



# Connecticut Industrial Energy Consumers

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**TESTIMONY OF THE CONNECTICUT INDUSTRIAL  
ENERGY CONSUMERS  
ON  
H.B. 5363  
“AN ACT ESTABLISHING A CARBON PRICE FOR  
FOSSIL FUELS SOLD IN CONNECTICUT”  
BEFORE THE  
ENVIRONMENT COMMITTEE  
MARCH 14, 2018**

The Connecticut Industrial Energy Consumers (CIEC), an *ad hoc* coalition of large commercial and industrial end-users which collectively employ thousands of Connecticut workers at numerous plant locations throughout the State hereby offers its comments on H.B. 5363 *An Act Establishing A Carbon Price for Fossil Fuels Sold In Connecticut*.

CIEC fully supports efforts to increase system reliability while reducing the State’s carbon footprint. As you are well aware, CIEC members are leaders in energy reduction and conservation, dramatically reducing their usage. They actively participate in load reduction programs and are subject to interruption during peak periods. These efforts have resulted in less strain of the bulk power system and produced significant environmental benefits by reducing emissions and potentially displacing older less efficient units. CIEC members continue to expand their energy reduction and conservation measures and subsidize the conservation and load management fund through their rates for the benefit of other customers.

Importantly, CIEC members have also utilized Connecticut’s strong incentives to assist customer investments in conservation, energy efficiency, and cleaner on-site power. In fact, members have enthusiastically responded to the distributed generation (DG) incentives established by this body in Public Act No. 05-01, *An Act Concerning Energy Independence*. As a result of that Act, several members have devoted considerable time and effort to evaluate the practicality of customer-side distributed generation and have scheduled or completed construction and installation of these smaller, more efficient and environmentally friendly distributed generation units. In particular, by utilizing what otherwise would be thermal waste, combined heat and power units are especially effective at assisting customers in meeting conservation goals. However, in order to achieve such goals, it is critical that these programs remain stable and consistent.

This bill and the imposition of a carbon fee will have the unintended result of penalizing the very distributed generation units the State has encouraged consumers to pursue. CIEC is very concerned that any possible rush to impose a carbon fee without a critical analysis of the likely benefits and costs that would be realized by consumers and potential alternative approaches, could result in unacceptable and potentially-devastating economic impacts and/or actual carbon emission reductions that are immaterial or non-existent.

CIEC is concerned that the imposition of this bill will also unintentionally contribute to an increase in energy supply costs without providing any additional benefits to electric energy consumers. As you may already be aware, energy costs in Connecticut far exceed the national average. For example, the electricity prices paid by industrial customers in Connecticut are nearly double the national average. Even more disturbing is that the gap between electric rates in Connecticut and those in other regions have increased on a cents per kilowatt hour basis from \$0.04 in 2002 to over \$0.13 in 2017 for utility customers. Non-bypassable surcharges have been a large contributor to these increases and now constitute a significant portion of CIEC members' delivery bills -- separate from the cost of actual delivery services.

The price of electricity places Connecticut businesses at a significant disadvantage with respect to businesses and manufacturers in other regions and nations. In fact, these high energy costs are a significant contributing factor to the decline in Connecticut's manufacturing and commercial sectors – resulting in the loss of thousands of jobs over the past decade. As the Public Utility Regulatory Authority has acknowledged, additional rate increases “will . . . likely impact the decisions of more businesses to locate or expand in Connecticut.”<sup>1</sup> These customers are the backbone of the State's economy and need lower-priced energy now.

The State has previously concluded as a matter of policy that customers “must have access to safe, *affordable*, diverse and reliable energy supply.”<sup>2</sup> Any additional rate increases will create new hardships for customers and will impact the decisions of businesses to locate or expand in Connecticut. For example, an increase of \$0.001, while appearing small, results in an increase of several hundred thousand dollars to a large commercial and industrial customer. Moreover, such increases are multiplied as suppliers pass such increases on in the cost of their products. Accordingly, any carbon pricing mechanism also must be harmonized with the State's economic development goals. In order to achieve the State's energy and economic development goals, it is essential that any costs that potentially increase the price of energy paid by industrial consumers be carefully scrutinized to result in just and reasonable rates.<sup>3</sup>

Based on the foregoing, CIEC urges the Environment Committee to reject H.B. 5363 and continue to investigate the impacts that a carbon fee will unintentionally have on local electricity prices, actual reductions to carbon, and future economic development in the State. CIEC is committed to working with legislators, State agencies and other market participants to continue to implement solutions that assist in furthering the economic viability of the State, while also reducing the State's carbon footprint.

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<sup>1</sup> Docket No. 06-03-02, *DPUC Investigation into Electric Load Retention Tariffs*, Decision, Decision (October 25, 2006) at 8.

<sup>2</sup> *Energy Plan For Connecticut* (2005) at 1 (emphasis added).

<sup>3</sup> See Conn. Gen. Stat. §16-19gg (2014).