State of Connecticut

Office of Consumer Counsel

Mary J. Healey
Consumer Counsel

The Energy and Technology Committee

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<u>Raised Bill No. 5505, AAC Electric Rate Relief</u>

Testimony of Mary J. Healey, Consumer Counsel

Presented by Joseph A. Rosenthal, Principal Attorney

The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 5505, An Act Concerning Electric Rate Relief. This is an extremely large bill that arises from the recommendations of the various participants in the Speaker's Rate Relief Panel. OCC was pleased to be asked to be a part of that Panel and played an active role in it. As to the Bill itself, OCC supports portions of it, has concerns about other portions, and looks forward to hearing the views of, and hopefully working with, other interested parties.

Section 1 seeks to add a discount rate for low-income customers. OCC could support a reasonable, targeted discount rate for low-income customers to maximize their ability to maintain utility service and reduce uncollectible expenses resulting from such customers becoming discouraged by the size of their bills. OCC also notes that low-income customers tend to live in cities in rental homes or in houses that are close together and/or close to the road. It is less costly for the electric or natural gas distribution system to reach and serve those homes than it is for the same systems to serve areas up on hills, or on streets with many trees (electric tree-trimming costs), or where the houses are far apart from each other or set back from the road. The distribution bills of electric and natural gas customers do not, however, reflect this difference in circumstances. Thus, while it is true that a low-income rate would have to be paid for by other customers, that fact should be balanced against other subsidies on the distribution bill that tend to run the other way. A reasonable, targeted low-income rate may be not just compassionate but fair.

Section 2 seeks to create a consumer education program regarding retail supply for businesses, paid for by retail suppliers. OCC supports the principle that retail supply education programs should be paid for, at least in part, by the retail suppliers who benefit. OCC would need to hear more about the size, scale and details of this program to take a firm stance. OCC notes that many of the larger businesses (about 90%) have already chosen a retail supplier, so the marketing of retail electric supply would seem at least somewhat satisfactory now.

Section 3 seeks to have CEAB conduct a study on the statutory restrictions on new nuclear plants, and the costs and benefits of developing same. OCC supports this. Although OCC has serious questions about new nuclear plants in Connecticut, we ought to make sure that Connecticut's hands are not tied by some antiquated statute so that we can hear and evaluate a nuclear plant proposal should one ever come. There is also nothing wrong with studying the costs and benefits of new nuclear plants. OCC notes that the issue will likely need to be studied on an ongoing basis, given the new nuclear technologies proposed and the experiences of other states that will presumably take the step of building a new nuclear plant before we do.

Sections 4-16 and 18-28 contain various provisions seeking to create a new Connecticut Electric Authority. For a variety of reasons, OCC is more interested in exploring the approach taken in Raised Bill 5508, An Act Establishing the Division of Electric Policy and Procurement, which would create a new division of the DPUC to better implement State energy policy and procure new resources. Among other things, OCC believes the latter approach would be less expensive, as it builds on the expertise of an existing agency rather than creating a new agency.

Section 17 seeks to provide some more procurement tools and more flexibility for lowering the cost of standard service power. It is OCC's understanding that the Connecticut Municipal Electric Energy Cooperative uses similar tools to provide lower rates for its customers, and we should consider doing so for standard service customers. Since most residential customers remain on standard service, if we achieve a lower standard service price it would help lower the bills of most Connecticut households. Using the tools effectively would require a more labor

Section 29 seeks to add consumer protections as to retail supply solicitations, including as to door-to-door sales. OCC is aware of some issues and claims of misidentification and miscommunications relating to retail supply solicitations, and particularly door-to-door sales, here and elsewhere. It has gotten to the point where the better and more ethical retail suppliers are becoming concerned themselves with the activities of others in their industry. OCC believes that Section 29 creates some reasonable protections for customers to reduce abuses or inappropriate activities during solicitations, and would be interested in hearing from others on this issue.

Section 30 would reduce the time frame for a "qualifying electric offer" in the electric supplier referral program from one year to six months, while also adding that customers who leave standard service from the utility would not be able to come back for two years or pay an additional charge. OCC understands that the electric supplier referral program has struggled at times from the difficulties of suppliers making an offer that is one year in duration. OCC could support the change to six months for qualifying electric offers. OCC has also frequently noted that we need to have a stable standard service load so that bidders into the procurement for standard service will not add significant migration risk to their bids. Most residential customers continue to be on standard service and we therefore need to ensure that the standard service price is as low as may reasonably be achieved. For this reason, we cannot have customers gaming the system and creating unstable standard service loads by toggling on and off of standard service frequently. OCC would therefore support a renewed provision to require customers who leave standard service to honor that choice for a period of time. OCC is not certain that a two year requirement is necessary, or that a fee should be required. OCC would suggest that the period of no return to standard service should be six months to one year, and, of course, if a customer's electric supplier goes out of business or "dumps" the customer for any reason, an exception should be made.

Also of note in this bill are Sections 36 and 37, which would establish a windfall profits tax on Connecticut power plants that are earning more than twenty per cent return on equity (basically twice the level that a utility would be expected to earn). The tax would be in the amount of half of the earnings above that 20% rate of return level. CT OCC notes, as many others have, that the electricity markets do not work properly. For example, nuclear and coal baseload power plants are paid in the ISO New England electricity markets as if they are burning more expensive natural gas. Moreover, in the ISO New England electricity market, the highest bidding unit sets the clearing price for all other units. In theory this "single clearing price" approach is supposed to encourage new and more efficient power plants to build at their own risk, but in practice that has not happened. Plants are not being built at their own risk but are rather being built through long-term contracts with ratepayers. So, the theory behind ISO New England markets has broken down, and something must be done about the windfall profits earned by any plant as a result of ISO New England misguided theories about a so-called "market." Such profits should indeed be shared with Connecticut ratepayers. CT OCC is also open to exploring other ways to address this same problem, which has existed for several years now.