

UIL Holdings Corporation
157 Church Street
PO Box 1564
New Haven CT 06506-0901
Phone 203.499.2399
Fax 203.499.3664

Richard J. Nicholas
Executive Vice President and
Chief Financial Officer

February 23, 2003



The Honorable Eileen M. Daily
The Honorable Cameron C. Staples
Co-Chairpersons, Finance, Revenue & Bonding Committee
Legislative Office Building
Hartford, Connecticut 06106

Dear Senator Daily and Representative Staples:

On behalf of The United Illuminating Company (UI), I am writing to express our concern about **Senate Bill 934: An Act Concerning A Corporation Tax Surcharge** (which would impose a 30% surcharge to the corporation income tax rate for the three year period, 2009 through 2011), and the resulting harmful impact this measure would have on the cost of electricity to Connecticut consumers and the deleterious impact on Connecticut businesses.

The issue of electric rates and overall energy costs in the state has been discussed extensively in recent years and is of paramount concern from a public policy standpoint to Governor Rell, the legislature, other public officials and our customers. This is a concern we at UI share as well. Subjecting an electric utility, such as UI, to a 30% increase in its corporate taxes would cause further harm to the State's already fragile economy. The Company would be forced to seek immediate recovery of this increased cost of doing business in our regulated cost structure, thereby raising electric rates to cover the increased tax expense.

To prevent such a situation from occurring, we would respectfully request that an exemption from this measure for Connecticut's electric utilities be included in the Committee's final version of this legislation.

Absent an exemption for electric utilities, we would alternatively ask that the legislation include a provision that would require the Department of Public Utility Control to authorize the electric utilities to defer the cost of this measure through the establishment of a regulatory asset equivalent to the net incremental increase in our income tax expense, to be recovered from customers in a future ratemaking proceeding.

Thank you for the opportunity to comment. If you have any questions or would like to discuss this issue further, please contact me at (203) 499-2399.

Very truly yours,

A handwritten signature in cursive script that reads "Richard J. Nicholas".

Richard J. Nicholas