HESS

CONNECTICUT GENERAL ASSEMBLY
ENERGY & TECHNOLOGY COMMITTEE
H.B. 5815 – AN ACT CONCERNING THE MISSION OF THE DEPARTMENT OF PUBLIC UTILITY CONTROL
PUBLIC HEARINGS – MARCH 7, 2008

STATEMENT OF JAY L. KOOPER
ON BEHALF OF HESS CORPORATION

Good afternoon. My name is Jay Kooper and I am the Director of Regulatory Affairs for the Hess Corporation ("Hess"), a Fortune 100 company and a licensed and active retail supplier of electricity and natural gas to commercial and industrial customers in Connecticut. Hess appears before this Committee today to express concern over the proposed Section 3(b) of H.B. 5815, which would require the DPUC to prepare an annual report comparing the rates of Connecticut's public service companies with a national average of rates for similar service. Specifically, such a shallow and plain-vanilla comparison, when applied to the electric industry, will likely yield, at best, an incomplete and, at worst, a skewed picture of Connecticut's electric industry susceptible to misrepresentations by advocates passing off their ideological approach to electricity as scholarship to reach a pre-ordained conclusion concerning the state of the industry . The end result is the increase in risk of poor policy decisions based on a shallow comparison of Connecticut to other states that in the electric industry is not "apples-to-apples."

For example, a raw "rates-to-rates" comparison of Connecticut's electric industry to those of other states fails to take into account two critical elements that detail why substantial differences may exist between such rates. These two elements are: (1) differences between states in the fuels used to generate their electricity; and (2) the effects of inflation on electric prices over time. Without these elements, policymakers cannot see, for example, that electric rates in Connecticut are higher than a national average because this state utilizes cleaner and more expensive fuel sources for its electric generation than lower-cost states such as West Virginia, which relies on lower cost but higher polluting coal-generation. Nor could policymakers see that while nominal electric prices may increase over time, real (i.e., inflation-adjusted prices) stay relatively stable.

Hess therefore proposes that Section 3(b) be amended to require the DPUC to fully account for the effects of inflation and differences in fuel sources for electric generation when reporting its annual comparison of Connecticut electric rates to those of a national average. I thank the Committee for its kind attention and will be happy to answer any questions that you may have.