



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO.
99-06-01

DPUC PERIODIC REVIEW OF THE CONNECTICUT LIGHT
AND POWER COMPANY'S ENERGY ADJUSTMENT
CLAUSE AND THE UNITED ILLUMINATING COMPANY'S
FUEL ADJUSTMENT CLAUSE

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AND POWER COMPANY'S ENERGY ADJUSTMENT
CLAUSE AND THE UNITED ILLUMINATING COMPANY'S
FUEL ADJUSTMENT CLAUSE – REMAND

February 2, 2000

By the following Commissioners:

Glenn Arthur
Donald W. Downes
John W. Betkoski, III

DECISION

DECISION

I. INTRODUCTION

A. STATUTORY OBLIGATION

Pursuant to §16-19b(d) of the General Statutes of Connecticut (Conn. Gen. Stat.), the Department of Public Utility Control (Department) conducted a public hearing to determine the accuracy of customer billings for the months of July through December 1999 under the applicable Energy Adjustment Charge (EAC) for The Connecticut Light and Power Company (CL&P) and Fossil Fuel Adjustment Clause (FAC2) for The United Illuminating Company (UI).

B. CONDUCT OF THE PROCEEDING

Pursuant to a Notice of Administrative Proceeding dated June 10, 1999, the Department conducted an EAC administrative proceeding on June 23, 1999. By Notice of Hearing dated July 23, 1999, a public hearing was scheduled to be held on this matter at the offices of the Department, Ten Franklin Square, New Britain, Connecticut, on September 15, 1999. Pursuant to a Notice of Canceled and Rescheduled Hearing dated August 30, 1999, the September 15, 1999 hearing was canceled and rescheduled to October 13, 1999. Pursuant to a Notice of Canceled and Rescheduled Hearing dated September 17, 1999, the October 13, 1999 hearing was canceled and rescheduled to October 15, 1999. The October 15, 1999 hearing was held and continued to October 27, 1999, at 10:00 a.m. The October 27, 1999, hearing was held and continued to November 1, 1999, at 10:00 a.m. The November 1, 1999, hearing was canceled. Pursuant to a Notice of Close of Hearing dated November 2, 1999, the Department closed the hearing on this matter.

Pursuant to a Notice of Technical Meeting dated August 30, 1999, the Department scheduled a Technical Meeting at its offices on September 15, 1999. Pursuant to a Notice of Rescheduled Technical Meeting dated September 17, 1999, the Department conducted a technical meeting at its offices on September 24, 1999, to discuss the adjustments contained in CL&P's EAC Filing.

By letter dated June 1, 1999, CL&P requested that the Department consolidate the instant proceeding with Docket No. 97-06-01, DPUC Periodic Review of The Connecticut Light and Power Company's Energy Adjustment Clause and The United Illuminating Company's Fuel Adjustment Clause, which was reopened by Decision dated April 28, 1999, for purposes of including recovery of replacement power costs associated with Connecticut Yankee (CY) in CL&P's EAC. By letter dated June 21, 1999, the Department consolidated the proceedings.

The Department issued a draft Decision in this matter on January 10, 2000. All Parties were provided an opportunity to submit written exceptions to and present oral argument on the draft Decision.

C. PARTIES AND INTERVENORS

The Department recognized The Connecticut Light and Power Company, P. O. Box 270, Hartford, Connecticut 06141-0270; The United Illuminating Company, P.O. Box 1564, New Haven, Connecticut 06506-0901; and the Office of Consumer Counsel, Ten Franklin Square, New Britain, Connecticut 06051, as parties to this proceeding. UI did not participate in the hearings.

II. APPLICANTS' EVIDENCE

A. UI

UI did not submit a filing in this matter but responded to interrogatories issued by the Department. Pursuant to the FAC2 tariff, UI is not required to submit an FAC2 filing unless it proposes to modify the current rate of \$.00/kWh.

1. Future FAC2 Proceedings

Pursuant to the Decisions dated October 1, and December 9, 1999, in Docket No. 99-03-35, DPUC Determination of The United Illuminating Company's Standard Offer, the Department approved a Purchase Power Adjustment Clause (PPAC) that will become effective January 1, 2000. Decision dated October 1, 1999, p. 72; Decision dated December 9, 1999, p. 15. The PPAC cancels UI's FAC2. Under the PPAC UI cannot adjust its base rates unless its cost to supply standard offer generation changes. Id. At this time UI's PPAC is \$.00.

B. CL&P

CL&P proposed an EAC credit rate of \$.00022/kWh, reflecting a total credit of \$2,283,871. The proposed rate includes: a credit of \$34,870,158 related to a retroactive adjustment as ordered in the Decision dated February 5, 1999, in Docket No. 98-01-02, DPUC Review of The Connecticut Light And Power Company's Rates and Charges - Phase II (Rate Case Decision); a credit of \$1,290,000 associated with a disallowance for Niantic Bay Fuel Trust costs; \$1,510,000 related to the buyout agreement for the Hartford Hospital cogeneration facility; \$18,323,000 of decontamination and decommissioning costs; a credit of \$2,188,678 reflecting an adjustment for the capacity factor used to calculate certain CY costs; a credit of \$12,002,046 reflecting an adjustment to the EAC Collar mechanism; and \$2,329,608 related to the deferral of CY replacement power costs. The total recovery is a net value that reflects variations in fuel price, plant performance and the sum of the items noted above. EAC filing, p. 1.

III. DEPARTMENT ANALYSIS

A. UI

Under UI's FAC2 tariff, the fuel adjustment rate remains fixed at \$.00/kWh unless the Platt's New York Harbor Cargo Low Posting price for 1% sulfur No.6 fuel oil (Average Monthly Market Price) is sustained at less than \$10/barrel or greater than

\$28/barrel for seven consecutive months. As of December 1998, the Average Monthly Market Price for No. 6 oil had not exceeded these cost parameters; therefore, the FAC2 rate for the billing period of July through December 1999 is \$.00/kWh. Responses to Interrogatories EL-30 and 31.

1. UI Costs Related to Past Nuclear Outages

UI has an ownership interest in CY and Millstone Point Unit III (MP3) nuclear power facilities, which are operated by Northeast Utilities (NU). In 1997, UI's ratepayers funded an estimated \$3.4 million of replacement power costs (RPC) related to the then ongoing outages at the MP3 and CY nuclear power facilities. At that time, based on the nature of the plant outages, UI stated that NU should reimburse UI for those RPCs. Docket No. 97-02-01, Public Hearing to Investigate Whether Charges or Credits Made Under the Fossil Fuel, Purchased Gas and/or Generation Utilization Adjustment Clauses Are Accurate for the Preceding Three Months as Filed by: The Connecticut Light And Power Company, Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company, The United Illuminating Company and Yankee Gas Services Company, Tr. 2/28/97, pp. 6-9. In the Decision dated July 2, 1997, in Docket No. 97-02-01, the Department directed UI to keep it apprised of the negotiations with NU regarding this matter. Decision, p. 4. Pursuant to Order No. 1 of the Decision in Docket No. 97-02-01, UI has made filings regarding this subject.

UI will be required to provide an additional update regarding these negotiations.

B. CL&P

1. Decontamination and Decommissioning

The Company seeks recovery of \$18,322,000 of decontamination and decommissioning (D&D) costs through the EAC. EAC Filing, pp. 3, 85-90; Response to Interrogatory EL-6; Tr. 10/15/99, p. 71.

In the Rate Case, the Company requested that its base rate fuel revenue rate (BRFR) include \$22.3 million representing the unrecovered balance of D&D as of December 31, 1998. According to CL&P, the \$22.3 million reflected costs incurred by the Company but not reimbursed by ratepayers due to the Company's nuclear units being off line. Rate Case, Schedule WPC-3.1, pp. 12-15; Mahoney PFT, p. 8; Rate Case Decision, p. 93.

In the Rate Case proceeding the Company stated;

Since 1996, CL&P has continued to make payments to the DOE for D&D, but because the Millstone units have not been operating, CL&P has not recovered its DOE payments from customers. Consequently, CL&P is proposing in this filing to amortize in 1999 the accumulated unrecovered balance as of December 31, 1998, in the amount of \$22.3 million. In addition, CL&P is proposing to change the current recovery method approved by the Department in Docket No. 92-11-11, to the FERC approved method beginning with the October 1998 assessment. As a result, these proposed changes represent a \$22.9 million increase in the 1999 forecast over levels produced by the current recovery method. Docket No. 98-01-02, Mahoney PFT, p. 8.¹

In the Rate Case Decision the Department concluded that D&D costs had been recovered through CL&P's base rates and therefore, the costs were recovered despite the nuclear units being off line. Rate Case Decision, p. 94. As a result, the Department denied CL&P's request to recover past D&D costs while those nuclear units remained in base rates. However, the Department found that it was reasonable to allow CL&P to recover D&D costs incurred while MP2 and 3 were removed from the Company's rate base. Id.

In addition, in the Rate Case Decision the Department approved CL&P's proposal to change the recovery mechanism for its D&D expense on a going forward basis from the Fuel Burn to the FERC Method. Rate Case Decision, pp. 92-95. The Fuel Burn Method added D&D to the cost of each nuclear fuel load and amortized the cost as the fuel was burned. The FERC Method amortizes actual amounts paid to DOE over the 12 months subsequent to each payment period. The use of the FERC Method became effective with the October 1998 assessment. Id. Based on the evidence presented in the Rate Case, the Department concluded that, consistent with past practice, current recovery of D&D costs (i.e., recovery through the rates that became effective September 27, 1998) was embedded in the BRFR rate. Rate Case Decision, pp. 92-95.

After a detailed review of the Rate Case Decision, CL&P found that the \$22.3 million requested in the Rate Case was overstated and that it had not included current D&D costs in its base rates. Tr. 10/15/99, pp. 73-78; Response to Interrogatory EL-6. Since the Department disallowed the entire \$22.3 million, CL&P believes it is entitled to recover any difference. CL&P states that if its current request to recover D&D is denied, it may seek recovery through its stranded cost reconciliation. Tr. 10/15/99, p. 80.

The level of D&D sought for recovery in the instant proceeding reflects recovery of past and current D&D costs, including those associated with the out-of-rate-base treatment of MP2 and 3 during 1998. The Company's request for D&D costs can be broken into three components: \$13,751,000 that was unrecovered while the nuclear

¹ The Department took Administrative Notice in the instant docket of the response to Interrogatories OCC-265, 266, 267, 304, and 352, as well as the Mahoney PFT, p. 8 in Docket No. 98-01-02 Phase II. Tr. 10/15/99, p. 70.

units were off-line; \$1,240,092 that was unrecovered while the nuclear units were out of rate base; and \$3,331,000 of current costs. Baumann PFT, p. 6. In addition, CL&P states that its proposal reflects the FERC Method of D&D recovery as approved in the Rate Case Decision. The Company states that it must recover all its D&D costs through the EAC because, pursuant to the Rate Case Decision, in addition to disallowing recovery of past D&D costs, the Department removed current recovery of D&D costs from the calculation of the BRFR. Response to Interrogatory EL-3. Each component in discussed below.

The Company's request for unrecovered D&D was subject to extensive review in the Rate Case. The Company is attempting to relitigate the issue of recovery of D&D costs associated with the MP2 and 3 being off line, but in rate base, presented in the Rate Case. It is inappropriate to do so. Therefore, the Department reaffirms its ruling on this matter from the Rate Case and denies recovery of \$13,751,000.

In the Rate Case Decision, the Department concluded that CL&P did not recover D&D costs from its ratepayers while the Millstone Units were removed from the Company's rate base. As a result, the Department allowed CL&P to seek recovery of those costs through the EAC. Decision, p. 94. CL&P calculated that amount to be \$1,240,092. Response to Interrogatory EL-6; EAC filing, p. 90.

The following summarizes the D&D associated with the removal of the Millstone Units from rate base.

Month in 1998	Millstone Unit 1		Millstone Unit 2		Millstone Unit 3		Total
	Days*	D&D	Days*	D&D	Days*	D&D	
March	31	\$97,326					
April	30	\$94,187					
May	31	\$97,326	31	\$114,803			
June	30	\$94,187	30	\$111,100			
July	31	\$97,326	31	\$114,803	18	\$22,147	
Aug.	31	\$97,326	31	\$114,803			
Sept.	27	\$84,768	27	\$99,990			
Subtotal	211	\$662,446	150	\$555,499	18	\$22,147	<u>\$1,240,092</u>

*Days out of rate base

Source: Schedule DD-5, EAC filing, p. 90

Department review of this calculation finds it to be reasonable and therefore will allow recovery of \$1,240,092, through the EAC.

The Company included the total current annual D&D cost of \$3,331,000 in its calculation of the EAC. Generally, a level of D&D cost is included in the BRFR component of rates when base rates are established. However, the Company failed to include current recovery of D&D in the BRFR in Docket No. 98-01-02. EAC Filing, p. 85; Tr. 10/15/99, pp. 71-80. D&D is a current fuel cost. Rate Case Decision, p. 94.

Since the EAC is designed to adjust CL&P's total actual fuel cost to the fuel cost recovered through the BRFR, it is reasonable to include D&D in that adjustment.

The EAC is designed to adjust actual fuel costs for a recently concluded period. The Company paid \$3,331,000 in annual D&D costs in October 1999 and is amortizing this expense over a 12-month period. Therefore the monthly expense is \$277,583 (\$3,331,000/12). The EAC cost period under review in the instant proceeding comprises September 28, 1998, through February 28, 1999. Therefore, the total D&D cost that should be addressed for recovery through the EAC must reflect this period. That amount is \$1,452,686 (\$277,583 x 5 months and 7 days), and is the amount that will be considered in this proceeding.

The Company included the total annual D&D cost in its calculation of the EAC. Therefore, it is appropriate to reduce D&D costs by \$1,878,314 (\$3,331,000 - \$1,452,686). In addition, as discussed in Section III.4, Retroactive Period Adjustment, CL&P adjusted its fuel costs for September 28, 1998, through February 5, 1999 (Retroactive Period). Since D&D costs were incurred during that period, those costs were reflected, and therefore recovered, in the Retroactive Period adjustment. Therefore, D&D costs must be adjusted to avoid a double recovery for that period. Therefore, the Department reduces the \$1,452,686 by \$1,175,103 (\$277,583 x 4 months and 7 days). This results in allowed current D&D costs of \$277,583, essentially representing D&D for the month of February 1999.

In summary, CL&P's EAC has recovered approximately \$18,322,000 of D&D.² Therefore, based on the foregoing, CL&P's EAC was overstated by \$16,804,417 [\$18,322,000 - (\$1,240,092 + \$277,583)]. Because these revenues have been recovered through the EAC, the Company will be required to credit this amount, plus carrying costs, to ratepayers. The calculation of carrying costs will be subject to Department review at the time these funds are credited to ratepayers. This adjustment will be addressed in CL&P's next EAC filing, which reflects EAC billing for the period of January through June 2000.

In its oral arguments, the Company stated that it would seek recovery of ongoing D&D costs for the period after January 1, 2000, until the nuclear units are sold, as a stranded cost. All expenses for interim nuclear recovery, including fuel for 2000 and 2001, were set in the Decision dated, October 1, 1999, in Docket No. 99-03-36, DPUC Determination of The Connecticut Light and Power Company's Standard Offer, p. 54. The Company had ample opportunity to include D&D costs in its interim nuclear proposal in that proceeding, but it did not do so.

The Company will bear the risk of all costs and revenues over or under the amounts included in the income capitalization value. There will be no true-ups for interim nuclear costs of any kind.

² The actual amount will vary based on sales.

2. Connecticut Yankee Replacement Power Costs

CY was shut down in late July 1996 and subsequently retired on December 4, 1996. For purposes of calculating CY RPC, the Department identifies RPC by two time periods: costs incurred between July 1996 and December 4, 1996 (Pre-Retirement Period), and those incurred subsequent to the unit's retirement (Post-Retirement Period).

Pursuant to the October 3, 1996 Procedural Order (October Procedural Order) issued in Docket No. 96-08-01, Public Hearing to Investigate Whether Charges or Credits Made under the Fossil Fuel, Purchased Gas and/or Generation Utilization Adjustment Clauses Are Accurate for the Preceding Three Months as Filed by: The Connecticut Light And Power Company, Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company, The United Illuminating Company and Yankee Gas Services Company, CL&P was required to exclude from its then Fuel Adjustment Clause (FAC) all replacement power costs associated with the then ongoing outages at the four Connecticut nuclear power plants. Decision dated December 30, 1996, in Docket No. 96-08-01, p. 6; October Procedural Order. CY was one of the nuclear units identified in the October Procedural Order. Therefore, the October Procedural Order addressed CY RPC for the Pre-Retirement Period.

In the June 6, 1997 Procedural Order (June Procedural Order) issued in Docket No. 97-06-01, DPUC Periodic Review of The Connecticut Light and Power Company's Energy Adjustment Clause and The United Illuminating Company's Fuel Adjustment Clause, the Department suspended recovery of CY replacement power costs incurred after the December 4, 1996 retirement of CY pending a final decision by the Federal Energy Regulatory Commission (FERC) in Docket No. ER97-913-000, In the Matter of Connecticut Yankee Atomic Power Company.³ CL&P protested the Department's June Procedural Order and, on July 17, 1997, appealed it to the Connecticut Superior Court. Therefore, the June Procedural Order addressed CY RPC for the Post-Retirement Period.

In the Decision dated April 29, 1998, in Docket No. 92-11-11, Application of The Connecticut Light and Power Company to Amend Its Rate Schedule, the Department concluded that the rate impact associated with the deferred CY RPC could be significant should ratepayers become responsible for those costs. As a result, the Department required CL&P to accrue the revenue reduction associated with the removal of MP2 and 3 from rate base (MP Accrual) and, in the event that it becomes necessary, to apply that accrual against CY RPC. Decision in Docket No. 92-11-11, pp. 18 and 19. The Department also established a mechanism for applying the MP Accrual; requiring that it earn interest at CL&P's weighted cost of capital. Id. The accrual totals approximately \$79.2 million including interest. EAC Filing, p. 92.

Pursuant to a Memorandum Of Decision dated March 9, 1999, in Docket No. CV 98 0492697S, the Connecticut Superior Court vacated the October Procedural Order and required the Department to reopen Docket No. 97-06-01 to add CY RPC to CL&P's EAC. Memorandum Of Decision, p. 13.

³ The Department is an admitted party to this proceeding.

RPC incurred during the Pre-Retirement Period totals \$16.7 million, and does not include carrying costs. Late Filed Exhibit No. 2. To date, CL&P has not recovered this cost. CL&P is not seeking recovery at this time and has not decided whether to seek recovery in the future. Tr. 10/15/99, pp.58-60; Tr. 10/27/99, pp.131-133. Pre-Retirement Period RPC was not the subject of CL&P's appeal; therefore, the Memorandum Of Decision does not address it.

As a result of the October Procedural Order, CL&P has deferred approximately \$81.5 million of Post-Retirement Period CY RPC, which includes carrying costs. EAC Filing, p.93. This is the amount of CY RPC that is being addressed in the instant proceeding. EAC Filing, pp.92-96. As noted above, CL&P was directed to apply the MP Accrual against the CY RPC deferral. As a result of applying the accrual, CL&P's EAC includes net recovery of \$2.3 million. The following table details that adjustment.

<u>Millstone Accrual and CY Replacement Power Costs</u>					
	<u>Millstone 2 Accrual</u>	<u>Millstone 3 Accrual</u>	<u>Total Accrual</u>	<u>CY RPC</u>	<u>Difference</u>
Principal	\$68,748,932	\$7,354,096	\$76,103,028	\$71,043,507	
Interest	<u>\$2,588,386</u>	<u>\$533,835</u>	<u>\$3,122,221</u>	<u>\$10,511,350</u>	
Subtotal	\$71,337,318	\$7,887,931	\$79,225,249	\$81,554,857	<u>\$2,329,608</u>

Source: EAC Filing, p. 92.

The Department's review of this adjustment finds it to be reasonable. However, the FERC has not rendered a final ruling in Docket No. ER97-913-000 and the circumstances surrounding CY's retirement remain in question. The outcome of the FERC proceeding in that docket remains an important, relevant, and precedent condition for the Department's judicious application of Conn. Gen. Stat. § 16-19b regarding CL&P's recovery of CY replacement power costs. Therefore, the Department finds that it is in the public interest to delay a final ruling on the matter of CY RPC until the issuance of a final decision in Docket No. ER97-913-000. Therefore, recovery of CY RPC is subject to refund pending a final ruling on this matter by the FERC and subsequent ruling by the Department. In addition, CL&P's EAC is conditional pending the outcome of the Department's review of this matter.

3. Maine Yankee Replacement Power Costs

In the past, CL&P purchased a share of its electricity pursuant to a wholesale power contract with the Maine Yankee (MY) nuclear power facility. In 1997 CL&P incurred RPC for MY for several forced outages. On August 6, 1997, the owners of MY voted to retire the facility permanently. On November 5, 1997, MY petitioned FERC for decommissioning of the facility. Decision dated December 31, 1997, in Docket No. 97-06-01, pp. 5 and 6.

Pursuant to the Decision in Docket No. 97-06-01, the Department allowed CL&P to collect MY RPC for the 1996/1997 outages and costs incurred subsequent to MY's retirement on a current basis through the EAC. However, the Department did not approve final recovery of these costs. The Department stated that it would make a final

determination concerning MY RPC pursuant to Conn. Gen. Stat. §16-19b after the FERC issued a final decision in Docket No. ER98-570-000 In the Matter of Maine Yankee Atomic Power Company. Decision in Docket No. 97-06-01, p.5. Therefore, MY RPC recovered through the EAC has been subject to refund since the issuance of the Decision in Docket No. 97-06-01.

On June 1, 1999, FERC approved various settlement agreements filed among the parties in FERC Docket No. ER98-570-000 and terminated that proceeding. CL&P submitted FERC's letter ruling in that matter and the MY Settlement. Response to Interrogatory EL-1; Late Filed Exhibit No. 1-SP01.

Based on FERC's final decision in Docket No. ER98-570-000, the Department concludes that ratepayers are responsible for MY RPC incurred in 1996 and 1997 and subsequent to MY's retirement. MY's RPC for these periods has been recovered through the EAC; therefore, ratepayers have funded these costs and no further costs or refunds are necessary. Therefore, the issue regarding MY RPC is concluded.

CL&P indicates that it has received a payment in the amount of \$1,170,142 associated with the MY Settlement and that it has recorded this amount to a balance sheet account for future consideration. This payment is not related to MY RPC. The Company believes that this adjustment should be considered in the Competitive Transition Adjustment reconciliation process. The Company was uncertain as to whether this amount reflected the total payment to NU or only CL&P's share of NU's payment. Late Filed Exhibit No. 1; Tr. 10/27/99, pp.128-131.

In the Decision dated October 1, 1999, in Docket No. 99-03-36, DPUC Determination of The Connecticut Light and Power Company's Standard Offer, (Standard Offer Decision) the Department stated:

The Department allowed the entire \$77 million generation related regulatory asset for Maine Yankee (MY) to be recovered through stranded cost in the Stranded Cost Decision. As with CY, however, the Department stated that the costs submitted in that docket do not reflect FERC-approved rates and may need to be adjusted.

The Department approves CL&P's proposal to securitize the entire \$148 million MY regulatory asset in this docket, but will refine the amount approved to conform with the FERC-approved rates later, including any refunds.

Standard Offer Decision, p. 45.

The MY Settlement did not address RPC, which is the only cost issue germane to the EAC. Therefore, any other cost-related matters contained in the MY Settlement, such as the payment noted above, are more appropriately addressed in another forum.

4. Retroactive Period Adjustment

The Company proposes to adjust the EAC by approximately \$34.9 million to reflect an adjustment ordered in the Rate Case Decision. The Company proposes to apply a portion of the revenue reduction ordered in the Rate Case Decision to its fuel costs for the September 28, 1998, through February 4, 1999, period (Retroactive Period) and to suspend the operation of the EAC's annual incentive collar (Annual Collar) for this period. Baumann PFT, p. 5; EAC Filing, pp. 3 and 74-78.

The Rate Case Decision states:

[t]he Department will require the Company to apply a portion of the revenue reduction from the Retroactive Period to the calculation of the EAC so that the EAC rate, as calculated for the Retroactive Period will be zero. In addition, because the EAC is being calculated in hindsight, for the Retroactive Period, the Department believes it is in the best interest of the Company and its ratepayers to suspend operation of the Collar for the Retroactive Period. Operation of the Collar would resume effective the date of this Decision. Simply stated, because fuel costs are known, the EAC should not be billing a charge or credit for the Retroactive Period and the Company should be held harmless for costs above or below the BRFR for the Retroactive Period.

Rate Case Decision, p. 137.

In the Rate Case Decision, the Department increased CL&P's base rate fuel revenue value (BRFR) from \$.02185/kWh to \$.02697/kWh. This increase was retroactive from the date of the Rate Case Decision to September 28, 1998. Increasing the BRFR value, while setting it retroactively, created the potential for charges to ratepayers under the EAC and a disallowance under the Annual Collar. The Department directed CL&P to take steps to avoid these potential outcomes, concluding that it was appropriate to suspend operation of the EAC and the Annual Collar for the Retroactive Period. Rate Case Decision, pp. 86-103 and 135-137. The Department directed CL&P to adjust its amortization of regulatory assets to account for the approved EAC adjustment. Id.

This proposed adjustment reflects the difference between the fuel revenue CL&P would have recovered during the Retroactive Period at a BRFR of \$.02697/kWh and the fuel revenue CL&P actually recovered at a BRFR of \$.02185/kWh, adjusted for sales above/below those forecasted. EAC Filing, pp. 74-79. The \$34.9 million adjustment has been applied against the FAS 109 asset amortization. Response to Interrogatory EL-13. Department review of the Company's adjustment finds it to be reasonable and in compliance with the directives contained in the Rate Case Decision.

5. Capacity Factor Adjustment

Pursuant to the Decision dated December 30, 1998, in Docket No. 98-06-01, DPUC Periodic Review of The Connecticut Light and Power Company's Energy Adjustment Clause and The United Illuminating Company's Fuel Adjustment Clause,

CL&P was required to refund ratepayers approximately \$2.3 million related to a Department ordered adjustment to the nuclear capacity factors for CY and the MP2 and 3. The \$2.3 million was to be reconciled based on actual sales. Decision, pp. 5-7. CL&P adjusted the EAC by \$2,188,678, to account for this adjustment. EAC Filing, pp. 3 and 91. Department review of this adjustment finds that it complies with the directives contained in the Decision in Docket No. 98-06-01 and is reasonable.

6. Incentive Collar Adjustment

CL&P's EAC tariff includes an annual incentive collar (Annual Collar). The Annual Collar is a mechanism designed to apply equal incentives while limiting CL&P's total downside risk for changes in fuel cost. The Annual Collar was designed to apply \$4.5 million (one half of the \$9 million Annual Collar) in each six-month EAC cost period and to be trued up annually. CL&P proposes to reduce its EAC by \$12 million reflecting Annual Collar adjustments that were not made while CY RPC was being deferred. EAC Filing, pp. 3 and 91; Tr. 10/15/99, p. 106.

The Annual Collar allows CL&P to retain the first \$9 million in fuel costs savings while not allowing it to recover the first \$9 million in fuel costs that exceed base rate recovery. The Annual Collar has been adjusted while CY RPC was being deferred. The adjustments have been reviewed by the Department. See Decision dated December 31, 1997, in Docket No. 97-06-01, pp. 4 and 5. In that Decision the Department concluded that the Annual Collar will need to be adjusted further if CL&P is allowed to recover CY RPC from ratepayers. Id.

The Annual Collar compares CL&P's annual actual fuel cost to the total fuel cost embedded in base rates; the BRFR. If the actual fuel cost is less than the BRFR total, CL&P retains the first \$9 million annually. If the actual cost is greater than the BRFR total, CL&P will bear the first \$9 million of those costs.

CY RPC has been excluded from the calculation of the EAC since 1996. Had CY RPC been included, CL&P's average total fuel cost would have exceeded the BRFR amount and the Company would have had to bear a portion of the overage pursuant to the Annual Collar. However, CY RPC was not included in those EAC rates and the Annual Collar has been adjusted while CY RPC was being deferred.

The Department's review of the Company's calculation of Annual Collar adjustments has been ongoing. Decision dated December 31, 1997, in Docket No. 97-06-01, pp. 4 and 5; Decision dated June 24, 1998, in Docket No. 98-01-01, DPUC Periodic Review of The Connecticut Light and Power Company's Energy Adjustment Clause and The United Illuminating Company's Fuel Adjustment Clause, p. 5; Late Filed Exhibit No. 3 in Docket No. 99-01-01. The Company's adjustment in the instant proceeding summarizes these ongoing adjustments. Based on its review of this matter, the Department finds CL&P's Annual Collar adjustment to be reasonable. However, the Company did not apply carrying costs to the balance of this adjustment. Since the deferred CY RPC owed to CL&P incurred carrying costs, it is reasonable that the deferred Annual Collar amounts owed to ratepayers also include interest. Therefore, this adjustment will be addressed in the next EAC filing, which reflects EAC billing for the period of January through June 2000.

7. Buyout of the Hartford Hospital Cogeneration Facility

CL&P requested recovery of \$1.5 million associated with the termination of the Hartford Hospital/CCF-1 (CCF-1) cogeneration facility. EAC Filing, pp. 3 and 84.

Pursuant to the Decision dated February 18, 1998, in Docket No. 86-03-35, Joint Petition of CCF-1, Inc. and The Connecticut Light and Power Company for Contract Approval and Declaratory Rulings Re: Sale of Electricity to The Connecticut Light and Power Company, the Department approved the buyout of CCF-1 and authorized CL&P to recognize the CCF-1 termination payments (Termination Payments) as a cogeneration contract cost. CL&P was allowed to flow the Termination Payments and allowed transaction costs through the EAC beginning July 1, 1998. Id., p. 8.

Department review of the adjustment finds CL&P's request to recover CCF-1 Termination Payments of \$1.5 million to be reasonable.

8. Niantic Bay Fuel Trust Financing Costs

CL&P proposed a credit of \$1,290,000 reflecting an adjustment for costs associated with the Niantic Bay Fuel Trust (Trust) through its EAC. EAC Filing, p. 1.

In the Decision dated May 5, 1999, in Docket No. 99-01-01, DPUC Periodic Review of The Connecticut Light and Power Company's Energy Adjustment Clause and The United Illuminating Company's Fuel Adjustment Clause, CL&P was required to adjust its calculation of Trust financing costs to reflect the Rate Case Decision. Id., p. 5.

Department review of CL&P's Trust adjustment finds that it is reasonable and fulfills the directives contained in the Rate Case Decision.

IV. FINDINGS OF FACT

1. The Average Monthly Market Price for No. 6 oil has not exceeded UI's FAC2 tariff cost parameters.
2. D&D costs reflect recovery of past and current expenses.
3. The Fuel Burn Method added D&D to the cost of each nuclear fuel load and amortized the cost as the fuel was burned.
4. The Company's request for D&D recovery was subject to review in Docket No. 98-01-02.
5. CY was shut down in late July 1996 and was subsequently retired on December 4, 1996.
6. CL&P has deferred approximately \$81.5 million of CY RPC subsequent to the unit's retirement, including carrying costs.

7. CY RPC incurred prior to December 4, 1999, totals \$16.7 million, and does not include carrying costs.
8. In the past, CL&P purchased a share of its electricity pursuant to a wholesale power contract with MY.
9. CL&P has recovered MY RPC through the EAC.
10. On June 1, 1999, FERC approved various settlement agreements filed among the parties in FERC Docket No. ER98-570-000 and terminated that proceeding.
11. CL&P has received a payment of \$1,170,142, associated with the MY Settlement.
12. In the Rate Case Decision, the Department increased CL&P's BRFR from \$.02185/kWh to \$.02697/kWh.
13. CL&P's EAC tariff includes an Annual Collar.
14. The Annual Collar has been adjusted while CY RPC was being deferred.
15. CL&P is allowed to flow the CCF-1 Termination Payments through the EAC.

V. CONCLUSION AND ORDERS

A. CONCLUSION

CL&P's EAC filing for the billing period of January through June 2000 will be adjusted to reflect the D&D costs, plus carrying costs, as well as the amended Annual Collar adjustment as discussed herein. CL&P's Proposed EAC, as adjusted herein, is conditional pending a final ruling in FERC Docket No. ER97-913-000, and CY RPC remains subject to final Department approval pending a ruling in that FERC docket. CL&P's adjustments for the Retroactive Period, CY capacity factor, CCF-1 payment and Niantic Bay Fuel Trust are reasonable.

B. ORDERS

1. On or before February 10, 2000, UI must provide the Department with an update as to negotiations with NU as discussed in Section II.A.1.
2. On or before February 17, 2000, CL&P must submit the calculation of the D&D adjustment as discussed in Section II.B.1.
3. On or before February 17, 2000, CL&P must submit its calculation of the carrying cost for the Annual Collar adjustment as discussed in Section II.B.6.

DOCKET NO. 99-06-01 DPUC PERIODIC REVIEW OF THE CONNECTICUT LIGHT AND POWER COMPANY'S ENERGY ADJUSTMENT CLAUSE AND THE UNITED ILLUMINATING COMPANY'S FUEL ADJUSTMENT CLAUSE

DOCKET NO. 97-06-01RE01 DPUC PERIODIC REVIEW OF THE CONNECTICUT LIGHT AND POWER COMPANY'S ENERGY ADJUSTMENT CLAUSE AND THE UNITED ILLUMINATING COMPANY'S FUEL ADJUSTMENT CLAUSE – REMAND

This Decision is adopted by the following Commissioners:

Glenn Arthur

Donald W. Downes

John W. Betkoski, III

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

Louise E. Rickard
Acting Executive Secretary
Department of Public Utility Control

2/4/2000

Date