

Statement of Michael Supranowicz  
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Before Senator John Kerry

“The Rising Costs of Energy: Challenges and Opportunities for Small Businesses”

May 28, 2008

Senator Kerry, fellow panel members, ladies and gentlemen,

Good morning, and thank you for the opportunity to testify at this important hearing. I would like to thank Senator Kerry for this opportunity to provide testimony for the record. My name is Michael Supranowicz and I am the President & CEO of the Berkshire Chamber of Commerce. The Berkshire Chamber represents more than 1,100 companies throughout the county employing more than 35,000 people. Of the 1,100 companies that make up the Berkshire Chamber, over 900 employ less than 10 people so we truly represent the small business community.

I am proud of the efforts of the Chamber’s Board of Directors for helping to bring national attention to our energy issues. Unfortunately, the price of energy in this state is very high. A study conducted in January 2008 by the Energy Information Administration revealed that Massachusetts has the second highest electricity rate in the nation for commercial customers, trailing only Hawaii. On the industrial side, the state is third highest behind Hawaii and Washington DC respectfully.

The initial rationale behind the de-regulation of public utilities may have been noble, but in my opinion, world conditions and the execution of de-regulation have been unsuccessful in leading Massachusetts toward a competitive market for the purpose of buying electricity.

A for-profit small business has a very difficult time attracting suppliers that are willing to offer pricing structures typically afforded to a larger user. Sellers look at company usage and time of usage when computing pricing. Unfortunately, small businesses do not use what the suppliers determine is enough energy to attract their business. Furthermore, modest margins make the small business user market unattractive for sellers.

This constraint forces the small business user to conform to the local utility company’s standard rate. These rates will fluctuate every 4-6 months, making it difficult to budget and manage energy costs. I do not believe that in this instance de-regulation has helped attract competition that benefits the small business community.

Unlike businesses that have to decide whether to pass on higher electric costs to customers, non-profit agencies do not have that choice. Many of the chamber's membership are made up of these small businesses as well. When their budgets are squeezed, they cannot request higher funding from the state agencies that support them. Often, the only choice they have is to cut services which also may result in a reduction in employment.

To help the small business community, as a chamber, we have created an electric co-operative bringing together 50 businesses to aggregate usage in hopes of attracting suppliers. Unfortunately, even our co-operative is having some difficulty trying to obtain a 3-year contract. The current market is unstable and prices are above 13 cents for the price of power alone.

The current price of oil and the projected demand for power over the summer of 2008, combined with the uncertainty of what the hurricane season will bring, make it difficult for us to attract a reasonable cost.

I would just like to spend a moment on the price of gasoline as well. A small business owner e-mailed this to me over the weekend.

"We saw the article on the Senate Committee meeting here at Berkshire Community College. My husband is the owner of a carpet cleaning business here in Pittsfield Ma. The truck used for carpet cleaning has to run for hours at a time all day long to do the job of cleaning carpets and is totally dependent on fuel (gas) to keep running. The cost of gas is absolutely killing this business. It had been started by my husband 18 years ago and was running strong up until the last year. The cost of gas is quickly bringing down this business along with many other small businesses around Berkshire County."

It's not possible to pass off to costumers the constantly rising fuel costs which mean we have our ever dwindling amount of profits going down because they are being eaten up by massive fuel costs. No business can withstand times as this without going under. Since this is our means of supporting our family it is becoming devastating and is our next option to close??? Many businesses as such are feeling this devastation from the high price of gasoline. If not stopped by this year a lot more business's will go under.. WE NEED HELP IMMEDIATELY...I cannot be more direct than that."

When you compare prices across the country, you will find we are among the highest in the nation. We need to level the playing field. We need to have competitive costs. We need relief for the small business community. Thank you