

Legislative History for Connecticut Act

2002

Act Number: 094

Bill Number: 5599

Senate Pages: 2099, 2150-2152

41

House Pages: 2772-2784

13

Committee: Energy & Technology: 1060-1061, 1088-1091,
1096-1097, 1110, 1187, 1211-1213, 1215, 1216,
1219-1220

17

Page Total:

34

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

Connecticut State Library
Compiled 2015

S-471

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
2002

VOL. 45
PART 7
2095-2444

pat

5

Senate

Monday, May 6, 2002

temporarily.

410, H.B. 5599 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

411 and 412 are to be passed temporarily.

Page 9, 421 is to be passed temporarily.

422 and 423 are PR.

424 is to be passed temporarily.

425, H.B. 5457 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Page 10, 426 to be passed temporarily.

427 is PR.

428 is Go.

429 is PR.

430 is Go.

Page 11, now we get to the realm of the single starred items so we'll jump ahead to Page 17, second item, Matters Returned From Committee. Calendar 67 is to be passed temporarily.

95 is PR.

The next two items, 97 and 105 are to be passed temporarily.

pat

56

Senate

Monday, May 6, 2002

SEN. JEPSEN:

Thank you, Madam President. I would ask the next item on the Go list, Page 34, Calendar 333 be passed temporarily and I further request the Clerk call the Consent Calendar at this time.

THE CHAIR:

Mr. Clerk, would you first announce a roll call vote on the Consent Calendar and then we'll call it.

THE CLERK:

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

Madam President, those items placed on the First Consent Calendar begin on today's Calendar at Page 6.

Calendar 383, H.B. 5068.

Calendar Page 7, Calendar 390, Substitute for H.B. 5289.

Calendar 397, Substitute for H.B. 5248.

Calendar Page 8, Calendar 410, Substitute for H.B. 5599.

Calendar Page 9, Calendar 425, Substitute for H.B.

5457.

pat

57

Senate

Monday, May 6, 2002

Calendar Page 10, Calendar 430, Substitute for H.B.

5539.

Calendar Page 20, Calendar 187, Substitute for S.B.

563.

Calendar Page 22, Calendar 388, Substitute for H.B.

5316.

Calendar 407, Substitute for H.B. 552, correction,

5251.

Calendar Page 23, Calendar 49, Substitute for S.B.

68.

Calendar 76, Substitute for S.B. 319.

Remaining on Calendar Page 23, Calendar 122, S.B.

481.

And finally, Calendar Page 28, Calendar 164,

Substitute for S.B. 446.

Madam President, that completes those items previously placed on Consent Calendar No. 1.

THE CHAIR:

Thank you, Sir. Would you once again announce a roll call vote on the Consent Calendar. The machine will be opened.

THE CLERK:

The Senate is now voting by roll call on the Consent Calendar. Will all Senators please return to the Chamber.

pat

58

Senate

Monday, May 6, 2002

The Senate is now voting by roll call on the Consent Calendar. Will all Senators please return to the Chamber.

THE CHAIR:

If all members have voted, the machine will be locked. The Clerk please announce the tally.

THE CLERK:

Motion is on adoption of Consent Calendar No. 1.

Total number voting 36; necessary for adoption, 19.

Those voting "yea", 36; those voting "nay", 0. Those absent and not voting, 0.

THE CHAIR:

The Consent Calendar is adopted.

Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. It's been an exhausting afternoon on the floor of the Senate today and I think we're in need of a little bit of a recess, so at this time I'd ask, if there are no points of personal privilege, I would ask that the Chamber stand in, I believe the Clerk is signaling to me.

THE CHAIR:

Senator Jepsen.

SEN. JEPSEN:

Prior to recessing at which time we'll draw up a

H-872

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
2002

VOL. 45
PART 9
2590-2964

kmr

61

House of Representatives

Monday, April 29, 2002

and guests please come to the well of the House and the machine will be open.

CLERK:

The House of Representatives is voting by roll call, members to the Chamber. The House is voting by roll call, members to the Chamber, please.

DEP. SPEAKER FRITZ:

Have all the members voted? Have all the members voted? Please check the machine to make sure that your vote is accurately recorded. If all the members have voted the machine will be locked and the Clerk will take a tally. The Clerk please announce the tally.

CLERK:

Substitute for SB74 as amended by Senate amendment schedule "A" in concurrence with the Senate.

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	8

DEP. SPEAKER FRITZ:

Bill is passed in concurrence with the Senate. Will the Clerk please call Calendar 90.

CLERK:

On page 4, Calendar 90, substitute for HB5599, AN

kmr

62

House of Representatives

Monday, April 29, 2002

ACT CONCERNING THE TREATMENT OF EXPENDITURES FOR CRITICAL ASSETS, FACILITIES, AND EQUIPMENT OF PUBLIC SERVICE COMPANIES. Favorable report of the Committee on Energy and Technology.

DEP. SPEAKER FRITZ:

Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. I move acceptance of the Joint Committee's favorable report and passage of the bill.

DEP. SPEAKER FRITZ:

The question is on acceptance and passage, please proceed sir.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. The underlying bill basically allows the public service companies to charge to the rate payers any expenses that relate to improvement of security as a result of security requirements as a result of the September 11th events... And also for any continuing security requirements relating to the war on terrorism. Madam Speaker the Clerk has in his possession LCO 4025 may he call it and may I be allowed to summarize.

DEP. SPEAKER FRITZ:

Could please announce that number again?

kmr

63

House of Representatives

Monday, April 29, 2002

REP. GIANNAROS: (21st)

Madam Speaker LCO 4045.

DEP. SPEAKER FRITZ:

Thank you sir.

REP. GIANNAROS: (21st)

Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Will the Clerk please call LCO 4045, designated
House "A."

CLERK:

LCO 4045, House "A" offered by Representatives
Giannaros and DelGobbo.

DEP. SPEAKER FRITZ:

Please proceed sir.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. I move adoption. If I may
summarize Madam Speaker.

DEP. SPEAKER FRITZ:

The question is on adoption, will you proceed sir?

DEP. SPEAKER FRITZ:

Thank you Madam Speaker. Basically what the
amendment does it creates all electric companies, gas
companies and telecommunications companies equally when
it comes to financing any expenses regarding improved
security to prevent any terrorist acts.

kmr

64

House of Representatives

Monday, April 29, 2002

And this relates to any expenses that were incurred as a result of federal, state or requirement at large for the September 11th event and any new expenses regarding the war on terrorism and I move adoption Madam Speaker.

DEP. SPEAKER FRITZ:

The question is on adoption, will you remark further on the amendment before us? Will you remark further on the amendment before us? Representative DelGobbo.

REP. DELGOBBO: (70th)

Thank you Madam Speaker. In support of the amendment as the Chairman mentioned I think that events following September 11th brought home to all of us a number of concerns and the need to particularly to protect what would be critical assets important to the public safety. This amendment is narrowly drawn in such a way to on the one hand insure that there's a mechanism in place so that these assets are protected. But also narrowly drawn so that it's frankly just those issues that are included within a rate base. I would rise in support. Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Thank you sir, will you remark further on the amendment before us? Will you remark further on the

kmr

65

House of Representatives

Monday, April 29, 2002

amendment before us? If not let me try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEP. SPEAKER FRITZ:

Those opposed nay? The ayes have it the amendment is adopted. Will you remark further on the bill as amended? Will you remark further on the bill as amended? Representative Stillman.

REP. STILLMAN: (38th)

Thank you Madam Speaker. I didn't react quickly enough but I do have a question on the amendment which has now become part of the bill. If I may a question to Representative Giannaros.

DEP. SPEAKER FRITZ:

Please proceed madam.

REP. STILLMAN: (38th)

Thank you Madam Speaker. Through you to Representative Giannaros. In section 3 on the bill, lines 27 through 32, actually it's in the amendment that we just adopted so it's now part of the bill. It speaks of the company recovering the reasonable cost of security of assets, facilities, and equipment both existing and foreseeable that are incurred solely for the purpose of security needs associated with the

kmr

66

House of Representatives

Monday, April 29, 2002

terrorist attacks of September 11th and the continuing war on terrorism. Could you explain to us what type of, when you speak of security and where are they recovering them from?

DEP. SPEAKER FRITZ:

Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker, through you. My understanding is that any new equipment or other types of systems that have been put into place or will be put into place to protect the public interest in these critical assets that can be submitted to Department of Public Utilities for approval so therefore the DPUC is still involved in approving anything that is requested. It's not an automatic mandate. Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Representative Stillman.

REP. STILLMAN: (38th)

Thank you Madam Speaker. Through you, so is this a cost that will be passed on to the rate payer.

REP. GIANNAROS: (21st)

Madam Speaker, through you. Yes, if it is approved by the Department of Public Utilities it will become part of the rate payer's expense. Again, these are special security measures, whether they're video cameras

kmr

67

House of Representatives

Monday, April 29, 2002

or other types of equipment that are necessary to protect the assets and therefore the public. Thank you Madam Speaker, through you.

DEP. SPEAKER FRITZ:

Representative Stillman.

REP. STILLMAN: (38th)

Thank you Madam Speaker. I appreciate the clarification. I have no problem with the issue that is before us. As most people in this Chamber know our two functioning nuclear power plants are in my district and I am very much aware of all the new security measures that have been put into place. I don't think they should be the sole burden of the company. Because those plants are there to provide electricity for all of us. I thank them for bringing the issue forward.

DEP. SPEAKER FRITZ:

Thank you Representative Stillman. Representative Dillon.

REP. DILLON: (92nd)

Thank you Madam Speaker. A question through to the proponent of the bill.

DEP. SPEAKER FRITZ:

Please proceed.

REP. DILLON: (92nd)

As amended. To follow up on, I'm looking at the

kmr

68

House of Representatives

Monday, April 29, 2002

language and I heard the discussion. What I'm concerned about Representative is, what standards are we providing to direct the Department of Public Utility so that they would understand exactly what our definition would be of those expenditures which they've made in the wake of the September 11th attacks which we are going to be committing that to, passed to the rate payers? Through you Madam Speaker.

DEP. SPEAKER FRITZ:

Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. My understanding is that they will use the normal procedures and standards that have been used in the past. If I may also remind everybody here, this is an extremely sensitive issue, we cannot put in public record anything that may be of harm to all of us. So, through you Madam Speaker.

DEP. SPEAKER FRITZ:

Representative Dillon.

REP. DILLON: (92nd)

Through you Madam Speaker. I have no particular issue, I understand the issue of need to know. Although that seems to be a very large category these days. What I'm concerned about is that the rate payers of the state are going to be asked to foot the bill for all the

kmr

69

House of Representatives

Monday, April 29, 2002

capital expenditures going forward just because they took place after September 11th. I don't see any requirement here for the administrative, for Chapter 54 language. With all due respect to the people at the DPUC, there's a lot of things that lots of us have done since September 11th because of what's happened. I'm not sure when someone else is paying the bill that we should be doing this without having at least some kind of direction of what kinds of pass through is permissible. We don't have to know high security thing. But do we know, don't we need to, we need to have some kind of standards in the statutes if we're permitting a pass through. Through you Madam Speaker.

DEP. SPEAKER FRITZ:

Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. Through you. The financial impact has been referenced by the OFA, minimum cost to the rate payers because it's spread over one and a half million, for example, electric payers. But more specifically Madam Speaker, the DPUC has a very rigorous contested process. It is contested by the OCC - the Office of Consumer Council - when and if there is anything requested of that kind. So there is a process in place that protects the public interest and the rate

kmr

70

House of Representatives

Monday, April 29, 2002

payers in this case. Thank you Madam Speaker. Through you.

DEP. SPEAKER FRITZ:

Representative Dillon.

REP. DILLON: (92nd)

Through you Madam Speaker. I certainly would apologize if the Chair of the Committee I was impugning the integrity of the DPUC in any way. I'm simply trying to protect the pocket book of the public. The language here says, shall include, but not be limited to reasonable costs of security of assets, facilities and/or equipment. And that's broad language and we're leaving it up to the DPUC without any Chapter 54 language to direct that, where there's no regs process involved here. I'm troubled about it. I'm very deeply sympathetic. But we know, we can basically hitch hike onto that issue to pay for a lot of things. And I don't think we should be giving statutory authority for an Automatic blank check without any standards in the law. Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Thank you Representative Dillon. Will you remark further? Representative DelGobbo.

REP. DELGOBBO: (70th)

Thank you Madam Speaker. Very briefly, I and I

kmr

71

House of Representatives

Monday, April 29, 2002

believe the Energy Committee in deliberating this were also very concerned along the same lines that Representative Dillon just mentioned. The language that you see before you actually is a follow on obviously to the existing statute. The DPUC already has a very broad provision - a word that we learned in Energy this year called exogenous - first we had to learn how to pronounce it and then figure out what it was. But frankly that is a provision that you could drive a truck through. So what in a sense what this is, is trying to limit and more clearly define, knowing that various utilities would be going and trying to present these costs as they have the right already under statute to do. But in fact to try and bring that down to a finer point and define those kinds of costs. Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Thank you Representative DelGobbo. Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. For the legislative record, I just want to reiterate. That this is strictly for any new costs that will protect the facilities involved. That the DPUC shall take these new costs into account when it determines rates, but it should not add

kmr

72

House of Representatives

Monday, April 29, 2002

anything that is not relating to improved security for the purpose of September 11th and the war on terrorism. Thank you Madam Speaker.

DEP. SPEAKER FRITZ:

Thank you sir. Will you remark further on the bill as amended? Will you remark further on the bill as amended? If not, will staff and guests please come to the well of the House, the machine will be open.

CLERK:

The House of Representatives is voting by roll call, members to the Chamber. The House is voting by roll call, members to the Chamber, please.

DEP. SPEAKER FRITZ:

Have all members voted? Have all members voted? If all members have voted, please check the machine to be sure your vote has accurately been cast. If so the machine will be locked and the Clerk will take a tally. Representative Feltman for what purpose do you rise sir?

REP. FELTMAN: (6th)

I request to be recorded in the affirmative Madam Speaker.

DEP. SPEAKER FRITZ:

Thank you Representative Feltman, he's voting in the affirmative. The Clerk will announce the tally.

CLERK:

kmr

House of Representatives

Monday, April 29, 2002

HB5599 as amended by House "A."

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	128
Those voting Nay	15
Those absent and not voting	8

DEP. SPEAKER FRITZ:

The bill as amended is passed. Clerk please call Calendar 58.

CLERK:

On page 3, Calendar 58, substitute for HB5205, AN ACT CONCERNING THE CERTIFICATION OF TELECOMMUNICATIONS SERVICE PROVIDERS. Favorable report of the Committee on Energy and Technology..

DEP. SPEAKER FRITZ:

Representative Giannaros.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. I move acceptance of the Joint Committee's favorable report and passage of the bill.

DEP. SPEAKER FRITZ:

The question is on acceptance and passage, please proceed sir.

REP. GIANNAROS: (21st)

Thank you Madam Speaker. What this particular bill,

JOINT
STANDING
COMMITTEE
HEARINGS

ENERGY AND
TECHNOLOGY
PART 4
949-1250

2002

REP. GIANNAROS: Would you be comfortable if we restricted the use, not the use, but rather the access to those weapons to within a certain perimeter that is not right on top of the ball fields.

REP. STILLMAN: Absolutely, the purpose is really, I believe, is for use within the boundaries of the plant itself. Certainly, if there was some activity that was of concern outside that area the police department, etc. I'm sure would be able to respond.

REP. GIANNAROS: Thank you. If anybody has any further questions. The honorable Don Downes I guess, and Commissioner Kelly, too.

COM. DOWNES: Good afternoon Chairman Giannaros, good afternoon Vice-chairman Nardello and distinguished members of the Committee, my name is Don Downes. I am the Chairman of the Public Utility Control Authority, and I am the head of the Department of Public Utility Control. With me today, I am pleased to have my friend and colleague, Commissioner Linda Kelly. In addition to being one of our distinguished Connecticut Commissioners of Public Utility Control, she is also a member of the Board of Directors of the National Association of Regulatory Utility Commissioners, the Vice-Chairman of the Gas Committee of the National Association, and finally the appointee of the Secretary of Transportation to the Federal Pipeline Safety Committee.

HB 5599 HB 5601 HB 5605

HB 5606

SB 486

We have a number of bills before us today that we would like to comment on, specifically five bills, and if it is convenient for the committee and appropriate from your perspective, we would like to comment on these basically starting with the house bills and one senate bill and if it would be acceptable with the committee, we'd like to alternate on these, since we have different pieces in front of us. If that would be appropriate, I will ask Commissioner Kelly if she would begin with the first bill.

REP. GIANNAROS: Please proceed.

COM. DOWNES: Thank you, sir.

COM. KELLY: Good afternoon, Chairman Giannaros, Vice-Chairman Nardello, and members of the Committee. I would first like to speak on H.B. 5599, AN ACT INVOLVING PROTECTIONS OF CRITICAL ASSETS, FACILITIES AND EQUIPMENT OF PUBLIC SERVICE COMPANIES. The DPUC supports H.B. 5599. Currently, by statute it is articulated the basic principal of ratemaking that have been developed by regulatory agencies and the courts. This section 16-19e does not mandate any particular action by the DPUC. Rather it sets forth the broad policies of rate making.

The cost of security assets in the aftermath of the September 11th tragedies may prove to require substantial investments. As we assess the vulnerability of our states utility infrastructure. The recognition of the legitimacy of such reasonable cost is a proper addition to this statute. It should be noted that all expenses and capital investments of a public service company as currently examined in a rate case conducted pursuant to statute. Reasonable expenditures for security would certainly qualify for inclusion in rates. Whether they are expense items or capital investments in plant.

Therefore, security costs would be considered by the DPUC whether or not 16-19e is amended in the suggested manner. However, we feel that this language does set forth an area of importance that should be brought to the attention of those reviewing this statute.

COM. DOWNES: The next bill that we would like to comment on, is H.B. 5601 AN ACT CONCERNING THE PURCHASE OF STREET LIGHTS.

Reluctantly, the department is opposed to 5601. We arrived at this conclusion because we're concerned about the shift, a negative policy shift, and that we feel is financially inappropriate.

we'll hook it because it's weekend, we'll wait an extra ten or twelve or fourteen hours until the guys come on in the second shift.

REP. MEGNA: Plus, the banking industry, and the mass transit, I mean if you want to look at it that way, because bank and mass transit are limited on the weekend. Enough of that thank you.

COM. DOWNES: Yes sir. Thank you.

REP. GIANNAROS: Senator Peters. Thank you.

SEN. PETERS: Just a comment on some of the stuff that we're hearing today, in fact that we're hearing during the session, is to create a dialog so that we can educate ourselves on both sides of the issue.

COM. DOWNES: Absolutely.

SEN. PETERS: But to also Donald say that I think you need to start having office hours up at the LOB that will minimize some of rhetoric.

COM. DOWNES: That's right, I would be very grateful for that.

REP. GIANNAROS: Any other questions or comments? Thank you for all your testimony and answering all those questions.

COM. DOWNES: Thank you sir. We're both pleased to be here, and we look forward to coming back. Hopefully, next year.

REP. GIANNAROS: Thank you Don. Larry Bingaman, we have to go to public, and then next would be Commissioner Mary Healey.

LARRY BINGAMAN: Good afternoon. Mr. Chairman, members of the committee, my name is Larry Bingaman, and I'm here on behalf of the BHC Water Company and the Connecticut Waterworks Company, to speak on R.B. 5599, AN ACT CONCERNING PROTECTION OF CRITICAL ASSETS, FACILITIES, AND EQUIPMENT OF PUBLIC SERVICE COMPANIES.

R.B. 5599 requires the department of utility control to consider in it's deliberation in setting the appropriate level and structure rates the reasonable costs of security, of assets, facilities and equipment. As Chairman Downes said we believe that the department already has the authority to consider these types costs in they're rate making process. But we do think that this bill would be important and we support it, because it does clarify that the DPUC does have the authority to consider an appropriate and prudent expense incurred to protect the critical assets that are employed to provide service to customers.

Following the terrorists attacks on September 11th, many of Connecticut' water utilities have had to deal with several significant issues and incur extraordinary costs to insure that their water supply sources and infrastructure are safe and secure. Following the attacks water utilities subsequently increased dramatically, security personnel and surveillance and in some cases on a 24/7 basis. To guard and monitor reservoirs, well fields and critical facilities. Among the type of expenses that they incurred during this period is increased overtime of water company personnel, contract services with guards, and perhaps even contracting with off duty police department to provide additional patrols, vehicles or to guard critical facilities.

Additionally, to increase the security of operations, some utilities have implemented monitoring and alarm systems that they did not have before to remote surveillance as well as install gating and locking equipment at the entrance of critical facilities. These security measures will require ongoing operational maintenance costs for system upkeep. While the large water utilities in the state have the ability to absorb these increased security costs, until a rate proceeding, the smaller utilities may not have the flexibility to absorb these costs due to fiscal straits.

So, for this reason, we believe that cost recovery mechanisms for utilities should be very flexible to

fit the particular circumstances of the water utility and there should be a long-term resolution to address the incremental security cost as necessary.

We have been talking about this issue with the Department of Utility Control, and we've asked them consider first the ability to defer these increased security costs, so that there can be a reasonable assurance that the costs are recovered in the next rate case. But we've also asked them that in the case perhaps smaller utilities or other utilities that they may want to consider some sort of security surcharge. Details to be worked out later. But, some sort of security surcharge for an interim recovery. And that we thought might help alleviate any sort of rate shock, if the utility is out for some period of time, before they go in for their next rate case. So, we are in support of R.B. 5599, we appreciate the DPUC and the committees efforts to facilitate cost recovery of prudent and appropriate security measures and we think this proposal will do that, so we would urge the committee support of 5599.

There certain will never be business as usual for water utilities following September 11, and life will never be the same. And our responsibility for the well being of our customers and the security of our supplies has changed forever, so we appreciate the Committees consideration of this proposal, and the opportunity today to provide comments on this important issue.

Thank you, and I would be glad to take any questions.

REP. GIANNAROS: Thank you. So, for all practical purposes, the language is satisfactory to you?

REP. MEGNA: Yes.

REP. GIANNAROS: And, as we speak I presume, you are incurring heavier cost than every before?

REP. MEGNA: Absolutely. As a matter fact, from September 11th through the end of 2001, my company,

BHC, we serve about 143,000 customer accounts in this State. We incurred close to \$200,000 in operating expenses and somewhere around \$50,000 in capital expenses. We're estimating that on an on going basis we'll probably have somewhere in the neighborhood of about two to three hundred thousand dollars a year in annual costs. And perhaps another \$50,000 a year in annual capital expenditures.

REP. GIANNAROS: This is all relating to security.

REP. MEGNA: Absolutely.

REP. GIANNAROS: Okay, thank you. Further questions? Thanks for coming Larry.

REP. MEGNA: Thank you very much.

REP. GIANNAROS: (inaudible) Consumer Council of the OCC. Welcome.

COU. HEALEY: Thank you very much, it's a pleasure to be here. Good afternoon Representative Giannaros and members of the Energy and Technology Committee. As the new Consumer Council, I have very much enjoyed the welcome that the Committee has offered me as well as the opportunities granted the OCC to aid your reference during this session. Only last week, I was here before your committee testifying in support of R.B. 5428. Which will make a number of reasonable course corrections to the restructuring act. This committee believes that restructuring will bring electric costs down for all while promoting a high standard for quality and performance, and I assure you that the states consumer council shares that confidence.

For the most part the OCC supports R.B. 491. Which is styled as minor revisions to the utility statues. However, Section 9 though it would add a mere fourteen words to restructuring act, proposes a change that would be anything but minor and anything but technical. While we would like to fully support this bill, we unfortunately must state our opposition to Section 9 of bill 491. And our opposition has a very simple basis. A

for when -- there may not be supply, but the forecast, and I'm not an expert in this, but from what I've read, there's plenty of supply around. What we need to fix is the infrastructure to get the supply into the load pockets. For example, in Southwest Connecticut, and we're working on it, as I mentioned in my testimony. All interested parties are trying to work out a solution to that.

Also, I'm reminded that when UI needed to replace it's supplier of the standard offer, which was Enron, they found that the wholesale market was very robust, they indicated that they had a number of bidders and that they were able to seamlessly replace Enron with another power supplier. So, in a sense, we've already tested that situation, and it was a success.

REP. GIANNAROS: Thank you. Thanks for your testimony.
Next is Tim Kelley.

TIM KELLEY: Good afternoon Representative Giannaros, and members of the committee, my name is Tim Kelley, and I'm Vice-President of Energy Services and Regulatory Affairs for Connecticut Natural Gas and Southern Connecticut Gas Company. Thank you for this opportunity to testify on Raised Bill S.B. 5599, and H.B. 5605.

First, my testimony in support of S.B. 5599. The terrorist attacks of September 11th have made Americans aware of the need for enhanced security measures in order to protect public safety. Specifically Connecticut public service companies face unprecedented security responsibilities. Since September we have responded to alerts and advisories from local, state and national public safety officials on numerous occasions. The federal bureau of investigation and other agencies advise us that these are not isolated instances, but that increase vigilance in the protection of our critical infrastructure assets is a way of life.

We understand that this bill is a work in progress and we firmly believe that this committee and legislature must act in this area as soon as

possible for two reasons. To support the protection of the public service companies and their critical infrastructure assets and to protect the public service companies rights to recover all reasonable investments and security. We expect Federal agencies, which have jurisdictions over certain gas facilities to update regulations, which will result in additional costs. We face significant additional security costs in the following areas. Increase security cost to protect employees, increased capital costs for alarms, cameras, physical security devices, more secure computer systems, and increase risk management expenses, including higher insurance premiums.

As you know, our companies have embarked upon incentive rate plans, which were implemented last year. Today these plans are in place and are returning significant savings to our customers, and we are exceeding the service quality measures the department has set for us. However, these incentive rate plans were not constructed to take into account the extraordinary events that have occurred and the resulting cost.

We hope that you share our belief that the companies should not be at risk for the heightened cost of security and that it's overwhelming in the public interest that the public service companies provide for, and be able to recover heightened security costs. Like you we pray that the threats to the public security abates, but like you, we must be prepared for continuing or possibly worse situation. Therefore, we respectfully request that you act favorably upon this bill.

Next my testimony concerning H.B. 5605. Our company supports the concept of refining this statutory provision as it applies to Public Service Company which have approved performance based rates. To that end, we are working with the DPUC, the OCC and the other utilities to complete a proposal for you to consider this year. We would like to emphasize to you that all the parties that would like a bill this year. The present statute is inconsistent with more current regulatory initiatives and has the effect of wasting

GERALD ROLLETT: I'm not sure when CL&P was maintaining it. He was planning on maintaining them in the evening, and that did not work out on his part, and the contractor has been very good with the City of Torrington. We have a long-term contract with him, and we have been very pleased with his performance.

REP. URBAN: So, it's safe to say that the City of Torrington is happy that they have bought out and are now owning and contracting out to maintain their streetlights.

GERALD ROLLETT: Yes, we are.

REP. NARDELLO: Thank you so much. Thank you.

GERALD ROLLETT: Thank you.

REP. NARDELLO: Are there any further questions from members of the Committee. If not, thank you for being here this afternoon.

TOM DORSEY: Good Afternoon Representative Nardello, members of the Committee, I'm Tom Dorsey, Manger of Governmental Affairs for Northeast Utilities. I've submitted written testimony; I'll be very brief. I'll talk about a couple of bills here.

HB 5605

H.B. 5599, AN ACT CONCERNING PROTECTION OF CRITICAL ASSETS AND FACILITIES. My colleague from Connecticut Natural Gas spoke very well on this, we also support this bill. However, we feel the bill should have language that explicitly states that utilities should be able to defer for future recovery any cost incurred as a result of an extraordinary public safety event. We feel that's an appropriate course of action given post 9/11.

A bill that we've just heard quite a bit on, H.B. 5601, AN ACT CONCERNING THE PURCHASE OF STREET LIGHTS. NU opposes this bill, and the reason why we oppose it, is we feel that if we are able to earn beyond our allowed rate of return, these earnings should be used to further reduce stranded costs or be refunded directly to customers. And that's been the policy that we've been working

001187



Northeast
Utilities System

107 Selden Street, Berlin, CT 06037

Northeast Utilities Service Company
P.O. Box 270
Hartford, CT 06141-0270
(860) 665-5000

March 7, 2002

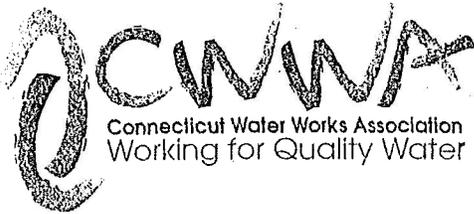
To: The Honorable Melodie Peters
The Honorable Demetrios Giannaros
Members Energy and Technology Committee

Good afternoon , my name is Thomas Dorsey, Manager - Governmental Affairs for
Northeast Utilities, Berlin , CT.

I will speaking on the following bills before you today:

- Raised S. B. 486 - An Act Concerning Protection Of Utility Emergency Plans- *NU supports this bill.*
- Raised S. B. 491 - An Act Concerning Minor Revisions To Utility Statues - *NU supports this bill.*
- H.B. 5599 - An Act Concerning Protection of Critical Assets, Facilities, And Equipment of Public Service Companies - *NU supports the concept behind this bill. However, the bill should state that utilities can defer for future recovery any costs incurred as a result of an extraordinary public safety event or collect as an ongoing monthly adjustment.*
- H.B. 5601 - An Act Concerning the Purchase of Street Lights - *NU opposes this bill. We feel that in the event CL&P is able to earn beyond it allowed rate of return, earnings of this nature should be used to either further reduce stranded cost or be refunded directly to customers.*
- H.B. 5605 - An Act Concerning Performance-Based Regulation of Electric Distribution Companies - *NU supports the concepts raised in this bill and is working with the DPUC, OCC and other interested parties to reach agreement on final language.*
- H.B. 5606 - An Act Concerning Payment Receipt Facilities of Certain Utilities and Reconnection of Customer Service - *NU support this bill with some minor language changes which I have attached.*

attachment



Gregory C. Leonard
 President
 Southeastern CT Water Authority
 P. O. Box 415
 Gales Ferry, CT 06335
 (860) 464-0232
 fax (860) 464-2876
 gclscwa@snet.net

Maureen Westbrook
 Leg. Co-Chair
 CT Water Co.
 93 West Main St.
 Clinton, CT 06413-1600
 (860) 669-8630 ext. 3055
 fax (860) 669-7899
 mwestbrook@ctwater.com

Robert J. Young
 Leg. Co-Chair
 Manchester Water
 & Sewer Dept.
 41 Center Street
 Manchester, CT 06040-0191
 (860) 647-3115
 fax (860) 647-3150
 rjyoung@ci.manchester.ct.us

Carlene Kulisch
 Leg. Secretary
 Regional Water Authority
 90 Sargent Drive
 New Haven, CT 06511-5966
 (203) 401-2605
 fax (203) 603-4814
 ckulisch@rwater.com

Testimony to the Energy & Technology Committee

RB 5599, Act Concerning Protection of Critical Assets, Facilities, And Equipment of Public Service Companies

March 7, 2002

The Connecticut Water Works Association, Inc. (CWWA) wishes to thank the Co-Chairs and members of the Energy and Technology Committee for this opportunity to submit comments on RB 5599, Act Concerning Protection of Critical Assets, Facilities, And Equipment of Public Service Companies.

CWWA is an association of public water supply utilities serving more than 500,000 customers, or a population of about 2 1/2 million people, located throughout Connecticut. Membership in the Association is open to all Connecticut water utilities: investor-owned, municipal and regional authorities. There is currently 1 Tribal Nation, 27 publicly owned and 18 investor-owned water utilities in the Association. As purveyors of public water supplies, our members have an obligation to ensure that their water supplies and infrastructure are secure to provide sufficient quantities of high-quality water and at a reasonable cost to consumers of the communities served.

RB 5599 requires the Department of Public Utility Control to consider in its deliberations in setting the appropriate level and structure of rates "the reasonable costs of security of assets, facilities and equipment."

CWWA strongly supports RB 5599, as it clarifies that the DPUC has the authority to consider appropriate and prudent expenses incurred to protect the critical assets utilities employ to provide service to their customers.

As a result of the terrorist attacks on September 11, 2001, and subsequent security alerts by the FBI, many of Connecticut's water utilities have had to deal with several significant issues and incur extraordinary costs to ensure that their water supply sources and infrastructure are safe and secure.

In the days following the terrorist attacks, water utilities subsequently increased security personnel and surveillance, in some cases on a 24/7 schedule, to guard and monitor reservoirs, well fields and critical facilities. Among the type of expenditures incurred include: increased overtime of water company security personnel, contract guard services, contracting with off-duty town police and additional vehicles for patrolling.

The type of supply source that is owned by a utility, e.g. a reservoir or well field, dictates the level of additional security taken to guard the source. While bio-terrorism was highlighted as a concern for the protection of water supplies, just as importantly is the protection of critical infrastructure and facilities, such as treatment plants, pump stations, storage tanks, and dams to ensure continuity of supply.

Enhanced security actions were implemented to deter an attack on supply sources as well as to help safeguard critical infrastructure to collect, treat, and distribute water supplies. Additionally, to increase the efficiency of security operations, some utilities have implemented monitoring and alarm systems for remote surveillance as well as installed gating/locking equipment at the entrances to critical facilities. These security measures will require ongoing operational and maintenance costs for system upkeep.

Based on a telephone survey of some CWWA member companies, we found that general liability and property insurance costs have increased substantially following the September 11 attacks. Additionally, companies have found that some insurance carriers are now unwilling to write liability or property insurance for water utilities and have eliminated terrorist coverage. Both of these developments have increased cost implications either in the form of higher premiums or the need to self-insure.

There will never be "business as usual" for water utilities following September 11, and life will never be the same. Our responsibility for the well being of customers and the security of our supplies has changed permanently.

As such, water companies anticipate that the increased security costs they have incurred to date will continue and most likely escalate. While the ability to recover prudent costs is important, first and foremost, water utilities recognize their responsibility to provide safe, reliable service and are striving to do so in the wake of September 11th.

While the large water utilities may have the ability to absorb the increased security costs until a rate proceeding, smaller utilities may not have that flexibility due to fiscal constraints. For these reasons, we believe that any cost recovery mechanism available for water companies must be very flexible to fit the financial circumstances of the particular utility. A long-term resolution to address the incremental security costs is necessary. In the interim, we respectfully request that the Department consider allowing for deferral of these security costs, such that there is reasonable assurance of probable recovery. Developing a "Security Surcharge" may be appropriate to provide for interim recovery of these expenses so that the deferred expenses do not become so significant that they result in rate shock when addressed in a general rate case. We would be eager to work with the DPUC to develop appropriate cost recovery methodologies for water companies. In the meantime the proposed bill is important to allow for this process to continue.

We appreciate the DPUC and the Committee's effort to facilitate cost recovery of prudent and appropriate security measures with this proposal and urges the Committee to support RB 5599. Thank you for the opportunity for CWWA to offer its comments.

###



March 7, 2002

TESTIMONY OF CONNECTICUT NATURAL GAS CORPORATION AND THE SOUTHERN
CONNECTICUT GAS COMPANY CONCERNING S.B. 5599 and H.B. 5605

Good Afternoon, Chairpersons, Senator Peters, Representative Giannaros and Members of the Committee, my name is Tim Kelley, and I am the Vice President of Energy Services and Regulatory Affairs with responsibilities for both Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company. Thank you for this opportunity to testify on raised bills:

S.B. No. 5599 (RAISED) AN ACT CONCERNING PROTECTION OF CRITICAL ASSETS, FACILITIES,
AND EQUIPMENT OF PUBLIC SERVICE COMPANIES.

And

H.B. No. 5605 (RAISED) AN ACT CONCERNING PERFORMANCE-BASED REGULATION OF ELECTRIC
DISTRIBUTION COMPANIES.

Testimony in support of: S.B. No. 5599 (RAISED) AN ACT CONCERNING PROTECTION OF CRITICAL
ASSETS, FACILITIES, AND EQUIPMENT OF PUBLIC SERVICE COMPANIES.

The terrorist attacks of September 11th have made Americans aware of the need for enhanced security measures in order to protect the public safety. Specifically, Connecticut's Public Service Companies face unprecedented security responsibilities. Since September we have responded to alerts and advisories from local, state and national public safety officials on numerous occasions. The Federal Bureau of Investigation and other agencies advise us that these are not isolated instances but that increased vigilance in the protection of our critical infrastructure assets will be a way of life.

We understand that this Bill is a work in progress, but we firmly believe that this Committee and the Legislature must act in this area as soon as possible for two reasons:

1. To support the protection of the Public Service Companies and their critical infrastructure assets,
and
2. To protect the Public Service Companies' rights to recover all reasonable investments in security.



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

**TESTIMONY OF THE DEPARTMENT OF
PUBLIC UTILITY CONTROL**

Energy & Technology Committee

March 7, 2002

**HB 5599: AAC Protection of Critical Assets, Facilities, and Equipment
of Public Service Companies**

HB 5601: AAC The Purchase of Street Lights

**HB 5605: AAC Performance-Based Regulation of Electric Distribution
Companies**

**HB 5606: AAC Payment Receipt Facilities of Certain Utilities and
Reconnection of Customer Service**

SB 486: AAC Protection of Utility and Emergency Plans

HB 5599: AAC Protection of Critical Assets, Facilities, and Equipment of Public Service Companies

The DPUC supports HB 5599. Currently, §16-19e articulates in statutory form the basic principles of ratemaking that have been developed by regulatory agencies and the courts. As such, this section does not mandate any particular action by the DPUC, rather it enunciates the broad policies of ratemaking. The cost of security assets in the post 9/11 world may prove to be very substantial investments as we assess the vulnerability of our state's utility infrastructure. The recognition of the legitimacy of such reasonable costs is a proper addition to this statute. It should be noted that all expenses and capital investments of a public service company are examined in a rate case conducted pursuant to §16-19. Expenditures for security would certainly qualify for inclusion in rates, whether they are expense items or capital investments in plant. Therefore, security costs would be considered by the DPUC whether or not §16-19e was amended in the suggested manner.

HB 5601: AAC The Purchase of Street Lights

The DPUC is opposed to HB 5601. The DPUC is concerned about this proposal because we believe it represents a negative policy shift and is financially inappropriate.

First of all, the DPUC is concerned that this proposal once again represents a continuing trend by various interests to redirect ratepayer's funds to projects and programs that in no manner benefit Connecticut's electric ratepayers. The DPUC appreciates that our state's policymakers are currently experiencing tight fiscal conditions. However, it would be a mistake to use ratepayer's funds that would otherwise be more appropriately directed to rate reductions or the payment of stranded costs to this endeavor. If this initiative is important enough to fund during these difficult fiscal times- than it should be fund by taxpayers monies from the General Fund.

Secondly, as general matter, when a municipality purchases its streetlights, it reduces its electric rate for street lighting by some measure. However, the municipality loses the maintenance service that was provided by CL&P under the higher rate. It is then necessary for the municipality to retain a contractor to provide this maintenance service. Recently, in the case of the city of Torrington, the town was able to reduce its annual street lighting costs, retain a service contractor on an annual basis, and still achieve a net savings to the city. Currently, it is estimated that Torrington will achieve a payback on its investment within several years. Therefore, the DPUC believes that on an individual basis municipalities should financially evaluate the risks and benefits of purchasing their street lighting to their taxpayers, without being subsidized in such decisions by the state's electric ratepayers.



STATEMENT OF THE SOUTHERN NEW ENGLAND
TELECOMMUNICATIONS CORPORATION

Regarding Raised HB 5599
An Act Concerning Protection of Critical Assets, Facilities and Equipment
of Public Service Companies

Before the Energy and Technology Committee
March 7, 2002

Proposal:

Raised House Bill 5599 clarifies Department of Public Utility Control (DPUC) policy of allowing reasonable cost of security to be included in the rate base of public service companies.

Comments:

SNET would be a strong supporter of Raised House Bill 5599 if it applied to all of the state's public service companies. SNET appreciates the Committee's attention to the issue of security of the state's critical networks, and the means for recovering reasonable costs related to protection of these assets. However, SNET respectfully points out that the language in RHB 5599 applies only to companies operating under rate of return regulation. While this legislation would apply to our affiliate, Woodbury Telephone, the treatment of reasonable costs incurred by the Southern New England Telephone Company is not addressed.

Under SNET's Alternative Regulation Decision (Docket No. 95-03-01), the DPUC established a mechanism for the Telco to recover reasonable costs for unforeseen circumstances. The means of doing so, is for the DPUC to grant "exogenous treatment" of those additional costs. The DPUC has indicated its "willingness to make adjustments to the price cap formula, if necessary, when catastrophic events could place an undue financial hardship on the Telco." (Docket No. 98-02-20, Final Decision, p. 54)

No one would argue that the events of September 11 were anything short of catastrophic. They brought into stark relief the need to better secure our vital communications assets, whether they are central offices or outside plant. Like its fellow public service companies, SNET immediately invested in unanticipated security measures – and now forecasts additional security to further ensure the integrity and uninterrupted operation of the state's telephone network.

SNET does not believe that the Committee intentionally excluded SNET's telephone network from the assets described in the legislation. SNET respectfully requests new language specifying that public service companies who are under alternative forms of regulation be allowed to recover reasonable costs of security of assets, facilities and equipment in such manner as is delineated in their alternative regulations.

Conclusion:

SNET would be a strong supporter of Raised House Bill 5599 if it included a cost-recovery stipulation for those public service companies subject to alternative regulation.