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Comments Regarding Bill #6026

AN ACT CONCERNING NUCLEAR AND COAL GENERATING FACILITIES

Before the Energy and Technology Committee

March 1, 2011

Prepared by Shirley Bergert¹

Recommended Action: Support

This proposal returns a modest portion of the incredibly high earnings of utility baseload generation facilities to help alleviate the burden on taxpayers to meet the budget gap faced by the state.

Bill #6026 proposes that a two-cent per kilowatt hour surcharge be placed on the output of Connecticut nuclear and coal generating facilities and prohibits passing such surcharge on to electric ratepayers.

When electric deregulation passed in 1998 – nearly 13 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 highest electricity rates in the continental US.

The lack of competition led to windfall profits, particularly among the baseload generators that would be subject to this surcharge. 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 profits at over a 50% return on equity for some generators, a stunning level of profit during the worst depression since the 1930s.

The bill prohibits passing this surcharge on to electric ratepayers. The generators cannot pass this surcharge onto ratepayers because they do not sell directly to electric utilities serving end use customers. Rather the service they produce is sold into the markets where they can only sell at market rates. Any surcharge would simply reduce their excessive profits.

Those who have profited excessively in spite of the current economic crisis should be expected to pay their fair share to address the budget crisis.

¹ Shirley Bergert serves: as the residential representative on the Energy Conservation Management Board overseeing the expenditure of ratepayer conservation funds in the 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.