



Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE
FEBRUARY 24, 2009*

I appreciate the opportunity to support House Bill 6514, An Act Concerning Lowering Consumer Electric Costs and Supporting Energy Efficiency.

This proposal provides immediate electricity rate relief, reducing rates by up to 7%, and providing tens of millions of dollars for electricity conservation programs. These funds are generated through an assessment of windfall profits from Connecticut based electricity generators. Based on generation company filings with the Federal Energy Regulatory Commission, approximately \$416 million would be generated by this assessment. Under the legislation, \$30 million would be invested in electricity conservation programs and \$386 million would be returned to consumers, lowering their electricity bills by almost 7%.

This refund is not a tax -- the proceeds go to the consumer, not the state. They are deserved by the consumers -- to recover for excess payments and undeserved profits.

Connecticut has low-cost generators of electricity -- powered by nuclear and coal -- but Connecticut consumers reap no benefit from these cheap sources of electricity. They sell into the open market where Federal Energy Regulatory Commission rules artificially increase the prices Connecticut consumers pay. House Bill 6514 provides a mechanism to return some of those overpayments to ratepayers.

The only exception to the windfall profits refund are electricity generators who sell their entire capacity to the state at a regulated rate. The proposal also exempts any power plant whose owner agrees to sell its electricity to the state's consumers at a rate substantially below the market rate -- but one still allowing for a significant profit.

Under the refund process, electricity generating plants would keep all of their profits under a 20% rate of return and 50% of their profits over a 20% rate of return. The state would receive the remaining 50% of their profits over the 20% rate of return. This assessment allows a generation company to retain a profit margin more than 2 times the margin allowed utilities under the former regulated system, and higher than most industries.

Power plants cannot simply increase their rates to recover this windfall assessment because of federal marketing rules. Currently, Connecticut consumers are paying the highest bid price necessary to meet their supply needs, regardless of whether power plants bid lower. For the low

cost power plants to increase their prices, they would have to bid higher than the highest priced plant, which may prevent them from selling all of their output. These power plants simply cannot afford to shut down and must sell all of their power. Even under the windfall assessment, they would earn above average rates of return on investment.

I urge the committee to provide Connecticut electricity consumers with immediate rate relief of up to 7% and increase electricity conservation efforts to reduce overall demand by favorably considering House Bill 6514.