

**STATE OF CONNECTICUT  
DEPARTMENT OF PUBLIC UTILITY CONTROL**

**DPUC Review of the** : **Docket No. 08-07-01**  
: **October 20, 2008**  
**Integrated Resource Plan** :

**Connecticut Energy Advisory Board  
Reply Brief**

**I. INTRODUCTION**

The Connecticut Energy Advisory Board (“CEAB”) appreciates the opportunity to submit this Reply Brief in response to issues raised in participants’ Briefs in the Department of Public Utility Control’s (“Department” or “DPUC”) review of the CEAB’s *2008 Comprehensive Plan for the Procurement of Energy Resources* (“Plan) submitted pursuant to Section 51 of Public Act 07-242, *An Act Concerning Electricity and Energy Efficiency* (“Section 51”).

The CEAB focuses comments herein on: 1) issues raised by Connecticut Light & Power (“CL&P”) in opposition to including analysis of transmission projects in comprehensive resource planning; and, 2) arguments asserted by Constellation and the Retail Energy Supplier Association (“Constellation/RESA”) in opposition to contracting approaches that may lower the cost of renewable resources for consumers and to a pilot solicitation intended to inform the Department as to whether there may be opportunities to reduce the cost of complying with the renewable portfolio standard (“RPS”). The CEAB also offers a brief comment on various parties’ observations in connection with the Demand Side Management (“DSM”) Focus Case. Finally, the CEAB responds to a few issues raised by the Office of Consumer Counsel (“OCC”). The CEAB’s silence on other issues raised by participants does not necessarily indicate its agreement.

**II. TRANSMISSION IS AN INTEGRAL PART OF INTEGRATED RESOURCE PLANNING, IS SPECIFICALLY CONTEMPLATED BY SECTION 51 AND SHOULD BE INCLUDED IN FUTURE PLANS.**

CL&P asserted that the CEAB’s recommendation regarding the treatment of transmission in future Procurement Plans goes beyond the requirements of the Section 51. (CL&P Brief at p.

2) Accordingly, CL&P specifically requests that “analysis of transmission projects should be excluded from the comprehensive resource plan”. (CL&P Brief at p. 9)

CL&P’s request is contrary to statute and would result in a disjointed approach to comprehensive resource planning that could have cost implications for customers. The CEAB disagrees with CL&P’s assertions, as well its interpretation of Section 51 with respect to this issue and related Independent System Operator-New England (“ISO-NE”) and Connecticut planning requirements. The CEAB offers the following analysis of CL&P’s arguments concerning transmission and asks the Department to support the CEAB’s Resource Planning and Future Planning Recommendation 8 related to transmission in the IRP. (CEAB Plan, Recommendation 8, pp. 36-39)

**A. *The EDCs excluded consideration transmission as a resource option in its IRP.***

CL&P and United Illuminating’s (“UI”) (together, “the EDCs”) IRP stated plainly that it does not provide a cost/benefit of transmission options; does not compare the economics of transmission v. generation v. demand side options; and, does not constitute a reliability assessment. (EDC IRP at p. 2) With respect to CL&P’s current proposed transmission project, the New England East West Solution (“NEEWS”), the EDCs’ IRP generally assumed the proposed project is approved and built as proposed: the IRP provided sensitivity analysis for only one of the four components that comprise NEEWS.

In its brief, CL&P argues that transmission should be excluded from the state’s comprehensive resource plan and that the CEAB’s recommendation that future plans include non-transmission alternative analysis and economic benefits assessments for proposed significant transmission projects is beyond the requirements of Section 51. (CL&P Brief at pp. 2 and 9)

In its preliminary review of the EDCs’ IRP, the CEAB identified the lack of transmission analysis in the IRP to be problematic. (CEAB Plan, Appendix C and Appendix D at p. 10) It is instructive that no participant who provided comment on the transmission portion of the IRP to the CEAB, or to the DPUC in this proceeding, disputed this conclusion. (CEAB Plan, Appendix D at p. 10).

**B. *Integrated Resource Planning in General and Section 51 in Particular Includes Transmission***

Transmission is an integral part of integrated resource planning. The need for transmission and generation improvements is required to be specified in the procurement plan prepared pursuant to Section 51. Specifically, Section 51(c) provides that the “procurement plan *shall* specify...needs for generating capacity and *transmission* and distribution improvements.” (Emphasis added) CL&P’s brief ignores this plain language.

As noted above, with the exception of CL&P, every participant who spoke to transmission in Briefs agreed that Section 51 specifically contemplates that transmission is part and parcel of integrated resource planning. (Attorney General Brief at p. 6; Office of Consumer Council Brief at p.15; NRG Brief at p. 7) The same was true in the CEAB’s receipt of public comment on the EDCs’ IRP: no entity that spoke to transmission suggested the EDCs’ IRP was comprehensive or otherwise in conformance with the statute. (CEAB Plan Appendix D, p. 10.)

CL&P asserts that Section 51 focuses on meeting the demand for electricity through cost effective resource investment, rather than on the system’s ability to address reliability issues. (CL&P Brief at 3) To the contrary, Section 51 (d) provides that the “procurement plan *shall* consider...*reliability*, peak load and energy forecasts, *system contingencies* and existing resource availabilities.” (Emphasis added) CL&P ignores this plain language in Section 51 (d), which makes reliability an explicit consideration in the plan. Moreover, CL&P contradicts its own assertion that the procurement plan should not address reliability issues when it later refers to “..the Act’s goal of ensuring a reliable electric supply...” (CL&P Brief at 5). CL&P’s effort to set reliability issues aside in the context of comprehensive resource planning are not credible.

Further, CL&P argues Section 51 contemplates that the procurement plan process will involve an assessment of *resource adequacy*, but not of *transmission security* issues addressed through the regional planning process. (CL&P Brief at p.5) (Emphasis added). Section 51 makes no such distinction. To the contrary, Section 51: requires an assessment of energy and capacity requirements of customers; specification of the need for transmission improvements; and, consideration of reliability, system contingencies, import limitations and the appropriate reliance on such imports. All of these factors bear on the transmission security issues referenced by

CL&P. CL&P's suggestion that the procurement plan could accomplish these ends – all while excluding transmission from comprehensive planning - is implausible.

Additionally, Section 51's provisions relating to eliminating growth in demand and maximizing demand side measures could certainly influence the need for, or the timing of, transmission projects. The suggestion that these resources be considered separately is contrary to an integrated review of resources and an associated decision path.

In sum, the EDCs' approach to transmission in the 2008 IRP, which was in large part to assume proposed transmission moves forward, is contrary to the plain language of Section 51. Similarly, CL&P's current assertion that transmission falls outside the IRP's scope is out of synch with comprehensive resource planning principles in general and Section 51 in particular. (CL&P Brief at pp. 2-3) The CEAB requests that the Department make clear that transmission is properly included in the procurement planning contemplated by the Act and must be explicitly considered in future plans.

***C. Incorporating Transmission into Integrated Resource Planning is not preempted by ISO-NE's Planning Process.***

CL&P made a number of representations indicating its view that ISO-NE determinations on the need for transmission preempt the consideration of transmission in the state's IRP. This view does not comport with the Act, or with the ISO-NE's perspective on issues relevant to integrated resource planning, including but not limited to full non-transmission alternative studies and economic and environmental considerations in the planning process.

To summarize, CL&P asserts that: 1) the NEEWS project is "...necessary to satisfy the mandatory reliability standards promulgated by the North American Reliability Council .."; 2) "The IRP process should not undertake or force outcomes for economic purposes that will undermine regional or national reliability criteria"; 3) "The purpose of the IRP is not to find alternatives to facilities already recognized by ISO-NE as necessary to address transmission security issues" ; and, 4) that "the Department should ... chart a path that does not replace or duplicate regional reliability studies conducted by ISO-NE and the EDCs, and will thereby avoid setting the stage for inconsistent or competing recommendations from the Department and ISO-NE." (CL&P Brief at pp. 3, 5, 6)

These positions are contrary to the requirements in the Act and in the CEAB's view, do not square with ISO-NE's statements about limits to its planning. Specifically, CL&P quoted a letter from ISO-NE to the CEAB to support CL&P's assertion that IRP consideration of transmission will undermine reliability. (CL&P Brief at 6; Late File 29-9, Letter from the ISO-NE to CEAB dated March 22, 2007). The ISO-NE letter, when read in its entirety, is instructive relative to the limitations of the ISO-NE planning process on issues of importance to the state and relevant to integrated resource planning, such as full non-transmission alternative studies and economic and environmental considerations. A few of the relevant passages are as follows:

- “Bear in mind, however, that the PAC process may not be able to resolve issues that are outside of ISO's responsibility.” (Late File No. 29-9 at p. 1)
- “While the ISO reviews transmission projects for reliability, system impacts and cost allocation considerations, *transmission siting and permitting, including associated economic and environmental considerations and tradeoffs, ultimately fall under the jurisdiction of the individual states*” (Late File No. 29-9 at p. 2) (Emphasis added)
- “The *RSP includes a regulated transmission solution as a backstop for reliability* to the extent that market solutions are not proposed to address system needs or, if proposed, are not sufficient to meet system needs.” (Late File No. 29-9 at p. 3) (Emphasis added)
- “The ISO does not plan to develop further assessments of non-transmission alternatives. In fact, *the ISO is not equipped, nor has it been given the authority, to present a full non-transmission alternative to projects identified in the RSP.*” (Late File No. 29-9 at p.4) (Emphasis added)
- “*Other forums are available for consideration and review of non-transmission alternatives.* The Connecticut siting process, for instance, provides for consideration of alternative solutions when projects are proposed to the Siting Council, at which time the CEAB is required by law to issue a reactive RFP for alternative proposals.”<sup>1</sup> (Late File No. 29-9 at p.4) (Emphasis added)

Contrary to CL&P's assertions, a reliability determination does not preempt the state from considering alternative solutions. Rather, the state may consider non-transmission

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<sup>1</sup> Since the date of this letter, the CEAB has been granted statutory authority not to issue reactive RFPs, and, as discussed further below, CL&P has stated the way in which the IRP would assist any RFP for alternatives that may follow.

alternative solutions to meet a need addressed by proposed regulated transmission backstop solutions identified by the ISO-NE.

Parenthetically, this view conforms to statements by the Federal Energy Regulatory Commission (“FERC”) about the transmission planning process and state integrated resource planning. In Order 890, FERC stated:

**“The transmission planning processes we require here in this Final Rule are not intended in any way to infringe upon state authority with regard to integrated resource planning.** Rather, we believe that the transparency provided under an open regional transmission planning process can provide useful information which will help states to coordinate transmission and generation siting decisions, allow for consideration of regional resource adequacy requirements, facilitate consideration of demand response and load management programs at the state level, and address other factors states wish to consider.” (FERC Order 890, issued February 16, 2008, at p. 276, footnote 274) (Emphasis added)

Similarly, in a Notice of Proposed Rulemaking regarding integrated resource planning and competitive bidding, FERC stated:

**“The Commission believes that improved coordination between transmission planning, generation planning and demand response programs, which are the main elements of integrated resource planning, is necessary to improve the economics and reliability of the transmission grid.”** (FERC Docket No. RM07-1-000, Notice of Proposed Rulemaking dated January 18, 2007 page 29 at paragraph 34) (Emphasis added)

In summary, CL&P’s claim that integrated resource planning should exclude consideration of proposed transmission solutions is contrary to the fact that the ISO-NE’s planning process, while essential, does not comprehensively address matters important to the state and comprehensive resource planning, such as full non-transmission alternative studies and consideration of economic and environmental issues. Moreover, coordination between planning for transmission and planning for all other resources in the context of comprehensive resource planning would improve, rather than impede, development of the transmission grid.

***D. Non-Transmission Alternative studies were not provided for consideration in the 2008 Plan; Non-Transmission Alternative studies and economic benefit assessments should be required on a going forward basis for all proposed significant transmission projects.***

The CEAB strongly recommends that future plans include non-transmission alternative studies and economic benefit assessments for all proposed significant transmission projects. (CEAB Plan at p. 39) A non-transmission alternative assessment is important to identify the characteristics of the physical solutions that could meet needs identified through the ISO-NE's assessment of the system. As noted above, the ISO-NE states it is not equipped to present a full non-transmission alternative to projects identified in its Regional System Plan. (Late File 29, ISO Letter dated March 22, 2007 at p. 4). With respect to economic and environmental evaluations of proposed solutions to identified needs, the ISO-NE states that its process is not designed to produce an optimal economic or environmental plan. (*Id.*) Accordingly, the ISO-NE analysis is not designed to arrive at an optimal resource mix or to minimize the cost of electric infrastructure to customers over time or to maximize consumer benefits consistent with the state's environmental goals. It therefore does not supplant the need for full non-transmission alternative studies in the context of the IRP.

Reviewing such analysis in the context of comprehensive resource planning would also enable consideration of market and other developments since the base case that identified the need for a specific project was established, which UI argues is necessary. (Late File No. 29, UI Comments on NEEWS dated August 3, 2007)

CL&P indicated that it completed non-transmission alternative assessments for two of the four NEEWS projects and will perform assessment for the other two components. (CL&P Brief at p.4) Nevertheless, CL&P argues against CEAB's recommendation that such studies be considered within the IRP process.

CL&P provided two non-transmission alternative studies as a Late File immediately prior to the late file hearing. In the CEAB's view, this did not allow a reasonable review of the studies on the record of this proceeding. (Late File No. 27). As the CEAB noted at the Late File hearing, it received and began to review and pose questions on these studies. However, the non-transmission alternatives studies were not available during the review of the EDCs' IRP or in preparation of the Plan. Indeed, there was no indication in the EDCs' IRP, or in the four month collaborative stakeholder process that followed, that CL&P was performing or intended to perform a non-transmission alternative study on its proposed transmission project. This precluded, in the context of the IRP, participants' passing review of a study that warrants serious review, including, for example, whether it assumes new peaking and other capacity resources,

the extent to which it reflects the ramp up of DSM that CL&P requests in its Brief, and whether it provides an economic evaluation of transmission alternatives compared to non- transmission alternatives.

The CEAB requests the Department to direct the EDCs to submit, in a timely fashion, non-transmission alternative studies and economic benefit assessments for all proposed significant transmission projects in the context of the IRP. (CEAB Plan at p. 39). If the EDCs do not provide non-transmission alternative analysis, the CEAB or some other entity could perform such analysis on proposed transmission projects. However, this analysis would require receipt of specific information from the EDCs in a timely way. The CEAB notes it has no authority to require the EDCs to include certain analysis in the IRP, or to compel information or data to enable analysis. Consequently, it is essential for the Department to direct the EDCs to produce alternative analysis, or alternatively, information to enable others to prepare such analysis.

***E. Incorporating Transmission into Integrated Resource Planning Does Not Supplant the Siting Council's Siting Responsibilities.***

Contrary to CL&P's assertion, including transmission resources in integrated resource planning, and assessing alternatives to it, does not supplant the Siting Council's statutory obligations. (CL&P Brief at pp. 6-7). Integrated resource planning and siting authority are fundamentally different functions of state government; one does not displace the other. Moreover, nothing in the IRP process would interfere with or diminish the Siting Council's statutory function. To the contrary, the Siting Council's analysis could only be enhanced by an IRP that includes an assessment of proposed transmission and alternatives analysis in the context of a comprehensive assessment of resources.

CL&P indicates that it supports one of the CEAB's transmission-related recommendations, which is that CEAB will review alternative solution analysis for the proposed NEEWS project via a CEAB Request for Proposal process<sup>2</sup>. (CEAB Plan at p. 38). The CEAB's reactive RFP process and comprehensive resource planning over a 3, 5 and 10 year period are

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<sup>2</sup> The CEAB has a statutory authority to issue a proactive RFP for alternatives to certain resources identified in the ISO-NE regional system plan, or to issue a reactive RFP for certain proposed projects when such projects file an application with the Siting Council for a Certificate of Need. The CEAB also has authority to waive such an RFP process in certain circumstances.

distinct functions. (Conn. Gen. Stat. Sec. 16a-7c) That the CEAB may issue an RFP for alternatives when certain types of facilities apply to the Siting Council for a Certificate of Need does not eliminate the need for transmission to be included in comprehensive resource planning. Examining transmission in the context of a comprehensive resource plan would have one of two implications on the CEAB's RFP for alternatives. First, it could eliminate the need for an RFP altogether: a well-developed non-transmission alternative study could provide a sound basis for the CEAB not to issue an RFP. Second, it could substantially enhance an RFP's statement of need that alternative projects would have to fulfill and thus improve the evaluation of alternative proposals. CL&P agrees with this view.

In 2007, the CEAB requested comment on whether it would be more efficient to issue a proactive RFP or reactive RFP for NEEWS. (Late File No. 29, CEAB Request for Comment dated July 26, 2007) CL&P recommended that the CEAB not issue a proactive RFP for alternatives to NEEWS pending conclusion of the IRP process. (Late File No. 29, CL&P Comment on NEEWS dated August 3, 2007). The IRP process, according to CL&P, would enable the CEAB to better define the need competing proposals would have to address. CL&P also stated that the IRP process was better suited than the RFP process to review Connecticut components of a solution to reliability issues that require improvements in three states. Specifically, CL&P stated:

#### Proactive RFPs

NU believes three other processes, two of which stem from legislative action since CEAB's reconstitution, should be completed before the CEAB determines whether to issue a proactive RFP for the electric system needs which have resulted in the NEEWS' projects. These processes have the potential to either render an RFP redundant and thus unnecessary, or in the alternative to provide additional data and project definition that will enable the CEAB to better define the need that competing proposals must address and the projects to which they will be compared.

- 1) Public Act 07-242, AAC Electricity and Energy Efficiency, has positioned CEAB in a critical role with respect to a new comprehensive resource planning process that has the power of law behind it to create a "Resource Plan" (Plan) that will result in actual commitments to create resources for the state's electric customers.<sup>6</sup> In contrast, the RFP process can result only in a report being filed with the CSC. Moreover, the comprehensive resource planning process is better adapted to developing the Connecticut components of a solution to multiple inter-related reliability problems that require reliability improvements in three states. This process enables the CEAB to consult with the entity responsible for regional transmission planning<sup>7</sup> in the review and evaluation of the Plan. The RFP process, on the other hand, includes no mechanism for evaluating how particular resources proposed by developers for Connecticut will function together with the solution elements in other states to address the regional need. Depending on the outcome of this process, the CEAB could determine that the need and alternatives for meeting it had been fully developed and evaluated. Alternatively, the CEAB would have established a clear context for evaluation of alternatives to the Connecticut NEEWS' projects, to the extent that they had been incorporated into the Plan.

For clarity, footnote 6 and 7 referenced in the passage above refer to Section 51.

UI expressed a similar view in relation to the CEAB's RFP process and the IRP. (Late File No. 29, UI Comment on NEEWS dated August 3, 2007). UI stated that the CEAB should take no action on an RFP process until after NEEWS is assessed in the IRP. UI further offered that the 2006-2007 ISO-NE Regional System Plan "is no longer a reasonable sole basis for identifying large scale statewide needs" and listed issues and developments, such as capacity contracts and peaking generation that must be considered. (Id.) Specifically, UI wrote:

Applying these principles to the Request here, UI suggests that:

- (1) the CEAB take no action to issue a proactive RFP prior to its assessment of the comprehensive resource evaluation and procurement plan required to be submitted in January;
- (2) the CEAB take no action at this time to exempt the NEEWS project from the statutory RFP process, because other resources must be considered as potential alternatives;
- (3) the CEAB take no action to issue a reactive RFP with respect to the NEEWS project until such time as that project has filed its application with the Siting Council.

These suggestions are intended to assure that infrastructure in the State is reviewed and built to meet the State's energy needs reliably and economically. If the NEEWS project or some variation of the project becomes a component of the comprehensive resource plan, and is among the integrated, reliable, low cost combination of solutions to the State's energy needs, then it would be appropriate to consider whether an exemption from the RFP process, or a specific RFP, would make sense at that time.

Accordingly, the CEAB concluded that an RFP process would be more efficient and best identify the statement of needs and potential alternatives to NEEWS if it followed the IRP process. Thus, it did not issue a proactive RFP for NEEWS in anticipation of transmission being part of the EDCs' IRP submitted in January 2008. Instead, the IRP essentially assumed NEEWS and CL&P now argues that transmission is properly excluded from comprehensive planning. (CEAB Plan at 38; CL&P Brief at p. 9).

The IRP is exactly the right forum in which to analyze transmission and potential non-transmission alternatives, including associated economic and environmental issues. CL&P is right that the IRP is "better adapted to developing the Connecticut components of a solution to multiple inter-related reliability problems that require reliability solutions in multiple states" and to "enabling the CEAB to better define the need competing proposals must address." (Late File No. 29, CL&P Comment on NEEWS dated August 3, 2007) CL&P's other observation- that the CEAB's RFP process for alternative solutions and report to the Siting Council does not include a

mechanism for evaluating how particular resources proposed by developers for Connecticut will function together with the solution elements in other states - supports that the IRP is a better forum in which to review such transmission projects. (Late File No. 29, CL&P Comment on NEEWS dated August 3, 2007)

In sum, over time, CL&P has: recommended that the CEAB not issue an RFP for alternatives to proposed transmission until completion of the IRP, which could “better define the need competing proposals must address” (Late File No. 29, CL&P Comment on NEEWS dated August 3, 2007); essentially assumed proposed transmission in the IRP (EDC IRP); argued that transmission be excluded from comprehensive resource planning (CL&P Brief at p. 9); and suggested that alternatives to proposed transmission are considered by the Siting Council following a CEAB RFP while observing that such RFP process does not include a mechanism for evaluating how particular resources proposed by developers for Connecticut will function together with the solution elements in other states to address the regional need. (CL&P Brief at p. 6; Late File No. 29, CL&P Written Comments on NEEWS dated August 3, 2007). To ensure comprehensive resource planning is comprehensive on a going forward basis, the Department should direct the EDCs to include transmission in the IRP and to provide non-transmission alternative studies and economic benefit assessments for all proposed significant transmission projects in future IRPs or alternatively, to provide data to others to enable preparation of such analysis.

### **III. THE CEAB’S RECOMMENDATIONS IN CONNECTION WITH RENEWABLE RESOURCES ARE A MEANS TO MINIMIZE COSTS TO CUSTOMERS OVER TIME IN A WAY THAT ADVANCES THE STATE’S RENEWABLE PORTFOLIO STANDARD AND ENVIRONMENTAL OBJECTIVES.**

With the goal of reducing customer costs associated with renewable resources and renewable portfolio standard (“RPS”) compliance, the CEAB offered two recommendations. First, the CEAB recommended the Department direct the EDCs and CCEF to run a pilot competitive solicitation for bundled renewable energy credits (“RECS”), energy and capacity. The purpose is to enable the Department to test the market, and resulting prices, for REC and energy contracts rather than rely on market studies. (Trans. at pp. 400-401). A pilot would serve as a test and obligate the state to nothing if responses are unattractive. Second, the CEAB

recommended that the Department consider obtaining RECS through long-term contracts with the goal of lowering the cost of RPS compliance and developing renewable resources. (CEAB Plan at p. 26)

As background, examination of renewable resource availability and price was prompted by the EDCs' concern expressed in the EDCs that there is a "significant possibility that Connecticut's RPS requirements will not be met with significant renewable electric generation, forcing LSEs increasingly to rely on payments to the state at \$55/MWh for shortfalls in obtaining renewable energy certificates" and the recommendation that Connecticut should reexamine the structure of the RPS (EDC IRP at p. ES-3; CEAB Plan at p.24) This element of the EDCs' IRP received considerable attention in the CEAB's public comment process. (CEAB Plan, Appendix D at p. 7)

The EDCs' IRP recommendation and associated public input highlighted two distinct issues in connection with renewable resources and RPS compliance. The first is whether there are adequate renewable resources to meet RPS requirements and the second is how Connecticut can meet that requirement in the most cost-effective way. (Trans. at p. 389).

Informed by its own analysis and the CCEF's analysis, the CEAB believes there will be enough megawatt hours from renewable resources to satisfy the RPS requirements in the New England, New York and Canadian region and within the existing transmission footprint. (Trans. at pp. 537; 397-398). Accordingly, the recommended actions are intended to inform the second issue: consideration of means by which to obtain those resources at the lowest cost. (Trans. at pp. 400- 402).

Constellation/RESA opposed these recommendations for a number of reasons, several of which are addressed herein. Constellation/RESA indicated there is no evidence to suggest that the price EDCs pay for RPS compliance is at or near the alternative compliance payment ("ACP") now or that it may be in the future. (Constellation/RESA Brief at p. 8) In 2008, the Department reviewed Connecticut electric distribution companies' compliance with Connecticut's RPS during 2006.<sup>3</sup> For the first time since the RPS' inception, the EDCs' wholesale suppliers RPS compliance included ACP payments: CL&P was required to collect about \$3,000,000 in ACP payments from its wholesale suppliers and United Illuminating had to

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<sup>3</sup> DPUC Final Decision, Docket No. 07-09-14 *DPUC Investigation into Renewable Portfolio Standard Compliance for 2006* dated April 2, 2008.

collect about \$372,000. (*Id.* at pp. 8-9) Despite the EDCs' wholesale suppliers' ACP payments, Constellation/RESA referenced a CEAB witness' testimony indicated unawareness of REC costs in the current standard service procurement to establish that there is no evidence to indicate the price EDCs pay is or at or near the ACP, or will be at or near the ACP in the future. (Constellation/RESA Brief at p. 8; Trans. at pp. 528-529) Whether or not there is evidence that wholesale suppliers pass ACP payments on dollar for dollar now or in the future, wholesale suppliers' ACP payment to meet RPS obligations suggests it is reasonable for the state to consider ways to decrease RPS compliance through the ACP - the REC price ceiling - and increase the relative level of compliance through lower-cost RECS from renewable resources. The CEAB believes it is preferable to meet RPS requirements through lower-cost RECs from renewable resources rather than through ACP payments; Constellation is less concerned about the relative level of RPS compliance achieved through the ACP. (Trans. at pp. 389-390; 796-797).

Next, Constellation/RESA argued that the CEAB did not "actually analyze whether its recommendations regarding bilateral and REC contracting would result in price reductions". (Constellation/RESA Brief at p. 8). CEAB agrees it did not offer evidence that REC and energy contracts would absolutely result in price decreases. Rather, the CEAB suggested that testing the market through a pilot would enable the state to evaluate how the market responds to a competitive solicitation and at what price, without obligating the state to do anything at all. (Trans. at pp. 400-401.)

Constellation/RESA further suggested that Project 150 is the market test of REC- only contracts as compared to bundled products and that it enables a "head to head" analysis of the two approaches. (Constellation Brief at p. 9) Project 150 is limited to resources located within the State of Connecticut. (Conn. Gen. Stat. Sec. 16-244c(j)(2)) As the CEAB testified, the genesis of the pilot recommendation was conversations during stakeholder meetings in which the EDCs discussed Project 150 and its limitations with respect to meeting the state's RPS goals. (Trans. at pp. 401-402) While Project 150 accomplishes important objectives, it is not a substitute for a test of the regional market and its diverse renewable resources. The recommendation to test the regional market, including New England, New York and Canada, enables consideration of resources such as wind, a resource not abundant in Connecticut. (Trans. at pp. 391-392)

Next, Constellation/RESA suggested that the analysis supporting the recommendations was incomplete because it did not analyze the availability of resources only available to meet the Connecticut RPS and specifically took issue with the fact that the resource potential of fuel cells was not evaluated. (Constellation Brief at p. 4). (Constellation Brief at p. 4) To support its point, Constellation/RESA referred to Project 150, Round II and the Department's approval of three fuel cells projects for long-term contracts.<sup>4</sup> However, it is instructive that in that matter, the Department declined to approve long-term contracts for four other recommended fuel cells projects due to concern about ratepayer impact. (*Id.* at p. 32) The Department noted it was "disappointed with the cost of fuel cell projects and concerned with the impact the next solicitation could have on ratepayers." (*Id.* at p. 33) This recent market test, and the Department's reaction to it, suggests that the lack of a fuel cell potential study is not basis to hold back from exploring means to obtain renewable resources at lower costs.

Constellation/RESA also asserted that the CEAB's recommendations are at odds with the competitive market. (Constellation/RESA Brief at p. 15). The CEAB's recommendations assumed Connecticut's current market structure, which is something of a hybrid. Importantly, the CEAB recommended testing the market through competitive solicitations. Moreover, all actions that may result from this process are at the direction of the Department, which the CEAB trusts will work within its statutory authority and the current parameters of the market.

Finally, the Department inquired at the hearing about process used to conduct such a Pilot and queried whether it could be structured similar to Project 150, such that the CCEF and the EDCs would solicit projects and evaluate bids for the Department's review. (Trans. at pp. 660-661). The CEAB agrees entirely with CCEF's testimony that such a process was envisioned to take advantage of the CCEF and EDCs' experience in such solicitations and evaluations. The CEAB also encourages the Department to consider carefully the parameters put on such a pilot to account for the need for such solicitation to be well-designed and to provide real appeal to potential developers to warrant their time and resources. (Trans. at pp. 663-667).

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<sup>4</sup> DPUC Final Decision, Docket No. 07-04-27 *DPUC Review of Long Term Renewable Energy Contracts, Round II Results*, dated January 30, 2008

#### **IV. THE DEPARTMENT SHOULD ADOPT THE DSM-FOCUS CASE AS A LONG TERM OBJECTIVE AND BALANCE THAT OBJECTIVE TOGETHER WITH RATEPAYER IMPACTS TO DETERMINE THE PROPER BUDGET LEVELS AND THE APPROPRIATE TIMING OF ANY INCREASE.**

On DSM, the Briefs set forth a range of recommendations, from ramping up the energy efficiency and demand response programs at this time in an effort to meet the future energy and capacity needs at a lower cost with less environmental impact (CL&P Brief at p. 9); to capitalizing the costs of the DSM focus case (ENE Brief at 9-10); to rejecting the DSM Focus Case altogether. (OCC Brief at p. 2).

After hearing the considerable testimony in this matter, the CEAB remains of the view that the DPUC should adopt the DSM Focus Case as a long-term objective in light of Section 51's policy preference for energy efficiency and in subsequent proceedings where the Department examines programs and budgets and assures cost-effectiveness, balance decisions concerning near-term funding levels in light of today's price pressures. (Trans. at pp. 295-296; 337-338; 427-428; 447). Ultimately, the decision on the level DSM spending and its timing is not formulaic, but rather requires judgment in relation to ratepayer impact.

#### **V. THE CEAB OFFERS BRIEF COMMENT ON SEVERAL ISSUES NOTED BY THE OFFICE OF CONSUMER COUNSEL**

The OCC Brief appropriately noted several shortcomings in the IRP and the CEAB's Plan and offered some reasonable observations. The CEAB offers a few comments on several issues it raised.

First, the OCC stated that the future plans should not include policy goals but should present the most cost-effective combinations of resources. The OCC appears to suggest the Plan should present detailed cost-effectiveness tests. (OCC Brief at p. 22 and 5). The CEAB believed that the Department would implement any recommendations with which it agreed following more detailed analysis, consistent with the kind of analysis the Department conducts regularly in the context of reviewing and approving energy efficiency budgets and programs. On a prospective basis, while the CEAB expects the IRP analysis to mature significantly, the CEAB does not intend it will or should replace the Department's detailed analysis of specific programs and budgets.

Second, the CEAB agrees with the OCC's observations about the need for more detailed work on emissions and environmental benefits. (OCC Brief at pp. 19-20) As the Department of Environmental Protection witness indicated, this planning cycle was the beginning of an important dialogue on the environmental costs and benefits. (Trans. at p. 421). The CEAB agrees that more work needs to be done to inform interrelated issues in electric sector planning and environmental regulation and believes the Supplemental Analysis moves in this direction by developing scenarios based on different assumptions and policy goals, such as emissions reductions. (Trans. at pp. 421; 513-514; 331-335)

Third, the OCC encourages the Department to view "need" to be defined narrowly and in relation to capacity requirements. (OCC Brief at p.9). The CEAB refers the Department to the discussion in its initial Brief, and underscores here that analysis based on capacity - total megawatts required versus total megawatts available - is useful but would not allow Connecticut to achieve an optimal resource mix or inform the complex decisions contemplated by Section 51, including how to minimize costs over time and achieve the benefits associated with meeting environmental goals. Achieving these ends requires more complex analysis that looks beyond a capacity balance sheet.

Finally, the OCC requested that the Department indicate whether the primary planning document should come from the utilities or the CEAB. Section 51 establishes the process and timeline for the development of the plan submitted to the DPUC for review. The CEAB and the EDCs are currently working on ways to improve 2009 and future planning efforts to address multiple issues, including some the OCC raises. The CEAB believes, for instance, that the OCC's recommendation that future plans include portfolios reflecting different assumptions correlates to the CEAB's effort to develop various scenarios in the form of the Supplemental Analysis (OCC Brief at p. 22; Trans. at pp. 331-336). The CEAB welcomes the OCC's input now and going forward and concurs with the OCC that the Department's direction will provide high value.

## **VI. CONCLUSION**

The 2008 initial planning cycle resulted in useful analysis and, importantly, a constructive starting point for the continuing development of ongoing comprehensive resource planning. The CEAB agrees entirely with those participants who noted the analysis that remains

to be done to enable subsequent plans to meet the comprehensive assessment of resources envisioned by Section 51.

To ensure future plans conform to the statute and provide a holistic review of resources, the CEAB requests that the Department confirm that transmission is part of comprehensive resource planning and direct the EDCs to include non-transmission alternative studies and economic benefit assessments for all proposed transmission projects, or in the alternative, to provide data to some other entity to prepare the same.

The CEAB also recommends that the Department consider exploring the contracting options with renewable resources that may reduce the cost of RPS compliance. Additionally, a modest pilot competitive solicitation, which would not bind the state to anything, would inform the Department as to whether contracting for bundled RECs and energy with renewable resources in the region might reduce the cost of RECS.

Finally, the CEAB underscores the importance of addressing the question of what Connecticut needs in a way that enables the state to make decisions that minimize the cost of resources to customers over time and maximize consumer benefits consistent with the state's environmental goals. The complex nature of achieving an optimal resource mix that results in cost and environmental benefits requires complex analysis, which includes but is not limited to capacity needs.

The CEAB appreciates the Department's consideration of its views in this important matter.

Respectfully Submitted,

A handwritten signature in black ink that reads "John A. Mengacci". The signature is written in a cursive, flowing style.

John A. Mengacci  
Chair  
Connecticut Energy Advisory Board