customers". For further information regarding this docket, please contact Joseph Rosenthal at (860)827-2906 or Richard Steeves at (860)827-2912.

Telecom: David v. Goliath

Gemini Networks is a telecommunications network provider based in West Hartford. By a decision in late December 2003, the Department of Public Utility Control ("DPUC" or the "Department") agreed with the Office of Consumer Counsel ("OCC") and Gemini Networks that currently abandoned facilities owned by SBC Connecticut (formerly "SNET") constitute a network that must be offered under state and federal law for lease to potential competitors at reasonable pricing.

The OCC believes this Docket is unique not only for Connecticut, but for all regulated industries in the United States, combining an existing and unused network with a willing and able potential provider of telecommunications services. The OCC argued and the DPUC agreed, that this business opportunity presents a win-win for all concerned: SBC Connecticut has the opportunity to receive revenues from utility plant that is currently not used and useful, Gemini is clearly ready and willing to enter the market and provide competitive services to potential customers in a wide area of Connecticut. Finally, consumers could realize the benefits of telecommunications

    

competition that have long been promised in this state. This would be accomplished by merely joining forces rather than fighting off this statutorily-mandated arrangement.

By allowing Gemini to make use of this network, the Department has seized a singular chance to jumpstart facilities-based telecommunications competition in this state. Unfortunately, SBC Connecticut has greatly resisted allowing use of its abandoned facilities, initiating two lawsuits to block the DPUC's decision, one in state court and the other at the Federal Communications Commission ("FCC"). The OCC will of course participate with the DPUC in these lawsuits with an eye to convincing judges and FCC commissioners alike that this unique opportunity needs to proceed apace.

Groton Utilities

Docket No. 02-02-18 is an Application Of Groton Utilities D/B/A Thames Valley Communications For A Certificate Of Public Convenience And Necessity To Provide Community Antenna Television Service To Groton, Ledyard, Stonington, N. Stonington And Voluntown.

In October, the Department of Public Utility Control ("DPUC" or the "Department") awarded a nine-year cable TV franchise term to Thames Valley Communications ("TVC"), a wholly owned subsidiary of the City of Groton with nearly 100 years of experience in providing electric and water service to its residents.

In addition to many letters forwarded to the Office of Consumer Counsel ("OCC") and the DPUC, numerous consumers attended a public hearing and voiced their strong desire for a choice among CATV providers, especially a local entity with staff and services located in the community. The OCC has been an enthusiastic supporter of this application for competition in the provision of cable TV and high-speed Internet access.

The OCC's concerns have been fully addressed by the Department's final decision, including fears of potential cream skimming of the most desirable customers since TVC has committed to build the entire franchise. The OCC also recommended that TVC expand both the hours of service and staff operating its customer service center.

To update the provision of community access in the area, the OCC recommended a slightly higher level of funding, subject to annual consumer price index ("CPI") adjustments. And, while the OCC was concerned that a level playing field would be insured between the two competing providers, it did not support any extra financial burden imposed on TVC that would fall directly to ratepayers choosing to migrate to TVC.

The OCC is convinced that only through competition will cable TV prices be reduced, innovation in delivery and service quality be enhanced, and programming





become more relevant to each community in the state. This application represents hope that competition will remove some of the power of the entrenched providers of cable service that, since 1967, have ruled the market for cable TV in this state.

2003-2004 Winter Gas Costs

The 2003-2004 winter is almost over. The weather bureau claims this is the coldest winter in New England in 25 years. As a result gas-heating bills are higher than normal. However, the difference is not only attributed to higher gas costs (when comparing winter gas costs to summer gas costs), but because of the exceptional cold weather, usage has also increased.

Actually this winter's gas prices have not been as expensive as the cost of gas during the winter of 2000-2001, which had record level gas costs. There are three specific reasons for the difference in gas costs then and now. First, the local gas distribution companies ("LDCs") have increased their storage capacity and have purchased more less expensive gas during the off-peak months (April-October), and filled their storage locations with more gas than in the past. This allows the LDCs to call upon this less expensive gas during the colder months to offset higher price gas.

Second, more wells are being drilled than three years ago. This allows more gas to be produced, and helps alleviate the shortage of gas during the winter months. This produces the law of supply and demand. The more supply there is, the less the cost of a commodity.

Third, more gas is being imported to the United States than previous years. This, added to more wells producing more gas, and the LDCs increasing their storage facilities so they may purchase more less-expensive gas to mix with costlier winter gas, results in less expensive gas. Therefore, the primary reason gas bills are higher this winter is because it is colder. Hence, we are using more natural gas to heat our homes. So while the actual cost of gas is less than the winter of 2000-2001, but more than this past summer, bills have increased. Sustained cold winter weather will do that. Keeping warm has a cost.

Connecticut Energy Advisory Board Update

The Connecticut Energy Advisory Board ("CEAB") has issued a draft of its first

annual comprehensive Energy Plan for Connecticut, and has held public hearings to receive public comment on the draft plan. Hearings were held in Bridgeport, Hartford and Willimantic. The Board will consider these comments in the preparation of the final plan, which they plan to submit to the Legislature by mid-March. Following submission of the plan, the CEAB will make establishing criteria and a request-for-proposal ("RFP") infrastructure for energy projects in the State a top priority.

As part of the recent restructuring of the CEAB, the board must establish an RFP process to seek competing solutions for transmission, generation, conservation, load management, load response or any other energy strategy, or combination of strategies, for Connecticut by December 1, 2004. The process must include setting preferential evaluation criteria for proposals that are consistent with the State's environmental and economic development policies, as well as electric industry restructuring and the CEAB's energy plan.

The draft plan and transcripts of the hearings are available at www.ctenergy.org.

The Water Planning Council

The Water Planning Council ("WPC") is legislatively charged with addressing Connecticut water management issues. The Council develops an annual agenda and is composed of the Department of Public Utility Control ("DPUC"), the Department of Environmental Protection, the Department of Public Health and the Office of Policy and Management. Items that the WPC addressed during the 2003 agenda included: conservation, stream gaging, land use and small water system financial matters. The workgroups, which study these issues, are assigned by the Council and are composed of stakeholders involved in all aspects of water resources. These include environmental groups, utilities, municipalities, business organizations and state agencies. Final reports of the 2003 workgroups can be found at http://www.dpuc.state.ct.us/DPUCINFO.nsf/ByWaterPlanning?OpenView.

In 2003, the WPC established the Water Planning Council Advisory Group ("WPCAG"). The role of the WPCAG is to advise the WPC on activities and products of Council appointed workgroups. It also makes recommendations or provides advice to the WPC on new or emerging water management issues. There are fifteen members on the advisory, which represent a broad cross section of parties interested in water issues. The Office of Consumer Counsel ("OCC") has been elected to the advisory group to represent consumer interests.

The WPC is in the process of completing its 2004 work plan, which will highlight accomplishments of the WPC in 2003, as well as the formation of workgroups and

  

 

assignments to be completed in 2004. The work plan will also reference proposed legislation that the WPC will put forth in the current session.

During the course of the year, the WPC meets to discuss progress of workgroups and other business as needed. The meetings are held on the first Monday of the month at 1:00 p.m. at the offices of the DPUC, Ten Franklin Square, New Britain, CT 06051.

The Connecticut Light and Power Company's ("CL&P") Rate Case Update

On December 17, 2003, the Department of Public Utility Control ("DPUC" or the "Department") issued its Final Decision in CL&P's rate case (Docket No. 03-07-02) that allowed transmission and distribution rate increases of $70.5 million. Distribution rates will increase by $42.1 million, or 6.8% (total bill increase of 1.9%) over the next four years beginning January 1, 2004. CL&P's distribution rate increase is to be phased-in over a four-year period, beginning with a $1.9 million decrease for 2004, and incremental increases of $25.1 million in 2005, $11.9 million in 2006, and $7 million in 2007. This compares to the Company's requested $133.5 million distribution increase for 2004, and incremental increases for 2005-2007 of $23.2 million, $24 million, and $24.1 million, respectively. The Department's Final decision also allowed a transmission rate increase of $28.4 million, or 15.5% (total bill increase of 1.3%) effective January 1, 2004, compared to CL&P's initial request of $46.4 million.

In determining CL&P's distribution revenue requirements, the DPUC utilized $120 million of excess generation service charge revenue to reduce rates by $30 million annually over the four-year period. The Department's Decision approved $900 million of capital expenditures for the Rate Plan period to improve the Company's distribution system, as well as additional expenses to train and replace linemen that are forecasted to retire due to an aging workforce. The Final Decision adopted many of the OCC's proposed adjustments to the rate increase requested by CL&P including: return on equity, sales growth, pension and benefit expenses and depreciation. The Department also set the Company's return on equity at 9.85%. The Office of Consumer Counsel views the final Decision as well balanced and results in a level of rates that are fair and reasonable to ratepayers.





The Transitional Standard Offer

Connecticut's electric customers have been allowed, since the year 2000, to choose competitive generation suppliers, although the delivery of their electricity by The Connecticut Light and Power Company ("CL&P") or The United Illuminating Company ("UI") has continued to be regulated. However, most customers stayed on the Standard Offer, which expired at the end of 2003. The legislature, perceiving the limited development of competition in this industry, and also certain environmental needs, enacted Public Act 03-135. This law requires CL&P and UI to provide a Transitional Standard Offer ("TSO") for the next three years, 2004-2006. Under the TSO, rates will be higher than the Standard Offer rates, for two reasons. First, the TSO rate ceiling is 11% higher than the Standard Offer. Second, certain new costs, designated as federally mandated congestion costs ("FMCCs") are an exception to the TSO rate ceiling.

In December 2003, the DPUC completed the TSO docket for each company. For UI customers (Docket No. 03-07-15), it appears that TSO rates will be reasonably stable. UI obtained an energy contract for all three TSO years, at prices that include most of the FMCC costs. Also, UI's distribution rates had been lowered in 2002.

For CL&P customers (Docket No. 03-07-01), the TSO rate picture differs, for several reasons. CL&P was not able to procure TSO energy for all three years, and its procurement efforts left out a large FMCC-type (capacity) cost that is expected to begin reaching customer bills this summer. Also, the Department of Public Utility Control's ("DPUC") decision on CL&P's distribution rates allows those rates to increase after the year 2004. The Office of Consumer Counsel ("OCC") recently filed a court appeal of the CL&P TSO decision. We believe that the DPUC's decision does not sufficiently protect CL&P customers from possible TSO rate spikes. As a result, we are asking the court to require the DPUC to reconsider the effects of these rate changes on CL&P customers.

Electric Transmission

Electric transmission lines, and specifically a new large-scale (345-kV) transmission line "loop" for southwestern Connecticut, have raised considerable controversy in the state since 2001. The question of whether such a transmission loop is





needed and, if needed, whether it should be built overhead or underground, have both been at issue. Last summer, the Connecticut Siting Council ("CSC") completed its Docket No. 217. In that decision the CSC approved The Connecticut Light and Power's ("CL&P") application to build "Phase One" of this loop, a 21-mile transmission line from Bethel to Norwalk. The completion of this CSC docket had been delayed by a legislative moratorium. Further, the City of Norwalk has filed a court appeal of that CSC decision.

Last October, CL&P and UI jointly applied to the CSC for permission to build "Phase Two" of this loop, a 69-mile transmission line from Norwalk to Middletown. In this proceeding, CSC Docket No. 272, community hearings began in December 2003. Evidentiary hearings in this docket are scheduled for March through May 2004. The CSC is expected to issue its Phase Two decision by October 2004.

The Office of Consumer Counsel ("OCC") was a party to the CSC's Phase One transmission proceeding, and is a party to its Phase Two docket as well. In the new CSC docket, OCC expects to file expert testimony relating to two aspects of the Phase Two line. First, has a comprehensive overall analysis been done, showing that the line is the least-cost overall solution for electric reliability problems in southwestern Connecticut? Second, what would be the effect, on both electric reliability and customer costs, of placing substantial portions of any transmission line underground? The answers to both questions will have important quality of service and rate implications for electric customers across the state.

The Connecticut Office of Consumer Counsel is an independent state agency authorized by statute to act as the advocate for consumer interests in all matters which may affect Connecticut consumers with respect to public service companies, electric suppliers and persons, and certified intrastate telecommunications service providers.

The Office of Consumer Counsel is authorized to appear in and participate in any regulatory or judicial proceedings, federal or state, in which such interests of Connecticut consumers may be involved, or in which matters affecting utility services rendered or to be rendered in this state may be involved.

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