



A Better Way to **Energy Affordability**

January 2023

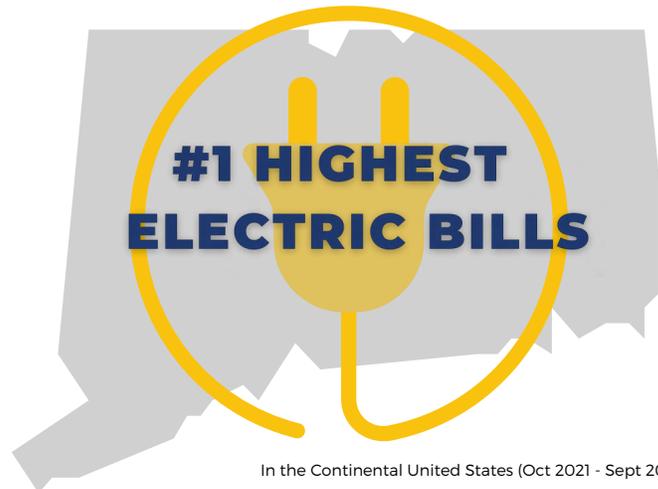


CONNECTICUT IS FACING AN ENERGY COST CRISIS

Connecticut is one of the most unaffordable states to live in with the highest energy costs in the continental United States.

This January, our state utilities implemented shocking rate increases, raising everyone's electric bills by at least 43 percent. These rate increases are flat out unacceptable, and come at a time when our families can least afford it.

The rising cost of energy in our state has been an issue for far too long. It is past time for action. No one should be struggling to keep the lights on or heat their home. We need independent oversight and policies that work for ratepayers and protect all our families.



Most expensive states for electricity in 2022

Rank	State	Avg. monthly bill*	Yearly total
1	Hawaii	\$210.26	\$2,523.14
2	Connecticut	\$173.16	\$2,077.94

Source: Energy Information Administration via Ownerly (October 2021 through September 2022)

The following details a comprehensive package of policy proposals that aim to:

- 1. Make energy more affordable and reliable**, by reducing costs immediately as well as expanding and encouraging reliable and affordable generation over the long term.
- 2. Ensure strong oversight of utility companies** to protect the best interest of ratepayers.

We must act swiftly, together, to adopt the reforms our families need to afford the basic necessity of energy.

PART 1: MORE AFFORDABLE & RELIABLE ENERGY



ONLY PAY FOR ENERGY YOU USE

Move charges resulting from public policy decisions from ratepayer bills to the state budget.

Fees and costs resulting from CT policy decisions must be moved off people's energy bills and instead be reflected in the state budget.

Currently, residents pay for much more than just the electricity they use when they pay their energy bill. Your electric bill contains charges for your energy supply (the cost of the electricity you use), delivery (the cost to deliver the electricity you use), and additional fees. These costs should be reduced and/or reallocated to the state budget. Some of these additional fees were placed onto residents' bills because of policy decisions made in Hartford. Many of these policies may be good ideas, but to pay for them the state has imposed a fee on your energy bill.

If these policy decisions are a priority for the state, they must be prioritized in the state budget and funded through the General Fund. It must not fall onto ratepayers to cover the costs of these programs by artificially hiking the price of their already unaffordable electricity costs. Electricity is a necessity. The General Assembly must not add fees to a bill a family must pay to provide a basic necessity.

We propose moving roughly a dozen public policy charges from consumer energy bills to instead be funded by the state budget. In total, this move will save Connecticut residents \$362 million annually. This is an average household savings of \$210 per year.

Savings estimates based on 2020 numbers.



REDUCE energy bills by
\$362 MILLION
annually



Average Household
Savings:
\$210
per year

MEET GREEN ENERGY GOALS



As Connecticut works to achieve its green energy goals, every clean and renewable energy source must be available to implement as part of a comprehensive energy strategy.

Currently, Connecticut's renewable energy strategy favors certain green energy sources over others. In fact, the state has implemented a Renewable Portfolio Standard program that excludes some of the most reliable sources of clean energy.

By excluding some of the most reliable green energy options, Connecticut is at a significant disadvantage to achieve its renewable energy goals, maintain a reliable energy grid, and keep costs down. If we continue on this path, we are setting ourselves up for rolling black outs, rising prices, and an energy system that cannot support demand.

We support moving toward a green energy future. But we cannot do this unless all forms of green energy are on the table, including and especially the most reliable sources.

We propose bringing all clean energy sources into the state's green energy strategy by adding nuclear power and all sources of hydro power to the state's Renewable Portfolio Standard program. Nuclear and hydro power are currently the most reliable and important sources of clean energy. They are the most reliable way to preserve and create baseload capacity at the same time the state works to wean ourselves off energy resources that damage the environment.

By expanding our state's green energy strategy to include more options, we will increase the reliability of clean energy and drive down costs.

Proposal: Modify the Connecticut Renewable Portfolio Standard policy and the classifications of renewable energy credits (RECs) by moving class 2 renewable energy sources into class 1 and adding nuclear power and all sources of hydro power as class 1 renewable energy source options.

IMPROVE STANDARD SERVICE PROCUREMENT



Connecticut must do more to examine the Standard Service Procurement process including the differing ways CT's large utilities, small municipal owned utilities, and other states all procure power. We must determine how regulations can be improved to lower costs for consumers.

Standard Service is the default service for electricity provided to you by your electric distribution company (Eversource or United Illuminating). The electricity sold through Standard Service is purchased or "procured" by the electric distribution companies, which do not earn a profit on standard service.

Both Eversource and United Illuminating follow a rigid process set by PURA to buy their supply of electricity. They hold a set number of procurements on specified days to buy power for a six month period of time. Municipal owned utilities have more flexibility when they purchase power. They do not have set procurements, can buy power any day, and can buy power for any period of time in the future.

We propose forming a task force made up of multiple stakeholders to look at how Standard Service is procured and what changes can be made to make it more affordable.

The task force must include representatives from the energy distribution companies, PURA, the municipal electric companies and other community groups.

PART 2: TRANSPARENCY & OVERSIGHT





RESTORE INDEPENDENCE TO UTILITY RATE REGULATORS

- **Reverse the decision in PA 11-80 to place PURA under DEEP.**
- **This grants PURA true independence to regulate without interference.**
- **No other state has the set up we have in CT.**

Making PURA a truly independent body will ensure it is always able to prioritize its core goal of protecting ratepayers, grid reliability, and holding utilities accountable. We must remove the inherent conflict of interest in having the Public Utilities Regulatory Authority (PURA) under the authority of the Department of Energy & Environmental Protection (DEEP).

In a 2015 memo arguing for its independence, PURA stated: *"At its core, having PURA adjudicate energy and utility issues with considerable financial consequences when its parent authority is a statutory party to every proceeding before it, presents an insurmountable conflict of interest."*

DEEP must not have authority over PURA. Both agencies have their own unique focuses. DEEP focuses on environmental protection. PURA focuses on protecting ratepayers and providing access to a reliable grid. If DEEP's agenda overtakes the goals of PURA, we will be faced with situations in which ratepayers' voices are drowned out by other policy choices. The consolidation of our energy, environmental and regulatory agencies under Governor Malloy was done because the administration was looking to implement a vision for the state across all areas. **Connecticut is the only state with a public utility regulatory structure like this.** The fact that Connecticut today has the highest energy rates in the continental U.S. is evidence that we need to review that structure more closely. PURA needs to be independent from DEEP to ensure it can remain clearly and solely focused on their important role of protecting ratepayers and a reliable grid without the influence of politics or policies from another state Department.

"There's value to independence because independence allows you to make the decisions that are uncomfortable in a political sense but are better for people in the long run."

-- Scott Hempling,
noted public utility attorney

DECOUPLING REFORM

Decoupling strives to remove the disincentive for utilities to invest in energy efficiency. Under traditional regulation, utility revenues are largely based on sales – the more a utility sells, the more it earns. If consumers are more energy efficient, they purchase less energy, and utility sales decline.

Decoupling is a rate making mechanism that has historically been used to eliminate or reduce the dependence of a utility's revenues on system sales and therefore eliminate the incentive for energy companies to try to sell more energy.

While decoupling has historically played a key role in moving towards efficiency, we also must ensure PURA has the ability to best implement the mechanism to protect ratepayers.

For example, if there is a prolonged power outage and therefore ratepayers are not consuming electricity during that time period of outage, a utility should not be able to recover "lost revenue" during that time.

We propose giving PURA the discretion to determine the decoupling mechanism and methodology used in decoupling orders, in order to determine the best way to decouple.

This flexibility would strengthen PURA's ability to tie performance to rates and tailor appropriate financial performance incentives. It would also enable PURA to prevent electric distribution companies from recovering lost revenues from prolonged outages.



UTILITY RATE CASE OVERSIGHT

Every Connecticut resident deserves reliable service at reasonable rates. Our utilities must be held responsible to deliver on these needs and work in the best interest of ratepayers.

The state must ensure effective oversight of electrical rates and performance of our utilities. We propose a number of measures to ensure the settlement of rate cases before our regulators at PURA include public awareness, transparency, and serve the needs of ratepayers above all else.

We propose guardrails on settlements between utilities and the state that will help define a process that is focused on guaranteeing energy is delivered to every family reliably and affordably and that resolution of rate cases are made in the interest of ratepayers and not other political considerations.

Proposed guardrails include the following:

- 1. The settlement period cannot be longer than the existing rate plan.*
- 2. A settlement to amend rates does satisfy the requirements for a gas and electric companies rates as required by 16-19a.*
- 3. Establishment of requirements for how settlements are filed and what each party has to provide.*
- 4. The provisions of a settlement must be given to non-settling parties and interveners 3 days before.*
- 5. Allow PURA to have an evidentiary hearing on the settlement.*

