

Connecticut Energy Advisory Board

Comments of Environment Northeast
On
Report on Various Energy Issues for Connecticut: Phase II

November 18, 2008

Environment Northeast (ENE) appreciates the opportunity to comment on the recommendations contained in the draft Report on Various Energy Issues for Connecticut (Draft Report). Our comments will focus on the four primary findings of the Draft Report.

I. Comprehensive Energy Planning Should be Implemented.

ENE supports the development of a comprehensive energy plan for the state that would include electricity, natural gas, fuel oil, propane, buildings and transportation. Such a plan would be particularly valuable in enabling the state to meet its environmental goals, particularly with respect to climate change and other air emissions standards. It would also be important in making the state more competitive economically by minimizing its energy costs. A key element of the comprehensive plan would be supporting more efficient use of energy resources through investments, codes, standards and intelligent planning of infrastructure.

The comprehensive energy plan should be a multi-year plan which establishes high level goals and incorporates more detailed plans in the various sectors where those are available. Changing the primary factors affecting energy usage will require a sustained effort over time and the plan should reflect that reality. Accordingly, it should not be an annual exercise, but rather prepared every two or three years, with the opportunity for annual revisions. ENE believes that the CEAB is an appropriate entity to assume the responsibility of developing the comprehensive plan with other entities responsible for implementation.

II. The Responsibility for Developing the Integrated Resource Plan Should Not be Shifted from the Electric Utilities to the CEAB.

ENE does not support the proposal to change the recently instituted procedures for developing electric procurement plans by having the CEAB assume that responsibility in place of the electric utilities. This process was approved by the legislature and signed by the Governor in June 2007. It involves an assessment of the complex New England electric system and a consideration of various options for meeting the statutory goals of minimizing costs and meeting environmental requirements. The electric utilities quickly developed an approach for preparing a plan, hired a qualified consultant and met the statutory deadline of January 1, 2008. In ENE's view, the resulting analysis is well documented and presents a solid approach for meeting the statutory goals. After a full review, the CEAB endorsed the primary recommendations of the plan.

The limited experience to date does not provide any basis for altering the legislative judgment that the electric utilities should have the responsibility for developing the plan. The fact that in the course of its review the CEAB appropriately sought to supplement the information provided and to consult stakeholders indicates only that it was performing its responsibilities. The principal concern stated in the draft report is that the utilities "have disparate economic incentives associated with different resources that comprise an IRP." Draft Report at 8. The restructuring of the electric system in the state has eliminated a large portion of the economic incentives which sometimes appeared to be at odds with customer interests. The regulatory review of the plan by the CEAB and the DPUC should ensure that any remaining biases are eliminated.

The important attributes that the electric utilities bring to this task are (i) their responsibility for and economic interest in ensuring that adequate resources are provided to meet customer needs, and (ii) their experience and expertise in the complexities of the New England electric system and alternative approaches to meeting customer and system needs. This expertise is critically important in the preparation of an effective IRP. The Draft Report suggests that the CEAB hire a staff person to handle this task, perhaps with consultant assistance. It is highly unlikely that the same level of expertise could be provided in this fashion, although staff would seem to be necessary for coordinating the development of a comprehensive plan.

It is noteworthy that California, which has very substantial staffs at its Energy Commission and Public Utilities Commission, requires its electric utilities to develop procurement plans for three-year periods in a manner similar to that prescribed by Sec. 51 of Public Act 07-242. See A Report on Various Energy Issues for Connecticut: Phase I at 22, 23 (Phase I Report). The results of the IRP should be incorporated in the comprehensive energy plan.

Another issue raised with respect to the review of the IRP is the limitation on the representatives of several state departments from participating in the CEAB review of the IRP, notably the Chairman of the DPUC. The Draft Report correctly observes that the DPUC possesses significant information on issues associated with Connecticut's electric market which should be available to the CEAB. (p. 8) ENE notes that there is nothing in the statute that prohibits the CEAB from obtaining this information from DPUC staff and that the prohibition is only directed at the DPUC Chairman in his capacity as a member of the CEAB. Sec. 51 (e) of Public Act 07-242.

The Draft Report also recommends that the IRP should be subject to continual review and updating as market conditions change. Draft Report at 9, 10. To the contrary, ENE respectfully recommends that the IRP should be regarded as a long-term strategic plan for acquiring appropriate resources. The size, cost and nature of the electric system is such that changes cannot be made quickly. Over the last few years, the DPUC has authorized contracts for about 900 MW of peaking plants and a 600 MW combined cycle generating facility. None of these plants are operational and all require several years to complete. Transmission planning and construction generally has an even longer time frame. Energy efficiency resources can be acquired more quickly, but still require a consistent plan over time to develop the administrative support, customer acceptance and vendor network necessary for a cost-effective delivery system.

III. The Responsibility to Respond to Market Opportunities and Emergencies in the Electric System Should be Left with the DPUC and the Electric Utilities.

For the reasons stated above, ENE believes that the focus of the IRP and the Comprehensive Energy Plan should be on long-term strategies that meet environmental

goals and minimize costs to consumers. In those very limited situation where more immediate action is advisable, the responsibility for taking such action should be left with the DPUC and the electric utilities, rather than attempting to devise solutions in advance.

IV. Integrating State Plans, Strategies, Actions and Criteria Towards Achieving Energy, Environmental and Economic Goals is Highly Desirable.

As is noted in the Draft Report, a key aspect of this goal is the assessment of the cost-effectiveness of a particular action or investment. ENE strongly supports the statements in the Draft Report (p. 16) that effective energy planning should include the impacts on environmental standards and compliance, including regulatory penalties for failure to comply, and the effects on the state economy.

The basic standards for cost-effectiveness for energy efficiency resources have been developed over time through DPUC decisions. In general, they include a comparison of the benefits of efficiency measures installed on customer premises with the costs of these measures. For the Electric System Test, the benefits include the avoided energy and capacity costs resulting from the measures and the costs are limited to the electric utility program costs associated with the measures. For the Total Resource Test, the benefits include quantifiable savings for non-electric resources such as water, heating fuels and air emissions and the costs include customer costs as well as program costs. See 2009 Conservation and Load Management Plan, DPUC Docket No. 08-10-03 at 231. Clearly, the Total Resource Test provides a better measure of the overall impact of a program and would be most useful for the purposes of taking into account both energy and environmental policies.

ENE is not familiar with the use of the term "least-cost" in Connecticut statutes related to energy planning except in the former version of CEAB comprehensive planning authority which was eliminated in 2007. Draft Report at 4. Sec. 51 of Public Act No. 07-242 requires that procurement be carried out "in a manner that minimizes the cost of such (energy) resources to customers over time and maximizes customer benefits consistent with the state's environmental goals and standards." It further states that "resource needs shall first be met through all available energy efficiency resources

that are cost-effective, reliable and feasible.” The use of the Total Resource Test is the appropriate metric to use in assessing whether the statutory goals of the procurement plan have been met in a manner that includes both energy and environmental goals.

Respectfully Submitted,
ENVIRONMENT NORTHEAST

By: Roger E. Koontz
Senior Attorney