



# STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL  
TEN FRANKLIN SQUARE  
NEW BRITAIN, CT 06051

## DOCKET NO. 01-01-05 DPUC MONITORING THE STATE OF COMPETITION IN THE ELECTRIC INDUSTRY

December 19, 2001

By the following Commissioners:

Donald W. Downes  
John W. Betkoski, III  
Jack R. Goldberg

### DECISION

Section 16-245x(b) of the General Statutes of Connecticut (Conn. Gen. Stat.) requires the Department of Public Utility Control (Department) to monitor the state of competition for the electric industry in Connecticut and to report its findings to the Legislature beginning January 1, 2002, and annually thereafter. In addition, the statute requires the Department to monitor the price differential between residential and industrial customers. If that price differential increases by more than 3%, from the differential that existed on January 1, 1998, the Department must institute an investigatory proceeding to determine why the differential has changed. In compliance with the aforementioned directives, the Department submits the following report.

Public Act 98-28, An Act Concerning Electric Restructuring (Act), created a competitive generation segment of the electric industry, effective January 1, 2000. On that date, customers of The United Illuminating Company (UI) and The Connecticut Light and Power Company (CL&P, together Companies) were able to choose an

alternate supplier for their electric generation service.<sup>1</sup> At that time, the Department established Generation Service Charge (GSC) rates for UI and CL&P based on each company's cost to acquire standard offer generation, plus a "retail adder," an estimate of the cost that retail suppliers would incur to provide electric service to each class of customers. The GSC rates, which represent the energy component of each customers' unbundled electric service, were set at a level to attract competitive suppliers to the Connecticut market. The following table shows the current average GSC rate by customer class.<sup>2</sup>

<b>Average Generation Services Charge Rates by Customer Class</b>				
<b>Effective January 1, 2000</b>				
<b>(cents per kWh)</b>				
<b>Company</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Street Lighting</b>
CL&P	5.35	4.48	4.43	4.12
UI	4.86	4.29	4.00	3.20

The Act authorizes the Department to license electric suppliers and aggregators in Connecticut. To date the Department has licensed 12 suppliers and 12 aggregators. The following is a listing of those entities.

<b>Licensed Suppliers and Aggregators</b>	
<b>Suppliers</b>	<b>Aggregators</b>
AES New England	ABCD Electric
Connecticut Energy Cooperative	CBIA Service Corp.
Dominion Resources	Connecticut Energy Cooperative
Energy East Solutions	Consumers' Energy Company
Green Mountain.com	Dominion Resources
SCASCO	Essential.com
Select Energy	Levco Tech
Sempra Energy Trading Corp.	Manufacturing Alliance of CT
Smart Energy.com	Northeast Energy Management
Strategic Energy	Online Choice.com
The New Power Company	Standard Oil of CT
Utility.com	XENERGY

CL&P provides electric service to approximately 1.1 million customers in Connecticut while UI serves approximately 320,000. Combined, these Companies serve about 95% of the State's population, with the remainder served through municipal

<sup>1</sup> Conn. Gen. Stat. 16-244b phased-in electric retail competition. On January 1, 2000, up to 35% of the peak load of each rate class of an electric distribution company was allowed to choose an alternate electric supplier to provide electric generation service. As of July 1, 2000, all customers were provided the opportunity to choose an alternate electric supplier.

<sup>2</sup> Pursuant to the Decision dated June 20, 2001, in Docket No. 00-12-01 & 99-03-36RE03 – Petitions of the Office of Attorney General and Office of Consumer Counsel for an Investigation of Over-Earnings by The Connecticut Light and Power Company; DPUC Determination of The Connecticut Light and Power Company's Standard Offer - 16-19(g); and Decision dated October 24, 2001, in Docket No. 99-03-36RE02 - DPUC Determination of The Connecticut Light and Power Company's Standard Offer – 2000 Reconciliation, the Department reduced CL&P's distribution and transmission rates and increased the GSC rates. Those rates have not been finalized.

electric systems. The following table shows the number of customers for each utility, by class, and the number that have switched to a competitive electric supplier or aggregator as of October 2001.

<b>Alternate Suppliers Providing Service In Connecticut</b>						
<b>As of October 2001</b>						
<b>Company</b>	<b>Residential</b>		<b>Commercial</b>		<b>Industrial</b>	
	Total Customers	Number that have Switched	Total Customers	Number that have Switched	Total Customers	Number that have Switched
CL&P	1,042,684	2,161	95,207	56	3,948	0
UI	286,156	378	29,896	3	1,698	0

As evidenced by the data, approximately 1/10<sup>th</sup> of one percent of all customers have switched suppliers. The following table shows the retail suppliers that are providing service to the customers of CL&P and UI.

<b>Switches to Competitive Suppliers</b>			
<b>As of October 2001</b>			
<b>The Connecticut Light and Power Company</b>			
	Residential	Commercial	Total
Connecticut Energy Co-op	1,680	55	1,735
Green Mountain Energy	<u>481</u>	<u>1</u>	<u>482</u>
Total	2,161	56	2,217
<b>United Illuminating</b>			
	Residential	Commercial	Total
Connecticut Energy Co-op	200	3	203
Green Mountain Energy	<u>178</u>	<u>0</u>	<u>178</u>
Total	378	3	381

The following table shows the price differential that existed between residential and industrial customers on January 1, 1998 and the annual average price differential between these customer classes as of January 1, 2001. As required by Conn. Gen. Stat. 16-245x, the total average residential and industrial rates are calculated by dividing the total class revenue by the total class kilowatthour (kWh) sales, while the percentage differential is calculated as the difference in the rates divided by the average residential rate.

Price Differential Between Residential and Industrial Customers
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(cents per kWh)

	As of January 1, 1998				As of January 1, 2001				Change
	Avg. Rate per kWh		Dif. in Rates	% Difference	Avg. Rate per kWh		Dif. in Rates	% Difference	
	Residential	Industrial			Residential	Industrial			
CL&P	11.95	7.85	4.09	34.3%	10.63	7.15	3.48	32.7%	-1.5%
UI	13.65	8.79	4.86	35.6%	12.29	8.46	3.83	31.2%	-4.4%

Source of Data:

January 1, 1998 - CL&amp;P and UI 1997 FERC Form 1, p. 304.

January 1, 2001 - CL&amp;P and UI 2000 FERC Form 1, p. 304.

As the above table shows, the price differential between residential and industrial customers was 34.3% and 35.6% for CL&P and UI, respectively, and has declined as of January 1, 2001. Therefore, the Department need not institute a proceeding to address the price differential between residential and industrial customers at this time.

The General Assemble put in place a four-year "Standard Offer" period (January 1, 2000, through December 31, 2003) and half-way through that time, the Department will assess what, if any, changes or modifications may be necessary to the state's electric industry operations and infrastructure. Due to the limited switching that has taken place to date the Department has opened two proceedings to investigate options to improve competition in Connecticut. One of the new proceedings will address the overall status of restructuring during the remainder of the standard offer period. It will also investigate and gather information on the viability and reliability of the contracts that UI and CL&P have in place for the provision of their respective standard offer electric service to determine if the pricing of those contracts should be tied to market conditions. The other proceeding will investigate options for the provision of default service after the standard offer period ends.

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THE ELECTRIC INDUSTRY**

This Decision is adopted by the following Commissioners:

Donald W. Downes

John W. Betkoski, III

Jack R. Goldberg

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, 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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Louise E. Rickard  
Acting Executive Secretary  
Department of Public Utility Control

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12/21/01

Date