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January 22, 2008

Connecticut Energy Advisory Board
G. Deans
CERC
805 Brook St.,
Bldg. 4, Rocky Hill, CT 06067

RE: Electric Conservation Program Study

Dear Ms.Deans:

Enclosed please find the comments of the United Illuminating Company on the Electric Conservation Program Study commissioned by CEAB and completed by GDS Associates.

Should you have any questions, please contact me at (203) 499-2032.

Very truly yours,

A handwritten signature in black ink that reads 'Anthony Marone'. The signature is written in a cursive, flowing style.

Anthony Marone
Vice President of Client Services
The United Illuminating Company

**Comments of The United Illuminating Company
On the
Connecticut Electric Conservation Study
Prepared for the Connecticut Energy Advisory Board**

The United Illuminating Company (“UI”) would like to thank the members of the Connecticut Energy Advisory Board (“CEAB”) for the opportunity to offer these comments on the report on Connecticut Electric Conservation Programs Study prepared by GDS Associates (“Report”). UI has found the Report to be quite thorough in nature and a useful tool in providing comparisons to other program offerings. UI offers the following comments that provide additional perspectives and insights into Connecticut programs.

UI takes great pride in providing the high quality programs Connecticut consumers have come to expect. The report confirms the high quality of the Connecticut programs through a variety of very favorable comparisons to other program offerings throughout the northeast. These comparisons are for utility administered as well as alternative administrative models, and UI scored very high in every category.

UI wishes to correct the inaccurate conclusion reached in the Report that a non-profit administration model would make utility incentive dollars available for programs. One of the examples provided of a non profit administration model is the one currently in place in Vermont. While this example is provided, the Report itself (at page 6) clearly shows that Efficiency Vermont is paid a performance incentive to operate the programs. The Report (at page 5) also goes on to note that (i) there is **“no single administrative structure for energy efficiency programs has emerged in the U.S. that is convincingly superior to all the other alternatives[.]”**and (ii) once a utility has developed the staff and infrastructure to develop and deliver cost-effective energy efficiency programs, there is reason to be cautious about dismantling that infrastructure. Those observations are, indeed, applicable to Connecticut as the utility programs receive national recognition, are considered the model for others to emulate, and at the same time deliver what is clearly a high level of benefits to consumers. Based on the evidence supplied in the Report, it appears highly unlikely that any other administrative structure would provide the same low administrative costs (while also obtaining the significant benefits) that UI and The Connecticut Light and Power Company have delivered.

The Report concludes that the utility performance incentive is designed to replace lost sales, and a migration toward decoupling of sales and earnings would result in a double payment if the incentive were not eliminated. The Report fails, however, to recognize that the performance incentive is not and was never designed as a payment for lost sales, but is rather designed to focus the efforts of the administrators on the overall public policy goals of the programs as established by the Department of Public Utility Control (“Department”). Indeed, the incentive goals are not set by the utilities, but established through a process that involves input from the Energy Conservation Management Board (ECMB) and approval by the Department. The Vermont PSB found the incentive mechanism quite effective in focusing the efforts of Efficiency Vermont, and plans to continue the incentive plan. This example clearly shows that the incentive is designed to drive program performance, not pay for lost sales.

The Report’s results of the awareness surveys conducted by GDS on CBIA members are also very enlightening. For example:

- The responses to question 8: “Throughout the state there are a number of energy sponsors of efficiency programs. Please indicate any sponsors that you might be aware of.” Not one respondent mentioned UI as a program sponsor.
- The response to question 15: “Where might you think to go or who might you call to get information or participate in an energy efficiency program?” Here, 25% of the respondents (of which only 23% in total are supplied by UI) responding with UI.

The only logical conclusion that can be drawn from these responses is that UI has done an exceptional job in promoting the Connecticut Energy Efficiency Fund as the program sponsor. This is positive proof that UI has advanced the public policy objectives of the Department in promoting the fund. At the same time, UI has remained a trusted provider of energy efficiency services as indicated by the overwhelming percentages of UI’s customers that would turn to UI to learn about energy efficiency. These survey responses also clearly refute any anecdotal beliefs that the utilities are involved in self promotion through the program marketing. UI respectfully requests that any references that insinuate the same be stricken from the Report.

The Report (at page 7) states that: "Implementing decoupling in Connecticut may provide an additional opportunity for the utilities to collect payments for lost sales".

If done correctly, decoupling does not provide a "payment" for lost sales. Rather, it provides for a reimbursement for revenue the Department assumed the company would receive when rates were set. The concept of decoupling, if implemented, would erase the perception or allegations of disincentive to promote conservation programs that hovers over utilities when they administer efficiency programs. Decoupling does not, however, have any interaction with the utility performance incentive. For example, Vermont utilizes a performance incentive for its administrator even though there is clearly no linkage to lost sales as an issue or impediment to their performance since they are not a utility.

As stated on page 4 of the Report, there is no one administrative model that is clearly the "best one" for delivering ratepayer funded utility programs. UI believes, however, that the current model in place in Connecticut is the best for Connecticut consumers. The utility administration, the input from the ECMB and the review of the Department has established a solid mechanism that delivers exceptional results. While the Report contains overwhelming amounts of data to confirm and support that fact, it fails to draw that logical conclusion. UI requests the CEAB and the architects of this study to re-examine the facts at hand, and come to the only logical conclusion - that the current program structure has worked extremely well and is the most beneficial for electric consumers in Connecticut. Clearly there are no strong reasons presented that would justify any consideration of changing from the current program development and delivery model.