



GEORGE JEPSEN
ATTORNEY GENERAL

STATE OF CONNECTICUT



ELIN SWANSON KATZ
CONSUMER COUNSEL

Consumer Counsel Katz, AG Jepsen: Agreement Provides \$10 Million in Refunds to Connecticut Water Co. Customers

Petition regulators to investigate response of other state utilities to IRS changes

For immediate release

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HARTFORD – Due to changes in the federal Internal Revenue Service’s (IRS) accounting regulations, Connecticut Water Co. stands to recover approximately \$10 million for taxes paid since 2010 and, under a settlement agreement finalized today, the company will refund those dollars to its customers over a two-year period, Consumer Counsel Elin Swanson Katz and Attorney General George Jepsen announced.

Under the settlement, Connecticut Water will provide a credit to its customers on water bills for the total tax refund, and the company agreed that it would not apply for a general rate increase to go into effect prior to October 2015. Consumers would begin receiving credits on their bills in April 2014. The average residential customer will see their bill decrease by approximately 6 percent.

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

The Consumer Counsel and Attorney General have also filed a joint petition with PURA asking for an investigation into the response of other public utility companies in operation in Connecticut to these IRS changes. They argue that these accounting changes may substantially reduce federal tax liabilities for these companies and that PURA should investigate to ensure that the companies are taking the appropriate steps to provide ratepayers with the benefits of lower tax liabilities.

Consumer Counsel Katz and Attorney General Jepsen have further asked PURA to address this issue in several rate proceedings currently before the regulators, including proceedings involving the Aquarion Water Company, Connecticut Light & Power and United Illuminating.

“This is a real win for Connecticut Water’s customers,” said Consumer Counsel Katz. “They will save millions on their bills because of the company’s proactive efforts to address this new tax law. We could also see millions more in savings for other utility customers, as we consider the implications of this new tax law for each of our gas, water, and electric utilities. In a time of ever increasing demands on utility customers’ wallets, I am very pleased that we have been able to work together with the Attorney General’s Office and Connecticut Water to reduce bills for these customers, and I look forward to discussions with the rest of Connecticut’s utility companies on these issues.”



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“I commend Connecticut Water for voluntarily coming forward and providing this consumer relief without being ordered to do so. I also thank the Office of Consumer Counsel for its work and partnership in this matter,” 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 Connecticut Water 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 March 2012, the IRS issued Revenue Procedures 2012-2019 and 2012-2020, which allow businesses – including Connecticut’s public service companies – to adopt an alternative method of 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 after January 1, 2010.

“The potential tax savings for Connecticut’s regulated utilities as a result of these changes is substantial,” Consumer Counsel Katz and Attorney General Jepsen wrote in their petition, “and those savings should benefit Connecticut utility customers.”

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.

[Please click here to view the agreement with Connecticut Water.](#)

[Please click here to view the Joint Petition to PURA.](#)

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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



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ATTORNEY GENERAL

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ELIN SWANSON KATZ
CONSUMER COUNSEL

860-808-5324 (office)
860-655-3903 (cell)