



STATE OF CONNECTICUT NEWS RELEASE

Consumer Counsel Elin Swanson Katz

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Contact: Elin Swanson Katz

Elin.Katz@ct.gov

(860) 827-2910

Office of Consumer Counsel Successfully Negotiates \$27 Million Reduction to CNG's Rate Increase Request

NEW BRITAIN, Conn. (August 30, 2018) Consumer Counsel Elin Swanson Katz announced that the Office of Consumer Counsel (OCC) is today filing with the Public Utilities Regulatory Authority (PURA), for PURA's review and consideration, a Settlement Agreement reached with the Connecticut Natural Gas Corporation (CNG) in the PURA proceeding concerning CNG's distribution rate increase request (Docket No. 18-05-16). Also joining in the settlement is the Prosecutorial Staff of PURA ("PRO"), which consists of PURA staff members designated by PURA to assist as a party to the settlement process.

In announcing the proposed settlement, Consumer Counsel Katz stated, "After two months of intense negotiations, I am pleased that we have been able to reduce CNG's rate increase by approximately \$27 million over the course of three years. While no rate increase is good news, our efforts mean that \$27 million remains in the pockets of CNG's customers. At the same time, we have ensured that CNG can continue to safely and reliably provide natural gas to our residents. Safety and reliability are important in every utility field, but truly paramount for natural gas, given the volatile nature of the substance and the hardships or potential catastrophes that could be created through winter shortages of natural gas."

Consumer Counsel Katz noted the efforts of both CNG and PRO to achieve the settlement, and thanked the OCC team for their hard work. She also noted that PURA must approve the settlement before it takes effect.

CNG is the natural gas utility for Hartford and surrounding towns as well as Greenwich, and it serves approximately 176,000 customers. CNG filed the rate increase request on June 29, 2018, and included a three-year rate plan. It stated that the rate increase was necessitated in part by significant capital investments that CNG has been making in its system to ensure reliability that are not yet reflected in rates. Rates have not been adjusted for CNG since 2014. In the meantime, CNG has been investing capital to modernize the liquefied natural gas ("LNG") plant in Rocky Hill, which provides a necessary local resource of gas to meet peak winter needs, and has also been replacing older leak-prone pipes through the Distribution Integrity Management Program. CNG also sought funds to enhance its Geographic Information System to more efficiently locate underground service lines and attributes, which will help reduce work delays, promote outage response, and improve safety by locating at-risk pipe.

CNG initially requested the following rate increase:

YEAR	2019	2020	2021	Total Additional Revenue Collected, 2019-21
Cumulative Increase	\$16,564,000	\$26,662,000	\$27,785,000	\$71,011,000

However, the negotiated settlement would set the rate increase to lower levels, as follows:

YEAR	2019	2020	2021	Total Additional Revenue Collected, 2019-21
Cumulative Increase	\$9,907,000	\$14,535,000	\$19,747,000	\$44,189,000

Overall, the settlement proposal, if approved by PURA, would achieve the following levels of reductions from CNG's rate increase request:

YEAR	2019	2020	2021	Total Reduction Achieved through Settlement, 2019-21
Settlement Reduction to Original Rate Request	(\$6,657,000)	(\$12,127,000)	(\$8,038,000)	(\$26,822,000)

Thus, OCC and PRO were able to negotiate a cumulative \$26.8 million *reduction* to CNG's rate increase request over the course of the three-year rate plan.

The impact on a typical-usage, residential heating customer from the rate increase at the lower, settled figures, also taking into account a \$1.25 million merger credit previously agreed to by CNG as part of the UIL Holdings/Iberdrola merger proceeding before PURA, is estimated at \$2.60 per month in 2019, \$3.91 per month in 2020 and \$5.33 per month in 2021, in comparison to current 2018 bills. These figures of course relate only to the natural gas distribution system. Natural gas bills may also rise or fall based on the cost of the natural gas itself.

A few other items of note discussed in the settlement:

- The return on equity (“ROE”) in the settlement is set at 9.30%, well below the 10.2% sought by CNG in their application and a small increment above the 9.18% ROE set by PURA in 2014;
- To ensure appropriate workforce training for the future, CNG will implement an Apprentice Helper Resource Plan consisting of six (6) employees;
- CNG had already agreed to provide to customers 100% of the tax reduction authorized by the 2017 federal Tax Act, which reduced applicable rates from 35% down to 21%; and
- CNG has agreed to implement a \$1.5 million annual hardship grant program, beginning in 2020, which will, along with existing programs, assist customers with economic hardships in getting back on track after an arrearage develops.

With the filing of the proposed settlement, PURA will now conduct a review and hearings to confirm that the settlement will indeed lead to a just and reasonable outcome for CNG’s rates. OCC would expect that such PURA review should be completed in November or perhaps earlier, with the new rates slated to go into effect January 1, 2018.

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The Office of Consumer Counsel (OCC) is the State of Connecticut’s advocate for consumers on issues relating to electricity, natural gas, water, and telecommunications. For more information, visit www.ct.gov/occ.