

TESTIMONY OF  
THE UNITED ILLUMINATING COMPANY

Before the Energy and Technology Committee

Re:

**RAISED BILL 6127– An Act Concerning Utility Deposits for Business Customers**

Legislative Office Building

March 12, 2009

Senator Fonfara, Representative Nardello, and members of the Energy and Technology Committee: My name is Laura Gonzalez and I am the Director of Collections for The United Illuminating Company ("UI"). I am here today to express UI's comments in opposition to **RAISED BILL 6127– An Act Concerning Utility Deposits for Business Customers**

The bill proposes a variety of new requirements to the distribution companies' practice of requiring a security deposit for business customers that could be detrimental to the Company and its customers. Following are the proposed amendments to the existing statutes and UI's responses to each:

**(1) The bill would reduce the maximum deposit amount from the current amount, which is up to the estimated maximum bill for ninety days.**

In accordance with current DPUC Regulation (16-11-105), UI may require a security deposit of up to three (3) months of the highest billed usage based on the previous tenant's usage.

UI presently requires a security deposit equal to two months of an average bill for business customers. Customers are able to consume two months of energy before receiving a disconnect notice for non-payment. The two month security deposit mitigates the risk of uncollectible expenses that would be born by other rate payers. UI works with new customers who are not able to pay this amount in full when service is initiated. For example UI has offered to break down the deposit into two payments, and may at times even consider a one month deposit as long as the customer understands that they must maintain a current balance. The current system works as it allows for a reasonable deposit and provides a reasonable level of protection for other ratepayers in the event of default and large uncollectible expenses.

The deposit amount is determined based on historical usage at a given location. However, UI is aware that a new customer may move into a premise with different plans, therefore different usage, than the previous occupant. Those factors are considered when determining the security deposit. If we capped the amount at no more than 30 days usage we would introduce a significant uncollectible risk.

**(2) The bill would require electric distribution and gas companies to refund the deposit and the interest earned on the deposit to small business owners.**

UI already refunds the security deposit at the end of a twelve month period, where a customer's payment history shows continuous on-time payments for that period. The refund includes interest at a rate established by state statute.

In order to mitigate uncollectible risks UI must be allowed to continue to require a security deposit for new customers where a good credit history has not been established. As it is now, a customer is able to utilize 74 days of energy without payment before being subject to disconnect. UI presently requires a security deposit of 60 days which is less than the maximum days allowed by regulation. Given the increase in uncollectible risks and the impact of uncollectible accounts on other costumers we oppose a maximum deposit amount.

Thank you for the opportunity to appear before you today and I will try to answer any question you may have.