

Testimony of Jeff Kohut on Raised Bills 5819, 5873, 573, and 5787 at Energy and Technology Committee Public Hearing of March 7, 2008

While it is encouraging that legislation (albeit inadequate and tentative) addressing Connecticut's electric-power/energy dilemma and the abuse of Connecticut's citizens/consumers by the electric-power industry/electric utilities has been proposed by the Connecticut legislature, it is frustrating to see that our legislative and executive branches appear to still be at a loss with respect to the *will* to develop and implement a comprehensive, integrated, *potent and decisive* solution for our worsening overall energy/economic problems ...

While Connecticut and its residents have been forced, by painful lesson, to realize that the deregulation of the electric utilities was nothing more than legislative folly orchestrated by deceptive and corrupt influences by way of a callous ploy by financial and commodities brokers (e.g., Enron) to exploit consumers, we are still loathe to admit that only the state is in a position to rescue our economy and our citizen-consumers from the economic ravages of our irrational national energy policy and the corporate parasites of the energy industry that thrive from that policy's effects and the opportunities that it provides to exploit energy consumers...

There are certain fundamental truths about Connecticut's energy situation that have to be admitted by the people of Connecticut and our government – executive, legislative, and judicial branches – before appropriate legislation can be passed, and measures implemented, that can rescue our economy and our citizen-consumers from the deleterious effects of our energy dilemma:

1. **Deregulation is a sham and does not, and cannot, provide any benefits for consumers.** The concept of true competition and the economic benefits thereof, with respect to electric-power generation/supply, can exist only as such, in the abstract. Inasmuch as there is very little variation in the costs of producing electricity throughout the US-Canadian grid, with the benefits of any (small) cost/price differences being physically impossible to transfer across significant distances within the grid, due to the costs of infrastructure and its maintenance, as well as the costs involved in overcoming the physical phenomenon of electrical resistance, it is impossible to induce the desired effects on the retail price of electrical energy through procurement of wholesale "paper" (contract) energy on the "open grid." While paper contracts can be used to buy electricity remotely through a bidding process, the costs involved in producing and supplying the sum-total of all

of the electricity traversing the grid allows for only a “zero-sum gain”, at best, with respect to prices at the wholesale level... **The use of the grid as a basis for competition and price benefits is nothing more than an electricity shell-game -- a misleading abstraction that cannot translate into real benefits. The influence of added layers of energy brokers involved in the whole “grid-market” energy procurement process ensures grossly-inflated energy prices...** All that one need do to realize the truth of this assertion is to compare the price of electricity between deregulated and regulated areas; the regulated areas invariably have very substantially lower prices (see “Shocking electricity prices follow deregulation”, by Paul Davidson, *USA Today*, 8/11/07)...

2. **Electric-power generation and supply infrastructure constitutes a situation describable in terms of being a “natural monopoly” which is best suited for state or municipal ownership and operation.** Electric-power generation and distribution infrastructure cannot be practically duplicated within a given supply area (energy district) – it is absurd to think of two or more sets of power plants serving two or more sets of distribution infrastructure within a given area. Therefore, in the context of the impossibility of any real “open-grid/”grid-market” situation of generation/supply, electric-power generation and supply/distribution can only exist – in both economic and physical contexts – in terms of a monopolistic situation. Given the modern-world reality of the exorbitant costs of producing electricity, it is economically unreasonable (and unfair to consumers) to add a monopolistically-controlled, profit-based layer of costs, imposed by for-profit electric-utility corporations, to the price of electricity – a commodity as necessary as water for survival in the modern world... Therefore, since electric-utilities must, of necessity, be monopolies, it is only reasonable that they be non-profit and owned and operated by government entities...
3. **For-profit electric-utilities, deregulated, or otherwise, cannot be relied upon to provide affordable electricity for Connecticut’s businesses and consumers.** The untenable inflation of electric-utility rates led to the call for, and enactment, of *Deregulation* – which turned out to be a sham cure, based on false promises based on non-existent opportunities for true competition and related price advantages at the generation level, and which resulted in even greater rate-inflation due to added layers of brokers and profits. Thus, both regulated and deregulated markets of for-profit utilities result in economically untenable situations for all levels of electricity consumers. Therefore the present system of electricity supply and delivery in Connecticut is unworkable...

4. **Traditional means and methods of (grid-dependent) electric-power generation/supply – using the combustion of carbon-based fossil fuels – are quickly losing their economic and ecological viability and must be phased out as rapidly as possible.** Traditional smoke-stack power plants, whether oil/diesel, coal, or natural gas (or some combination thereof) constitutes an obsolete technology that Connecticut must seek to phase-out within its borders as quickly as possible. The cost to the environment and the security of the country, together with the monetary costs of using imported sources of these fuels (oil and natural gas), make it imperative to opt out of using these fuels... With a rapidly-eroding competitive edge, Connecticut can't afford to lag behind other states and countries in reducing its dependence on these expensive imported and ecologically-destructive fossil fuels. Our present economic and ecological circumstances demand that we immediately commence the aggressive pursuit of energy independence and freedom from the power grid through the use of "green" renewable primary fuel sources, such as solar, wind, wave-tidal, and geothermal modes of electricity production... Connecticut must overcome its energy policy inertia before we are left in the figurative "technological dust" with our "grid-locked", economically-vulnerable and environmentally-destructive, obsolete, smoke-stack power-generation infrastructure...

1-4, above, imply that, in the shorter-term, Connecticut must undo all aspects of deregulation such that all electric generation and distribution infrastructure in the state of Connecticut must become state (or municipally) owned and operated. If necessary, all for-profit utilities must be seized through eminent domain, in order for the state economy to remain competitive and viable and citizen-consumers able to sustain their households in the face of (national/global) untenable energy inflation... In order to sustain and grow the state economy, businesses and households will need to be able to purchase steeply-discounted electric energy, at cost, from a non-profit (state or municipal) utility. Due to the nation's energy inflation and Connecticut's overall, very high, non-competitive cost-of-living/doing business, our economic survival depends upon containing energy costs – something that we know from experience will not happen if electricity generation/supply-distribution remains under the control of for-profit, monopolistic entities...

Furthermore, Connecticut must seek to implement green, renewable energy technology at all levels of usage (household through institutional), with the ultimate goal of grid-free energy independence at all levels of usage...

(Connecticut should seek to become a renewable-energy technology/manufacturing center in this regard. In this manner, we could accomplish our energy-independence goal more rapidly, while exploiting

an exploding area of product demand that will provide untold economic/manufacturing opportunities in the future.)

In order to address the problematic situations and accomplish the related goals described above, **Connecticut needs to establish both a Department of Energy and an Energy Authority**, the latter of which would be under the auspices of the former... While Raised Bills 5819 and 5787 seek to accomplish goals of securing our short-term and long-term energy futures, both bills tend to be rather tentative and impotent in their combined abilities to usher Connecticut into a very rapidly changing economy that demands affordable energy in the very short-term, and statewide, energy self-sufficiency, based on clean, renewable sources, in the fairly short-term (and energy independence, based on clean, renewable sources, at all levels of usage, in the longer-term...).

Connecticut needs to make major moves quickly, on several energy-related fronts – it needs to become the chief purveyor of electric energy in the state almost immediately, and it needs to start transitioning to renewable energy sources and away from mammoth, combustible-fuel power-generation plants sooner rather than later. In order to accomplish the energy demands of the state in an increasingly difficult economic environment, it will take a potent, integrated approach that will require a state Department of Energy that can oversee an Energy Authority and a statewide transition to clean, renewable energy at all levels of usage. It will also need to be able work with the Department of Economic and Community Development in creating renewable energy equipment manufacturing operations in the state...

Thus **Raised Bills 5819** (which provides for a Connecticut Energy Authority and state participation in the electric-power market through ownership and operation of generation and distribution infrastructure) and **5787** (which provides for the implementation of green, renewable energy technology in Connecticut through a Department of Clean Energy) need to be integrated and expanded to allow for the state and municipal takeover of all electric utilities and generation/distribution infrastructure in Connecticut and for the large-scale implementation of green-renewable technology, with the ultimate goal of grid-free energy independence at all levels of usage. **Raised Bills 573** (which addresses energy-market reform) and **5783** (which addresses electricity-market incentive rebates) need to be replaced by legislation that provides for the acquisition of all electric power generation and distribution infrastructure in Connecticut by the state or municipalities such that compensation for consumers from past years of overcharges/excess profits are factored into the compensation package, along with obsolescence-related depreciation...

Truly, there needs to be a well-planned state energy summit, followed by a companion special legislative session to construct and pass an omnibus bill that decides the state's long-term energy future, which should be based on grid-free, clean, renewable technology. Connecticut can, and should become a clean, renewable-energy technology and manufacturing center, with its cities and towns serving as energy-future prototypes. Eventual energy-independence at all levels of usage should be the ultimate long-term goal provided for in the aforementioned omnibus legislation...

While the legislation called for in the above paragraph constitutes a very tall-order and would probably require two or more years to create and enact, Raised Bills 5819, 5783, 5787, and 573 should be refined/amended (combined and integrated – 5819 with 5787, and 573 with 5783) and passed as state statute during the present legislative session such that: i) electric-utility rate roll-backs, to December 1, 2006 levels, are mandated and maintained for at least two more years; ii) the bidding process used by utilities to purchase wholesale energy contracts is mandated to become transparent and public information available on the internet; iii) Connecticut is enabled to take steps to acquire (on the open market) as much pre-existing power-generation/supply infrastructure (in economically-strategic areas of the state) as possible (using bonding issues, retroactive excess-profits tax, and the state surplus to compensate utility shareholders) while it begins planning the large-scale, strategic implementation of state-owned, clean, renewable generation capacity; iv) a retroactive excess-profits tax is enacted on all electric utilities to recoup money charged to rate-payers since *Deregulation* took effect, such that all profits beyond standard "normal" profits would be returned to state coffers to be used for Connecticut's entry into the electric-power market...

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