

VERBATIM PROCEEDINGS

CONNECTICUT ENERGY ADVISORY BOARD
PUBLIC HEARING
ON
ELECTRICITY & ENERGY EFFICIENCY

FEBRUARY 11, 2008

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1 . . .Verbatim proceedings of the
2 Connecticut Energy Advisory Board Public Hearing on
3 Electricity & Energy Efficiency, held February 11, 2008 at
4 4:05 p.m. at the Legislative Office Building, 300 Capitol
5 Avenue, Hartford, Connecticut. . .

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7
8
9 CHAIRMAN JOHN MENGACCI: Okay. Good
10 afternoon, everyone. I'd like to call to order the public
11 hearing of the Connecticut Energy Advisory Board for the
12 2008 procurement plans that were submitted to us on
13 January 1st by Northeast Utilities and United
14 Illuminating.

15 Just to set some of the ground rules, most
16 people have cell phones or other PDAs. If you could put
17 them on vibrate or turn those off, I'd appreciate it.
18 Also, we're allowing each of the folks who want to provide
19 public testimony today before the Board with five minutes
20 per person.

21 Gretchen Deans, who is to the right of the
22 area where everybody will be speaking and addressing the
23 Board, will raise her hand to notify myself at the four-
24 minute mark, and that will give you a minute or so to wrap

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1 up your final comments if you haven't done that before.

2 Thank you, all the Board members, for being
3 here this afternoon. Thank you to everyone who has
4 submitted written comments, and thank you in advance to
5 everyone who is going to be providing public comment
6 today. There is still a sign up sheet. P.J. is signing
7 up as we speak, so there is a sign up sheet there for
8 those folks who have not signed up yet, but would like to
9 make comments today.

10 And unless any of the Board members have
11 anything further, I think we'll just go ahead and begin
12 calling the folks who have signed up to testify. Does
13 anyone have any other opening remarks or any opening
14 remarks they'd like to make?

15 Okay. The other thing, just before you
16 speak, if you would please just identify yourself by name
17 for the record, and, also, spell your last name, so that
18 Gail here, who is taking the transcript of today's
19 proceedings, gets everybody's name correct.

20 So, with that, I'd like to call the first
21 person who signed up today. It's Tom Bessette with
22 Constellation Energy. Tom? And I hope I pronounced your
23 name correctly.

24 MR. TOM BESSETTE: You did, sir. Absolutely

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1 correct.

2 CHAIRMAN MENGACCI: Great. Thank you, Tom.
3 Proceed at your convenience.

4 MR. BESSETTE: Thanks very much. My name
5 is Tom Bessette. That's B, as in Boston, E-S-S-E-T-T-E. I
6 represent Constellation Energy Commodities Group and
7 Constellation New Energy.

8 We provide wholesale power to CL&P and UI,
9 pursuant to their standard offer and supplier of last
10 resort procurements, and we also provide retail power to
11 hundreds of customers in the State of Connecticut,
12 including members of the Manufacturers Alliance of
13 Connecticut, the CBIA and the Connecticut Consortium,
14 which represents municipalities and school districts.

15 I'm here to speak exclusively this morning
16 about recommendation number two, dealing with the
17 Integrated Resource Plan, which states that utilities
18 should procure, excuse me, explore other power procurement
19 structures, such as long-term power contracts on a cost of
20 service basis and utility build of new generation. The
21 utilities state that a return to cost of service
22 regulation could result in lower costs. In short, we
23 disagree.

24 First, I want to speak about some flaws in

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1 the analysis very quickly first, and then I'll go onto
2 stranded costs, utility build and long-term contracts.
3 First, the flaws. The study appears to assume that all
4 existing generation of the State of Connecticut will be
5 transferred back to the utilities at historical embedded
6 costs. We think this is highly unlikely. That's what it
7 seems to suggest.

8 If that was the case, it would require new
9 legislation that would be strenuously opposed in the
10 courts. Even if that did occur, it would be likely that
11 those assets would have to be transferred at market and
12 not historical embedded costs.

13 Second, the study does not appear to take
14 into account the possibility of new stranded costs. Prior
15 to restructuring, customers -- the cost of well
16 intentioned but incorrect utility decisions relating to
17 utility build generation, to long-term contracts with
18 independent power producers, to long-term contracts with
19 renewable developers.

20 Those decisions resulted in over 4.4
21 billion dollars' worth of stranded costs in the State of
22 Connecticut alone, 20 billion for all of New England, so
23 one of the purposes of restructuring was to remove that
24 risk of stranded costs away from the utility captive

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1 ratepayers and put it onto the backs of merchant
2 shareholders. The utilities proposed implementation
3 options would place those risks back on the utility
4 ratepayer. We think that's a mistake.

5 Third, the options that are offered by the
6 utilities appear to assume that restructuring has failed.
7 That's simply not true. The vast majority of studies on
8 electric industry restructuring show that restructuring
9 has benefited consumers in many ways and saved consumers
10 billions of dollars over what they would have paid under
11 vertically integrated systems.

12 It's not are they paying more today. It's
13 what they would have paid if we had stayed integrated. We
14 have a list of summaries at the back of our comments.
15 There's an appendix with three pages of summaries.

16 So moving to the implementation options,
17 first utility build, why should you not let utilities
18 build new generations? Three quick responses. First, the
19 study shows that Connecticut does not need any additional
20 generation within the State of Connecticut beyond what is
21 presently planned for until the year 2030. This is the
22 Brattle study group, the utilities consultant, so it's
23 really totally unnecessary to even contemplate allowing
24 utilities to build at this time.

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1 Second, the recent FCM auction for the
2 capacity market auction was extremely successful. It was
3 held last week. It evidences that there's more than
4 enough capacity in New England to assure reliable
5 operation of the New England grid. Again, utility build
6 is unnecessary.

7 And, third, you could have another new
8 round of stranded costs, and I have some examples in our
9 comments about that. I don't have time to go into them,
10 but you could have considerable new stranded costs.

11 Second, long-term contracts. Basically,
12 the same concerns. The utilities argue that entering into
13 long-term contracts is a hedge against future price
14 volatility. I would make two points. The PUC, the
15 Connecticut PUC, has recently stated that a hedge be on
16 the three-year limit standard service procurement, which
17 is in place today, would, quote, "induce much higher risk
18 premiums, due to the uncertainty of future energy
19 markets," unquote.

20 Secondly, there's no reason to assume that
21 a utility can outguess the market and figure out when best
22 to lock in long-term supply obligations. The Brattle
23 Group, the same group that did the study here, did a study
24 recently for the State of Maine. They stated in that

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1 study, "As experience has shown, there is generally a cost
2 to hedging and locking in prices through long-term
3 arrangements that look favorable under prevailing market
4 conditions could impose significant out-of-market costs
5 down the road." So we urge the Board to be very cautious
6 on both the utility build and long-term contracts.

7 So, to summarize, electric restructuring is
8 working. There's a panoply of studies in our comments
9 that show that. The recommendation to turn the clock back
10 and to allow utilities to enter into utility build and
11 long-term contracts in order to lower rates is not
12 founded. In fact, it's unnecessary, as plenty of supply
13 has been identified, and it exposes Connecticut ratepayers
14 to cost overruns, as well as another round of costly
15 stranded costs. I thank you for the opportunity.

16 CHAIRMAN MENGACCI: Thank you very much,
17 Tom. Any questions from the members for Tom? No? If
18 not, then, thank you very much, Tom. I appreciate your
19 comments. Let's see. The next group that signed up is
20 Paul Michaud and Bob Grace and the Clean Energy Fund.

21 MR. BOB GRACE: Hello. My name is Bob
22 Grace. I'm President of Sustainable Energy Advantage,
23 appearing on behalf of the Connecticut Clean Energy Fund.
24 That's G-R-A-C-E. Thank you for the opportunity to

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1 provide comments in response to the IRP filing. The
2 Connecticut Clean Energy Fund has submitted written
3 comments, and I just want to touch on some of the
4 highlights here.

5 First of all, our analysis shows that the
6 proposed IRP fails to, or their conclusions regarding
7 renewable energy supply in Connecticut are not current,
8 nor accurate. Our assessment is that the proposed IRP
9 fails to account for the presence and impact of a
10 substantial amount of generation, renewable generation
11 that is eligible only within Connecticut for the class one
12 RPS and not for any other regional RPSs.

13 Because of differences in eligibility, a
14 material quantity of the existing generation in the region
15 qualifies for Connecticut Class I only and not for any of
16 the other regional generation.

17 When you consider the different categories
18 of that generation, those that are on line today, biomass
19 generation, which burns construction debris, which was
20 reinstated to eligibility by the legislature last year,
21 the response of a number of biomass plants to price
22 signals in installing NOX retrofits in order to get
23 eligibility for Class I, and Project 150, as you can see
24 from the chart here, the colored bars, those supply

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1 sources actually make up -- are nearly adequate, in and of
2 themselves, to meet Connecticut's Class I RPS demand,
3 leaving just a little bit of incremental demands to be met
4 by generation eligible for Connecticut, as well as all the
5 other RPS demands in the region.

6 Given this situation, it is not reasonable
7 to expect REC prices, as suggested in the IRP filing, for
8 Connecticut Class I to exceed the 55 dollars per megawatt
9 hour cap. This generation that's eligible only in
10 Connecticut has nowhere else to go. They have a very
11 strong incentive not to have their RECS retire worthless.
12 They will most certainly seek prices less than the price
13 cap, rather than settling for no revenue.

14 The second point that we wanted to make was
15 regarding geography. The analysis in the IRP focused
16 almost exclusively on generation within Connecticut.
17 Ratepayer interest will be served best by balancing the
18 benefits of in state renewables with minimizing the cost
19 to compliance with the RPS by relying on regional
20 renewable generation sources. After all, Connecticut's
21 renewable potential is fairly limited relative to the rest
22 of the region.

23 Thirdly, the IRP incorrectly concludes that
24 there will be substantial and indefinite regional REC

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1 shortfalls, because it ignores many eligible renewable
2 resources. The IRP analysis relied solely on looking at
3 the ISO interconnection cue, but ignored a number of
4 different resource types, renewable resource types, which
5 are eligible for RPS demands in the region, including
6 existing biomass facilities, projects that are under
7 development, but are not yet in the ISO cue, imports into
8 the region, projects, which switch fuels to become
9 eligible and the large number of small generators, the
10 community scale, are interconnected behind the customer
11 meter.

12 When all these categories are taken into
13 account, it substantially increases the gross number of
14 potential gigawatt hours energy compared to the
15 assumptions made in the IRP.

16 Finally, the regional renewable energy
17 development pipeline demonstrates an adequate supply is
18 under development. The IRP's position, that the region
19 will be short in renewables, just because it has been
20 short in the past, is not supported by the data or our
21 analysis.

22 The IRP ignores substantial development
23 pipeline of hundreds of megawatts and hundreds of
24 renewable generators throughout the region, which have

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1 been responding to the increased demands, both in
2 Connecticut and throughout the region.

3 There are adequate projects in our analysis
4 in the development pipeline to meet the regional REC
5 demand. The key question is not whether there will be a
6 shortfall indefinitely. The key question for REC prices
7 is how much of what is in the pipeline can be delivered
8 and when?

9 It's our assessment that there are a number
10 of reasonable assumptions under which supply may or may
11 not be adequate over the next five to 10 years. There's
12 no basis in concluding that supply will be indefinitely
13 short, and there's no analysis in the IRP to the contrary.

14 So, again, as you can see from this graph,
15 with the line here representing the demand for Connecticut
16 RPS Class I, the white bar shows the additional supply
17 that we need to be coming from resources elsewhere in the
18 region that are eligible, not just for Connecticut, but
19 for other RPSs.

20 This inset up here to the left, which is
21 the last graph in our written comments, shows the
22 development pipeline and a number of different scenarios
23 of the probability of success of that generation. Our
24 analysis suggests that over the next five years it would

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1 take Connecticut utilities or other RPS obligated entities
2 contracting for no more than two to eight percent of the
3 development pipeline to have Connecticut be in surplus,
4 rather than shortage. So, with that in mind --

5 CHAIRMAN MENGACCI: Can I stop you there,
6 Bob?

7 MR. GRACE: Certainly.

8 CHAIRMAN MENGACCI: I'd like you to follow-
9 up on that last comment that you made. Could you go into
10 a little bit more detail on that? You said the two to
11 eight percent?

12 MR. GRACE: Absolutely. So the amount
13 varies.

14 CHAIRMAN MENGACCI: And thank you for your
15 comments. The five minutes is up, but you were going
16 right where I was going to ask you anyway. Just for the
17 benefit of the Board, please, could you take us through a
18 little bit more detail about what those various colors on
19 that chart may be?

20 MR. GRACE: Sure. Absolutely.

21 CHAIRMAN MENGACCI: Please.

22 MR. GRACE: Again, the line across the top
23 here is the Connecticut Class I RPS demand as it increases
24 over time. The two bottom colors, blue and red, represent

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1 that generation, which has historically been contributing
2 to meeting the Connecticut RPS to date.

3 The green bar here is two large biomass
4 facilities, which just became eligible, received DPUC
5 certification as eligible a few months ago in response to
6 the legislation last year --

7 CHAIRMAN MENGACCI: Is that the --

8 MR. GRACE: -- 5, that reinstated
9 temporarily the eligibility for construction debris, so
10 those are two very large biomass plants, and that serves
11 to close the gap rather substantially.

12 The purple bar represents roughly six
13 existing biomass facilities that either already have or
14 are currently in the process of retrofitting their
15 facilities to achieve Connecticut Class I eligibility.
16 These are all through retrofits to limit their NOX
17 emissions, and so those will add substantially.

18 The next two bars, the turquoise and
19 orange, represent Project 150, so, as those projects come
20 on line, they will continue to fill much of the gap. That
21 leaves somewhat of a shortfall over time, but not a very
22 large one.

23 What I've discussed so far are only those
24 projects that are only eligible in Connecticut and not

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1 elsewhere. We track on the order of 350, 400 different
2 projects in the region, which are in the development
3 pipeline and are eligible both for Connecticut Class I and
4 RPS obligations throughout the rest of the region.

5 So when I refer to the two to eight
6 percent, what I meant was, if Connecticut entities were to
7 contract for somewhere between two to eight percent, it
8 varies year-by-year, of that generation that's in
9 development pipeline, then the Connecticut Class I
10 requirements would be met.

11 CHAIRMAN MENGACCI: Would be met, okay.
12 Joel, please.

13 MR. JOEL GORDES: Joel Gordes. Just a
14 question on completion rates, and what you have there are
15 largely unbuilt facilities, except for the ones that are
16 being retrofitted that are I assume out of state.

17 MR. GRACE: Absolutely.

18 MR. GORDES: And my question is, in reading
19 works by people from LBL, Lawrence Berkeley Lab, and KEMA
20 and such, papers on completion rates give I believe the
21 range is for projects are approximately from 30 percent to
22 60 percent completion rates, and those are technologies
23 that didn't count fuel cells, from what I remember of the
24 studies.

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1 What do you expect for completion rates of
2 the projects that you've cited, and to what percentage of
3 those projects you have there are fuel cell projects?

4 MR. GRACE: First of all, Mr. Gordes, just
5 as a clarification, are you referring your question to
6 those shown here or to the rest of the development
7 pipeline?

8 MR. GORDES: I guess I'm referring to the
9 ones you have here.

10 MR. GRACE: Okay. First of all, the study
11 that you referred to I was a co-author of. I'm very
12 familiar with it. Most of the bars here are operating
13 plants. There's no uncertainty involved for effectively
14 the bottom four bars.

15 The Project 150 there's clearly some risk
16 there that not all of those contracts would come to
17 fruition, so the DPUC would conduct another round of the
18 process, and, in order to meet the statutory requirements,
19 those quantities would still be met, but it would probably
20 push out in time what ultimately came to fruition. But
21 most of what I'm showing here for Connecticut Class I only
22 is not a risk of non-completion.

23 As far as the rest of the generation
24 pipeline, you're absolutely correct. There is reason to

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1 believe that much, if not, most of that will not come to
2 fruition. The last graph in our written comments, which
3 is reproduced in the upper left-hand corner here, shows a
4 number of different probability scenarios for how much of
5 the development pipeline would be coming to fruition.

6 Based on that, it looks like generation --
7 there would have to be a very substantial failure rate for
8 the region to be short.

9 MR. GORDES: The only thing I'd say, too,
10 is I remember some of the papers. The ones that had the
11 highest degree of success were those that were done by the
12 utilities. Is that not correct?

13 MR. GRACE: I'm not sure I can answer that
14 off the top of the head. I'm sorry.

15 CHAIRMAN MENGACCI: In the comments that
16 were submitted by the Clean Energy Fund, you talked about
17 the concept of REC banking.

18 MR. GRACE: Yes.

19 CHAIRMAN MENGACCI: Could you elaborate on
20 that a little bit, please?

21 MR. GRACE: Certainly. REC banking or
22 adding REC banking is one of the Clean Energy Funds
23 recommendations. Banking in an RPS context provides
24 benefits to both generators and ratepayers.

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1 For generators, it provides some cushion
2 against prices crashing, if supply does catch up with or
3 exceed demand, but, for ratepayers, it provides a
4 substantial benefit. If a year is to be in surplus, the
5 utilities, the obligated entities, could over procure in a
6 given year and bank, at that point, would be RECS at a
7 fairly inexpensive price against later obligations.

8 Right now, every state RPS in the region,
9 except Connecticut, allows a limited amount of banking.
10 Obligated entities are generally allowed to bank up to 30
11 percent of their obligation for two years. That's pretty
12 much the regional standard.

13 In not having banking, the utilities and
14 others have really an incentive to under procure, or,
15 certainly, a disincentive to over procure if resources
16 were to be available. And, as we're sitting here, we may
17 be observing the first instance in the last few years, in
18 which there's the possibility of sufficient resources
19 being available, therefore, adding banking would provide
20 the opportunity to keep shopping and identify whether
21 there were opportunities for future savings.

22 You can also see here that if there were to
23 be some amount of long-term contracting, for example, that
24 could actually push the Connecticut market into somewhat

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1 of a surplus, soften prices up to some degree, and create
2 the possibility for less expensive than the penalty price
3 RECS available for banking against future obligations as
4 the RPS targets rapidly rise.

5 CHAIRMAN MENGACCI: Okay, thank you.
6 Further questions for Bob? If not, thank you very much,
7 Bob.

8 MR. GRACE: Thank you.

9 CHAIRMAN MENGACCI: The next person on the
10 list is Jon Gordon from NRG. Is Jon here?

11 MR. JON GORDON: Thank you, Chairman
12 Mengacci, members of the Board, for the opportunity to
13 provide comments here today. My name is Jon Gordon.
14 That's G-O-R-D-O-N. I'm the Manager of External Affairs
15 for NRG Energy, and with me is Pete Fuller, who is our
16 Director of Market Policy.

17 NRG is a competitive wholesale generator in
18 Connecticut with power plants located in Montville,
19 Middletown, Norwalk, Devon, Cos Cob, Torrington and
20 Branford that provide over 2,000 megawatts of generation
21 to Connecticut.

22 The Board is certainly charged with a
23 difficult task in reviewing a comprehensive Integrated
24 Resource Plan in a very compressed time frame, and NRG

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1 appreciates the opportunity to participate in this
2 critically important effort.

3 NRG has submitted detailed written comments
4 in the plan, therefore, I'm not going to go into great
5 detail in my comments today, but there are a few important
6 points that NRG would like to highlight in regard to the
7 draft Integrated Resource Plan.

8 La Capra has provided an initial review of
9 the utilities IRP, and NRG agrees with many of the
10 conclusions in the La Capra assessment. In particular,
11 NRG agrees with La Capra, that the plan falls far short of
12 statutory requirements for an Integrated Resource Plan,
13 and we agree with La Capra's observations, that the plan
14 does not currently assess the risks of potential
15 retirements and that more work is needed on how best to
16 achieve DSM goals.

17 The plan does not integrate resource
18 planning, and the IRP does not contain a procurement plan
19 or action plan for implementation.

20 NRG is particularly concerned with the
21 plan's assumptions and conclusions with regard to
22 generation retirements. Now generation is perhaps the
23 most critical component of any Integrated Resource Plan,
24 yet generators were not included in the integrated

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1 resource planning process.

2 The plan grossly understates Connecticut's
3 energy and capacity needs, because it assumes without
4 adequate support that all existing power plants will
5 remain in service throughout the planning period.

6 Additionally, the plan relies on aggressive
7 and largely unproven growth in demand side management and
8 demand response that may or may not occur. So the plan's
9 conclusion, that no new generation is needed in
10 Connecticut, is also inconsistent with projections for low
11 growth, especially the anticipated impact of environmental
12 initiatives that are aimed at altering the supply mix.

13 In fact, the most recent Connecticut Siting
14 Council forecast of loads and resources provides a
15 detailed list of anticipated generation resource
16 retirements, and it expressly anticipates that Connecticut
17 will face a significant generation capacity shortage
18 beyond 2008. On the other hand, the utility plan assumes
19 no such generation retirements.

20 Now, further, the IRP legislation
21 explicitly required the utilities to assess the impact of
22 environmental standards on supply resources, and ISO New
23 England has been very clear in assessing the impact of the
24 Reggie Program(phonetic), and ISO has stated that

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1 additional generator Reggie compliance cost could shift
2 the dispatch of generators and their CO2 emissions and
3 potentially affect electric system operation and
4 reliability in New England.

5 And given the absence of compliance options
6 offered by the Reggie Program, many units that are
7 essential for electric reliability could unavoidably be
8 forced to curtail operations or shut down completely.
9 Again, these are statements from ISO New England.

10 So NRG urges the Board to reevaluate the
11 plan's assumptions and conclusions regarding generation,
12 and, as a key stakeholder in Connecticut generation, NRG
13 would welcome the opportunity to participate in the
14 Board's reevaluation process, and we would commit
15 personnel resource to assuring that the ultimate plan
16 would be both comprehensive and balanced.

17 In conclusion, we don't feel this is a true
18 Integrated Resource Plan. As La Capra has pointed out in
19 their assessment, the plan falls far short of legislative
20 intent in restoring a truly integrated planning process.
21 I mean integrated plan, by definition, compares resource
22 options interactively to determine an optimal mix of
23 resources, based on costs and benefits. The utility plan
24 did not provide a cost benefit analysis of transmission

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1 versus generation versus demand side options.

2 Additionally, the plan does not put forth
3 specific procurement plans and actions, as contemplated by
4 the Act, so the question now is how do we move forward
5 from here? And I think the La Capra report did outline
6 several recommendations for additional analyses that the
7 Board should pursue in collaboration with utilities and
8 other stakeholders to bring the plan into conformity with
9 legislative requirements.

10 NRG concurs with La Capra's preliminary
11 recommendations, and we've made additional recommendations
12 in our written comments. NRG urges the Board to work with
13 key stakeholders in the planning process in accordance
14 with all of these recommendations and develop a truly
15 Integrated Resource Plan, as contemplated by the
16 legislation. Again, thank you for the opportunity to
17 comment.

18 CHAIRMAN MENGACCI: Thank you, Jon. Any
19 questions for Jon? If not, then, Jon, thank you very
20 much.

21 MR. GORDON: Thank you.

22 CHAIRMAN MENGACCI: The next folks who
23 signed up are Rich Steeves and Jeff Schlegel with the
24 ECMB.

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1 MR. RICH STEEVES: Good afternoon. I'm
2 Rich Steeves, Chairman of the Energy Conservation
3 Management Board. Steeves, S-T-E-E-V-E-S. And with me is
4 Jeff Schlegel, our consultant. S-C-H-L-E-G-E-L. Thank
5 you for this opportunity to speak before you today. The
6 ECMB has filed comments. We'll just highlight a few of
7 them.

8 First of all, the ECMB strongly supports
9 the findings and recommendations in the plan to
10 aggressively increase cost effective DSM programs and
11 funding in order to maximize the benefits for Connecticut.

12 Our comments are broken down concerning the
13 recommendations to CEAB and specific comments on the
14 Integrated Resource Plan.

15 First of all, the ECMB strongly supports
16 the first recommendation of the plan to maximize the use
17 of demand side management within practical operational and
18 economic limits to produce peak load and energy
19 consumption. The only economic limit that we see should
20 be applied to maximizing the use of DSM is the
21 demonstration of C&LM program cost effectiveness. Right
22 now, our current economic limit is our funding level.

23 The ECMB believes that the DSM portion of
24 the procurement plan should be acted on by the CEAB as

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1 soon as possible to maximize the benefits to Connecticut
2 and allow the C&LM programs to reach their full potential.

3 Delay would result in loss of benefits to Connecticut
4 consumers and businesses.

5 Our C&LM programs are currently
6 overwhelmingly demand and are becoming oversubscribed. As
7 a matter of fact, we've exceeded the budget in the past
8 two years in borrowing from the next year and each of the
9 last two years to meet that demand.

10 Connecticut residents and businesses are
11 extremely impacted by rate increases and supply
12 uncertainty and are asking for solutions today. C&LM
13 programs are in a vulnerable transition period with
14 escalating customer demand and expanding programs and
15 strategies while being severely limited by current budget.

16 Now our specific comments on the Integrated
17 Resource Plan are outlined in our letter, but one
18 highlight. The DSM portion of the procurement plan
19 provides an aggressive strategy for effective, cost
20 effective and comprehensive electric conservation programs
21 that will provide major economic, environmental and
22 societal benefits to Connecticut.

23 The ECMB and its consultants work closely
24 with the companies to insure that the DSM portion of the

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1 plan embodied attributes that will work to insure major
2 savings and accompanying benefits to Connecticut citizens
3 and businesses.

4 Now we did have some comments concerning
5 other aspects and limitations of your plan, but that can
6 be addressed and could be addressed in future plans, which
7 are submitted annually, but this, in no way, detracts from
8 the aggressive DSM goals and innovative program strategies
9 already proposed, nor should they interfere with the
10 timely review, approval and implementation of the first
11 five years of the DSM focused strategy.

12 Now my colleague, Jeff Schlegel, has
13 additional comments.

14 MR. JEFF SCHLEGEL: Good afternoon.
15 Specifically, the ECMB recommends that expeditious
16 implementation of the first five years, 2009 through 2013,
17 of the DSM focus solution set forth in the resource plan.

18 The only addition is that the ECMB recommends that the
19 expeditious ramp-up should begin in 2008. As Mr. Steeves
20 noted, there's a strong customer interest for the programs
21 right now, and that customer interest should be seized and
22 addressed.

23 The DSM focus solution set forth in the
24 plan is reasonable and achievable, and the savings

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1 resulting from the implementation of the DSM focus
2 solution will reduce total customer cost and help
3 Connecticut meet its climate and environmental goals.

4 Future resource plans can be informed by
5 actual experience gained by ramping up expanding, excuse
6 me, ramping up and expanding DSM efforts in the early
7 years. DSM is a flexible resource, and the goals and the
8 funding levels can be adjusted in future plans, as
9 necessary, based on actual experience over the next few
10 years.

11 The most important thing is to begin the
12 ramp-up and expansion of DSM as soon as possible in 2008,
13 and that is why the ECMB recommends the expeditious
14 implementation of the first five years of the plan.

15 While you may have some concerns, while you
16 and others may have some concerns about the level of
17 detail in some portions of the resource plan, the DSM
18 portion of the plan supported by the successful track
19 record of an expanding customer interest in cost effective
20 C&LM is adequate to support a CEAB recommendation to
21 proceed aggressively to increase DSM.

22 In conclusion, achieving all cost effective
23 energy efficiency and demand reductions is required by the
24 legislature. The companies in ECMB have developed a DSM

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1 plan to ramp-up to the increased levels of DSM, the levels
2 necessary to meet this legislative requirement.

3 The DSM plan is reasonable and achievable,
4 and it is built on the success and framework of current
5 C&LM programs, which must demonstrate cost effectiveness,
6 both in their plans and in their reports.

7 Significant expansion of DSM is supported
8 in the comments of many parties, and no party opposed DSM
9 expansion. Therefore, ECMB strongly recommends
10 aggressively increasing cost effective DSM programs and
11 funding in order to maximize the benefits for Connecticut.

12 Thank you.

13 CHAIRMAN MENGACCI: Thank you, Rich. Thank
14 you, Jeff. Jeff, you alluded to the fact that you seem to
15 have a plan already in place that matches what's being
16 recommended in the procurement plan?

17 MR. SCHLEGEL: Well, to clarify, the ECMB
18 did not wait until the development of the resource plan to
19 comment or have input. The ECMB actually worked hand-in-
20 hand with the companies to develop the DSM portion,
21 including Appendix D of the plan, with the companies.
22 That is, in fact, the plan that was filed.

23 CHAIRMAN MENGACCI: So you're supporting
24 your own recommendation?

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1 MR. SCHLEGEL: Correct.

2 CHAIRMAN MENGACCI: Okay. During that
3 process, were you able to come to some number by which --
4 from your comment, I'm being led to believe, and, also,
5 from your written, I'm led to believe you basically said
6 you need increased funding for your fund. Do you have any
7 idea what that would need to be in order to be consistent
8 with what's being proposed in the plan?

9 MR. SCHLEGEL: The ECMB recommends the
10 funding levels referenced in Appendix D in the DSM focus
11 level, which is on page D-19 of the plan. The ECMB has
12 some minor quibbles with some of the funding levels in the
13 out years, and that's one of the reasons why the ECMB is
14 recommending the expeditious implementation of the first
15 five years.

16 The first five years, we spent, the ECMB
17 spent more time and focus on those first five years and is
18 strongly recommending the implementation of the first five
19 years, including the funding levels therein.

20 CHAIRMAN MENGACCI: I'm just trying to get
21 an idea of how much they would be increasing over the
22 present level of funding.

23 MR. SCHLEGEL: If you'd like, I could
24 summarize that for you briefly.

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1 CHAIRMAN MENGACCI: Two or three times?

2 Okay. Thank you very much. Any questions for Rich or
3 Jeff? Michael?

4 MR. MICHAEL CASSELLA: Either one. At
5 those increased levels, you know, the ramp-up spending,
6 have you looked at what impact on system reliability there
7 might be, or would there be, just out of curiosity,
8 because you're talking about a fairly good chunk of demand
9 reduction there.

10 MR. SCHLEGEL: In terms of system
11 reliability, the system would be at least as reliable as
12 it is currently and probably more so, because the
13 resources would be diversified and distributed throughout
14 the system, so there's not an undue reliance on any one
15 specific site or any one specific resource.

16 In addition, the cost of that reliability
17 would be lower. All of the DSM in this plan is cost
18 effective, therefore, it's less costly than any other
19 resource that could be provided to serve that resource
20 need.

21 CHAIRMAN MENGACCI: Jeff, you mentioned
22 that you believe that this is both reasonable and
23 achievable. Could you elaborate a little bit more on why
24 you're so convinced that these numbers are achievable?

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1 MR. SCHLEGEL: Yes, I'd be happy to. First
2 of all, the framework and the architecture is built on the
3 current DSM programs, the conservation load management
4 programs, plus the demand response programs. Second, in
5 the last couple of years, as Mr. Steeves noted, the
6 customer demand for the programs has far exceeded the
7 budgets, so the budget levels of 70 to 90 million dollars
8 annually in this past year were actually 40 million
9 dollars over that, so there's significant interest in the
10 DSM program.

11 CHAIRMAN MENGACCI: I'm sorry, Jeff.
12 What's that on a rough percentage basis, about 50 percent?
13 You're saying it's 40 million over subscribed from
14 current funding and about 80 million or so --

15 MR. SCHLEGEL: Correct.

16 CHAIRMAN MENGACCI: So you're, what, around
17 40, 50 percent over subscribed, is what you're saying?

18 MR. SCHLEGEL: Correct.

19 CHAIRMAN MENGACCI: Okay.

20 MR. SCHLEGEL: And then, in addition, this
21 is without any increase in marketing, any substantial
22 customer awareness campaigns. As I think you know or are
23 aware, the Department is about to embark on a 5-million-
24 dollar outreach in marketing campaign, including a

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1 customer awareness campaign.

2 As part of that plan, the Department plans
3 to direct customers to the C&LM programs, and this effort,
4 which is heretofore has not been undertaken, this would
5 significantly increase the customer response.

6 Much of this customer response is
7 associated with the higher rates. Obviously, the
8 Connecticut customers are paying. And then, finally, if
9 you look at the number of customers who have participated
10 in the program, it's been a minority of programs who have
11 participated in the programs in the last five years, so
12 there's a large portion, depending on which market and
13 which sector, but there's a large portion of customers who
14 have not participated in the program.

15 This plan actually has an explicit approach
16 to reaching those other customers, those under served or
17 unserved customers.

18 CHAIRMAN MENGACCI: Is this DSM being bid
19 into the forward capacity market?

20 MR. SCHLEGEL: Yes, it is. The State C&LM
21 programs?

22 CHAIRMAN MENGACCI: Right.

23 MR. SCHLEGEL: They are bid into the
24 forward capacity market.

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1 CHAIRMAN MENGACCI: And what is going to
2 happen to the money that is received as a result of that
3 process?

4 MR. SCHLEGEL: The money that's received
5 from that process actually goes back to paying these
6 funding levels that are here, so, in other words, any
7 money that comes from the forward capacity market would go
8 towards, say, the 2009 funding level of 135 million
9 dollars. A portion of that funding actually would come
10 from the forward capacity market revenues. That's the
11 total amount of funding needed, and a portion would come
12 from the FCM revenues.

13 MR. JAMES SANDLER: Do you have any real
14 specifics on how those additional -- the sources of the
15 additional funding would break out, other than the return
16 of the forward capacity proceeds?

17 MR. SCHLEGEL: The ECMB and the companies
18 in the 2008 annual plan has a very specific table in that
19 plan that shows how it would be for 2008, and I think,
20 with the Board's permission, we could submit a
21 supplemental exhibit that provides the funding breakout,
22 an estimate of the breakout, for each of those years, if
23 you'd like.

24 CHAIRMAN MENGACCI: Yeah. I think that

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1 would be very helpful, if you wouldn't mind. You could
2 just send it along to Gretchen Deans. Gretchen will be
3 able to provide you with contact information, if you don't
4 have it already. She does an excellent job of
5 disseminating everything out to the Board.

6 Any further questions for Rich or Jeff? If
7 not, gentlemen, thank you very much for your written and
8 oral testimony. Next person that signed up to speak is
9 Chris Kallaher from Direct Energy. Is Chris here? Okay.

10 COURT REPORTER: One moment, please.

11 CHAIRMAN MENGACCI: All set, Gail? You
12 ready? Okay. Go ahead, Chris.

13 MR. CHRIS KALLAHER: Good afternoon,
14 Chairman Mengacchi, members of the Board. My name is Chris
15 Kallaher. I'm the Director of Government and Regulatory
16 Affairs for Direct Energy Services, which is a competitive
17 supplier of electricity and natural gas services here in
18 Connecticut and throughout the United States and Canada.

19 I appreciate the opportunity to address you
20 today. We're also a member of the Retail Energy Supply
21 Association, which filed comments, written comments with
22 the Board. I'm the New England Chair of RESA and am here
23 in that capacity and in my capacity with Direct Energy.

24 I think you have a real challenge before

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1 you in assessing what's been called the Integrated
2 Resource Plan, and I think much of the challenge stems
3 from the fact that we don't have an integrated system.
4 Frankly, I think one of the great -- and I should stop and
5 say I have a lot of respect for the Brattle Group, which
6 did this report, and certainly the utilities that have
7 assisted them collaboratively in doing that.

8 At the same time, I do feel that the report
9 perhaps has not been -- is not complete, in the sense that
10 it ignores the ways in which the system is not integrated,
11 and, specifically, one of the things I think that it
12 ignores the most is the fact that since January 1 of 2007,
13 when the current standard service and last resort service
14 were implemented, there has been a tremendous amount of
15 migration away from utility service, utility generation
16 service.

17 The report doesn't even talk about what the
18 implications are for the planning process of that changing
19 nature of the electricity markets here in Connecticut.

20 The great majority of the largest customers
21 have switched away the competitive suppliers and
22 increasing number of medium and small commercial customers
23 and even residential customers, a class that Direct Energy
24 serves, has switched to competitive suppliers.

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1 Competitive suppliers have entered the
2 market in increasing numbers and are marketing to the full
3 range of customers in Connecticut. By all indications,
4 the percentage of the load that is being served by
5 competitive suppliers will only increase in the coming
6 years.

7 I just think the report has to deal with
8 what implications that may have for the planning process,
9 and, in that respect, I think one of the failings of the
10 report is that it's really more backward looking than it
11 is forward looking. By that, I mean it looks too much at
12 the solutions that really did apply when there was a fully
13 integrated system, fully integrated, meaning that the
14 utility owned the means of production, served the
15 customers at retail, owned the transmission, owned every
16 aspect of the electricity supply system, and they just
17 don't anymore.

18 For that reason, I think there was far too
19 much focus on the possibility of doing things that frankly
20 have already been proven in the previous regime to have
21 been not optimal for the customers of Connecticut.

22 I think Mr. Bessette has spoken very
23 eloquently about that, specifically, a return to cost of
24 service utility owned generation as a way to address the

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1 future energy needs of Connecticut, the use of long-term
2 contracts with generators and other resources, again,
3 long-term utility contracts to meet these needs.

4 I don't think the report has grappled with
5 what the implications would be, the full implications
6 would be of returning to that type of system, where
7 customers are leaving utility service in increasing
8 numbers.

9 I'm not saying that it's impossible to
10 integrate those two concepts, the idea of customers
11 increasingly served by competitive supply with some of
12 these other suggestions that would rely on utilities for
13 some of the central station type generating plants that
14 may be needed in the future.

15 I'm just saying that the Board really
16 should direct the Brattle Group and the utilities to go
17 back and include in their assessment the role that
18 competitive suppliers can and perhaps should play in
19 providing the integrated services to the people of
20 Connecticut, and I say that in two respects.

21 First of all, with respect to generating,
22 there is no question that in states like Texas, where
23 there has been a full transition to competitive supply,
24 competitive suppliers eventually, not even eventually, but

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1 they very quickly step up and begin building new plants
2 and acquiring existing plants.

3 We own 14 hundred megawatts of combined
4 cycle in Texas, and we have about 800 megawatts that went
5 under contract in Texas. The other aspect of it's not
6 just central station, but it is the resources that the
7 statute directs the Board and the Integrated Resource Plan
8 to turn to first, which are energy efficiency DSM and
9 demand response.

10 These are really customer side solutions,
11 and in a system where customers will be increasingly
12 taking their commodity from competitive suppliers, the
13 competitive supplier is going to be in the best position
14 to integrate those types of solutions for specific
15 customers and, in that respect, really achieve the kinds
16 of penetration of these programs that I think the
17 legislature intended to occur.

18 Now you have a pretty long planning
19 horizon, you know, out to 10 years. With the levels of
20 migration we're seeing, I think the report really needs to
21 go back and look very carefully, as states like New York
22 have, at how you can integrate competitive suppliers into
23 these customer side solutions.

24 And I think, in many instances, you know,

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1 companies like mine, like Constellation, and even
2 companies that aren't in the market yet are going to be
3 able to provide market based solutions that I think start
4 to really bring out some of the promise that we've talked
5 about, in terms of bringing innovation to the electricity
6 markets in Connecticut.

7 CHAIRMAN MENGACCI: Great. Thank you,
8 Chris, and thank you for your comments. Thank you for
9 being here this evening. Any questions for Chris?
10 Members of the Board? No? If not, thank you very much,
11 Chris. I appreciate your comments.

12 MR. KALLAHER: Thank you.

13 CHAIRMAN MENGACCI: Next person is Chris
14 Sherman, the New England Power Generator's Association.
15 Chris?

16 MR. CHRIS SHERMAN: Good afternoon,
17 Chairman Mengacci and members of the Board. Thank you
18 very much for the opportunity to appear here before you
19 today. My name is Christopher Sherman. It's S-H-E-R-M-A-
20 N. I'm the General Counsel of the New England Power
21 Generator's Association, or NEPGA.

22 NEPGA is the largest trade association
23 representing competitive electric generating companies in
24 New England. NEPGA's member companies represent

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1 approximately 25,000 megawatts of electric generating
2 capacity in New England and approximately 73 hundred
3 megawatts of generating capacity in Connecticut.

4 We did submit extensive comments, which I'd
5 like to summarize for you today and take any questions
6 that you may have. Basically, NEPGA does not believe that
7 the plan has fulfilled the legislative directive for an
8 integrated energy procurement plan, nor does it provide
9 for the best interest of the Connecticut electric
10 consumers, rather, we believe it is a partially formed
11 document that is flawed in its analysis.

12 Most prominently, NEPGA strongly disagrees
13 with the plan's conclusions, that no supply side resources
14 will be needed to meet Connecticut's growth in electric
15 demand, because the plan's construction fails to balance
16 the cost and benefits between transmission infrastructure
17 build and new generation within the borders of
18 Connecticut.

19 The reasons for that is we believe that the
20 plan fails to identify the value of the competitive market
21 as a comprehensive framework to compare potential
22 investments and generating capacity, demand side measures
23 and transmission enhancements.

24 We believe that it has improperly

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1 discounted the value of the forward capacity market and
2 the locational forward reserve markets. As Mr. Kallaher
3 before me noted, that competitive market resources have
4 insighted market development in all energy supply
5 resources throughout the country.

6 Specifically, in New England between 2000
7 and 2004, competitive energy providers have invested
8 approximately six billion dollars and installed
9 approximately 9,000 megawatts of generating capacity.

10 One of the areas we believe that the plan
11 would have benefited from was the involvement of other
12 stakeholder groups within the energy community. That
13 would involve both supply, demand and transmission
14 resources.

15 I will say it is interesting to note from a
16 prior speaker that the utilities did solicit the support
17 and participation of the demand resource stakeholders. I
18 am not aware of any such solicitation to other members or
19 stakeholders of the energy community.

20 We do believe, as I had earlier noted, that
21 electricity resources will be needed to attain reliability
22 targets in Connecticut and, also, elsewhere in New
23 England. The plan's findings are inconsistent with the
24 current market conditions with future projections for load

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1 growth and the impact of environmental initiatives aimed
2 at altering the supply mix.

3 Peak demand for electricity, as indicated
4 in ISO New England's 2007 Regional System Plan, is
5 projected to grow at nearly two percent over the next
6 decade. This will require approximately adding 500
7 megawatts of new supply resources in that time frame.

8 In fact, the Connecticut Siting Council has
9 indicated that Connecticut will, and I quote, "face a
10 significant generation capacity shortage beyond 2008."
11 That was in the review of the 10-year forecast of
12 Connecticut electric loads and resources for 2007 through
13 2016.

14 As I had noted previously, we do not
15 believe the plan has properly anticipated the impact of
16 environmental regulations on the generation community,
17 specifically when they discuss that there would be no
18 retirements in the foreseeable future, specifically, the
19 Regional Greenhouse Gas Initiative.

20 As Mr. Gordon had stated before me, ISO New
21 England had said that it could potentially shift the
22 dispatch of generation, and we believe, as NEPGA, that
23 this could force the retirement by imposing a substantial
24 externality onto the price of electricity, in essence,

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1 making economic generation projects uneconomic and making
2 uneconomic projects economic.

3 NEPGA disagrees that returning to a cost of
4 service regimen could help to stabilize customer rates or
5 lower customer prices. We believe that this would be a
6 reversal in policy and would not be in the best interest,
7 because a cost of service regimen will have a detrimental
8 affect on consumers of electricity by increasing the price
9 of electricity and removing customer choice.

10 NEPGA believes that the plan overstates the
11 ability of demand side management to maintain reliability
12 within practical operation and economic limits. NEPGA is
13 concerned that the DSM projections in the plan that the
14 utilities have included have relied upon -- that they have
15 relied upon in the development of the plan are too
16 aggressive to reliably and cost effectively serve
17 projected load growth.

18 While the plan did project anticipated load
19 projections from DSM programs, the plan failed to project
20 the customer cost impact of any demand side resources on
21 an equitable basis with non-demand side resources, as was
22 required by Public Act 07-242.

23 CHAIRMAN MENGACCI: Chris, if you could
24 wrap up, please?

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1 MR. SHERMAN: Yes, certainly. We do
2 disagree with plan recommendation two, that would allow
3 the utilities to enter into long-term contracts with the
4 insurance of cost recovery of supply costs associated with
5 approved long-term procurement contracts, as this would
6 also would be a reversal of policy and not in the best
7 interest of consumers, as it could potentially subject
8 consumers to what were at one time known as stranded
9 costs.

10 Thank you very much, once again, for --

11 CHAIRMAN MENGACCI: Chris, actually, could
12 you -- and thank you very much for your comments. Could
13 you just elaborate on that last point with respect to the
14 long-term power contracts?

15 MR. SHERMAN: NEPGA is in favor of long-
16 term contracts with both a willing buyer and a willing
17 seller that are procured through competitive measures. We
18 do not agree that the imprudent costs incurred through a
19 long-term contract should be recovered or forced upon
20 ratepayers.

21 CHAIRMAN MENGACCI: So I guess what you're
22 saying, then, is that there's greater cost inherent in
23 going out to bid under a cost of service formula, as
24 opposed to just letting the marketplace put the willing

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1 buyers and sellers together?

2 MR. SHERMAN: Yes, Mr. Chairman.

3 CHAIRMAN MENGACCI: Okay. Can you speak a
4 little bit to the transmission assumptions that are in the
5 document, Chris, and to what degree, if any, information
6 you have about how new generation could affect those
7 transmission assumptions?

8 MR. SHERMAN: I think that new supply side
9 resources within the borders of Connecticut could
10 seriously affect the need for transmission both intrastate
11 and intrastate, because of the benefits of local
12 generation. I think that the plan made some assumptions
13 that were ill based upon the likelihood of some plan
14 transmission and non-plan transmission resources.

15 CHAIRMAN MENGACCI: Thank you. Further
16 questions for Chris? No? If not, Chris, thank you very
17 much.

18 MR. SHERMAN: Thanks, again.

19 CHAIRMAN MENGACCI: Thank you. The next
20 person signed up is Roger Koontz from Environment
21 Northeast. Is Roger still here? Hi, Roger. You sat
22 through longer than this. This is easy. Roger, just
23 spell your name for Gail, and begin when you would like.

24 MR. ROGER KOONTZ: Roger Koontz, K-O-O-N-T-

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1 Z, on behalf of Environment Northeast. We have filed
2 written comments, and I will not attempt to go over all
3 those. I want to mainly address the first recommendation,
4 which is the only recommendation that really calls for
5 immediate action, and that is to maximize the use of DSM
6 to reduce peak and energy use.

7 As has been discussed, the report tested
8 the DSM focus scenario, which was based on a scenario,
9 that actually high level plan that was actually filed in
10 late 2006 by the ECMB and was worked out with the
11 companies before the legislation even passed, so we were
12 already working on that at that time, because we
13 recognized that there is a vast potential that's untapped
14 in Connecticut, and that Connecticut, given its limited
15 resources, in terms of energy, and its high costs, the
16 only way Connecticut can become more competitive really is
17 to be as efficient as possible.

18 When the generators are concerned that the
19 plan might be too aggressive and that would make
20 Connecticut a leader and way out ahead of the pack, I hope
21 to God it does, as a matter of fact.

22 In fact, one of the assumptions of the plan
23 I think is somewhat pessimistic, as is discussed on the
24 comments of NEEP, New England Efficiency Partnership,

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1 Northeast Efficiency Partnership, and that is that, in
2 other New England states, similar aggressive proposals
3 have either been adopted or underway.

4 In Rhode Island, a least cost procurement
5 plan with similar requirements, a statute was adopted in
6 2006, and that's a slow process of implementation, but, by
7 next year, that should be well underway.

8 In Massachusetts, the House and the Senate
9 have both approved bills, which are supported by the
10 administration for similar procurement process acquiring
11 all cost effective efficiency is the first priority, so
12 this is something that's happening across New England, and
13 I believe Vermont has approximately doubled its efficiency
14 targets over the last few years, which was already a very
15 aggressive program.

16 So it is aggressive, but it's doable. This
17 is not something that just came up in Connecticut.
18 Connecticut has been working on these programs, these
19 utilities have been working on these programs for 20
20 years. They've evolved a long way. There are many
21 programs that are models for other parts of the country.

22 As was indicated, there was a 40 percent
23 increase -- the actual spending was 40 percent more than
24 the budget last year. Savings were much higher than

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1 budget levels, just because the consumer interest that's
2 growing, because we don't have a lot of options.

3 The worst thing we could do is to slow down
4 that momentum at this period in time. We had the period
5 in 2003, when the funding was diverted and there was a
6 shutdown. It took the program two years, I think, to
7 really recover from that and to start building again, and
8 we need to keep up this momentum. There's a tremendous
9 opportunity for Connecticut in this legislation and in
10 this approach.

11 So with respect to the other portions of
12 the other issues that are presented in the plan, the plan,
13 frankly, indicates that they are not all that well
14 developed. The interaction between transmission,
15 generation, imports is a complicated matter.

16 Certainly, La Capra and the Board can work
17 on that. I doubt if that's going to be resolved in the
18 next two months. Certainly, there's another plan that we
19 file next year that will be a good opportunity to deal
20 with that.

21 The DPUC, as you know, has authorized a
22 number of generation options already in the last couple of
23 years, and they have a docket undergoing, in which they're
24 considering up to 500 megawatts of peaking plans, so I

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1 think that progress is being made in those areas, and,
2 certainly, the fact that you'll have a full year to, or
3 most of the year to develop those issues more fully I
4 think is appropriate, but the DSM portion of the plan
5 should be approved and moved ahead. That's my message.

6 CHAIRMAN MENGACCI: Thank you, Roger. I
7 appreciate your comments. I appreciate you being here.
8 Roger, in the written comments you submitted with respect
9 to power procurement, you seem to suggest that we should
10 explore a range of power procurement structures. Did you
11 have any thoughts in that regard?

12 MR. KOONTZ: Yes. I think that our view
13 was that, certainly, looking at long-term contracts,
14 particularly with respect to renewables, is something that
15 ought to be examined.

16 I hear some questions, which I think should
17 be taken seriously, about how accurately we can predict
18 the market and so forth, but I think, particularly in the
19 renewable area, there is an opportunity to support
20 probably out-of-state projects, win projects, in
21 particular, that can provide hedges, that their prices are
22 fairly close to fossil fuel prices now, it can support
23 financing for those projects. I think that's an area that
24 ought to be examined very seriously.

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1 MR. SANDLER: Roger, if we were to launch
2 into the aggressive DSM immediately and leave the balance
3 either for future plans or future years, wouldn't we be
4 failing in the integration function?

5 MR. KOONTZ: Well I think that, as I said,
6 I think progress is being made, that we are in a situation
7 where there's not an emergency, in terms of generation. I
8 don't think you have to be concerned that the cost of the
9 efficiency options is not going to be cost effective with
10 respect to supply and transmission options.

11 The cost of the, as shown in the annual
12 reports, the cost of the efficiency program is two to
13 three cents per kilowatt hour saved, as opposed to, on the
14 residential side, 12 cents per kilowatt hour for supply,
15 so we're not even close to reaching those figures.

16 I don't think you need to worry that the --
17 and there is a detailed cost effective testing that goes
18 on for every program. There's, every couple of years,
19 there's a region wide avoided cost, a detailed avoided
20 cost study done to determine what the avoided costs of
21 supply and the other factors are, so that that is not
22 something that's left to chance. That's something that's
23 reviewed by the Energy Conservation Management Board and
24 by the DPUC carefully.

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1 MR. SANDLER: So, in sum, we're saving,
2 even if we're not integrating?

3 MR. KOONTZ: Right. Right. And I'm all
4 for integration.

5 MR. CASSELLA: Roger, when you do, you
6 know, your projections, are you factoring in any code
7 enhancements or improvements that you know are coming down
8 the road and what the impacts of additional code
9 enhancements might be to achieve the same targets maybe in
10 a different way?

11 MR. KOONTZ: Yes, and, in particular, one
12 of the items in the list of activities that would be
13 undertaken would be support for additional codes and
14 standards, because that is an effective way to begin to
15 lock in savings, although I must caution that passing a
16 code doesn't mean that it's enforced, so another part of
17 that needs to be paying attention to making sure that
18 those codes are enforced quickly, rather than three or
19 four years later, which frequently is the case.

20 CHAIRMAN MENGACCI: Any other questions for
21 Roger? If not, Roger, thank you very much for your
22 comments and for being here today.

23 MR. KOONTZ: I appreciate the opportunity.
24 Thank you.

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1 CHAIRMAN MENGACCI: Thank you. The next
2 person that is signed up is Robert Fromer.

3 MR. ROBERT FROMER: Thank you, Chairman
4 Mengacci and members of CEAB. I sent in my, by e-mail
5 today --

6 CHAIRMAN MENGACCI: I'm sorry. Could you
7 just spell your name for Gail and the record, please?

8 MR. FROMER: Yeah. F, like in Frank, R-O-
9 M-E-R.

10 CHAIRMAN MENGACCI: Thank you.

11 MR. FROMER: I sent in my comments in two
12 letters today to Gretchen, and I have the hard copy, which
13 I can give to her or to you, whichever you prefer.

14 CHAIRMAN MENGACCI: To Gretchen would be
15 fine, and then she could disseminate it out to all the
16 Board, Bob. Thank you.

17 MR. FROMER: Basically, the Integrated
18 Resource Plan set up by Public Act 07-242, Section 51,
19 required the Brattle Group to come in with a plan for
20 procurement of future energy resources over three, five
21 and 10 years.

22 Without going into the details of my
23 analysis in my letter, I simply state my findings, that
24 this is not a plan. If you look up the dictionary

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1 definitions of a plan, it falls outside of the
2 requirements or the normal plain meaning of the term plan.

3 Recommendations are an element of a plan,
4 but they're not a plan, and I think this -- I have to
5 drive this home very clearly and very specifically, and I
6 think you already all realize that they need to come up
7 with a plan using the information that they've presented
8 in their so-called IRP.

9 One of the areas that I found very
10 confusing and difficult to track, and then, when I asked
11 one of the people involved with Brattle Group today, I
12 could understand why. In their appendix, and I think it's
13 Appendix H, they show fuel security, and the way they
14 define fuel security, which is not defined, it's just the
15 way they show it as part of their model, is they take the
16 total natural gas used for generation of electricity
17 divided by the total electricity generated.

18 Well that's nice to know, except I wasn't
19 made aware of it, so I was trying to figure out -- and
20 it's not in the appendices, so trying to track their
21 numbers is virtually impossible for the people who were
22 reviewing these plans in the first place, so that's a weak
23 link in the report in itself.

24 Even though it's mentioned in two separate

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1 portions of Section 51, specifically subsection B and D,
2 is fuel security or energy resource security. There is no
3 real attempt to deal with the issue of energy security.

4 If this state and this country don't have
5 energy security, guess what you don't have? You have zero
6 reliability, and it's not addressed anyplace. None of the
7 comments from any of the people who presented their
8 opinions or views show, or deal with, or address the one
9 thing that's more vital than any of the other planning
10 that's existing here is energy security.

11 My second paper or second letter that I
12 presented gives some factors or elements to consideration
13 of energy security, and I would ask this Board to give
14 very serious consideration to requiring that the Brattle
15 Group, in its IRP, address that issue, energy and fuel
16 security.

17 If you've been reading the papers, just the
18 other day Exxon Mobil has been successful in obtaining
19 from Federal District Court something in the neighborhood
20 of about 60 million dollars, or some number like that,
21 from Venezuela because of their nationalization.

22 Today in the paper, President Chavez has
23 threatened the United States again with completely cutting
24 off the fuel supply. That's an energy security issue,

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1 which needs to be addressed, and you could do all of the
2 planning you want, but if you don't have a fuel supply,
3 guess what? All your generating plants are not going to
4 be worth the money that's been spent in putting them
5 together, unless they're nuclear or natural gas.

6 Natural gas also poses a major problem,
7 because even though we get most of our natural gas from
8 the United States domestically and Canada, that's starting
9 to go into depletion mode and is going to become a
10 significant security issue in the future, because we're
11 going to have to become dependent on foreign sources of
12 natural gas, which is already starting to occur with broad
13 water and other approaches.

14 I think energy security and fuel security
15 has to be seriously looked at for Connecticut, because we
16 don't have our own fuel supply of any form.

17 One other thing I heard mentioned today is
18 about biomass, and this is interesting. I wanted to have
19 you pay attention to. Recently, DPUC granted a permit for
20 a 100-megawatt generating plant for biomass using chicken
21 manure. 100-megawatt, so you think, well, Connecticut is
22 getting 100 megawatts. Well, guess again.

23 Such a thing called Energy Return on Energy
24 Invested, if you look at the ratio of EROEI, it's usually

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1 in the neighborhood of about 1.2 to one. That means the
2 100 megawatts required about 83 megawatts of investment,
3 so the net energy gain is about 17 megawatts, give or take
4 a megawatt.

5 CHAIRMAN MENGACCI: Okay, Bob, if you could
6 wrap up, please?

7 MR. FROMER: Sure.

8 CHAIRMAN MENGACCI: Okay. Thank you.

9 MR. FROMER: I just wanted to read this
10 into the record. Long before the mathematical projections
11 of oil depletion play out, the oil markets, themselves,
12 and all the complex operations that they comprise, such as
13 drilling and exploration and the movement of tankers
14 around the planet, will destabilize and seize up. We will
15 no longer be any oil exporter's favorite customer.

16 Many of the exporters will enjoy watching
17 us suffer. Contrary to the political platitude du jour,
18 the USA will never become, and neither will Connecticut,
19 energy independent, the way we currently imagined.
20 Rather, we'll become energy independent by being deprived
21 of imported oil and will be thrown back on our own
22 dwindling supplies, which means that we're not going to
23 run our system of daily life the way it has been set up to
24 run. Thank you.

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1 CHAIRMAN MENGACCI: Thank you, Bob. Any
2 questions for Bob? Okay, no. Thank you very much.

3 COURT REPORTER: One moment, please.

4 CHAIRMAN MENGACCI: The next person signed
5 up is Roger Smith from Clean Water Action. Roger?
6 Gretchen, have additional people signed up in the
7 meantime? Okay.

8 MR. ROGER SMITH: Good afternoon, Chairman
9 Mengacci and members of the committee. My name is Roger
10 Smith, and I'm the Campaign Director for Clean Water
11 Action. We're a national, non-profit, with 11,000
12 Connecticut members, and we've been working on energy and
13 air pollution issues in Connecticut since 1998.

14 And I wanted just to give a couple of
15 comments on this plan. I did submit more detailed written
16 testimony and refer you to that. Overall, we think that
17 this plan is a good step forward. The utilities have put
18 forth some good recommendations regarding energy
19 efficiency.

20 Given the very short timelines for this
21 entire process, it may not have been possible to have a
22 true Integrated Resource Plan in this time frame, but we
23 see this as at least identifying some good questions that
24 deserve some follow-up.

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1 I wanted to comment, specifically, on
2 several of the recommendations in this report. The first
3 one is, to echo some of the previous comments, about
4 adopting and immediately implementing the demand side
5 focus scenario.

6 We support an immediate ramp-up of
7 efficiency investments to the levels outlined in Table D-9
8 of the report, which starts at investments of 16 million
9 dollars in 2008 and ramps them up to 352 million dollars
10 by 2014.

11 Funds need to be approved now, and funding
12 needs to be consistent. We need to set a long-term
13 direction in order for the ECMB and the utilities to
14 actually start and going to do those plans for how the
15 money is going to be spent, so there's really no time to
16 waste on that.

17 And page 26 of the report states that, in
18 2018 and 2030, the DSM focus resource solution has the
19 lowest cost in every scenario, except high fuel and
20 growth, in which prices are high enough to induce natural
21 load reductions.

22 From this, we conclude that the demand side
23 management focus scenario is really the only one which
24 meets the requirements of Public Act 07-242, and that

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1 should move forward for immediate implementation.

2 We strongly support increase in demand side
3 management, and we'd ask that the CEAB give guidance to
4 the ECMB and to the utilities in implementation of that of
5 really putting customer satisfaction with the programs
6 first on the list.

7 We suggest directing the utilities and ECMB
8 to contract with academic institutions, like business
9 schools here in Connecticut, to see if the programs really
10 are being run in the most cost effective way, to see if
11 there are opportunities for creativity that we could
12 support, and to try to reduce other barriers.

13 We definitely support initiatives that have
14 taken place so far, like the Summer Energy Saver's Program
15 and the Governor's One Thing Challenge, for simply putting
16 together incentives with goals, and just basic things like
17 that can excite people and get them to undertake
18 conservation solutions that wouldn't happen otherwise.

19 And the third thing that we would suggest
20 directing the ECMB and others on would be to include
21 worker training and green jobs in any future proposals, so
22 that we're helping with our vo-tech facilities, our
23 community colleges and our state colleges to actually make
24 these laboratories of energy efficiency. So these are the

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1 sort of things that, as the overall body working on energy
2 in the state, that CEAB could help bring together.

3 Regarding generation in this study, we
4 think that further study is needed regarding
5 recommendation number two on long-term and cost of service
6 contracts. We support cost of service generation to
7 mitigate market power issues and would support that for
8 existing facilities here in the region, however, I want to
9 point out that we do oppose the construction of new coal
10 and nuclear generation at ratepayer expense in Connecticut
11 or elsewhere.

12 These plans are among the most difficult to
13 build and site in New England, have significant
14 environmental drawbacks, have high and rapidly rising
15 construction costs, and the cases of coal have significant
16 CO2 liabilities.

17 And, on that point, you know, under
18 increasingly strict state and regional and federal global
19 warming regulations, we don't think that a return to
20 pulverize coal is likely cost effective over the life of
21 the plant. It would also make it impossible to reach the
22 global warming goals that the State of Connecticut has set
23 out for itself, as well as the Governor's energy vision.

24 One coal plant, moderate size, would

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1 release about five million tons of CO2 a year into the
2 atmosphere. That compares with about 10 million tons for
3 all generation in Connecticut today. One coal plant
4 essentially makes that impossible.

5 If you talk about other types of coal
6 plants, like integrated gasification combined cycle, these
7 plants are even more expensive to build than conventional
8 ones, and the main benefit of them is a cheaper ability to
9 capture and store CO2.

10 Unfortunately, we don't know of any
11 geologic area where that's possible in New England, and
12 the storage technology can actually reduce plant
13 efficiency by 30 percent or so it's estimated, so I think
14 those also are real questions that we ought to consider
15 before going down that path.

16 And with nuclear power, again, there's a
17 risk of cost overrun, safety violations and poor
18 management that we've faced in the past, which is why
19 Connecticut Yankee and Millstone Unit One are no longer
20 operational.

21 And my final remarks on renewable energy
22 are just to explore the potential for long-term contracts,
23 both for RECS and for energy. Let's tie these things
24 together. Let's get some certainty, and let's help

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1 developers build more renewables in the region.

2 I mean the State of Rhode Island they're
3 looking at studies showing they can meet 75 percent of
4 their energy needs with wind. The problem is, Rhode
5 Island doesn't have any money to start moving forward with
6 that.

7 Well Connecticut potentially could have
8 money that we could use to benefit ratepayers on that, and
9 you'll have some windmills that we can go and take tours
10 of in the summer, too.

11 The other resource solution that really
12 wasn't given any support in the plan was about distributed
13 generation. So instead of simply thinking about, you
14 know, more centralized power plants, are we thinking about
15 local combined heat and power and other facilities that
16 can really help meet our energy needs, have reliability
17 benefits and be built in different ways?

18 So, to conclude, we really support a quick
19 ramp-up of the efficiency and demand response scenarios as
20 really the only way to meet the goals of the legislation
21 set out and continue to study all of the other options
22 that were recommended here, but not to wait to implement
23 the efficiency measures.

24 CHAIRMAN MENGACCI: Great. Thank you,

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1 Roger. Quick question. We heard earlier from the retail
2 supplier community and from the generator community about
3 they didn't like going back to the cost of service
4 situation, but, yet, you seem to be in favor of it. Your
5 remarks alluded to the fact that you were. Can you
6 explain to me why you favor that?

7 MR. SMITH: Sure. Just to clarify, I mean,
8 as an environmental group, our primary concern is
9 environmental. We also care about the fairness
10 implications of our power system, so in terms of impacts
11 on the people who are least able to pay, so from that
12 perspective. I mean we do have concerns about market
13 power, the fact that there are few generators in
14 Connecticut in this area, and that there is a potential to
15 drive up prices, as happened in California in 2000 and
16 2001.

17 So, for those reasons, I mean if there are
18 ways that you can either have, you know, publicly owned,
19 you know, public power authority, utility cost of service,
20 or other long-term contracts that help deal with that
21 energy and another risk, we don't have a problem with
22 that, and we think that those things could be integrated,
23 and we don't see an environmental downside to that sort of
24 structure either, assuming that you're not building new

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1 nuclear and coal power plants at ratepayer expense.

2 CHAIRMAN MENGACCI: Okay, so, I still think
3 my residential nuclear program is the answer to all of
4 this.

5 MR. SMITH: Well we wish you good luck
6 siting it, absolutely.

7 CHAIRMAN MENGACCI: Yeah. I'll start at my
8 house first to see how it goes.

9 MR. SMITH: Excellent.

10 CHAIRMAN MENGACCI: Any further questions
11 for Roger? No? Okay, Roger. Thank you very much.

12 MR. SMITH: Thank you very much. And good
13 luck with the program, by the way.

14 CHAIRMAN MENGACCI: Yeah. It's going so
15 far. So far, so good. Next person signed up is Lee
16 Hebert. Lee, please? And, again, if you could just spell
17 your name for Gail before you begin, please?

18 MR. LEE HEBERT: I certainly will.

19 CHAIRMAN MENGACCI: Thank you.

20 MR. HEBERT: Thank you, Mr. Chairman,
21 members of the Board. My name is Lee Hebert, H-E-B-E-R-T.

22 I couldn't be more pleased with what the State is doing,
23 going forward and looking for ways to reduce the cost of
24 energy and solving the problem.

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1 When I was first given a copy of the plan,
2 like Gretchen, I didn't even look at it, because I've been
3 so disgusted with what we haven't been doing. As many
4 times as I've been before the Board, it just seemed like I
5 had been wasting my time, and I found myself in the last
6 day being reminded that I should take a look at that, and
7 I said, oh, My God, so I jumped all over it.

8 I think that they've done a nice job with
9 it. When we look at the speakers that we've listened to
10 so far, it seems that they're polarized in one way or the
11 other. You got the people that I think are really trying
12 to make something happen here, and reduce the cost, and
13 have Connecticut be a leader, and let's all work together,
14 and you've got the other ones, who have personal interests
15 in expanding their power plants.

16 I feel that we have a solution here between
17 the energy bill looking forward with the new Smart Meter
18 Plan, time of use rates, competitive deregulation to make
19 it really happen here and bringing in energy storage, off
20 peak energy storage. We don't need any more power plants.

21
22 We've heard two different sides here. I've
23 read in the plan that we have enough for the immediate
24 future right now. We heard Constellation Energy saying we

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1 have enough until 2030. We've heard other power plant
2 owners saying we've got enough to make it to 2008.

3 I've always said we've got more than we
4 need, and that all of those scenarios they're talking
5 about the peak. Well I've always been saying, if you got
6 a peak, a child could tell you you must have a time when
7 you have not got a peak, an off peak, and that has been
8 coming out in the recent meetings that we've all been
9 having, that there is, indeed, an off peak time of day.

10 There is such a massive amount of energy
11 from base load power plants that are never turned down, 24
12 hours a day, sitting there on the off peak, ratepayers pay
13 for it, because it's just surplus capacity, and the
14 overall rate structure of it is going to waste.

15 I've been proposing we should store that
16 energy in our homes and use it during the peak. I've
17 installed a system in California in 2001, and those
18 homeowners have reduced their electric bill by two-thirds.

19 With the time of use meters, the competitive rates that
20 can go in place in Connecticut, I can see that's child's
21 play. Just the Smart Meters alone give everybody a chance
22 to reduce their rates.

23 A homeowner can make a decision, hey, I
24 know it's always cheaper on the weekend. I'm going to do

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1 my laundry on the weekend. Somebody else may come in and
2 say, hey, you know, turn off those appliances. We don't
3 need that right now. Let's use it later. Everybody can
4 save with just the Smart Meter program.

5 I've taken it a degree farther. I'm saying
6 we can store energy in our homes, put it into a battery
7 bank, charge it up when it's pennies per kilowatt, then
8 use that money the next day. That is really distributed
9 side management. Let people do what they want with their
10 money, and they can really slash the cost.

11 I've been having a hard time getting
12 everyone to understand that. I don't know why, but I
13 have, and I've had a hard time getting people to even
14 understand when I reference U.S. Government documents, but
15 I've got a couple more to reference, and I'll make it real
16 quick here.

17 From the United States Department of
18 Energy, I don't know who the heck else you want to go to
19 for this, the average fossil fuel power plant spews out 30
20 pounds of carbon dioxide in multi-power plant pollutants
21 for every 10,000 watts generated. That's a statement.

22 So if I got a 10,000-watt energy storage
23 system, which is what they are, sitting in someone's home
24 and I store off peak energy that's going to waste, 10,000

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1 watts, I can say I just sequestered 30 pounds of carbon
2 dioxide. It's straight math.

3 So, anyway, that works out to be, at 365
4 days a year, 10,950 pounds. You can figure a pickup truck
5 takes, you know, a half-ton pickup truck, and you've got
6 five and a half tons here. That's given one.

7 Given two, from the U.S. Department of
8 Energy, the average automobile spews out five pounds of
9 carbon dioxide per gallon of gasoline. Now that kind of
10 hit home with me. I've got a truck that gets 17 miles a
11 gallon, and every time I go 17 miles, I say, gees, I just
12 dumped out five pounds of CO2 on the road.

13 Therefore, the same 10,000-watt system in
14 somebody's home is equivalent to the CO2 spewed from 2,190
15 gallons of gasoline. It's just straight math. Divided by
16 five gallons, it comes out with 2,000.

17 With the average car getting 20 miles per
18 gallon, 2,190 gallons of gasoline equals 42,800 miles,
19 therefore, each 10,000-watt energy storage system in a
20 home is equivalent to carbon dioxide savings of taking two
21 cars completely off the road. Straight math.

22 CHAIRMAN MENGACCI: Thank you, Lee, unless
23 you have some closing comments.

24 MR. HEBERT: Oh, I did. I have one more

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1 comment for you. This whole thing that's been going on,
2 I've got copies of DVDs here. This was a public TV thing
3 I did with Betsy Ritter, Representative Ritter, who is on
4 the Energy and Technology Committee. She fully
5 understands this, you'll see in the DVD.

6 CHAIRMAN MENGACCI: Okay.

7 MR. HEBERT: And I've been getting a lot of
8 people calling, saying when are we going to get these
9 Smart Meters? When are we going to get this? I haven't
10 seen that happening.

11 CHAIRMAN MENGACCI: Yeah.

12 MR. HEBERT: I'm going to leave copies of
13 the Betsy Ritter interview.

14 CHAIRMAN MENGACCI: Okay. Thank you very
15 much.

16 MR. HEBERT: Thank you.

17 CHAIRMAN MENGACCI: Hang on. Any questions
18 for Lee? No? If not, Lee, thank you. Okay. The next
19 person signed up is Jim Ginnetti with First Light Power.
20 Jim? Again, if you could just spell your name for Gail
21 before you begin, Jim? Thanks.

22 MR. JIM GINNETTI: I will do that. Thank
23 you very much. My name is Jim Ginnetti, G-I-N-N-E-T-T-I.
24 I'm Vice President of External Affairs for First Light

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1 Power. We own approximately 22 hundred megawatts of
2 generating capacity in Connecticut, Massachusetts and New
3 York. About 100 or so is hydro in Connecticut.

4 We have filed written comments, and I won't
5 belabor those, but I do want to make a few comments about
6 what we said about the IRP. We believe that the utilities
7 and the Brattle Group totally missed the mark. They
8 assumed transmission and DSM solutions. They did not
9 perform the required cost benefit analysis of any, and
10 they did not examine the operational feasibility of that
11 quantity of DSM.

12 They made some remarkable assumptions, that
13 we could build a new nuclear plant in Connecticut in 2015,
14 that there will be no retirements of the existing fleet in
15 Connecticut, many of which are more than 40 years old, and
16 in their cost of service scenario, somehow many of the
17 generators in Connecticut had no revenue requirements
18 going forward for either maintenance or anything else.

19 They ignored the hundreds of millions of
20 dollars that they received to reduce stranded cost, or
21 they went to their shareholders from those of us who
22 bought those plants.

23 There has been a lot of discussion today
24 about DSM, and I want to make a differential. DSM, to me,

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1 is when you take some action to reduce the peak load, and
2 that often involves the behavior of some customers or
3 businesses.

4 No one argues with conservation, where you
5 just prevent the load from being there, but I'm old enough
6 to remember and I was up at what became the ISO during the
7 '80s, when New England was in its very severe capacity
8 shortage, when both Seabrook and Millstone III were very
9 late in being built, and we tried a very large reliance
10 upon customers who would curtail their load when we were
11 short of capacity.

12 And what I'll tell you is, as you rely on
13 that type of behavior more often, you're asking businesses
14 to maybe, during a peak week of weather during the summer,
15 to maybe curtail or send a shift home two, three, or four
16 days. Everybody is good with DSM when you don't ask them
17 to interrupt very often, but, as you ask them to interrupt
18 more, we found, at least 20 years ago, that customers
19 became less willing to do so.

20 I think one thing you need to do when
21 putting your program together, you should always be
22 looking at what happens if something fails. You set up
23 your plan. You assume generators to be built by a certain
24 time, or you assume DSM to work to a certain degree. What

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1 happens if those don't happen on time or to the degree you
2 hope for? Where are you then?

3 Up until about 1996, again, it was
4 mentioned earlier, up until about 1996, Connecticut was
5 actually an exporter of power. When I worked at the
6 predecessor to ISO New England, we were always shipping
7 power out of Connecticut to the rest of New England and to
8 New York.

9 It was only in 1996 when Millstone I and
10 Connecticut Yankee were retired and the other two
11 Millstones were shut down that Connecticut became an
12 importer of electricity. So I would ask you, in your
13 planning to cost benefit the transmission alternative,
14 look at, rather, should that be instead of transmission
15 and have someone else build the plants in New England,
16 should they be built here, so that Connecticut could be
17 self-sufficient and actually maybe be an exporter of
18 supply to the rest of New England.

19 That completes my comments, and I'm happy
20 to answer any questions you might have.

21 CHAIRMAN MENGACCI: Thank you, Jim. Does
22 anybody have any questions for Jim? Jim, in your written
23 comments, and I think, also, you alluded to earlier, that
24 you said the IRP seems to set overly aggressive DSM goals

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1 without any associated feasibility assessment. I'd just
2 like you to elaborate on that, because we seemed to hear
3 very convincingly earlier that these are achievable and
4 reasonable, the goals that are set in the plan.

5 MR. GINNETTI: And, again, I think the --
6 there was not any detail in the plan, nor did I hear it
7 from previous witnesses, about what they're envisioning
8 doing. As I said, there are plans where you can keep the
9 load from being ever put on line, you know, conservation,
10 and that certainly, we think, is probably reasonable.

11 But when you start planning for customers
12 being willing to interrupt when you need them or you call
13 on them, and someone also mentioned that the first
14 capacity auction just happened last week, and virtually
15 all of the need, and we haven't seen the results yet, but
16 virtually all the need is likely coming from DSM
17 resources, so you now have a position, where New England
18 is going to be heavily depending upon some DSM to
19 interrupt when the load gets to a certain level. To
20 further depend upon even more than that to us seems to be
21 quite risky.

22 We don't think, in fact, I even mentioned
23 their DSM focus case, that these are unprecedented levels
24 anywhere, depending upon DSM. And I guess the word that

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1 we would offer you is a word of caution, that no one has
2 really studied, to our knowledge, how these will all work
3 when they're being asked to interrupt, you know, once a
4 week or twice a week all weeks of the year, or a whole
5 week of the summertime.

6 Again, back in my experience years ago, I
7 was in charge of operations at what became ISO New
8 England, and we used to plan that we would depend upon
9 emergency imports from New York 50 times a year, and New
10 York called up and said what are you guys doing? That's
11 once a week.

12 And I think the same reaction will be from
13 the DSM customers, when they get asked, over and over
14 again, to interrupt, are they able to do that? Is it
15 simply a reduction of load, or they have to interrupt
16 their business process in order to cut that load when you
17 need it. I'm just telling you what the experience 20
18 years ago. People who had to change their behavior and
19 send a shift of their workers home, or have them come in
20 the night shift, they do not like to do that over and over
21 again, so you get to a point where you've relied upon it
22 too much.

23 Now where that point is, I'm not totally
24 sure, but I do think, when you look at how much you're

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1 relying on, you do need to look at the operational
2 feasibility of that level of DSM.

3 MR. GORDES: Just one quick question, and
4 that is, sometimes, how we define words and what are the
5 sub categories of words can be important. Would you
6 define what you mean by DSM, as opposed to demand
7 response, load response, price response, energy efficiency
8 and conservation?

9 MR. GINNETTI: Yeah. I think the first
10 three of those, if I understand what those really mean, I
11 would put into the DSM. It's when the price in New
12 England hits a certain level, then that customer would be
13 expected to make the reduction, and it's all of how they
14 make the reduction.

15 Again, in the old days, we used to have
16 customers who signed up, and if you called them early
17 enough in advance, they'd have their first shift of
18 workers delay and come in at 3:00, or at 5:00, after the
19 peak was over.

20 If it's something that they can start an
21 emergency generator, then there may be no impact upon
22 them, and they may be willing to do that, so I think you
23 have to really examine how do they affect that load
24 reduction when you call them?

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1 So it can be a price trigger, or it can be
2 a load trigger, or some combination. Certainly, a
3 conservation, where you change a light bulb and have a
4 lower load, that's not what I'm talking about. It's
5 really where you have to have a customer change some
6 behavior that we worry about being too relying upon,
7 because those customer behaviors can change quickly, much
8 quicker than you can build a new generating plant to
9 replace that capacity that's no longer there.

10 MR. GORDES: Okay. You clarified what you
11 meant by a price response, but I think that, in the more
12 generic term, you were referring more to DSM, and it
13 seemed like maybe you were meaning the more specific load
14 response than price response, whereas DSM is a more
15 generic.

16 MR. GINNETTI: Yeah. I guess it's really
17 more of how is the customer reducing his load when he's
18 asked to, and, again, it may be totally transparent to
19 their operation, and he may continue to do it over and
20 over again.

21 What I'm talking about is the times where
22 somebody is having to change behavior, turn off an air
23 conditioner, turn off a swimming pool pump, send a shift
24 home from their workforce, that those, as people are asked

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1 to do that over and over again.

2 What we found, years ago, was that that
3 response gets muted, and after you've done it three days
4 of a hot week of August, that fourth day they're less
5 willing to do that, so it's really about how they make the
6 reduction that I think you need to look at.

7 CHAIRMAN MENGACCI: All set? I wasn't sure
8 if you were formulating another question. Okay. Any
9 other questions for Jim? If not, Jim, thank you very
10 much.

11 MR. GINNETTI: Thank you very much.

12 CHAIRMAN MENGACCI: The next person signed
13 up is Marc Chupka with the Brattle Group. Is Mark still
14 here? Okay.

15 MR. MARC CHUPKA: Good afternoon. I'm glad
16 to be back so soon. As the company's consultant, I've
17 been asked to make a few comments on a few of the elements
18 that we've heard about today.

19 CHAIRMAN MENGACCI: And if you would just
20 spell your name for the record, Marc, please?

21 MR. CHUPKA: It's Marc, M-A-R-C, Chupka, C-
22 H-U-P-K-A.

23 CHAIRMAN MENGACCI: Thank you.

24 MR. CHUPKA: We at the Brattle Group

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1 welcome many of these comments, and they are some helpful
2 suggestions. We're eager to get specific questions and
3 engage the CEAB in continued dialogue.

4 I'd like to just cover three pieces of our
5 analysis that have gotten some commentary today. One is
6 our needs assessment, and that is sort of a fundamental
7 building block of this type of analysis.

8 I'd just like to make a few observations.
9 One is that we based our load growth scenarios primarily
10 on the ISO, which, coincidentally, do not include DSM in
11 their baseline forecasts, so we had to bring that back in.

12 Secondly, we do have about 11 hundred
13 megawatts of new generation, which is either under
14 construction or we have a great deal of confidence will be
15 built in Connecticut that outpaces load growth for quite a
16 few years.

17 Thirdly, we assume about 700 megawatts of
18 peak reductions from the demand side programs in 2011. It
19 grows to about 1,000 megawatts in 2018 as a result of the
20 continuation of programs already in place, and I believe
21 those programs currently account for about 400 megawatts
22 of peak load reduction in Connecticut.

23 Now we do not assume any retirements, and I
24 will get back to that in the last part of my comments, but

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1 we do not identify any pressing local, local being
2 Connecticut, resource needs for the next 10 years.

3 Even if one assumed 2,000 megawatts of
4 retirement, for example, we would still see little or no
5 needs in Connecticut for the local sourcing requirement by
6 2018.

7 The second part of my comments will be on
8 the DSM that we examined. As some commentators have
9 noticed, DSM is actually at the heart of the procurement
10 plan and is featured as recommendation one.

11 Our analysis is actually based on existing
12 and successful programs. These programs are currently
13 constrained by funding sources. We also examined several
14 recent analyses in constructing the demand side focus
15 scenario, I'm sorry, resource solution.

16 We believe these targets are achievable
17 with some continuity and program development and funding
18 and with a relatively aggressive ramp-up in program
19 implementation. In terms of implementation, there are
20 already ongoing reviews and processes with the DPUC, with
21 the Energy Conservation Management Board and others to
22 periodically review these plans and to get them approved,
23 so we don't see any large impediments in implementation.

24 Finally, I'll discuss the retirement issue

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1 a little bit. First of all, currently, the plants that we
2 looked at. We do recognize that Connecticut does have a
3 fair amount of older -- capacity, however, in the current
4 system, a decision whether or not to retire is a business
5 decision that the owner makes.

6 We analyzed, with some available public
7 information, some of the economics that would go into
8 making that decision and basically comparing forward,
9 going forward costs with capacity and energy revenues.

10 Incidentally, we did actually predict
11 correctly the four dollar and 50-cent per KW month forward
12 capacity market auction results in that screening
13 analysis.

14 Most environmental costs were, in fact,
15 included, the environmental costs that are known at this
16 time, such as NOX and SO2 allowances, as well as an
17 estimated Reggie allowance price. Future requirements
18 that may be imposed on these plants we don't yet know.

19 We do not believe that there is anything
20 particularly magic about a 40-year life. I have analyzed
21 many, many plants that are much older than that. They do
22 exist. There's nothing particularly special about 40
23 years.

24 In addition, some suggestions have been

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1 that these plants might be retired and then repowered.
2 Well that's, again, a business decision that an owner
3 might make, but that wouldn't affect our load and resource
4 capacity balance that we examined. If they repower it
5 with an equivalent amount of capacity, the situation in
6 Connecticut remains the same.

7 Finally, we certainly welcome any
8 additional information that plant owners might furnish us,
9 so that we can analyze these in greater detail. Thank you
10 very much, and I'll answer any questions you have.

11 CHAIRMAN MENGACCI: Yeah. I have a quick
12 question, Marc. The folks from the Energy Efficiency
13 Fund, or at least from the Demand-Side Management, were
14 brought into the process, the formulation process of the
15 plan that you submitted to us. Why were not other
16 stakeholder groups reached out? I know the time was
17 short, but you managed to reach out to one. Why not to
18 others, as well?

19 MR. CHUPKA: I'm actually not personally
20 knowledgeable about the extent to which we involve
21 stakeholders on the demand side, so I can't speak to that.

22

23 In terms of the generators, we certainly
24 applaud their involvement at this point. Traditionally,

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1 generators have been reluctant to share information that
2 would be useful in such an analysis, and, certainly, their
3 points of view are irrelevant -- relevant. I'm sorry.
4 Excuse me. Let the record show that I said relevant.

5 CHAIRMAN MENGACCI: Gail, make sure that
6 goes down correctly, please.

7 MR. CHUPKA: But it's been our experience
8 that the types of considerations that third party
9 generation owners examine to look at retirement decisions,
10 perhaps in the face, for example, of additional
11 environmental requirements, is not the type of information
12 that is routinely shared with consultants.

13 CHAIRMAN MENGACCI: Okay and with respect
14 to the environmental groups or other folks?

15 MR. CHUPKA: Well, again, we try, to the
16 extent possible, to base this on publicly available
17 information, or information that we could develop
18 independently. We, to some extent, anticipated that
19 additional information would arise out of the various
20 review processes that the plan would undergo.

21 CHAIRMAN MENGACCI: None of the comments
22 that we received in writing or here today has said that,
23 by anyone, has said that they believe that this plan meets
24 the statutory requirements. Did you believe it met the

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1 statutory requirements when you completed it and presented
2 it to us in January?

3 MR. CHUPKA: To the extent that the
4 statutory requirements are feasible to meet, yes, I did
5 believe that.

6 CHAIRMAN MENGACCI: So it was just a
7 question of the statute being unrealistic in its
8 construction?

9 MR. CHUPKA: Well, again, let me reflect on
10 a few comments that have been made here. There's been a
11 lot of recommendations for more comprehensive analysis or
12 deeper analysis in various dimensions or various
13 comparisons to be made. In the time that the statute
14 provided for this analysis, I think the companies and the
15 Brattle Group did certainly the best we could.

16 Some of the required analysis is not able
17 to be done with a great deal of confidence with the
18 information that the companies or the consultant would
19 normally be able to obtain.

20 So if one needed to analyze something in
21 depth, based on limited information, I think the results
22 would be of limited use.

23 CHAIRMAN MENGACCI: Okay. Any other
24 questions for Marc?

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1 MR. CASSELLA: How do you get to an
2 integrated plan in a disintegrated environment?

3 CHAIRMAN MENGACCI: Depends on how late you
4 want to stay here tonight.

5 MR. CHUPKA: Yeah. I'm on the clock, so
6 I'm willing to stick around for awhile. It's extremely
7 challenging to do a planning analysis of this nature in
8 the current market environment.

9 Integrated Resource Planning grew up in the
10 context of vertically integrated electric utilities, who
11 had information and control of their -- information about
12 and control of the assets that they were evaluating. If a
13 vertically integrative utility wanted to consider a
14 retirement decision, it was on their own plant.

15 In this disintegrated environment, there
16 is, to some extent, a lack of information. The outcomes
17 of any analysis depend on much broader regional market
18 dynamics than are traditionally analyzed, and some of the
19 information simply is not known.

20 So, you know, again, we chose to pursue an
21 analysis that respected, I think, the regional nature and
22 character of the problem and focused less on some of those
23 issues where the companies simply don't have as much
24 information as they otherwise might in a more vertically

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1 integrated environment.

2 CHAIRMAN MENGACCI: Any further questions
3 for Marc? If not, Marc, thank you very much. I
4 appreciate your comments and all your work you did on the
5 plan. The final person that signed up today is Anna
6 Giovinetta or Giovinetto?

7 MS. ANNA GIOVINETTO: Giovinetto.

8 CHAIRMAN MENGACCI: Giovinetto. Thank you.
9 And I'm sure Gail is going to need you to spell that,
10 Anna.

11 MS. GIOVINETTO: It's phonetic. Sure. The
12 last name is G, as in George, I-O-V, as in Victor, I-N-E-
13 T-T-O. Good evening, I guess. Since I am the last
14 person, I'll keep this very brief.

15 CHAIRMAN MENGACCI: You're the last person
16 that signed up. I don't know. There may be others, but,
17 please.

18 MS. GIOVINETTO: So I'm with Noble
19 Environmental Power. We're a wind energy developer that's
20 headquartered in Essex, and we have several hundred
21 megawatts of wind projects under development in New
22 England, as well as in New York.

23 My comments today on the plan are solely on
24 the parts that deal with renewable energy, specifically

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1 Appendix E. Really, I wanted to use this as an
2 opportunity to comment on something we're working on in
3 another docket that's before the DPUC, specifically the
4 possibility of having the EDCs enter into long-term
5 contracts for renewable energy credits.

6 So the plan, I believe, does accurately
7 highlight a potential problem, which is that the demand
8 for RECS is going to continue to grow over time, because
9 of all the RPS programs in different states in New
10 England, and we see this as a challenge, but not an
11 insurmountable one, so we think that it's appropriate to
12 respond proactively, and that one way to encourage the
13 development of more renewable energy resources in the
14 region is to enable the EDCs to enter into long-term
15 contracts for RECS.

16 We see this as a refinement to the existing
17 RPS policy. In other words, it's not something new. It's
18 just a refinement to a policy that already exists, and we
19 think that it will, as I mentioned, of course help meet
20 the RPS targets, but it will also have additional
21 benefits, namely, it's going to get more renewable energy
22 projects on line sooner.

23 That's obviously good for the environment.
24 It's good for ratepayers, because it will help to

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1 stabilize wholesale electricity prices, and, ultimately,
2 we believe it will help to lower the cost of compliance
3 with the RPS, because we believe that the REC prices under
4 long-term contracts will prove to be less than REC prices
5 in this market, so we think it will help to lower
6 compliance costs. That's really all I had to say.

7 CHAIRMAN MENGACCI: Okay, great. Thank you
8 very much. Questions for Anna? If not, thank you very
9 much.

10 MS. GIOVINETTO: All right. Thank you.

11 CHAIRMAN MENGACCI: Is there anyone else
12 that has not signed up that would like to address the
13 Board this evening? Seeing no volunteers, there is one
14 thing that I think I should read into the record, Gail.

15 I just want to recognize that no one from -
16 - no representative of the DPUC or the Department of
17 Agriculture or the Department of Transportation, who have
18 representatives on the Board, participated in any of the
19 public hearing today, as they're required to recuse
20 themselves through statute, and I just wanted to let the
21 record reflect that they have recused themselves, and no
22 one from those agencies is here today.

23 With that, on behalf of the Board, I'd like
24 to thank everyone for the written comments that we

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1 received, also, for the oral testimony received tonight,
2 and thank you very much, again.

3 (Whereupon, the hearing adjourned at 6:00
4 p.m.)

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