



Testimony SUPPORTING Raised Bill 966 and SB 7

Tuesday, February 14, 2023

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Co-Chairs Sen. Needleman and Rep. Steinberg, Ranking Members Sen. Fazio and Rep. Buckbee, Vice-Chairs Sen. McCrory and Rep. Foster, and Honorable Members of the Energy & Technology Committee:

Thank you for the opportunity to provide testimony in support of [Raised Bill 966, An Act Concerning THE PROCUREMENT OF STANDARD SERVICE ELECTRICITY AND THE REGULATION OF PUBLIC UTILITIES](#), and [SB 7, An Act STRENGTHENING PROTECTIONS FOR CONNECTICUT'S CONSUMERS OF ENERGY](#). We are grateful to the committee for your leadership and ongoing efforts to improve our utility regulation and performance in CT. Operation Fuel also appreciates the leadership of Public Utilities Regulatory Authority (PURA) Chair Marissa Gillett and her team. Operation Fuel supported their bill HB 5203 last year, and we are pleased to see many sections return this year. Chair Gillett's efforts to bring PURA 101s around the state, prioritize equity in our grid modernization efforts, and bring more transparency to PURA's decision making process are paying off for ratepayers. Operation Fuel also wishes to thank the Office of Consumer Counsel, led by Commissioner Claire Coleman, who represents ratepayers at PURA. The OCC team doggedly digs into compliance filings, advocating effectively on many complicated matters on behalf of CT residents.

Operation Fuel ensures equitable access to energy for all by providing year-round energy and utility assistance, promoting energy independence, and advocating for affordable energy. Founded in 1977, Operation Fuel serves as CT's fuel fund for low- and moderate-income customers who struggle to afford utility and water bills. We provide in-person support through over 50 fuel banks throughout the state, as well as an online application portal available 24/7 at www.operationfuel.org/gethelp. In Fiscal Year 2022, Operation Fuel provided grants totaling of \$5,215,962, helping 6502 households, composed of 15,466 individuals across the state. Applications for our 2023 Summer/Fall season doubled over the previous year.

Despite the mild winter, demand at Operation Fuel is higher than ever. The majority of our clients seek assistance with electric rates, and since supply costs doubled this January, we are very concerned that families can't keep up. Our grants provide stability and economic benefits that percolate up to the broader communities we serve. A family not worried about their light bill this month has more income to spend on groceries and school uniforms. A grant that lowers the amounts due on a customer's monthly payment plan may allow a homeowner to invest in weatherization improvements. We also note that Operation Fuel grants that

support LMI ratepayers, also directly benefit the companies. Since July 2022 through this week, Operation Fuel has committed \$1.8 million to 2,250 Eversource customers, and \$800,000 to 1402 Avangrid customers.

While there are any number of individuals and institutions that continue defending our status quo in CT, Operation Fuel sees up close that the current system does not work well for the majority of ratepayers. Our bills are expensive and complicated, including many costs we don't see. RB 966 addresses several specific ways that utilities build extra costs into their rates. In this testimony, we will review the different sections of the bill, with particular emphasis on those we find most important: Sections 4 (overreliance on settlements), 6 (executive compensation), 8 (macroeconomic conditions and company compliance in rate case decisions), 9 (interim rate decreases), 14 (justification of appeals), 17 and 18 (allocating funds to Operation Fuel), 19 (participant compensation), and 25 and 26 (funding increases for PURA, DEEP, and OCC).

Section 1 – Similar to HB 5203 from last year, this section would empower PURA to determine how to decouple distribution revenue (the costs PURA has power to regulate) from volume of natural gas and electricity sales. (Lines 7-9).

Section 2 – Would prevent all public service utilities, not just electricity distribution companies (EDCs), from recovering costs from participating in contested proceedings before PURA. (Lines 26-31).

Section 3 – Would prevent public service utilities from collecting trade membership and lobbying costs through rates. (Lines 32-45).

Section 4 – Addresses the prolific use of settlements in CT to decide important regulatory issues. There are advantages to settling complex cases with minimal public participation or transparency, but it's hard to know exactly how good a deal we are getting when this practice is overused. A relevant example of settling a matter to the utility's benefit comes from the Storm Isaias performance review docket. PURA approved a settlement that saved Eversource "about \$60 million it would have paid in bill credits, in exchange for more immediate bill credits of larger amounts" ([CT Examiner](#), October 28, 2021). While customers appreciated the credits, they were short lived; and provided less dollar value than regulators found Eversource to owe. In [her dissent](#), [Chair Gillett](#) describes how our excessive reliance on settlements doesn't realize full value for ratepayers: "Due to repeated, consecutive settlements, by the time we engage in a full review of Eversource's records through the next rate case, it will have been well more than a decade since the last time this exercise was completed." (2)

Section 5 – Would implement an energy adjustment clause for ratemaking; this mechanism is discussed by OCC in the ongoing Performance-Based Regulation docket (21-05-15). We encourage the committee to further explore this concept with OCC.

Section 6 – Would negatively tie executive compensation to increases in rates. This won't save a lot of money in actual dollars. What it would do is influence executive behavior, which shapes company policy down to the customer service level.

Section 7 – Would remove a special fund known as “ESI” on electric bills, that adds \$300 million to Eversource's annual revenue requirements. In October 2021, [Chair Gillett described the fund in her dissent](#) in Docket 17-12-03RE11 Phase IIA, where she argues that these costs should be included with operational budgets:

“Long-held principles were undermined by the 2018 authorization of a contemporaneous cost recovery mechanism known as the Electric System Improvements (ESI) surcharge, which allows Eversource to now spend up to \$300 million per year in addition to the \$270 million built into base rates. During my tenure, the Authority has repeatedly noted its displeasure with the ESI mechanism, indicating that its implementation has made the Company's core capital investments significantly less transparent and undermined the prudence tools normally at the Authority's disposal to address these expenditures.”

Section 8 – Would include macroeconomic conditions as a consideration in rate cases. Again, Chair Gillett describes why this is important: economic conditions change over time. Interest rates. Inflation. Recessions. Taxes. Large employers moving in or leaving the state. Industries evolving or becoming obsolete. 10 years is a long time for an economy; the same set rates will be more or less affordable depending on what a consumer experiences in a given year. PURA needs more flexibility to authorize lower rates.

EDC compliance is another factor that should influence PURA's rate approval process, as Section 8 would require. On February 3, 2023, [Eversource](#) and [Avangrid](#) were each served Notices of Violation in docket 21-07-01. Website screenshots from the NOV's show that neither company is complying with PURA orders regarding medical protection issued in the Summer of 2021. Think about this: the companies failed to make simple website updates *for a year and a half*, despite explicit orders from the Authority - and despite the daily risk of losing electricity that medically protected customers face. Clearly, more deterrence is necessary to incentivize compliance.

Section 9 - Would allow PURA to consider interim rate decreases in more circumstances. Operation Fuel clients are grateful for the help and generosity of our donors and supporters. Yet we continue to hear from across the state, that most *ratepayers don't want to fall behind then ask for a grant to help pay their bills. They want a cost of living they can afford in the first place.* Section 9 would also encourage water conservation, provide a standard 350 day review period for all rate cases, and would protect municipalities from mid-year rate changes they can't budget for. All these changes would provide clarity and relief for ratepayers.

Lines 171-172 are critical; they would require a similar report for customers who use space heaters. Electric heat customers are among the highest priority for energy assistance and efficiency programs, because it is more expensive than gas or oil for heat, they are eligible for fewer support programs, and homes with this type of heat tend to be less efficient. We encourage the committee to consider more opportunities to help these customers.

While we support it, *Operation Fuel recommends a closer look at Section 9*. Lines 166-170 would require regulated electric and gas distribution companies to file a report with PURA regarding consumption of “high and moderate income customers and customers having household incomes not more than one hundred fifty per cent of the federal poverty level.” We recommend defining “high and moderate incomes” in the legislation, since low-income is defined here. Further, 150% federal poverty level is an individual income of less than \$22,000 a year, which seems extremely low. For context, most state programs including SNAP, Weatherization Assistance, and CT Energy Assistance Program qualify residents who earn up to 60% State Median Income, which in 2023 would be just under \$40,000 a year for an individual. <https://uwc.211ct.org/connecticut-state-median-income-2013/> When PURA’s Low-Income Discount Rate goes into effect in January 2024, the biggest discounts will go to customers earning up to 160% (not 150%) of the Federal Poverty Guidelines. Operation Fuel recommends that the consumption reports from Section 9 adjust to match the LIDR discount guidelines, which would make this reporting more meaningful.

Section 10 – Would require a rate review every four years. This reasonable, predictable schedule would avoid the volatility of packing several rate cases together. Not only does our current system strain the state and stakeholders, it often advantages utilities seeking several complicated ways to raise their rates.

Section 11 – Would add water companies to regular audit schedule. Overall, Operation Fuel supports changes that make utility regulation more uniform. It is very complicated to follow, particularly as non-lawyers without specific training in ratemaking. Applying the same principles to gas and water companies would help customers understand what goes into their bills in a more holistic way, as opposed to unrelated sets of factors. More uniformity would also minimize regulatory complexity for Investor-Owned Utilities, which increases risk for investors, and costs ratepayers more.

Section 12 – Would reduce the costs investor-owned utilities can expense to ratepayers.

Section 13 – This provision would give PURA discretion on how to return overearnings. If company shareholders get to keep whatever money they overcharge ratepayers, there will be no incentive to design rates that are affordable, and that comply with actual revenue requirements. Operation Fuel also supported this provision in HB 5203 last year. Given our cost-of-living affordability challenges in CT, it is essential that we minimize overcollection as much as possible, and that we return over earnings to struggling ratepayers as soon as possible, in the manner that yields the greatest benefit for ratepayers. Due to the complicated nature of the several different rates on a customer’s bill, PURA is generally in the best position to determine how to effectively allocate overearnings, and should have the authority to determine such.

Section 14 – Would reduce frivolous, time consuming appeals of PURA decisions when the company has good reason to expect they will lose. PURA decisions are based on evidence presented in the docket, statutory requirements, and legal analysis. They are not arbitrary,

capricious, or devoid of precedent. Companies have the right to appeal, but they shouldn't abuse that power to backlog the courts, avoid penalties, or delay assistance disbursements.

Recently the threat of a lawsuit led state agencies to settle a significant and publicized fine amount, down by almost a third. The reason? The companies threatened to appeal in court, which would have kept the funds from reaching households struggling to pay heat and light costs that doubled this January. Though they'd have likely lost, the companies were willing to threaten months of litigation and costs, keeping aid from reaching families that needed it, in order to protect shareholders. If the provisions of Section 14 were in place, the companies would have had to reach a burden of proof, and deposit skin in the game, before threatening such an aggressive legal posture that directly impacts struggling ratepayers.

Sections 15, 21, 22, 23 and 24 – Regard accident reporting & definitions. Operation Fuel notes that [PURA's annual report](#) details a great deal of work on accident reporting and remediation. We encourage the committee to review PURA's approach so far, and to support these overdue changes with applicable legislation. On January 30 of this year, PURA issued Notices of Violation for pipeline safety to CNG (23-01-13) and SCG (23-01-14) – demonstrating our ongoing need for better safety standards.

Section 16 – Requires companies to disclose more information about when and where their customers experience power outages. Regardless of how common power outages are in your part of the state, it's important for customers to be able to access accurate, timely information about when they will happen, and for how long. Customers should not have to contact PURA to find out information that a company customer service rep has access to.

Sections 17 and 18 – Would add Operation Fuel to the list of agencies receiving funding allocations from the EDCs. (Lines 464-512).

Operation Fuel supports this concept, and would appreciate more discussion of the provisions with the committee. Administrative costs are necessary expenses for organizations like ours. We use them to pay staff, maintain a secure database and application portal, and to promote our programs. Operation Fuel routinely earns the highest ratings from Charity Navigator and Guidestar, which assess the efficiency of non-profit spending and impact. Despite our demonstrated successes and credibility, Operation Fuel is regularly scrutinized by docket participants including state agencies and companies, for how we allocate funds. These efforts have not revealed fraud or negligence on our part, yet they continue to cost Operation Fuel time and staff expense to address. We support a simpler system whereby the utilities fund our administrative expenses, which will change year by year as new programs and technologies emerge. At the same time, Operation Fuel strives to retain the flexibility that enables us to serve families in crisis quickly, especially when they have already run into bureaucratic red tape.

Operation Fuel argues that like in Colorado, the utilities should fully fund our administrative expenses. Our grants directly impact shareholders' bottom lines, yet they provide remarkably little support to our shared clients. Avangrid's foundation annual grant is .03% of the amount we committed to the company just since July 2022. Eversource contributes just over 10% of the amount Operation Fuel committed to their customers in the same time

frame [figures cited above]. 100% of these funds are directed to customer bill assistance, leaving Operation Fuel to subsidize even more operating revenue for the companies.

Operation Fuel is grateful to be included in this bill, and welcomes further conversation about how best to move forward.

Section 19 – Would allow compensation for Participants in contested PURA proceedings. This financial support, which ratepayers currently only provide to regulated monopoly utility companies, would encourage more diverse groups of residents to follow PURA proceedings that directly impact their lives. Operation Fuel participates in several dockets as our capacity allows, and every time, we are outnumbered by utility representatives. With more expert witnesses and legal support, advocates could participate more robustly in more proceedings, sharing our clients' experiences directly with regulators who can make their lives easier. Without these changes, utilities dominate proceedings, invoking complex legal procedures and arguments that confuse laypeople into silence. The longer a case takes, the more complexity, and the more likely an average citizen will struggle to keep up. Meanwhile, ratepayers continue paying the salaries of EDC attorneys who are actively engaged with large teams for support.

Operation Fuel is party to UI's ongoing rate case, 22-08-08. Current law may allow a loophole that UI is actively pursuing. The company publicly argues that while they aren't pursuing recovery for the time they spend in actual hearings, they can recover costs from ratepayers for all the prep time their lawyers and expert witnesses add up – often, these amount to much more than the specific time spent in public meetings. Think about this: Companies go to PURA asking to raise CT's electricity rates, in UI's case asking for a 10.2% guaranteed profit which would be one of the highest in the continental US (Docket 22-08-08), and they charge us for all the time and work and high salaries it takes to prepare that case. We ratepayers are paying them to raise our rates beyond what we can afford. In this structure, what incentive could utilities have for using their time efficiently and in the best interests of ratepayers?

UI indicates that its costs to participate in a rate case that will increase profits for their shareholders would be over \$1.661 plus carrying costs, amortized over 3 years [[22-08-08 Schedule 3.30, p. 147](#)]. Aquarion, a water company with a small rate base, spends around a million dollars of customer funds to engage in rate cases [22-07-01 [Interrogatory OCC 266](#)]. Operation Fuel believes that Section 19 is critical as we seek to rebalance risk from ratepayers to shareholders, and burden of proof from regulators to companies. If Operation Fuel or another advocate seeks to represent our clients' experiences at PURA, our organization funds that out of our own budgets. Why would ratepayers be responsible for funding the activities of publicly traded companies with billions in guaranteed profits, when ratepayers ourselves can't afford to participate?

Section 20 – Regards supply procurement. The committee may need to reconcile this section with language in [Governor's Bill 979](#), Section 1, which is currently before the Environment Committee.

Sections 25 and 26 - Would direct funding to support OCC, DEEP and PURA. This funding is essential as we anticipate new rate cases, emerging technologies, and more equitable programs

in the coming years. Operation Fuel especially requests that the committee consider funding an overhaul of PURA's website, which has been administratively managed by DEEP since the agencies merged in 2011. Please direct whatever resources are available to develop an online docket system that is user friendly.

Operation Fuel will continue to serve CT residents struggling with high energy burden. But the longer we do this work, the more we see that direct assistance is not enough. We need structural changes to our regulated utility markets to make basic needs more equitable and accessible in our state. Energy and water affordability benefit ratepayers and economic development in CT. More public participation at PURA will allow the authority to consider more diverse experiences when deciding cases. Operation Fuel applauds the committee for your work to rebalance our priorities. We must shift burdens of proof for increasing rates from regulators, to companies. And, we must shift undue risk from ratepayers to shareholders.

Thank you for the opportunity to testify, for your leadership, and your collaboration. We are glad to work with the committee on this and any other issue before you. Please contact us anytime at gannon@operationfuel.org.