CONNECTICUT GENERAL ASSEMBLY
ENERGY & TECHNOLOGY COMMITTEE
COMMITTEE BILL NO. 1
LCO No. 4531
AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE

PUBLIC HEARINGS – MARCH 15, 2011

STATEMENT OF BECKY L. MEROLA
ON BEHALF OF NOBLE AMERICAS ENERGY SOLUTIONS ,LLC

My name is Becky Merola and I am responsible for regulatory and legislative affairs for the eastern part of the country for Noble Americas Energy Solutions , LLC. ("Noble"). Noble is part of Noble Group which is a global company with approximately 56 billion in annual revenue. Noble acquired Sempra Energy Solutions from Sempra and Royal Bank of Scotland on Nov 1, 2010. We are the 5th largest non residential retail power supplier in the United States and a licensed retail supplier of electricity to commercial and industrial ("C&I") customers in Connecticut. Since 1997 Noble has been a corporate citizen in Stamford. In addition to having retail power employees in Stamford, we also have employees that work with clean fuels, wholesale gas & power trading, risk management and associated support functions for these businesses. All of these businesses are integrated in a way to complement Noble Groups supply chain management to enhance our products and services, such as energy efficiency, green products, carbon offsets and risk management to our retail customers.

In spite of today's economic climate we continue to grow. Noble has added over a hundred employees to its Stamford office in 2010. Our retail power business includes some of Connecticut's towns and cities, universities, manufacturers and hospitals as well as many of Connecticut's largest employers and national accounts.

Noble submits this statement today to support in part and to oppose in part to LCO 4531. Our concerns and support are listed by section below;

<u>Section 52 (n)</u> would require the Department of Energy and Environmental Protection ("DEEP") to conduct a proceeding to determine the cost of billing, collection and other services provided by the utilities or the Department solely for the benefit of participating electric suppliers and aggregators. The Department shall order an equitable allocation of such costs to retail suppliers and aggregators. Noble supports this section but asks that language be added clarifying that those identified costs be borne by <u>only</u> those **<u>participating</u>** electric suppliers and aggregators that choose to use utility consolidated billing. Noble direct bills its customers for generation regardless of size. The distinction is important in making sure those suppliers who direct bill and shoulder their own billing expenses are not financially harmed nor put at a competitive disadvantage by being allocated costs for a program we do not use.

<u>Section 66</u> discusses a managed portfolio procurement option for standard service. Noble is very concerned that this will harm our ability to provide individual products and services that assist our customers in managing their energy needs. Using a managed portfolio relies on market speculation. Much like trying to time the market when buying stocks when the utility manages a portfolio they buy fixed amounts of power at a strike price at a given point in time for a specified length of time for all customers regardless of a customer's specific load profile. Both full requirements and utility managed portfolio rely on serving customer needs with power provided from the available energy market. The difference is in who bears the risks of changing levels of demand. If the utility

guesses wrong and the price is higher in the market then the utility has now created stranded costs. The risk of these speculative decisions and the associated costs if they guessed wrong will be borne by the ratepayers of CT.
Noble will not be able to compete with a utility that can speculate on the market and shed all of its financial risk by being able to pass this on to the ratepayers.
Secondly, as a wholesale competitor Noble bids on standard service. In Connecticut this process, currently, is completely free of bias as the winner of the load is based entirely on prices for the exact same product. On the other hand,a managed portfolio relies on the "judgment" of the utility company. This creates a problem with Self-dealing. Without bidding on the exact same product and comparing only the price for that product, there is no way to evaluate whether the utility is really acting in the interests of customers or of its shareholders by deciding to include one of their own business ventures in the portfolio.

Section 67 requires DEEP to open a docket to consider the buy down of a utilities current standard service contracts. Mortgaging a utilities current standard service contracts will artificially create an unlevel playing field and harm competition not to mention the additional cost that the buydown will add to the ratepayers.

Section 71 requires the Department of Energy and Environmental Protection ("DEEP") to issue an RFP for long term generation contracts. Simply put, long term contracts distort market signals. Not allowing commercial and industrial customers to be exposed to current market pricing prevents them from being able to manage their own load profile in a way that benefits them individually either through risk management pricing, demand response or energy efficiency. These contracts also lump everyone together as one load. Commercial customers and Industrial customers are different from Residential classes of customers. Their load profiles vary greatly depending on the type of business they are in, the manufacturing processes they use and the hours of their operation. To saddle these employers with long term contracts that treat them on an average basis harms their ability to manage their costs more efficiently.

In conclusion, we are not asking to shed our financial risk for the products and services that we offer and yet we still provide benefits to our customers. The aforementioned risk is borne by our shareholders. We are also not asking to create subsidies such as “ratepayer guarantees” that undercuts competitions.

Noble is asking as a company that is creating jobs in Connecticut that you not create an unlevel playing field by using buy downs, state financing, deferring payments for current SOS contracts or using a managed portfolio approach that would distort the retail electric market and harm the Commercial and Industrial customers that also provide jobs and reside within your boundaries.