



UNITED STATES SENATE  
WASHINGTON, D.C. 20510

August 26, 2014

Mr. Arthur House, Chair  
Public Utilities Regulatory Authority (PURA)  
Ten Franklin Square  
New Britain, CT 06051

Dear Mr. House:

Connecticut Light & Power's (CL&P) June 9, 2014 application to amend its rates schedules (Docket No. 14-05-06) is unnecessary, unconscionable and unfair.

Connecticut electric rates are already among the highest in the United States – fifth highest according to the federal Energy Information Administration – and ratepayers cannot afford the additional burden imposed by CL&P's rate request. Further, the proposed 59 percent increase in the flat rate service charge disproportionately and unfairly affects the poor and conflicts with federal and state energy policies that encourage conservation and more efficient use of electricity resources.

CL&P's overall rate increase would raise CL&P's return-on-equity rate from 9.4 percent to 10.2 percent – among the highest return-on-equity rates in the United States for electric distribution utilities, even though the industry trend is actually downward. Residential customers are struggling to recover from the significant financial hit of the Great Recession. While the number of unemployed has declined, there are still too many Connecticut residents looking for work. Wages are still below pre-recession levels for many middle class workers. Commercial ratepayers are at a competitive disadvantage compared to businesses in other states with lower electricity costs. Connecticut manufacturers that have I visited are rebounding but operational costs remain a challenge for them. PURA must reject this application.

CL&P's proposed amendment to increase its fixed rate for residential customers violates federal energy efficiency and conservation policies by penalizing customers who use less electricity. Under this proposal, every customer must pay regardless of whether they use any electricity in a given month - by almost *60 percent* – from \$16 per month to \$25.50.

CL&P's proposed increase is inconsistent with 16 USC section 2621 which requires each state regulatory authority to consider a number of specific standards in establishing electric rates.



One of the most critical standards in this federal law is ‘adopting rate designs that encourage energy efficiency for each customer class.’ 16 USC section 2621(d)(17)(B)(iv).

Clarence Johnson, an energy expert testifying on behalf of the Office of Consumer Counsel, noted in his testimony that the flat rate charge contemplated by the CL&P proposal would increase the payback period for Energy Star air conditioning and heat pumps by 10% and reduce the life cycle present value savings between \$130 to \$480. This result is completely inconsistent with federal policy encouraging energy efficiency.

CL&P’s proposal is particularly unfair to Connecticut’s most vulnerable populations. Seniors and lower-income households often use less electricity than the average household. An increased fixed charge will have the perverse effect of penalizing the customers who use relatively low levels of electricity. Using CL&P’s own figures, the average low energy user household (100 – 400 kWh) will see their total electric bill go up by almost 21 percent, or over \$10.50 per month. In contrast, large users (800-1000 kWh) would only receive an 8.3 percent increase. Especially for our most vulnerable populations, the effect is a significant increase in annual cost that will directly impact their quality of life.

Greater efficiency helps the environment and saves consumers and businesses money, and both state and federal leadership on energy efficiency have unquestionably made our nation more competitive. The federal government has been directly involved in promoting energy-efficiency policies since at least 1975. Starting with the first national corporate average fuel economy (CAFE) standards in the mid-1970s, the United States has continued to lead the world in encouraging energy efficiency. Other programs included national building energy codes, weatherization assistance, electric demand side-management programs, public-benefits changes, and energy-efficiency tax incentives, all in the 1970s; Energy Star programs in the 1990s; and over 30 years of critical research and development by the U.S. Department of Energy. Similarly, Connecticut has increased its investment in electric efficiency to \$170 million this year alone.

Unfortunately, CL&P seeks to undermine these longstanding, significant federal policies by discouraging customers from saving energy. A higher fixed charge reduces the control consumers have over their electricity bills – the more fixed costs, the less actual consumption matters. Customers lose incentive to reduce their energy consumption as the portion of their bill that is fixed goes up. The net result is to impose a higher financial burden on consumers and on Connecticut’s economy. See, *Rate Design Where Advanced Metering Infrastructure Has Not Been Fully Deployed*, Regulatory Assistance Project, Jim Lazar; Appendix A (April, 2013).

CL&P’s proposal could also have a negative impact on greenhouse gas emissions by undercutting the Environmental Protection Agency’s (EPA) recent historic proposal to regulate existing power plants. EPA intends to rely, in part, on state energy-efficiency programs for

compliance. Reducing incentives for residential customers in Connecticut to weatherize their homes, for instance, undermines the goal of mitigating climate change.

I strongly urge PURA to reduce, not increase, the fixed rate charge – consistent with the position of the Office of Consumer Counsel as well as federal energy policy and directives. To permit CL&P's proposed increases would allow it to improperly include more costs under its fixed rate than it should. Fixed monthly customer charges should cover only a small category of a distribution utility's costs, such as the service drop, administrative expenses for billing, and the net costs of the customer's meter. In its proposal, CL&P adds some of the costs of its major distribution infrastructure into the fixed charge. This is a major break with traditional rate design, and one that is particularly unfair to low-usage customers, who put less of a burden on the grid's major distribution infrastructure through their relatively much lower consumption.

I respectfully urge PURA to reject CL&P's excessive, unconscionable and unfair proposal because it would severely harm the state's economy, environment and consumers.

Sincerely,



RICHARD BLUMENTHAL  
United States Senate