



# STATE OF CONNECTICUT

**PUBLIC UTILITIES REGULATORY AUTHORITY  
TEN FRANKLIN SQUARE  
NEW BRITAIN, CT 06051**

**DOCKET NO. 12-06-02RE03    REQUEST FOR PURA REVIEW OF POWER  
PROCUREMENT PLAN - REVIEW AND AMEND**

December 20, 2017

By the following Commissioners:

Katherine S. Dykes  
John W. Betkoski, III  
Michael A. Caron

Lead Staff: P. Carver  
Legal Advisor: C. Arsenault

**DECISION**

## **DECISION**

### **I. INTRODUCTION**

#### **A. SUMMARY**

In this Decision, pursuant to §16-244m(d)(1) of the Connecticut General Statutes, the Public Utilities Regulatory Authority approves amendments to the Power Procurement Plan approved on October 12, 2012, in Docket No. 12-06-02, Request for PURA Review of Power Procurement Plan. These modifications, as proposed, would change the Technical Session requirement so that the Technical Session would be held three days after each bid day rather than the day following each bid day and allow the Electric Distribution Companies to transfer the required number of Class 1 Renewable Energy Credits from the appropriate non-bypassable account to its Last Resort Service or Standard Service account at a transfer price approved by the Procurement Manager.

#### **B. BACKGROUND OF THE PROCEEDING**

By Decision dated October 12, 2012, in Docket No. 12-06-02, Request for PURA Review of Power Procurement Plan, (2012 Decision) the Public Utilities Regulatory Authority (Authority or PURA) approved, pursuant to the General Statutes of Connecticut (Conn. Gen. Stat.) §16-244m, a plan for the procurement of electric generation services and related wholesale electricity market products that enable each electric distribution company (EDC) to manage a portfolio of contracts to reduce the average cost of standard service while maintaining standard service cost volatility within reasonable levels.

By Decision dated August 13, 2014, the Authority approved amendments to the Power Procurement Plan (Procurement Plan or Plan) that would allow flexibility in the scheduled procurements, establish a process for immediate decision making to address unforeseen issues in competitive procurement events and self-managed procurement, allow the Procurement Manager (PM) to approve the Supplier of Last Resort contracts in the same manner as the Standard Service contracts are handled and provide a procedure for the electric distribution companies to disclose information regarding self-managed procurement.

On November 2, 2016, the PM requested further amendments to the Procurement Plan to change the Technical Session requirement so that the Technical Session would be held three days after each bid day rather than the day following each bid day.

#### **C. CONDUCT OF THE PROCEEDING**

On February 21, 2017, the PM filed a report that included a request for Authority approval of amendments to the Procurement Plan.

The Authority solicited comments in this matter by a Notice of Request for Written Comments and Reply Comments dated February 1, 2017. The Authority received and reviewed the Written Comments and Reply Comments submitted by the Participants in this proceeding. A Notice of Hearing dated April 19, 2017, elicited no requests for a Hearing; therefore, by a Notice of Cancellation of Hearing dated May 8, 2017, it was cancelled.

#### **D. PARTICIPANTS**

The Department recognized the following as Participants to this proceeding: UI, P. O. Box 1564, New Haven, Connecticut 06506-0901; CL&P, P. O. Box 270, Hartford, Connecticut 06141-0207; the Office of the Attorney General, Ten Franklin Square, New Britain, Connecticut 06051; Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (jointly, Constellation), 101 Constitution Avenue, N.W., Suite 400 East, Washington, District of Columbia; the Retail Energy Supply Association (RESA), 280 Trumbull Street, Hartford, Connecticut 06103-3597; Levitan & Associates, Inc., 100 Summer Street, Suite 3200, Boston, Massachusetts 02110; the PM at the Authority, Ten Franklin Square, New Britain, Connecticut 06051; Commissioner, Department of Energy and Environmental Protection (DEEP), 79 Elm Street, Hartford, CT 06106-5127; and the Office of Consumer Counsel (OCC), Ten Franklin Square, New Britain, Connecticut 06051.

### **II. PROPOSED AMENDMENTS**

#### **A. PROCUREMENT MANAGER**

The Procurement Plan requires the PM, the OCC, and the EDCs to participate in a technical meeting before the Authority the day following each Standard Service/Last Resort Service (SS/LRS) bid day in order to discuss and document the basis for the PM's bid day decisions. Because confidential bid information is revealed during the technical meeting most of the discussion occurs during a protected session. Prior to the technical meeting, the PM publicly files a letter describing the overall outcome of the procurement and identifying the dates on which redacted bid information will become publicly available. The PM also files a protected document that furnishes details on the bids received, contracts awarded, and the basis for selection. The Authority receives these documents to review prior to each technical meeting. PM Written Comments, p. 3.

The PM now petitions to amend this process to allow more flexibility in the documentation process. Although the SS/LRS documents would continue to be filed no later than the close of business on the day following each bid day, the PM asks that the technical meeting be held three business days after, instead of the day following each bid day. Further, the PM proposes that the technical meeting would be canceled if the PM or the Authority determines that such a meeting is unnecessary. Id. No Participant objected to these proposed amendments.

**B. THE UNITED ILLUMINATING COMPANY**

In addition to the PM's petition, UI requested an amendment to the Procurement Plan to allow the company to transfer Class I renewable energy certificates (REC) that it produces or purchases under long-term contracts to its load-serving obligation when it self-manages LRS or SS load, with such transfer taking place at a price that is reflective of the market price for Class I RECs at the time of the transfer, subject to approval of the PM. According to UI, this proposed amendment will benefit customers by eliminating the unnecessary sale and re-purchase of the same quantity of Class I RECs from the wholesale market as well as alleviating the administrative burdens associated with such sale and repurchase. UI Written Comments, pp. 2 and 3.

Occasionally the EDC is required to self-manage its LRS obligation due to lack of competitive LRS bids in its quarterly requests for proposals and the Plan also provides for the possibility of self-managing a portion of its SS requirements. UI has a growing portfolio of long-term contracts through various state renewable energy programs and owns 10 MW of its own Class I generation. UI purchases Connecticut Class I RECs under these long-term contracts or produces them through its own generation and then resells the RECs into the wholesale market. Conversely, when UI self-manages its LRS obligations, it must purchase Class I RECs from the same wholesale market. This process of both buying and selling the same commodity creates unnecessary inefficiency and cost for UI's customers. Id., pp.1 and 2.

The PM agrees with UI's proposed amendment which would allow the company to transfer the Class I RECs that it produces or purchases under long-term contracts to its load-serving obligation when it self-manages LRS or SS load. These transfers would occur at a price that is reflective of the current market price for Class I RECs, subject to the PM's approval. The PM recommended that in addition to UI's proposal that the transfer of RECs is elective if it avoids transaction costs, but not mandatory. The PM further recommended CL&P use the same process in its self-managed load. If the EDC intends to utilize RECs procured through long term purchased power agreements (PPAs) for compliance, this will be noted in the self-management plan provided to the PM, along with the documentation on how the transfer price will be set. The EDC's monthly self-management reports should include the quantity of RECs transferred and their price. PM Reply Comments, p. 1.

**III. AUTHORITY ANALYSIS**

The PM's proposal to allow the technical meeting to take place approximately three business days after each bid day instead of the current practice of holding the technical meeting the very next day is both flexible and practical. Currently, the PM approves the bids on bid day and the technical meeting is held to inform the Authority of his decision. As no approval is necessary from the PURA, allowing the results to be relayed in a manner where the timing is more flexible makes the process more resilient. Scheduling technical meetings that require the presence of many parties can be better accommodated with this added flexibility. Therefore, the proposal is approved.

UI's proposed amendment to the Plan would allow the EDCs to transfer Class I RECs that it produces or purchases under long-term contracts to its load-serving

obligation when it self-manages LRS or SS load. These transfers would take place at a price that is reflective of the market price for Class I RECs at the time of the transfer, subject to approval of the PM. As an example, if the EDC has an inventory of 20,000 Class I RECs from long-term contracts and its own generation, and an obligation to provide 1,000 Class I RECs to meet its RPS obligation for LRS, it would be allowed to transfer 1,000 Class I RECs from the appropriate non-bypassable account to its LRS account at a transfer price approved by the Procurement Manager. The remaining 19,000 Class I RECs would be sold into the wholesale market. UI Written Comments, p. 2.

Allowing the utility to avoid the sale and re-purchase of an equal quantity of Class I RECs from the wholesale market has the potential to reduce the administrative burdens and costs associated with the transactions. Ratepayers can benefit from such reduced burdens and costs. UI's proposed amendment to the Plan is consistent with long-term contracting statutes, inasmuch as those statutes allow for the utilization of contracted RECs to meet an electric distribution company's RPS requirements for SS and LRS. See Conn. Gen. Stat. §§16-244r(d) and 16-244t(d) ("an electric distribution company may retire the renewable energy credits it procures through long-term contracting to satisfy its obligation pursuant to section 16-245a"); Conn. Gen. Stat. §16-244v(c) ("the amount of renewable energy from such facilities shall be applied to reduce the electric distribution company's Class I renewable energy source portfolio standard obligations").

The PM recommended additions to UI's proposal. The PM added that the transfer of RECs would be elective if it avoids transaction costs, but not mandatory. The PM further recommended that CL&P use the same process in its self-managed load. When utilizing RECs procured through long term PPAs for compliance, the EDCs would report such in the monthly self-management plan provided to the PM. The monthly plan would provide documentation on how the transfer price was set and include the quantity of RECs transferred and the price(s).

The PM recommended additions are essential. Simply authorizing the utility to transfer contracted RECs for use for self-managed portions of SS or LRS does not relieve the utility of its various obligations under both the long-term contracting statutes and the Procurement Plan. The utility has an obligation to prudently manage the sale and use of the RECs it has contracted for, to the benefit of the ratepayers. It is PURA's expectation that the utility will do its best to maximize the likely net value of the RECs to ratepayers over time through its sale and use of these RECs. Such savings, moreover, are credited back to *all* ratepayers through the NBFMCC. Under the Procurement Plan, the utility has a different obligation to procure low-cost, competitive rates for SS and LRS customers, inclusive of the cost of RECs needed to meet supply obligations of Connecticut's RPS.

The Authority, in this decision, approves the proposal to transfer contracted RECs for use for SS and LRS customers as part of the self-managed portion with the additions requested by the PM explained below. It will still be incumbent on the utility to demonstrate that the circumstances of such transfer (for instance, the method of valuing the contracted RECs in the transfer) satisfy the utility's obligation to prudently manage

its sales and use of the RECs. PURA is open to the Utility's ideas as to how this can be accomplished and demonstrated.

#### **IV. CONCLUSION**

The amendments to the Procurement Plan as proposed by the PM which would change the current requirement that a technical meeting be held the day following each bid day to a requirement that a technical meeting be held approximately three days after each bid day, if needed, are hereby approved. The Authority also approves the amendments to the Plan, including the PM's additions as previously discussed, and proposed by UI to allow the EDCs to transfer the required number of Class I Renewable Energy Credits from the appropriate non-bypassable account to its LRS or SS account at a transfer price approved by the PM. Importantly, the transfer of RECs would be elective, not mandatory for the EDCs. The EDCs will be required to report the transfers in the monthly self-management plan provided to the PM. That monthly plan would provide documentation on how the transfer prices were set and include the quantity of RECs transferred and the transfer price(s).

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This Decision is adopted by the following Commissioners:

Katherine S. Dykes

John W. Betkoski, III

Michael A. Caron

**CERTIFICATE OF SERVICE**

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



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Jeffrey R. Gaudiosi, Esq.  
Executive Secretary  
Public Utilities Regulatory Authority

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December 20, 2017  
Date