

**Written Comments of The United Illuminating Company  
On the  
2009 Integrated Resource Plan  
Prepared for the Connecticut Energy Advisory Board**

The United Illuminating Company (“UI”) would like to thank the members of the Connecticut Energy Advisory Board (“CEAB”) for the opportunity to provide written comments concerning the Integrated Resource Plan (“IRP”) for Connecticut dated January 1, 2009, which was submitted to the CEAB by The Connecticut Light & Power Company (“CL&P”) and UI (CL&P and UI are together referred to as the “EDCs”). Among other issues, the CEAB requested comments concerning “the direction of Connecticut’s long-term strategic electric energy planning and public policy goals in light of factors such as the evolving market, environmental goals and requirements, and the American Recovery and Reinvestment Act (“ARRA”).” UI’s written comments focus specifically on this request.

**Connecticut’s Long-Term Strategic Electric Energy Planning & Public Policy Goals**

The focus of Connecticut’s long-term strategic electric energy planning and public policy process should be on integrating what are often competing goals in areas such as the environment, electric system reliability and energy security, all while ensuring that customer costs are as low as possible. This need to balance competing policy goals is perhaps the most daunting challenge ever faced by the energy industry in Connecticut. To fully meet policy goals in all three of these areas simultaneously would likely be cost-prohibitive. This means that pragmatic tradeoffs may be necessary and should be analyzed.

The processes for ensuring electric reliability, including system integrity and resource adequacy, are well established in terms of analyzing and forecasting peak demand, potential retirements due to environmental legislation, development of new renewable generation, and funding for energy efficiency. However, evolving market rules and their efficacy in producing reliability are not well understood either in terms of their compatibility and/or relationship to advancing long-term strategic electric energy planning and public policy goals.

Since the onset of market restructuring in Connecticut, customer costs for energy have largely been driven by the wholesale market. Several characteristics of the current wholesale market (identified below) clearly define the path of future energy prices for the Connecticut consumer if full reliance on short-term regional markets continues to be the State’s preferred policy:

- Approximately 90% of the time market prices are set by marginal energy priced at natural gas fired generation costs.
- Natural gas is forecasted by ISO New England to remain the marginal fuel far into the future.

- Current market rules provide large margins to high capital cost, low energy production cost base load generation and decreasing margins to lower capital cost, higher energy production cost generation.
- Generators have little incentive to offer contracts at lower than their forecasted price of marginal natural gas generation pricing.

The strategic challenge facing the State is to (i) find the optimal combination of supply (including distributed generation, combined heat and power and renewable generation, where appropriate) along with demand side resource options and (ii) address the manner in which these resources are procured in order to shift away from pure wholesale market pricing. State energy policy and procurement strategies perhaps can provide customer price stability but low cost base load based pricing may only be possible through cost-of-service pricing resulting from life of unit contracts, acquisition and ownership of existing facilities and/or new construction. The following avenues should be pursued as alternative means to provide customer price stability:

- (1) Thoroughly assess the costs and benefits of meeting competing policy goals through the aggressive use of Demand Side Management (“DSM”). Of all potential procurement strategies, DSM, particularly energy efficiency, is perhaps best situated to turn competing policy goals into complimentary policy goals. DSM can be beneficial to the environment, reliability and energy security.
- (2) Adopt a portfolio management approach to power procurement which is superior to the current approach of buying full requirements service, and will allow the EDCs to achieve lower and less volatile pricing over the long run.
- (3) Analyze policy changes which will encourage generation service to be priced in a manner that benefits Connecticut’s consumers, and cause “the right type” of new generation to be developed in the locations where it is needed.
- (4) Continue to analyze environmental policy trade offs in a more integrated manner such as within the IRP effort.
- (5) Recognize that energy security based on fuel diversity and a balanced mix of resources (both supply and demand) is vital to reliability and cost control.

### **The Important Role of the IRP**

The IRP is a key component in the State’s energy planning and public policy development process. The IRP brings together experts and policy makers from the State’s electric distribution companies and State agencies with purvey over energy and environmental matters. The “needs analysis” that forms the starting point for the IRP represents a broad view of Connecticut’s energy landscape. It must do so in order to fully reflect the current and projected realities facing the State and its residents. Any comprehensive plan, like the IRP, must look further than just narrow reliability concerns. Much more is at play, including but not limited to, environmental policy, conservation

and the efficient use of energy, as well as the overall cost of energy that consumers are paying.

The complex and ever-evolving issues associated with IRPs necessitate a long term approach. It takes time to examine where we are, where we want to go and how best to get there – on a holistic, integrated basis. That is why the IRP identifies not only the energy situation today but also extends its analyses over 3, 5, and 10 year time horizons. Indeed, even longer time horizons should be considered because it takes time to develop resources to meet identified policy goals if they are actually intended to be achieved in the future. Identification of near, medium and long term issues and related objectives must be coupled by actual and actionable plans that correspond to these time frames.

The following are among the many considerations that should be contained in an IRP:

- The ARRA. Congress and President Obama's administration have committed unprecedented levels of funding toward aligned energy and environmental goals. The IRP can and should play a critical role in helping the State to maximize the benefit that Connecticut residents receive from ARRA funds.
- DSM. Load control and energy efficiency is vital to any IRP. The 2008 IRP as developed by the EDCs contained a DSM Focus case that was well received and widely supported. The 2009 IRP followed up by narrowing the strategy to an aggressive pursuit of energy efficiency to achieve permanent load reductions. DSM provides an important vehicle for helping the environment and providing a means for customers to control their costs. The clear emphasis on DSM as reflected in the ARRA signals that additional funds may become available for intensified DSM activities and the potential to access these funds should be included in any future IRP analysis.
- Renewable Energy. Renewable energy has been at the forefront of energy discussions on a state and national level. How best to incorporate renewable energy into Connecticut's energy plans and provide for funding to enable the same should be evaluated as part of the IRP.
- Smart Grids. Smart grids could provide for a significant flow of information regarding energy use that could serve as a springboard for innovative ways to control that energy use. The IRP should examine the potential for the development of smart grids and the impact of smart grids on electric energy strategic planning.
- Creation of Jobs. The analyses and evaluation contained in the IRP should also examine how the implementation of energy policies can impact the Connecticut job market. Actionable plans (such as increased DSM) identified by the IRP may result in the creation of new employment opportunities.