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 17, 2003

By the following Commissioners:

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

DECISION

I. INTRODUCTION

Section 16-245x(a) of the General Statutes of Connecticut (Conn. Gen. Stat.) requires the Department of Public Utility Control (Department) to monitor the state of competition in 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. The Department is required to calculate the difference between the "total average residential rate" and "total average industrial rate" for electric service. Accordingly, no later than January 1, 2002, and annually thereafter, the Department must report the calculated proportions and differences. 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.

Section 16-245x also requires each electric distribution company to submit quarterly reports containing the average price for electric service per customer class, and separately within the residential class, the price for electric service under the standard offer.

In compliance with the aforementioned directives, the Department submits the following report.

A. AVERAGE GENERATION SERVICE CHARGE RATES

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.[1] 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. Table 1 shows the current and historical average GSC rate by customer class.[2] The increase in CL&P's GSC rate from 2002 to 2003 is due to the inclusion of Standard Market Design charges in its 2003 GSC rates.

Table 1

Standard Offer Average Generation Services Charge Rates by Customer Class
(cents per kWh)

	Residential			**Commercial**			**Industrial**			**Street Lighting**		
	2000 & 2001	2002	2003	2000 & 2001	2002	2003	2000 & 2001	2002	2003	2000 & 2001	2002	2003
CL&P	5.35	5.44	5.89	4.48	4.55	5.10	4.43	4.45	4.90	4.12	4.14	4.56
UI	4.86	5.44	5.45	4.29	4.57	4.58	4.00	4.32	4.35	3.20	4.13	4.00

Source: Docket 01-01-05, Compliance Filings, CL&P and UI-Revised, dated 12/8/03 and 12/15/03 respectively

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[1] 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.

[2] The GSC rates for CL&P were increased pursuant to the Decision dated June 20, 2001, in Docket No. 00-12-01 & 99-03-36RE03, <u>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)</u>. Those rates became effective on March 1, 2002. The GSC rates for UI were increased pursuant to the Decision dated September 26, 2002, in Docket No. 01-10-10, <u>DPUC Review of The United Illuminating Company's Rate Filing and Rate Plan Proposal</u>. In general, UI's GSC rates were increased to equal those of CL&P. UI's rates became effective in 2003.

B. SUPPLIERS AND AGGREGATORS

Section 16-245 of the Conn. Gen. Stat., as amended by Public Act 03-135, An Act Concerning Revisions to the Electric Restructuring Legislation, authorizes the Department to license electric suppliers in Connecticut.[3] At the present time there are 12 suppliers and 13 registered aggregators in Connecticut. The following is a listing of those entities.

Table 2

Licensed Suppliers and Registered Aggregators as of October 2003

Suppliers	Aggregators
Conn. Resources Recovery Authority	ABCD Electric
Constellation New Energy, Inc.	CBIA Service Corporation
Dominion Resources, Inc.	Chamber Energy Coalition, Inc.
Energy East Solutions, Inc.	Competitive Energy Services - Conn., LLC
Green Mountain Energy Company	Consumers' Energy Company, Inc.
SCASCO, Inc.	Dominion Resources, Inc.
Select Energy, Inc.	Essential.Com, Inc.
Sempra Energy Trading Corp.	Hospital Energy Services, LLC
Sprague Energy Corporation	Levco Tech, Inc.
Strategic Energy, LLC	Manufacturing Alliance of Conn.
TransCanada Power Marketing, Ltd	Northeast Energy Management Corp.
Utility.com	OnlineChoice.com
	Standard Oil of Connecticut, Inc.

C. CUSTOMER SWITCHING

CL&P provides electric service to 1,143,422 customers in Connecticut while UI serves approximately 319,327. Combined, these Companies serve about 95% of the State's population, with the remainder served through municipal electric systems. As of October 2003, a total of 23,037 Connecticut consumers had switched to competitive suppliers, all of whom are customers of CL&P. Tables 3 and 4 show the number of customers for each utility by class, and the number per class that have switched to competitive suppliers. In addition to the number of customers that have switched, Tables 5 and 6 show the proportion of total sales that are made through competitive suppliers along with a comparison of the average utility-sponsored (i.e., Standard Offer) GSC rate and the average price that is being charged by competitive suppliers by class and in total.

[3] Conn. Gen. Stat. 16-245, as ammanded by Public Act 03-135, now provides for the registration of aggregators in Connecticut.

Table 3 - 2003

Alternative Supply Provided in Connecticut

As of October 2003

	Residential			Commercial			Industrial		
	Total Customers	No. that have switched	%	Total Customers	No. that have switched	%	Total Customers	No. that have switched	%
CL&P	1,034,679	22,988	2.22%	104,787	48	0.05%	3,956	1	0.03%
UI	288,141	0	0.00%	29,615	0	0.00%	1,571	0	0.00%
Total	1,322,820	22,988	1.74%	134,402	48	0.04%	5,527	1	0.02%

Source of Data: October 2003 CL&P and UI EIA-826 Forms

Table 3 - Summary of Switches as of October 2003

	Total Customers	Total Switched	Percent
CL&P	1,143,422	23,037	2.23%
UI	319,327	0	0%
Total	1,462,749	23,037	1.58%

Source of Data: CL&P and UI EIA-826 Forms-October 2003

As evidenced by the above data, 23,037 or 1.58% of all customers, all of whom are in CL&P's territory, have switched to competitive suppliers. As indicated in footnote 2, the GSC rates for UI were increased to make them comparable to CL&P's. UI's revised rates became effective for bills rendered in January 2003. The Department had believed that as a result of increasing UI's GSC rates that more of UI's residential customers would begin switching to competitive suppliers in 2003. However, switching within UI's territory did not occur and currently there are no UI customers being served by competitive suppliers.

The number of commercial and industrial customers that have switched, all in CL&P's service territory, represents .003% of the total combined CL&P and UI customers. Only one industrial customer has switched. The following table shows the retail suppliers that are providing service to the CL&P customers.

Table 4

Switches to Competitive Suppliers - As of October 2003

The Connecticut Light and Power Company

	Residential	Commercial	Industrial	Total
Constellation New Energy, Inc.	0	2	0	2
Dominion Resources, Inc.	22,988	41	0	23,029
Select Energy, Inc.	0	0	1	1
TransCanada Power	0	5	0	5
Total	22,988	48	1	23,037

Source of Data: CL&P EIA-826 and CL&P

As Table 4 shows, only four suppliers are currently serving customers in Connecticut, all within CL&P's service territory.

The following tables provide additional information required under Section 16-245x of the Statute.

Table 5

Proportion of Customers Taking Generation Service From Competitive Suppliers

The Connecticut Light and Power Company

	Standard Offer GSC 2002	Standard Offer GSC 2003	Competitive Supplier 2002	Competitive Supplier 2003	Total 2002	Total 2003
Residential						
Sales (MWh)	9,332,839	9,900,194	111,238	282,007	9,444,077	10,182,201
Generation Revenues $(000)	$508,041	$583,469	$5,999	$15,741	$514,040	599,210
Avg. Rate (cents per kWh)	5.44	5.89	5.39	5.58	5.44	5.88
Proportion based on sales	98.8%	97.2%	1.2%	2.8%		
Commercial						
Sales (MWh)	9,554,022	9,552,464	12,124	81,799	9,566,146	9,634,262
Generation Revenues $(000)	$434,538	$486,965	$642	$3,548	$435,180	$490,513
Avg. Rate (cents per kWh)	4.55	5.1	5.30	4.34	4.55	5.09
Proportion based on sales	99.9%	99.2%	0.1%	0.8%		
Industrial						
Sales (MWh)	3,673,869	3,476,775	96,146	150,916	3,770,015	3,627,691
Generation Revenues $(000)	$163,424	$170,468	*	*		
Avg. Rate (cents per kWh)	4.45	4.9	*	*		
Proportion based on sales	97.4%	95.8%	2.6%	4.2%		
Streetlighting						
Sales (MWh)	104,995	103,063	54	1,874	105,049	104,937
Generation Revenues $(000)	$4,346	$4,704	$2	$75	$4,348	$4,779
Avg. Rate (cents per kWh)	4.14	4.56	3.48	3.98	4.14	4.55
Proportion based on sales	99.9%	98.2%	0.1%	1.8%		
Total Sales	22,665,725	23,032,496				
Total Third Party			219,562	516,596		
Percentage of Total					0.969%	2.243%

* One industrial customer is served by a third party supplier.
Therefore, these values have been redacted to maintain confidentiality.
Source: Docket No. 01-01-05, Revised CL&P Compliance 12-16-03

Table 5 shows that approximately 2.2% of CL&P's total sales are being provided by a third party supplier while Table 6 indicates that essentially none of UI's total sales are provided by competitive suppliers.

Table 6

Proportion of Customers Taking Generation Service - Revised
From Competitive Suppliers

The United Illuminating Company

	Standard Offer GSC 2002	Standard Offer GSC 2003*	Competitive Supplier 2002	Competitive Supplier 2003*	Total 2002	Total 2003
Residential						
Sales (MWh)	2,191,024	2,257,224	2,819	417	2,193,843	2,257,641
Generation Revenues $(000)	$106,287	$122,989	$177	$27	$106,464	$123,016
Avg. Rate (cents per kWh)	4.85	5.45	6.28	6.41	4.85	5.45
Proportion based on sales	99.9%	100.0%	0.1%	0.0%		
Commercial						
Sales (MWh)	2,455,623	2,506,517	64	4	2,455,687	2,506,521
Generation Revenues $(000)	$102,670	$114,854	$4	$0	$102,674	$114,854
Avg. Rate (cents per kWh)	4.18	4.58	6.50	6.50	4.18	4.58
Proportion based on sales	99.997%	100.000%	0.003%	0.000%		
Industrial						
Sales (MWh)	1,039,993	958,733	0	0	1,039,993	958,733
Generation Revenues $(000)	$42,165	$41,699	$0	$0	$42,165	$41,699
Avg. Rate (cents per kWh)	4.05	4.35	0.00	0.00	4.05	4.35
Proportion based on sales	100.0%	100.000%	0.0%	0.0%		
Streetlighting						
Sales (MWh)	45,908	45,864	0	0	45,908	45,864
Generation Revenues $(000)	$1,561	$1,891	$0	$0	$1,561	$1,891
Avg. Rate (cents per kWh)	3.40	4.00	0.00	0.00	3.40	4.12
Proportion based on sales	100.0%	100.000%	0.0%	0.0%		
Total Sales	5,732,548	5,768,338				
Total Third Party			2,883	420		
Percentage of Total					0.050%	0.007%

*Represents 10 months actual and 2 months forecast as the GSC rate changed in January 2003
Source: Docket No. 01-01-05, Revised UI Compliance Filing dated 12/15/03

The price differences for 2003, between the Standard Offer GSC and supplier-provided generation service (i.e., the average rate per kWh) are shown above. The table indicates that the price of supplier-provided service is slightly higher than the Standard Offer GSC. This is likely the result of the customer purchasing or supplier offering a “green power” supply. UI’s average standard offer rates for commercial and industrial include special contracts.

D. Price Differential

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, 2003. 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.

Table 7

Price Differential Between Residential and Industrial Customers

(cents per kWh)

	As of January 1, 1998				As of September 30, 2003				
	Avg. Rate per kWh				Avg. Rate per kWh				
	Residential	Industrial	Diff. in Rates	% Difference	Residential	Industrial	Diff. in Rates	% Difference	Change
CL&P	11.95	7.85	4.09	34.3%	11.06	7.98	3.08	27.9%	-6.4%
UI	13.65	8.79	4.86	35.6%	12.19	8.78	3.41	28.0%	-7.6%

Source of Data:
January 1, 1998 - CL&P and UI 1997 FERC Form 1, p. 304.
CL&P and UI Quarterly Reports to DPUC-Sept. 30, 2003.

As Table 7 shows, the price differential in 1998 between residential and industrial customers was 34.3% and 35.6% for CL&P and UI, respectively, and has declined to approximately 28% for each company as of September 30, 2003. Therefore, the Department need not institute a proceeding to address the price differential between residential and industrial customers at this time.

E. Transitional Standard Offer

In June 2003 Public Act 03-135 became law providing further transition to competitive market based rates in the state. The new Act replaced the standard offer, established by Public Act 98-28, with the transitional standard offer and increased the cap to the level of base rates in effect on December 31, 1996, excluding any rate reduction ordered by the DPUC on September 26, 2002. The Standard Offer expires at the end of 2003. The new law created the framework for establishing the transitional standard offer, setting the rate cap at the December 1996 base rates level exclusive of any federally mandated costs related to congestion on the electric transmission system. The Transitional Standard Offer rates, which are effective January 1, 2004, will hopefully spur the transition to a more fully developed competitive electric market in Connecticut.

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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.

Louise E. Rickard Acting Executive Secretary Department of Public Utility Control	December 22, 2003 Date