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Comments Regarding Bill #6514 AN ACT CONCERNING LOWERING CONSUMER ELECTRIC COSTS AND SUPPORTING ENERGY EFFICIENCY

Before the Energy and Technology Committee

February 24, 2009

Prepared by Shirley Bergert¹

Recommended Action: Support

This proposal is the only way the legislature can provide immediate rate relief to consumers.

This bill proposes an assessment on the windfall profits of electric generators, creating a fund to support rate relief and conservation for consumers, a fund anticipated at \$400+ million/year. Electricity, a necessity for all classes of customers, is becoming increasingly unaffordable for many and a drain on economic development, something we cannot afford in the current recession. Generators will still be allowed to earn incredibly high returns: 20% return on equity plus half of what they earn on top of that.

When electric deregulation passed in 1998 – more than 10 years ago – it was in anticipation of development of competition among electric generators which was expected to hold rates down. We now know that deregulated states across the country have higher rates than their regulated neighbors, and Connecticut has the 2nd highest electricity rates in the continental US.

The lack of competition has led to windfall profits, particularly among baseload generators. This power is relatively inexpensive to produce, but because of the New England regional bid system, these generators are paid at the same rate as the highest generation bid purchased in the system. Credible estimates put the windfall profit at over a 50% return on equity for some generators, a stunning level of profit.

The bill provides generators a way to avoid some or all of the windfall profits assessment, by selling its electric output to CL&P or UI at prices substantially below the prevailing inflated market price. The savings will then be passed on to utility customers. But even where a generator had to pay an assessment, it would still be permitted to earn at least a 20% return on equity, a high rate of return generally, double what utilities are allowed to earn, and exceptional particularly during a recession.

¹ Shirley Bergert serves: as the residential representative on the Energy Conservation Management Board overseeing the expenditure of ratepayer conservation funds in Connecticut Energy Efficiency Fund (Conn. Gen. Stat. § 16-245m); as the low income representative on the Fuel Oil Conservation Board (Conn. Gen. Stat. § 16a-22f); on the Low Income Energy Advisory Board (Conn. Gen. Stat. § 16a-41b); and on the Advisory Board of the Institute for Sustainable Energy at Eastern Connecticut State University.