The Energy and Technology Committee
Public Hearing, March 20, 2012

Office of Consumer Counsel

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Testimony of Elin Swanson Katz

H.B. 5542, *An Act Concerning Consumer Protection for Utility Customers*

The Office of Consumer Counsel ("OCC") supports Section 1 of H.B. 5542, as it requires the reporting of salaries of utility holding company executives to the public and limits the amount of compensation from ratepayers for executive salaries. Ratepayers are entitled to know how much of their money is contributing to executive salaries at utilities, just as they are entitled to know the salaries of public employees and officials. OCC believes that limits on executive compensation from ratepayers are appropriate because, unlike lineman, tree trimmers, and customer service personnel, it is not always clear the extent to which utility executives are working for ratepayers versus the extent to which they are working for shareholders. To be sure, utility management is complicated and requires significant expertise, which is why OCC believes that a generous compensation level of up to $350,000 from ratepayers is appropriate for larger utilities. Shareholders are free to compensate executives at a higher rate if they wish. One change OCC proposes to this section is to include the phrase "and other forms of cash compensation" after the word "salaries" in subsections (a) and (b).

Section 2 of this bill deals with reimbursements for limited income electric utility customers for food spoilage following an outage. OCC supports this section, including limiting the benefit to limited-income customers, with some reservations and suggested

changes. OCC's reservations stem from the proposal's pass through of the costs of any such program to all ratepayers through the system benefits charge. OCC believes this reservation could be alleviated with some changes, including a limit of $150, rather than $400, for recovery of spoiled food expense. OCC believes, however, that the Committee should consider adding reimbursement of up to $200 for spoiled prescription medicines that require refrigeration (for example, but not limited to, insulin), the replacement of which could represent a significant financial hardship for limited income customers. Proof of spoiled medication could easily be obtained through the pharmacy through which the prescription was filled. In order to limit the financial burden on all ratepayers for funding this type of program, OCC believes that a cap of $10 million per outage should be in place, with each beneficiary's level of compensation reduced proportionately if the cap would have otherwise been exceeded. OCC notes that Con Edison in New York has a similar reimbursement program in place for both food and medication, although not limited to limited income ratepayers, which program is capped at $15 million per outage. Since this proposed program is limited to a smaller class of ratepayers, OCC believes a lower cap is appropriate.

Section 3(a) disallows utilities from charging a late fee if service was out when the customer's bill was due. OCC agrees with this in principle, but as written this would apparently prevent the utilities from ever charging a late fee for that month's bill. OCC believes that the companies should have the ability to charge a late fee if, for example, the customer does not pay the bill within thirty days of the relevant outage.

Section 3(b) would establish a customer credit where a customer was out of service, by pro-rating customer service charges. This is an interesting concept, but

OCC notes that not all outages are within the utilities' control, and interruption-free service is not guaranteed to utility customers. That said, having monetary consequences in place for outages could drive faster restoration times. OCC believes this is a subject appropriate for a PURA review, to examine the implications for both ratepayers and the utility and to achieve the right balance.