



## **CONNECTICUT UTILITY CUSTOMERS TO RECEIVE BENEFITS OF LOWER FEDERAL INCOME TAX EXPENSES**

As a result of the Tax Cut and Jobs Act (“TCJA”), federal corporate income tax expenses were reduced significantly beginning on January 1, 2018. In a decision rendered on Wednesday, January 23, 2019, by the Public Utilities Regulatory Authority (“PURA”), Connecticut’s utility ratepayers will receive the benefit of the reduced federally income expenses back to January 1, 2018. If a Connecticut utility did not have a rate case decided in 2018 where the rates included the impact of the TCJA or an approved rate Settlement Agreement that included a provision to deal with the impact of tax law changes, PURA ordered that all the state’s utility companies account for the tax reduction by creating a regulatory liability account to set aside the tax savings so that they can be utilized to benefit customers in each utility’s next rate case proceeding.

OCC estimates that the Decision on the TCJA will benefit ratepayers by approximately \$95 million annually. The current rates of Connecticut Light & Power, Yankee Gas, Connecticut Natural Gas and Connecticut Water already reflect the impacts of the TCJA. United Illuminating, Southern Connecticut Gas, Aquarion Water, and the state’s smaller water companies will defer the benefit of the reduced taxes until their next rate cases.

OCC estimates the impact of what PURA’s Decision means for the customers of the state’s major utility companies:

**Eversource/CL&P:** PURA approved a Settlement Agreement between Eversource, the Office of Consumer Counsel (OCC) and the Prosecutorial Staff of PURA (PRO) for rates effective April 1, 2018 that contained approximately \$55 million in reduced federal income taxes associated with the TCJA. We estimate that this reduced the average Residential electric bill for CL&P/Eversource customers by approximately \$2.00 per month and the average Business (Commercial) customer by approximately \$15.00 per month.

**Yankee Gas/Eversource:** PURA approved a Settlement Agreement between Yankee Gas, the Office of Consumer Counsel (OCC) and the Prosecutorial Staff of PURA (PRO) for rates effective November 15, 2018 that contained approximately \$8.7 million in reduced federal income taxes associated with the TCJA. We estimate that this reduced the average Residential gas bill for Yankee Gas customers by approximately \$2.25 per month.

**United Illuminating:** PURA required UI to defer about \$13.75 million (plus interest) annually, until the company's next rate case, associated with reduced federal income taxes associated with the TCJA. These future credits when applied could reduce future bills for the average residential customer by about \$3.50 per month and the average Business (Commercial) customer by approximately \$25.00 per month.

**Connecticut Natural Gas:** PURA approved a Settlement Agreement between CNG, the OCC and PRO for rates effective January 1, 2019 approximately \$4 million in reduced federal income taxes associated with the TCJA. We estimate that this reduced the average Residential gas bill for CNG customers by approximately \$1.18 per month.

**Southern Connecticut Gas:** Consistent with a prior settlement agreement, SCG is required to defer the federal income tax savings until the company's next rate case. We estimate these as approximately \$5.5 million annually. These future credits when applied could reduce future bills for the average residential customer by about \$1.50 per month.

**Aquarion Water Company:** PURA required AWC to defer about \$4 million annually, until the company's next rate case, associated with reduced federal income taxes associated with the TCJA. These future credits when applied could reduce future bills for the average residential customer by about \$2.75 per quarter.

**Connecticut Water Company:** In August 2018, PURA approved a settlement agreement between the Connecticut Water Company and the OCC, that included an offset to rates of approximately \$1.5 million for reduced income tax expenses associated with the TCJA. We estimate this reduced the average residential bill by \$3.00 per quarter.



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