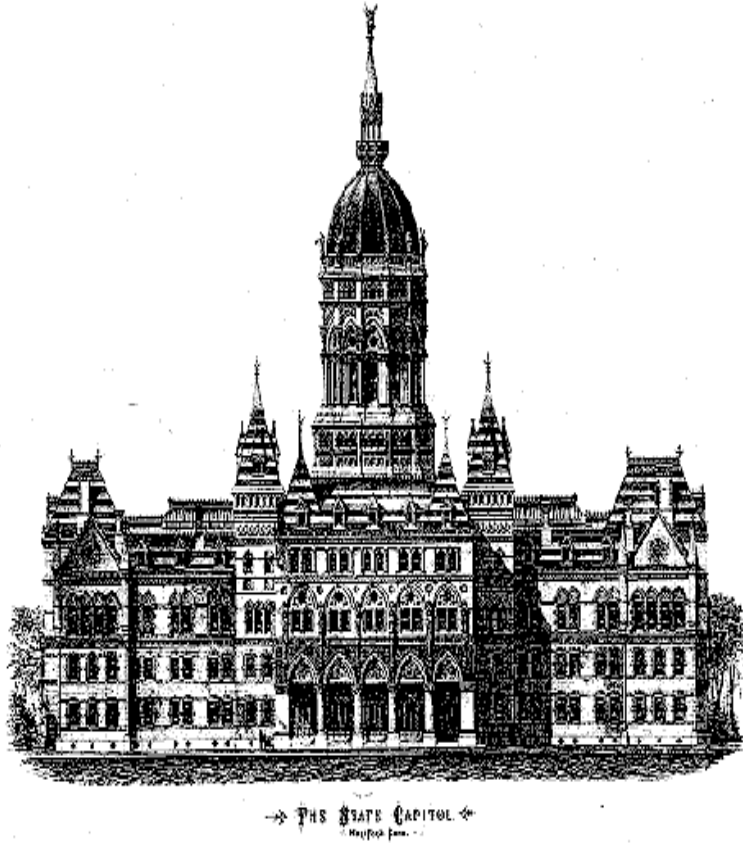


**STATE OF CONNECTICUT GENERAL ASSEMBLY
2012 REGULAR SESSION REPORT**



UTILITIES STATE GOVERNMENT ORGANIZATION

**2012 ANNUAL MEETING
Wentworth, New Hampshire**

**PRESENTED BY:
UIL HOLDINGS CORPORATION
NORTHEAST UTILITIES**

**State Legislative Profile
2012**

STATE	Connecticut
CAPITAL CITY	Hartford
Governor	Dannel P. Malloy (D) – 1st Term
General Elections	Constitutional Officers every 4 years General Assembly every two years
LEGISLATIVE SESSION	Long Session 1st Wednesday after the 1st Monday in January (odd numbered year). Adjourns 1st Wednesday after the 1st Monday in June. Short Session 1st Wednesday after the 1st Monday in February (even numbered year). Adjourns 1st Wednesday after the 1st Monday in May.
SENATE	36 Members 22 Democrats 14 Republicans
Presiding Officer	Lt. Governor Nancy Wyman (D)
Senate Leader	Senate President Pro Tempore Don Williams (D)
Majority Leader	Senator Martin Looney (D)
Minority Leader	Senator John McKinney (R)
HOUSE OF REPRESENTATIVES	151 members 99 Democrats 52 Republicans
Presiding Officer	Speaker of the House Christopher Donovan (D)
Majority Leader	Brendan Shrakey (D)
Minority Leader	Lawrence Cafero (R)
Utility Committee	Joint Committee on Energy & Technology 23 members 3 Senators – 2 Democrats, 1 Republican 20 Representatives – 12 Democrats, 8 Republicans Senate Co-Chair - Senator John Fonfara House Co-Chair - Representative Vickie Nardello

REGULTORY BODY

**Public Utilities Regulatory Authority
(a Bureau within the Department of Energy and
Environmental Protection established in 2011)**

Members (3)

**Chairman Arthur House (D)
Director Jack Betkowski (D)
Vacant**

Members are appointed by the Governor with the consent of the General Assembly. The terms first Director appointed after 2011 serves a 5 years term. The second and third appointees serve 4 and 3 years respectively. All future apointmens are for a 4 year term. Minority party representation is required.

CONNECTICUT GENERAL ASSEMBLY

2012 REGULAR SESSION

Session Overview

Following the two major storms that plagued the state in the latter half of 2011, and the resulting legislative forums, the Witt Report and Governor's Two Storm Panel recommendations, it could be surmised there was a heightened sense of anxiety the legislature would "reform" the utilities during the 2012 General Session, especially in an election year.

All told, many utility-related issues and topics were raised in various bills (many of which died in committee or on the House and Senate calendars) during the session. Among some of the major issues UIL tracked and provided testimony during 2012 includes:

- Development of standards (and penalties) for utilities' storm response
- Changes to PA 11-80 – including cost-recovery provisions for utilities in IRP
- The "independence" of PURA and its ability to make decisions
- Tree Trimming – understanding the fine line between public and private property to protect electric equipment
- Limiting utility company executive compensation
- The NU-NStar merger and PURA's oversight role
- Understanding the barriers to forming a municipal utility
- Developing "micro grids" and system resiliency in times of emergency
- Improving information during emergencies – i.e., sharing of G.I.S. data
- Protecting the shoreline... coastal management/erosion impacts
- Requiring people to have carbon monoxide alarms connected to their portable generators

While storm-related issues garnered much attention, there was ample discussion during the 2012 session to keep energy costs low for the consumer – something articulated by new DEEP Commissioner Dan Esty during his re-confirmation hearings and in DEEP's energy strategy for the state. Thus, both UIL Holdings Corporation and Northeast Utilities strategic proactive legislative priority was to advocate the increased use of natural gas for transportation and heating (oil to gas conversions) along with the encouraging the consumer and economic benefits of gas line expansion throughout the state.

Though storm-related issues would be a hot button item, Governor Dannel Malloy made "education reform" his prime objective for the 2012 session and ultimately, succeeded – after much compromise with educational stakeholders – with a passed bill in the final days of the session.

The legislature also spent an inordinate time on various non-utility issues, passing such laws as:

- Abolished the death penalty – the 17th state in U.S. to do so
- Legalized Medical Marijuana
- Strengthened anti-racial profiling laws

- Allowed retail alcohol sales on Sunday
- Allowed eligible people to register to vote and cast their ballot on Election Day
- Sweeping changes to campaign financing rules governing the way elections are financed and raised the amounts that can be donated to campaign committees. Governor Malloy did express concerns about constitutionality and its future is uncertain. CBIA lobbied strongly against the bill as well and has urged the Governor to veto the measure. The bill was vetoed on June 15th.

Two “seemingly important” business-related initiatives did die, most likely due to disagreement between the Speaker of the House and Senate President Pro Tempore. One was a Jobs Bill, which would have allowed the state’s small businesses to apply for \$180 million in loans and grants. The other, was the raising of the minimum wage from \$8.25 to \$8.50 (2013) and \$8.75 (2014). The Jobs Bill was adopted in the Special Session of June 12, 2012. The minimum wage increase was not included.

The Special Session of June 12th 2012 was intended to adopt bills necessary to implement the state budget. The intentions were not totally fulfilled. The two bills adopted contain provisions from over 200 bills that died on the House and Senate Calendars and include some energy provisions that have minor impact on the state’s electric and gas utilities.

The Special Session was clouded by some developments regarding the Speaker of the House of Representatives who is running for the 5th Congressional District. The FBI arrested the finance director of Speaker Donovan's congressional campaign two weeks ago, accusing him of accepting illegal contributions meant to push the speaker to kill tobacco legislation. The legislation, which died on the Senate Calendar, would define businesses that own or make available cigarette-rolling machines to consumers as tobacco manufacturers and subject to significant state fees. No evidence has surfaced that Donovan was aware of the effort or did anything to stop the bill. In fact, the measure was a Senate bill that never reached the House when the regular 2012 legislative session ended in early May. Speaker Donovan fired both Finance Director and the Campaign Manager.

Donovan recused himself from negotiations over the scope of the special session and also was expected not to oversee the House debate from the chamber dais. But Donovan did vote on the bills.

Bills of Interest to UIL That Passed

SB 23 – An Act Enhancing Emergency Preparedness and Response – Public Act 12-148

This was Governor Malloy’s bill that implemented many of the Two-Storm Panel’s recommendations. This ended up being the lone energy bill in the session; and while it has some financial implications to the State’s electric distribution companies (EDCs) in terms of penalties for not meeting performance standards, the bill is somewhat reasonable due to the efforts of both UIL Holdings Corporation and Northeast Utilities.

Some of the bill's highlights:

- Requires Public Utilities Regulatory Authority (PURA) to establish minimum performance standards for utilities' preparation for and restoration of service in an emergency (specifically for emergencies with service interruptions affecting more than 10 percent of customer without power for more than 48 hours). The report must be completed by Nov. 1, 2012.
 - The bill caps penalties up to 2.5% of utilities' annual distribution revenue.
- The bill allows PURA to allow utilities to recover the reasonable costs (including tree trimming) they incur by maintaining or improving their infrastructure's resiliency necessary to meet those standards established in the docket pursuant to a plan first approved by PURA.
- Requires the Department of Energy and Environmental Protection (DEEP) to establish a "micro grid" grant and loan pilot program (\$15 million) to support on-site electricity generation at critical facilities. EDC's can participate in the bidding.
- Requires PURA to study the feasibility of a program to reimburse residential electric customers for loss of refrigerated food and medications caused by outages lasting over 48 hours. Not to exceed \$150 (food) or \$200 (medications). A report is due Feb. 1, 2013.

HB 5543 – An Act Concerning the Creation and Expansion of Municipal Utilities – Special Act

- The bill requires PURA to study the procedures, and equally important, the financial and logistical barriers) for a municipality to form its own electric utility.

JUNE 12TH SPECIAL SESSION

On Tuesday, June 12, the legislature passed two bills in Special Session. The first was SB 501, **An Act Implementing Certain Provisions Concerning Government Administration**, which contained a number of individual bills that were raised, but not passed during the regular session. The second was HB 6001, **An Act Implementing Provisions of the State Budget for the Fiscal Year Beginning July 1, 2012**.

The Budget Act, PA 12-104, transferred \$2 million of the funds collected through the systems benefit charge on electric utility customers to the Department of Energy and Environmental Protection for energy assistance for FY 13 through Operation Fuel. Section 111 (HB 6001) – allows up to \$200,000 for administrative expenses of Op Fuel.

Sections of interest to the industry included in SB 501, An Act Implementing Certain Provisions Concerning Government Administration

Section 154 - **Energy Audits for Oil-Heated Homes** – Under the 2011 energy act, subsidies for energy audits for oil heated homes was capped at \$500, 000 per year. This section temporarily eliminates the cap until August 1, 2013. It is a temporary fix until the oil dealers find a way to contribute to the fund which they have been resistant to up to now. Currently electric and gas customers are paying for energy audits for oil and other nonutility fuels customers.

Section 155 - **GIS Data Sharing** – (same as SB 426) this bill would require electric companies to provide certain pole data to the geographic or geospatial information systems (GIS) analyst or coordinator

of any municipality, regional planning agency, regional council of elected officials or regional council of governments who request it.

Section 156 - Combined Heat and Power/Anaerobic Digester Programs - this provision was included at the behest of Senator President Don Williams. The bill expands the maximum size of the (1) CHP systems under a current program from 1.5 to 5 megawatts and (2) the anaerobic digesters from 1.5 to 3 megawatts. The bill also increases the maximum assistance from \$350 to \$450 per kilowatt.

Section 157 - Property Assessed Clean Energy (PACE) programs - this provision requires the Clean Energy Finance and Investment Authority (CEFIA) to establish a separate PACE program for qualifying commercial property (including multifamily buildings with five or more units) and (2) allows municipalities to participate in this program under a written agreement approved by their legislative bodies.

Section 158 - Clean Energy Finance and Investment Authority - this provision expands the types of technologies CEFIA can promote through the Clean Energy Fund to include all class 1 renewable resources.

Sections 159 and 167 - CEFIA Bonds – these Sections allow CEFIA to issue revenue bonds with terms up to 20 years for the purpose of promoting renewable energy and the financing of energy efficiency projects. Also make changes to the CEFIA’s bonding authority and the Authority’s governance structure and ethics requirements.

Section 167 – Low Income Energy Advisory Board – changes the makeup and governance of the Low Income Energy Advisory Board.

Section 171 – Project 150 – allows PURA to grant an extension to the in-service date of a fuel cell project located within Bridgeport is required to be in-service.

Issues/Bills of Interest to UIL and NU That Died of No Action

Gas Use Expansion

Efforts to promote the expansion of natural gas expansion were plentiful through the dual efforts of UIL and Northeast Utilities during the 2012 session. There were a few raised bills dealing with the issue and a bi-partisan legislative press conference that addressed the cost disparity of natural gas vs. oil. However, the end results were disappointing. Three raised bills of interest dealt with natural gas issues:

SB 450 – An Act Concerning Energy Conservation and Renewable Energy, Energy Infrastructure Improvements, Energy Equipment Efficiency, Tree Trimming and Electric Vehicle Infrastructure

This bill contemplated a number of programs to increase, including renewables, electric vehicles and enhanced energy conservation.

In addition, the bill required DEEP to conduct studies to identify:

1. the instances when it is more cost effective to (a) promote policies for natural gas line extension or (b) develop programs to increase the efficiency of heating oil equipment and
2. the barriers to heating oil dealers in providing other energy services, such as the installation of energy equipment that does not use petroleum products.

SB 451 – An Act Concerning the Establishment of a Heating Furnace and Boiler Replacement Program

This bill, raised by E&T chair Senator Fonfara, would have required each electric company to establish and administer a loan program to help residential customers finance furnace or boiler replacements. The costs of the loans would be recovered on the customer's electric bill. The electric company's cost for administering the program would be recovered through the systems benefits charge (SBC) on the bills of all customers. Loan repayments would be credited to the SBC.

SB 267 – An Act Concerning Clean and Alternative Fuel Vehicles

The bill extended certain sales tax exemptions; gross earnings tax exemptions and tax credits to promote the sale, distribution and use of clean and alternative fuels (natural gas, hydrogen and electricity). UIL presented testimony in support of the bill, but it never made it out of the Transportation Committee.

All three bills on gas use expansion garnered lots of positive discussion by the Energy & Technology and other committees. However, late opposition from oil dealers and other “low-income customers” interest groups impaired progress and final passage. Despite last-ditch collective efforts from UIL and NU to revise language, the now-public, yet frustrating lack of communication between the E& T committee co-chairs – ultimately killed these bills.

One issue that regained some awareness during the 2012 (also brought up in 2006 and 2008) session and needs post-session follow-up tracking was “natural gas retail choice” for all customers, similar to what’s done in the electric market. Retail choice is currently allowed for commercial and industrial customers. The issue was brought front and center by the heating oil dealers who saw the writing on the wall and saw “opportunity” to switch gears and become “energy” suppliers. The large electricity marketers and alternative suppliers remained in the background but, close enough to feel their presence. The LDCs pointed out that the commodity price for consumers is the same the utilities pay in the open market. There are also issues with firm pipeline capacity as well as a finite amount of capacity in existing pipelines serving the region. The LDCs’ capacity is dedicated to firm customers.

HB 5542 – An Act Concerning Consumer Protection for Utility Customers

The executive compensation bill – advocated by House E&T chair Vickie Nardello - that would have limited the ratepayer funds (no more than \$350,000) used to compensate executives. The cap would apply would be cumulative for all utilities in Connecticut owned by a single holding company. It would have also required up to \$150 credit for food spoilage during extended outages and suspension of late payment fees during prolonged outages. The bill passed the House, but died on the Senate Calendar, and would have had significant impact on UIL and all

public service companies' shareholders. The provision for loss of food and loss of medication due to loss of refrigeration during prolonged outages was included as study in Senate Bill 23 – Public Act 12-148.

HB 5551 – An Act Concerning the Protection of Power and Telephone Lines

The bill, raised in the Judiciary Committee, would have allow companies that provide electric or telephone services to acquire by eminent domain a tree or shrub that is on or adjacent to an existing right-of-way or easement held by the company if the company determines that such tree or shrub would cause an interruption in the delivery of such service due to the condition of the tree or storm event. UIL testified against the bill stating concerns with the authority to exercise eminent domain as well as the taking of “personal property.” UIL also explained that tree removal by the utility via eminent domain could be extremely time-consuming and ultimately, more expensive to ratepayers.

HB 426 – An Act Concerning Geographic Information Systems and Geospatial Information Systems Data Sharing

Though the bill did not pass during the regular session, it was included in a bill adopted in the Special Session of June 12, 2012.

This bill was raised by Senator Gayle Slossberg (D-Milford/Orange/West Haven) and would require electric companies to share certain GIS information to municipalities, such as pole and streetlight data. The electric companies worked closely with the GIS community, specifically the GIS professional from Milford.

SB 416 – An Act Concerning the Mergers and Acquisitions of the Holding Companies of Certain Public Utility Companies

This was the merger oversight bill, spurned by the NU-NStar deal. The bill died in committee shortly after the announcement of the deal NU made with Governor/AG/OCC.

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