



OCC Recommends Rate Decrease for Connecticut Natural Gas (CNG) Customers

In a Brief filed with the Public Utilities Regulatory Authority (PURA) on November 15th and Reply Brief of November 23rd, the Office of Consumer Counsel (OCC) recommended that, rather than the approximate \$19.7 million rate increase proposed by the Connecticut Natural Gas Corporation (CNG or Company), ratepayers' bills should be reduced by \$17.3 million annually.

CNG's rate application identified increased capital expenditures associated with accelerated infrastructure replacement, system expansion and new customer growth, as well as reduced use per customer, as some of the driving forces for its proposed rate increase. OCC, however, drew attention to the fact that UIL Holdings' acquisition of CNG has had significant influence on the rate increase sought by CNG. Rather than creating the potential "efficiencies with respect to shared services" anticipated by UIL Holdings in its filings before PURA regarding the acquisition, CNG's rate filing included increased corporate cost allocations and other costs, with increased annual revenue requirement of approximately \$29 million.

OCC's [Brief](#) and [Reply Brief](#) recommended the following areas of adjustment:

- The Company's request for a return on equity of 10.25% is excessive and should be reduced to 8.80%.
- CNG's revised *pro forma* operating and maintenance and tax expenses are overstated and excessive, and should be reduced by at least \$5.9 million.
- The Company's depreciation study failed to provide support for its proposed life and net salvage parameters. As a result, *pro forma* depreciation expense should be reduced by \$6.307 million.
- CNG's *pro forma* construction program is excessive and not consistent with historical capital expenditure levels. The Company's rate year plant in-service should be reduced by \$36.5 million.
- All revenue requirement components of gas system expansion for new customers should be recovered, reconciled and trued-up annually through the System Expansion Rate mechanism, to reduce the impact on current customers.



- CNG's proposed Distribution Infrastructure Management Program (DIMP) cost recovery mechanism is not authorized by Connecticut statute. Without such authorization the proposed DIMP cost recovery mechanism would result in single-issue, retroactive ratemaking.
- CNG's forecasted normalized use per customer for the rate year of 102.1 Mcf is understated and, conservatively, should be set at 104 Mcf for 2014.

A Draft Decision is currently scheduled to be issued by PURA on December 23, 2013, with a Final Decision due by January 13, 2014.