Testimony
Of
UIL Holdings Corporation
Re:
Senate Bill 23 - AN ACT ENHANCING EMERGENCY PREPAREDNESS AND RESPONSE.

Legislative Office Building
March 20, 2012

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy & Technology Committee. My name is John Prete and I am the Senior Vice President - Electric Transmission and Distribution of The United Illuminating Company. I want to thank you for this opportunity to provide testimony on **Senate Bill 23, AN ACT ENHANCING EMERGENCY PREPAREDNESS AND RESPONSE.** We also want to thank Governor Malloy for proposing a thoughtful and measured approach for addressing storm preparedness and response. The bill contains various suggestions made by UI and others to the legislative forum and the Two Storm Panel. UI does not oppose the basic intent of the proposals included in Senate Bill 23. However, the Committee should consider revisions that will make the proposals more equitable and achievable for the electric distribution companies and will ensure that goals can be achieved at the lowest possible cost to the citizens of the State.

The impacts that the two storms had on Connecticut during the summer and fall of 2011 have been well documented. UI appreciates the careful and sensible approach to determine the best way to prepare and respond to future events of this magnitude. UI has been a willing and involved participant throughout this process.

As you know, there are many components to preparedness and a safe storm response. As we testified to both this Committee and the Governor's Two Storm Panel after the storms, UI's storm restoration performance exceeded the national average for similar storms when comparing our restoration to data maintained by the U.S. Department of Energy. It is embodied in UI's culture to continue to improve, to seek out and listen to our constituents and take to heart criticisms in order to strive to meet and exceed expectations. Almost immediately some of the lessons we learned during Tropical Storm Irene were put into place and used during the historic October storm. These improvements include tighter coordination with municipalities to support the opening of roads, utilization of special reports from our Outage Management System to provide specific street level restoration plans to town officials, defining a specific Operations Liaison role to close communications gaps between the Operations function and the Municipal Liaison function, and the completion and filing of UI's newest Emergency Preparedness Plan (Plan), which is based on the National Incident Management System (NIMS). We have instituted improvements to our work processes regarding emergency preparedness and have worked to enhance communications between the utility and our municipal partners and the State Division of Emergency Management and Homeland Security. UI has also put in place dedicated programs for both short and long-term improvements to support preparedness, communications and response.

We are, however, concerned about the language in the raised bill regarding performance standards. UI agrees that the Department of Energy and Environmental Protection, specifically the Public Utilities Regulatory Authority (PURA), is the appropriate entity that has the expertise, experience and procedures in place to determine, measure and ensure adherence to standards

designed to evaluate a utility's performance for both pre-storm planning and post-storm response. Performance standards must be both fair (based on actual empirical data) and achievable (based on actual conditions associated with the severity and magnitude of storms and their damage). This balanced approach should also be utility-specific, based on the Company's geography and unique service territory characteristics.

It is important to recognize that UI already operates within self-imposed guidelines and standards – namely its Emergency Preparedness Plan. The Plan sets forth both restoration performance that the Company strives for in relation to the magnitude of the weather event as well as the functions and activities that company personnel execute in order to plan for and respond to events based upon their severity. Activities undertaken pursuant to the Plan ensure proper planning, effective communication, safe response as well as continuous plan improvement. The Plan properly sets forth the standards pursuant to which UI should be measured.

The Plan already incorporates many years of experience and lessons learned. Because it incorporates all of the challenges surrounding Tropical Storm Irene and the October snow storm, it is the appropriate standard to employ going forward. It is a "living document" that can, from here on, incorporate desired future improvements including in the following areas: UI's ability to (i) extend the restoration prediction horizon (estimated restoration times), (ii) manage more resources, (iii) obtain more resources, and (iv) prevent damage. Once these desired improvements are obtained, the Plan can be revised to reflect new and refined standards.

A fair and effective way to evaluate a utility's performance during major storms is its execution of its PURA-approved Emergency Preparedness Plan. Measuring UI this way provides the appropriate basis pursuant to which performance should be evaluated.

Finally, UI seeks clarification of the maximum stated penalties addressed in the raised bill, and recommends that any financial penalties should be scaled to the size of the utility. For example, if the maximum amount of the penalties included in SB 23 is the "right number," the financial impact on UI would be 7.7% of transmission and distribution (T&D) revenues. The same $25 million penalty would be about 1.1% of T&D revenues for Connecticut Light & Power. This wide difference in financial impact is not equitable. The number may be better stated as a percentage of distribution revenues. The Massachusetts law that addresses utilities' storm response and that has served as a model for Connecticut proposals recognizes that a fixed dollar penalty is not the appropriate answer.

System Resiliency

UI supports the Governor's initiative to develop renewable energy distributive generation in the state and agrees that DEEP should evaluate the full range of benefits and costs associated with these potential solutions and alternatives. This is particularly the case if the intent of the "micro grid" is to run 24/7 in parallel with the electric distribution system.

While this evaluation is being performed, UI recommends that installing emergency generation at selected sites would form a viable approach to system hardening and resiliency. In fact, this may be a better and more cost-effective choice to reducing extended post-storm outages.

UI is also concerned that the language in the bill regarding the type of "micro grid" that would be installed and its impact on system reliability. As we understand the language, the "micro grid" installed would still require a redundant electric distribution system for the buildings served by it. It is important to understand that installing this on-site generation, without hardening or improving the resiliency of the existing distribution system, will not improve the reliability of the area or keep "the lights on" during severe weather events such as last year's two storms. In addition, this redundant approach may likely increase the costs of those customers served by this micro grid.

The bill properly allows the State's electric distribution companies to participate in micro grid projects. However, we recommend that electric distribution companies be able to own and operate the "micro grids" in its service territory. UI has already commissioned an internal team to investigate and assess the concept of micro grids and its impact on the electric distribution system (along with the impacts on franchise rights) and to recommend opportunities for the future.

Again, thank you for the opportunity to offer testimony on **Senate Bill 23 - AN ACT ENHANCING EMERGENCY PREPAREDNESS AND RESPONSE.**

I also want to make a couple of points regarding **Senate Bill 450 – AN ACT CONCERNING ENERGY CONSERVATION AND RENEWABLES** as they apply to the issues included in Senate Bill 23 and that should be considered for inclusion in final storm response legislation this

session. The bill includes various sections that should also be considered when examining ways to prevent or reduce damage during intense weather events. Specifically, we call attention to the definition of utility line clearance zone for tree trimming included in Section 9. This line clearance zone, commonly known as "blue sky trimming," coupled with other improvements to the resiliency of the system and replacement of bare conductors will go a long way at reducing tree damage to electric distribution facilities during storm events and improve the day to day reliability of the system. We also want to suggest that UI should be allowed to have an opportunity to capitalize initial "blue sky trimming" costs which would be a significant investment. Thereafter tree trimming costs would return to the normal expense recovery mechanism.

UI looks forward to working with the Committee and Governor Malloy's administration in crafting legislation that will move our state forward in addressing emergency preparedness and response. I'll try to answer any question you may have.