

The Energy and Technology Committee

February 3, 2009

House Bill 6305: AAC Overearning Sharing Mechanisms For Public Service Companies

Testimony of

The Office of Consumer Counsel

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The Office of Consumer Counsel (OCC) strongly supports the passage of House Bill 6305: AAC Overearning Sharing Mechanisms For Public Service Companies that seeks to permit the Department of Public Utility Control to establish ratemaking mechanisms in rate proceedings that share revenues between ratepayers and shareholders that exceed a public service companies authorized rate of return.

The proposal will specifically allow the Department of Public Utility Control ("DPUC") to establish earning sharing mechanisms (ESMs) in proceedings held pursuant to section 16-19 and 16-19a of the general statutes. Currently, the DPUC has been reluctant to establish an ESM in a rate proceeding when such a mechanism has not been so proposed by a utility company. The proposal would give the DPUC specific authorization to establish an ESM without utility consent.

It has become apparent, especially during the last year, that the overearning statute fails to provide ratepayers with satisfactory financial protection from utility overearnings. The overearnings statute requires six consecutive months of overearning to require the DPUC to establish a proceeding to investigate if a utility's rates are more than just and reasonable. Even after the statute is triggered and a docket established, the prohibition on retroactive ratemaking precludes a return of past overcollections to ratepayers. As a result, even if a public service company is found to be overearning, it will be allowed to keep at least nine months of excess revenues if an earnings sharing mechanism has not been established for a given utility.

The OCC estimates that over the past year, that Connecticut utilities retained over \$25 million of overearnings that could have been shared with ratepayers had ESMs been in place for all regulated public service companies.