

**STATEMENT OF  
UIL HOLDINGS CORPORATION**

**RE:**

**HB 5542 - AN ACT CONCERNING CONSUMER PROTECTION FOR UTILITY  
CUSTOMERS**

**Legislative Office Building**

**March 20, 2012**

Thank you for the opportunity to offer these comments regarding House Bill 5542. The Bill provides that, regardless of facts or circumstances and any findings by the Public Utilities Regulatory Authority (PURA), a public service company could not compensate a Director, presumably a member of the Board of Directors, or any company employee (including an officer) an amount greater than \$350,000 using funds from ratepayers. It would further provide that if a holding company is the parent of more than one public service in Connecticut, the compensation included in rates would also be limited to no more than \$350,000.

UIL Holdings Corporation (UIL) is the parent company of three public service companies in Connecticut – The United Illuminating Company, The Southern Connecticut Gas Company and Connecticut Natural Gas Corporation. UIL also owns a natural gas company in Massachusetts, Berkshire Gas Company.

UIL opposes HB 5542. We have several concerns regarding House Bill 5542. First, the bill is unnecessary. PURA is required under existing statutes to review all of a public service company's operating costs, including compensation costs, when the company seeks to amend its rates. PURA approves recovery only of costs that it determines are reasonable. Accordingly, if the purpose of the bill is to assure that a public service company recovers from customers only compensation costs that are reasonable, this already occurs pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e.

Second, HB 5542 pre-determines an arbitrary cap, without a determination of whether compensation higher than the cap is necessary for a company to attract and maintain highly skilled management. The company is competing for its employees, including executive management, with other companies seeking people with the same skills. If the PURA were, after full examination, to determine that a necessary utility job position reasonably requires a company to pay more than the amount set forth in the legislation, then the Authority needs to be able to approve the level of compensation that it determines to be reasonable. If the PURA is precluded from approving a competitive level of compensation, then an affected company will lose valuable employees who can receive better compensation elsewhere, or will be unable to hire the employees in the first place. If a public service company were to lose, or be unable to attract, a top quality work force, then its service, efficiency and financial status would inevitably suffer, thereby harming the public interest if public service companies cannot meet their public service obligations.

The bill's provision that compensation for any director, officer, executive or employee from shareholder funds shall not be limited by the provisions of this section is not an answer to this problem. We presume that the drafters of the bill believe that the shareholders of the corporation are the only beneficiaries of management's ability to run the corporation, which is far from reality. Customers also benefit from a well and effectively managed financially healthy public service company.

The only other sources to pay directors officers or other employees would be from another line of business or earnings from the regulated public service company business. If the company has another line of business, subsidizing the regulated business compensation has no economic or other justification. If the company is expected to reduce its earnings in order to compensate its employees at a reasonable level, then the company is deprived of the opportunity to earn a reasonable return on its regulated investment. Neither course is sustainable.

Third, the provisions of HB 5542 apply only to public service companies. If a cap on compensation to executive management were to be considered, it should be considered equally for employees, officers and directors of all municipal and state governmental entities, including universities, as well as employees in other state-regulated industries such as insurance and health care, and not single out public service company employees. The massive, pervasive limits contemplated by this bill on compensation would put the state at a serious and significant disadvantage, however, in competing with similar entities in other states. It would also be contrary to the free market system for employees that forms a fundamental basis of the nation's economy.

Fourth, the bill states that the compensation above the stated level cannot be recovered from ratepayers. It is not clear whether the bill intends to apply only to an electric public service company's distribution revenues, which are within the State's jurisdiction. Because transmission revenues are considered and approved by the Federal Energy Regulatory Commission, the bill could not lawfully apply to transmission revenues.

Section 2 of HB 5542 provides that an electric distribution company ("EDC") to compensate lower income customers for food spoilage caused by an outage longer than 48 hours, regardless of the cause or the extent of the conditions that caused the outage, such as a major storm. That is the standard currently used in determining the Company's liability in customer claims for damage to equipment, etc. The bill also provides that the company shall recover the costs of the compensation through the systems benefit charge. That would be just one of many public policy requirements imposed on the remaining electric customers at a time when everyone is concerned about the high cost of electricity.

UI thanks the Committee for the opportunity to provide these comments regarding **House Bill 5542 - An Act Concerning Consumer Protection for Utility Customers.**

If the Committee has any questions regarding the Company's concerns, please call our Senior Director - Government Relations, Carlos Vazquez, at 203-499-2825 or by cell phone at 203-521-2455 at your earliest convenience.