



Connecticut Business & Industry Association

**Testimony of Kevin R. Hennessy
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The Connecticut Business & Industry Association
Before the Energy & Technology Committee
Legislative Office Building
Hartford, CT
February 24, 2009**

My name is Kevin Hennessy. I am a staff attorney for the Connecticut Business and Industry Association (hereinafter "CBIA"). CBIA represents approximately 10,000 member companies in virtually every industry. They range from large, global corporations to small, family owned businesses. Approximately 90 percent of our member companies have fewer than 50 employees. All of our members are energy consumers and rely on electricity for their respective day to day operations.

Thank you for the opportunity to comment on the following bills:

- **HB 6507**, *AAC Reducing and Stabilizing Electric Rates for Residential and Business Customers;*
- **HB 6510**, *AA Establishing a Public Power Authority;*
- **HB 6514**, *AAC Lowering Consumer Electric Costs and Supporting Energy Efficiency; and*
- **HB 6512**, *AAC the Electric Contract Procurement Process.*

CBIA is a proponent of reducing everyone's electric rates. However, we strongly believe that the four bills listed above are not the means to lower rates. Collectively, these bills repeal a competitive market, which is currently yielding lower electric rates. In its place, the bills give us a theoretical, unproven approach as a way to reduce electric rates.

Moreover, the bills will encourage the current risk takers in the market – the generators and suppliers – to leave which will shift all of the risk on to the ratepayers.

HB 6507, AAC Reducing and Stabilizing Electric Rates for Residential and Business Customers:

CBIA **opposes** **HB 6507, AAC Reducing and Stabilizing Electric Rates for Residential and Business Customers.** **HB 6507** prohibits customers with a demand load of less than 500 kilowatts from participating in the competitive electricity market.

Currently, according to the Utilities' monthly reports to the Department of Public Utility Control (hereinafter "DPUC"), approximately 50% of Commercial & Industrial (hereinafter "C&I") customers with a demand load of less than 500 kilowatts use a competitive supplier.

Enacting **HB 6507** takes away the power of choice for businesses and residents alike. CBIA strongly feels that it is good public policy to allow all Connecticut ratepayers to decide whether or not to use a competitive supplier for their electricity needs. Affording this decision only to the largest ratepayers is inequitable to the smaller ratepayers.

CBIA is neither a proponent of Standard Service nor a competitive supplier for our members. Rather, CBIA wants our members to have the flexibility to choose the method which best satisfies their needs.

Additionally, this proposal will likely encourage wasteful energy consumption for those ratepayers that are just under the 500 kilowatt threshold. Rather than lessen their demand, they will likely increase their demand to meet the arbitrary 500 kilowatt amount in order to avail themselves the option of choosing a competitive supplier.

For the aforementioned reasons, CBIA urges you to **reject HB 6507.**

HB 6510, AA Establishing a Public Power Authority:

CBIA **opposes** **HB 6510**, *AA Establishing a Public Power Authority*. Among other things, this bill creates a quasi-public agency known as the “Connecticut Electric Authority” (hereinafter “the Authority”). The Authority would procure least-cost supply-side and demand-side resources to meet the electricity needs of Connecticut customers.

CBIA believes that the roles designated for the Authority are better accomplished by the electric distribution companies, under the regulation of the DPUC, and the DPUC. Adding another layer of bureaucracy into the fray is not what electricity customers want or need.

In December, 2008 through January, 2009, CBIA commissioned Zogby International to conduct a poll of Connecticut citizens. Of the 600+ respondents, 66% believe the state should save money by concentrating on its core functions (such as education and public safety) and not expand its operations (by procuring electricity for the private sector). Connecticut citizens, like businesses, want affordable and reliable power. Unfortunately, the Authority can not guarantee this.

What’s more, the Authority appears to have some significant expenses associated with it. For instance, the Authority may own and operate electric power plants and provide financial assistance to encourage the development of electric generation facilities. The Authority is also authorized to have an executive director and hire personnel. It can also borrow money and issue bonds. The enabling statute even gives the Attorney General the authority to retain outside legal counsel to represent the Authority before the Federal Energy Regulatory Commission (hereinafter “FERC”). CBIA would like to see the fiscal impact of the Authority to better assess its potential benefits.

Additionally, CBIA opposes **HB 6510** because it will increase current electric rates for all customers. **HB 6510** increases Connecticut customers’ surcharge for energy efficiency from three to three and a half mills per kilowatt hour of electricity sold. The current three mill surcharge paid by Connecticut ratepayers is already the highest in the country.

In our 2008 Annual Membership Survey, CBIA asked its members if they would support higher electric rates in order to expand the Connecticut Energy Efficiency Fund. The resounding answer was no. 71% of responding CBIA members oppose increasing electric rates in order to expand energy efficiency programs.

For the aforementioned reasons, CBIA encourages you **to reject HB 6510**.

HB 6514, AAC Lowering Consumer Electric Costs and Supporting Energy Efficiency:

CBIA **opposes** **HB 6514**, *AAC Lowering Consumer Electric Costs and Supporting Energy Efficiency*. **HB 6514** is bad public policy that will discourage investment in Connecticut.

The bill creates a windfall profits tax on electric generators in the state that have revenue in excess of twenty per cent return on equity as classified by FERC.

The introduction of a bill that would make Connecticut the only state in the nation to tax private energy company profits sends a negative message to businesses and possible investors.

Enacting a windfall profits tax on electric generators will discourage potential investment in Connecticut. While our generation needs are currently adequate, what happens when plants retire or our demand increases? This policy will dissuade companies from investing in Connecticut.

In November, 2007, CBIA commissioned Zogby International to conduct a poll of Connecticut citizens. Of the 600+ respondents, 98% thought it was important for businesses to earn a profit. Moreover, of those polled, only 22% believed that Connecticut businesses made too much of a profit. Contrary to popular belief, Connecticut citizens told us that profits are good and necessary.

Rather than mortgaging our economic and energy future to save a little bit of money now, let's focus on changes that will have positive impacts on reducing our energy costs and improving our business climate in the long run. In that regard, please **reject HB 6514**.

HB 6512, AAC the Electric Contract Procurement Process:

Under **HB 6512**, CBIA is concerned that the legislature removes the utility companies' ability to procure least cost electricity. The legislature appears to instruct the utilities how to procure power in the short, mid and long – terms. Since the utilities currently have the expertise regarding procurement of electricity production, it is our hope that the utilities and the legislature will work together to ensure the lowest cost electricity via the procurement process.

Once again, thank you for the opportunity to comment today.