



OCC's Advocacy Leads to Reduction in Storm Cost Recovery by CL&P

On March 12, 2014, the Public Utilities Regulatory Authority (PURA) ruled on The Connecticut Light & Power Company's (CL&P) request for recovery of costs related to five major storms, including Tropical Storm Irene, the October 2011 Nor'easter, Superstorm Sandy, and two unnamed lightning storms. CL&P requested recovery of \$414 million from customers for the costs of out-of-state crews and other contractors, replacement materials and equipment, employee overtime, and other items. This \$414 million is the amount remaining after CL&P already wrote down \$40 million of storm costs based on an agreement between CL&P's parent, Northeast Utilities (NU), the Office of Consumer Counsel (OCC) and the Attorney General's Office as part of the merger between NU and NStar.

OCC argued for reductions of about \$71.5 million to CL&P's request. OCC advanced the following claims before PURA:

- Customers should not be charged for performance bonuses paid to CL&P management personnel for their storm-related activities;
- CL&P was improperly seeking total recovery, as storm costs, for tools, durable goods, and work gear which will have use well beyond the storms;
- The general class of ratepayers should not pay for work performed on customer-owned equipment on a discretionary basis;
- CL&P failed to recover amounts due from AT&T by contract for storm-related tree work that benefits both CL&P and AT&T;
- CL&P failed to make a claim for financial support to which it was entitled under an arrangement with its affiliate companies;
- CL&P took an unwarranted tax deduction which reduced the value of the settlement write-down for customers from \$40 million to \$24 million;
- There should be a reduction based on CL&P's imprudent approach to vegetation management prior to the storms; and
- CL&P was improperly seeking to capitalize costs that are not truly created by the storms and thus were not "incremental."

The Attorney General's Office and a PURA Prosecutorial Unit created to act as a party in this case advanced some of the same arguments on behalf of the public as well as some additional arguments.

PURA's March 12 ruling accepted some of OCC's arguments, in whole or in part, and rejected others. In particular, PURA:



- agreed with OCC that CL&P was seeking to capitalize costs that were not incremental and reduced CL&P's reimbursement by approximately \$13.5 million to avoid a double recovery of those costs (in ordinary rates and again in storm costs);
- reduced CL&P's recovery for durable goods, tools, and gear by \$650,000 because some of these items will have continuing usage well beyond the storms and reduce future operating costs;
- reduced payment by customers for management performance incentives by \$212,400;
- disallowed recovery by CL&P of \$9.2 million that CL&P should have been pursuing from AT&T for storm-related tree work but never billed; and
- disallowed recovery by CL&P for amounts invoiced to AT&T that had not yet been paid at the time of filing, in the amount of \$6 million.

Overall, PURA reduced CL&P's recovery by about \$31 million, with an additional \$18 million to be recovered by CL&P as a capital expense instead of a current expense. Ratepayers will need to pay the resulting amount, \$365 million, over the next 6 years.

As of this writing, CL&P is seeking reconsideration of PURA's disallowance of any potential for recovery from customers of the \$9.2 million for storm-related tree work that benefitted AT&T, in the event that efforts to collect the money from AT&T are unsuccessful. The outcome of this reconsideration request should be known by June.