

Connecticut General Assembly

Finance, Revenue, and Bonding Committee

March 4, 2013

Senate Bill 843, AAC Concerning Revenue Items to Implement the Governor's Budget

Testimony of Dominion Retail, Inc.

My name is William Barkas, and I am Manager of State Government Relations for Dominion Retail, Inc., a subsidiary of Dominion Resources, Inc. My company is a licensed retail electric supplier with nearly 670,000 electric customers in nine states, including more than 60,000 small mass market customers in Connecticut together with our business partner, Levco Energy. Overall, we serve more than two million retail energy customers in 15 states.

SB 843:

While Dominion Retail takes no position on SB 843 overall, except for Section 19, Dominion Resources is strongly opposed to Section 7 of this bill. Section 19 presents a concept that has been previously implemented in other markets. The concept, or something very similar, has been implemented as a pathway to full retail choice after switching has reached a competitive threshold. As we understand the bill language, the PURA would issue a request for proposal to all licensed suppliers to bid full service contracts to residential and small commercial customers on the standard rate at a price not less than five percent below the standard rate as of April 1, 2013, for a period of at least one year after service begins. The supplier would agree to provide service of not less than three years. The customers would be free to shop other suppliers and could cancel anytime without penalty.

We believe that such details should be discussed and resolved through a technical stakeholder workgroup sponsored by the PURA. Concepts and details that have been utilized in other markets can make for a seamless transition to this next step towards 100 percent retail choice. The 800,000 customers remaining on default service represent about 50 percent of all eligible electric customers in the state. For reason of inertia, they have decided not to avail themselves of a lower cost service or a longer

term service or a multitude of other viable individual plans. They may not have the necessary information to help them make an informed choice, do not like the offers available, or just prefer to pay higher rates for their electric commodity service provided through the utility--that is all they know. The point is they do not appear to be engaged in actively learning and seeking out deals that would better fit their household budget, risk, tolerance, or usage habits. Our experience indicates it is because they don't know what to do and they fear making a mistake, so they stay with the utility default service. With the auction, moving them off default service will provide encouragement to become engaged and at the same time, foster more suppliers and more options and products going forward-- customers will demand it in the free marketplace. Under this auction proposal the default service customers would have the best of both worlds--they would be guaranteed a savings for a period of time, but could always shop the winning supplier for a better deal that best fits them individually.

Connecticut's retail electric market will never become fully competitive as long as the electric utilities remain in the merchant role. They enjoy inherent competitive advantages with name recognition and free customer acquisition costs unlike the retail suppliers. Some states have already determined that a better public policy would be to encourage the utilities to exit the merchant function so they can focus their efforts and resources on their core business--the reliable distribution of electricity. Texas has adopted this policy and Pennsylvania is moving in this direction. In the natural gas business, Georgia's Atlanta Gas Light exited the merchant role some years ago, and Ohio's utilities are now transitioning out of that role as well. The auction proposal outlined in Section 19 of SB 843 would help move Connecticut into the forefront of a modern, fully competitive retail electric market with recognizable benefits to the consuming public.