OFFICE OF
STATE TREASURER
DENISE L. NAPPIER

NEWS

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UTILITY CUSTOMERS, TRAVELERS AT BRADLEY AIRPORT, UCONN STUDENTS, TAXPAYERS WILL BENEFIT FROM $1.7 BILLION IN BONDS ISSUED IN MARCH BY TREASURER'S OFFICE

Treasurer's Office Concludes Highest One-Month of Debt Issuance in State History with Significant Savings for Connecticut Residents

(Hartford) -- The Office of the State Treasurer has concluded its busiest month in state history, participating in the issuance of more than $1.7 billion in debt with four specialized bond sales, saving Connecticut taxpayers, airport travelers and utility ratepayers nearly $333 million over the life of the bonds, and funding improvements at Bradley Airport, the University of Connecticut and the Connecticut Juvenile Training Facility.

The issues were $213 million of General Airport Revenue Bonds to fund the major terminal expansion at Bradley Airport, $100 million for the latest phase of the University of Connecticut's 10-year infrastructure renewal project, $1.44 billion in rate reduction bonds offered in conjunction with Northeast Utilities' CL&P and $19 million for an innovative fuel cell energy facility at the Connecticut Juvenile Training Facility in Middletown.

"In each case, we worked diligently to assure a fair price for bond purchasers and the greatest possible savings for taxpayers and ratepayers," said State Treasurer Denise L. Nappier. "While I firmly believe that Connecticut must begin to rein in the amount of debt that it issues, we will continue to meet our statutory obligations prudently and effectively. The success of the bond sales in March, in both retail and institutional investments, underscore that commitment. The completion of the Bradley Airport and the Rate Reduction Bonds sales in particular are the culmination of several years of work by this office in carefully structuring and launching these financings."

Both the Bradley Airport and UConn bonds had strong retail sales, with $63 million sold to individual investors in the UConn issue and $50 million in the Bradley Airport issue. The remainder were sold to institutional investors.

COMMITMENT KEPT TO INVOLVE STATE-BASED, WOMEN-OWNED, MINORITY-OWNED FIRMS

Nappier also noted that, following through on a commitment she made as a candidate for State Treasurer, Connecticut companies, emerging firms and businesses owned by women and minorities were given an opportunity to participate in the bond issues. The firms selected, including

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some that had never participated in a state bond issue before, provided services including bond counsel, underwriter, printing, underwriters counsel, financial advisor, verification agent and trustee. The firms included in the various March bond issues included businesses owned by women, African-Americans and Latinos, as well as Connecticut-based businesses.

“We will continue to maintain the highest standards of professionalism in selecting well-qualified vendors to work with,“ Nappier stressed. “At the same time, we are also committed to giving firms that have not played a role in the past the chance to participate. That includes Connecticut firms, new businesses, and businesses owned by women and minorities.”

One such firm, *Imagemaster Financial Publishing*, is a relatively new Hispanic-owned printing firm in Ann Arbor, Michigan. They were selected by the Treasurer to print all State bond offering documents as a result of an Request for Proposal (RFP) process. Their work on the utility rate reduction bond transaction impressed the utility's team so much that Northeast Utilities subsequently engaged *Imagemaster* to print their rate reduction bonds offering documents in Massachusetts and New Hampshire.

“Our work for the State of Connecticut gave us the exposure we needed to break into the corporate printing market,” said Albert Rodriguez, President of *Imagemaster*.

BRADLEY AIRPORT, UCONN BONDS

Bradley Airport is one of the nation's fastest growing airports with 17% growth last year. The $213 million General Airport Revenue Bonds were issued in two series, $194 million of 2001 Series A bonds to provide the new terminal funding and $19 million of 2001 Series B refunding bonds to refinance existing airport debt at lower interest rates. The interest cost on Bradley Airport Series A and B combined was 5.12%. Both series of bonds were issued pursuant to a new more flexible bond indenture designed to provide greater financial flexibility for the airport's management for years to come. The Bradley refunding bonds saved users of the airport **$2.8 million**.

The $100 million UConn transaction was issued to finance a variety of projects on the University campuses including the new School of Pharmacy, the renovation of the Business School, investments in Library collections and equipment and an addition to the music and drama facilities. This was the sixth sale of UConn General Obligation bonds that were authorized by the General Assembly to rebuild and restore the infrastructure at the University. The sale had an overall interest cost of 4.54%.

The UConn bonds were rated were rated AA, Aa2 and AA- from Standard & Poor's, Moody's Investors Service, and Fitch IBCA. The maturities were between 2002 and 2021. The Bradley Airport Revenue bonds were rated A, A and A3 from Standard & Poor, Fitch and Moody's, and were sold insured by FGIC with AAA ratings. The Bradley bonds offered maturities ranging from 2001 to 2031. The final Official Statement for the Bradley Airport bonds included a special tribute to Robert Juliano, Bureau Chief of the State Department of Transportation's Bureau of Aviation and Ports, who died of a heart attack on the day the Preliminary Official Statement was mailed, March 1, 2001.

CONNECTICUT JUVENILE TRAINING FACILITY BONDS

The $19 million financing for the new fuel cell plant at the State's new Connecticut Juvenile Training Facility in Middletown was structured using Certificates of Participation backed by state lease payments. The bonds were rated A+ from Standard & Poors. This project is the largest

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single installation of grid-connected fuel cells in the country. Fuel cells combine hydrogen fuel and oxygen in an electrochemical process to produce electricity, heat and hot water with low emissions. The interest cost on the bonds was 5.13% with maturities from 2002 to 2030. The involvement of the Treasurer's Office in structuring the financing saved taxpayers about **$5 million** (over the 30 year life of the bonds) over the financing method initially offered by the project developer.

UTILITY RATE REDUCTION BONDS

The sale of nearly $1.44 billion of AAA-rated electric Rate Reduction Bonds -- the first of its kind in Connecticut – was completed by the Treasurer's Office and Connecticut Light and Power Company (CL&P) on March 30. The Treasurer's Office was very involved in every step of the rate reduction bond transaction – over 18 months -- to ensure the transaction was structured and executed at the lowest cost to Connecticut ratepayers.

The bonds achieved one of the lowest interest rates of any Rate Reduction Bond (RRB) transaction in the nation to date both in terms of total rate levels and as compared to current market benchmarks. CL&P customers are expected to save approximately **$274 million** over the next 10 years because of the issuance of the Rate Reduction Bonds. The average interest cost on the bonds, which vary in length from approximately one to 10 years, was 5.95 percent. The bonds received a very strong response from institutional investors, following formal presentations led by the Treasurer's Office in the weeks prior to the sale.

In addition to the savings to ratepayers from the sale of the bonds, actions initiated by the Treasurer's Office related to the structuring of the issue and setting the levels of initial and ongoing transaction costs will save Connecticut ratepayers at least **$51 million** over the ten-year life of the bonds.

"The Treasurer's Office was actively involved, working closely with Northeast Utilities, to ensure that the terms and conditions of the sale provided the greatest possible savings for ratepayers and that every effort was made to market these bonds in a prudent and effective manner. These goals have been achieved, and we are extremely pleased with both the response and the result," Nappier said.

The sale of rate reduction bonds was permitted in the electric utility restructuring legislation that was passed by the Connecticut Legislature in April 1998. Nearly $1.03 billion of the proceeds will be used by CL&P to buy out or buy down 15 long-term contracts with independent power production plants (IPPs) in the State of Connecticut. Those contracts were signed and approved by state utility regulators in the 1980s when future energy prices were assumed to be much higher than they turned out to be. As a result, CL&P has been paying plant owners well above the current market prices for electricity in New England and billing those costs to CL&P customers. The balance of the proceeds will be used primarily to reduce CL&P's own financing of its stranded costs that are charged to customers.

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