



Testimony of AARP on H.B.5507 & H.B. 5508
Energy & Technology Committee
March 16, 2010

AARP is a nonprofit, non-partisan membership organization that serves people 50 and older. We have approximately 40 million members nationwide and nearly 600,000 in Connecticut. Although the protections and reforms offered in H.B. 5507 and H.B. 5508 do not go as far as AARP would like, the bills are an incremental improvement on the status quo.

H.B. 5507, AAC Consumer Protections in the Retail Electricity Market

As a member of Speaker Donovan's Electric Rate-Relief working group, AARP recommended that policymakers in Connecticut discontinue efforts to pursue a transition to a competitive market for electricity. It is clear that deregulation did not bring the lower prices consumers were promised, nor did it bring a viable level of retail competition. AARP believes that Connecticut should adopt reforms that ensure affordability, availability, and reliability of service based on a regulated, cost-of-service model.

In the hope of encouraging lower prices, higher service quality, and greater innovation, Connecticut lawmakers restructured our electric market to allow consumers to purchase electricity generation services from competing suppliers, rather than through the traditional regulated monopoly structure. In theory, competitive pressure, instead of regulators, would keep electricity rates just and reasonable. However, deregulation has failed to produce the rate cuts and retail competition its supporters had predicted. Choice of electric suppliers should not be just for choice sake. Connecticut does not have real competition; electric supplies are not competing with each other but only against standard offer service. What's worse--all rate payers (even those on standard offer service) are required to subsidize the marketing cost of private electric suppliers.

As a result, consumers living in deregulated states have been hit with large rate increases—relatively larger than the increases in still-regulated states—and numerous studies have shown that there is no evidence that deregulation has benefited consumers. Here in Connecticut, residents face the highest electric rates in the continental United States. Connecticut's experience with deregulation is not unique; many of the 20 states that have maintained their deregulation laws are facing rate increases of as much as 50 percent to 72 percent as residential rate caps expire. While fuel costs have certainly

played a role in higher electricity costs, market power and other factors also have contributed.

Absent the Committee adopting our recommendation to end retail competition, H.B. 5507 provides our best hope to: reign in abusive market-practices, cut rate-payer subsidies to electric suppliers' (a general class of rate payers, even those not interested in shopping for electricity, currently pay for a electric suppliers' marketing costs), and level the playing field.

H.B. 5508, AA Establishing the Division of Electricity Policy and Procurement

This proposal would help streamline the procurement process and allow a state agency to negotiate for lower rates on behalf of Connecticut rate-payers. The bill works within existing agencies and structures; AARP thinks that a better approach would be the creation of an independent public power authority, as outlined in H.B. 5505. Last year AARP supported a public power authority, we still believe that is the best way to bring local control to the electric market and reduce rates. However, we would be open to supporting the approach described in H.B. 5508, if changes are made to help provide additional downward pressure on electric rates.