Connecticut Light & Power

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TESTIMONY OF RICHARD A. SODERMAN THE CONNECTICUT LIGHT AND POWER COMPANY and YANKEE GAS SERVICES COMPANY

Low Income Residential Utility Rate Forum January 10, 2011

Good afternoon. My name is Richard Soderman, and I am Director of Legislative Policy and Strategy for Northeast Utilities Service Company, appearing on behalf of the Connecticut Light and Power Company and Yankee Gas Services Company.

I would like to start with some good news. CL&P's residential electric rates went down by about 7.8% as of January 1, 2011, providing relief to our customers, and especially those with limited incomes. Second, our current residential rates are more than 13% less than what they were in January 2009. Third, based on our expectations on costs in the future, we anticipate further reductions in our rates in 2012. Thus, electric bills have become less of a burden on all customers, including those on limited incomes.

I have a second item of good news—the Northeast Utilities Foundation, a shareholder funded entity, contributed $625,000 to Operation Fuel late last year. CL&P has been with Operation Fuel since the beginning, providing support and assistance through a variety of programs, outreach and corporate resources. Partnerships with organizations such as Operation Fuel are vital to the health and strength of our Connecticut communities.

My comments are intended to support an investigation by the DPUC to examine means to better serve limited-income energy consumers; including the consideration of a discount rate for certain income qualified energy customers of utilities within Connecticut. Our companies have a long history strong support and assistance for limited income customers, such as progressive arrearage forgiveness and other payment arrangement programs, and we have committed efforts to work with Operation Fuel, Community Action Agencies and other outreach programs.

In order to maximize the effectiveness of any program for these energy consumers, the likely benefits of any program must be balanced with the likely costs of developing and implementing that program. Clearly, a Low Income discount rate deserves strong consideration, and we all believe there are opportunities to improve on the myriad of existing programs, but we need to make sure we establish "realistic" expectations for a rate discount program.

For example, some may assume that a low income rate program would improve summer shut-offs and reduce uncollectible balances. Unfortunately, our other affiliated companies with low income rates (WMECO & PSNH) continue to have high uncollectible percentages, with WMECO as the highest uncollectible rates of NU four operating companies. Further, we do not have data supporting how much of any reduced bills from a program would actually be paid vs. remain uncollectible.

There is no clear cut single "right" answer as to how to structure Low Income rate, and, thus, we are very pleased that the Low Income Advisory Board has recommended that any such legislation should provide for the DPUC to evaluate the merits of a discount rate and to oversee the development and implementation.

As a public utility, we are responsible for considering the rate impacts on all customers of any initiative or program. Obviously, any program that provides a discount to some consumers can result in higher rates for other consumers. A larger the discount and/or a greater the number of eligible participants will result in a more significant the impact on others. For example, a family of 4 at 150% Poverty Level has an income limit of about $33k per year, while at 60% Median State Income is $60k per year. Other considerations include:

- Does the discount rate apply to only heating customers, or to all customers?
- How large is the discount? 10%? 20%? Tiered discount? A current CL&P bill is about $124 per month, a 10% discount is $12.40 per month.
- What rate components does the discount apply to?

- What about competitively supplied consumers?
- There are perhaps 100,000 households at 150% of the poverty level in Connecticut, at 60% of the Median State Income, there are perhaps three times that amount.

In addition, we believe that any review by the DPUC should consider requiring the participation in energy efficiency programs, and appropriate scaling back, or discontinuation of existing limited-income programs, perhaps as a means to fund a new rate discount program.

I also note that, while we are pleased that our electric rates have come down this month, we are dismayed that a new tax initiated by the legislature made that reduction less than it could have been. In order to balance its budget, the state initiated a new tax, initially only on CL&P customers, amounting to $2.65 per month, or 2%, for a typical residential customer, and such new tax applies to limited income customers as well.

We look forward to participating in any proceedings at the DPUC that would improve our programs for limited income consumers.