

Testimony
of
The United Illuminating Company
Re:
Raised Senate Bill 1081
AN ACT CONCERNING CLASS III RENEWABLE ENERGY CREDITS

Legislative Office Building
March 1, 2011

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy & Technology Committee. My name is Alan Trotta and I am Manager of Wholesale Procurement for The United Illuminating Company (UI). I'm here today to provide UI's comments on **Raised Senate Bill 1081, AN ACT CONCERNING CLASS III RENEWABLE ENERGY CREDITS**. The Bill increases the Class III Renewable Portfolio Standard (RPS) requirement, with a goal of procuring Class III renewable energy credits (RECs) for 15% of customer usage by 2020. As discussed below, UI does not object to an increase in the Class III RPS requirement. However, we are concerned that the timing of the increase will harm customers by undermining supplier confidence in the rules under which they have agreed to sell power to Connecticut's electric distribution companies (EDCs) for Standard Service.

UI has procured 100% of its Standard Service supply for 2011, 60% for 2012 and 10% for 2013. Suppliers have agreed to supply power to UI's customers at fixed prices. These fixed prices were offered by suppliers based on the RPS statutes in effect at the time that they entered into the contracts. If the RPS requirement is changed in a manner that affects existing contracts, suppliers will lose confidence in the "rules of the game" and include in their future bids an increased cost to reflect uncertainty on what the rules are going forward when they respond to Standard Service RFPs issued by the EDCs. UI proposes that the legislation be amended to grandfather existing contracts for Standard Service at the old Class III RPS requirement to provide assurance to suppliers that the rules under which they made good faith fixed price commitments will be honored.

While UI does not object to increasing the Class III requirement, it is important that the additional cost of meeting the requirement be understood. Class III RECs are currently subject to a price cap of 3.1 cents/kWh and a floor of 1 cent/kWh. Using these cap and floor prices, UI projects that Connecticut customers would pay between \$36 million and \$112 million more for power in 2020 due to the cost of meeting the increased Class III requirement.

Thank you for the opportunity to appear before you this afternoon and I'll try to answer any questions you may have. You may also direct your questions concerning these comments to Carlos Vazquez, UIL's Senior Director of Government Relations, at (203) 499-2825 or 203-521-2455.