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**CONSUMER COUNSEL ANNOUNCES COMPREHENSIVE  
SETTLEMENT WITH GAS COMPANIES**

**Customers will receive over \$24 million in benefits**

Mary J. Healey, Consumer Counsel for the State of Connecticut, today announced that the Office of Consumer Counsel (OCC) entered into a settlement agreement with the Southern Connecticut Gas Company (Southern) and the Connecticut Natural Gas Corporation (CNG). The agreement proposes settlement of five open, contested dockets before the Department of Public Utility Control (DPUC) and two appeals pending before the Superior Court.

“The most important aspect of this agreement is that customers will see lower monthly gas bills,” Healey said. “This settlement reflects a fairly negotiated resolution of many difficult and complex issues. This is a win/win situation for Southern and CNG’s customers.”

The agreement, which is subject to review and approval by the DPUC, is a four-year settlement which provides for:

- \$6 million in rate relief for Southern customers;
- \$2 million in rate relief for CNG customers;
- \$8 million in write offs, by Southern, of contested gas costs, with Southern assuming all risk for non-recovery of the balance;
- \$2.5 million in reduction of deferred non-gas costs;
- Change in the DPUC approved earnings sharing mechanism to provide customers with more than \$3 million in additional sharing of overearnings;
- Removal of the 100 basis point overearnings dead band; which OCC believed to be contrary to law;

- Mitigation of approximately \$13.4 million from Southern in uncontested deferred gas costs;
- The right of OCC to seek downward rate adjustment in the event either company's ROE exceeds 15.6% for six months plus 125 Basis Points on a net sharing basis. All earnings in excess of 15.6% will be shared 75% going to customers.

“In all, Southern and CNG customers will enjoy a minimum of more than \$24 million in direct benefits during the term of this agreement, and the potential exists for even more savings” Healey said.

The settlement is the direct result of a DPUC order that the parties attempt to negotiate an agreement on four contested dockets involving Southern and OCC. During the negotiations, the parties agreed to include the two OCC appeals of a Department decision implementing an earnings sharing mechanism for both Southern and CNG, as well as a contested overearnings docket involving CNG. Southern and CNG are sister companies owned by Energy East Corporation.

“This global settlement avoids protracted and costly litigation the outcome of which is completely uncertain. It addresses important issues on an ongoing basis, and incorporates a number of positions OCC advocated in these contested matters,” Healey said.

“Some people will oppose this settlement claiming the old refrain ‘we could have gotten more.’ However, when the agreement is viewed in its entirety, and the settled issues are closely examined, I am confident the Department, and customers, will know that tremendous benefits have been obtained for ratepayers. I am proud of this agreement and the efforts of everyone involved, and urge the DPUC to promptly convene hearings to approve it quickly so ratepayers can immediately reap its benefits,” Healey concluded.

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