

TESTIMONY OF

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ON BEHALF OF
THE CONNECTICUT LIGHT AND POWER COMPANY and
YANKEE GAS SERVICES COMPANY

FEBRUARY 17, 2009

Good afternoon. My name is Richard Soderman and I am Director of Legislative Policy for Northeast Utilities, here on behalf of The Connecticut Light and Power Company and Yankee Gas Services Company. We appreciate the opportunity to speak to you today about the complex energy challenges now facing Connecticut, and to provide comments on Proposed Bills numbered 6427, 5995, 5694, 889, and 890.

CL&P has been part of everyday life in Connecticut for more than 100 years, providing safe and reliable electric service to homes, neighborhoods and businesses. With 1.2 million customers in 149 cities and towns, and 1,900 employees, CL&P is an active member in the communities it serves, including the largest taxpayer in many, offering programs in energy efficiency, economic development and environmental stewardship. Yankee Gas is Connecticut's largest natural gas distribution company, with over 400 employees delivering safe, reliable natural gas service to approximately 205,000 customers in 71 cities and towns. Yankee Gas is expanding Connecticut's energy options and increasing customer choice by extending the availability of clean, efficient natural gas throughout the state. Our service

company adds another 2,000 employees, most of whom are located in Connecticut.

As you are well aware, electric generation rates in Connecticut have remained high, primarily as a result of higher costs of wholesale energy that we purchase for our customers as required by state law. The current economic crisis has placed a significant burden on our customers and the State's economy, and high energy costs certainly do not help.

I have some good news. In part because of actions we have taken, and in part due to lower underlying fossil fuel prices, we have just filed our last resort service rates for the quarter beginning April 1st, 2009, and I am pleased to report that the price of last resort service supply (large customers over 500 kW of demand) on average for that quarter is 7.66 cents/kWh (8.2 cents with FMCCs), which means that the total generation service charge (including FMCCs) will decline by 22 percent from the average rate for the first quarter of this year. We also expect that standard service prices (residential and small business customers) will decline in 2010 and 2011 if current forecasts of future natural gas prices remain stable. For our Yankee Gas customers, natural gas prices have also declined, providing some relief to our gas customers.

This Committee, the legislature, the Governor, the Attorney General, and state agencies should be commended for seeking to improve this situation. CL&P remains committed to working with all parties to develop solutions for Connecticut's energy problems.

Before commenting on the proposed legislation on today's agenda, allow me to tell you about actions that CL&P is taking to help reduce customer's energy bills.

Congestion Management

- Congestion occurs when more costly generation runs because of inadequate transmission.
- Through careful risk mitigation strategies, CL&P has managed congestion expense for standard service and last resort service load since 2004, saving our customers \$250 million even before we completed new transmission upgrades.

Energy Efficiency Programs

- Our nationally recognized programs save \$4 for every \$1 spent
- Efficiency measures installed in 2008 alone will provide customers with \$360 million lifetime power supply savings and eliminate 1.8 million tons of carbon dioxide, a major greenhouse gas.
- Tens of thousands of customers have participated annually in our nationally recognized, award-winning programs since 2000.
- More homes were touched by just lighting programs alone. During the last year, 2.4 million efficient bulbs were sold through our programs, on average more than two per home, thereby saving each home an average of \$16 per year.

Bilateral Contracts

- Connecticut needs economic, environmentally-friendly electric generation resources to meet its emissions goals into the future and to be economic for its consumers;
- We are negotiating with Hydro Quebec to get power from northern Canada to provide economic, clean power for Connecticut consumers.
- And, consistent with prior legislative direction, with oversight by the DPUC and Consumer Counsel, we are seeking supply contracts directly with local generators if those arrangements can benefit consumers.

Cost of service peaking generation

- As you will recall, CL&P was in the forefront of advocating for legislation that would allow cost-based generation to be developed in Connecticut.
- Even though our proposals were not selected in the DPUC's RFP, our legislative advocacy contributed to solutions lowering costs for consumers.

Transmission Upgrades

- We completed several transmission projects in Southwest Connecticut, under budget and ahead of schedule, that will make our electric system more reliable.
- These lines also substantially reduce congestion permanently, thereby saving Connecticut customers millions of dollars. For example, last month, January, there was no meaningful congestion in Connecticut.

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Richard Soderman CL&P/YGS Feb. 17, 2009

To facilitate your review of my written testimony, I have put my comments on each bill on a separate page.

1. Proposed H. B. Bill No. 6427 (AAC THE STATUTORY TIME LIMIT TO COMPLETE A MULTIYEAR RATE)

This proposed bill would extend the statutory time limit for the Department of Public Utility Control to complete a rate proceeding by sixty additional days for each additional annual rate adjustment requested in a rate application. Under current law (Sec. 16-19(a)), the Department must render a decision on such applications within 150 days, and may extend that period by 30 days. Thus, the Department now has up to six months to evaluate rate applications, which we believe provides adequate time for a complete and thorough examination of the evidence and information presented. In fact, that is more time than the state takes normally in its biennial budget determinations, which represent two years of financial data covering a broad range of programs and activities.

To illustrate, let me share with you the schedule adopted by the Department in our last rate case, which included a two year rate plan. During the proceeding, CL&P requested, and the Department agreed, that the procedural schedule should be extended for one month to allow time for settlement discussions. Under the original schedule, CL&P would have received a final decision in December 2007.

External Events\Location		
Application Filed	07/30/2007	04:00:00 PM
1st Set of Interrogatories Sent to Company	08/17/2007	04:00:00 PM
2nd Set of Interrogatories Sent to Company	08/30/2007	04:00:00 PM
1st Set of Interrogatories Due From the Company	08/31/2007	04:00:00 PM
3rd Set of Interrogatories Sent to the Company	09/10/2007	04:00:00 PM
2nd Set of Interrogatories Responses Due	09/13/2007	04:00:00 PM

Audit	09/17/2007	09:30:00 PM
4th Set Interrogatories Sent to the Company	09/18/2007	04:00:00 PM
Pre-Filed Testimony Due From Other Participants	09/21/2007	04:00:00 PM
3rd Set of Interrogatories Due From Company	09/24/2007	04:00:00 PM
Interrogatories Sent to Other Participants	09/28/2007	04:00:00 PM
5th Set of Interrogatories Sent	10/01/2007	04:00:00 PM
Public Comment Hearing	10/01/2007	06:00:00 PM
4th Set Interrogatories Responses Due From the Compa	10/02/2007	04:00:00 PM
Public Comment Hearing Waterbury, CT	10/02/2007	06:00:00 PM
Public Comment Hearing Windham, CT	10/03/2007	06:00:00 PM
Public Comment Hearing Southbury, CT	10/04/2007	06:00:00 PM
Pre-Hearing Conference - CANCELLED	10/09/2007	09:00:00 AM
Hearing DPUC (Hearing Room 1)	10/09/2007	09:30:00 AM
Hearing DPUC (Hearing Room 1)	10/10/2007	10:30:00 AM
Hearing DPUC (Hearing Room 1)	10/11/2007	09:00:00 AM
Interrogatories Responses Due From Other Participant	10/11/2007	04:00:00 PM
Public Comment Hearing Norwalk, CT	10/11/2007	06:00:00 PM
Hearing - CANCELLED DPUC (Hearing Room 1)	10/12/2007	09:00:00 AM
Hearing DPUC (Hearing Room 1)	10/15/2007	09:00:00 AM
5th Set of Interrogatories Due From Co.	10/15/2007	04:00:00 PM
Hearing DPUC (Hearing Room 1)	10/16/2007	09:00:00 AM
Hearing DPUC (Hearing Room 1)	10/17/2007	10:30:00 AM
Hearing DPUC (Hearing Room 1)	10/18/2007	08:00:00 AM
Hearing DPUC (Hearing Room 1)	10/22/2007	09:00:00 AM
Public Comment Hearing Waterford, CT	10/22/2007	06:00:00 PM
Hearing DPUC (Hearing Room 1)	10/23/2007	09:00:00 AM
Hearing DPUC (Hearing Room 1)	10/24/2007	10:30:00 AM
Hearing (CANCELLED) DPUC (Hearing Room 1)	10/25/2007	09:00:00 AM
Late Filed Exhibits Due	11/01/2007	12:00:00 PM
LFE Hearing - (CANCELLED) DPUC (Hearing Room 1)	11/05/2007	09:00:00 AM
LFE Hearing DPUC (Hearing Room 1)	11/06/2007	09:00:00 AM
LFE Hearing DPUC (Hearing Room 1)	11/07/2007	02:00:00 PM
LFE Hearing DPUC (Hearing Room 1)	11/08/2007	09:00:00 AM
LFE Hearing (CANCELLED) DPUC (Hearing Room 1)	11/09/2007	09:00:00 AM
Briefs Due	12/12/2007	04:00:00 PM
Reply Briefs Due	12/19/2007	04:00:00 PM
Distribution of Draft Decision	01/16/2008	04:00:00 PM
Written Exceptions Due	01/23/2008	04:00:00 PM
Oral Arguments - Confirmed	01/25/2008	09:00:00 AM
Special Meeting/Final Decision HR1	01/28/2008	09:30:00 AM
New Distribution Rates Take Effect	02/01/2008	04:00:00 PM

As you can see, there is sufficient time for five rounds of discovery and two months of preparation time for hearings, still leaving almost two

months for preparing and issuing a decision after briefs are filed. Additional time should not be necessary. Clearly, it is not necessary to add one month for each additional year of a multiyear rate plan.

The bill as drafted would in effect delay rate relief to the detriment of the applicant if a multiyear plan were filed, even if the multiyear nature of the filing were beneficial to customers (for example, if it phased in a higher level of rates). That delay would force the rate request to be higher to reflect the additional lag in time for new rates to go into effect.

To the extent that, despite these issues, it is determined that more time is needed for considering additional years for a multiyear rate plan, then the draft should be modified to allow an additional one or two months for final decisions on those future years, leaving the existing schedule for the first year of the application.

However, as drafted, we oppose this bill.

2. Proposed H. B. Bill No. 5694 (AAC UTILITY SERVICE TERMINATION)

Currently, an increased cost of providing electric and gas service results from our inability to collect charges for service for vacated rental properties or to terminate service to such properties. In such cases, our ability to terminate service is blocked because we are unable to gain access to our meters within the building. As a result, the cost of our receivables increases, which ultimately increases rates to all other customers.

This raised bill would provide for the owner or manager of such property to provide access to the meter, and, if access is not granted within a reasonable timeframe after a written request, the assignment to them for any charges and costs associated with service to that property. In this way, denial of access to our meters can no longer be used as a means to maintain service to a rental property without taking responsibility for the charges for that service. We support the provisions of this bill.

3. Proposed S. B. Bill No. 889 (AAC THE ALLOWANCE OF MUNICIPAL PROPERTY TAX EXPENSE FOR PUBLIC SERVICE COMPANIES)

This proposed bill would require the DPUC, in setting rates, to use the latest actual property tax bills. We do not generally support the establishment of specific ratemaking treatments in law, especially when they create inconsistencies in the overall determination of rate year data used for setting rates, as this proposal does (e.g. mixing historic and forecasted data). Generally, common regulatory practice is to use data that is synchronous. For Connecticut, that means using forecasted data for the rate year, or the first year rates will be in effect as a result of a rate application, which would also include forecasts of property taxes.

In practice, however, in our most recent rate cases, the DPUC used the latest actual property tax bills rather than forecasted levels. Because the Department apparently has the ability to accomplish what this bill envisions, we do not believe that this additional legislation is necessary.

Thank you for the opportunity to present testimony at this hearing.