

Testimony of
The United Illuminating Company

Before
The Energy & Technology Committee

Re:

Raised Bill No. 5365 – An Act Concerning Electric Distribution Companies
Sections 1, 2, and 3

Legislative Office Building

Hartford, CT

March 4, 2009

Good afternoon, Senator Fonfara, Representative Nardello, and members of the Energy & Technology Committee. I am Anthony Marone and I am Vice President of Client and External Relations for The United Illuminating Company.

I am here today to offer UI's comments regarding **Sections 1, 2 and 3 of Raised Bill No. 5365 - An Act Concerning Electric Distribution Companies.** UI fully supports these sections and views the Bill as a means to build upon prior legislation (Public Act 07-242, section on CT Electric Efficiency partners) intended to alleviate peak electric demand, and to more quickly implement larger scale deployment of innovative Class 1 renewable technologies here in Connecticut. This Bill will have an immediate impact on creating high quality local jobs here in both the construction/trades and the technical/engineering fields. In addition, these sections of the Bill could be a springboard for additional deployment of renewable generation facilities to meet the upcoming increased requirements of Connecticut's Renewable Portfolio Standards (RPS).

Established in 1998 and subsequently revised, Connecticut's RPS requires electricity providers to obtain a percentage of their load from renewable sources. Today's RPS requirements primarily consist of Class I renewable sources such as wind, solar photovoltaic (PV), and fuel cells, and increase significantly from 7% this year to 20% by the year 2020. These are very aggressive goals that will be a challenge to achieve. Meeting these goals will likely result in the procurement of qualified resources from many suppliers across distant locations. Section 1 of Raised Bill 5365 allows for a portion of our renewable energy to be supplied from Connecticut based renewable technologies that are owned and operated by electric distribution companies on a cost of service basis. A cost based approach can be particularly advantageous to customers by eliminating the volatility that may come from market based pricing. This can be especially important since the demand for qualified RPS is expected to be much greater than the projected supply, as other states in the New England region are also looking to meet RPS. Additionally, locating qualified resources close to loads offers potential energy security, control, and system reliability benefits. For these reasons UI believes that utility scale renewable generation should be part of Connecticut's approach to meeting RPS objectives.

This Bill also allows for electric distribution companies to own and operate customer-side distributed resources. We believe that there are many viable opportunities to locate distributed generation resources on the customer side of the electric meter. Ideal applications for combined heat and power (CHP) systems include hospitals, universities, and energy intensive

manufacturing processes. While some of these customers have taken advantage of incentives available under previous legislative initiatives, there are still many viable project locations. Two primary reasons for lack of participation are the technical complexity of developing and operating these systems, as well as the financial requirements associated with making what are usually relatively large capital investments. Section 2 of this Bill would allow the option of utility ownership of customer-side generation resources using cost of service principles. Under this approach the utility company would make the necessary investment to build and operate a renewable energy project in a customer's premises. The customer would pay the "revenue requirements" associated with the investment and ongoing operating costs, thereby providing cost recovery to the utility. The customer receives value by receiving all the output of the system at cost. This approach can offer significant economic benefit to qualified customers who participate, provided that combined heat and power application and technology are suitable to the customer's usage.

Although Public Act 07-242 has been very successful in addressing peak demand, the portions of the legislation seeking to address electricity consumption and Energy Efficiency Partners have had only limited success. I believe this results from what has turned out to be a cumbersome approval process, difficulty in procuring project financing, and the exclusion of the electric distribution companies from that process. Raised Bill 5365 should significantly improve program participation and results by creating a process that is intended to streamline the approval of projects and facilitate project financing. Furthermore, under this legislation, the electric distribution companies would be integrated into the program to assist the Partners in identifying potential opportunities and technology solutions, and provide an additional mechanism for project financing.

For these reasons UI supports this legislation and looks forward to working with members of this Committee to advance it.