

William Dornbos

From: William Dornbos
Sent: Sunday, May 17, 2015 9:07 PM
To: William Dornbos
Subject: FW: Residential Electric Fixed Service Charge
Attachments: Fixed vs Variable Charges (pie chart).pdf; Customer Bill Impact of Changing Fixed Customer Charge to \$10.pdf

----- Forwarded message -----

From: **Richard Conway** <rconway@gbact.com>
Date: Tuesday, May 12, 2015
Subject: Residential Electric Fixed Service Charge
To:

Dear Legislator,

On behalf of Eversource Energy, we write to you today, regarding the **residential electric fixed service charge**. Please consider the following:

Background

On December 17, 2014 the Public Utility Regulatory Authority (PURA) issued a final decision on a rate case for Eversource Energy (formerly NU/NSTAR). Among other things, the PURA decision allowed for an increase in the fixed service charge from \$16 per month to \$19.25 per month. The usage charge was increased from 2.757 cents per kilowatt hour (kWh) to 3.326 cents per kWh.

Opponents of the increase in the fixed service charge are now urging legislative support of SB 570 which would cap the fixed charge at \$10 per month. **We respectfully urge you to reject this proposal.**

The basics of your electric bill

When either of the State's two electric distribution companies (Eversource & United Illuminating) file a rate case, by law PURA is charged with determining two main things. They must determine 1) the total dollar amount of costs that the Utility is allowed to recover and 2) what proportion of two primary charges on your electric bill --the fixed service charge and the usage charge --will be combined to comprise the overall amount of PURA approved recoverable costs.

Because Electric Distribution Companies (EDCs) are entitled by law to recover their costs as established by PURA, any change made to either of the fixed charge or the usage-based charge, would require a corresponding change to the other charge.

In Eversource's case, reducing the fixed charge from \$19.25 to \$10 creates a shortfall that will require a corresponding increase in the usage-based charge. All residential customers would be charged an additional 1.291 cents per kWh, which would increase the rate to 4.617 cents per kWh in order to recover the costs allowed and approved by PURA in its December decision.

Proponents of a \$10 fixed charge make two main arguments. They contend:

The Fixed Charge is Regressive – Proponents contend that raising the fixed service charge from \$16 per month to \$19.25 per month is a regressive cost shift. Specifically, proponents assert that by increasing the fixed charge, which all customers must pay regardless of energy use, you are shifting costs away from the usage-based charge and thereby forcing those who use less electricity to pay more of the burden for those who use more electricity.

In fact, a closer look at the numbers reveals that a lower fixed charge is actually more regressive.

The numbers speak for themselves. Eversource did a side by side comparison of what actual customer bills would look like with a \$10 fixed charge versus a \$19.25 fixed charge. Our calculations showed that more than half of our customers would see an increase in their overall bill if the fixed charge is lowered and the usage-based charge is increased, with some customers facing increases of hundreds of dollars a year.

Conclusion – a \$10 fixed charge is actually more regressive than a \$19.25 fixed charge. (see attached)

Increasing the Fixed Charge Impairs Conservation/Consumption Management – Proponents argue that a higher fixed rate discourages conservation and impedes a customer's ability to control his or her electric

consumption/costs. Again, the assertion assumes that by increasing the fixed cost there is less emphasis on the usage-based cost thereby limiting the portion of the bill that is controllable.

Here too, the numbers speak for themselves. A comparison of the fixed service charge and the usage-based charge before and after the December 2014 rate case reveals that before the rate case the fixed charge represented 12% of an average customer's bill while the usage-based charge was 88% of an average bill. The same percentages still apply post the 2014 rate case.

Conclusion - increasing the fixed charge did not diminish customers' abilities to conserve energy and control its usage fees (see attached).

Thank you for your consideration. If you have any questions or concerns, please contact me.

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