

**Testimony
of
UIL Holdings Corporation
Re:
Raised Senate Bill 415**

**AN ACT CONCERNING THE OPERATIONS OF THE DEPARTMENT OF
ENERGY AND ENVIRONMENTAL PROTECTION, THE ESTABLISHMENT
OF A COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM,
WATER CONSERVATION AND THE OPERATIONS OF THE CLEAN
ENERGY FINANCE AND INVESTMENT AUTHORITY.**

**Legislative Office Building
March 15, 2012**

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy & Technology Committee. My name is Alan Trotta and I am Manager of Wholesale Power Contracts for UIL Holdings Corporation (UIL). I'm here today to provide UIL's comments on Raised **Senate Bill 415**. UIL does not oppose the substance of the bill. However, we would like to propose a number of minor, but important, technical corrections, and seeks clarification regarding whether zero emissions renewable resources qualify to provide Renewable Energy Credits (RECs) under C.G.S. § 16-244t(a).

Section 20(g) – This section of RSB 415 amends subsection (g) of section 16a-3a of the 2012 supplement to the general statutes as follows:

965 (g) All reasonable costs associated with the development of the
966 resource assessment, [and the development of] the integrated
967 resources plan, adopted pursuant to this section, and the procurement
968 plan, adopted pursuant to section 16-244m, as amended by this act,
969 shall be recoverable through the assessment in section 16-49, as
970 amended by this act.

Section 16-49 allows for the recovery of **governmental** costs via customer electric bills. However, as required under Section 16a-3a of the 2012 supplement to the general statutes, the EDCs were consulted by the Department of Energy and Environmental Protection (DEEP) to assist in the development of the integrated resources plan (IRP). At DEEP's request, the EDCs retained the services of a consultant to perform much of the analytical work for the IRP, and other costs were incurred by the EDCs as a result. Also, the gas distribution companies lent their expertise to the development of the natural gas section of the IRP by providing a thorough analysis of potential gas supply issues affecting power generation in New England over the next 10 years. We suggest to the Committee that the bill be amended to ensure that the EDCs and gas companies are able to recover all reasonable costs incurred to assist DEEP in its development of the resource

assessment, integrated resources plan and procurement plan. UIL proposes that a sentence be added to the end of Section 20(g) that states that:

“The electric and gas distribution companies shall be entitled to recover the reasonable costs and fees incurred in connection with soliciting and filing long-term contracts with the authority pursuant to this section through a non bypassable reconciling component of electric rates (e.g. systems benefit charge) or natural gas rates (e.g. CAMM) as determined by the authority.”

Section 19(e) – This section establishes cost recovery for the development of the comprehensive energy plan. Similar to the IRP, to the extent that the EDCs and gas companies participate in the development of the comprehensive energy plan, they should recover costs incurred. UIL proposes the same language suggested above for Section 20(g) be added to the end of 19(e):

Section 36(b) – This section amends Subsection (b) of section 16-244r of the 2012 supplement to the general statutes as follows:

1799 a contract for fifteen years. The electric distribution company shall be
1800 entitled to recover the reasonable costs and fees incurred in connection
1801 with soliciting and filing long-term contracts with the authority
1802 pursuant to this section through a reconciling component of electric
1803 rates as determined by the authority.

The 15 year contracts will require ongoing administration after they are executed. UIL proposes that this language be revised to include recovery of contract administration costs. Below is UIL’s proposed revision:

“The electric distribution company shall be entitled to recover the reasonable costs and fees incurred in connection with soliciting, administering and filing long-term contracts with the authority pursuant to this section through a reconciling component of electric rates as determined by the authority”

Section 39 – This section replaces Subsection (a) of section 16-244t of the 2012 supplement to the general statutes with the following language:

2045 (a) Commencing on January 1, 2012, and within one hundred eighty
2046 days, each electric distribution company shall solicit and file with the
2047 Public Utilities Regulatory Authority for its approval one or more
2048 fifteen-year power purchase contracts with owners or developers of
2049 generation projects that are less than two megawatts in size, located on
2050 the customer side of the revenue meter, serve the distribution system
2051 of the electric distribution company, and use Class I technologies that
2052 have no emissions, [of no more than 0.07 pounds per megawatt-hour
2053 of nitrogen oxides, 0.10 pounds per megawatt-hour of carbon
2054 monoxide, 0.02 pounds per megawatt-hour of volatile organic

2055 compounds, and one grain per one hundred standard cubic feet.] The
2056 authority may give a preference to contracts for technologies
2057 manufactured, researched or developed in the state.

UIL believes that the first usage of the word “no” in line 2052 is a technical error, and that the word should be “low.” The program that is covered under this section is the low emissions renewable program, commonly known as the “LREC” program. If the use of the word “no” remains, only zero emission renewables would qualify, and low emission resources such as fuel cells would be excluded.

If the word “low” is inserted in place of the word “no” in line 2052, UIL asks that the language clarify that DEEP be responsible for providing clear guidance regarding what technologies qualify as “low” emissions for the purpose of qualification to provide LRECs to avoid conflicts (and possibly litigation) over the definition of the word “low.”

Also, to the extent that the word “low” is used as set forth above, UIL seeks clarification on whether renewables that emit no pollutants would also qualify to provide LRECs to the EDCs under long term contracts. UIL suggests that they should qualify. In addition to the benefit of having zero vs. low emissions, there are two other key reasons why they should qualify. First, the zero emissions REC (known as ZREC) program set forth in section 16-244r of the 2012 supplement to the general statutes is limited to projects of under 1 Megawatt (MW), whereas the LREC program has a 2 MW per project limit. If zero emissions renewables are excluded from the LREC program, there will be no program for zero emissions renewables of between 1 and 2 MW in size. One of the most common sizes for utility scale wind turbines is about 1.5 MW. The second reason is that the inclusion of zero emissions technologies will allow for more robust competition among suppliers.

Section 40(b) – This section amends Subsection (b) of section 16-244t of the 2012 supplement to the general statutes as follows:

2064 contract. The electric distribution company shall be entitled to recover
2065 the reasonable costs and fees incurred in connection with soliciting and
2066 filing power purchase contracts with the authority pursuant to this
2067 section through a reconciling component of electric rates as
2068 determined by the authority.

UIL has two technical corrections for this section. First, the contracts referred to in this section are not “power purchase contracts.” Rather, they are contracts for the purchase and sale of RECs. Second, as in UIL’s comments above on Section 36(b), there will be ongoing contract administration efforts after contracts are executed. UIL proposes the following revisions.

“The electric distribution company shall be entitled to recover the reasonable costs and fees incurred in connection with soliciting, administering and filing [power purchase]

long-term contracts with the authority pursuant to this section through a reconciling component of electric rates as determined by the authority.”

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.