

TESTIMONY
OF
UIL HOLDINGS CORPORATION
Regarding
Raised House Bill 5412
AN ACT CONCERNING SHARED CLEAN ENERGY FACILITIES
Before the
Energy & Technology Committee

Legislative Office Building
March 4, 2014

Senator Duff, Representative Reed and members of the Energy & Technology Committee. My name is Roddy Diotalevi and I'm Senior Director of Sales & Marketing for UIL Holdings Corporation (UIL), the corporate parent company of The United Illuminating Company (UI). I thank you for this opportunity to offer these comments in opposition of HB 5412 - An Act Concerning Shared Clean Energy Facilities.

UI opposes the bill for the following reasons:

The bill attempts to create an unregulated retail electricity sales market. The bill has no rules. Anyone with a Class I renewable energy source can sell the energy produced by the facility to “subscribers” at any price. The end result is that any Class I renewable energy source can make retail sales of electricity but without any regulation, rate or otherwise. There are no licensing requirements for the owner or operator of the generating facility. There are no restrictions on the relationship between the facility and its subscribers (aside from minimal disclosure provisions). Indeed, there is no oversight whatsoever over the operations of what would be a newly created retail energy sales market.

There are no customer protections in the bill. There is no mechanism in the bill that protects subscribers, the customers of the shared facility. Energy can be priced by the facility at will. It is more than likely that the price charged for the energy will far exceed the cost to generate. Essentially the shared clean energy facility only has costs associated with generating electricity but the electric distribution company (EDC) bill credit is the EDC full bundled regulated rate. There would be an incentive to price the output at or near the bundled utility rate. There is no governing body to which the subscribers can submit issues, concerns, or disputes in connection with the facility and the manner in which it makes its retail sales of energy. If a retail end user fails to pay the Class I renewable energy facility, there are no protections from termination and no required procedures that the facility must follow to terminate service.

The bill would allow renewable energy facilities to utilize the delivery system of the electric distribution company without compensation. If the bill were enacted, the electric distribution company's delivery system would be used to deliver electricity from facilities to their “subscribers” at no cost to the subscriber or the owner operator of the facility. Indeed, as the bill is constructed the EDC would be paying the “subscribers” not only the cost of the delivery but the entire bundled bill cost per kilowatt-hour. The EDC's system cannot and should not be commandeered, without compensation, for the benefit of the Class I renewable energy source.

The Bill allows “subscribers” to avoid paying their share of the EDC's costs of building and maintaining a delivery system for all users. The bill provides for non-“subscribers” to subsidize “subscribers.” An EDC's delivery system must be ready to serve customers at all times. Every generating facility, including Class I renewable energy sources, must shut down for maintenance from time to time and could also have a forced outage at any time. Therefore retail

end users of the shared facility would need to continue to be customers of the EDC even if they were retail customers of a Class I renewable energy source 99% of the time. While the end user might only need to purchase electricity from the EDC 1% of the time – 87.6 hours in a year – the EDC must be prepared to serve that customer 100% of the time, and must build and maintain a delivery system that is adequate to do so. Yet under the Bill, the EDC would be billing the retail end user only a small fraction of the year. During the entire rest of the time, the EDC would be paying the retail end user for the cost of delivery and, as noted above, the renewable energy facility is permitted to use the EDC's transmission and distribution system without paying for that use. While the facility is simply generating energy, the credit that an EDC must provide to a subscriber is a total bundled credit for transmission, distribution, systems benefits charge, conservation and load management charge, etc. The EDC is therefore not recovering the full costs of operating its delivery system. These costs must then be shifted to all other customers (i.e., all other customers are subsidizing the facility and its new market). Until an EDC's rates are adjusted in a rate proceeding to account for this cost shift, the EDC will not be recovering its costs.

The bill raises a host of other legal issues. For example: The bill allows Class I renewable energy facilities to make unlicensed retail sales, and to make retail sales as if the facilities were themselves electric distribution companies – but with no public service obligations and no requirement to invest in delivery infrastructure, other than interconnection with the EDC.

The bill creates winners and losers among the EDC's customers, potentially violating the requirement that rates be not unreasonably discriminatory against any group of customers. The bill creates cost shifts that, if not adjusted for, amount to a taking of the delivery system because the EDC will not have a means to recover the costs of operating its system. The Bill enables one class of generators to use the EDC's delivery system without compensation.

If the committee believes that further legal analysis would be beneficial, the Company will be happy to work with the committee and stakeholders to provide an update on legal issues in the coming days. These issues have been considered by PURA and its predecessor DPUC, state and federal courts over the years

UIL thanks you for the opportunity to offer these comments on RB 5412 - An Act Concerning shared clean energy facilities. I will try to answer any questions you may have.