



GEORGE JEPSEN
ATTORNEY GENERAL

STATE OF CONNECTICUT



ELIN SWANSON KATZ
CONSUMER COUNSEL

Consumer Counsel Katz, AG Jepsen: Settlement to Provide \$29 Million in Refunds to Aquarion Water Company Customers

For immediate release

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HARTFORD – Due to changes in the federal Internal Revenue Service’s (IRS) accounting regulations, Aquarion Water Company of Connecticut (Aquarion) stands to recover approximately \$29 million for taxes paid since 2007 and, under a settlement agreement finalized today, the company will refund those dollars to its customers over a three-year period, Consumer Counsel Elin Swanson Katz and Attorney General George Jepsen announced.

Under the settlement, Aquarion will provide a credit to its customers on water bills for the total income tax refund, and the company agreed that it would not apply for a general rate increase to go into effect prior to October 2017. Consumers would begin receiving credits on their bills in January 2015. Customers will see their bills decrease by approximately 5.6 percent.

The Company also agreed to delay the planned Water Infrastructure and Conservation Adjustment (WICA) filing from April 1, 2014, to October 1, 2014. While the Company agreed to delay recovering the WICA surcharge, it will continue to invest in its infrastructure replacement program.

The agreement was filed with the state Public Utilities Regulatory Authority (PURA) late yesterday and must receive the regulators’ approval in order to take effect.

“This is a very positive result for Aquarion’s customers,” said Consumer Counsel Katz. “They will see nearly \$10 million in bill credits annually over the next three years, which will make a noticeable difference in customer’s bills. I am very pleased that we have been able to work together with the Attorney General’s Office and Aquarion to reduce bills for these customers, and I credit my staff and the Attorney General’s for pursuing this complex issue, and Aquarion for working with us.”

“I commend Aquarion for coming forward to resolve this tax issue that was initially brought out last year in the Company’s rate proceeding. This resolution not only provides consumers sizeable rate relief over the next three years, but will reduce income tax expenses in future rate cases,” said Attorney General Jepsen. “Ratepayers fund capital expenses, like infrastructure maintenance and repair, and ultimately ratepayers should be the beneficiaries of changes in federal regulations that lead to savings. This is an excellent settlement for Aquarion customers who will not only see a reduction to their bill but also will see stability in their water rates for the near future.”

In September 2013, the IRS issued final and re-proposed tangible property regulations, which allow businesses – including Connecticut’s public service companies – to adopt an alternative method of



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determining how capital expenditures can be treated for federal tax purposes. The IRS now allows certain qualified capital spending associated with the repair and maintenance of a utility plant to be deducted as an expense, rather than capitalized for tax purposes. The regulations further allow the companies to “reach back” for all taxes paid for a number of years.

OCC Supervisor of Technical Analysis Richard Sobolewski, Staff Attorney Victoria Hackett and Utilities Examiner Dave Thompson are assisting the Consumer Counsel with this matter. Assistant Attorneys General John Wright and Michael Wertheimer, with Associate Attorney General Joseph Rubin, are assisting the Attorney General with this matter.

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Contact:

Office of Consumer Counsel:
Richard Sobolewski
richard.sobolewski@ct.gov
860-827-2910 (office)

Office of the Attorney General:
Jaclyn M. Falkowski
jaclyn.falkowski@ct.gov
860-808-5324 (office)
860-655-3903 (cell)