



**The Energy and Technology Committee
Public Hearing, February 20, 2014**

Testimony of

Consumer Counsel Elin Swanson Katz and Attorney General George Jepsen

Presented by Joseph Rosenthal, OCC

Proposed S.B. 2, *An Act Concerning Electric Customer Consumer Protection*

The Office of Consumer Counsel Elin Swanson Katz (OCC) and Attorney General George Jepsen are supportive of this bill, which seeks to increase the funding to the Department of Energy and Environmental Protection (DEEP) to further develop what is known as the “rate board.” Customers use the rate board, which is available at <http://www.energizect.com/compare-energy-suppliers>, to compare offers from competitive electric suppliers to each other and to the standard service offerings from The Connecticut Light and Power Company (CL&P) and The United Illuminating Company (UI). The bill also seeks greater access for customers to information about electric supplier contract terms and pricing.

The Public Utilities Regulatory Authority (PURA) is continuing to receive many complaints from customers of electric suppliers, including the residential and small business customers for whom the rate board is relevant. Some of these complaints allege actions by suppliers that are clear violations of law such as “slamming” (unauthorized switching of a provider), or charging rates that are not called for in the contractual terms. Other complaints claim that retail suppliers are making insufficient disclosures, including as to what happens when a fixed price term ends and a variable

price term begins. We are seeing some exorbitant charges by some retail suppliers (in excess of 20 cents per kilowatt-hour in some cases), whereas utility standard service is presently around 9 cents per kilowatt-hour. These kinds of disparities are creating consternation and rate shock for many customers who signed up with a retail supplier in the hope of obtaining savings, only to see the savings evaporate and in some cases reverse this winter.

Part of the complication in resolving these issues is the fact that the underlying electricity market prices are indeed quite high this winter. The cold weather has made natural gas very expensive for the many power plants that now use that fuel. Because the Procurement Manager of PURA buys electricity for standard service well in advance for six month periods, the market price spikes from this winter were anticipated but are reflected in the standard service price from January through June. In contrast, some of the retail suppliers buy their electricity to serve their customers over a short-term and pass on the winter price spikes in variable rates on a monthly basis. Many customers who expected to save with a retail supplier are seeing their hopes dashed because of inadequate disclosures, unduly high variable prices, or even variable prices that reflect market conditions.

The winter price spikes in the underlying electricity market were expected, and occurred last year even in an average winter. Thus, some of the suppliers must have known that customers on a variable rate would likely see a significant increase, but the customers did not. We are starting to see this phenomenon recur already, with some suppliers offering fixed rates below utility standard service until November, which they know will likely followed by high variable rates for next winter. In addition to improved

disclosures on the rate board, the Legislature needs to decide what needs to be done to protect customers from being whip-sawed each winter when high variable rates follow incremental savings over standard service. An Act that passed last year, Public Act 13-119, made some improvements in this area by amending 16-245o(f) to provide that suppliers need to notify customers from 30-60 days prior to the expiration of the fixed price term. However, additional disclosure requirements, enforcement tools, and other protections should be considered. There is an open PURA proceeding on these subjects, Docket No. 13-07-18, with hearings slated for late March. In addition to this bill and its goal of making needed improvements to the rate board, the Attorney General and OCC look forward to working with legislators and interested stakeholders based on existing information and the information to be revealed during the PURA hearings to analyze the need for additional legislation in this session.