



# Connecticut Industrial Energy Consumers

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**TESTIMONY OF THE CONNECTICUT INDUSTRIAL  
ENERGY CONSUMERS  
ON RAISED BILL NO. 3920  
“AN ACT CONCERNING EMERGENCY RESPONSE BY  
ELECTRIC DISTRIBUTION COMPANIES AND  
REVISING THE REGULATION OF OTHER PUBLIC  
UTILITIES”  
BEFORE THE GENERAL ASSEMBLY**

**September 8, 2020**

The Connecticut Industrial Energy Consumers (CIEC), an *ad hoc* coalition of large commercial and industrial (C&I) end-users which collectively employ thousands of Connecticut workers at numerous plant locations throughout the State hereby offers its comments on Bill No. 3920, *An Act Concerning Emergency Response By Electric Distribution Companies And Revising The Regulation Of Other Public Utilities*.

CIEC members collectively employ over 40,000 Connecticut workers at numerous locations throughout the State (close to 3% of the State’s working population). The average median income for CIEC member employees well exceeds the State average for household median income of \$74,168. With over 6,000 companies, Connecticut manufacturers and large commercial businesses account for over 12% of the State’s economy, provide employment to more than 190,000 residents, and pay over \$460 million in property taxes to the State’s towns and cities.

CIEC members account for a substantial portion of all electricity consumed in Connecticut, with members accounting for at least 3% of the State’s energy usage, annually. Significantly, CIEC members pay close to \$100 million in energy costs, annually. Energy is an integral component to members’ operations in the State, and the effect of a \$0.001, or “mill”, increase per kilowatt hour (kWh) results in an increase of hundreds of thousands of dollars for a single large C&I customer. Having access to reliable and quality power is vital to CIEC members’ business operations and the economic competitiveness of the State of Connecticut.

CIEC fully supports efforts to increase system reliability while reducing carbon. As you are well aware, CIEC members are leaders in energy reduction and conservation by dramatically reducing their usage to meet decarbonization and climate goals as well as operational efficiencies. They actively engage in load reduction efforts and are subject to interruption during peak periods. These efforts have resulted in less strain of the bulk power system and produced significant environmental benefits by reducing emissions and potentially displacing older, less efficient units.

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increase per kilowatt hour (kWh) results in an increase of hundreds of thousands of dollars for a single large C&I customer.

CIEC is generally supportive of Raised Bill No. 3920, as its primary purpose is to impose a number of consumer protections as well as changes intended to improve safe and reliable service to ratepayers. CIEC has been a longtime advocate for implementing economic development rates for C&I customers. There is currently no economic development rate that can be offered to large customers that choose to locate and/or retain business production within Connecticut. CIEC underscores the importance of retention given that many large manufacturers have a global footprint and are continuously weighing the costs associated with remaining in Connecticut versus another geographic area with lower operating costs such as energy (Connecticut's electricity costs are double the national average). Economic development rates could help bridge the gap for energy-intensive businesses to remain competitive in Connecticut.

Significantly, electricity costs in Connecticut far exceed the national average. For example, the electricity prices paid by industrial customers in Connecticut are nearly double the national average for similar customers,<sup>1</sup> with nonbypassable surcharges being a large contributor to these costs. The upward pressure from these two components (*i.e.*, increased energy costs and increased surcharges) impose additional costs on high-load-factor customers that are disproportionate relative to the cost of "traditional" delivery service to such customers.

The price of electricity places Connecticut businesses at a significant disadvantage with respect to businesses and manufacturers in other regions and nations. In fact, these high energy costs are a significant contributing factor to the decline in Connecticut's manufacturing and commercial sectors – resulting in the loss of thousands of jobs over the past decade. As the Public Utility Regulatory Authority has acknowledged in the past, additional rate increases "will . . . likely impact the decisions of more businesses to locate or expand in Connecticut."<sup>2</sup> These large customers are the backbone of the State's economy and need lower-priced energy now.

In that same vein, CIEC is a strong supporter of interim rate decreases given Connecticut's already high-priced energy costs coupled with the impacts of the Millstone Agreements and COVID-19. In fact, on April 16, 2020, CIEC filed a *Motion Seeking Immediate, Material Rate Relief for Electric and Gas Customers As a Result of The COVID-19 Pandemic* with the Public Utilities Regulatory Authority ("PURA") in Docket No. 20-03-15 requesting interim rate relief for all customers. CIEC supports providing PURA with more authority over determining the costs that go onto utility bills and are paid by ratepayers. PURA should have the ability and authority to alter the costs borne by ratepayers when warranted.

Lastly, CIEC is supportive of efforts intended to make utilities more accountable to ratepayers in the electric and gas service they provide. We recommend a minor revision to the first sentence in

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<sup>1</sup> U.S. Energy Information Administration, Electric Power Monthly, Table 5.6.A Average Price of Electricity to Ultimate Customers by End-Use Sector (February 26, 2020) available at: [https://www.eia.gov/electricity/monthly/epm\\_table\\_grapher.php?t=epmt\\_5\\_6\\_a](https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a).

<sup>2</sup> Docket No. 06-03-02, *DPUC Investigation into Electric Load Retention Tariffs*, Decision, Decision (October 25, 2006) at 8.

Section 1 (b) where it requires PURA to investigate, develop and adopt performance-based regulation and suggest instead to offer flexibility for PURA in case, after further analysis, performance-based regulation is not in the best interests of the ratepayer. CIEC recommends that the General Assembly analyze other states in which Connecticut's electric distribution companies operate that may already use this form of regulation. Before implementing such change, it is important to see if the utility is indeed performing better and/or their performance is in correlation with the rate of return shareholders are receiving under a performance-based paradigm. Of greatest importance, we need to know whether ratepayers are paying more or less for the same level of service. It is possible that in some instances this structure could be more costly to ratepayers when considered in tandem with the myriad of statutory surcharges Connecticut assesses on ratepayers. CIEC supports providing PURA with the ultimate authority as to whether it is in ratepayers' best interests to ultimately shift to performance-based regulation for electric distribution companies. It is vital that there is due diligence and investigation as to what the total and comprehensive impacts may be to ratepayers before such paradigm is mandated.

CIEC members' businesses rely on the constant flow and delivery of electricity to their facilities in order to remain operational and economic. Manufacturing processes involve various steps in the production line, as well as sophisticated and sensitive equipment. For many, when there is a loss of power and the machine stops, whatever part or widget is being produced in the production process is then scrapped. This results in tens of millions of dollars per manufacturer in lost production revenue, scrap and equipment damage when the electricity is out for multiple days. CIEC supports measures to incent better storm response and reliability for ratepayers. CIEC submits that any consumer advocate informing the utilities should also advocate on behalf of C&I customers, as well as residential customers. An understanding of the magnitude of damages and the business impacts that flow from poor reliability and outage management is vital for any consumer advocate informing the utility board of directors.

Based on the foregoing, CIEC supports the General Assembly's Raised Bill No. 3920 and urges the General Assembly to include modifications consistent with CIEC's recommendations above for greater deference and authority to PURA in its role as the State's utility regulator.