

Electric Rates Rising In The New Year Despite What You Might Have Thought



Tom May, CEO of Eversource Energy, and senior managers visit the New York Stock Exchange to ring the opening bell on Feb. 19, 2015. (Courtesy of Eversource Energy)



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If your New Year's resolutions included turning off the lights more often, that's good. Contrary to what you might have expected, electric rates for Eversource customers have jumped.

An average household will pay almost 14 percent more than it paid in the second half of 2015, for a total of just under \$150 a month — up from \$132.

How can this be? Aren't oil and gas prices collapsing? Didn't Eversource just announce a few weeks ago that electric generation rates were going down?

"Eversource is delivering welcome savings to its customers," a press release said, touting newly approved

prices "that are 24 percent lower than last winter's historic highs."

Ah, but that was for only the generation portion of the bill, not the entire bill, and it compared generation rates from one year ago, not the last six months. That information was on your bill, if you read it carefully.

Rates are, in fact, lower than they were in the first half of last year. But they're higher than what we've been paying since July 1, and that's what we're going to feel when the bills come due.

Generation rates, the biggest portion of the bill, are at \$9.60 per 100 kilowatt hours, up from \$8.20. They were at a whopping \$12.63 one year ago, before oil prices slid dramatically.

That generation increase accounts for more than half the price jump for the start of 2016. The rest of the increases, buried in your bill, all allowed after a close review by state regulators, include: a delayed recuperation of taxes by Eversource, a new formula for regulating Eversource revenues and, lest we forget, all those system improvements we've been hearing about since the storms of 2011 and 2012.

Add it all up and you're now paying \$17.99 for every 100 kilowatt hours, up from \$15.52 in the second half of 2015. That's down from \$19.37 between Jan. 1 and June 30 of last year, when the rate was higher than it had been in years.

All those kilowatt charges are on top of a monthly charge of \$19.25 per residential customer; average usage is 725 kilowatt hours.

The bad news is that we're still one of the most expensive metro areas in the country for electricity. But Eversource's Connecticut electricity business, formerly the Connecticut Light & Power unit of Northeast Utilities, doesn't make more money as a result of higher or lower prices.

For generation, the company buys power contracts on the open market and passes those costs to customers who use Eversource as a supplier. And the same is true for most of the charges on the electric bill — Eversource is basically passing along costs that have been deemed allowable or required, including charges for conservation and renewable energy.

"We don't like that any more than our customers do," Edward Davis, director of rates for Eversource Energy, said of the overall increase. "We try to manage every one of those elements of service."

For customers who use a separate generation supplier, these generation rates don't apply. They might be higher or lower, depending on the deals customers reach. Over the past year, we've seen many that were higher because of fees and because declines from lower oil and gas prices didn't reach customers.

The state tightened the rules on those so-called market-rate suppliers, requiring, for example, that variable rates remain in effect for at least four months.

But the Eversource rate for default customers — about half of all households — is a gauge of how much most of Connecticut pays.

Eversource and state regulators want us to think about year-over-year prices, not the changes every six months. On that score, the average customer is seeing a decrease of about 6.5 percent compared with one year ago.

"What you've got to look at is January to January and July to July because it goes up a lot in the wintertime," said Art House, chairman of the state Public Utilities Regulatory Authority. In general, he added, "the trend has been going down."

Looking at the generation rate, the obvious question is why it isn't declining further at a time when global oil prices are at dangerously low levels. Two reasons: long-term contracts and a shortage of pipeline capacity for natural gas.

The long-term contracts that Eversource signs with power producers ensure supply, but tend to flatten out any short-term changes, up or down. That's in contrast to the way we buy gasoline.

"When you and I go to the pump, it's the daily price," Davis said.

The pipeline issue, a matter of controversy as New England governors work to increase capacity, basically means this part of the country can't participate in price declines, because we can't push enough natural gas through the funnel. And natural gas is the main fuel for electricity plants.

The good news is that generation rates are likely to drop again in July if the pattern of recent years holds true. "Obviously I don't have a crystal ball," Davis said, but he added, "I would expect the same kind of cycle there."

The \$19.25 monthly charge, which rose from \$16 at the end of 2014, removes some of the benefits from households that use very little electricity. As the flat charge goes up, the less juice you use, the more you pay per kilowatt hour.

Looking at the details of the bill, transmission charges, the cost of wheeling power over long distances, are now \$2.58 per 100 kilowatt hours, slightly lower than the second half of 2015 — but much higher than the average of the last five years. That reflects recent improvements.

A "system benefit charge" is up slightly in the new year, to 58 cents, from 34 cents, reflecting post-storm

work. And something called the "federally mandated congestion charge," which fluctuates widely, is up by 71 cents in the new year, to 88 cents.

The basic charge for distribution of electricity, \$3.47 per 100 KwH, isn't changing much but that portion of the bill includes two new surcharges totaling 12 cents of your 100 kilowatt hour charge. One of them, so-called revenue decoupling, was triggered when Eversource revenues fell below a set dollar amount.

Add it up and there you have it: An upward spike in what we hope is a long-term, downward trend. That's not what we hoped as a New Year's gift, but better than what we've seen in earlier eras.

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