AARP® Real Possibilities
Connecticut

Energy & Technology Committee
12/7/17 Subject Matter Hearing: S.B. 106
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AARP is a nonpartisan, nonprofit social welfare organization with a membership of nearly 614,000 in Connecticut that empowers people to choose how they live as they age, often through advocacy at the state and national levels. Because a substantial percentage of AARP's members live on fixed or limited incomes a major priority for AARP is to protect consumers from utility expenses that may endanger their health and financial security. We speak today to oppose SB 106.

We are not opposed to nuclear power or any other form of generation. Our opposition stems from our concern that as presented, SB 106 will increase electric rates. With among the highest electricity rates in the country, Connecticut can ill afford to adopt a special deal/subsidy which further increases those rates, especially without a full vetting of impact on ratepayers.

Dominion Resources, the private energy company headquartered in Virginia that operates the Millstone Nuclear Power Station in Connecticut, claims the plant is unprofitable. As a result, Dominion is seeking legislation to provide it additional compensation besides that already received from the wholesale power market.

They claim the request is not for a ratepayer subsidy but rather to allow them to compete for state power contracts with Eversource and United Illuminating. The use of the phrase "competes for a state contract" is very misleading. Dominion currently competes against other generators throughout all of New England to serve consumers across multiple states, including Connecticut. Connecticut is in a regional electric market (known as ISO New England). ISO New England selects the most economical power plants to serve New England.
We believe that the legislation, as presented in public statements, would raise the price of the power they generate by reclassifying it as a renewable fuel. This is being presented as great for ratepayers because Dominion can undercut the cost of other renewable fuels. However, it would allow Dominion to get a significantly higher price for their power, raising rates overall. A special deal that subsidizes profits, without any financial disclosures to prove this is necessary, puts all of the risk on the backs of Connecticut ratepayers.

The current rules that Dominion and other power generators operate under in Connecticut and throughout New England are the rules that they asked for when the state deregulated electricity nearly 20 years ago. Now that the power rates might slightly improve for the ratepayers, Dominion wants to operate by the rules from the 1990s. They want ratepayers to subsidize additional profits for them without having to disclose any verification of the losses for this request to the Public Utilities Regulatory Authority (PURA).

Any Connecticut-only special deal or subsidy plan for Millstone might violate the wholesale price formation rules of Federal Energy Regulatory Commission (FERC) as well as the Interstate Commerce Clause of the U.S. Constitution. FERC and the courts have struck down similar schemes in Ohio and are reviewing another subsidy plan in New York.

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Essentially, Dominion wants special treatment: long-term generation contracts for their power at artificially inflated prices. Any long-term contract or subsidy should be tied to Millstone disclosing their financial losses to the public.

According to TheStreet.com in a January 24, 2017 article, "Dominion Resources has been a profitable investment for more than a quarter of a century." A January 23, 2017 article on marketrealist.com stated, "Dominion is one of the fastest growing US utilities. It expects long-term earnings growth of ~10% for the next few years—nearly double the industry average."

A recent AARP survey showed that 87 percent of voters over the age of 45 feel Dominion should provide their customers and state legislators with financial reports that show a loss in profit before any special deals or subsidies are approved. Additionally, more than three quarters of respondents (78%) feel funding for any special deal or subsidy should be spread across all of the New England states Millstone serves and not just Connecticut.

The Millstone plant has evidently cleared the three-year ISO New England capacity auction, which would mean it is indeed economically viable. It is our understanding that the plant cannot close during this three-year period. Beyond that, in order to shutter, it would need approval from ISO New England and FERC. Alternatively, they could order it to stay open. The plant is also eligible for new pay-for-performance capacity payment enhancements. Duplicative state relief is not justified.

Dominion wants the parts of regulation that benefit them but not the rules that benefit ratepayers, a public inspection of the books. It should also be noted that several years ago when electric rates where even higher than they are now (a time when natural gas prices were extremely high), Dominion was making excessive profits for their shareholders. That is because the regional wholesale market auction that all generators in the ISO market participate in sets the clearing price by the price of natural gas. That meant that Domion's cheap nuclear generation was being sold at top prices.

At that time high electric rates for consumers and excessive profits for Dominion, the State of Connecticut approached them about entering into long term bilateral contracts at a cost of service rate. This would have helped consumers and businesses in Connecticut by bringing down rates, while still ensuring a healthy profit for Dominion shareholders. Dominion was not willing to sacrifice excessive profits to help consumers, but now they are asking ratepayers for a special deal to increase their profits, without having to demonstrate any need to those same ratepayers since gas prices have fallen.