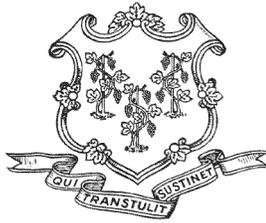


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TESTIMONY BEFORE THE ENERGY & TECHNOLOGY COMMITTEE

Senator Martin M. Looney
February 24, 2015

In support of:

- S.B. 573, An Act Concerning Variable Electric Rates**
- S.B. 570, An Act Concerning Electric Savings and Fixed Bill Fees**
- S.B. 575, An Act Concerning Electric Rate Transparency**

Good afternoon Senator Doyle, Representative Reed, and members of the Energy & Technology Committee. I come before you today in support of three pieces of legislation aimed at improving the structure of electric billing plans for residential customers and increasing transparency in the process of setting electric rates.

S.B. 573, An Act Concerning Variable Electric Rates

Last year this committee led passage of Public Act 14-75, which enacted several reforms for the protection of electric consumers. Perhaps the most significant of these measures was a new requirement that, beginning this July, every residential electric customer's monthly bill must display their rate for the coming month.

This measure was intended to provide customers advance notice of an unexpected and potentially dramatic increase in their electric rate, a disturbingly common occurrence, in particular, for customers with so-called "variable rate" plans. This measure was also intended to limit the variability of these highly unpredictable plans to thirty day periods, so customers will be provided at least some expectation of volatility in their next month's bill.

Yet I believe that we must now go further. Variable rate plans are not offered by all private electric suppliers, but some of those who do offer them have engaged in deceptive marketing practices to sell these unpredictable plans, and have then extracted unconscionably high profits from Connecticut consumers.

Many customers are lured into such plans though marketing campaigns featuring introductory "teaser rates" set a cent or two below the going standard offer rate, which can rapidly increase. Modest savings that may accrue over the first three months of a variable rate plan can be quickly wiped out and turned into substantial losses in a single billing cycle. Cancellation fees, as high as \$50 under current law, discourage customers from switching to more reasonable plans.

Though last year's legislation was a positive step in protecting consumers, I would argue that we must do more. In my opinion, these variable rate plans can easily hurt the average consumer, particularly vulnerable seniors. Electric customers deserve stable, predictable electric rates, whether obtained through standard offer service or from a multitude of highly competitive offers in the private supplier marketplace.

S.B. 570, An Act Concerning Electric Savings and Fixed Bill Fees

Late last year the Public Utilities Regulatory Authority (PURA) approved an increase in transmission and distribution rates for the residential electric customers of Connecticut Light & Power (CL&P), now known as Eversource Energy. As part of these increases, a fixed fee of \$16 per month for all customers was increased to \$19.50, though CL&P had sought as much as \$25.50. For comparison, United Illuminating (UI) charges its residential customers a fixed fee of \$17.25 per month.

These fixed fees are problematic for two major reasons. First, they are flat fees, and thus inherently regressive. For poorer customers looking to control the size of their bills, no amount of decreased usage will lower these fixed charges. Second, the presence of proportionally larger fixed fees on customer's bills proportionally decreases the customer's incentive to conserve energy.

It has long been the policy of this state to encourage conservation, and so accordingly we must act to reduce this disincentive. S.B. 570 calls for reducing, capping or eliminating fixed electric bill fees. For the reasons I have already outlined, I believe either a hard cap at a figure much lower than \$19.50 or \$17.25, or even an outright elimination of these fixed fees, would be far better public policy.

As a useful point of comparison, **the "fixed fee" portion of monthly electric bills in our neighboring states is far lower than CL&P's \$19.50 or UI's \$17.25.** The *Hartford Courant* reported on December 17th that, "In Maine, monthly fixed fees range from \$6 to \$9. For Massachusetts, rates are \$4 to \$7. Vermont rates range from \$1 to \$13. Rhode Island rates are \$5 a month. New Hampshire has one of the region's highest fixed fees outside of Connecticut, at about \$12 for Public Service of New Hampshire, another Northeast Utilities company."

It is very difficult to understand why Connecticut consumers should be paying fixed fees that are over 100% higher than those paid by consumers in several of our neighboring states.

The electric distribution companies have argued that fixed fees are necessary for maintenance of the electric grid, which they rightly point out must be maintained, regardless of customers' usage of electricity. Yet I would respond that, just as in our neighboring states, the grid can and should be maintained through more progressive, per kilowatt-hour charges. Greater reliance on usage-based charges would not only preserve, but enhance the incentive to conserve energy.

S.B. 575, An Act Concerning Electric Rate Transparency

I have already made reference above to last year's transmission and distribution rate increases for CL&P customers. CL&P's initial request for an increase came in May of 2014, and a final decision was not rendered by PURA until December. During that time, only three hearings were held at which members of the public—actual residential electric customers—could appear to testify on the impact of the proposed rate increases.

One hearing was held in New Britain, another in Stamford and the third in New London—a relatively wide distribution of locations, yet arguably none of them convenient for residents of Northwest or Northeast Connecticut. Each of these hearings were held within a week of one another, in late August and early September, months before a draft decision on the increase was rendered December 1st. There was no further opportunity for public comment before a final decision was rendered on December 17th.

Pursuant to CGS sec. 16-19, PURA must hold at least one public hearing on each rate case, but there is no requirement for additional hearings, or any requirements pertaining to the timing or location of the required hearing.

I would recommend that sec. 16-19 be amended to increase the number of required hearings for public comment on future rate cases be increased, so residential customers have an opportunity to attend at least one hearing in each county (or perhaps each OPM planning region) of the state affected by the increase. Also, at least one hearing for public comment should be held by PURA, at a central location in the state, in the critical time period between the issuance of a draft decision, and a rendering of the final decision.

Thank you very much for your time, and for your attention to these important issues.