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Testimony

of

THE UNITED ILLUMINATING COMPANY

before the

ENERGY AND TECHNOLOGY COMMITTEE

Re

RAISED SENATE BILL 188

AN ACT CONCERNING CERTAIN ELECTRIC UTILITY POWERS

AND INVESTMENTS

LEGISLATIVE OFFICE BUILDING

HARTFORD, CT

February 26, 2008

Good morning Senator Fonfara, Representative Fontana, Representative Williams, Senator Herlihy and members of the Energy and Technology Committee. My name is Jim Torgerson and I am the Chief Executive Officer of The United Illuminating Company (“UI”).

I am here today to testify in full support of **Raised Senate Bill 188 – AN ACT CONCERNING CERTAIN ELECTRIC UTILITY POWERS AND INVESTMENTS.**

This bill proposes changes that would allow The United Illuminating Company and other public service companies to increase funding to complement existing energy conservation efforts in the state.

UI has a long history of delivering quality energy efficiency programs to its customers. We take great pride in the achievements of these programs, and UI has received national recognition for many of our energy efficiency programs. UI’s work toward improving energy efficiency precedes electric restructuring in Connecticut. Energy efficiency was a key provision of electric restructuring in Connecticut. The legislation that enabled restructuring also created the 3 mil charge that funds the current programs. Since restructuring, we have worked with, and under the guidance and direction of, the Energy Conservation Management Board (ECMB) and the DPUC, to develop today’s programs. The success of the current programs is the direct result of well crafted legislative initiatives supported by thoughtful regulatory oversight. These programs are integral to a sound energy policy for the State.

We are cognizant of the high energy costs in Connecticut and the impact these costs have on our consumers and businesses. Through energy efficiency programs, we offer tangible support to our customers, both residential and commercial/industrial, and enable them to take actions to control their energy usage, lower their bills and increase their competitiveness.

The environmental impact of our energy use is an on-going concern. Connecticut's energy efficiency programs provide significant reductions in pollution emissions. Our 2007 programs will save, over the life of the installations, 4,076 tons of SO₂ and 1,258 tons of NO_x. The programs also cost-effectively reduce other greenhouse gases and reduce our carbon footprint by avoiding emission of 2,578,521 tons of CO₂ over the life of the measures.

Our energy efficiency programs are also a valuable energy resource. The new Forward Capacity Market that ISO-NE has created recognizes demand side resources and qualifies them to be considered capacity on an equal basis with traditional generation resources. This means that as we increase our investments in energy efficiency, we are increasing the investments in clean energy.

The current programs are funded from the conservation charge on customers' bills, which returning to a basic funding level of 3 mils per kilowatt-hour. Although this is a substantial customer investment in energy efficiency, the fund limits have been a limiting factor on the programs. Certainly more energy efficiency could be completed if more funding is available for investing in programs. The Integrated Resource Plan that the utilities recently submitted to the Connecticut Energy Advisory Board (CEAB) pursuant to 2007 legislation suggests

doubling current investments in energy efficiency over the life of the plan. As you know the 2007 legislation expresses the intent that energy needs first be met through energy efficiency.

These programs help Connecticut consumers and businesses reduce costs and increase competitiveness, while simultaneously relieving constraints on our energy delivery infrastructure and reducing negative impacts on our environment. SB 188 would allow public service companies to invest additional funds, supplementing the current "3 mil funds," to undertake additional energy efficiency programs that benefit customers. The additional invested funds would be included in rates for recovery and return. To assure that the increased funds could be subject to the same rigorous review as our successful existing programs, we suggest that the programs be designed under the guidance of the ECMB and with approval of the DPUC just as "3 mil fund" programs are. The current process works, and the Bill affords us the opportunity to leverage upon our existing successful energy efficiency program processes.

We appreciate the General Assembly's continued leadership role in supporting energy efficiency funds. The existing "3 mil fund" has played a significant role in helping to grow jobs to strengthen our businesses, remove harmful pollutants from our air and provide critical, immediate energy constraint relief to Southwestern Connecticut. We ask for your support of this proposal, and the positive impact the increased investment in programs will have—providing real dollars for Connecticut residents and businesses to reinvest in the economy. I strongly encourage members of this Committee to review the annual ECMB report to the General Assembly when it is delivered to you all on March first. This report highlights some

of the many accomplishments that this fund has produced for a broad spectrum of energy consumers, the environment, and our state's economy.

UI hopes to have the opportunity to work with the Committee and all stakeholders in developing innovative new approaches to meet the needs of our State. We share the goal of making the best use of energy-efficiency investments on behalf of Connecticut's energy consumers.

Section 2 of the bill seeks to reinstate a statutory provision that was inadvertently repealed in the Special Session of 2005. The statute confirms the authority of electric utilities to take actions outside of their service areas (such as purchasing power in the regional market or owning transmission) that are necessary for the utilities to meet their public service obligations within their service areas. It is not an attempt to circumvent existing limitations on the ownership of any type of assets by an electric distribution company. The language proposed in SB 188 is the exact language of the statute as it existed since 1965, as amended from time to time, prior to inadvertent repeal in 2005.

For these reasons The United Illuminating Company strongly supports SB 188 and encourages the Energy & Technology Committee to give the bill a joint favorable report.

Thank you for the opportunity to present these comments. I would be happy to answer any questions.