

Summary of Testimony

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The United Illuminating Company

Committee on Energy and Natural Resources

United States Senate

June 28, 2012

Hearing on Financing Efficient Buildings

This testimony is being presented on behalf of The United Illuminating Company (UI), an investor owned electric distribution company in Connecticut. UI administers energy efficiency programs funded by a 3 mil per kilowatt hour charge that is referred to as the Connecticut Energy Efficiency Fund. The program being discussed is the Small Business Energy Advantage Program offered to customers since the year 2000. This program has been designed to provide cost effective, turn key energy services to various types of small businesses. The program features a network of vendors contracted by UI that provide energy efficiency proposals and services to the customers. These contractors provide a no obligation energy evaluation identifying the potential energy saving retrofit measures, the available incentives and various financing options. These proposals will include incentive dollars from the Efficiency Fund for a portion of the cost of the installation as determined by the energy savings achieved. The objective is to offer the customer a proposal where there is no or little out of pocket expense and create a “positive cash flow” scenario, which results in lowering their electric bill.

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June 28, 2012  
Hearing on Financing Efficient Buildings

Mr. Chairman, Senator Murkowski and Members of the Committee, thank you for the opportunity to appear before you today to discuss financing energy efficient building retrofits. My name is Sheri Borrelli, and I represent The United Illuminating Company. United Illuminating (UI) is an investor owned electric distribution company serving approximately 300,000 customers throughout seventeen (17) towns and cities in southern Connecticut. UI also administers energy efficiency programs funded by a 3 mil per kilowatt hour charge that is referred to as the Connecticut Energy Efficiency Fund. The Energy Efficiency Fund was created in 1998 with the purpose of helping small and large businesses, homeowners and renters to promote, encourage, and facilitate the adoption of energy efficient technologies and behaviors. The programs are designed to help customers manage their energy usage and cost. These energy efficiency programs offered through the Energy Efficiency Fund play a vital economic role for Connecticut.

I am here today to familiarize you with one of the programs we operate as part of our role of program administrator for the efficiency programs, the Small Business Energy Advantage program. Since its inception in 2000, this program has been designed to provide cost effective, turn key energy services to the various types of small businesses

within UI's service territory. Some examples of qualifying small business would be "various mom and pop" stores, houses of worship, retail spaces, convenience stores, gas stations, restaurants, apartment building common areas and non - profit organizations.

Typically, these businesses will have an average monthly electric utility bill from \$150.00 up to \$25,000.00 if they are a small manufacturing company. The program features a network of vendors contracted by UI that provide turn key energy efficiency proposals and services to the customers. These contractors provide a no obligation energy evaluation identifying the potential energy saving retrofit measures, the available incentives and various financing options. These proposals will include incentive dollars from the Efficiency Fund for a portion of the cost of the installation as determined by the energy savings achieved. The more comprehensive a project, the higher the incentive, for example a lighting only project incentive may be approximately thirty (30%) and for a comprehensive lighting, refrigeration and Heating Ventilation and Air Conditioning (HVAC) project incentives may be forty (40%) to fifty (50%). In most cases, these comprehensive projects max out at the fifty (50%) incentive level for multiple technologies. Zero (0%) financing with on bill repayment is available to all qualified customers.

The objective is to offer the customer a proposal where there is no or little out of pocket expense and create a "positive cash flow" scenario, which results in lowering their electric bill almost, if not, immediately and the energy savings achieved each month offsets the payment. Another benefit is that once the loan is paid off (usually in 3 or 4 years), the customer's bill will be less reflecting the efficiency upgrades that were installed. The minimum loan amount offered to the customer is \$500, and the maximum

loan is \$100,000. Another appealing feature of the Small Business Energy Advantage Program is the ability to offer a loan term up to forty eight (48) months. (an example of a recent project comparing pre and post installation consumption is included as part of this testimony)

Although the program itself is a critical delivery mechanism, the innovative part of the program is the financing with the convenience of on-bill repayment. The loans to the customer are interest free (0%). Interest free loans are possible since the interest expense of 6.3% is bought down by the Efficiency Fund. Repayment of the loans is made as part of the customer's electric bill. The loan qualification is a good utility bill repayment history for the most recent six months. The loans are fully transferrable and assumable. This particular feature is noteworthy especially since eighty (80%) of our customers enrolled in this program are tenants.

The most unique feature about the loan program is the source of the capital. The utility, UI, provides the funds that are loaned to the customer. The Efficiency Fund is used as a loan loss reserve fund, allowing the utility to recover any losses from defaulted loans pending quarterly review by Connecticut's Public Utilities Regulatory Authority (PURA).

The interest paid to the utility on the outstanding loans is UI's after tax cost of capital (a mix of debt and equity) the same rate the utility would earn on investments on distribution system equipment. By making investments in energy efficiency appear similar to traditional utility investments, the utility is encouraged to invest in energy efficiency.

Although we operate a very innovative financing program, available to our Municipal customers as well, we are not resting on our laurels. We are working with the Clean Energy Finance and Investment Authority in Connecticut, an innovative “Green Bank” to identify other sources of capital that might be beneficial to customers. Among those opportunities is a commercial version of Property Assessed Clean Energy (PACE). The PACE model may prove to be beneficial in certain circumstances. We are looking toward developing a portfolio approach to providing customers with financing solutions for energy efficiency projects.

UI has a strong tradition of offering energy efficiency programs, and the long term proven success of our Small Business Model has been replicated nationally and researched internationally, and our vendor network, if replicated could result in job creation on a national scale.

The impact of financing for energy efficiency for small businesses can be shown through these statistics, approximately ninety-four (94%) of our customers qualify for the financing, and of this percentage, fifty (50%) decide to participate. In contrast, for those who do not qualify for the financing less than twenty (20%) participate. With the combination of incentives and 0% financing we have been able to empower the small business community to take the initiative to move to energy efficiency and in doing so we are able to utilize utility funds for the benefit of both the customers and the utility.

Thank you for inviting me to testify today. I would be happy to answer any questions you may have.

# UI Small Business Statistics 2000 – 2012 (YTD)

- Over **4,075** Installed Projects
  - 991m** Lifetime kWh Saved =
- > 567,000 TONS of AVOIDED  
CARBON DIOXIDE!**
- \$13.2m** Incentives Paid by CEEF
  - \$34.6m** in 0% Financed Loans
  - Under **\$341,000 (<1%)** in loan defaults

## Small Business Sample Bill

### New Charges & Credits

POD: (CYCLE 03)

Current Supplier: VIRIDIAN ENERGY, INC.			
Generation Services Charge	80 kWh X \$ 105000	\$	8.40
Generation Services Charge	4240 kWh X \$ 0.99900	\$	423.58
<b>Total Generation Services Charges</b>		\$	<b>431.98</b>
Transmission per kWh on-peak	1520 kWh X \$ 0.050792	\$	77.20
Distribution Basic Service		\$	66.82
Distribution per kW on-peak	14.4 kW X \$3.630000	\$	52.27
Distribution per kW off-peak	0.0 kW X \$3.630000	\$	0.00
Distribution per kWh on-peak	1520 kWh X \$ 0.014199	\$	21.58
Distribution per kWh off-peak	2800 kWh X \$ 0.014199	\$	39.76
Combined Public Benefits Charge	4320 kWh X \$ 0.007512	\$	32.45
Competitive Transition Assessment per kWh	4320 kWh X \$ 0.015222	\$	65.76
Non-Bypassable FMCC per kWh on-peak	1520 kWh X \$ 0.013194	\$	20.05
Decoupling Adjustment	4320 kWh X \$ 0.000291	\$	1.25
Pension Tracker and Earnings Sharing	4320 kWh X \$ 0.000689	\$	2.98 or
<b>Total Delivery Charges</b>		\$	<b>374.16</b>
CT Sales Tax on Electricity (6.25%)		\$	39.37
Small Business Program		\$	516.19
<b>Total New Charges</b>		\$	<b>1,361.70</b>

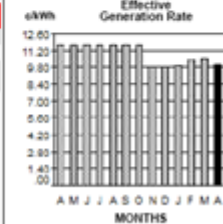
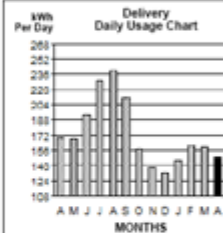
**Amount Now Due: \$ 1,361.70**

**Actual Account Balance: \$ 16,331.21**

One or more components have changed pricing this month, pricing may not print for that component.

All charges are due as of your Statement Date. Any unpaid charges will be subject to interest as of your Statement Date, at the rate of 1.25% per month, if not paid on or before **May 6, 2011**. Making your payment on the Due Date at an authorized payment agent may not post until the following business day. If you have a question, contact UI. As authorized by law, for residential accounts, we supply payment information to credit rating agencies. If your account is more than 90 days delinquent, a delinquency report could harm your credit rating.

**MONTHLY MONEY-SAVER**  
Make sure lighting dimmer switches are turned off when not in use. Sometimes a light that appears to be off is still consuming electricity.



## Cash Neutral Loan Term

<b>Project Cost:</b>	Material costs	\$9,204.20
	Labor costs	\$6,571.03
	Project Subtotal	\$15,775.23
	Tax (CT 6%)	\$946.51
	Total Cost	\$16,721.74
	Approved UI Incentive	\$7,886.52
	<b>Net Total Cost</b>	<b>\$8,835.22</b>
	<b>Monthly Payment (16)</b>	<b>\$552.20</b>
->	Annual Energy Savings	42,301 kWh
Estimated: ->	Annual Dollar Savings	\$6,927 = \$577.25/monthly
(may include adjustments) ->	Pay Back	1.2 years

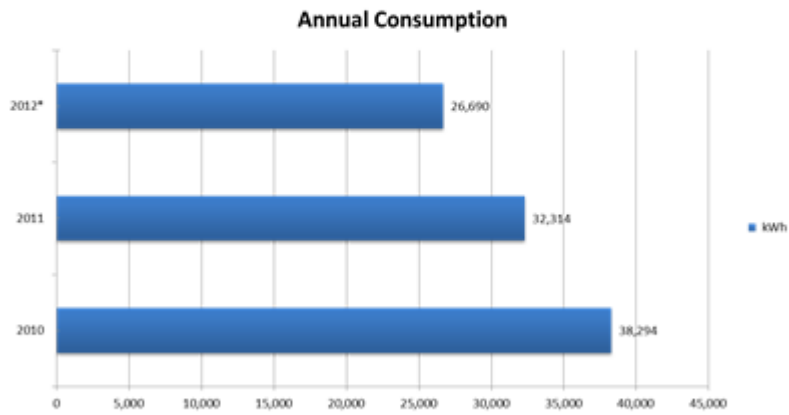
**Cash Positive \$25.05**

## Loan Extension – 24 months

<b>Project Cost:</b>	Material costs	\$9,204.20
	Labor costs	\$6,571.03
	Project Subtotal	\$15,775.23
	Tax (CT 6%)	\$946.51
	Total Cost	\$16,721.74
	Approved UI Incentive	\$7,886.52
	<b>Net Total Cost</b>	<b>\$8,835.22</b>
	<b>Monthly Payment (24)</b>	<b>\$368.13</b>
->	Annual Energy Savings	42,301 kWh
Estimated: ->	Annual Dollar Savings	\$6,927 = \$577.25/monthly
(may include adjustments) ->	Pay Back	1.2 years

**Cash Positive \$209.12**

## Example of kWh Reduction after Efficiency Upgrades installed at this location 4/1/2011



\* 2012 -Projected based on Jan-Jun actual 13,345