

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

DPUC REVIEW OF CL&P AND UI

DOCKET NO. 07-10-03

CONSERVATION AND LOAD

MANAGEMENT PLAN FOR YEAR 2008

June 9, 2008

Exceptions of Environment Northeast

Environment Northeast (ENE) hereby provides the following exceptions to the Draft Decision and requests the opportunity to present oral argument.

I. The Department Should Allow the Companies to Recover All Reasonably Incurred Expenditures for Approved Programs.

A. The Draft Decision Proposes to Limit Recovery of 2008 C&LM Expenditures to Levels That Are Significantly Below the Projected Customer Demand for Services.

During the year 2007, the customer demand for C&LM services substantially exceeded planned amounts, likely due to high electric prices and customer recognition of the benefits from reduced usage. The Department allowed the Companies to recover most of their excess expenditures through provisions of the Energy Independence Act (EIA) and deferred about \$10 million for recovery in 2008. On February 25, 2008, the ECMB notified the Department that customer demand was again significantly in excess of the proposed budgets and suggested several alternatives for funding the overage so that customer needs could be met and that program shut downs, suspensions or freezes on participation would be avoided. These funding sources included the EIA, deferral of

deficits to 2009 and the procurement plan authorized by Sec. 51 of Public Act 17-242.¹ CL&P has estimated that actual expenditures will exceed the proposed C&LM budget by about \$26 million due to the increased customer demand. L.F. Ex. 35.

The Draft Decision proposes to reduce CL&P's 2008 program budget by \$8.6 million and to allow CL&P to spend no more than \$15 million in excess of this revised budget. Draft Decision at 5, 6. The net result is that CL&P would have to reduce its program spending from the current level of activity by about \$20 million over the remaining months of 2008. This action would create a severe and unnecessary disruption in the C&LM program similar to that which took place in 2003 due to the legislative diversion of funding to the General Fund. The adverse effects on customer and vendor confidence and participation in programs from that experience lasted for several years. As discussed below, it would be a serious mistake to repeat that experience now, when the clear state policy is to expand the programs to capture all cost-effective opportunities.

B. The Proposed Spending Limitations are Inconsistent with State Policies.

The current state policy on the appropriate level of spending on efficiency programs is set forth in Public Act No. 07-242 which provides for the development and implementation of plans for procuring energy resources, including energy efficiency, and includes the following directives:

“Resource needs shall first be met through all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible. The projected customer cost impact of any demand-side resources considered pursuant to this subsection shall be reviewed on an equitable bases with nondemand-side resources. The procurement plan shall specify (1) the total amount of energy and capacity resources needed to meet the requirements of all customers, (2) the extent to which demand-side measures, including efficiency, conservation, demand response and load management can cost-effectively meet those needs...” PA 07-242, Sec. 51 (c).

¹ These sources are still available options for 2008. In addition, funds will become available through the auction of allowances under the Region Greenhouse Gas Initiative, now projected to be in September, 2008.

As the Draft Decision notes, the Integrated Resource Plan developed by the Companies to meet these requirements is now before the CEAB and not ready for full review by the Department until August of this year. However, it is apparent that the current C&LM program will need to be substantially expanded in order to meet the mandate to capture all cost-effective demand-side resources that are available, reliable and feasible. Moreover, the CEAB has advised the Department of its support for ramping up the energy efficiency programs during 2008. See Attachment A. Accordingly, it would be inconsistent with this mandate to require the utilities to turn away customers who want to proceed with efficiency projects under programs which are operating and have been demonstrated to be cost-effective. Instead, the companies should continue to meet the customer demand for services to maintain the program momentum so that the transition to higher levels of demand-side investment can be facilitated. The stop/start approach to program delivery is inherently unsound and costly.

The Draft Decision (p. 8) contains an implication that energy efficiency spending levels should be primarily driven by the need for additional capacity resources. Although efficiency investments can certainly reduce the need for capacity, the largest component of the supply costs which are avoided by such investments are fuel or energy costs and that displacement has provided a primary justification for efficiency investments. If there was any doubt on this issue, it is clarified by the provisions of PA 07-242 quoted above which require that demand-side resources be preferred over supply-side resources in meeting both energy and capacity needs.

C. The Additional Efficiency Investments Will Benefit Customers and the State.

The 2008 Conservation and Load Management programs proposed in this docket are the product of many years of experience and revision. The data provided by the

Companies demonstrates that they are highly cost-effective and provide substantial benefits to customers. CL&P estimated that the total benefits from an investment of \$140.9 million in all C&LM programs, including load response and load control, would be \$ 585.6 million at a net cost of 1.65 mills/kWh. LF-19 RV01. About \$100 million of the total benefits (72% of the total cost) would go to all rate payers in the form of reduced energy and capacity prices over the next three to four years (the “DRIPE’ effect). See also EL-15. Thus, the rate impacts of an additional \$20 million in efficiency investments would be quite small in relation to the benefits to be gained. Based on the estimates in LF-19 RV01, an investment of \$20 million in C&LM programs would yield \$83 million in customer benefits. The projected rate impact of this additional investment, including the benefits from reduced supply costs, would be .23 mills or \$0.00023/kWh. The rate impacts for C&LM investment should be compared to those for energy costs. CL&P’s current generation service charge is 11.78 cts./kWh.

The estimates in LF-19 RV01 likely understate the customer benefits due to the rapid escalation in natural gas costs over the last year. The average wellhead natural gas price in 2007 was \$6.40/Mcf and this past week prices were above \$11/Mcf (EIA).² This translates directly to higher electricity prices. The average wholesale price (LMP) of electricity for CT in April this year was approximately \$96 per MWh, up from \$75 in April of 2007 and \$62 in April of 2006.³ Natural gas futures prices through the end of the year also continue to rise (NYMEX).⁴

Moreover, as the programs expand, the number of program participants will correspondingly increase. These programs provide large benefits to the state’s economy by substituting local labor and products for supply costs which are largely based on fuel imported from other countries and regions. Reducing energy costs is a critical component in Connecticut’s ability to remain economically competitive. Ironically, the effect of the DPUC Draft decision, if adopted, would be to increase overall costs by

² http://tonto.eia.doe.gov/dnav/ng/ng_pri_sum_dcu_nus_m.htm

³ www.iso-ne.com/markets/hstdata/znl_info/monthly/index.html

⁴ http://www.nymex.com/ng_fut_cso.aspx

requiring that more expensive supply resources be purchased to meet consumer energy needs.

II. The Approval of Programs to be Implemented by the Institute for Sustainable Energy Must be Limited to Those Reviewed by the Companies and the ECMB.

The Draft Decision proposes to establish a five-year budget for the Institute of Sustainable Energy at \$600,000 annually with no specification of the programs or activities to be conducted. There is no indication in the record that this proposal was ever presented to the ECMB or the Companies or otherwise considered in the development of the 2008 Plan. It apparently originated in a colloquy between staff and the Executive Director of ISE during this proceeding in which the issue of multi-year funding was discussed. There was no discussion of specific amounts or periods. Tr. 2/26/08 at 173-176.

The underlying statute requires that “Each program contained in the plan shall be reviewed by the electric distribution company and either accepted or rejected by the Energy Conservation Management Board prior to submission to the Department for approval.” Conn. Gen. Stat. Sec. 16-245m (d) (1). In accordance with this directive, the ECMB and the Department have established a “Roadmap” process to ensure that all proposals are thoroughly reviewed. Since this proposal has not been considered through this process and lacks essential details as to program activities, it cannot be approved in this proceeding.

It should be noted that the 2008 Plan proposes about \$485,000 for ISE programs that have been reviewed by the ECMB and the Companies, including the O&M course for school maintenance. 2008 Plan, Table A; Tr. 2/26/08 at 147, 148. The fact that ISE is pursuing other funding sources is consistent with the history of its relationship with the

CEEF in that it initially requested start-up funds and indicated its intention to become independent of CEEF funding over time. Tr. 4/2/2008 at 737.

III. Conclusion

For the reasons set forth above, ENE respectfully requests that the Department revise the Draft Decision by:

1. Directing the Companies to continue to offer the current C&LM programs during 2008 and allow them to recover the legitimate costs associated with those programs, and
2. Eliminating the direction to provide funding of \$600,000 per year for five years to the Institute for Sustainable Energy.

Respectfully submitted,
Environment Northeast

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