

VERBATIM PROCEEDINGS

CONNECTICUT ENERGY ADVISORY BOARD
PUBLIC HEARING
ON
ELECTRICITY & ENERGY EFFICIENCY

NOVEMBER 13, 2008

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1 . . .Verbatim proceedings of the
2 Connecticut Energy Advisory Board Public Hearing on
3 Electricity & Energy Efficiency, held November 13, 2008 at
4 6:09 p.m. at the Legislative Office Building, 300 Capitol
5 Avenue, Hartford, Connecticut. . .

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10 CHAIRPERSON GINA McCARTHY: This is a
11 public hearing for the subcommittee, known as the various
12 energy issues, which is a very exciting name I might add,
13 subcommittee of CEAB, and, first of all, let me thank
14 everyone for being here. We do have a sign up list, if
15 people are interested in providing comments.

16 I thought I would begin by spelling out
17 just a little bit or outlining why we're here and what
18 this report is, Draft Report is proposed to do, and a few
19 of the key findings, and then we'll take some comments as
20 they come in.

21 The purpose of the study that we are
22 unveiling in a draft format and accepting comments on
23 tonight was spelled out in Public Act 07-242, which really
24 directed us to conduct a study to develop a series of

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1 recommendations on how we could coordinate and integrate
2 the State's energy entities, and, at the same time,
3 achieve the goals of the regional greenhouse gas
4 initiative and promote indigenous alternative fuel
5 sources, so that is the specific language of the statute
6 that directs the report that we have drafted.

7 It is to be submitted by January 1st of
8 '09, and the report was really done in two phases. The
9 first included a research and investigation of
10 organizational models of energy entities in other states.
11 The main outcome of that study was to indicate that there
12 was no single optimal model or structure that we felt we
13 could transfer into Connecticut and call it a day.

14 So the phase one investigation also did
15 support the idea that there were statutory distinctions
16 and independent functions of a number of the agencies that
17 really were healthy to maintain, such as DEP, OCC, DPUC,
18 OPM, to really create a healthy dialogue and the
19 constructive balance intention that you want in large
20 public policy discussions and decisions.

21 Now the phase two was then conducted and
22 drafted, and there were a number of key findings that I
23 thought were worth highlighting, as well as a number of
24 questions that we really have highlighted, that we would

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1 really love and appreciate some further comment on.

2 In particular, one of the key findings was
3 that we really needed to reinstitute comprehensive energy
4 planning in the State, and that would include the
5 electricity sector, heating fuels, as well as
6 transportation fuels.

7 And the report also does suggest that the
8 Connecticut Energy Advisory Board is particularly well
9 suited as an entity to undertake such comprehensive energy
10 planning. The Draft Report also recommends some more
11 general changes to the structure of the independent
12 entities that currently exist to try to minimize overlap
13 and to improve efficiency among the various entities that
14 continue to exist.

15 The Draft Report did recommend that we
16 enhance the State's capacity to conduct electric sector
17 Integrated Resource Planning, and, in particular, we
18 highlighted the issue of what resources are appropriate
19 and cost effective that would be necessary to support that
20 effort.

21 And what is the appropriate role for the
22 EDCs in preparing the IRP? Those were two issues in
23 particular that we did flag that we're looking for further
24 input.

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1 We also recommended in the draft that the
2 participation of all CEAB members be welcome in the
3 preparation of the IRP.

4 The main particular concern was the DPUC,
5 recognizing that their docket proceeding is critical to
6 receive full public comment on the IRP and for its
7 finalization, but, at the same time, we were interested in
8 the DPUC participating in at least some of the higher
9 level discussions of the IRP as it is being developed, and
10 how could we, in particular, create the appropriate
11 firewall to allow that to happen.

12 Now the draft also recommended providing
13 statutory authority to some entity to procure energy
14 resources in a more flexible way than is currently allowed
15 under statute to respond to different market
16 opportunities, so that the Integrated Resource Plan was
17 more of a living document than an annual plan that would
18 be developed every year, that we would really anticipate
19 the Integrated Resource Plan being a document that
20 adjusted as market opportunities required, and we felt
21 that there needed to be an expedited process that still
22 maintained the balance between transparency public process
23 and expediency, but that there would be opportunities that
24 arose that would require a more flexible approach, and the

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1 question was how do you design one to maintain that
2 balance?

3 Now the draft also recommended enhanced
4 integration of the State entity plan, so that we would
5 achieve the desired environmental economic and energy
6 goals, and that would mean that although you have
7 independent entities out there that service many of the
8 unique needs of the energy world in Connecticut, that it's
9 important that we improve the communication between those
10 entities, as well as the sequencing of the decisions, so
11 that we would be able to achieve all of these overarching
12 goals.

13 And that would include implementation with
14 accountability in streamlining some of the regulatory
15 processes to remove duplication and overlapping of
16 authorities. So that is, in essence, what we believe to
17 be the major findings in phase one and phase two.

18 I think we are open to any comments that
19 folks would want to offer. Again, we have a sign up
20 sheet, and we can begin calling those, but, in particular,
21 we did highlight some issues that even the subcommittee
22 had yet to achieve any clear consensus on.

23 So with that introduction, I'll open it up
24 to any of my colleagues here who would like to add their

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1 two cents, or one cents, going, going, gone. All right.
2 Let's begin, if you would. And since we're being taped,
3 I'd ask you to come to the --

4 MR. DON DOWNES: Witness table.

5 CHAIRPERSON McCARTHY: Is it? Witness
6 table. Isn't that ghastly. And turn on your little
7 microphone, so we can note your comments. Richard
8 Soderman with CL&P?

9 MR. RICHARD SODERMAN: Yes.

10 CHAIRPERSON McCARTHY: If you could just
11 begin by stating and spelling your name for the record?
12 Thank you.

13 MR. SODERMAN: Yes. My name is Richard
14 Soderman, S-O-D-E-R-M-A-N. I'm here on behalf of the
15 Connecticut Light and Power Company. Good evening. We
16 appreciate the opportunity to speak with you about the
17 draft report of the subcommittee.

18 At the outset, we believe that electric
19 energy infrastructure is a critical component of the
20 economic and environmental wellbeing of our state.
21 Electric prices are high as a result of energy market
22 forces, and environmental impacts of electricity
23 production are becoming increasingly monetized through
24 Resource Portfolio Standards, Reggie(phonetic), and

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1 perhaps even through federal carbon legislation.

2 Our energy system will require that the
3 development of a timely portfolio of solutions, including
4 energy efficiency and demand-side management, development
5 of traditional and renewable local generation resources,
6 and imports from outside of our region to assure that we
7 have a reliable economic energy supply.

8 Regional and federal electric reliability
9 mandates have placed greater burdens on the infrastructure
10 standards of operational performance. Those are the
11 Federal Power Coordinating Council requirements and the
12 National Electric Reliability Council requirements.

13 It is for all of these reasons that we
14 advocate for a streamlining and a simplifying approval
15 process, so that resources are here when we need them for
16 the benefit of consumers.

17 Connecticut has taken great strides to
18 develop processes and reviews of energy policy decisions
19 to assure that all options can be considered. Many of
20 those processes have been manifested in the development of
21 CEAB.

22 The Integrated Resource Plan, initiated by
23 electric distribution companies, reviewed by the CEAB and
24 submitted to the DPUC, represents an important analysis of

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1 Connecticut's resource needs and options. Once review by
2 the DPUC is completed, it will inform policy decisions in
3 the future. That first IRP, which was severely time
4 constrained, due to the legislative schedules, overcame a
5 great deal, a number of start up problems, and it
6 represents a truly momentous effort that will improve as
7 we prepare subsequent IRPs.

8 Frankly, that's why we were surprised and
9 dismayed with the draft report, in that it seems to
10 abandon the current process and suggests that new
11 legislation be enacted to make CEAB a central planning
12 agency with authority to develop and oversee the
13 implementation of a comprehensive IRP, and those would be
14 the first three recommendations in the draft.

15 In fact, we believe that lessons learned
16 from the initial IRP, after being informed by the DPUC's
17 decision, will make the current process smoother and more
18 effective. As such, we disagree with the recommendations
19 found in the subcommittee report.

20 Let me explain to you some of the bases for
21 that. In 2002, Connecticut convened a Working Group and
22 Task Force, we all remember with fond memory those events,
23 concerning the State's energy planning and management.

24 Those groups did a comprehensive review of

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1 energy decision processes and recommended changes to
2 Connecticut's way of how agencies work together to review
3 projects. Some of those recommendations culminated with
4 the reconstitution of the role and duties of the CEAB.

5 Perhaps the most significant difference
6 between the Working Group Task Force reports and the
7 Draft Report here is the recognition that unlike pre-
8 restructuring, many of the responsibilities for resource
9 planning have been shifted to regional entities, such as
10 ISO New England.

11 The Working Group Task Force reports
12 recognized that jurisdictional change and sought ways in
13 which Connecticut could better be represented in those
14 processes. The legislature subsequently required CEAB to
15 be the State entity designated to participate in the ISO
16 New England planning processes.

17 Unfortunately, we think the Draft Report
18 ignores these findings and realities and goes on to the
19 assumption that Connecticut, through a revised CEAB role,
20 can take courses of action that are independent of
21 regional considerations.

22 We think that the Draft Report, instead,
23 should look for ways to enhance CEAB's participation in
24 regional activities, such as the development of the

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1 regional system plan.

2 Second, the Draft Report implies that CEAB
3 can handle its proposed revised central planning
4 responsibility with a minimal amount of resources and with
5 existing levels of expertise within participant agencies.

6 We suggest that the requirements of such an
7 approach are understated. We have found that preparing an
8 IRP requires a substantial number of experts from a
9 diverse set of backgrounds, including transmission
10 planning, energy efficiency, demand-side management,
11 wholesale power markets and trading, generation planning
12 and economics and knowledge of the workings of ISO New
13 England.

14 IRP is so complex today that, to do any
15 useful analysis, we must use sophisticated models, not
16 only of Connecticut, but of the entire northeast. Running
17 these models is an enormous task. Even more important,
18 when the model produces results, it takes the collective
19 judgment to test the reasonableness of these outcomes.

20 To be effective, that judgment is best done
21 by people who actually have day-to-day job
22 responsibilities in the relevant fields that can bring
23 reality to a hypothetical world of model runs.

24 IRP is not a part-time job once a year.

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1 CEAB members do not and should not be expected to have
2 that expertise. Supplanting the experience and expertise
3 residing in electric distribution companies with that of
4 the CEAB or consultants would be counterproductive to an
5 effective planning process.

6 Third, the Draft Report suggests that IRP
7 should be done on a continual basis, constantly being
8 updated for new circumstances. It is our experience that
9 it's hard enough to do it once a year and get it through
10 once a year, without trying to respond to changes that
11 might occur in fuel prices or other circumstances.

12 It makes it very, very difficult, and it
13 also makes it difficult to evaluate alternative solutions
14 that one might have been evaluated on a prior version of a
15 model run and now, if you update it, again, and, Don, you
16 will recall, in reg(phonetic) cases, the old update
17 problem of are you talking about the updated information
18 or the old information, and it creates a very difficult
19 process.

20 I think perhaps many of the participants in
21 the process actually would agree that a biennial IRP
22 process probably makes some sense with some revisiting on
23 the alternate years.

24 Fourth, we agree with the concern that the

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1 prohibition of certain agencies from participating in the
2 IRP process is trouble, but it's unfortunate that's the
3 way the law was written, and we can understand why the law
4 was written that way.

5 There was a concern that if an agency was
6 representing a position in a board and then had to make a
7 ruling on it, that could be problematic. It becomes even
8 more of a concern if you remove the utilities from the
9 role and the process.

10 We think there's probably a way to
11 structure that, where either the agencies could designate
12 some staff to participate in those processes, that they
13 could either be decisional or not decisional. That's
14 something that we could figure out on how to work with,
15 but we think that's an important thing, because a lot of
16 the value in the discussions come from the agencies who
17 can't play here, and, so, we think there needs to be a way
18 to accomplish that.

19 We think it will require, as the Department
20 does now, designating people to participate in regional
21 programs and agencies, so I think we can find a place to
22 do that. We clearly would have to change the law to
23 accomplish that, I believe.

24 Another suggestion was that the Draft

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1 Report calls for a sequencing of regulatory approvals. I
2 think that was the fourth requirement, and I think what
3 we're concerned about there is, unfortunately, it can end
4 up costing more and take more time to accomplish, and it
5 has the risk of creating a regulatory do loop.

6 That is, one agency approves something,
7 then the next agency approves something different. You've
8 got to go back to the first agency again. We think that
9 could be a problem.

10 With regard to environmental information
11 that is provided in Siting Council activities, I think,
12 back in 2002, the Task Force and Working Group recommended
13 modifications to the Siting Council application guidelines
14 that reached the consensus on additional environmental
15 information that should be included in all applications,
16 and that information is now part of the application
17 guidelines and required, so I think there was a big
18 improvement in that information from where it had been
19 previously.

20 With those thoughts in mind, we have
21 offered, and I submitted some written testimony, I've
22 offered several recommendations. The first is we think
23 that the IRP process, as we are learning how to do it now,
24 ought to go forward for awhile before we start trying to

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1 revamp it. This is the first time we went through it.

2 I think we have a good plan identified for
3 the 2009 program, much of which will be embellished
4 through white papers that will frame up some of the thorny
5 issues that we dealt with this year and provide a means to
6 resolve those.

7 Again, I've mentioned that the IRP process,
8 the heavy lifting, starting from zero, probably ought to
9 be a biennial process, with perhaps, as the updates that
10 you are suggesting in the Draft Report, could happen in
11 the interim year, but not necessarily redoing all of the
12 heavy lifting that goes into evaluating about 20 years all
13 of the issues that could possibly come up.

14 I think we do have to find a way for
15 Connecticut to participate in the ISO New England resource
16 planning process. It isn't working now. I've heard,
17 anecdotally, that other states seem to participate more
18 effectively than perhaps Connecticut does, and it may be
19 that they are authorized to more actively participate and
20 interact with the process, as opposed to observing and
21 reporting and monitoring. They may be interplaying to a
22 greater extent, and I've heard good comments about
23 individuals who participate from the State of
24 Massachusetts, for example, that they always end up asking

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1 20 questions.

2 They're not asking me, so it's okay, but
3 they are getting their perspective infused into that
4 process perhaps more effectively than Connecticut has been
5 able to so far, so I think that is an important aspect of
6 it.

7 I think we're still confused by what ISO
8 does and what IRP does. Hopefully, some of the discussion
9 that's going to happen in the next year with the CEAB
10 white paper reports will help clarify some of that.

11 I think there's some sort of chicken and
12 egg problems and some jurisdictional issues that need to
13 be sorted out, without having to worry about a live
14 example, but talking about it in the hypothetical, much
15 like we did, Commissioner Downes, during the Working Group
16 and Task Force, where we didn't have a particular thing
17 that we were trying to figure out. We were trying to
18 figure out a reasonable process, and, so, that may be a
19 way to accomplish that.

20 Again, I think we need to figure out a way
21 to get agencies that are prohibited by law today from
22 participating in the IRP process, and I don't know
23 exactly. We need to parse those words very carefully to
24 see if we can lean those words as liberally as we can to

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1 allow some information or something to happen there.

2 Finally, we think that recommendation D or
3 four, I can't remember how it was numbered on the
4 sequencing, I think we need to recognize that the Siting
5 Council has already adopted ways to try and accommodate
6 it, with the reality understood at the time of you don't
7 really know exactly where a transmission tower is going to
8 be until you decide whether it's overhead or underground,
9 until you've actually debated with the neighborhood and
10 the towns to figure out whether you're going to move at 50
11 or 100 feet, and we went through that exercise, and I
12 think what we did is we found a way to provide
13 supplemental information to accomplish that that allows a
14 middle ground.

15 It's not perfect. There isn't a perfect
16 solution to this one. With that, we plan on submitting
17 written comments in more detail, and I'd be happy to
18 answer any questions today.

19 CHAIRPERSON McCARTHY: No. I think we'll
20 leave it at that. Thank you very much.

21 MR. SODERMAN: Okay.

22 CHAIRPERSON McCARTHY: I appreciate it. Is
23 Tony Vallillo here?

24 MR. TONY VALLILLO: Yes.

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1 CHAIRPERSON McCARTHY: Again, if you could
2 just state your name and spell it for us?

3 MR. VALLILLO: Thank you. I should know by
4 now. I've been here enough times. Tony Vallillo. That's
5 V-A-L-L-I-L-L-O, and I'm President and Chief Operating
6 Officer of United Illuminating Company. Thank you for the
7 opportunity to be here this evening.

8 We will be submitting formal written
9 comments prior to the due date, but I just wanted to sort
10 of summarize a few things and hit a couple of points that
11 we wanted to make.

12 I know Mr. Soderman covered quite
13 extensively some of the issues and pointed very
14 specifically to the report, and I looked quickly at his
15 summary in the back, and I would say, for the most part, I
16 agree with most of what he's saying.

17 I just want to go back a little bit,
18 though. From the company's perspective, we both advocated
19 in support of the legislation that reestablished
20 Integrated Resource Planning in Connecticut.

21 We recognize that this critical integrated
22 planning function, which had been discontinued at the
23 advent of electric restructuring, was sorely needed by the
24 State, and it's something that, quite frankly, the

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1 utilities had done for many, many years and then stopped
2 doing it for various reasons, but it clearly became
3 apparent that it was needed.

4 Mr. Soderman was talking a little bit. I
5 think he said, I'll paraphrase, not really sure what ISO
6 does. Well, from my perspective, the reason why we think
7 Integrated Resource Planning at the State level is so
8 important is that we have to recognize that ISO's
9 responsibility is to plan the transmission grid, but it's
10 not responsible to plan the bulk power system. There's a
11 very big difference there.

12 They do an excellent job, in my opinion,
13 with the help of the stakeholders and the transmission
14 holders and the various committees, to develop and plan
15 for and build out the transmission grid, but they rely on
16 the market to provide a very essential component of the
17 bulk power grid and that's generation.

18 And they don't try to anticipate or
19 advocate various fuel sources, or locations, or
20 renewables, or any of that. They leave that to the
21 markets and similarly to the State, so we thought it was
22 very important that Connecticut really needed to take hold
23 of this responsibility once again and look for our own
24 future in that regard.

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1 Now I'll say, although the current process
2 certainly has room for improvement and it probably always
3 will, in my opinion, the initial effort has proven to be
4 of significant value and a solid foundation for the future
5 iterations of the plan.

6 This process enabled certainly the
7 inclusion of multiple informed stakeholders, the
8 establishment of appropriate data sets, the testing of
9 robust scenarios, populated with rational assumptions, and
10 the effective understanding and utilization of complex
11 modeling tools advance the efficacy of the planning
12 process and the plan.

13 I think that, to me, is a major
14 accomplishment, and we should all be proud of that. We
15 all worked hard at this. We all did. The utilities
16 certainly did. I know my people did. I tried to read a
17 lot of the correspondence related to this whole process,
18 and I'll bet you I didn't hit 20 percent of it, because
19 there was so much, and that's a lot of hard work by a lot
20 of people.

21 And we all have aligned incentives here.
22 We all are trying to get to the same place fundamentally,
23 and that's a sound, reliable, cost-effective, security-
24 based system for Connecticut that's environmentally

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1 responsible and all those things, so let's not lose sight
2 of that.

3 Now, having said that, I do want to be
4 candid on a few points. I'm concerned that, you know,
5 some of the general recommendations you've made are fine,
6 but the major modifications, as recommended by the CEAB, I
7 just think are premature and are likely to both delay and
8 hinder progress of both the process and the evolution of
9 the plan.

10 I think it's too soon to make any major
11 modifications. Let me just hit on three points. In the
12 plan, or in your report, you state that the EDCs, the
13 Electric Distribution Companies, are not the proper entity
14 to conduct the IRP.

15 You go on to say that the EDCs have
16 disparate economic incentives associated with different
17 resources that comprise an IRP, which could create an
18 appearance of bias. I see that as both arbitrary and a
19 vague conclusion.

20 What's it based on? There's nothing in
21 your report, and I looked at a lot of the correspondence.
22 I don't really see anything. I looked for someone to help
23 me, because I will tell you, if that's what we -- if
24 that's the impression we left with you, that's not

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1 reality, and we can correct that, so I don't know what
2 that's based on, but it's not reality.

3 Even beyond that, it ignores the regulatory
4 checks and balances of the current process, including the
5 various departments' substantial role in reviewing the
6 IRP, all the people that I talked about have been
7 involved.

8 It certainly understates the complexity of
9 the process. I knew it was going to be complex, and it
10 turned out to be all that and more, even more so when we
11 used to do comprehensive IRP in the past, because of the
12 issues of now you have a market in place, which adds
13 complexity.

14 And then the act recognized that the EDCs
15 are uniquely qualified to prepare the Integrated Resource
16 Plan. That's the way the law was written. And CEAB, if
17 you were to take this on and either remove or diminish our
18 role, you're going to have to replicate our expertise, and
19 I will tell you, and I'm not trying to be boastful here,
20 but I think that's going to be a very difficult thing for
21 you to do.

22 My second point is I think that continued
23 and improved collaboration is certainly the key, as I said
24 earlier. A lot of people involved. A lot of people

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1 working hard, aligned incentives. I think the
2 inefficiency of the process now, where certain people can
3 only be involved in certain stages, I agree. That should
4 be fixed.

5 We used to refer to, when we did planning,
6 we used to refer to an upfront process, called the plan to
7 plan, where we would get together and say, okay, what is
8 this plan really intended to do? What's the inputs?
9 What's the outputs? What are we trying to achieve?

10 I think, if we all got in a room upfront
11 and all decided that that's -- do a little planning to
12 plan, it would have smoothed out some of the trials and
13 tribulations we went through in this process. I will tell
14 you, when the EDC first submitted our plan to you all, I
15 was quite surprised at the negative feedback.

16 I really felt, though, that, given some
17 time to soak in and after you've had a chance to look at
18 it and see the complexities and what was involved, that
19 would be tempered and it was. What it said was that you
20 really needed to be involved more at the front end.

21 Then, lastly, I want to say that the other
22 thing that you mentioned, a State entity should have
23 standing authority to act promptly to capture market
24 opportunities that clearly advance or avoid harm to an

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1 identified State objective, in other words, you were
2 talking about a State power authority, this may have
3 merit, but, again, there's no clear articulation of how
4 this is superior to the current process where the EDCs
5 procure power, or the DPUC procures resources.

6 I don't see anywhere in there or any
7 factual representation that what a power authority could
8 do would be superior, and it certainly wouldn't be in the
9 short-term, I will tell you that, because it's going to
10 take a long time to develop that authority to have the
11 expertise and ability to do what we do.

12 We're concerned with the suggestion that
13 that authority could exercise, in some instances without
14 the opportunity for full administrative review, pre-
15 approval of certain contracts under specified criteria.

16 The last point I want to make is that, and
17 this has to do with the recommendation of sort of doing a
18 continuous planning process, which I think can be okay,
19 but I would not like to see this plan turn into a tactical
20 plan. It really needs to be a long-term strategic plan,
21 and that's the basis foundation for this, because the
22 system demands that, that what we're talking about here is
23 long-term resources that take a lot of time and money to
24 acquire, build, design and so on, and we really need to

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1 keep focused on a long-term strategic plan, driven a lot
2 by policy, and we shouldn't get too involved in the
3 tactical, you know, if, as Mr. Soderman said, if the fuel
4 price moves a little bit, do we change the plan, the plan
5 ought to be robust enough, where it already anticipates
6 that and is flexible enough to deal with that.

7 So, again, we're going to submit written
8 comments. I just wanted to hit those. Again, and not
9 just from a self-serving perspective, clearly, the EDCs
10 are very capable and have learned a lot in developing this
11 plan. I think it would be the benefit of you and the
12 State to continue to utilize our expertise going forward.

13 With that, if you have any questions, I'd
14 be more than happy to answer them.

15 CHAIRPERSON McCARTHY: Thank you very much.

16 I guess the only thing that I would clarify for the
17 benefit of those who haven't read this in great detail is
18 just to make it clear that the committee or subcommittee
19 did look at a power authority structure and did not
20 recommend that, so just for your own clarity.

21 What we did recommend was looking at
22 another way of achieving procurement in a more flexible
23 way, in a more expeditious way to procure if market
24 changes warranted that, so I just wanted to clarify that.

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1 Thank you very much. I appreciate your
2 comments, and we'll look forward to reading your written
3 comments.

4 MR. VALLILLO: It's been my pleasure.
5 Thank you.

6 CHAIRPERSON McCARTHY: Chairman Caruso from
7 the Siting Council.

8 MR. DAN CARUSO: There's so many Chairmans
9 here I don't know what to say. Good evening. Chairmen.
10 Well, thank you very much for having me today.

11 I'm Dan Caruso, Chairman of the Connecticut
12 Siting Council, and thank you for this opportunity to
13 speak and testify in connection with your Draft Report and
14 recommendations prepared in connection with the assignment
15 given to you under provisions of Section 58 of Public Act
16 07-242.

17 Within phase two of your report, among your
18 findings and recommendations, finding C says that a State
19 entity should have statutory authority to act promptly in
20 response to electric market opportunities that are in
21 ratepayers' best interests, or that otherwise made an
22 identified State objective.

23 Finding D says that Connecticut should
24 facilitate and otherwise enhance the integration of

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1 individual State entity plans, strategies and actions
2 towards achieving energy, environmental and economic
3 goals.

4 In furtherance of this stated purpose, your
5 report identifies five items through which you propose
6 recommendations, virtually all of which would involve my
7 agency. Therefore, on behalf of the council, I appear in
8 order to address some of those recommendations.

9 Before doing so, however, I wish to take an
10 opportunity to describe the council. Again, we're an
11 executive branch agency of the State. We operate with 10
12 employees and have an annual operating budget of slightly
13 more than two million dollars.

14 Our agency is entirely self-funded, in that
15 we derive all our revenues from various companies that we
16 regulate. The council, itself, generally functions as a
17 nine-member Board. It comprises seven members of the lay
18 public and representatives of the Department of Public
19 Utility Control and the Department of Environmental
20 Protection.

21 Of those seven representatives of the
22 public, two are appointed by the General Assembly, five by
23 the Governor, including myself, and the scope of the
24 council's jurisdiction is to address proposals to site

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1 large-scale electric utility infrastructure, such as power
2 plants, substations and high-voltage transmission lines
3 and specific types of telecommunication facilities,
4 including cellular telephone towers.

5 The charge of the Siting Council is
6 actually quite unique and different from other agencies
7 that operate within the regulatory scheme. Unlike any
8 other agency, the Siting Council serves as an independent
9 judicial arbiter that objectively balances the statewide
10 need for reliable services at the lowest reasonable cost
11 to the consumers with the need to protect the environment
12 and ecology of our State.

13 With that, I'll briefly address our
14 comments with respect to your subcommittee's
15 recommendations. Firstly, the first recommendation under
16 finding C states that the State should establish limited
17 authority to act without delay to procure resources where
18 the benefits are evident, the risks are limited and the
19 need to act promptly is supported by substantial evidence,
20 however, I think it's perhaps important to note that the
21 DPUC has standing authority under Section 16-243m to act
22 promptly, to, quote, capture market opportunities that
23 clearly advance or avoid harm to an identified State
24 objective.

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1 Under that section, DPUC is to identify
2 measures that include demand response programs, other
3 distributed resources and contracts between an electric
4 distribution company and an owner of generation resources
5 with a capacity of such resources, each of which are
6 market opportunities that are in ratepayers' best
7 interests.

8 DPUC is also required to conduct a
9 proceeding to develop and issue request for proposals to
10 solicit the development of long-term projects. Indeed,
11 project designs to reduce federally mandated congestion
12 charges are eligible for expedited siting, which requires
13 the council to approve those projects by declaratory
14 ruling.

15 The declaratory ruling process, itself,
16 provides an expedited process while protecting and
17 preserving the due process rights of the affected parties.

18 This means that an expedited process already exists. In
19 fact, DPUC has clear statutory authority to act promptly
20 in response to market opportunities that are in the
21 ratepayers' best interests. Another recommendation
22 proposed is to, quote, harmonize agency criteria regarding
23 costs.

24 We believe that the suggestion offered here

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1 may serve to preclude DEP and DPUC from considering each
2 others standards in decision making would serve the best
3 interests of important environmental and agency goals.

4 Currently, the council is charged to
5 consider our State's environmental and energy interests in
6 order to provide for the balancing of the need for
7 adequate and reliable public utility services at the
8 lowest reasonable cost to consumers with the need to
9 protect the environment and ecology of the State.

10 This charge enables the council and DPUC to
11 consider both the environmental benefits of the public and
12 the associated costs to electricity customers. It also
13 enables us to simultaneously consider and further both
14 environmental and energy goals.

15 Meanwhile, DEP's concerns are considered
16 under our statutes with reference to the siting of
17 generation facilities to be approved by declaratory
18 ruling, as long as such projects meet air quality
19 standards of the DEP. This process provides for the
20 consistency of standards and their applications among and
21 between the council and DEP to support electric and
22 environmental goals.

23 Third point. Another recommendation is to
24 eliminate barriers to interagency communications and

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1 coordination. DEP staff has statutorily welcomed and
2 allowed to participate in the council and DPUC
3 proceedings. 1650jh states, in pertinent part, the
4 council shall consult with and solicit written comments
5 from the DEP, may also intervene in a council proceeding.

6 In addition, DEP may avail itself of
7 intervention status under 22a 19 of the Environmental
8 Protection Act, which states, in pertinent part, in any
9 administrative proceeding and in any judicial review
10 thereof, any agency instrumentality of the State may
11 intervene as a party asserting that process invokes
12 conduct, which has or which is reasonably likely to have
13 the effect of unreasonably polluting, or impairing, or
14 destroying the public trust in the air, water, or other
15 natural resources of the State.

16 Moreover, pursuant to statute, the DEP
17 Commissioner or the Commissioner's designee is a voting
18 member of the council. Simply put, the multiple
19 provisions of statutory authority is abundantly clear that
20 according to the statutory provisions cited above, there
21 are no real impediments to DEP staff and their full
22 participation in the council's proceedings.

23 Another recommendation is to address
24 overlapping jurisdictions and criteria regarding project

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1 need determinations. It's important to understand that,
2 as mentioned previously, the council is actually comprised
3 of multiple agency representatives and stakeholders
4 dedicated to balancing the need for adequate and reliable
5 public utility services at the lowest reasonable cost to
6 consumers with the need to protect the environment.

7 Under 1650ph, a public need exists for an
8 energy facility if such facility is necessary for the
9 reliability of the electric power supply for the State,
10 which is directly related to the legislative finding and
11 purpose for the council in balancing public need with the
12 need to protect the environment.

13 Each need is pertinent to the CEAB
14 recommendations to meet energy, environmental and economic
15 goals. We believe that these duplicative and overlapping
16 authorities regarding need determinations support a more
17 detailed and thorough analysis from a variety of
18 perspectives, rather than from a narrow, single agency
19 perspective.

20 Frankly, it is precisely this overlap that
21 promotes comprehensive energy of environmental policy.
22 Furthermore, rather than obviate the need for the
23 council's finding of need, as the report suggests, the
24 legislatively established Integrated Resource Plan process

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1 and the DPUC's procurement process create a more informed
2 and streamlined need and source for information that
3 ultimately serves to enhance the council's determination
4 of need.

5 Finally, the report proposes sequencing
6 regulatory reviews, projects and minimizing substantive
7 and administrative overlap, so as to streamline the
8 regulatory process.

9 As previously stated, the so-called
10 overlapping authorities promote a more thorough and
11 detailed analysis of policy from several different
12 perspectives. At the present, project proponents may
13 choose whether to submit their applications to DEP and the
14 council at the same time or not.

15 For example, if siting and permitting for
16 vital energy projects were vested entirely with the DEP,
17 whose mission and purpose is to protect the natural
18 environment of the State, decisions would be based only on
19 adverse environmental affects, rather than those through a
20 complete analysis of both the environmental effects and
21 public need.

22 Similarly, if siting authority were
23 assigned exclusively to the DPUC, such decisions would
24 invariably be made with more narrow scope of its purview

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1 over energy market and conditions.

2 In any event, any changes in the proposed
3 regulatory process should not limit access to and
4 participation in the State proceedings by the public and
5 other stakeholders affected by the proposed projects,
6 therefore, the State and ratepayers' interests are best
7 served by the process that affords interested parties the
8 most due process protections and opportunity for further
9 informal and final decisions.

10 Again, it's important to note that the
11 council represents the citizens of this State and examines
12 with the eyes and listens with the ears of private
13 citizens to insure their vital input into what other
14 states have only entrusted to bureaucracies, that the
15 Connecticut General Assembly has given its people a seat
16 at such an important table is refreshing, farsighted and
17 enlightened, and it must be preserved, even if no other
18 State has so much confidence in its citizens.

19 Thank you for this opportunity to comment
20 on these important policy proposals. A more expansive and
21 detailed explanation of our comments will also be
22 submitted for your full review and consideration. Thank
23 you very much.

24 CHAIRPERSON McCARTHY: Mr. Chairman, thank

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1 you very much for taking the time to come out and for your
2 comments.

3 MR. CARUSO: Thank you very much,
4 Commissioner.

5 CHAIRPERSON McCARTHY: I appreciate it.

6 MR. CARUSO: And everyone else. Thank you.

7 CHAIRPERSON McCARTHY: The last person who
8 is signed up is Roger Koontz from Environment Northeast.
9 Roger, if you want to come up? If others would like to
10 sign the sheet? Oh, we have another sheet? Great. Thank
11 you.

12 MR. ROGER KOONTZ: Good evening. I'm Roger
13 Koontz, K-O-O-N-T-Z, Environment Northeast. I will be
14 submitting, or Environment Northeast will be submitting
15 more detailed written comments. I have several issues I
16 wanted to hit, and I'll proceed.

17 One of the recommendations, which hasn't
18 been discussed, was for a comprehensive plan that would
19 include heating fuels, transportation and electricity, and
20 we would certainly support the development of such a plan.

21 It's important for measuring climate change
22 progress, for economic development issues, for other
23 environmental issues, and we think that's a good idea. We
24 would envision that to be a fairly high-level plan,

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1 setting very broad goals, and incorporating the results of
2 the Integrative Resource Plan, or the procurement plan,
3 and God bless you as you work with the Department of
4 Transportation.

5 CHAIRPERSON McCARTHY: You mean sympathies?

6
7 MR. KOONTZ: In working out a process, but
8 that is, as you're well aware, Commissioner, critically
9 important to reducing our impact on greenhouse gas
10 emissions. ENE does not support the proposal to change
11 the recently instituted procedures for developing electric
12 procurement plans.

13 The concern articulated is that utilities
14 have --

15 (Off the record)

16 MR. KOONTZ: I've been doing this for a
17 long time, and much of that has gone away with
18 deregulation. There used to be some really difficult
19 issues when the utilities own generation. They are
20 regulated, and I have to say I think they've been very
21 responsible, particularly in advancing the demand-side
22 resources.

23 As you know, the electric efficiency plans
24 have been rated among the best in the country. Their

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1 administration has been excellent. We work through the
2 ECMB, work very often and closely with the utilities, and
3 they are bright people, they work hard, and they are
4 committed, so I really don't see that as a big issue.

5 What they do have is the responsibility and
6 the interest to procure adequate resources for their
7 customers. They have a real interest in doing that, and
8 they have the expertise, as has already been discussed, to
9 understand the complexities of the New England electric
10 system and alternative approaches to meet those needs, and
11 that's not an easy task.

12 At the suggestion and the document was that
13 you could hire one or two people, who would be able to do
14 that for the council. I don't dispute that the council,
15 the CEAB, would be well served to have some staff, but I
16 don't think you're going to get staff who can provide that
17 degree of expertise, even with a lot of consultant help.

18 The first iteration of the Integrated
19 Resource Plan, which has been said developed in a fairly
20 brief period of time, contained a detailed presentation of
21 existing generation demand resources and an analysis of
22 alternatives.

23 The CEAB, after a long review, eight
24 months, generally endorsed those recommendations. There

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1 are additional issues that need to be considered.
2 Transmission wasn't considered. There are some
3 environmental issues that need to be more deeply
4 considered, but I thought, from my perspective, it was a
5 major step forward in analysis of alternatives, and it was
6 a very professional document, very well done.

7 It's noteworthy that California, which has
8 a very substantial staff, had its Energy Commission and
9 its Public Utility Commission requires utilities to
10 develop procurement plans, in a manner very similar to
11 that prescribed in the statute, and then those are
12 reviewed by the Public Utility Commission. They also have
13 a very high-level energy plan, which is developed by the
14 Energy Commission, I believe.

15 The Integrated Resource Plan and the
16 Comprehensive Energy Plan should be focused on long-term
17 strategies and goals and should not be subject to
18 continual revision. I don't see it as a document that
19 you're going to change every week, every month. I think
20 an annual review.

21 I would generally agree that trying to
22 prepare the whole thing on an annual basis is probably
23 excessive, but what you're looking for, because there's a
24 long time lag. The Department has recently, over the last

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1 few years, has authorized a number of generating plants.
2 None of them are here. None of them have been built yet.

3 There's, I don't know, I think it's 900
4 megawatts of peaking plants have been authorized,
5 something on that order, and they will be coming along in
6 the next few years, and they're digging holes in
7 Middletown for a 600-megawatt generating plant.

8 These are long-term resources. Energy
9 efficiency is a long-term resource. You can't reach
10 everybody in one year. You reach them when there's an
11 opportunity, when they're buying new equipment, when
12 they're building new buildings, when they're renovating
13 their buildings and so forth, so that's for many of them.
14 There are other activities.

15 That's a long-term investment that requires
16 steady progress. You need to support a vendor
17 infrastructure. You need to have several years' plan that
18 you're going to continue to support that over a period of
19 time, so the vendors know that they have work to do and
20 that Connecticut is a good place to do that work.

21 A good example of that is the Home Energy
22 Solutions Program, which over the last couple of years has
23 developed a new industry in Connecticut. Weatherization,
24 using highly qualified personnel, blower door testing, all

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1 that sort of thing, and we're developing a -- of
2 technicians. The utilities are through their programs,
3 but they need to know that there are going to be those
4 jobs next year and that that's going to continue.

5 I think that what the plan should do is,
6 again, be a long-term plan and set out the investment path
7 that's going to be pursued at least for the next two or
8 three years.

9 And I would agree with the earlier
10 discussions, about revising plans to meet unexpected or
11 emergency conditions. I think that's something that the
12 DPUC has the authority to handle with the distribution
13 companies, and that's the appropriate way to do that, is
14 not to keep trying to change the plan.

15 And I have one observation. I don't have a
16 strong feeling about the exclusion of the DPUC. I
17 understand the statute. I'd be happy to have the DPUC on
18 the voting part of it, but I understand the proposal, but
19 I don't think that the council is, the CEAB is prohibited
20 in any way from getting information from the DPUC.

21 The statute is very specific, that the
22 Chairperson of the DPUC, who sits on the Board, is not
23 allowed to participate in a review. It doesn't say you
24 can't get information from the DPUC, as to whatever

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1 aspects of the energy system that you want to. I think
2 you can certainly do that. I don't think that requires
3 statutory amendment or anything.

4 That concludes my oral remarks, and we'll
5 be filing written comments. Thank you.

6 CHAIRPERSON McCARTHY: Thanks, Mr. Koontz.
7 Appreciate it. We have two more people who have signed
8 up. Margaret Minor from Rivers Alliance.

9 MS. MARGARET MINOR: Thank you very much
10 for having this hearing and for taking up this initiative.

11 I am astonished that there's so few people here. I'm
12 with Rivers Alliance of Connecticut, which is a statewide
13 non-profit that works on water resources, and as a member
14 of Rivers Alliance, we were also original members of the
15 Clean Energy Fund on the Advisory Board there.

16 Our chief interests are hydropower, which
17 for awhile was not a significant player in the renewable
18 energy portfolio. We also have a strong interest and have
19 held industry and agency forums and meetings and published
20 a report on siting issues created with deregulation and
21 now ongoing siting issues under the new law.

22 In connection with other groups that I'm a
23 member of, I would say that there's a keen interest in
24 seeing a radical reform in the way we manage energy in the

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1 State, which, perhaps, if you're on the inside, you get
2 used to it, but from the outside, it really does appear
3 chaotic.

4 I don't know if there were any legislators
5 here earlier, but each year one of my jobs in connection
6 with the League of Conservation Voters is to try to
7 understand the Energy Bill, and the last day of session
8 sometimes people will say, okay, we're going to have a
9 seminar for legislators and anyone else that wants to know
10 what's in here.

11 Three days after the bills pass, we usually
12 get an inkling of what's there, and a week later some
13 truths begin to emerge, so I strongly feel however we
14 reform, and I hope we do reform energy management in this
15 State, I don't think we can afford not to have some
16 management reforms in this State in this economic
17 situation.

18 We have great policies in this State and
19 horrible implementation, just very, very weak. I'll
20 mention a couple of things. I will be submitting written
21 comments in detail on your recommendations to the extent
22 that I'm familiar with them, and I also know a number of
23 other people who are interested in writing up comments.

24 There's been a very short time to look at

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1 it and come up with anything halfway worthwhile writing
2 about. The Siting Council, let me say, in general, in
3 terms of sequencing, it's quite irrational. One project
4 that I've been working on recently, first the Clean Energy
5 Fund decides to give an award and make it a priority
6 project, so the State is already invested that far, then
7 it goes to DPUC and passes through on those grounds, then
8 it gets to the Siting Council, and the Siting Council is,
9 I think, in a very peculiar situation with respect to any
10 energy plant under is it 70 megawatts? Seventy-five?

11 MR. DEREK PHELPS: Sixty-five.

12 MS. MINOR: Sixty-five? Under the 2005
13 Energy Independence Act, they're basically required to
14 fast track, so long as it meets the State air quality
15 standards. I know it was an oversight, that it doesn't
16 say State water quality standards, but that's the way it's
17 written.

18 I wrote to Mr. Phelps here and said, as I
19 read this, if a plant came up to go in the middle of
20 Bushnell Park and draws water out of the park river, you'd
21 have to fast track it.

22 I do feel, and I'm not quite sure how to
23 get there, but there needs to be more intelligent
24 interaction between the management side of our energy

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1 resources and the legislative side. There has to be some
2 places where people get together. I know it's difficult
3 with an energy committee where one Chair wants to go in
4 one direction and one wants to go the other, but I'm sure,
5 I am sure we can do better, that we could find a way to
6 develop unitary policies and a unitary approach to energy
7 management.

8 Just to keep on with the sequencing, this
9 highly problematic project that we're looking at where
10 does it end up? All the critical permits two years after
11 it started and the State has made an investment, it ends
12 up at the DEP. Naturally, the people come in and say you
13 can't mean you're not going to give us permits now.
14 Aren't we doing things the wrong way around? I really
15 feel we are, and I have a sense.

16 I will say something about the RFPs. I
17 think there's a fundamental flaw the way we have it set
18 up. It depends on the invisible hand of the marketplace
19 to get the results we want out of renewable portfolio
20 standards, which is a lot more clean energy, with an extra
21 premium price for the people building it and, you know,
22 good products.

23 There's always too much supply or too
24 little supply. It's not working out the way that we

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1 planned, and I think there is a simpler approach to that.

2 I just want to thank you for taking up this
3 issue of trying to do some kind of reform. I can tell you
4 that there are environmental leaders in the State who
5 consider this extremely important, perhaps even more
6 important than reform of water management, which is also
7 on our agenda, but extremely important.

8 The millions of dollars that -- where's
9 Joel? The millions of dollars that I have seen wasted in
10 missteps you expect some when you're moving into new
11 areas, but we have really been in some areas sort of the
12 equivalent of Route 84. Oh, we better take this drainage
13 out and do it all over again. Let's try another way.

14 I will submit written comments, and we'll
15 be bringing in written comments, and, really, thank you,
16 and you deserve to have many more people here. I thought
17 all those cars were for this. They're all out there.

18 CHAIRPERSON McCARTHY: The food is for us,
19 so go ahead and help yourself. (Laughter)

20 MS. MINOR: Oh, good, because I'm getting
21 hungry. Thank you.

22 CHAIRPERSON McCARTHY: Thank you very much.
23 Thank you. I should have told Roger that, actually, DOT
24 was a member of this little committee and has participated

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1 in this, so while we love to take a shot at them, they are
2 actively participating in a very positive way. Is John
3 Gordon from NRG Energy here?

4 MR. JOHN GORDON: I'll be very brief. I'm
5 sure everyone is anxious to go dancing out in the lobby. I
6 would like to thank the CEAB for holding the public
7 hearing and for allowing NRG to provide comments.

8 My name is John Gordon. I'm Manager of
9 External Affairs for NRG. We're a competitive wholesale
10 generator in Connecticut, with seven power plants that
11 provide over 2,000 megawatts of generation in Connecticut.

12 We are filing written comments, so I just
13 very briefly would like to say that NRG agrees with
14 virtually all the recommendations and findings in the
15 phase two report, and we would like to compliment the CEAB
16 on its common sense approach to improving the very complex
17 energy planning process we have in Connecticut today.

18 I agree with some of the previous speakers'
19 assessment, that the IRP that we undertook this year was
20 very positive and a big leap forward for Connecticut
21 energy planning with all the problems we have with it. I
22 mean it was certainly a big leap forward in trying to
23 compare all the different alternatives we have before us.

24 I would like to point out a couple of the

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1 recommendations that NRG was particularly pleased to see
2 in the report. The CEAB clearly notes that the EDCs are
3 not the proper entities to conduct the Integrated Resource
4 Planning and NRG agrees.

5 I mean, clearly, there is expertise that
6 resides at the EDCs that would be absolutely critical and
7 resources to any planning process going forward, but I
8 think we saw in this IRP that there is a bit of a, you
9 know, a transmission centric point of view, if you will,
10 that we saw in the plan, and I think it would be better to
11 have a neutral entity coordinating the overall planning
12 and pulling the resources in, as needed, from the various
13 entities in the State would be more appropriate.

14 Further, the report states that the State
15 should establish the limited authority to act without
16 delay to procure resources or enter contracts in
17 circumstances where benefits are evident, the risks are
18 limited, and the need to act promptly is supported by
19 substantial evidence.

20 Again, NRG also believes that this kind of
21 a flexibility is important, and we support this
22 recommendation. We also agree with the idea that was
23 stated of having a consistent and clearly defined cost-
24 effectiveness criteria be applied to all potential

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1 resources that are procured and paid for by ratepayers in
2 Connecticut. We think that's critically important.

3 NRG is also pleased that the CEAB is
4 recommending implementation of streamlined regulations for
5 siting and the permitting process.

6 Once again, we plan on filing detailed
7 written comments, and thank you for letting us
8 participate.

9 CHAIRPERSON McCARTHY: Thank you very much.

10 Is there anyone else that would like to offer comment
11 this evening? I want to remind people that written
12 comments are due by November 18th, and they could be
13 mailed or submitted electronically to Gretchen Deans at
14 CERC. Do I have to give all this, too?

15 You could find her. If not, give us a
16 call. It's in the notice, as well, so you can either e-
17 mail her or send her written material, so we look forward
18 to receiving the written material.

19 And, again, I thank you for taking the time
20 to come out tonight and for all your thoughtful comments,
21 and we'll give them clear and comprehensive further
22 review, and we'll come out with something very soon, in
23 time for us to submit our final report to the legislature.

24 Thank you very much.

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1 (Whereupon, the hearing adjourned at 7:14
2 p.m.)

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