

Public Hearing of the Energy and Technology Committee
December 20, 2006

Re: AAC Connecticut's Energy Future LCO No. 345
AAC Connecticut's Long-Term Energy Policy LCO No. 338

Testimony of Consumer Counsel Mary J. Healey,
Office of Consumer Counsel

The draft bills before us, An Act Concerning Connecticut's Energy Future and An Act Concerning Connecticut's Long-Term Energy Policy, contain important measures to restore some needed state control over electric rates and to reinstate electricity planning processes. It is only by restoring some State control that we will be able get electric rates back to just and reasonable levels, as the public interest requires. The new planning provisions will help to ensure reliability and stable prices, which are critical to the health and safety of our citizens and the state's economy.

It is certainly time to act. We must address the unacceptable rise in electric prices which have catapulted Connecticut into the unwanted position of having the highest electric prices in the continental United States.

OCC is not appearing here today to do anything about the past except to say let's learn from it and move ahead to solve the problem together. Our job every day is to work to bring about good results for the ratepayers. Our benchmark is: are rates just and reasonable for reliable electric service? They used to be; they are not now. Even Warren Buffet, one of the most successful capitalists around, said at the NARUC Annual Meeting this November, that deregulation of electricity, an essential service, is working badly for customers.

This is not a partisan issue. All of Connecticut's citizens and businesses are feeling the brunt of these higher rates.

The draft bill on Connecticut's Energy Future would authorize the utilities to own a limited amount of generation plants, priced at cost of production plus a reasonable rate of return

and no more. Any profits made in the energy market above and beyond the regulated rate of return would be returned to utility customers for their benefit to lower their rates. This would have an immediate, stabilizing effect on rates and we believe would lower rates in the long term by reducing our full reliance on the wholesale market. We would suggest that some of the bill language be tightened to make sure that Connecticut citizens receive the benefits of utility-owned generation. No one should be allowed to stand in the way of this important measure.

The draft bill on Connecticut's Energy Future would also move Connecticut, in a future request for proposals, toward buying all electric products from a new power plant at cost-of-service rates. That is the right approach for the future. However, the draft bill does not do enough to limit a *current* bidding process for power plants now before DPUC. Last week, on December 13, 2006, there was a press conference in this building by House Democrats, along with my office and the Attorney General, where we all acknowledged that DPUC's current bid process for new power plants is fundamentally flawed. Power plants built under the DPUC's complex "contract for differences" paradigm will use the ratepayers as a backstop for financing but will still get substantial opportunities to overearn in the energy market at ratepayer's expense. Rep. Fontana's used the apt analogy of buying someone a cow without obtaining the rights to the milk. So, we need through this legislation to either cancel the DPUC's RFP process for new power plants or severely limit the number of megawatts bought under that process. To do otherwise, would jeopardize the bill's efforts to restore some state control and rate stability through utility-owned generation and long-term contracts for "all electric products."

An important measure in the "Long-Term Energy Policy" bill is the re-establishment of an Integrated Resource Planning Mechanism that has been sorely missed since the Restructuring Law was passed in 1998. This Mechanism will enable Connecticut to meet the needs of its citizens and businesses by planning for the right amount of diversified resources at just and reasonable costs. Economists on the right and left are again realizing that due to the unique nature of electricity, great efficiencies can result from planning an electric system.

This bill supports energy efficiency and renewables. So does OCC, when the benefits to ratepayers outweigh the costs of the subsidies. Otherwise, we are merely adding on to their

costs. OCC would also support restoring the funds taken in 2003 from the Conservation Fund, either as part of this bill or as a stand-alone measure.

OCC appreciates the opportunity to present its views on behalf of all utility ratepayers and we will continue to do whatever we can to help as the Legislature takes on these important issues for Connecticut.

Thank you.