

280 Trumbull Street  
Hartford, CT 06103-3597  
Main (860) 275-8200  
Fax (860) 275-8299  
jmiranda@rc.com  
Direct (860) 275-8227

Also admitted in District of  
Columbia and Massachusetts

*Via Electronic Filing and First Class Mail*

July 10, 2012

Kimberley J. Santopietro  
Executive Secretary  
Public Utilities Regulatory Authority  
10 Franklin Square  
New Britain, CT 06051

Re: **Docket No. 12-05-04: PURA Review of Electric Bill Charges and Costs**

Dear Ms. Santopietro:

Enclosed please find the Joint Comments of Dominion Retail, Inc. and Retail Energy Supply Association in connection with the above-referenced matter.

I certify that a copy hereof has been sent to all participants of record as reflected on the Public Utilities Regulatory Authority's (Authority) service list as of this date. A copy has also been filed with the Authority as an electronic web filing and is complete.

Please do not hesitate to contact me if you have any questions or require additional information. Thank you.

Very truly yours,



Joey Lee Miranda

Enclosure

Copy to: Service List



*Law Offices*

BOSTON

PROVIDENCE

HARTFORD

NEW LONDON

STAMFORD

WHITE PLAINS

NEW YORK CITY

ALBANY

SARASOTA

*www.rc.com*

STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

PURA REVIEW OF ELECTRIC BILL : DOCKET NO. 12-05-04  
CHARGES AND COSTS :  
: JULY 10, 2012

**JOINT COMMENTS OF  
DOMINION RETAIL, INC. AND  
RETAIL ENERGY SUPPLY ASSOCIATION**

Dominion Retail, Inc. (“Dominion”) and the Retail Energy Supply Association<sup>1</sup> (“RESA”) (collectively, the “Suppliers”) hereby submit initial comments in response to the Public Utilities Regulatory Authority’s (“Authority”) Notice of Request for Written Comments, dated June 14, 2012 (“Notice”), in the above-captioned proceeding.

**BACKGROUND**

In 1998, as part of restructuring, the Authority<sup>2</sup> allocated the various costs incurred by the electric distribution companies (“EDCs”) to three categories: generation, transmission and distribution.<sup>3</sup> As part of that decision, the Authority specifically indicated that “[c]ompetitive

---

<sup>1</sup> RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

<sup>2</sup> At the time of the decision, the Authority was known as the Department of Public Utility Control (“DPUC”).

<sup>3</sup> See, generally, Docket No. 97-01-15, *DPUC Review of Electric Companies Cost of Service and Unbundled Tariffs*, Final Decision, dated July 29, 1998 (“Allocation Decision”).

generation pricing is a component of each utility's fully embedded costs and will be identified and broken out in subsequent proceedings.”<sup>4</sup>

When the Transitional Standard Offer (“TSO”) period was set to begin, the Authority further refined these cost allocations.<sup>5</sup> At that same time, the Authority also established the Bypassable Federally Mandated Congestion Charges (“BFMCC”) rate and the Non-Bypassable Federally Mandated Congestion Charges (“NBFMCC”) rate and approved the recovery of certain costs within each.<sup>6</sup>

After the start of Standard Service and Last Resort Service, the Authority once again undertook a review of the appropriate allocation of costs between bypassable and non-bypassable rates.<sup>7</sup> As part of that proceeding, the EDCs entered into a settlement with the Office of Consumer Counsel pursuant to which additional costs were allocated from the non-bypassable to the bypassable portion of rates.<sup>8</sup>

On May 9, 2012, the Authority, on its own motion, opened this proceeding to identify and review the various charges on the EDCs' electric bills and the costs passed through each charge.<sup>9</sup> On June 14, 2012, the Authority issued the Notice offering interested persons an opportunity to submit written comments on specified topics, including any comments that would

---

<sup>4</sup> Allocation Decision at 1.

<sup>5</sup> See Docket No. 03-07-15, *Establishment of The United Illuminating Company's Transitional Standard Offer*, Final Decision, dated December 18, 2003 (“UI TSO Decision”); Docket No. 03-07-01, *Application of The Connecticut Light and Power Company to Establish the Transitional Standard Offer*, Final Decision, dated December 19, 2003 (“CL&P TSO Decision”).

<sup>6</sup> See, generally, UI TSO Decision; CL&P TSO Decision; Docket No. 04-03-19, *DPUC Design of Adjustment Clauses Necessary for Transitional Standard Offer*, Final Decision, dated November 24, 2004 (“Adjustment Clause Decision”).

<sup>7</sup> See, generally, Docket 97-01-15RE02, *DPUC Review of Electric Companies Cost of Service and Unbundled Tariffs - Further Unbundling* (“Further Unbundling Proceeding”).

<sup>8</sup> See Further Unbundling Proceeding, Proposed Settlement of Issues, dated January 16, 2007.

<sup>9</sup> See Request to Establish a New Docket on PURA's Own Motion, dated May 9, 2012.

assist the Authority in its investigation and review.<sup>10</sup> The Suppliers now submit their comments in response to the Notice. Because the EDCs are in the best position to provide the specific information requested in the Notice, at this time, the Suppliers do not have the requisite information to comment on the allocation of specific costs to particular rate components. Thus, the Suppliers request that the Authority provide an opportunity for the participants in this proceeding to file reply comments regarding the appropriate allocation of costs among the various rate components once the EDCs have provided the information requested in the Notice.

### COMMENTS

The Suppliers appreciate the opportunity to provide these comments and request that, as part of its review of the various charges on the EDCs' electric bills and the costs passed through each charge, the Authority continue to adhere to the following principle: The EDCs must continue to appropriately reflect the *full* cost of providing retail supply to end use customers by maintaining an accurate allocation of costs between generation and distribution rates.

Although the Authority has undertaken efforts in the past to appropriately allocate costs between the bypassable and non-bypassable portion of rates, the Suppliers believe that certain costs associated with providing generation services are still captured in the EDCs' distribution rates. This creates two issues: (1) the EDCs are charging consumers artificially low generation rates that do not provide accurate price signals regarding the cost of generation; and (2) consumers that participate in the competitive retail electric market pay duplicate costs – once in

---

<sup>10</sup> See Notice at 1.

the EDCs' distribution rates and once in the retail suppliers' product offering – which also sends an inaccurate price signal regarding the value of the service provided by the retail suppliers.<sup>11</sup>

The decision of which costs are properly included in the EDCs' generation rates and which are properly included in the EDCs' distribution rates should be based on cost causation principles.<sup>12</sup> Thus, as the Authority has recognized, it is most appropriate to recover expenses that are generation-related in the generation portion of rates.<sup>13</sup> Essentially, the EDCs incur three types of costs to provide generation services to their customers: (a) wholesale costs; (b) procurement and energy provision costs; and (c) administrative costs.

The EDCs' wholesale supply costs are billed through ISO New England ("ISO-NE"). These ISO-NE costs can be identified as either billed to electrical load (i.e., billed based on energy) or as billed to transmission (i.e., only billed to transmission customers). If the costs are billed to electrical load, those costs are generation related and should be bypassable when a customer selects a third-party supplier. The following costs are currently billed to electrical load:

- Energy costs, including costs associated with congestion and losses;
- Capacity costs, including costs associated with Installed Capacity ("ICAP") and the Forward Capacity Market ("FCM");
- Costs for ancillary services related to the supply of energy and capacity (e.g., spinning reserves a/k/a operating reserves);

---

<sup>11</sup> See Docket 05-06-04, *Application of The United Illuminating Company to Increase its Rates and Charges*, Final Decision, dated January 27, 2006, at 125-27; Docket 97-01-15RE01, *DPUC Review of Electric Companies Cost of Service and Unbundling Tariffs – Unbundled Bills and SBC*, Final Decision, dated April 30, 1999, at 1.

<sup>12</sup> See, e.g., Docket No. 05-08-05, *DPUC Investigation into the Process by which Customers Can Choose an Electric Supplier When Initiating Electric Service*, Final Decision, dated May 10, 2006, at 19 (noting that bad debt allocation was contrary to cost causation principles).

<sup>13</sup> Docket 10-08-01, *Semi-Annual Reconciliation of the Connecticut Light and Power Company's and The United Illuminating Company's Federally Mandated Congestion Costs and Generation Services Charge*, Final Decision, dated January 6, 2011, at 5.

- Daily Reliability Must Run (“RMR”) charges not associated with any agreements (a/k/a RMR uplift);
- Regulation a/k/a automatic generation control;
- Locational Forward Reserve (“LFR”) costs;
- Credits for Financial Transmission Rights (“FTR”) auction revenues (a/k/a Auction Revenue Rights);
- ISO Schedule 2 costs;
- ISO Schedule 3 costs;
- ISO credit insurance costs;
- ISO participant default costs;
- GIS administration costs; and
- ISO Load Response costs.

All of these costs are related to the provision of energy and can be readily identified and easily quantified. Moreover, because these costs are billed based on energy, they are directly avoided on a dollar for dollar basis by the EDCs when a customer chooses a third-party supplier. Thus, if they are not already, all of these costs should be directly recovered on a dollar for dollar basis in the EDCs’ generation rates.

In addition to these ISO-NE charges, the EDCs incur the following additional costs associated with the procurement and provision of Standard Service and Last Resort Service:

- Energy procurement costs, portfolio management costs and incentives;
- Hedging costs, including costs associated with forward hedges placed at the highest point in the market; and
- Renewable Portfolio Standard (“RPS”) costs.

All of these costs can also be readily identified and easily quantified. Thus, if they are not already, all of these costs should also be directly recovered on a dollar for dollar basis in the EDCs' generation rates.

Moreover, if The Connecticut Light and Power Company ("CL&P") is authorized to engage in more active management of the power procurement process,<sup>14</sup> its portfolio management and hedging costs are expected to increase. In addition, CL&P's active portfolio management (even for a portion of CL&P's load) may result in other new or increased costs. For instance, CL&P may be required to post collateral with wholesale suppliers and may have increased working capital and/or financing costs. In addition, there may be other new or increased costs of which the Suppliers are not yet aware. Since all of these costs will result from CL&P's procurement and provision of Standard Service and Last Resort Service, consistent with cost causation principles, all of these costs should also be directly recovered on a dollar for dollar basis in the EDCs' generation rates.

An improper allocation of generation related costs to distribution rates is patently unfair to customers who choose competitive supply because they are paying duplicate costs and subsidizing the supply costs of those customers who choose to stay with the EDC supply option. Further, because such an improper allocation results in "hidden" costs, customers are unable to identify the true value of supplier competitive offerings and are more likely to forego the competitive supply option; thereby, inhibiting the retail competitive electric market in Connecticut. Conversely, when costs are appropriately allocated between the EDCs' generation and distribution rates, consumers can properly evaluate the cost of generation services and avoid paying costs for which they are not responsible. Accordingly, as part of its review of the various

---

<sup>14</sup> See Docket 12-06-02, *Request for PURA Review of Power Procurement Plan*, Proposed Procurement Plan, dated June 1, 2012, at § 2.3 (seeking to authorize CL&P to self-manage 20% of its remaining 2013 Standard Service load).

charges on the EDCs' electric bills and the costs passed through each charge, the Suppliers request that the Authority ensure that costs are properly allocated and, to the extent they are not, reallocate those costs. To assist the Authority in those efforts, the Suppliers also request that the Authority provide an opportunity for the participants in this proceeding to file reply comments once the EDCs have provided a list of all costs recovered in each of its rates and charges.

### CONCLUSION

The Suppliers appreciate the Authority undertaking this review and look forward to discussing these issues in more detail during the course of this proceeding.

Respectfully submitted,  
DOMINION RETAIL, INC.  
RETAIL ENERGY SUPPLY ASSOCIATION



By:

\_\_\_\_\_  
Joey Lee Miranda, Esq.  
Robinson & Cole LLP  
280 Trumbull Street  
Hartford, CT 06103  
Phone: (860) 275-8200  
Fax: (860) 275-8299  
E-mail: [jmiranda@rc.com](mailto:jmiranda@rc.com)



**CERTIFICATION**

I hereby certify that a copy of the foregoing was sent via electronic mail or first-class mail, postage pre-paid to all participants of record, on this 10th day of July 2012.

A handwritten signature in black ink that reads "Joey Lee Miranda". The signature is written in a cursive style with a large initial "JL" and a stylized "M".

---

Joey Lee Miranda