

TESTIMONY
OF
UIL HOLDINGS CORPORATION

Regarding

Raised Senate Bill 1074

**AN ACT CONCERNING MUNICIPAL TAX ABATEMENT FOR NATURAL GAS
EXPANSION.**

**Before the
Energy & Technology Committee**

**Legislative Office Building
March 17, 2015**

Good morning Senator Doyle, Representative Reed and members of the Energy and Technology Committee. My name is Terri Eller and I am the Director of Commercial and Industrial Sales for UIL Holdings Corporation (UIL), the parent company for The United Illuminating Company (UI), The Southern Connecticut Gas Company (SCG), and Connecticut Natural Gas Corporation (CNG). I thank you for this opportunity to offer these comments regarding **Raised Senate Bill 1074 - AN ACT CONCERNING MUNICIPAL TAX ABATEMENT FOR NATURAL GAS EXPANSION.**

UI strongly supports RSB 1074.

As many of you may be aware, we work very closely with various stakeholders, including this legislature, DEEP, PURA, and Connecticut residences, business owners, and municipalities, to implement Governor Malloy's vision of a cheaper, cleaner, more reliable energy future for the State.

In Docket 13-06-02, the Public Utilities Regulatory Authority (PURA) approved a regulatory model for Connecticut Natural Gas Corporation (CNG), The Southern Connecticut Gas Company (SCG), and Yankee Gas Services Company (YG), to implement a 10-year, large-scale natural gas expansion plan in the state. The plan seeks to bring the choice of natural gas for heating and hot water to approximately 50% of the state's energy consumers. Subsequently in the reopened Docket, PURA also approved a plan to encourage the Local Distribution Companies (LDCs) to lower the overall cost of natural gas expansion to both new and existing ratepayers.

Many of these cost reduction strategies fall within the discretion of municipalities and other local government authorities. One opportunity discussed is the authorization of property tax

abatement for a gas expansion project that otherwise would be too costly to build or require contributions from customers to make it feasible under existing regulations. However, the municipality would have to forgo some new, near term tax revenue. Raised Bill 1074 requests a statutory change to permit, but not require, a municipality to grant tax abatement for new gas infrastructure starting with the grand lists effective October 2015 and beyond. The tax abatement could prove beneficial in helping gas expansion projects move forward by reducing the overall costs of the projects. Furthermore, it is a tool for the “buy-in” that many municipalities have expressed interest in pursuing to help improve the economic vitality to help attract new businesses and help existing commercial and residential customers reduce their energy costs. Again this mechanism would be utilized, totally at the sole discretion of the municipality.

I would like to point out that the bill as written, would apply to new infrastructure of both local distribution companies and natural gas pipeline companies. Pipelines provide fuel at the interstate, wholesale level. In considering a new project, they rely on commitments from LDCs and other users to take firm quantities of gas on a long term basis. The language of the bill states that LDC’s and pipeline companies must include the amount of such abatement when calculating the hurdle rate pursuant to section 16-19ww of the Connecticut General Statutes (CGS) for gas expansion projects within such municipality. I want to point out that the hurdle rate in 16-19ww applies only to LDCs. Pipeline companies do not use the hurdle rate model to determine the feasibility of a project. UIL suggests that the language of the bill be amended to provide that opportunity to grant tax abatements apply only to distribution companies. We look forward working with the Energy & Technology Committee, municipalities and the administration to

develop a collaborative property tax program that enables new utility infrastructure and benefits for energy consumers in the state.

For these reasons The UIL Holdings Corporation supports Senate Bill 1074 as a means to help implement the natural gas growth strategy envisioned in the Governor's Comprehensive Energy Strategy for Connecticut and urges the Energy & Technology committee to move the bill forward with a joint favorable report.

Thank you for your consideration of this matter, I would be happy to answer any questions you may have.