STATE OF CONNECTICUT

NEWS RELEASE

Consumer Counsel Elin Swanson Katz

FOR IMMEDIATE RELEASE

Contact: Elin Swanson Katz: 860-827-2901

CL&P GRANTED $134 MILLION RATE INCREASE OVER CONSUMER COUNSEL'S OBJECTIONS; CONSUMER COUNSEL CONDEMNS INCREASE IN MONTHLY FIXED FEE

(December 17, 2014 – New Britain) Consumer Counsel Elin Swanson Katz expressed serious reservations with the size and structure of the grant by the Public Utilities Regulatory Authority (PURA) of a $134 million increase to the rates of The Connecticut Light & Power Company (CL&P). "In these times, when consumers are already facing drastic increases in their electric bills because of rising costs in the regional energy market, we should ensure that we award not one dollar more than is absolutely necessary for CL&P to effectively run its company," Katz said. "I do not believe that CL&P proved that they needed such a large increase in rates, and I am troubled that they have been allowed to increase their monthly customer service charge by over $3 each month."

PURA allowed a significant increase in the residential fixed customer charge from $16 per month to $19.25 per month, an increase of over 20%, with indications that the fixed charge may increase even more with CL&P's next rate application.   The increase in the customer service charge drew strong opposition from Consumer Katz and other state officials, AARP, environmental groups, and CL&P customers around the state.

As to this point, Consumer Counsel Katz added, "I am particularly disappointed with PURA's increase to the fixed customer charge, which ignores the impact on some of our most vulnerable customers, including those on limited or fixed incomes who are doing their best to keep their bills low. PURA's approach to setting the residential fixed customer charge is also contrary to state policy, which encourages customers to reduce their energy costs through conservation efforts." She noted that CL&P's current customer service charge of $16 is already the highest in

New England, and that Boston Edison, a subsidiary of Northeast Utilities like CL&P, has a customer service charge of $6.43.

Consumer Counsel Katz said she was pleased to see that CL&P's Return on Equity (ROE) – the amount that CL&P investors earn on their investment – was lowered from 9.40 % to 9.17%, although her office had advocated for an even lower figure. CL&P's proposed increase in ROE to 10.20% had drawn ire from state officials and others opposed to increasing the company's profit margin at the expense of its customers. In oral argument, CL&P advocated that their ROE should at least be set to the national average of 9.48%.

"The level of the ROE has a very significant impact on the size of the rate increase," Katz said. "Had the 9.48% ROE been adopted, it would have increased rates by an additional $8 million per year, an amount not warranted by the circumstances." She noted that on December 9th, after issuance of PURA's draft decision proposing the lower ROE, Macquarie Capital (USA) Inc. upgraded CL&P's parent company Northeast Utilities' common stock to "outperform" from "neutral," an indication that CL&P is rising in Wall Street's eyes. Moreover, the ROE was awarded in accordance with a formula used by PURA for the past two years in rate cases, including The United Illuminating Company's rate case (awarding an ROE of 9.15%), and Connecticut Natural Gas Corporation's rate case (awarding an ROE of 9.18%). Consumer Counsel Katz further noted that although there was one dissenting opinion among PURA Commissioners, she is pleased that the majority of PURA Commissioners agreed with her office that an ROE well below the levels proposed by CL&P was appropriate.

The Consumer Counsel also agreed with PURA's issuance of a one-year ROE penalty in the amount of about $4 million for CL&P's substandard performance in certain aspects of its response to the 2011 Storms, including customer communications. However, she advocated that the penalty should be higher, and should not be limited to only one year, as PURA ruled. Her office had also argued for other adjustments, including a $6.6 million reduction to depreciation expense, $9.4 million in disallowances of expenses for additional employees, employee health care expense, and employee incentive compensation, and a reduction of $1 million in cash working capital, which were not included in the decision.

OCC invites ratepayers to visit its website at www.ct.gov/occ for up-to-date energy news on topics such as electricity prices.

###

The Office of Consumer Counsel (OCC) is the State of Connecticut's advocate for all utility ratepayers. OCC seeks to ensure just and reasonable rates and reliable utility service for customers of Connecticut's electric, gas, telephone, and water utilities and reasonable protection for cable television customers. For more information, visit www.ct.gov/occ.