

CFER

COALITION FOR FAIR ENERGY RATES



Manufacturing Development Commission

Comments of Jeff D. Smith, IV - Coalition for Fair Energy Rates

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On behalf of the Coalition for Fair Energy Rates (CFER), I want to thank the Manufacturing Development Commission for the opportunity to comment on HB 1247 and SB 647.

CFER is a non-profit association consisting of industrial, commercial and retail businesses. It's an organization created to promote the interests of companies for which the availability, use and cost of energy play a significant role in their ability to compete in both domestic and global markets. Above all, the members of CFER support policies that promote fair and reasonable pricing for reliable energy.

This legislation, as written, is significant to the utilities and as a result of the requirements placed on the General Assembly to evaluate the impact of mandates is secondary to the evaluation of the impact on rate payers. This is primarily a supplier issue. Consumers would benefit because it is anticipated that once the negative impacts are identified and corrected, the end result would be lower rates. While this is a good first step, it doesn't address one of the most important facts to consumers and that is the cost impact of any legislation that will affect rate payers.

Accordingly, CFER would suggest that the bill go even further and require a cost analysis of any legislation that directs changes on how energy is regulated within the Commonwealth. For one thing, changes to the ground rules of utility pricing regulations could have a significant impact on consumers in the form of higher rates for regulated energy services, thereby enriching regulated entities to the detriment of rate payers.

Equally important is the concept that rates should be fair and reasonable. Specifically, rates should be set high enough to allow regulated utilities a fair return on their investments commensurate with the business risk of providing the commodity and/or service.

Regulated utilities, by law, are issued a franchise service territory in which to operate. It is either explicit or implicit that such services will be provided at the lowest possible cost, consistent with the reliable and safe operations standard for the industry. Furthermore, the costs allocated to the end user should include all the prudently incurred expenses, depreciation and taxes, as well as, a fair rate of return on prudently incurred investments that are used and useful.

In both instances—energy mandates and regulated pricing legislation— the ultimate question should be, what is the eventual impact on rate payers who end up paying in either situation? Granted, while neither of these bills have a direct impact on rates, or the authority of the State Corporation Commission, they will ensure that the General Assembly has more information before voting on future bills that do.

Therefore, we would recommend that the legislation, in addition to energy mandates, should also require an analysis on the cost impact of all legislation affecting regulated energy in the Commonwealth.