

TESTIMONY OF ERIC J. BROWN
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
before the
ENERGY & TECHNOLOGY COMMITTEE
February 24, 2015

Good morning. My name is Eric Brown and I am an attorney with the Connecticut Business & Industry Association (“CBIA”). CBIA’s mission is to work with our members and public officials to make Connecticut a more attractive location for business investment in order to grow jobs and economic opportunity for those who live here. Our members include businesses from across the state of all sizes and from nearly every industry in Connecticut.

Thank you for this opportunity to comment on measures before your committee today related to Connecticut electric rates. CBIA greatly appreciates this committee’s continued attention to the issue of Connecticut’s competitive position with respect energy costs.

Several bills on today’s agenda speak to a desire to cap the fixed portion of customer’s electric bills. **CBIA opposes each of these bills.** Specifically, CBIA opposes:

- **Proposed S.B. No. 570** AAC Electric Savings and Fixed Bill Fees
- **Proposed S.B. No. 574** AAC Electric Distribution Company Rates and Charges
- **Proposed H.B. No. 5281** An Act Capping the Fixed Customer Charge for Residential Customers of Electric Distribution Companies
- **Proposed H.B. No. 5402** An Act Limiting the Fixed Customer Charge for Residential Customers of Electric Distribution Companies
- **Proposed H.B. No. 6014** AAC Electric Distribution Companies’ Residential Fixed Customer Charge
- **Proposed H.B. No. 6019** AAC Electric Rate Affordability and Transparency
- **Proposed H.B. No. 6029** AAC Electric Distribution Company Fees

CBIA knows that each of these bills is extremely well-intentioned and designed to reduce the burden of electric prices on Connecticut consumers. Each of you has heard from constituents who are understandably upset with recent increases in their already high electric bills.

However, CBIA opposes these bills and capping the fixed portion of our electric rates for the following 5 reasons:

1. Electric charges are made up of the generation charge (which includes not only the commodity price but also additional costs associated with our highly stringent renewable portfolio standards as well as additional costs associated with our participation in the Regional Greenhouse Gas Initiative), the “rate” portion (both fixed and non-fixed), and additional costs associated with programs paid for by ratepayers (such as the approximately \$200 million in fees for energy efficiency subsidies; funding the Office of Consumer Counsel, the Public Utilities Regulatory Authority and DEEP). Capping the fixed rate portion of the bill will not reduce these energy costs – it will only shift costs through legislative action which does not consider how or where those lost dollars will have to be made-up.
2. The fixed portion of a consumer’s electric bill reflects costs associated with maintaining a resilient electricity infrastructure. Having and maintaining such an infrastructure is vital to Connecticut’s economy as well as the safety and comfort of all our citizens, and therefore should be fairly born by all customers. These costs have increased significantly and include the costs associated with tree removal and tree-trimming that followed recent major storms, as well as those associated with a 12% increase in utility company labor costs over the past 4 years;
3. Capping the fixed charged will not reduce electricity costs. Money lost due to a reduced fixed fee will have to be made up elsewhere among the variable rate portion of the rate structure. Since businesses, small and large, generally use larger amounts of electricity than most homes, Connecticut’s businesses are likely to shoulder a larger portion of the cost shift to the non-fixed component of electric bills - making Connecticut an even more expensive and less competitive place to locate or grow a business;

4. Approximately 87 % of electricity costs on customer's electric bills are non-variable and linked to the amount of energy the customer uses. Therefore, there is already ample incentive to reduce usage, and (through use of the energy efficiency programs) to reduce energy bills; and
5. Connecticut is fortunate to have a talented and dedicated Public Utility Regulatory Authority (PURA) that conducts rigorous, thorough and transparent legal, technical and economic reviews during rate case proceedings.

Energy costs have to be paid. We believe this committee's focus is, and should be, on reducing costs – not trying to legislatively cap one component of a complicated, highly-deliberated cost payment structure. Yesterday's forum on "Utility 2.0" was an extremely interesting discussion on developing the grid of the future. We would encourage the committee to pursue further comprehensive conversations on energy transformation and resist measures such as these which, while well-intentioned, do not move Connecticut in the direction of a more resilient and affordable energy system.

Thank you for this opportunity to comment.