Connecticut’s Electric Utilities: Time to Revise the Model

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Key points:

- Connecticut’s electric system has been based on a one-way flow of energy from central generating stations to consumers.

- That model is now obsolete.
  - It is failing to capture new opportunities for distributed renewable energy.
  - It is failing to meet new problems like climate change and energy insecurity.

- As Rep. Lonnie Reed, co-chair of the General Assembly’s energy and technology committee recently put it, we need “to revise the whole economic model” for utilities and “do something dramatically different.”

- The success of energy efficiency, distributed generation, and renewables is based on reducing demand for electricity sold by a central provider.

- As the state’s 2013 Comprehensive Energy Strategy points out, “Utilities traditionally have made more money when they sell more electricity or gas, creating a powerful incentive to push for less efficient uses of energy or to avoid promoting energy efficiency measures.”

- Even more perverse, the rate of return for Connecticut’s utilities is based on how much they spend on physical infrastructure, so if they spend more they make more profit, not less!

- The utilities must change these strategies, and if they fail to do so the public must make them do so.

- Utilities are monopolies which government gives a life-and-death power over the public’s wellbeing. They therefore are subject to regulation by the public.

- Connecticut’s electric system must be put on a pathway that will help consumers, create jobs, improve local environments, increase security, and reduce climate destroying greenhouse gases.

- There are at least seven strategies the state should consider to achieve that goal.
  - Utility consumers unions can help equalize the bargaining power between utilities and the public.
- Incentives and sanctions can motivate the utilities to meet public interest requirements.
- Electrical rate restructuring can provide encouragement for “shared solar” and other alternatives to centralized generation and distribution.
- Utilities can be required to make state programs that promote energy efficiency far more effective, and if they don’t those programs can be transferred from the utilities to third-party organizations more committed to energy use reduction.
- Community choice aggregation can allow municipalities to purchase electricity on behalf of their consumers, using their collective bargaining power to negotiate for lower prices and other conditions.
- A State Energy Authority can create and support alternative means for meeting our energy needs.
- Ownership of energy distribution can be transferred from private utilities to consumer-owned co-ops, municipal power companies, a state energy authority, or other alternatives.

- The minimum requirement for a state electrical system is that it put Connecticut on track for the 80% reduction in greenhouse gas emissions by 2050 required by the Global Warming Solutions Act and necessary as Connecticut’s contribution to protecting the earth’s climate.
  
  - That will require a 70% reduction over the next 35 years.
  - That means a 2% average reduction per year – five times the rate of reduction over the past 25 years.

- The system we need will
  
  - Reduce costs to consumers.
  - Provide greater physical and cyber security and resiliency.
  - Insulate Connecticut from the gyrations of the fossil fuel market.
  - Invest in our local economy, not send our money away to buy fuel.
  - Create more jobs through labor-intensive efficiency and clean energy programs.
  - Reduce local pollution.
  - Stop aggravating global warming.

- It is time for the state to conduct a thorough study of our options to establish what will be best suited for Connecticut’s future.
Introduction

Like it or not, Connecticut’s electrical system is entering a new era. The technology, ownership, and regulation of the electrical system on which we all depend has long been based on a one-way flow of energy from central generating stations powered by fossil fuels and nuclear reactors to consumers around the state.\(^1\) But that model has become obsolete in the face of new possibilities for highly efficient forms of networked, consumer- and community-controlled, renewable energy generation, distribution, and efficiency, and of new problems like climate change and energy insecurity.\(^2\)

Unfortunately, our existing structure of energy production, distribution, investment, ownership, and regulation is delaying rather than promoting the transition to a more consumer-, jobs-, environment-, security- and climate-friendly energy system. As Rep. Lonnie Reed, co-chair of the General Assembly’s energy and technology committee recently put it, we need to “revise the whole economic model” for utilities and “do something dramatically different.”\(^3\)

The state of Connecticut is poised to consider how to restructure its energy system. In December 2014, the Department of Energy and Environmental Protection (DEEP) announced it will initiate a proceeding to “evaluate the value of distributed generation.”\(^4\) Its study will include such issues as net metering, virtual net metering, feed-in tariffs, interconnection processes, smart meters and appliances, and rate design.\(^5\) A few days later, Rep. Reed recommended that a working group be quickly convened to begin “reinventing the moribund economic model” that is “old and tired and infuriating and unsustainable.”\(^6\)

It is easy for discussion of energy policy to get bogged down in necessary but obscure economic and technological considerations. The purpose of this discussion paper is to see that two critical and related issues are kept front and center as we discuss the transformation of our electrical system:

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• Fossil fuels are the source of the greenhouse gases [GHGs] that are causing catastrophic climate change. Meeting the goal of Connecticut’s Global Warming Solutions Act of reducing our GHG emissions by 80% by 2050 must be central not peripheral to our energy policy, and it must start now.

• Connecticut’s privately owned utilities are powerful players whose interests are not always aligned with those of the public. Restructuring our electrical system in a way that is climate-friendly – as well as consumer-, worker-, and community-friendly -- is likely to require significant changes in our utility companies.

After examining the problems with our current electric system, this discussion paper reviews seven possible strategies for reconstructing it.

Electricity’s brave new world

The long-awaited future is here. New “smart grid” and “smart meter” technologies make the one-way distribution of electricity obsolete by making possible an interconnected network of smaller-scale sources. According to the 2013 Comprehensive Energy Strategy (CES) issued by Connecticut’s Department of Energy and Environmental Protection (DEEP), renewable energy is now cost-effective in competition with fossil fuels in Connecticut. The cost of solar energy has been falling fast; the least expensive quarter of solar installations in Connecticut approach or even beat current retail electric rates. New strategies for energy efficiency are reducing the amount of energy it takes to meet our needs, making it possible to realize that old New England truism: A penny saved is a penny earned.

There are many reasons a networked, “distributed” system is superior to our current centralized one, and that sooner or later it is bound to come. First, it will reduce costs to consumers. Second, it is far more secure: the sun won’t go out, the wind won’t stop blowing, and a terrorist attack can’t disable a decentralized network at a single blow. Third, it not dependent on the speculative gyrations of the global fossil fuel market. Fourth, it invests in the local economy rather than purchasing the components of our energy from around the world. Fifth, it creates far more local jobs. Sixth, it largely eliminates local pollution from fossil-fuel power production and distribution. Finally, and perhaps most important of all in the long run, it provides a fossil-free energy system that no longer aggravates global warming.

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7 Connecticut Department of Energy and Environmental Protection, 2013 Comprehensive Energy Strategy for Connecticut (CES), 93. This massive document is intended to guide all state energy policy from now to 2050.
Connecticut’s privately-owned utilities

Nearly every Connecticut home, business, and institution is connected to the regional and national power grid by 1,800 miles of high-voltage transmission lines coming from the grid and 17,000 miles of lower-voltage distribution lines connecting to customers’ meters.8 These wires are controlled by utilities that have a legal monopoly over the delivery of electrical power in Connecticut. Connecticut Light and Power (CL&P) provides electricity for over one million residential and business customers in 149 of Connecticut’s cities and towns.9 About one-third of a million customers in the New Haven and Bridgeport areas get their electricity from United Illuminating (UI).10 66,000 customers are served by municipal electric utilities.11

Connecticut uses 300 trillion British Thermal Units (BTUs) per year to generate 30 terawatt-hours of electricity. 47% is generated by the two reactors at Millstone Nuclear Power Station. 45% is generated by natural gas-fired plants. Coal- and oil-fired plants have been largely replaced by natural gas.12

Connecticut’s public utilities are monopolies created by the state. Integrated power systems are necessary for rational electric distribution, but they also give a life-and-death power over the public — and allow the public no place else to turn. If you don’t like the service you are getting from CL&P, you can’t cancel your account and get your electricity from another company.

However, the public is not powerless. In exchange for the right to monopoly, the utilities must submit to the public’s power to regulate them. The state can even force the utilities to sell part or all of their business — and it has done so. The agency charged with regulating rates and services of Connecticut’s investor owned electricity, natural gas, water, and telecommunication companies is the Public Utilities Regulatory Authority (PURA — formerly the Department of Pubic Utility Control) which is part of the Department of Energy and Environmental Protection (DEEP).

The state has the authority to make major changes in our utility system. In 1998 Connecticut ordered CL&P and UI to sell off their generation assets and operate just as distribution companies — what was referred to as “deregulation.” Electrical customers could buy their electricity either from the utilities or from independent suppliers — through they still had to get their electricity through the utilities’ power lines.

Deregulation was promoted as a way to lower electricity rates. However, the regulators allowed the utilities to make customers pay for the money they lost

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8 CES, 70.
9 "About CL&P"
10 "About UI"
11 CES, 71.
12 CES, 72.
when they sold off their generation facilities. These “stranded costs” added about $0.01 per kWh to customers’ electric bills. Instead of falling in the aftermath of “deregulation,” Connecticut electrical rates climbed to an all-time high in 2009, making them some of the highest in the nation. After 2009, Connecticut electrical rates declined 12% due to finally paying off the utilities for stranded assets and to the fall in natural gas prices.13 But today Connecticut has the highest or nearly the highest cost for electricity in the nation.14

Notwithstanding the public’s power to regulate them, the utilities exercise enormous power over Connecticut’s energy policy. They are the source of much of the information and analysis on the basis of which regulators make their decisions. They are major contributors to the political campaigns of the very politicians who appoint and oversee those regulators. Their lobbyists are powerful figures in the halls of government. And they can and do threaten that policies they dislike will lead to disinvestment, energy price increases, and power failures. Connecticut cannot afford to let that political power prevent us from meeting the needs of consumers, workers, and the environment.

**A perverse business model**

The new electrical era creates a paradox for our present utility system. As the state’s 2013 Comprehensive Energy Strategy notes, “Utilities traditionally have made more money when they sell more electricity or gas, creating a powerful incentive to push for less efficient uses of energy or to avoid promoting energy efficiency measures.”15 They want “customers to use more energy, not less.”16 Conversely, the success of energy efficiency, distributed generation, and renewables is based on reducing demand for electricity sold by a central provider. But that may lower utility income. The result is a contradiction between the public interest in reducing centrally supplied electricity and the electric utilities’ interest in selling more of it. Regulators have recently required CL&P and NU to “decouple” their profits from the amount of electricity they sell, but the results of the change are not yet known.

Perhaps even more perversely, the rate of return for Connecticut’s regulated utilities is based on how much they spend on poles, wires, substations, transformers, and other physical infrastructure. Unlike any normal business, if they spend more they make more profit, not less! Conversely, anything that reduces the amount of utility-owned physical infrastructure required to meet peak demand or maintain grid security is a potential threat to their profits. That gives them an incentive to promote policies that oppose the public interest.

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13 CES, p. 72-3.
15 CES, p. 29.
16 CES, p. 21.
Our electrical utilities should be helping us make the most of this new energy era for consumer benefit, climate and environmental protection, and jobs for Connecticut’s workers. But at the moment the signs are that they are trying to lock in their power and profits rather than help us move to a new energy system.

One example of their current strategy was CL&Ps 2014 proposal to hike its fixed monthly residential charge from $16 a month to $25.50 a month, an increase of nearly 60%.17 Charles R. Goodwin, director of rates and forecasting for CL&P’s parent company Northeast Utilities, testified that the motivation for the proposal is to reverse the effects of energy efficiency and distributed generation, which have led to a decrease in energy demand.18 Governor Dannel Malloy observed, “The proposed increase cuts to the heart of our State’s nationally recognized Comprehensive Energy Strategy (CES) by limiting the ability of residents and businesses across our state to reduce their electric bill through energy efficiency or the use of solar, fuel cells and other renewable energy sources.”19

The energy used by residential and commercial buildings in Connecticut has increased almost 30% since 1980. It is projected to grow nearly 20% more by 2050 due to air conditioning and appliances.20 According to the CES, “increased consumption will result in higher energy costs for Connecticut homes and businesses.” The US Energy Information Administration predicts that energy costs for the state’s buildings will rise from $8.1 billion in 2012 to $10.1 billion in 2050.21 Electrical rates are projected to rise after 2017.

According to the 2013 CES, Connecticut electricity consumption was expected to grow by 1% a year. CES calls for “a commitment to capacity increases in step with demand growth.”22 This entails a vision in which, despite energy efficiency measures, electrical use continues to grow. The good news is that energy efficiency is now being implemented more effectively than the CES expected. DEEP’s just-released draft Integrated Resource Plan for Connecticut projects that expanded energy efficiency investment will nearly eliminate growth in electricity consumption over the next ten years.23

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17 Similar rate increases were requested for small businesses, schools, and houses of worship.
19 Gov. Dannel P. Malloy to Arthur House, Chairman, and other members of the Public Utilities Regulatory Authority, August 26, 2014. The Comprehensive Energy Strategy is
20 CES, p. 29.
21 CES, p. 21.
22 CES, 81-2.
While such a result, if in fact achieved, would be preferable to the previously projected 1% per year increase—and demonstrates the enormous potential of energy efficiency—it still represents zero progress toward meeting our GHG-reduction goals. And even holding electrical consumption steady will require a high level of support from our electric utilities. If current utility policies are any indication, such support is far from a given.

The utilities face a choice: They can continue to “push for less efficient uses of energy” and avoid “promoting energy efficiency measures.” Or they can join what Rep. Lonnie Reed describes as “transitioning to a new economic model that values the contributions made by conservation, renewables, micro-grids, and other upgrades to the diversity, reliability, environmental compatibility and security of the entire electric system.”

Protecting the climate

Looming over this entire discussion is the imminent threat of climate change. Sea level rise and extreme weather are already impacting Connecticut, but they are nothing compared to what the future will hold unless we and others do our part to set the world on a low GHG-emissions pathway. Connecticut’s Global Warming Solutions Act is a beacon that illuminates what we in Connecticut need to contribute to protecting ourselves, our posterity, and the world from the devastating effects of climate change. The strength of the act is that it lays out unequivocally what we need to accomplish. Its goal of an 80% reduction in greenhouse gas emissions by 2050 must be the bedrock of our energy policies. That requires an average reduction of at least two percent a year for the next 35 years.

Unfortunately, over the past 25 years Connecticut has reduced its GHG emissions by less than 10%—about two-fifth of a percent per year. To meet the goal mandated in the Connecticut Global Warming Solutions Act will require a 70% reduction in the next 35 years. That is a reduction of 2% a year—five times the rate of reduction we have seen over the past quarter century.

To achieve that we need a rapidly growing sector of the Connecticut economy devoted to making our state energy efficient and replacing fossil fuels with solar, wind, and other clean, renewable energy. We still have fifty thousand fewer jobs than we had before the Great Recession. We need to put a substantial proportion of those people to work making our state safe for the world’s climate. While this discussion paper takes into consideration the consumer, jobs, social, local environmental, and security impacts of energy policy, its central focus is the impact on climate protection.

\[24\] CES, p. 21.
18% of Connecticut greenhouse gas emissions come from the electricity sector. An undetermined additional amount escapes during the production and transportation of natural gas and other fossil fuels burned in Connecticut.

The transition to a climate-safe electric system for Connecticut has two components. The first is energy efficiency. According to CES recommendations, “Energy efficiency represents the most cost-effective way” to lower electric bills. The State must “aggressively pursue expanded levels of efficiency across all sectors (government, commercial, industrial, and residential)” including “increasing investments in energy efficiency.”

The second component is a shift to climate-safe sources of energy. According to CES, “Connecticut must develop low-cost renewable generation.” CES calls for a wide range of sources that complement each other. This argues for distributed, small-scale production, which also makes sense in terms of security, reliability, and lowered transmission costs.

According to CES, “the largest potential cost-competitive clean energy resource in Connecticut is solar PV [photovoltaic] generation.” Solar PV and fuel cells work within the existing distribution system, requiring no new investment in transmission. The combined potential for utility scale solar installations and smaller rooftop solar systems “dwarf other low-carbon resources” that might be developed in the state at this time.

Both renewable generation and energy efficiency are effective ways to reduce GHGs. More than half of the 22% reduction in power plant emissions in Northeastern states between 2000 and 2010 resulted from energy efficiency and renewable energy. Both repay investment in a few years and have a high rate of return. Yet neither low-GHG sources of energy nor conservation are currently growing at a rate that will even decrease electric GHG emissions, let alone make the 80% or more reduction by 2050 that our contribution to limiting climate catastrophe requires. In the absence of dramatic reductions in carbon intensity, the state’s pledge to endlessly meet increased demand can only be fulfilled by failing to meet the GWSA’s 2050 GHG-reduction goal.

The electric utilities and the state of Connecticut have an opportunity now to

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26 CES, p. 75.
27 CES, p. 102.
28 CES, pp. 88, 91.
29 CES, p. 91
30 ENE, Climatevision2020, 2013 p. 9. Energy efficiency is responsible for 32% of the reductions; renewable energy is responsible for 21% Switching from coal and oil to natural gas is responsible for 47%, but in Connecticut oil and gas have now been nearly eliminated as sources of electric energy, leaving energy efficiency and renewable energy as the main opportunity for further reductions.
31 The Massachusetts electric program, for example, will return $3.69 for every $1 invested. Climatevision2020, p. 16.
create an energy transition that will meet our 2050 climate protection goal while meeting other consumer, jobs, and environmental needs at the same time. The state can create incentives that encourage the utilities to move rapidly in that direction. But if the utilities refuse to cooperate, the state will have to remind them that their monopoly is not a right but a privilege.

Strategies to consider

How can Connecticut’s electric system be put on a pathway that will help consumers, create jobs, improve local environments, increase security, and above all reduce climate destroying greenhouse gases? There is no shortage of alternatives to our present system that are already working in other states and that have been proposed for Connecticut. The US has many different forms of electric industries, ranging from private investor-owned utilities like CL&P and UI to electrical cooperatives to public power companies owned by municipalities and authorities like the TVA. If Connecticut’s investor-owned electrical utilities stand in the way of meeting our needs in the 21st century, Connecticut may have to look at other forms of regulation and ownership. Here are seven strategies that any study of such alternatives should consider.

Utility consumers unions

The unequal bargaining relationship between the public and the utilities rests in part of the public’s lack of independent information about the economics and practices of the utility industry and its lack of a vehicle to challenge utility proposals and propound alternatives. Many states have watchdog organizations, such as the Citizens Utility Board in Wisconsin, through which citizens can intervene in utility issues. Connecticut should do whatever is possible to permit existing or new consumer watchdog groups to get full access to utility books and records, communicate with ratepayers, make detailed recommendations for regulatory policy, and equalize their political power relative to the utility companies.

“Decoupling plus”: incentives and sanctions

After twenty years, Connecticut utility regulators have finally ordered “decoupling” so that electrical utilities can’t increase their profits just by selling more electricity. The CES now recommends what it calls “decoupling plus”: a “structure of performance bonuses for meeting efficiency targets and/or an enhanced rate of return for meeting policy targets including efficiency goals.”

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32 http://www.wiscub.org/about\#mission
33 CES, p. 3. There is precedent for such a policy in Connecticut. In 1988 the legislature passed PA 88-57 to provide bonus rates of return to utilities for excellent performance in energy efficiency programs.
Similarly, “poor performance should result in a reduction in the base-line rate of return.”

CES advocates such “performance incentives” in part to affect utility culture and behavior. It notes that utilities are already given such incentives for achieving energy saving goals “as part of their administration of the State’s energy efficiency programs.” But according to CES, these ‘bonus’ opportunities have proven to be insufficient to encourage all cost-effective efficiency.” The solution they propose is to expand such benefits “so as to fully incentivize the utilities to implement efficiency programs in the most cost-effective way.”

CES recommends that “PURPA implement additional performance-based incentives such as authorizing a higher return on equity for success in meeting the State’s public policy goals including expanded energy efficiency. Such a ‘bonus’ should be tied to quantitatively-tracked results in achieving success in restoring service after storm-related outages, a range of efficiency goals, grid reliability, electricity costs, and perhaps other factors. This approach would allow each company to earn a performance-based rate of return based on defined performance targets thereby creating substantial incentives to improve results.”

Carrots and sticks in the form of bonuses and sanctions applied to payments for particular programs and to the corporate bottom-line rate of return are one way to influence utility behavior. Their effectiveness is not guaranteed, but it can be tested.

**Rate restructuring to encourage grid modernization and shared solar**

Most electrical meters are bi-directional – they measure the current flowing either way. If I install a solar collector on my roof and sometimes I use less electricity than I produce, under the U.S. Energy Policy Act of 2005 I can send the excess back into the grid and my utility is required to reduce my bill by the amount of electricity I’ve provided. It’s known as “net metering.” This provides an incentive to invest in rooftop solar and other distributed energy production.

In Connecticut, new “virtual net metering” regulations let me generate power and use it to reduce someone else’s electrical bill as well. In principle this allows community-owned solar farms (aka solar gardens) where people in a neighborhood chip in to put solar collectors on the best available sites and share in the resulting cost reductions.

Unfortunately, our current electric rate structure is not designed to encourage

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34 CES, p. 105-6.
35 CES, p. 105.
the maximal benefit from such programs. For example, solar installers report that the utilities will not certify rooftop solar installations for state rebates beyond the average electricity used in the building over the previous year.\textsuperscript{36} A community solar bill was proposed in the General Assembly in the spring of 2014 which would have allowed an unlimited number of groups to set up photovoltaic solar panels at a remote location and distribute the electricity that is generated to members who sign up for the service. It was not passed.\textsuperscript{37}

The rapid growth of renewable energy in Germany, Spain, and Canada has resulted in substantial part from a related rate policy known as “feed-in tariffs” (FITs). These are long-term contracts – typically 15-20 years – that pay people who generate their own electricity through rooftop solar or other means for the power they put into the grid.\textsuperscript{38} This provides a guaranteed market for small-scale renewable energy production. Six US states have some kind of feed-in tariff, including California, Florida, Vermont, Oregon, Maine, and Hawaii. Some utilities offer such contracts voluntarily. For example, Dominion Virginia Power offers 15 cents per kilowatt-hour for five years for all PV-generated electricity provided to the grid.\textsuperscript{39} According to the U.S. Department of Energy’s National Renewable Energy Lab, “Most successful European FIT policies, which resulted in quick and substantial renewable energy capacity expansion (often at both distributed and utility-scale levels) have FIT payments structured to cover the renewable energy product cost, plus an estimated profit.”\textsuperscript{40}

Policies to encourage investment in such “shared solar” – aka “community solar,” “solar gardens,” “solar farms,” and various other terms -- would allow the mobilization of small-scale investment to help meet our energy challenges and transform our electrical system. If CL&P and UI can make a profit providing energy for our state, why shouldn’t a homeowner who invests in a solar collector on the roof do the same? Connecticut utilities are currently banned from producing energy themselves, but they might be given permission to produce 100% clean, renewable energy so they too could join in the fun.

\textsuperscript{36} Personal communication.
\textsuperscript{38} Feed-in tariffs require adding one meter to measure incoming and outgoing electricity separately.
\textsuperscript{39} Robert Pollin, Heidi Garrett-Peltier, James Heintz, and Bracken Hendricks, Green Growth: A U.S. Program for Controlling Climate Change and Expanding Job Opportunities, PERI and Center for American Progress, September 2014, p. 295.
\textsuperscript{40} Green Growth, 294.
Control of energy reduction programs

As a result of Connecticut’s 1998 electrical deregulation, the utilities administer the programs and funds that are designated to promote energy efficiency under the authority of the Energy Efficiency Board. The utilities’ role creates a potential conflict with their interest in expanding their sale of electricity and growing their infrastructure. One way to address this could be through making their existing incentives and sanctions more effective. Such an approach could be tested over, say, a two year period to determine its effectiveness.

If such incentives and sanctions are not effective, another option would be to turn administration of energy efficiency and renewable energy programs to another party, which might be one or a network of non-profits or a government agency. In Maine, for example, state energy efficiency programs are administered by the Efficiency Maine Trust.41

A downside of such a “third party” approach is that it lacks the immediate access to customers that the utilities already have. Nor does it entirely eliminate the opportunity of the utilities to subtly discourage efficiency and renewables efforts. But if utility-administered energy efficiency and renewable energy programs are not rapidly made more effective, alternatives to utility control should be considered.

Community choice aggregation

Community Choice Aggregation (CCA), also known as Municipal Aggregation and Community Aggregation, is a system which allows municipalities purchase electricity on behalf of consumers in their jurisdiction. Massachusetts, Ohio, California, New Jersey, Rhode Island, and Illinois have adopted laws to allow such a system, and nearly five percent of Americans in 1300 municipalities now get their electricity through CCAs.42 CCAs are in effect public utilities that negotiate with energy suppliers on behalf of a community’s customers. CCA allows communities to use the collective bargaining power of residents to negotiate for lower power prices and other conditions from suppliers.43

State Energy Authority

In 2009, then Attorney-General Richard Blumenthal called for the legislature to create a Connecticut Energy Authority. It would be a nonprofit, independent agency that could build and own power plants, float its own bonds, buy

41 http://www.maine.gov/energy/initiatives/efficiency_renewable.html Vermont also has third-party administration of energy efficiency programs.
42 “Local power,” http://www.localpower.com/CommunityChoiceAggregation.html
43 “CUB’s guide to municipal electrical aggregation,” http://www.citizensutilityboard.org/cubsGuideToMunicipalElectricityAggregation.html#
electricity from generators, and sell it to utilities. It would serve as a planning agency and would run the state’s energy conservation programs. The purpose was to circumvent market rules that meant the second-highest electrical rates in the country for Connecticut consumers.\textsuperscript{44} Today such an energy authority might be a vehicle for circumventing the market rules that are blocking the transition to an energy system based on distributed renewable energy and massive reductions in energy demand.

**Ownership restructuring**

Private investor-owned utilities are far from the only form of electricity generation and supply in the US. Consumer-owned co-ops, municipally-owned power companies, and public authorities like TVA supply the electricity for many areas. Right here in Connecticut small municipally-owned companies provide electricity to their communities—often at a rate far cheaper than the investor-owned utilities. If CL&P and UI won’t operate in the public interest, the public has the right and the authority to terminate their monopoly and impose a different structure on our electrical system.

The state’s power to radically restructure the electricity system was demonstrated by the 1998 electrical deregulation that forced the utilities to sell off all their generation facilities. The state has the power to force them to sell part or all of their distribution facilities as well.

Various alternatives could be considered. One possibility could be sale to a cooperative composed of the utility’s own customers. Electric co-ops are owned by their customers, who are called “members” due to their dual role as customers and owners. Their primary mission is to provide access to electricity at affordable prices for every potential member in their service area. America’s 930 electric cooperatives are the sole source of electricity for 42 million people in 47 states—nearly 12 percent of the nation’s population.\textsuperscript{45}

Municipal ownership is also a well-established practice in the US. Connecticut has seven municipal power companies that supply their communities through their own electrical distribution systems. CL&P and UI could be required to sell off their distribution facilities on favorable terms to municipalities that wished to replace them.

A state energy authority like that proposed in 2009 by then Attorney-General Richard Blumenthal, described above, provides another alternative. In addition


Unfortunately, electric cooperatives have often supported use of coal and other fossil fuels.
to its proposed financing, generating, purchasing, planning, and efficiency functions it could also take over the utilities’ distribution functions and run them in the public interest.

While implementing such a change in ownership will be a complex process requiring time and planning, just the public discussion of such possibilities is likely to make the utilities aware that ignoring the public interest may come with a high price. It will thereby help create a more equal bargaining relationship in which the public has an alternative to the current stranglehold the utilities have on our access to electricity.

**Conclusion**

Connecticut’s two electric utilities are key players in our energy system. They have government-mandated monopolies for nearly all of the state. A new energy system will undoubtedly mean a different role for them. The transition, while inevitable, will be far quicker and smoother if they cooperate. So far, however, it is not clear that they are prepared to do so.

There is a fundamental conflict of interest between the utilities’ drive to expand their centralized electricity system and the public’s economic and environmental need to radically downsize and decentralize it. This conflict has now been brought to a head by the new opportunities for distributed energy generation based on energy efficiency and fossil-free energy and by the necessity to protect against climate change.

While CL&P and UI have had and continue to have the opportunity to initiate a change of course, so far they appear to be resisting that opportunity. If they will not effectively support reduce energy use, the public must step in for the sake of our people and the planet. Connecticut should begin planning now for alternatives that reduce or remove control of our power distribution from monopoly private utilities.

Such measures may be opposed by the utilities. The utilities are politically powerful. But they should not be allowed to use that political power to obstruct the public interest. If they do, they should be banned from spending any funds received from ratepayers on lobbying, campaign contributions, or any other efforts to affect public policy. Ultimately the highly unequal bargaining relationship between the public and the utilities must end. The utilities need to understand that in the long run Connecticut’s people and government will put the needs of the public before the private interests of the utilities.

The irreducible minimum requirement for an acceptable electrical system is that it gets Connecticut on track for the 80% reduction in GHGs by 2050 required by the Global Warming Solutions Act. If the utilities, working with
PURA and the legislature, can develop and start implementing a plan to do so, they will deserve our approbation. If they don’t, Connecticut needs to look at a restructuring of its utility industry to make it so. We cannot afford to let CL&P and UI determine what is acceptable climate protection for our state. The business plans of our utilities must not be to destroy our planet.