

State Budget Tax Coming Up:
Office of Consumer Counsel Comments
September, 2010

The legislature is balancing the state budget for this fiscal year (July 2010 - June 2011) by adding a special charge to most electric bills across the state. CL&P and UI will be required to put this charge on customer bills for the next several years, even though it has nothing whatever to do with the electric services these companies provide. This new charge is nothing more than a state budget tax.

This special tax, part of Public Act 10-179¹, requires the DPUC to add \$40 Million to electric customer bills during the first half of 2011. The DPUC also must issue a financing order, to enable the State Treasurer to borrow some \$700 Million in the bond markets. That borrowing will be secured by the new special charge, on customer bills for up to eight years beginning in July 2011.

Given interest charges, the total cost of this state budget tax over time probably will be around \$1 Billion. This amounts to several hundred dollars for each CL&P and UI customer. The actual burden on given customers will vary, because the DPUC is expected to levy this charge according to electric usage. However, this new charge will unfairly burden elderly and limited income electric customers in particular.

There are at least three reasons why the new state budget tax is unfair and unwise.

One. The new charge continues an electric bill item called the “CTA”, which otherwise would have expired soon. Instead of granting CL&P and UI customers at least some of the rate relief which has been expected, the legislature is helping keep rates high for these customers.

Two. The new charge takes money out of existing energy efficiency (“C&LM”) programs. These valuable programs help save on energy costs across the state, and provide thousands of jobs to state residents. Cutting back the C&LM budgets is poor public policy.

Three. The DPUC intends to impose the new charge on CL&P customers first, some three years before applying it to UI customers. Further, PA 10-179 does not impose any of this new charge on municipal utility customers. The burden of balancing the state’s current budget is not being shared across the state as equitably as it should.

CL&P and UI customers can respond to this state budget tax in two ways. First, they can ask the DPUC not to single out CL&P customers for a special burden here. Second, they can ask the legislature never again to balance the state budget through any such special tax.

Further information on the DPUC proceeding implementing this state budget tax can be found on the DPUC website, www.ct.gov/dpuc, under Docket No. 10-06-20, Applications of The Connecticut Light and Power Company and The United Illuminating Company for Issuance of Economic Recovery Revenue Recovery Bonds Financing Order. The DPUC must complete this docket by October 1, 2010.

¹ [Public Act 10-179, An Act Making Adjustments to State Expenditures For the Fiscal Year Ending June 30, 2011, Sections 128-137, 141, 142.](#)