



Connecticut Industrial Energy Consumers

Testimony of James King on Behalf of the
Connecticut Industrial Energy Consumers
Before the
Energy and Technology Committee

February 24, 2015

The Connecticut Industrial Energy Consumers (CIEC), is 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 and have been a mainstay of the State's economy for decades. CIEC offers its comments on a variety of bills that would reduce, cap or eliminate electric distribution companies' residential fixed customer charge (SB 570, SB 574, SB 625, SB 728, HB 5281, HB 5402, HB 6014, HB 6015, HB 6019 and HB 6029). CIEC supports the efforts to promote and incentivize conservation of electricity and provide savings to ratepayers. **However, CIEC is concerned that, without appropriate safeguards, the imposition of a cap on residential ratepayers could have the unintended consequence of raising rates to the State's other ratepayers potentially resulting in longer-term damage to the State's economy.** Thus, CIEC urges the Legislature to explicitly prohibit the shifting of costs to other ratepayer service classifications in any such legislation.

CIEC members are leaders in energy reduction and conservation, and have significantly invested in energy efficiency initiatives to both lower usage and reduce their respective carbon footprints. They also actively participate in demand response programs and are subject to interruption during peak periods. CIEC members continue to actively explore and implement opportunities to expand their energy reduction and conservation measures.

As you are aware, energy costs in Connecticut far exceed the National Average. In fact, electricity prices paid by large commercial and industrial (C&I) customers in Connecticut are nearly double the national average. These costs are a contributing factor in manufacturing and commercial decisions to stay or expand in our State. It is a vexing issue for Connecticut. Every lost manufacturing job equates to over \$70,000 in lost salary and has an adverse multiplier impact on our economy. We must remember that manufacturers' payroll generates over \$500 million in local property taxes in Connecticut and provides more than \$800 million in state income and sales taxes. Once manufacturing jobs are lost to other jurisdictions it will be difficult, if not impossible, to get them back. Moreover, the loss of commercial and manufacturing businesses and jobs will only place a greater burden on the state's remaining electric ratepayers.

Historically, C&I classes subsidize other classes, in most instances, historically providing rates of return approximately two to three times the system average. The total subsidy, at minimum, is \$25 million annually. Over the past decade, large C&I customers have paid tens of millions of dollars in excess of their actual cost of service.



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CIEC urges the Legislature to recognize the potential adverse impact of the proposed changes on all energy customers and the State's economy. The Legislature has long recognized the competitive challenges facing C&I customers. For example, Section 16-19gg of the Connecticut General Statutes, directs the Authority "to give consideration to the energy cost of manufacturers" when setting rates. Moreover, the Legislature previously has sought to protect other ratepayers when implementing class specific proposals. For example, in 16-19hh, in authorizing flexible rate options, the Legislature explicitly stated that "no such [rate option] shall shift costs to other ratepayers." Similarly, the Legislature should be clear, that any contemplated cap or other measure, whether made immediately or in the context of a rate proceeding, should not shift costs to other service classifications.

To potentially further burden C&I customers with increased energy costs risks exacerbating the already difficult economic climate facing these businesses both domestically and globally. Connecticut should continue to do everything in its power to maintain and enhance the State's competitive position.