

Via Electronic Filing

September 1, 2020

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 20-01-01: Administrative Proceeding to Review The Connecticut Light and Power Company's Standard Service and Supplier of Last Resort Service 2020 Procurement Results and Rates


Dear Mr. Gaudiosi:

Provided herewith please find the Brief of 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 ("PURA's") service list. In accordance with PURA's instructions, I am filing "only an electronic copy through the PURA Web Filing System."¹

Please do not hesitate to contact me if you have any questions. Thank you.

Sincerely,


Brian E. Calabrese

Copy to: Service List

Attachment

¹ See Fifth Ruling on Temporarily Suspending Filing Paper Copies (Jun. 19, 2020).

STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

ADMINISTRATIVE PROCEEDING TO : DOCKET NO. 20-01-01
REVIEW THE CONNECTICUT LIGHT :
AND POWER COMPANY'S :
STANDARD SERVICE AND SUPPLIER :
OF LAST RESORT SERVICE 2020 :
PROCUREMENT RESULTS AND :
RATES : SEPTEMBER 1, 2020

BRIEF OF RETAIL ENERGY SUPPLY ASSOCIATION

The Retail Energy Supply Association (“RESA”)¹ hereby files its Brief in accordance with the August 25, 2020 Notice of Request for Briefs² of the Public Utilities Regulatory Authority (the “Authority”).

BACKGROUND

The Authority opened the instant docket to review procurement results and to consider approval of The Connecticut Light and Power Company d/b/a Eversource Energy’s (“Eversource’s”) proposed Standard Service and Last Resort Service rates.³

On May 1, 2020, Eversource made a filing to establish Standard Service and Last Resort Service Rates to be effective July 1, 2020.⁴ In the May 1, 2020 Rate Filing, however, Eversource described only the July 1, 2020 changes to the supply rates (i.e., the Generation Service Charge and Bypassable Federally Mandated Congestion Charge rates for Standard Service and Last

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

² Notice of Request for Briefs (Aug. 25, 2020).

³ Notice of Proceeding (Jan. 15, 2020).

⁴ Proceeding to Establish Total July 1, 2020 Rates (May 1, 2020) (“May 1, 2020 Rate Filing”).

Resort Service).⁵ Eversource indicated that it had not then determined the Non-Bypassable Federally Mandated Congestion Charge (“NBFMCC”) rate, the Transmission Adjustment Clause (“TAC”) rate, the Electric System Improvements (“ESI”) tracker adjustment, or the revenue decoupling mechanism (“RDM”) adjustment.⁶ Eversource indicated that since all of the delivery service rate components that would change on July 1, 2020 were not then available, they would be identified in a supplemental filing in this docket on or before June 15, 2020.⁷ On May 7, 2020, the Authority approved Eversource’s proposed changes to its supply rates (i.e., the Generation Service Charge and Bypassable Federally Mandated Congestion Charge rates for Standard Service and Last Resort Service).⁸ The Authority indicated that it would address Eversource’s subsequent filing separately.⁹

On June 19, 2020, Eversource made a filing to establish total Standard Service and Last Resort Service rates to be effective July 1, 2019.¹⁰ Among other things, the June 19, 2020 Rate Filing reflected TAC, NBFMCC, and RDM increases, as well as the ESI adjustment.¹¹ The NBFMCC rate increase was driven primarily by payments associated with power purchase agreements for the Millstone Nuclear Power Plant (“Millstone”).¹² The Authority approved

⁵ May 1, 2020 Rate Filing, at 5.

⁶ *Id.* at 6.

⁷ *See id.* at 1.

⁸ *See* Authority Correspondence (May 7, 2020), at 4.

⁹ *Id.*

¹⁰ Proceeding to Establish Total July 1, 2020 Rates (Jun. 19, 2020) (“June 19, 2020 Rate Filing”).

¹¹ *See id.* at 5-6.

¹² *See id.* at 2; *see also* Eversource Response to Interrogatory AG-2 (Aug. 13, 2020); *cf.* Docket No. 18-05-04, *PURA Implementation of June Special Session Public Act 17-3*, Second Interim Decision (Sept. 18, 2019) (“Millstone PPA Decision”) (approving a certain Zero Carbon Emissions Generation Unit Power Purchase Agreement Between The Connecticut Light and Power Company d/b/a Eversource Energy and Dominion Energy Nuclear Connecticut, Inc. (the “Millstone PPA”)).

Eversource's proposed TAC, NBFMCC, ESI, and RDM rates for billing effective July 1, 2020, subject to approval in the applicable rate adjustment mechanisms docket.¹³

On July 31, 2020, the Authority issued correspondence to Eversource.¹⁴ The Authority noted that, owing to the convergence of a number of events, including the July 1, 2020 administrative adjustment to certain delivery rate components, the COVID-19 pandemic and its corresponding effect on customer energy usage, as well as the higher than normal temperatures, Eversource customers received higher than anticipated electric bills.¹⁵ Consequently, the Authority stated that it would reexamine the administrative changes to the energy and transmission adjustment clauses approved for billing by its June 26, 2020 correspondence.¹⁶ Further, as an interim step, the Authority temporarily suspended its June 26, 2020 approval and ordered Eversource to use the RDM, TAC, NBFMCC, and ESI charges in effect prior to the Authority's June 26, 2020 approval letter.¹⁷ The Authority also scheduled a hearing to reexamine the suspended administrative adjustments.¹⁸ On August 24, 2020, the Authority held this hearing.¹⁹

Following the hearing, the Authority requested briefs on certain topics.²⁰ Among these topics is the following: Whether Connecticut General Statutes section 16a-3m "dictates the EDCs' [Electric Distribution Companies'] disposition of Millstone generated energy, specifically addressing whether the sale of Millstone generated energy directly to standard service customers

¹³ See Authority Correspondence (Jun. 26, 2020), at 2-3.

¹⁴ See Authority Correspondence (Jul. 31, 2020).

¹⁵ See *id.* at 1.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ See Notice of Hearing (Jul. 31, 2020).

¹⁹ See Hearing Recording (available at <https://ct-n.com/ctnplayer.asp?odID=17624>) (last visited Sept. 1, 2020).

²⁰ See Notice of Request for Briefs (Aug. 25, 2020).

is prohibited and whether the statute defines what constitutes the ‘net costs’ of the PPAs.”

Having separately moved for participant status,²¹ RESA addresses this question in this Brief.

LEGAL STANDARD

According to Connecticut General Statutes section 16a-3m(e)(3), for any agreement entered into pursuant to Connecticut General Statutes section 16a-3m(e)(2) (each a “PPA”):

The net costs of any such agreement, including costs incurred by the electric distribution company under the agreement and reasonable costs incurred by the electric distribution company in connection with the agreement, shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company. Any net revenues from the sale of products purchased in accordance with long-term contracts entered into pursuant to this section shall be credited to customers through the same nonbypassable fully reconciling rate component for all customers of the contracting electric distribution company.²²

ARGUMENT

Because the Millstone PPA is an agreement entered into pursuant to Connecticut General Statutes section 16a-3m(e)(2) that was approved by the Authority,²³ its net costs are to be recovered through a non-bypassable fully reconciling component of electric rates for all customers of Eversource.²⁴ Recovering these costs from only a portion of Eversource’s customers (such as the portion enrolled on Standard Service) or through a bypassable charge (such as the Generation Service Charge for customers enrolled on Standard Service) is not consistent with Connecticut General Statutes section 16a-3m(e)(3).

Moreover, even apart from the text of Connecticut General Statutes section 16a-3m, the net costs of agreements entered into pursuant to Connecticut General Statutes section 16a-

²¹ See Retail Energy Supply Association Motion for Participant Status (Sept. 1, 2020).

²² Conn. Gen. Stat § 16a-3m(e)(3).

²³ See Millstone PPA Decision, at 25 (approving the Millstone PPA).

²⁴ See Conn. Gen. Stat § 16a-3m(e)(3).

3m(e)(3), as well as any net revenues, are best recovered from (or, as applicable, credited to) all EDC customers, as contemplated by the Millstone PPA Decision.²⁵ Using the Millstone PPA to supply Standard Service, whether directly, by selling energy procured via the Millstone PPA to Standard Service customers, or indirectly, by assigning such net costs and net revenues associated with the Millstone PPA to Standard Service, could distort the retail electric supply market in Connecticut and have other deleterious effects on it.

Fundamentally, supplying Standard Service with energy purchased under a long-term agreement, such as the Millstone PPA (or another PPA), could affect the retail electric supply market by changing the level and volatility of Standard Service rates. Doing so would make Standard Service less of a market-based generation supply product.²⁶ The rates charged to Standard Service customers would be more a reflection of the PPA rates and less a reflection of market prices. As a result, significant changes could arise between Standard Service rates and the prices of more market-based generation supply products offered by electric suppliers. To ensure that they could offer products that customers might choose over Standard Service, suppliers might be required to make changes to their wholesale procurement strategies and pricing strategies, which could change the types of generation supply products being offered in the retail supply market or even the number of participants in the market.

For example, some suppliers choose to sell longer-term electric supply products.²⁷

However, if Standard Service is supplied via a long-term PPA, and is subject to less fluctuation

²⁵ See Millstone PPA Decision, at 22-23.

²⁶ If the Authority is inclined to make changes to Standard Service, it should do so only after a full inquiry into the costs recovered through the Generation Service Charge for customers enrolled on Standard Service. This inquiry should ensure that cost components properly recovered through base rates are not included in the Generation Service Charge and ensure that Standard Service is a market-based product, not a vehicle for the recovery of EDC capital costs or operations and maintenance expense.

²⁷ See Connecticut Rate Board, <https://www.energizect.com/compare-energy-suppliers> (last visited Sept. 1, 2020) (showing retail supply offers with terms of thirty-six months).

in its rates than it currently is, the value of longer-term competitive supply products may be reduced, and suppliers that offer them may be required to reassess their strategies or participation in the Connecticut retail electric supply market.

Moreover, suppliers currently offering such longer-term and other electric supply products have made pricing, wholesale procurement, marketing, and other business decisions, and committed resources in certain ways, with a view to competing with Standard Service as it is currently supplied. Making significant changes to the approach for supplying Standard Service, such as by supplying Standard Service with energy purchased under a long-term PPA, would frustrate these business decisions and could diminish the value of the such suppliers' investments.

Supplying Standard Service with energy purchased under a long-term PPA, such as the Millstone PPA, also will create a disconnect between retail prices and the wholesale market prices. This disconnect will harm the development of Connecticut's energy markets by sending inaccurate pricing signals to consumers. For a full range of competitive retail options to continue to develop, including competitive demand response and energy efficiency offerings, Standard Service rates should reflect wholesale price signals. This will further the State's goals of sending accurate pricing signals and encouraging energy efficiency.²⁸ Because long-term contracts can obscure market signals, consumers focusing on rates set by long-term agreements may not receive the information and incentives that they need in order to make reasoned decisions as to energy efficiency and alternative energy offerings. If customers receive effectively locked-in prices for a long period, they will receive the wrong price signals and may not explore demand-side conservation measures and improvements that they otherwise would.

²⁸ See Comprehensive Energy Strategy (Feb. 8, 2018), at 60 (describing the importance of demand response and its reliance on market signals).

Further, supplying Standard Service through the Millstone PPA could impose significant cost recovery risk on Standard Service customers. If Standard Service is supplied through the Millstone PPA, and Standard Service rates are generally higher than competitive supply prices, many customers likely will choose a competitive supply product for generation supply instead of Standard Service to avoid the higher Standard Service rates.²⁹ This could lead to even higher Standard Service rates. Because there would be a smaller customer base from which to recover the costs of the Millstone PPA, it would be necessary to increase rates to recover these costs. Yet, because customers could avoid these further increased rates simply by switching to competitive supply, raising rates to address customers' switching to competitive supply would accelerate customers' switching from Standard Service to competitive supply. Ultimately, significant amounts of deferred costs could develop that might not be reasonably recovered from the remaining Standard Service customers and might need to be addressed in some extraordinary way. Further, if such costs are deferred for recovery over a significant amount of time, the existence of such deferred costs, and the need to recover them, could ensure that Standard Service rates must remain at elevated levels at times when prices of energy under the Millstone PPA are less than the price of energy in the market.

RESA appreciates the appeal of supplying Standard Service from the energy procured under the Millstone PPA and recovering associated costs from Standard Service customers. Indeed, doing so would prevent customers who have made choices to receive generation supply

²⁹ Unlike other customers, however, hardship customers would be unable to avoid higher Standard Service rates by switching to competitive supply. See Docket No. 18-06-02, *Review of Feasibility, Costs and Benefits of Placing Certain Customers on Standard Service Pursuant to Conn. Gen. Stat. § 16-245o(m)*, Decision (Dec. 18, 2019) (the "Hardship Customer Order"), at 18 (ordering hardship customers returned to Standard Service and ordering the EDCs to implement measures to prevent hardship customers from enrolling with an electric supplier). Consequently, hardship customers might bear the burden of higher Standard Service rates disproportionately. This outcome would be contrary to the intent of the Hardship Customer Order, which emphasized cost savings. See *id.*

from an electric supplier from bearing responsibility for energy supply costs that they did not choose to incur. Nevertheless, supplying Standard Service directly from the energy procured under the Millstone PPA unreasonably injects significant uncertainty into the retail electric supply market and imposes significant risks on Standard Service customers. By contrast, the current process of recovering the net cost of PPAs from all customers through the NBFMCC, but crediting the net revenues of PPAs back to all customers through the same mechanism,³⁰ is a balanced, neutral approach that will not distort the retail supply market. All customers alike bear the expense, and receive the benefits, of PPAs and are able to participate in the competitive retail supply market according to their own preferences.

RESA also appreciates the Authority's concern with the effects of the Eversource's now-suspended July 1, 2020 rate increase.³¹ The Authority has various options to mitigate those effects in the short term,³² such as collecting under-recoveries over a longer period of time. That said, extending the amortization period for these under-recoveries calls for close scrutiny of carrying costs. For example, the Authority could consider whether calculating carrying charges on a rate less than Eversource's weighted average cost of capital is reasonable.³³

More broadly, the issues in this proceeding emphasize the critical need for customers and other market participants to be provided with transparent, sufficiently detailed information about EDC rates and rate increases. Specifically identifying PPA costs as line items on customer bills will advance this goal and increase transparency and customer awareness of these costs. Yet, the Authority should not limit its efforts to ensure transparency in EDC rates and rate increases to

³⁰ See Conn. Gen. Stat § 16a-3m(e)(3).

³¹ See Authority Correspondence (Jul. 31, 2020).

³² See, e.g., Eversource response to Interrogatory AG-13.

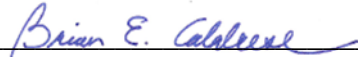
³³ Cf. Eversource response to Interrogatory EL-2 (Aug. 13, 2020) (calculating the carrying charges for amortizing Millstone PPA-associated under-recoveries using Eversource's weighted average cost of capital).

such measures. Rather, it should enhance its scrutiny of all of the rate components considered in this and comparable dockets, including the NBFMCC, TAC, and Standard Service itself. Doing so will allow the Authority to ensure that customers are adequately informed, that bundling rate components in particular charges does not obscure the full effects of EDC decisions, and that costs are properly allocated between generation service rates and base rates.

CONCLUSION

For all the foregoing reasons, the Authority should decline to pursue the sale of Millstone generated energy to Standard Service customers.

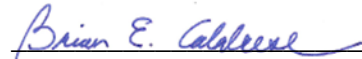
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CERTIFICATION

I certify that a copy of the foregoing was sent to all participants of record on this 1st day of September 2020.



Brian E. Calabrese