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TESTIMONY OF ATTORNEY GENERAL RICHARD BLUMENTHAL BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE FEBRUARY 28, 2008

I appreciate the opportunity to support Senate Bill 368, An Act Concerning Thermal Energy Transportation.

This proposal regulates as a utility any entity with an exclusive franchise to use public land, including roads, to distribute steam, hot or chilled water or other substances to retail customers. It addresses a potentially critical heating and cooling issue affecting key state buildings.

A company called TEN Corporation operates a heating and cooling system that provides climate control to numerous downtown Hartford properties, including the Legislative Office Building and 9 other state-owned buildings. TEN through its predecessor companies has a monopoly on supplying heating and cooling to state-owned buildings under a law passed by the General Assembly.

In February, 2007, I sued TEN for $14 million overcharged to the state since January 1992 after an analysis revealed TEN's charges were substantially higher than permitted under its contracts, and also "non-competitive" when compared to oil and natural-gas prices.

During a September 2007 meeting, TEN unconscionably threatened to terminate heating and cooling services to state buildings when its agreements start expiring on May 1, 2008 if I continued the litigation to recover the overcharges. Because only one of the 10 buildings has an independent heating or cooling systems, TEN's actions would effectively force a shutdown of vital state agencies, including the State Armory, the Emergency Operations Center, the Department of Environmental Protection and the State Health Lab.

This company's arrogant disregard for citizen safety and well-being is shameful and shocking. TEN's brazen, blatant extortion -- its thuggish threat to shut down state buildings and cripple critical services as we pursue taxpayer legal rights -- will be stopped in court. No legislation is necessary in order for the state to recover damages. However, legislation is necessary to prevent future litigation, threats and extortion.

Senate Bill 368 recognizes that if the state is going to grant a monopoly over a critical, vital public services such as heating and cooling, it should establish a regulatory process to ensure that rates charged by the monopoly will be just and reasonable -- assuring the company of a fair rate of return but preventing price gouging.

I urge the committee's favorable consideration of Senate Bill 368.