

**Statement
of
UIL Holdings Corporation
Re:
Raised Bill 843**

**AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE
GOVERNOR'S BUDGET.**

**Legislative Office Building
March 4, 2013**

Senator Fonfara, Representative Widlitz and members of the Finance, Revenue and Bonding Committee. UIL Holdings Corporation (UIL), the corporate parent company of The United Illuminating Company (UI), The Southern Connecticut Gas Company (SCG) and Connecticut Natural Gas Corporation (CNG), submits the following comments on Sections 7, 18 and 19 of **Bill No. 843 - AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.**

Section 7 – Extension of Generators' Tax

UIL respectfully suggests that the Committee clarify a portion of Section 7 of Bill No. 843, which provides for an extension of the tax on generation services. Section 7(a)(9) amends the definition of “person subject to tax” as follows:

389 (9) “Person subject to tax” means a person (A) providing electric
390 generation services and uploading electricity generated at such
391 person’s electric generation facility in this state to the regional bulk
392 power grid, **or (B) selling, delivering or otherwise transferring electric**
393 **generation services.**

It is UIL understands that the additions on lines 392-393 are intended to ensure that the generator tax applies to parties that “upload” electricity to the regional bulk power grid on behalf of generation facilities. However, because “electric generation services” also includes electric supply sold to end users, the new language can be interpreted as creating an obligation for parties other than the direct sellers of electricity from electric generation facilities to pay the tax, and could result in a triple collection of taxes on the same electricity. For example, the tax could apply to a competitive supplier providing energy supply to end use customers since such entities are “selling” electric generation services, and could also apply to the electric transmission and distribution company since that entity is “delivering or otherwise transferring” electric generation services. In such an event, the tax would be collected from three separate entities: the entity generating electricity, the entity purchasing electric generation services in the New England wholesale market and selling them to customers, and the electric distribution company delivering such generation services to customers, and customers could end up paying up to 0.75 cents per kilowatt hour for the generator tax instead of 0.25 cents.

UIL suggests that the following modification to the end of 7(a)(9)(B) to clarify that the tax is only applicable to the generation of the electricity in this State, and not to retail sales or delivery of the electricity. With this modification (shown in italics) section 7(a)(9) would read as follows:

389 (9) “Person subject to tax” means a person (A) providing electric
390 generation services and uploading electricity generated at such
391 person’s electric generation facility in this state to the regional bulk
392 power grid, ***or (B) selling, delivering or otherwise transferring electric***
393 ***generation services from an electric generation facility in this state to the***
regional bulk power grid, provided however that the tax shall not apply to an
electric distribution company providing the physical delivery or transfer of electric
generation services.

Section 18 – Tax Credit for Fuel Switching

SB 843 contains provisions to encourage residential consumers, businesses and other entities to switch to natural gas for heating and general fuel. The Bill establishes a tax credit of up to \$500 against the gas companies tax when the companies provide financial incentives to customers to choose to convert to natural gas.

The Southern Connecticut Gas Company (SCG) and Connecticut Natural Gas Corporation (CNG), support this incentive because it will bolster our ability to provide our customers with the price advantages and environmental compatibility of natural gas. Every day we receive many requests to provide new services to families and businesses in our service territories.

This measure will provide a significant incentive, especially to residential consumers who bear significant upfront costs of conversion, to take individual actions that support state goals of greater gas use. Incentives like these are consistent with other legislative enactments here and across the United States to help shape and lead energy policy. This proposal may also encourage heating contractors to incorporate the incentive in their marketing strategies which may spur conversion volume and possibly lower the individual cost to customers. The tax credit, coupled with attractive conversion financing options offered by SCG and CNG, and other options contained in the Comprehensive Energy Strategy, will help customers decide to convert to natural gas and ease their financial commitment.

Section 19 – Auction of Remaining Standard Offer Customers

Since the State adopted electric industry restructuring in 1998 (via PA 98-48), The United Illuminating Company has consistently worked with the Legislature in considering changes that will provide benefits to electric consumers in Connecticut. Although UI does not make or lose money on the sale of electricity, our focus has always been to advance the interest of customers in connection with the changes affecting them.

In considering the proposal in Section 19 of this Bill, it is important to identify and understand the potential benefits and risks to customers, including determining and weighing consumer benefit with any potential negative consequences of the proposal. Standard Service as it currently exists, which takes advantage of the competitive bid market for those customers who have chosen not to sign up with a retail supplier, will likely be substantially impacted, even if the legislation does not propose to repeal it. The post-auction Standard Service would be a very small load that is subject to significant swings in quantity. If former standard service customers are assigned to an auction winner and the customers subsequently seek to return to the EDC (or if new customers sign up for electric service and do not select a supplier) the customers will need to be placed on a new variable rate default service. For that new service, the EDC will need to procure energy in the spot electricity market rather than in a competitive bid market as it does now, exposing these customers to the price volatility.

A second question is what will replace the stable, market sensitive standard service price as a reference point for customers seeking to determine the reasonableness of competitive supply offerings? Historically, the price of standard service has served as a reference price for competitive suppliers to compare their price offerings to, and as such has served a critical role in providing a clear point of comparison for customers. A competitively priced standard service option has encouraged competitively priced supplier offerings by providing a clear, market sensitive “price to beat,” and be a safe harbor for customers who are confused by supplier offerings, or are not inclined to shop for electric supply.

UI respectfully suggests that these considerations, and others, be explored, as part of the discussion of the concepts underlying Section 19. We understand that the Administration is looking to refine and confirm the functionality and customer benefits that the auction proposal is intended to create, while minimizing any inadvertent adverse customer consequences of any policy change. we therefore look forward to discussing with the administration and the legislature the importance of customer protections and reference prices to facilitate customers' exercise of choice.

If the Committee has any questions please contact Carlos Vázquez, UIL's Senior Director of Government Relations at 203-521-2455 or our Government Relations Professional, Al Carbone at 203-671-4421.