

Utility profits out of control

Electricity rates are soaring. So is the compensation of the top executives at the utility companies. Connecticut Light & Power executives receive millions of dollars in compensation at the same time accumulating rate increases from the Department of Utility Control (DPUC), a state agency supported by taxpayer dollars. The DPUC is purportedly the consumer "watchdog." Its stated purpose is "to ensure that safe, reliable, modern and fairly priced utility services are available throughout Connecticut."

But in recent years the DPUC has acted in the best interests of the utility companies. Thanks, in part, to the deregulation of the electric power industry, electricity rates in Connecticut have doubled in the past four years.

In December 2007, Connecticut Attorney General Richard Blumenthal opposed CL&P's \$190 million, 4.6-percent rate increase request, calling it an "unjustified wish list," and urged the DPUC to reject it. The request included millions of dollars in perks for its already well-paid executives—including retirement benefits above and beyond existing pension plans. Compensation paid to utility company executives, including incentive bonuses that extend well beyond base salaries, is considerable and customers, not shareholders, bear most of the cost. Also included is a request for funding of a large number of managers—not because they are needed now, but because they may be needed in the future!

The attorney general commented that these perks "simply reflect corporate greed rather than need—and reveal a disturbing disregard for the economic pressures facing the consumers," and remarked that this rate increase would "compound a series of unfair and unreasonable increases."

A 2008 report filed by Northeast Utilities (NU) with the Securities and Exchange Commission revealed that

executive compensation has soared as electricity rates increase. NU is the parent company of CL&P and Yankee Gas. This bloated executive compensation has injured consumers as CL&P's rate increases and federal subsidies to unregulated power generators have doubled electricity costs in just four years.

The DPUC makes it difficult for citizens to analyze executive compensation. The data is out-of-date and is buried and scattered throughout public disclosures making the information confusing and meaningless. The disclosures do not

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detail the full scope of executive compensation and how much of it is paid for by customers.

The attorney general recommended a standardized annual filing that would show each company's executive compensation in a straight forward format and require each utility to provide the amount paid for by the company's customers versus its shareholders. Such information would heighten public awareness, lower executive pay and perks and bolster consumer confidence.

On June 4, the attorney general announced that his office is challenging the DPUC draft decision that would enable NU to raise its rates, stating that NU needs no rate increase and deserves no rate increase.

Connecticut already suffers the highest electricity rates in the continental United States. This current climate of economic adversity is the worst time to increase burdens on homeowners and struggling businesses.

The attorney general is to be lauded for his efforts on behalf of utility con-

sumers. But it is the role of the DPUC to work to ensure that utility rates are sufficient, but no more than sufficient, to provide reliable and affordable electricity in Connecticut.

Consumers can demand DPUC action. The manner in which information obtained from the companies is disclosed, especially regarding executive compensation packages, is crucial. In addition, a windfall profits refund directly to consumers is warranted, as well as the creation of a public electric authority that can buy, sell and generate less expensive power.

Two bills were introduced into the General Assembly this past session. Both would have helped ratepayers. Both measures died. HB 5819 creates a Public Power Authority, which introduces a new player into the market with the goal of obtaining the lowest cost electricity for ratepayers. It also directs that all power plants built with public dollars be regulated and would provide competition with private generators and utilities to the benefit of ratepayers.

HB 5815 establishes a new mission statement for the DPUC that requires it to act in the public interest and consider customer service (why do taxpayers fund this agency if this is not already the mission?). It also requires the use of administrative law judges during the hearing process instead of the commissioners to reduce political influence. In addition, there is a provision to notify the legislature when a decision will result in rate increases.

Visit state.ct.us/dpuc or call 860-827-1553 to voice your concern. Support the above measure by contacting Rep. George Wilber (George.Wilber@cga.ct.gov) and Sen. Andrew Roraback (Andrew.Roraback@cga.ct.gov).

Charlene LaVoie is the community lawyer in Winsted. Her office is funded by the Shafeek Nader Trust for the Community Interest.