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Energy and Technology Committee Hearing

March 16, 2010

Testimony of Shirley Bergert¹

Regarding HB 5505, AN ACT CONCERNING ELECTRIC RATE RELIEF

This bill includes the proposals from Speaker Donovan's Rate Relief Panel recommendations.

Recommended Action: Support the provisions discussed below.

Section 1 – Low income rate for gas and electric service: This bill is identical to RB 460 and deserves support. It directs the DPUC to take an in depth look at developing a discounted rate for low income households purchasing utility service from CL&P, UI, Yankee Gas, CNG or SCG, reviewing options for reducing the cost of such a rate. Unaffordable rates for these households have led to increased utility terminations with serious health and safety consequences. The Low Income Energy Advisory Board (LIEAB) has invested considerable time investigating low income rates implemented around the country, and Operation Fuel has funded hiring of national level experts to develop a report on this issue (to see the report, go to: <http://www.operationfuel.org/publications/index.html>). LIEAB includes representatives of the relevant utilities, the DPUC and low income advocates. Our understanding is that the DPUC is interested in opening a docket to pursue review of a discounted rate.

Sections 4-16 and 18-28 -- Connecticut Electric Authority (CEA): We need to take effective bold steps to deal with the fact that CT has the highest electric rates in the continental US. A CEA is an appropriate approach and where employed in other states electric rates have been reduced. A CEA under this proposal would be authorized to act solely in the public interest regarding electric service. It would oversee electric generation procurement, minimizing electricity costs and cost volatility while

¹ Shirley Bergert serves: on the Low Income Energy Advisory Board (Conn. Gen. Stat. § 16a-41b); 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 Conservation Board (Conn. Gen. Stat. § 16a-22f); and on the Advisory Board of the Institute for Sustainable Energy at Eastern Connecticut State University.



maintaining reliability. It would encourage competition when in the interests of consumers, oversee and promote conservation, and it could own generation or facilitate its development to ensure it is sold at the cost of service plus a reasonable return. Our primary concern is ensuring affordable access to necessary utility service for the poor, and any rate reduction would be beneficial to all customers, including the poor.

Sections 29 and 30 -- **Consumer protections in the sale of generation services:** Only a limited number of residential consumers are purchasing generation services from a source other than CL&P or UI. It is confusing to choose an alternative and each alternative has its own contractual obligations that are not easily understood by consumers. Low income consumers are particularly vulnerable to misleading sales information as they struggle to find ways to afford necessary utility service. It is critical that basic fair practices be mandated regarding efforts to sell generation services to consumers. These sections are a solid outline of protections that should be adopted.

Section 36 and 37 – **Tax on windfall profits made by generators in Connecticut:** The cost of generation is almost half of a residential household's electric bill. When electric deregulation was adopted in 1998, it anticipated development of a competitive generation market that would drive down the cost of electric service. Unfortunately such competition has not developed, ISO-NE market rules result in generators being paid as though electricity was produced using natural gas even when it is produced far less expensively, and market speculation is driving up the cost of generation. Estimates based on FERC filings are that some generators are receiving a return on equity of from nearly 60% to more than 70%. This proposal would only tax earnings in excess of a 20% ROE, at a rate of 50%. The AG's office estimated that it could provide over \$400 million in revenues per year. This is the only possible way to provide fairly immediate rate relief. While we believe that such rate relief is badly needed, another option would be to adopt this tax for rate relief, but direct a portion of it to help address the state's budget issues in the short-term.

Section 39 and 40 – **Modifications of the energy assistance program:** These sections propose modest positive changes to the energy assistance program, including:

- if funding allows, having the Community Action Agencies accept applications for energy assistance on a year round basis, alleviating the annual crunch of individuals seeking assistance in November and December after the program opens;
- allowing elderly and disabled persons to self-certify for eligibility, addressing the problems such individuals may have in going to application sites to apply (currently done for households that know to ask for an accommodation when disability prevents them from going to an application site); and
- development of effective outreach efforts to increase participation of vulnerable households in energy and conservation assistance (participation rates are far lower than the population eligible for such assistance, persons with cognitive impairments or limited English proficiency need additional outreach to participate, and participation in energy assistance also provides access to the arrearage forgiveness programs operated by CL&P, UI, CNG, SCG and Yankee Gas for their heat customers).