

Written Testimony in Support of SB 570  
An Act Concerning Electric Savings and Fixed Bill Fees  
Submitted by Mark Scully  
29 Notch Road  
West Simsbury, CT 06092-2710  
[mwscully29@gmail.com](mailto:mwscully29@gmail.com)

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

My name is Mark Scully, and I am writing as a concerned citizen in support of legislation to lower the residential and commercial fixed charges for electrical service in Connecticut.

***The Current Utility Model Must Change, But not Like This!***

The traditional utility model, based on central generation, volumetric rate fees and one-directional distribution, is clearly under threat from the increase of distributed generation, most notably residential rooftop solar. Admittedly, the current utility model provides an implicit cross-subsidy to residents with solar panels; as the share of solar energy increases, utilities will be faced with a downward spiral of declining revenues, leaving fixed costs to be spread across fewer customers (i.e., the famed “utility death spiral”).

Understandably, some utilities, such as Eversource, have responded by seeking higher fixed charges. From the perspective of a shareholder-owned entity, this response is wholly understandable.

However, I strongly urge the General Assembly to reject this attempt by Eversource to increase fixed electricity charges for several reasons:

- By shifting rates from variable to fixed, Eversource will lower the marginal cost of electricity, thereby encouraging higher consumption and inefficiency.
- Higher fixed rates will discourage the growth of distributed renewable generation, notably solar.
- Allowing Eversource to pursue this blunt tactic will delay the real transformation that must happen in utility business models.

***Higher Fixed Charges Discourage Efficiency***

Over time, any utility must be permitted to recover the costs of its operations. This cost recovery mechanism has traditionally split costs between a fixed and variable component. By increasing the fixed charge, the relative share of variable rates will decrease, thereby lowering the marginal cost of each additional kilowatt-hour consumed. The clear impact of such a change will be to increase consumption and discourage efficiency measures. Such a policy would turn the clock back on all of the

efforts of citizens, all levels of government and utilities over the years. Alone on these grounds, higher fixed charges must be rejected.

***Higher Fixed Charges will Discourage Distributed Generation***

The distributed generation of electricity, notably from solar, is experiencing a boom in our state and across the world. It is creating jobs, empowering citizens and improving the stability and security of our grid. The costs of solar power have decreased dramatically in recent years and solar will soon reach cost parity with energy from fossil fuels. If allowed to continue, solar can generate a meaningful portion of our electricity needs. However, high fixed electric charges could endanger the growth of solar energy by shifting the costs of an antiquated centralized utility model onto those who have taken steps to reduce their energy demand. Policymakers must protect the growth of distributed generation against the blunt attack of utilities in defense of an outdated business model.

***Higher Fixed Charges will Defer the Needed Changes to the Utility Model***

As noted above, the current utility model is not sustainable. Eversource has responded to this threat with a blunt tactic that will, in the end, prevent them from making the changes needed to address the new utility paradigm.

I urge Connecticut policymakers to seize the opportunity to initiate the true utility reform which is needed. Connecticut's 2013 Comprehensive Energy Strategy (CES) lays out a sensible framework for decoupling utility revenue from energy sales. Similarly, New York State is pursuing a bold new model for utilities in their study "Reforming the Energy Vision". Connecticut can and must also be a leader in re-shaping role of electric utilities in a way that promotes energy efficiency and renewable generation, improves the security of the grid, all the while providing a fair return to the utility to which we have historically granted a natural monopoly.



Connecticut is not alone in experiencing a revolution in energy generation and distribution. Utility models must adapt in response to the growth of distributed generation and the threat of climate change. Understandably, Eversource has moved to address this threat. But, they have done so in a manner that will remove incentives for energy efficiency, snuff out the boom in solar energy and put off the inevitable changes they must make to their business model. Policymakers must reject this tactic and instead use this opportunity to rethink the role an investor-owned utility can play in the new energy economy.

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