

Business

Lawmakers look at energy cost

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By Luther Turmelle, North Bureau Chief

HARTFORD — The cost of energy in Connecticut was the focus of the legislature's Energy and Technology Committee Tuesday as lawmakers heard testimony on a number of bills designed to make electricity more affordable.

The primary focus of the testimony at the Legislative Office Building was two bills: HB 5505 and HB 5508.

A major element of HB 5505 is that it would create a public power authority that would be responsible for purchase of electricity in the state and other issues related to the industry.

HB 5508 includes provisions to expand the responsibilities of the state Department of Public Utility Control to include power procurement, said Joe Rosenthal, principal attorney for the office of consumer counsel, which represents the state's ratepayers.

Rosenthal said the OCC favors HB 5508 because it modifies an existing state agency "and doesn't create another level of government" as the establishment of a public power authority would.

"This bill (HB 5508) tinkers with the market rather than overhauls it as HB 5505 would," Rosenthal said.

One element of HB 5505 that the OCC supports is a windfall profits tax on energy companies doing business in the state, Rosenthal said. HB 5505 defines windfall profits as "in excess of 20 percent return on equity."

Using that definition, the operator of the Millstone Nuclear Power Plant in Waterford — Dominion Energy of Virginia — would be subject to the tax, according to a report prepared for the Energy and Technology Committee by McCullough Research, a Portland, Ore., consulting firm.

Dominion's net pre-tax profit from the Millstone 3 generating unit was \$440 million in 2009, which translates into a 57 percent rate of return on the company's investment and a return on equity of 115 percent, according to the report.

But Susan Tierney, a Boston energy markets consultant who represented Dominion at the hearing, said HB 5505 "is constructed with many flaws."

"It is not in the long-term interests of consumers for a variety of reasons," she said. "It would discourage new energy businesses from coming to Connecticut."

Tierney argued that the windfall profits section of HB 5505 is written so that a company's profits earned outside of Connecticut would be taken into account when calculating whether it was required to pay the tax in a given year.

"The administrators of this tax will be inundated with information that will be difficult to process and make this (law) difficult to enforce," she said.

But consumer groups argued that lawmakers shouldn't remove either of the key elements of HB 5505.

“It is a modest, but important beginning to give the state some leverage over the power process,” said Frank Panazarella, a New Haven resident who is a founder of the state consumer group Fight the Hike. “The current process lacks transparency and is controlled by Wall Street.”

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