



Connecticut Industrial Energy Consumers

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**TESTIMONY OF THE CONNECTICUT INDUSTRIAL
ENERGY CONSUMERS
ON
S.B. 1007
“AN ACT CONCERNING THE GOVERNOR'S
RECOMMENDATIONS ON REVENUE”
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
MARCH 7, 2011**

The Connecticut Industrial Energy Consumers (CIEC), an *ad hoc* coalition of large commercial and industrial end-users which collectively employ thousands of Connecticut workers at numerous plant locations throughout the State hereby offers its comments on S.B. 1007 “An Act Concerning the Governor’s Recommendations on Revenue.” Specifically, CIEC comments on Section 37 of S.B. 1007. Under this section, with limited exceptions, a tax of two-tenths of one cent would be imposed on electricity generated in Connecticut and uploaded to the regional power grid. CIEC is concerned that the imposition of this tax could be considered as a pass through tax by generators that would not benefit electric energy consumers. In addition, if the tax is implemented, CIEC urges the Legislature to expand the current exemptions to all customer on-site distributed generation resources, including such resources that are combined heat and power units.

As you may already be aware, Connecticut consumers currently pay the highest electricity prices in the contiguous United States and the second highest prices in the entire country. In fact, the average consumer in Connecticut currently pays approximately 75% more than the national average. As such, CIEC urges the Legislature to continue to investigate the potential that the proposed tax will unintentionally contribute to an increase in electric supply costs.

The price of electricity places Connecticut businesses at a significant disadvantage with respect to businesses and manufacturers in other regions and nations. In fact, these high energy costs are a significant contributing factor to the decline in Connecticut’s manufacturing and commercial sectors. Over the past decade, Connecticut’s manufacturing sector employment declined by more than 33%, resulting in a loss of more than 69,000 jobs. This trend continues today. In fact, since 2009, Connecticut lost more than 10,000 additional manufacturing jobs.

Similarly, the State’s retail trade sector has suffered significant contraction over the past decade. During this time, Connecticut experienced a loss of more than 16,000 jobs from its retail trade sector – a decline of nearly 9%.

CIEC members have not stood idle in the face of these dramatic energy price increases. As you are well aware, CIEC members are leaders in energy reduction and conservation, dramatically reducing their usage. They actively participate in load reduction programs and are subject to interruption during peak periods. These efforts have resulted in less strain of the bulk power system and produced significant environment benefits by reducing emissions and potentially displacing older less efficient units. CIEC members continue to expand their energy reduction and conservation measures.

CIEC members have also utilized Connecticut's strong incentives to assist customer investments in conservation, energy efficiency, and cleaner on-site power. In fact, in response to the established goal of Public Act No. 05-01, *An Act Concerning Energy Independence* to provide Connecticut with additional means of addressing rising electric prices faced by the state's citizens and businesses, many Connecticut electricity consumers, including CIEC members, have devoted considerable time and economic resources to the evaluation and construction of more efficient and environmentally friendly distributed generation units. In particular, by utilizing what otherwise would be thermal waste, combined heat and power units being considered are especially effective at assisting customers in meeting conservation goals.

However, if the bill is not modified to exempt all customer on-site distributed generation resources, the unintended result would be to penalize the very units the State has encouraged consumers to pursue through the imposition of a tax upon any excess output provided to the grid by these units. In order to avoid such a result, any approval of this bill should exempt customer on-site distributed generation units from the proposed generation tax. These modifications will benefit Connecticut electric consumers by continuing to encourage additional, much-needed capacity while providing end-users with an option to reduce their energy prices. It would be contrary to state policy if these efficient on-site generators are subject to the proposed tax contemplated by the bill.

A proposed amendment is attached for the committee's consideration. We are committed to working with legislators, state agencies and other market participants to continue to implement solutions that assist in furthering the economic viability of the State.

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