

**TESTIMONY OF
JERROLD OPPENHEIM
IN SUPPORT OF
JANUARY SESSION 2009
RAISED BILL HB 6510
BEFORE THE
CONNECTICUT GENERAL ASSEMBLY
JOINT COMMITTEE ON ENERGY AND TECHNOLOGY**

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My name is Jerrold Oppenheim. I am co-author of the book *Democracy And Regulation* and the monographs *The Economics of Poverty* and *Energy Efficiency Equals Economic Development*, have been an Assistant Attorney General in New York and Massachusetts, and have been an advocate for public utility consumers (especially low-income consumers) for more than 35 years. Among my clients are the community action program networks in Massachusetts and Arkansas and others have been as varied as the Edison Electric Institute, the Entergy Corp., and the District of Columbia Department of the Environment Energy Office. I have appeared before you in the past on behalf of the National Consumer Law Center and AARP, but today I appear on my own behalf.¹

HB 6510

When the provision of electricity was by fully integrated and comprehensively regulated utilities, all power was provided at cost of service and pursuant to a plan overseen by the regulator. With a long-term planning horizon and no competitive risk, the utility and the regulator could make long-term investment decisions that would reduce costs in the long run (e.g., by investing in plants with high capital costs and long lead times), as well as enhance reliability and security (fuel diversity).

Deregulation removed the ability to perform such planning, leaving all such decisions to short-term market participants. One result is that long-term purchasing, selling, or investing decisions are too risky to make.

HB 6510 would create the Connecticut Electric Authority (CEA) to return Connecticut to a rationally planned electricity system. The CEA will be able to assure that long-term, statewide electricity resource planning is done in a way that minimizes costs to Connecticut ratepayers. The CEA will optimally integrate generation and energy efficiency (and other demand-side resources). The CEA will assure the cleanest resources are deployed. The CEA will use its credit and bonding authority to secure long-term contracts on favorable terms, terms made possible by the fact that the CEA's purchases will make lower-cost financing available to generators due to the reduced risk of having a governmental customer

¹ Additional background information is contained on the last page of this statement.

for the power. Indeed, in many cases, the existence of a long-term CEA contract will be what makes plant construction possible, giving CEA the ability to keep prices low and to choose the type of plant and its fuel.

The CEA will be the low-cost provider of power in Connecticut, so its revenue will be secure. There is thus no merit to the objection that the CEA will not have sufficient financial backing to engage in necessary transactions.

HB 6510 dovetails with HB 6507, which provides that electric utilities will once again become the sole supplier of electricity to residential customers. HB 6510 also supports HB 6512, which returns the portfolio purchasing function to utilities. Both bills address purchases some of which will be financed and thereby made less expensive to consumers by the provisions of HB 6510. Finally HB 6510 coordinates with HB 6514, which reduces the cost to consumers of low-cost but high priced generation.

For all these reasons, I urge your support of HB 6510.

BACKGROUND

The idea that government should protect its people by regulating prices of essential services is a very old one. As early as the 17th Century and before, English law recognized the need to regulate the price and availability of public services, a need which has been firmly established in American law from the beginning. Despite this ancient wisdom, there came to be a belief over the last 30 years that markets were never in need of supervision by regulation. Industry by industry, decades of protections were removed. Airlines were deregulated and many went bankrupt, oversight of savings and loan institutions was lightened and many collapsed, electricity regulation was weakened and prices skyrocketed, financial regulation almost disappeared and even the staunchest free-marketeers concede that deregulation brought us to the edge of catastrophe.

Just as renewed regulation and government intervention is required to restore our financial system, so too are renewed regulation and government intervention required to restore just and reasonable prices to the electricity industry. Connecticut residential electricity bills have risen approximately 80% in this decade and Connecticut prices are reliably the highest or second highest in the country.

As in so many other corners of the economy, weakening the regulation of electricity in Connecticut has been unaffordably expensive.

In recognition of these truths are four important raised bills before you:

- HB 6507 would end the illusory retail competition for residential electricity sales and thus return a measure of market power to customers.
- HB 6512 would assign to regulated electric utilities the task of purchasing optimal portfolios of electricity generation on behalf of residential customers.
- HB 6514 would restore some of the value of low-cost power lost under deregulation by taxing windfall profits and returning them to ratepayers.
- HB 6510 would ultimately restore public control over generation prices by financing long-term purchases from new lower-cost generators.

This package of reforms would work together to bring residential electricity prices back under public control, while providing a reasonable – but no more than reasonable – return to utilities and generators. The bills work together and should be enacted together.

Jerrold Oppenheim has represented low-income and consumer advocacy groups on public utility and energy issues across the country and world for more than 35 years and is co-author of the book Democracy And Regulation.

A graduate of Harvard College and Boston College Law School, Mr. Oppenheim has held prominent positions in the Attorneys General offices in New York and Massachusetts. Earlier, he directed consumer and utility legal assistance programs in New York and Chicago, was the founding Director of Renewable Energy Technology Analysis at Pace University Law School, and directed the energy and telecommunications program at the National Consumer Law Center in Boston. He is a member of the Center for Public Utilities Advisory Council, New Mexico State University.

Mr. Oppenheim has worked with legislatures and public utility commissions in Massachusetts, Connecticut, New York, the District of Columbia, Illinois, Kentucky, Arkansas, New Mexico, Texas, and Utah to develop – in both restructured and traditional regulatory settings – consumer and low-income protections, service quality, and funding for low-income efficiency and affordability programs. Mr. Oppenheim led pioneering negotiations of efficiency agreements with the electric and gas utilities in Massachusetts. Mr. Oppenheim's work contributed to enactment by the Texas Legislature of the first statutory low-income electricity discount in the South, adoption by the Utah Public Service Commission of that state's first low-income electricity discount, and adoption by the New York Public Service Commission of that state's first broad-based low-income electricity discount..