



OCC Sheds Light on the Process and Details of a Rate Case

The Office of Consumer Counsel (OCC) anticipates that in the next two years, numerous electric and natural gas utility rate cases will be filed with the Public Utilities Regulatory Authority (PURA). Although there have been some rate cases of late for water utilities and peaking power plants, there has been a lull in rate case activity for the past few years, in part due to the recession. In the meantime, OCC has worked extensively on other tasks, including legislative advocacy, participation in storm and emergency planning proceedings before PURA, merger proceedings, energy efficiency plans and proceedings, promoting broadband deployment, and many other tasks.

Representing the customer interests in cases where utilities are seeking a rate increase, is, however, OCC's original function and remains a core function of our small agency. An agency like ours has been created by Connecticut and many other states, by statute, in recognition of the complexities of the utility ratemaking process. Indeed, utility ratemaking is a whole field of study, involving accounting, infrastructure, engineering, finance, communications, and social policy, among other disciplines. Contrary to what you may occasionally read, utility rates cannot be boiled down to one number. Even if one were to know the exact size of a rate increase that a utility might receive after a rate case (and you don't actually find out until the end), there would still be issues around payment responsibility, which issues are generally called "rate design." For example, do industrial customers get hit with more of the increase, or do residential customers absorb more of it? Should you pay less per unit for the more units you use, like you would for a volume discount for a typical retail product, or should you pay more per unit as you use more units, to encourage efficient use? Who should take the risk of non-completion or cost overruns for a new and sizable infrastructure development—the utility, ratepayers, or some of each? All of these issues impact utility ratemaking. It is PURA's job to decide utility rate cases and OCC's job to advocate for the utility customers in those cases.

Some of the issues that are discussed in a utility rate case include:

- (a) Rates of depreciation of utility infrastructure, for accounting purposes;
- (b) Financial issues like the return on equity and the capital structure, including the debt/equity ratio;
- (c) Determining the working capital needs of the utility (reflecting, among other things, that utilities incur expenses before bills are paid by customers);
- (d) Issues of whether a disallowance is warranted due to imprudent utility operation;



- (e) Veracity of cost estimates;
- (f) Infrastructure proposals;
- (g) Income and Property tax issues;
- (h) Deciding whether to allow recovery of certain extraordinary costs incurred after the previous rate case (so-called “deferrals”);
- (i) Deciding on the financial responsibility for covering insufficient payments by certain customers (so-called “uncollectible accounts”);
- (j) Pension and health care costs for utility workers;
- (k) Utility incentive bonus programs; and
- (l) A plethora of rate design issues.

You can see from the number of issues why it takes about 6 months to evaluate a rate increase request from a major utility like an electric or gas utility. OCC wanted to share this information to better inform the public as to the process and scope of utility rate proceedings, but does not want the reader to feel intimidated about expressing a viewpoint on utilities or utility rates. OCC encourages the public to send comments to PURA in utility rate proceedings or other proceedings whenever you have an interest. Whether you think a rate increase is going to impact your household excessively, or when you think your utility is doing a great job, or you have an environmental or local interest, or to express any other concern or input, you should file comments with PURA and feel free to also contact OCC. If you know that your comments relate to a specific proceeding, you should include the name of the proceeding and/or the docket number in your letter or e-mail. Docket Numbers are in the following form: a 2013 docket number will be 13-XX-YY, with the “13” representing 2013, the “XX” being the month of the original filing that led to the docket opening, and the “YY” being a number assigned on the date of filing.

To send public comments to PURA, write to Mrs. Kimberly Santopietro, Public Utilities Regulatory Authority, New Britain, CT 06051, or e-mail at dpuc.information@po.state.ct.us. Remember to include the relevant docket numbers and case names if you have them. The general phone line at PURA is (860)827-1553, and their website is at www.ct.gov/pura.

To contact OCC, write to Office of Consumer Counsel, 10 Franklin Square, New Britain, CT 06051-2605, or e-mail us at occ.info@ct.gov, or phone us at (860)827-2900. Our website is at www.ct.gov/occ.