



State of Connecticut

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Testimony LCO 3920, 8th September 2020

Chairman Needleman, Chairman Arconti, Ranking Member Formica, Ranking member Ferraro and respected members of the Energy and Technology committee. I thank you for taking up this legislation and I also appreciate having the time to speak today. I testify here on LCO 3920 with suggestions for making this proposed regulation robust and effective. We need to pass legislation which addresses the issues with our electric system rather than something which is superficial.

I want to make three points:

First, I believe the bill should focus on what the public needs. The first public requirement is to make electricity affordable. At 24c, the cost of power in Connecticut is nearly double that in states like Florida and Texas (12c) and 40% more than that in New Jersey and Pennsylvania. Is this bill addressing that issue in a material way? I am afraid not. As a matter of fact, the risk is that this bill will increase the cost of electricity for most consumers other than providing some short term help to low income consumers. The second clear public requirement is the reliability of our grid during inclement weather and emergencies. It is not clear that this bill addresses that issue materially either. The key solution is to bury some or all of the electric lines and that is expensive. This bill does not address that difficult issue. However, it does help that in this bill there are penalties for the utility if they do not address outages in a timely manner.

Second, how can we make our electricity affordable in CT? First, by ensuring our utility is efficient and is able to produce and distribute electricity at low prices. Second, by ensuring that the utility rate of return is commensurate with the risk in a 0% rate environment. Finally, by making sure that the utility has incentives to reduce costs and deploy capital effectively and for consumers to have increased efficiency. This bill does not go any of these routes. This bill adds cost to the utility and I am worried that those costs are going to be passed to the consumer over periods of time. There is no discussion in this bill that rate of returns of 10% were decided in 4% interest rate environment and not in zero percent rate environment. I want to point out that our expected rate of return on pension assets has fallen from 10% to 7% over last two decades and the utility return should also be reduced to reflect the new rate environment. Finally, our state mandates and regulation and the very difficult regulatory environment in CT to build power plants are causes for high prices of electricity. This bill really ignores those issues.

Finally, when it comes to storm response the real question is how to make our system more reliable. The real solution is for our utilities to bury some (say 10%) of the most critical lines. The real solution is to define and implement some vegetation management plan in conjunction with local towns. Once again, we are not addressing these issues directly in this bill.

In concluding, I ask you to add more rigor to this regulation. The performance based compensation looks very nice on paper but is ambiguous and no one knows how that will work. I ask you to address the affordability and reliability head-on. Our public needs cost of electricity to go 20c. Let us make legislation that will make that happen.

Thank you.