State of Connecticut

Office of Consumer Counsel

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The Finance, Revenue and Bonding Committee

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<u>Raised Bill No. 484, AAC *The Governor's Revenue Plan*</u>

Testimony of Attorney Mary J. Healey, Consumer Counsel

Good morning members of the Finance, Revenue and Bonding Committee.

My name is Mary Healey. I am the Consumer Counsel for the State of Connecticut. We are an independent agency charged by statute with representing the interests of all Connecticut public utility ratepayers. I offer these opinions and concerns on their behalf.

Thank you for the opportunity to address you on Raised Bill No. 484, AAC *The Governor's Revenue Plan*, the Governor's budget deficit reduction bill under consideration. The OCC truly appreciates the depth of the problem confronting the Governor and the Legislature in wrestling with a seemingly intractable and mounting financial circumstance. There will be difficult and painful decisions required to address the state's fiscal problems, shared by all 50 states and the United States itself, and it is with that reality in mind that the OCC offers its perspective on the negative results of taking ratepayer funds through the means proposed in this bill.

The OCC specifically opposes Sections 1-3 which are designed to capture and "redirect" revenues generated from a portion of several charges currently imposed on electric utility services ratepayers. This would essentially be accomplished through a securitization scheme to support an issuance of ironically-named "rate reduction bonds", which will be payable from the funds provided by utility ratepayers (the "Ratepayer Funds"), with no finance or credit rating impact on the state itself.

In fact, there is no "rate reduction" resulting from this scheme for electric ratepayers, a group of millions of Connecticut citizens and businesses, large and small. Rather, the idea is that since ratepayers are currently paying these various charges on their monthly electric bills (imposed for valid reasons by the General Assembly over the last decade), each directly relating to the generation, distribution, and conservation of electricity across Connecticut, there will be no harm to electric ratepayers.

As the statutory representative of Connecticut's utility ratepayers, I appear here today to oppose this method of reducing the state's financial deficits. The harm that will in fact result from "redirecting" these ratepayer dollars, possibly to total over one billion dollars over the next decade, will have permanent long-term consequences.

I must note, as most of you well know, that Connecticut electric ratepayers already pay the highest rates in the continental United States, only slightly edged out by Hawaii, 2,000 miles offshore. It is one thing for electric ratepayers to pay such outrageous rates, but at least they currently receive tangible benefits in return for their hard-earned money. With this bill, these Ratepayer Funds would suddenly become essentially regressive taxes, affecting low-income citizens and small businesses with the greatest impact, at a time when they can ill afford such treatment by this state. These bonds are intended to have a term of 10 years so the consequences of this transformation will be profound and unprecedented.

With regard to the Ratepayer Funds that have been used to reduce the stranded costs related to the sale of generation assets by the electric companies through deregulation of the industry, these two company-specific charges were designed by the General Assembly and through contested cases before the DPUC with the active participation of the OCC and many interested parties, to be completely eliminated in the next year or two. This financing scheme would therefore literally be imposing a true tax on electric ratepayers alone. If these charges continue to be imposed beyond the date upon which the expenses to be reimbursed have been fully paid, the ratepayer payments made would serve no purpose other than to fund the activities of the state. This will constitute a deficit reduction tax, with absolutely no public utility service benefits accruing to ratepayers, the utilities themselves, or the state in general.

Several points must also be made about the Public Benefit Charges supported by the Ratepayer Funds, also slated for "redirection" from their intended programs under this bill.

Depending on how the contemplated financing is structured, it would either curtail or eliminate the current spending for the underlying programs. However, those programs are producing many benefits across Connecticut. Those valuable benefits include energy savings, environmental initiatives and jobs

On behalf of Connecticut's millions of public utility ratepayers, I ask the General Assembly to reject Sections 1-3 of this bill. Enacting those provisions would violate the well-established regulatory compact between the state's public service companies and utility ratepayers, as well as the public's right to know how its money is being spent.