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Top Consumer Officials Tell Regulators: Don't Let UIL Holdings, Iberdrola Merge

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Connecticut's top two consumer advocates on Friday urged regulators to reject the proposed merger of United Illuminating's parent company and Iberdrola, a multinational utility based in Spain. advertisement

In separate arguments filed with the state Public Utilities Regulatory Authority, Attorney General George Jepsen and Consumer Counsel Elin Swanson Katz concluded that the \$3 billion merger between UIL Holdings and Iberdrola is not in the public interest and should be rejected.

If not, they argued, regulators should at least impose strict conditions on the deal. Jepsen proposed setting aside \$30 million for the cleanup of English Station, an old power plant in New Haven formerly owned by United Illuminating.

"Fifteen years is long enough," Jepsen said in his filing.

During an ownership change in 2000, \$2 million was set aside to remediate the coal and power plant. However, United Illuminating and regulators at the time had reviewed another estimate — that the cleanup would cost as much as \$20 million — and kept it secret under a protective order. In Friday's filing, Jepsen said the large discrepancy in the figures raises many questions.

The higher estimate was first made public a week ago by The Courant, which was granted a request to have regulators lift the document's protective order.

United Illuminating had sold the power plant to Quinnipiac Energy, a group of four investors who wanted to restart the power plant. When that venture failed, Quinnipiac Energy sold the plant to two real estate companies, Asnat Realty and Evergreen Realty. None of them has taken on the cleanup of the plant.

"As a result, [the] English Station site continues to present significant environmental risks and threaten the public health," Jepsen said. "The people of the City of New Haven have lived with this environmental hazard long enough and should not be forced to wait another fifteen years because none of the responsible parties posted the funds necessary for the clean-up."

The city of New Haven, Asnat Realty and Evergreen Realty, and the state Department of Energy and Environmental Protection have urged regulators to order the creation of an escrow account as a condition of the proposed merger.

United Illuminating and Iberdrola responded to the calls for such an order by citing earlier determinations by regulators that found that New Haven and the property's current owners have no standing in a review of the merger.

"As such, the Authority should not entertain conditions related to matters it has already decided are beyond the scope of the proceeding and its authority and upon which it has no record evidence to decide," United Illuminating and Iberdrola said in filings of their own Friday.

Consumer Counsel Katz urged regulators to reject the proposed deal "in its entirety."

"There is no evidence that this proposed transaction had the public interest as its motivating factor," Katz wrote. "Rather, the motivations of [UIL Holdings and Iberdrola] are not difficult to discern. Iberdrola is motivated by sound corporate strategy for a multi-national corporation. This is a strategic acquisition of assets that complement their riskier businesses."

To strike a better balance with the public interest, Katz and her office drew up a list of conditions that could be attached to the deal.

Her proposals include a package of conditions to insulate ratepayers and the utilities from "the known and unknown risks of affiliating with Iberdrola," accounting safeguards, measures to ensure local management, a \$128 per customer rate credit, and a plan to improve operations.

In February, United Illuminating's parent company, UIL Holdings, which also owns Connecticut Natural Gas and Southern Connecticut Gas, proposed the merger with the U.S. operations of Iberdrola. This week, the deal won the approval of the Federal Energy Regulatory Commission.

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