



BILL FINCH
Mayor

OFFICE OF THE MAYOR
CITY OF BRIDGEPORT, CONNECTICUT
999 BROAD STREET
BRIDGEPORT, CONNECTICUT 06604
TELEPHONE (203) 576-7201
FAX (203) 576-3913

TESTIMONY
Joint Committee on Energy and Technology
of the Connecticut General Assembly

Public Hearing, March 5, 2013
SB 944, "AN ACT ESTABLISHING A PILOT PROGRAM
TO ALLOW FOR MUNICIPAL AGGREGATION"

Provided by:
Ted Grabarz, Sustainability Director for the City of Bridgeport, AIA, ASLA

Thank you for allowing us an opportunity to comment on this proposed bill.

In 2012, the City of Bridgeport attempted a city-wide energy aggregation program through its Energy Improvement District (EID) with overall negative results. We hope to be able to share some of our experiences and lessons learned with you today.

A municipal aggregation program is *exactly* what the City of Bridgeport needs to help its residents save money on their utilities bills and increase energy efficiency city-wide.

In our difficult economic environment, the ability to take advantage of competitive rates that third-party energy suppliers offer is an effective economic relief tool for our residents. In the current arrangement in which households are able to individually seek out and enter into an agreement with a third-party energy supplier. This method requires intimate knowledge of the current energy market, transmission, and public utilities to make an informed decision.

There are numerous inefficiencies and problems to ensure consumers get the best deal possible. Here are three major issues we found with our aggregation program.

First, over 80% of consumers are uninformed that they can in fact seek out third-party energy suppliers. Many are unaware that their electricity bill is divided into two portions—generation and transmission—and that the two can be purchased separately. As a result, they simply pay the default rates dictated by either CL&P or UI, which are higher than the rates offered by third-party suppliers.

Second, individual consumers have little negotiating power against large energy suppliers. They often enter into agreements with terms that benefit the energy companies and not necessarily themselves—the consumers – as a result of this asymmetric relationship. Unfair terms include variable rates, contract length, cancellation fees and penalties, and the lack of incentives. For example, a homeowner might purchase from a third-party supplier at a great deal for the beginning of the contract, only to have the rate spike up to exorbitant amount towards the end. In our experience, the average consumer will never be able to protect themselves against similar consumer-hostile schemes.

Third, current laws only allow for “opt-in” agreements. This means each household has to research, compare, opt out of their existing service, and then enter into a separate agreement with an individual third-party supplier. As a result, the opt-in system requires more investment in marketing and other outreach programs in an attempt to implement a door-to-door strategy for reaching consumers, all of which increases overhead costs for third-party suppliers and subsequently a higher rate for the consumers. In our experience, this creates a sense of confusion and suspicious among consumers, i.e. the lack of clear information creates a lack of trust.

We only saw a mere 2% sign up rate, or 600 out of 30,000+ households, in Bridgeport because of these issues.

A municipal aggregation program would give the City of Bridgeport the necessary powers to (1) write the terms of a potential agreement, and let utilities experts put the interest of our residents at the forefront; (2) undergo a RFQ and RFP process to select the most qualified supplier with the best price and incentives package; (3) interview such vendors with Energy Improvement District board members who are subject-matter experts in energy and leaders within their respective communities; (4) enter into a contract where all City households would be enrolled with the best third-party supplier.

Projections have shown that a city-wide energy aggregation program would save residents an average of \$30 or 20% on their monthly electricity bill. For Bridgeport, a city with 30,000+ households, this would yield a saving of \$10.8 million annually.

It is our desire that there will always be the option for individual households to find a third-party supplier suited to their needs if they did not like the City’s aggregation deal. However we feel that it is most effective for the City to aggregate a whole-sale energy deal for City residents, rather than let each household purchase a retail third-party energy supply package.