



The United Illuminating Co.
New Haven, Ct.

What separates profitable small businesses from those that are in the red? In today's economy, it may be their electric bills.

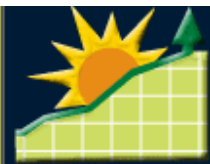
With energy costs skyrocketing and the economy in a slump, many entrepreneurs are looking for ways to trim this significant part of their overhead. In Southern Connecticut, they can turn to United Illuminating for help. The independently owned and operated utility provides electricity and energy services to about 323,000 residential, commercial and industrial customers in the state.

The publicly-traded utility's Small Business Energy Advantage program helps entrepreneurs identify ways to save electricity, upgrade to more efficient equipment through a zero-percent financing program, and, as a result, lower their energy bills. "The idea is to help the customer stay in business," says program administrator Dennis O'Connor. The program has been recognized by an award from the U.S. Environmental Protection Agency.

If a UI customer wanted to trim the \$2,000 monthly electric bill for a convenience store, O'Connor would send a contractor out to do an energy audit in the first step of the process. The contractor would look at factors such as the efficiency of the store's lighting, refrigeration and HVAC systems; how effectively the store was using the controls to operate them and the habits of employees. UI would then use the results to make recommendations, from installing add-ons to make the HVAC systems and refrigeration work more efficiently to switching to energy efficient lighting. The results can be dramatic. "A good rule of thumb," says O'Connor, "is that we can save you 20- to 30% of your electric bill." That would amount to a \$400 to \$600 monthly savings on a \$2,000 bill.

The tab for an average project is between \$8,000 and \$12,000, but costs may range from \$1,000 to \$60,000, says O'Connor. To help small business owners get started right away, UI's "Small Business Energy Advantage" uses program funds to defray the cost of the projects and offers zero-percent loans to qualified customers for the balance of the project. If, say, the upgrades at a store will cost \$8,000, the Connecticut Energy Efficiency Fund (CEEF) could subsidize up to \$4,000. The customer would pay the balance, through zero-percent financing spreading out the payments over 24 to 30 months, allowing the business to make an affordable payment of, say, \$400 a month. The estimated monthly energy savings would be \$475, so the customer's total bill would be reduced, in spite of the investment in new state of the art technology. "Generally we are able to make it a 'cash positive' transaction for the customer," says O'Connor.

Since the program started in 2000, the company has gotten involved in more than 2,450 installation projects, providing \$21 million in zero-percent loans to its customers, says O'Connor. UI reviews customers' bill-paying history to determine if they qualify for financing.



Public benefit funds cover the interest that the utility would have been charging for the loans. By UI's calculations, the project has saved 670 million lifetime kilowatt hours of electricity -- equal to 364,000 tons of avoided carbon dioxide, says O'Connor.

UI had provided almost \$7 million in incentives to encourage participation in its program as of 2007. For 2008, the incentive budget is \$1.2 million. This money has come from state energy-efficiency funds, which are drawn from a surcharge on the energy bills of customers across the state. UI, which generates \$982 million in sales annually, has lost little money on the loans. Only one percent of participants have defaulted, says O'Connor. "If our customers are in the habit of paying their energy bill, they'll pay the loan back," he says. Some of UI's contractors offer their own financing programs to customers whose credit histories exclude them from the utility's program, says O'Connor.

Connecticut isn't the only state to have a program to help small businesses save energy. Though some states pay higher incentives, UI intends to keep its own in the 30- to 40% range. "We want the customer to buy into the idea of conservation," O'Connor says. "If you just give it away, they will be less likely to care if there are savings achieved. We want them to really commit to the energy savings."

With UI serving 20% of the state's electricity customers, there are plenty of other small businesses to reach, says O'Connor. The company is currently working with local business groups and marketing students from colleges in the area to reach out to Hispanic entrepreneurs who may not have found out about the program because of the language barrier, he says. To that end, four of its contractors have hired bilingual sales people. "If you're doing good things for some customers, what about the others who fall through the cracks?" he says. "They're still contributing to the conservation and have every right to reap the benefits."

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Profile by Elaine Pofeldt