

**Testimony of Jeremy Brecher
Before the Energy and Technology Committee**

In Support of SB570, An Act Concerning Electric Savings And Fixed Bill Fees,
and related bills capping the fixed charge for customers of electric distribution companies

*Submitted by
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Senator Paul Doyle, Representative Lonnie Reed, and distinguished members of the committee:

I am writing to support passage of legislation that would lower and cap the fixed charge for electric service for residential customers at \$10 per month and for small business customers at \$25 per month. This cap will provide an essential anchor for a broader reform of Connecticut's electrical system.

Connecticut's electric system is based on a one-way flow of energy from central generating stations to consumers. That model is now obsolete. It is failing to capture new opportunities for decentralized renewable energy and innovations like demand response. And it is failing to meet new challenges like climate change and energy insecurity.

As Rep. Lonnie Reed, co-chair of the General Assembly's energy and technology committee recently put it, it is time to begin "transitioning to a new economic model that values the contributions made by conservation, renewables, micro-grids, and other upgrades" to our electric system.

One key goal of those improvements is to reduce demand for electricity generated by large power plants.

As the state's 2013 *Comprehensive Energy Strategy* points out, "Utilities traditionally have made more money when they sell more electricity or gas, creating a powerful incentive to push for less efficient uses of energy or to avoid promoting energy efficiency measures."

Perhaps even more perversely, Connecticut utilities' guaranteed rate of return is based on how much they spend on poles, wires, substations, transformers, and other physical infrastructure. Unlike any normal business, if they spend more they make more profit, not less!

The good news is that the state's energy use reduction strategies are beginning to work. DEEP has just substantially lowered its projections for electricity consumption, largely due to energy efficiency.

Indeed, energy efficiency has cut the rate of peak demand growth for the region in half. Energy efficiency really can work.

Unfortunately, the utilities seem to be covertly or overtly resisting such measures. This year CL&P sought a 60% hike in its residential fixed charge to compensate for reduced demand for electricity, and it indicated it would pursue even greater increases in the future. Rep. Reed called it “a punishment fee for ratepayers” who used less electricity. Instead, we need to “incentivize our electric utilities to embrace change, not sabotage it.”

Rep. Reed recommended a working group be quickly convened to begin “reinventing the moribund economic model that is old and tired and infuriating and unsustainable.”

Such a working group should examine incentives and sanctions that will motivate the utilities to do the right thing.

Connecticut’s *Comprehensive Energy Strategy* (CES) recommends what it describes as “decoupling plus”: a “structure of performance bonuses for meeting efficiency targets and/or an enhanced rate of return for meeting policy targets including efficiency goals.” For example, rates could provide encouragement for “shared solar” and other alternatives to centralized generation and distribution. The CES further says that, “Similarly, poor performance should result in a reduction in the base-line rate of return.”

What if the utilities fail to cooperate?

Electric utilities across the US take many different forms, ranging from private investor-owned utilities like CL&P and UI to electric cooperatives to public power companies owned by municipalities and authorities like the TVA. If Connecticut’s investor-owned electric utilities stand in the way of meeting our needs in the 21st century, Connecticut may have to look at other forms of regulation and ownership.

A State Energy Authority, as proposed in 2009 by then Attorney-General Richard Blumenthal, could create and support alternative means for meeting our energy needs.

Ownership of energy generation and distribution could be transferred from private utilities to consumer-owned co-ops, municipal power companies, a state energy authority, or other alternatives.

Looming over this entire discussion is the imminent threat of climate change. Sea level rise and extreme weather are already impacting Connecticut, but they are nothing compared to what the future will hold unless we and others do our part to rapidly reduce the greenhouse gas emissions that result from burning fossil fuels -- coal, oil, and natural gas.

Connecticut's Global Warming Solutions Act, which established the goal of an 80% reduction in greenhouse gas emissions by 2050, must be the bedrock of our energy policies.

A “new economic model” should

- empower consumers and help them reduce their energy costs.
- provide greater energy security.
- insulate Connecticut from the gyrations of the fossil fuel market.
- invest in our local economy, not send our money away to buy fuel.
- create more jobs through labor-intensive efficiency and clean energy programs.
- reduce local pollution.
- stop aggravating global warming.

The state’s power to restructure the electric system was demonstrated by the 1988 electric “deregulation” that forced the utilities to sell off all their generation facilities. We need a restructuring on at least the same scale today.

Thank you for your consideration.

Sincerely,

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