

TESTIMONY OF
STEPHEN GIBELLI, ASSISTANT GENERAL COUNSEL and
EDWARD DAVIS, DIRECTOR OF RATES ON BEHALF OF
EVERSOURCE ENERGY

Energy and Technology Committee
February 24, 2015

**RE: Proposed S.B. No. 570, AN ACT CONCERNING ELECTRIC SAVINGS AND
FIXED BILL FEES**

**Proposed S.B. No. 574, AN ACT CONCERNING ELECTRIC DISTRIBUTION
COMPANY RATES AND CHARGES**

**Proposed H.B. No. 5281, AN ACT CAPPING THE FIXED CUSTOMER CHARGE
FOR THE 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, AN ACT CONCERNING ELECTRIC DISTRIBUTION
COMPANIES' RESIDENTIAL FIXED CUSTOMER CHARGE**

**Proposed H.B. No. 6019, AN ACT CONCERNING ELECTRIC RATE
AFFORDABILITY AND TRANSPARENCY**

**Proposed H.B. No. 6029, AN ACT CONCERNING ELECTRIC DISTRIBUTION
COMPANY FEES**

Good afternoon. My name is Stephen Gibelli, Assistant General Counsel for Eversource Energy.

With me today is Edward Davis, Director of Rates.

As you are aware, utility rates are reviewed and approved by the Public Utilities Regulatory Authority ("Authority") through an adjudicatory process in which evidence is presented by all parties, including the utilities and the consumer advocates. The Authority determines the overall revenues that must be collected from customers to provide service. Once the overall revenue

requirement of the utility is determined, the rates are established for each class of the utility's customers based on how much it costs to provide service to each class of the utility's customers – residential, commercial, and industrial. Within each class, rates are set using a combination of both fixed and usage or demand-based charges. The Authority must determine which utility costs are borne no matter how much electricity a customer uses versus those which are usage based. Ultimately, regardless of how the revenue is collected (fixed vs. variable charges), the total revenue requirement of the utility must be collected. If the revenue collected by a utility company through the fixed charge is lowered, then charges based on usage would be increased to make up the shortfall and vice versa.

It is a fundamental tenet of utility rate regulation that customers should pay for the costs of service they receive, and not pay for the costs of providing service to other customers. This principle is known as “cost-based ratemaking” or “cost causation.” Even customers utilizing renewable technology need to remain connected to the local electric grid and use the grid to buy power from their local electric company during times when their systems are not producing enough energy to meet their needs. The utility must maintain poles and wires for these customers.

It is important to note that a reduction in a charge to one set of customers will be at the expense of other customers, and may not produce the benefit hoped for in abandoning long established cost-based principles. For example, low income customers are not necessarily low use customers. The average usage of residential hardship customers is near the class average. Therefore, lowering the customer charge would have little or no effect on lowering their monthly electric bill.

Finally, it is a misconception that raising the fixed customer service charge will discourage conservation. An average residential customer using 700 kilowatt hours per month, with a fixed customer charge of \$19.25 and a usage-based charge of 19.4 cents per kilowatt hour (covering all public service charges, generation, transmission, and distribution service) would have a monthly bill of \$155.05. Thus, about 88 percent of the customer's bill is still based on usage and can be managed through conservation and energy efficiency. In fact, Eversource found that when the customer charge increased by over 50 percent in 2008, residential participation in efficiency programs actually increased.

The determination of an appropriate customer charge is a matter of fairness and equity. We believe that rates should be set through a contested, adjudicatory rate proceeding conducted by the Authority based on time-tested cost of service principles. We believe this is in the best interest of all of our customers.

Thank you.