



STATE OF CONNECTICUT



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Regulators Approve Connecticut Water Settlement; \$10 Million Tax Refund Will Reduce Rates Charged to Customers

For immediate release

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HARTFORD – Attorney General George Jepsen and Consumer Counsel Elin Swanson Katz said rates charged to Connecticut Water Co. customers will be reduced by an estimated 6.4 percent beginning April 1, 2014, because state regulators have approved a negotiated settlement with the utility.

The decision by state Public Utilities Regulatory Authority late Friday means that Connecticut Water customers will be credited approximately \$10 million in refunds the company expects from the federal Internal Revenue Service (IRS) as a result of a recent clarification of the repair tax deduction credit (RTDC).

The Attorney General and Consumer Counsel negotiated the settlement with the company. Under its terms, Connecticut Water also agreed not to seek a general rate increase until 2015 at the earliest and to delay until July 2014 a rate adjustment for infrastructure and conservation improvements.

“This settlement is a fair compromise that will lower bills for Connecticut Water’s 90,000 customers and stabilize rates for the near future,” said Attorney General Jepsen. The exact amount of the reduction won’t be known until early next year.

Consumer Counsel Katz said she and the Attorney General have also asked PURA to investigate use of possible tax refunds from the RTDC on other public utility companies, such as Aquarion Water Company, Connecticut Light & Power Co. and United Illuminating.

“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,” said Consumer Counsel Katz. “I look forward to discussions with the rest of Connecticut’s utility companies on these issues.”

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



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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 three years. Based on Connecticut Water’s adoption for 2012, the company can reach back to federal income taxes paid for the periods beginning January 1, 2010.

The \$10 million to be credited to Connecticut Water customers represents the federal income taxes paid by the company between 2010 and 2012.

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.

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