STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Marissa P. Gillett, Chairman
John W. Betkoski III, Vice Chairman
Michael A. Caron, Commissioner

Energy and Technology Committee — Public Hearing, March 4, 2021

Testimony submitted and presented by: *Marissa P. Gillett, Chairman*
PURA Position: *Support*

Raised H.B. 6526 – An Act Concerning Electric Suppliers

Thank you for the opportunity to present testimony regarding **An Act Concerning Electric Suppliers, H.B. 6526**. The Public Utilities Regulatory Authority (PURA or the Authority) welcomes the opportunity to offer the following ***supportive testimony***.

Early Termination Fees

The proposed bill eliminates the early termination fee for residential customers. PURA's customer service intakes and investigations have shown that early termination fees prevent customers from switching from an overpriced contract with a supplier to either another supplier offering service at a lower rate or to standard service. By eliminating the early termination fee, customers can navigate more freely through the market and recognize possible benefits from competitive supply offered at potentially lower rates.

Variable Rates

Despite the General Assembly acting in 2015 to ban variable rates from new supplier contracts, by the close of 2020, there were more than 14,500 residential customers still locked into a variable rate contract because the customer's original variable rate contract contained an automatic renewal provision. Based on the Authority's review of applicable contracts, affected customers are paying more than 12 cents per kWh, and some are paying as much as almost 20 cents per kWh, compared to a standard service rate that has ranged between 7 and 8 cents per kWh during the same time frame. The General Assembly's intent of removing variable rate contracts from the market has not been fully realized, and further legislation is needed to safeguard the best interests of all ratepayers.

Hardship Customers

In 2018 and 2019, PURA conducted an investigation pursuant to Conn. Gen. Stat. 16-245o(m), and concluded that the vast majority of hardship customers contracting with a supplier paid greater than the standard service rate. After reaching this finding, the Authority returned all hardship customers to standard service pursuant to the statute – a decision that PURA is required to reexamine every two years. The current statute prescribes only two options: (1) allow hardship customers to remain with suppliers, or (2) return them to standard service. This proposed legislation seeks a third option: allow hardship customers to remain with a supplier so long as the supplier's rate is equal to or less than the standard service rate. This would allow hardship customers to receive the benefits of contracting with a supplier while removing the risk that the original legislation was intended to mitigate; note that the costs of contracting with an overpriced supplier are not borne solely by the hardship customer, but also by ratepayers generally.

Notifications

Some suppliers offer tiered rates within a contract, sometimes referred to as "teaser" or "introductory" rates. For the first four months of a contract, the rate is quite low when compared to other offerings; however, once the initial period expires, the rate increases – often exponentially – for the remainder of the contract. Based on complaints received by PURA, it appears that customers see only the low rate when enrolling and do not understand the duration of the low rate or the scheduled increases. This provision would require suppliers to notify a customer any time the rate increases more than 25% of the original or first price in a contract.

Automatic Renewals

PURA's myriad investigations into various third-party suppliers, coupled with a review of daily customer complaint intakes, indicates that automatic renewal provisions embedded in supplier contracts are often seized as an opportunity for the supplier to escalate a customer's rate. In the Authority's experience, unfortunately, many customers do not pay attention to their supplier's rate, either because they did not realize they initially enrolled, have forgotten they enrolled, or did not understand the implications of their enrollment. Moreover, customers either do not receive or do not regard communications from suppliers about their rate, and therefore often take months or years to realize their supply rate increased when the contract is automatically renewed. By prohibiting any new contract from containing an automatic renewal provision, customers will be required to affirmatively consent each time they enter into a new contract with a supplier.

Third Party Agents

This proposed provision would clarify that any entity receiving compensation from a supplier for enrolling customers is an agent of the supplier for purposes of regulation and enforcement. In recent investigations, PURA has encountered a concept proffered by suppliers wherein a supplier relies on a "broker" to conduct customer enrollments; a "broker" receives compensation from the supplier for completing customer enrollments, yet the supplier claims that such individuals are not agents because the broker is allegedly not equivalent to a third-party marketer. This is significant from a customer's perspective, because the supplier is using the differing terminology to distinguish the types of recourse available to a customer upon complaint. From the customer's perspective, the broker is the representative of the supplier; therefore, the supplier should be held accountable for the broker's actions, and the broker should be subject to duly-enacted marketing standards in the same manner as any other marketing vendor.

Assignment of Customers

At present, Connecticut General Statutes § 16-245 is unclear regarding the reporting requirements when an electric supplier assigns all or a portion of its customers to another supplier.[1] As a result, PURA has encountered instances of suppliers assigning all of their customers to another entity, but maintaining their respective licenses so as to avoid the approval requirements imposed by Conn. Gen. Stat. § 16-245(j).

The proposed legislation would amend Section 16-245 to require that an electric supplier request approval to assign customers to another electric supplier before any customer re-assignments occur, which would allow PURA an appropriate opportunity to ensure that customers are not assigned to suppliers subject to large and/or multiple investigations, or are not assigned as a means of avoiding penalties for noncompliance of the original supplier.

Allocation of Fines to Energy Assistance Programs

PURA supports the proposal that would give the Authority the discretion to direct a portion of fines levied against a supplier to be paid to a nonprofit agency engaged in providing energy assistance programs, and believes it to be an appropriate and useful assignment of funds.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Taren O'Connor at 860-827-2689 or taren.oconnor@ct.gov.

[1] Section 16-245(i) requires notice for changes in corporate structure and scope of service; Section 16-245(j) requires approval for transfers of licenses.