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CONSUMER ALERT: JANUARY 2022 INCREASE IN ELECTRIC SUPPLY RATES

From: Acting Consumer Counsel, Richard E. Sobolewski

The supply portion of electric bills for all Connecticut ratepayers paying the Standard Service supply rate to The Connecticut Light and Power Company, d/b/a Eversource Energy (“Eversource”) or The United Illuminating Company (“UI”) is scheduled to increase on January 1, 2022 as follows:

CL&P/Eversource Standard Service Rates			United Illuminating Standard Service Rates		
1/1/21	7/1/21	1/1/22	1/1/21	7/1/21	1/1/22
\$0.08391	\$0.07003	\$0.11484	\$0.093694	\$0.080103	\$0.10631

Prices are per kWh of customer usage.

QUESTIONS AND ANSWERS

1. How much is the Standard Service rate increasing?

The Standard Service rate increases are shown in the table above.

For Eversource, the new rate of \$0.11484 is an increase of \$0.04481 per kWh, or a 64% increase, over the rate that was in effect as of July 1, 2021.

For UI, the new rate of \$0.10631 is an increase of \$0.026207 per kWh, or a 33% increase over the rate that was in effect as of July 1, 2021.

However, it is important to note that a January increase over the previous July rate is common, and a year-to-year comparison can be a better comparison point:

For Eversource, the new rate is an increase of \$0.03093 per kWh, or a 37% increase, over the rate that was in effect from January 1, 2021 to June 30, 2021.

For UI, the new rate is an increase of \$0.012616 per kWh, or a 14% increase over the rate that was in effect from January 1, 2021 to June 30, 2021.

2. Will this impact my bill?

The scheduled increase will affect Connecticut customers of Eversource and UI who purchase their supplied electricity directly from Eversource or UI, as opposed to a third-party supplier.

Impacted Eversource customers will see this increase on the “Supply” portion of their bill, as opposed to the “Delivery” portion, which will not be affected by this increase.

Impacted UI customers will see this increase on the “Generation Service Charges” portion of their bill, as opposed to the “Delivery Charges” portion, which will not be affected by this increase.

All impacted customers will be charged the new Standard Service rate as of 1/1/22, as identified in the table above, multiplied by their monthly electricity usage as measured by their electric meter in kilowatt hours.

3. How do I know whether I purchase supplied electricity directly from Eversource or UI, or from a third-party supplier?

If you are an Eversource customer, look at the second page of your bill. Just under the blue line on the right-hand side that says “Total Charges for Electricity,” the bill says “Supplier”. If the next line says “Eversource,” then you are enrolled in Eversource’s Standard Service supply rate, and you will be affected by this rate increase. If that line identifies any other company, your bill will not be immediately impacted by this rate increase. You can see a sample bill from Eversource [here](#).

If you are a UI customer, look at the first page of your bill. The first line in the box that shows your Total Generation Service Charge says “Current Supplier”. If your bill identifies The United Illuminating Company as Current Supplier, then you are enrolled in UI’s Standard Service supply rate, and you will be affected by this rate increase. If that line identifies any other company, your bill will not be immediately impacted by this rate increase. You can see a sample bill from UI [here](#).

Consult Question #9 below for more information about third-party suppliers.

4. Why is the Standard Service rate increasing?

Every six-month period, the Standard Service supply rate of electricity is approved by PURA following a competitive procurement process. The Standard Service rate is the price paid by you, as a ratepayer, for the cost of generating the electricity you use. This is different from the transmission and distribution rates, which is the price you pay to cover the costs of delivering the electricity to your home.

Connecticut’s regulated electric distribution companies (Eversource and United Illuminating), do not derive any profits from the Standard Service rate. It is a pass-through rate, meaning the money you pay to your regulated electric distribution company is passed on directly to the supplier from whom they purchase the electricity you use.

You can read more about the specifics of the procurement process to determine the Standard Service rate below (see Question #5), but it is important to understand that the supply rates are directly affected by the market price of natural gas, which is the fuel used to generate the majority of Connecticut’s electricity. When the market price of natural gas increases, supply rates also increase.

5. Why has the market price of natural gas increased?

The market price of natural gas is affected by many factors, on both the supply and demand side of the equation. Natural gas prices fell substantially during the global Covid-19 pandemic due to decreased demand. The average closing price for natural gas in 2020 was lower than it has been in more than twenty years.

As the world economy slowly recovers from the global Covid-19 pandemic, demand is increasing as business production and consumer activity increases. Escalating extremity in temperature fluctuation has also caused an increase in demand, due to increased air conditioning and heating use.

Market supply of natural gas is also diminished for several reasons. Natural gas production is largely dependent upon oil production, as the two products are most often produced simultaneously as part of the oil drilling process. Just before the pandemic, global oil supplies increased due largely to international price competition. The effects of the pandemic magnified the supply increase, which ultimately led to negative oil prices for the first time in history. This caused a substantial reduction in oil drilling, which caused a substantial reduction in the production of natural gas.

So we are now facing a situation where demand is quickly escalating at a time when supplies are very low. This has caused the market price of natural gas to more than double over the past year.

6. How is the Standard Service price of electricity set?

Since approximately the turn of the century, under electricity restructuring, Connecticut adopted a plan to restructure whereby Connecticut Light and Power (Eversource) and UI were no longer allowed to generate electricity. Acting strictly as distribution companies, they must purchase electricity from third party suppliers.

The process by which Eversource and UI purchase the electricity is regulated by the Public Utilities Regulatory Authority ("PURA") through a Procurement Manager. The OCC, Eversource, and UI are active participants in the procurement process, where competitive bids are solicited on a quarterly basis from electric generators and suppliers.

Connecticut's procurement process allows us to capture competitive prices multiple times a year, to ensure that consumers are paying the lowest possible market-based rates for electricity supply. If a competitive procurement plan were not in place, the January 2022 supply rate increase would be more substantial. For example, the year-over-year increase from January 1, 2021 to January 1, 2022 is 38% and 14% for Eversource and UI customers, respectively, whereas the futures market for natural gas has increased over 100% over the past year.¹ As discussed above in Question #4, electric supply rates are directly affected by natural gas prices.

7. What about the Delivery part of my bill?

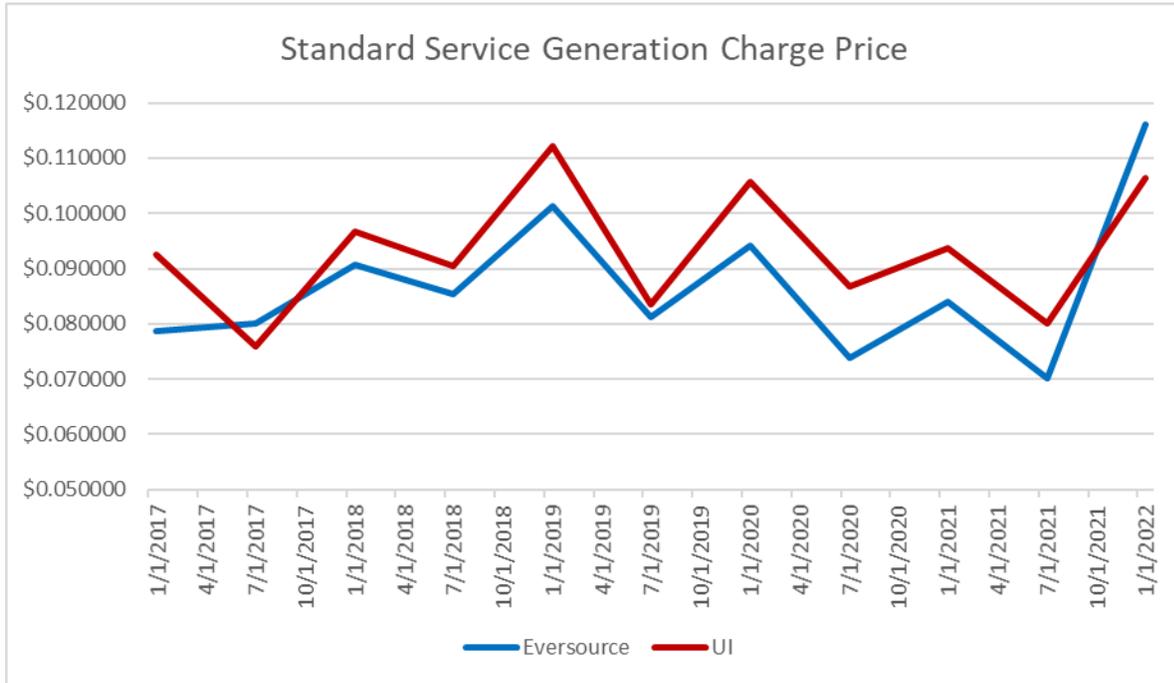
The rates you pay for the transmission and distribution costs of your electricity, which are identified as Delivery charges on both Eversource and UI bills, are determined through different regulatory processes, and will not be affected by the increase to Standard Service rates.

¹ Based on average NGZ1 pricing for September 2020 (\$2.527) vs. September 2021 (\$5.867).

8. Are these the highest Standard Service rates we've ever had?

No. Standard Service rates as of January 1, 2015 were \$0.12629 and \$0.133108 for Eversource and UI, respectively. Those rates were 10% higher than the upcoming rate for Eversource, and 25% higher than the upcoming rate for UI.

Here is a graph showing the historic rate changes in Standard Service here in Connecticut over the past 5 years:



9. How long will these rates be in effect?

The rate will be effective until June 30, 2022 and a new rate will take effect July 1, 2022.

10. Is there any way to lower the price I pay for the supply side of my electric bill?

Consumers who would like to shop for lower prices may do at the Energizect.com website, where electric supply may be purchased from third-party suppliers. Please note that the above-described market conditions may affect the prices offered by third-party suppliers. Consumers should be sure to compare the prices and conditions offered by third parties to the Standard Service rates offered by Eversource and UI.

OCC encourages all consumers who wish to use a third-party supplier to do so via the Energizect.com website, which provides impartial and accurate information about available third-party generation rates. In OCC's experience, an increase in standard service prices is often accompanied by an increase in high-pressure, and sometimes deceptive, sales pitches by third-party suppliers via telephone and door-to-door solicitation. In the coming months, OCC advises consumers to be hypervigilant about potential scams or disadvantageous third-party supply offers.

Please keep in mind, Energy Suppliers:

- Cannot charge sign-up fees;
- Cannot charge monthly fees in addition to the contracted price of supply;
- Cannot advertise a “teaser” rate followed by an increased rate;
- Cannot charge an early termination fee;
- Do not know, and cannot infer that they know, future Standard Service rates;
- Are not affiliated with Eversource or UI;
- Are not affiliated with PURA, DEEP, OCC, or any other state or federal government agency;

If you have any questions or concerns, please feel free to contact the OCC or PURA:

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