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Testimony of Shirley Bergert¹ Regarding Gov. Bill 843, Section 19 An Act Concerning Revenue Items To Implement The Governor's Budget Before the Finance Committee March 4, 2013, 10:30 am, LOB 2E

This testimony is focused on Sec. 19 of Bill 843, regarding auctioning of electric customers purchasing generation from CL&P or UI to other so-called market generation providers.

Recommended action regarding Sec. 19 of Bill 843: REJECT

The law deregulating electricity was passed nearly 15 years ago (PA 98-28). It separated "distribution" (CL&P and UI ongoing responsibility) from "generation" (electricity provided by CL&P or UI through the "standard offer" or by an alternative generation source in the private market). By design, the standard offer was artificially high to encourage market offerings of lower rates. Later, the generation purchasing methodology was modified to allow the utilities to reduce the costs of purchasing generation for the standard offer, but more could be done in this regard.

Many consumers have "spoken" by declining to participate in the so-called competitive market, opting to have service provided through the standard offer. This bill would force them to participate. In the 13 years in which consumers have had the option to purchase generation from a source other than CL&P or UI, only about half of residential households have done so. This hasn't always been a happy experience. Generation suppliers have unceremoniously dumped their customers back into the standard offer when they no longer wanted to deliver generation at an agreed upon rate; some households who purchase through alternative suppliers have been contractually locked into rates higher than those available through CL&P or UI and charged fees to escape the implications of contractual small print; and highly questionable marketing practices have been undertaken by alternative suppliers.²

¹ CT Legal Services represents low income state residents in civil legal matters. Shirley Bergert serves on the Low Income Energy Advisory Board, Energy Conservation Management Board, Fuel Oil Conservation Board, and the Advisory Board for the Institute for Sustainable Energy.

² A group using the misleading name, "Electric Assistance Program," robo-called my home earlier this year, indicating a special benefit may be available on my electric bill if I received energy assistance - there is no such benefit in CT. Caller ID indicated a MA phone: 617- 412-4893. It was a marketing ploy by 30 generation companies, including First Energy and Constellation, to sell to low income consumers. Under offered contract the rates charged would initially be less than CL&P or UI, but consumers could be locked into higher rates later in the contract period. I asked



No one knows the most significant reasons consumers do not participate in the market. As has been suggested, some people may feel unprepared to choose an alternate supplier and suffer inertia or a fear. Others have had less than satisfactory experiences, and some do not want to track electric rates to ensure they get a reasonable rate on an ongoing basis. ***But significantly from a policy perspective, many people cannot participate successfully in a marketplace where they have to navigate contractual complexities and monitor market rates.***

In a competitive “market” vulnerable consumers are at risk. Many consumers do not have the ability to successfully navigate a competitive market, particularly one as complex as the electricity “market”. Electricity is a necessity and mistakes can be very costly in terms of household stability, health and safety. The elderly face increasing levels of disability and some experience declining competency. Low income households have disproportionately high levels of disability, including competency, intellectual and mental health issues, literacy or linguistic limitations, and life stressors that make monitoring a market very difficult. A lack of computer access for monitoring is often an issue.

For vulnerable households, the standard offer provides protection from a market motivated by profit which may engage in questionable tactics that put them at risk. Even if vulnerable consumers have the legal ability to opt back into the standard offer, the same barriers that make it difficult to navigate the market may well prevent them from doing so.

Moving consumers en masse to the market will drive up the cost of the standard offer, exacerbating the risk to vulnerable consumers and decreasing competition. The utilities must purchase generation for the standard offer to ensure electricity will be available even when market suppliers fail to do so, acting as a critical system safety-net. A vastly reduced customers base for the standard offer, absorbing this safety-net cost, will increase the per unit cost of electricity for those consumers. Generation suppliers have 13 years of experience tying their rates to standard offer rates, at least initially beating them by a small amount to entice customers, but sometimes raising rates above those of the standard offer once they have engaged the customer. If the standard offer rates increase, it may well result in less competition and increased costs to consumers in the market. Connecticut already is one of the highest electricity cost states in the country and we cannot afford this result.

If the goal of this section of the bill is to make the residential electricity market more competitive, a better policy approach would improve the ability of CL&P and UI to take advantage of markets when purchasing generation for the standard offer, allowing them to again own generation facilities where cost-effective. Utility rates are decreasing now, largely due to the decreasing cost of natural gas, but we can do even better for consumers.

Connecticut has experimented with a competitive electric generation market for 15 years without significant success.

- Many consumers have “spoken” of their preference not to participate in the market by their action remaining with the standard offer.
- There is no real evidence the bill’s approach will offer a better approach for consumers.
- There is a significant risk the bill’s approach will be highly problematic, particularly for low income and elderly consumers.

It is dangerous to experiment at this level and we therefore recommend rejection of Section 19.

for contact information for this group and was told it wasn’t available. I called the MA number which only offers the option of being placed on their no call list, without any other information.