

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

SEMI-ANNUAL RECONCILIATION OF THE : DOCKET NO. 10-08-01
CONNECTICUT LIGHT AND POWER :
COMPANY'S AND THE UNITED :
ILLUMINATING COMPANY'S FEDERALLY :
MANDATED CONGESTION COSTS AND :
GENERATION SERVICES CHARGE : DECEMBER 21, 2010

OBJECTION OF RETAIL ENERGY SUPPLY ASSOCIATION

The Retail Energy Supply Association (“RESA”)¹ hereby objects to The United Illuminating Company’s (“UI”) request to move “the recovery of the GSC Administrative Adder presently recovered in the GSC [Generation Service Charge] rate component to the NBFMCC [Non-Bypassable Federally Mandated Congestion Charges] rate component” UI Letter Brief, dated December 3, 2010 (“UI Brief”), at 1.

I. BACKGROUND

In 1998, the Department of Public Utility Control (“Department”) allocated the various costs incurred by the electric distribution companies (“EDCs”) to three categories: generation, transmission and distribution. *See, generally*, Final Decision, dated July 29, 1998, Docket No. 97-01-15, *DPUC Review of Electric Companies Cost of Service and Unbundled Tariffs* (“Allocation Decision”). As part of that decision, the Department specifically indicated that

¹ RESA’s members include ConEdison Solutions; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; 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; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus; Reliant Energy Northeast LLC. 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.

“[c]ompetitive generation pricing is a component of each utility’s fully embedded costs and will be identified and broken out in subsequent proceedings.” Allocation Decision at 1.

When the Transitional Standard Offer (“TSO”) period was set to begin, the Department further refined these cost allocations. *See* Final Decision, dated December 18, 2003, Docket No. 03-07-15, *Establishment of The United Illuminating Company’s Transitional Standard Offer* (“UI TSO Decision”); Final Decision, dated December 19, 2003, Docket No. 03-07-01, *Application of The Connecticut Light and Power Company to Establish the Transitional Standard Offer* (“CL&P TSO Decision”). As part of the UI TSO Decision, the Department approved the allocation of costs to the GSC Administrative Adder that UI now seeks to modify. *See* UI TSO Decision at 10. When the TSO was established, the Department also established the Bypassable Federally Mandated Congestion Charges (“BFMCC”) rate and NBFMCC rate and approved semi-annual reconciliations of these rates. *See, generally,* UI TSO Decision; CL&P TSO Decision; Final Decision, dated November 24, 2004, Docket No. 04-03-19, *DPUC Design of Adjustment Clauses Necessary for Transitional Standard Offer* (“Adjustment Clause Decision”).

II. OBJECTION

RESA objects to UI’s requested revision because interested parties were not provided notice that reallocation of costs among rate components would be considered as part of this proceeding, this proceeding is not the appropriate forum to address the requested change and such a change would improperly allocate supply and retail access related costs to the Delivery Services portion of customer bills.

A. Interested Parties Were Not Provided Notice That Reallocation Of Costs Would Be Considered As Part Of This Proceeding.

Numerous parties participated in the proceedings that ultimately resulted in the current cost allocations and provided extensive input regarding the proper allocation of costs between the Supplier Services portion (i.e., generation related costs) and Delivery Services portion (i.e., transmission and distribution related costs) of customer bills. *See, generally*, Docket No. 97-01-15RE02, *DPUC Review of Electric Companies Cost of Service and Unbundled Tariffs - Further Unbundling*; Docket No. 03-07-15, *Establishment of The United Illuminating Company's Transitional Standard Offer*; Docket No. 03-07-01, *Application of The Connecticut Light and Power Company to Establish the Transitional Standard Offer*. However, none of those parties were provided notice that such a change would be considered as part of this proceeding or an opportunity to provide the Department with input regarding this important issue.

Neither the Department's letter acknowledging the EDCs' semi-annual filings nor its hearing notice provided *any* indication that the Department would consider the reallocation of costs as part of this proceeding. *See* Department Acknowledgement Letter, dated September 16, 2010; Notice of Hearing, dated October 19, 2010. Accordingly, interested parties did not know that the scope of this proceeding would be broadened to include such a request. If such notice had been provided, RESA would have actively participated in this proceeding as it has in past proceedings regarding cost allocation. *See, e.g.*, Docket No. 97-01-15RE02, *DPUC Review of Electric Companies Cost of Service and Unbundled Tariffs - Further Unbundling*.

Since no notice was provided that this proceeding would be expanded to include consideration of the reallocation of costs among rate components, RESA objects to UI's request to revise the recovery mechanism for the GSC Administrative Adder.

B. This Proceeding Is Not The Appropriate Forum To Address UI'S Requested Revision.

The semi-annual reconciliation of the GSC, BFMCC and NBFMCC was established in order to provide the Department an opportunity to review the revenues and expenses of each cost component and to provide the EDCs “with a mechanism to *adjust the charges* that recover these costs.” See Adjustment Clause Decision at 10 (emphasis added). The semi-annual reconciliation proceeding was *not* established to provide a mechanism for the EDCs to adjust the *allocation* of costs between the various rate components. Nevertheless, UI now seeks to use the semi-annual reconciliation process as a means to revise that allocation without appropriate notice or the opportunity for input from interested parties. Since the semi-annual reconciliation proceeding was not intended to provide a mechanism for the reallocation of costs among rate components, RESA objects to UI’s request to revise the recovery mechanism for the GSC Administrative Adder.

C. The GSC Administrative Adder Should Continue To Be Collected As Part Of The Supplier Services Portion Of Customer Bills.

UI has requested the reallocation of certain costs to the Distribution Services portion of customer bills “since they do not change when customers switch suppliers.” UI Brief at 1. However, UI sets forth the wrong test for determining which costs should be allocated to which rate components.

As the Department has previously recognized, the decision of which costs should be allocated to the EDCs’ generation rates and which should be allocated to the EDCs’ distribution rates should be based on cost causation principles. See, e.g., Final Decision, dated May 10, 2006, Docket No. 05-08-05, *DPUC Investigation into the Process by which Customers Can Choose an Electric Supplier When Initiating Electric Service* (“Supplier Selection Decision”), at 19 (noting that current bad debt allocation is contrary to cost causation principles). There is no

dispute that the costs currently recovered through the GSC Administrative Adder are associated with the provision of supply and retail access services to Standard Service and Last Resort Service customers. *See* UI Semi-Annual Reconciliation Filing, dated August 31, 2010, at Exhibit 1 (indicating that the GSC Administrative Adder is used for the collection of costs related to "retail access/ settlement/procurement activities."). Indeed, if UI were no longer providing Standard Service and Last Resort Service, these costs would no longer be necessary. Accordingly, pursuant to cost causation principles, they are appropriately collected through the Supplier Services portion of the bill.

Moreover, to ensure that competitive retail suppliers are not disadvantaged and customers who choose competitive supply options are not paying duplicative costs, 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. The EDCs incur many of the same costs that suppliers incur in supplying electricity, including without limitation, the administrative costs currently collected through the GSC Administrative Adder. If the EDCs are permitted to recoup these costs in their distribution rates while suppliers must reflect these costs in their retail supply offers, suppliers will be disadvantaged by being forced to compete against artificially depressed EDC generation rates. *See* Supplier Selection Decision at 19 (noting that suppliers are disadvantaged if costs are not properly allocated).

In addition, an improper allocation of supply related costs to distribution rates would result in customers who choose competitive supply paying duplicate costs and subsidizing the supply costs of those customers who choose to stay with the EDC supply option. Because such an improper allocation would result in "hidden" costs, customers would not be able 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.

Through the current allocation of supply and retail access related costs to the EDCs' generation rates, consumers can properly evaluate the cost of generation services and avoid paying costs for which they are not responsible. Accordingly, the EDCs should not be permitted to reallocate generation related costs to their distribution rates.

III. CONCLUSION

For the foregoing reasons, RESA requests that the Department deny UI's request to move "the recovery of the GSC Administrative Adder presently recovered in the GSC rate component to the NBFMCC rate component" UI Brief at 1.

Respectfully submitted,
RETAIL ENERGY SUPPLY ASSOCIATION



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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 21st day of December 2010.

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

Joey Lee Miranda