STATE OF CONNECTICUT
NEWS RELEASE

Consumer Counsel Mary J. Healey

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OCC Says Current Version of the Energy Bill is a Bad Deal for the Public

Consumer Counsel Mary J. Healey has deep concerns about the provisions of the current version of the energy bill that is being circulated around the State Capital (House Bill No. 6906, LCO No. 8227). The bill restores the "procurement fee" for Connecticut Light and Power Company (CL&P) and The United Illuminating Company (UI), a multimillion dollar charge that the House overwhelmingly rejected near the close of the legislative session. The Consumer Counsel is adamant that the bill should not become a vehicle for giving the utilities various bonuses for procurement or as compensation for decreased energy use.

As franchised monopolies, CL&P and UI already recover their prudent costs of doing business, with an approximate 10% ratepayer-guaranteed profit. In 2004, CL&P made $88 million in profit, while UI made $48 million, for a total of $136 million. Healey urged that "Legislators not be fooled -- the current version of this bill sneaks in huge costs for ratepayers under the guise of promoting distributed generation and reducing congestion costs."

Section 27 of the current version of the energy bill (LCO No. 8227) would continue the procurement fee in the approximate amount of $21 million annually. The House has already overwhelmingly rejected this gift that provides bonus compensation for CL&P and UI to do the jobs their utility franchise rights require anyway. "To my knowledge, no other New England state requires the ratepayers to pay millions of dollars for a so-called procurement fee," Healey stated.

Section 12 would allow CL&P and UI to own generation facilities, with ratepayers providing a backstop for downside investment risks. This would create a hybrid regulated/deregulated generation sector in Connecticut -- with ratepayers paying extra costs in the distorted "deregulated" market as well as carrying the risks of utility generation. "A hybrid power market, with public

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utilities and merchant generators competing with each other, could well lead to the worst of both worlds for ratepayers," Consumer Counsel Healey said.

Sections 8, 14, 15 and 29 of the current version of the energy bill would give CL&P and UI payments that are unrelated to their costs (recall, public utilities get paid based on costs) if we manage to reduce energy usage or to decrease LICAP payments. This would take the consumer benefits of reducing LICAP payments and give them back to the utilities.

In a time of rapidly rising electric and energy costs, the Legislature should be protecting ratepayers, not digging into their pockets on behalf of big industries and their lobbyists.

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