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Connecticut electricity rates decline in 2012 - The business impact today and beyond

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On January 1, 2012, Connecticut's electric ratepayers received a welcomed gift: their rates went down. The new rates will affect approximately 53% of the overall 1.5 million customers with standard service from CL&P and UI. These include residential, small commercial, industrial, and streetlight customers who have not switched to an alternative electric supplier and whose peak demand is less than 500 kilowatts per month. On the other hand, rates for large commercial and industrial customers who have not switched to an alternative electric supplier will pay 10.6% more from January 1st to March 31st.

In his remarks announcing the 2012 rate decline, Jim Muntz, acting president of CL&P, said the lower rates were primarily a result of declining natural gas prices which, in turn, affects how much the utility pays for its power.

Below we highlight the reduced generation rates (which will remain fixed until December 31, 2012) for various types of customers with standard service from either CL&P or UI. For more details on how changes to all nine different rates comprising a utility bill will affect your overall electricity costs in 2012 and for more information on energy efficiency programs and services, please visit Connecticut's Energy Info at www.ctenergyinfo.com or call 1-877-WISE-USE.

Residential:

CL&P: Rate 1 declined from 9.482 to 8.279 cents/kWh... a 12.7% reduction;

UI: Residential Rate declined from 10.616 to 8.728 cents/kWh... a 17.8% reduction.

Small Commercial:

CL&P: Rate 30 declined from 10.188 to 8.735 cents/kWh... a 14.3% reduction;

UI: General Service Rate declined from 10.614 to 8.781 cents/kWh... a 17.3% reduction.

Industrial:

CL&P: Rate 55 (Peak) declined from 11.873 to 10.811 cents/kWh... a 8.9% reduction;

UI: Large Power LPT Rate (Peak) declined from 12.576 to 10.887 cents/kWh... a 13.4% reduction.

An Easy, Cost-Free Way for Businesses to Lower Energy Costs in 2012

In evaluating their utility profile, businesses should ask themselves the following questions:

1. Are we under contract with an alternative supplier for a fixed rate/term?

If so, they should answer the following questions:

- * Is our contract rate higher than the 2012 standard generation rate from CL&P or UI?
- * Are we subject to a penalty if we prematurely terminate our current supply contract?
- * If our actual usage differs from what was originally estimated, will we be subject to a surcharge?
- * How can we maximize the savings afforded by lower generation rates in 2012?

If not, they should answer the following questions:

* Have we undergone an energy rate optimization and procurement service during the past 6 months to ensure we have the best rate, period, and terms for our unique business? Although CL&P and UI's rates have declined, alternative electric suppliers with fixed rates have traditionally provided a more competitive generation rate to businesses resulting in even greater savings.

2. Has a utility bill audit been performed during the past 3 year period to evaluate the business's overall utility profile and recapture overcharges due to mistakes, errors or unrealized savings? Over 70% of reviewed utility bills contain errors, mistakes or unrealized savings resulting in companies losing thousands of dollars each year.

Beyond 2012- Trends/Projections

During the past three years, PURA has lowered the generation rate for residential customers. While no one has a crystal ball, there are a number of factors that indicate this trend may not continue.

When discussing the 2012 rate decline, Dennis Schain, spokesperson for the state Department of Energy and Environmental Protection (DEEP), cautioned that the utility companies have not yet submitted storm-related rate adjustment requests. In addition, he stated that the reduction will soon be offset by higher bills to help pay for improvements to the grid system, investments in efficiency and renewable energy initiatives.

One factor that may serve to moderate future rate increases is the complaint filed with the Federal Energy Regulatory Commission (FERC) in 2011 by the Massachusetts Attorney General and which the Connecticut Attorney General has joined. The complaint seeks to lower rates that transmission companies charge New England ratepayers by almost \$113 million. Connecticut's savings alone would be \$28 million in 2012 and increase to \$51 million a year in just two years.

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