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October 10, 2012

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

Re: **Docket No. 12-06-14: PURA Investigation into the Creation and Expansion
of Municipal Electric Utilities**

Dear Ms. Santopietro:

Enclosed please find the Retail Energy Supply Association Request for Participant Status and the Comments of the 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

Enclosures

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PURA INVESTIGATION INTO THE : DOCKET NO. 12-06-14
CREATION AND EXPANSION OF :
MUNICIPAL ELECTRIC UTILITIES : OCTOBER 10, 2012

COMMENTS OF THE
RETAIL ENERGY SUPPLY ASSOCIATION

The Retail Energy Supply Association (“RESA”)¹ hereby submits its initial comments in response to the Public Utilities Regulatory Authority’s (“Authority” or “PURA”) Notice of Request for Written Comments, dated September 26, 2012 (“Notice”), in the above-captioned proceeding.

BACKGROUND

Special Act 12-8, *An Act Concerning the Creation and Expansion of Municipal Electric Utilities* (the “Act”), requires the Authority to examine the procedures for creating and expanding municipal electric utilities and to report its findings to the General Assembly.² In such report, the Authority is required to “identify (1) all procedures necessary for a municipality to establish or expand a municipal electric utility, and (2) any statutory changes necessary to enable a municipality to implement or initiate such procedures.”³

¹ 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.

² S.A. 12-8.

³ *Id.*

In response to the requirements of the Act, the Authority, on its own motion, opened this proceeding.⁴ Subsequently, the Authority issued the Notice offering interested persons an opportunity to submit comments on specified topics, including “the legal and practical implications of a municipality seeking expansion into current Connecticut Light & Power Company or United Illuminating Company service territory.”⁵ RESA hereby submits its comments in response to the Notice.

COMMENTS

RESA supports the availability of customer choice in all sectors of the retail electric market, including distribution services. However, the expansion of customer choice in one sector should not be undertaken in a way that could undermine customer choice in another sector. Thus, RESA urges the Authority, when issuing its report, to fully evaluate the potential impacts on all sectors of the retail electric market and to recommend appropriate statutory revisions that will ensure the continued success of each sector of that market.

I. THE AUTHORITY’S REPORT SHOULD RECOMMEND STATUTORY REVISIONS THAT WOULD SUPPORT CUSTOMER CHOICE

In 1998, the Connecticut General Assembly concluded that competition for retail electric generation service was in the public interest and required The Connecticut Light and Power Company and The United Illuminating Company (collectively, the “EDCs”) to divest their generation assets with the expectation that competitive suppliers would serve most, if not all, customer generation needs in those service areas.⁶ While it took some time to gain momentum, the retail electric market in Connecticut is now flourishing. As of August 31, 2012, more than 700,000 customers were receiving generation supply service from retail electric suppliers;

⁴ See Request to Establish a New Docket on PURA’s Own Motion, dated June 19, 2012.

⁵ See Notice at 1.

⁶ See, generally, Public Act 98-28, *An Act Concerning Electric Restructuring*.

representing nearly fifty (50%) of the EDCs' customers.⁷ Through the competitive market, these customers are able to avail themselves of a variety of product offerings that allow them to reduce their costs, obtain budget certainty and/or purchase renewable power⁸ and that would not otherwise be available.

However, under the current statutory scheme, retail electric choice is not available in municipal service areas unless a municipal utility has sought to sell power at retail outside of its service area.⁹ As a result, customers within municipal service areas cannot receive the benefits of customer choice. Thus, RESA urges the Authority to recommend statutory revisions to the General Assembly that will allow customers to continue to receive the benefits of competitive choice in any new or expanded municipal service areas. In particular, in its report, the Authority should recommend that the General Assembly revise Connecticut General Statutes section 16-245c to clarify that customer choice would be available to any customers within any municipal service area created or expanded on or after the effective date of the Public Act authorizing such areas.¹⁰ Otherwise, customers in those service areas will be denied the opportunity to realize the myriad of benefits available and Connecticut's burgeoning competitive retail electric supply market would become stifled.

The establishment of new or expanded municipal service areas without statutory revisions that permit customer choice creates significant regulatory uncertainty. For instance, without a modified statutory scheme, it would be unclear whether customers within those service areas that are already receiving their generation service from electric suppliers would be

⁷ See Docket 06-10-22, *DPUC Monitoring of the State of Competition in the Electric Industry*, August 2012 Migration Reports.

⁸ See, e.g., Supplier Offer Information available at: <http://www.ctenergyinfo.com>.

⁹ Cf. Conn. Gen. Stat. § 16-245c.

¹⁰ The Authority would also need to make corresponding changes to its regulations. See Conn. Agencies Regs. § 16-245c-1 *et seq.*

permitted to remain on competitive supply and to continue to reap the benefits of the competitive market. There would also be uncertainty about how and by whom these customers and their electric suppliers would be compensated for losses if the customers are forced to receive service from the municipal utility. This regulatory uncertainty may force electric suppliers to evaluate whether they wish to continue to provide service in Connecticut.

Moreover, without statutory modifications permitting choice, electric suppliers and other market participants may not be willing to dedicate resources to a shrinking retail electric supply market. As a result, existing suppliers may exit the Connecticut market and new suppliers may not enter; thereby, further reducing the options available to customers who would remain eligible for choice. Given the significant potential for confusion, uncertainty and negative impacts on customer choice and Connecticut's retail electric supply market that could be created by establishing new or expanding municipal service areas, RESA urges the Authority to recommend that the General Assembly revise Connecticut General Statutes section 16-245c to clarify that customer choice would be available to any customers within any municipal service area created or expanded on or after the effective date of the Public Act authorizing such areas.

Once customer choice is authorized, in order for it to succeed, customers must be able to compare prices and product offerings between different providers. In order to do so, customers need to see the cost of the various components of their electric service and understand what portions of that service are subject to competition. Thus, the Authority should also recommend that the General Assembly modify Connecticut General Statutes section 16-245c to require that any municipal utilities created or expanded on or after the effective date of the Public Act authorizing such new or expanded service areas properly unbundle their services between delivery and supply.

For new municipal utilities without existing employees, infrastructure or agreements, this unbundling process would simply require that as such costs are added, they are properly accounted for in either generation or distribution rates. For existing municipalities seeking to expand, the process would be more cumbersome. However, both the General Assembly and the Authority have already provided for unbundling of municipal utility functions.¹¹ Thus, it would not require significant statutory or regulatory revisions. Further, since the EDCs have already engaged in unbundling, the municipal utilities could use the processes used to achieve that unbundling as a starting point and build on and learn from the experiences gained through those prior efforts. Moreover, this unbundling would not only benefit customers in deciding between competing supply offers but it would also allow the General Assembly, the Authority, customers and other interested stakeholders to have the transparency necessary to evaluate how the cost of municipal distribution service compares with the cost of distribution service provided by the EDCs.

II. THE AUTHORITY'S REPORT SHOULD ANALYZE THE POTENTIAL IMPACTS ABSENT STATUTORY REVISIONS.

To ensure that the General Assembly has a full understanding of the impacts of creating or expanding municipal service areas, RESA further recommends that the Authority's report analyze what could happen if statutory revisions are not made to permit customer choice to continue in new or expanded municipal service areas. In particular, the report should characterize the impact to the more than 700,000 customers that are currently receiving service from competitive retail electric suppliers if statutory revisions are not made, explain how those customers will be treated, identify the types of losses those customers could sustain (e.g., paying more for power supply, losing cost certainty, unavailability of certain renewable options, etc.)

¹¹ See Conn. Gen. Stat. § 16-245c(d); Conn. Agencies Regs. § 16-245c-3.

and recognize the significant potential customer confusion that could result if these customers are forced to take service from a municipal utility. The report should also quantify the costs associated with each of these impacts and identify how and by whom customers, electric suppliers and other market participants would be compensated for such losses.

Additionally, RESA recommends that the report also analyze the effects on the portion of the market that would remain eligible for customer choice in the event statutory revisions are not made to permit continued customer choice in any new or expanded municipal services areas. In particular, the report should characterize the negative impact that this would have on customers, including the potential to increase the costs of available supply options and to reduce the number of available renewable supply options.

Further, RESA recommends that the report analyze the economic impacts to Connecticut that could result in the event that statutory revisions are not made to allow for continued customer choice in new or expanded municipal service areas. In particular, the report should address the impact on the Connecticut economy that would result from electric suppliers exiting or declining to enter the Connecticut market. The report should also identify the other market participants (e.g., electric aggregators, etc.) who rely on the competitive retail electric supply market and quantify the impact on the Connecticut economy if they were to exit or to decline to enter the Connecticut market. By providing an analysis of each of these issues and the associated economic impacts, the Authority can ensure the General Assembly has a full understanding of the implications of creating or expanding municipal service areas without statutory revisions that permit continued customer choice in those areas.

CONCLUSION

For all of the foregoing reasons, RESA urges the Authority, when issuing its report, to fully evaluate the potential impacts on all sectors of the retail electric market and to recommend appropriate statutory revisions that will ensure the continued success of each sector of that market. RESA looks forward to discussing these issues in more detail during the course of this proceeding.

Respectfully submitted,
RETAIL ENERGY SUPPLY ASSOCIATION



By: _____

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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 October 2012.

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

Joey Lee Miranda