

# SECTION 1: RATE CASE UPDATES

One of the core functions of PURA is regulating the distribution rates of Connecticut's investor-owned electric, natural gas, and water utility companies. These companies are granted monopoly franchise rights over the distribution and delivery infrastructure of their respective services because they are considered to have the characteristics of a natural monopolies. As a result, the role of the regulator is to serve as a proxy for the forces of competition to balance this monopoly control and ensure that the companies provide safe, adequate, and reliable service to customers at affordable rates. Specifically, PURA regulates the rates utilities charge customers to recover the costs of owning and maintaining distribution infrastructure; while the cost of energy supply is instead a product of the New England regional wholesale market, which is regulated by the Federal Energy Regulatory Commission.

In order to amend its distribution rates, a utility company must file a detailed application with the Authority. PURA is statutorily charged with conducting an adjudicated proceeding to investigate any rate application. This investigation is called a "rate case" and is one of the core functions of the Authority. Connecticut law requires PURA to conduct a rate case for public service companies at certain intervals and within a certain amount of time. After receiving a rate application, PURA has 270 days to complete a rate case proceeding for water companies, and 350 days for electric and gas companies.

During each rate case, PURA's objective is to determine whether the rates proposed by the utility are just, necessary to meet reliability and safety standards, and reasonable, though, by law, it is the company's responsibility to prove that its proposed rates are just and reasonable.[1] Notably, this responsibility requires the company to provide more than mere assertions or documentation of expenses. Rather, the

company must provide credible and sufficient evidence and clear explanations that demonstrate that the proposed rate change is just and reasonable and that the costs arise from prudent and efficient management of the utility. The Authority is obligated to deny any portion of the company's request that is not proven to be just and reasonable, or is more than sufficient. Indeed, it is only in demonstrating that a requested rate is just and reasonable that the Authority can ensure that the public interest is protected as required by General Statutes § 16-19e.

Authority staff with expertise in accounting, finance, utility regulation, engineering, economics, and policy scrutinize the evidence provided by the company, starting with its proposed rate base. A utility's rate base includes the facilities, infrastructure, and other capital investments made by the utilities to supply safe, reliable, and cost-effective service to customers. Utilities finance these investments through a mixture of debt and equity, and then seek to recover these investments through rates paid by ratepayers. The Authority conducts a prudence review by analyzing the evidence provided by the utility and other parties to the rate case proceeding to ensure that all costs included in the rate base are reasonable. Specifically, the Authority carefully reviews all relevant filings, conducts public cross examination of technical experts and other witnesses in hearings, issues interrogatories (i.e., written questions directed at specific parties) in advance of those hearings, audits the financial reports filed by the companies, and reviews public comment.

In addition to recovering their rate base, utilities are also afforded the opportunity to earn a specified rate of return (ROE) on prudent investments through rates, as dictated by long-standing U.S. Supreme Court precedent.[2] The ROE is set by examining several factors including current economic and market conditions, analytical models and cost of equity capital methodologies, ROEs of similar companies in other jurisdictions, and the company's financial risk and credit rating.

The Authority then multiplies the rate base by the ROE and adds in any operations and maintenance expenses to determine the annual revenue for the utility, called the revenue requirement. The revenue requirement is what the utility is allowed to recover through various charges on customer bills. These charges can take various forms, including fixed customer charges (e.g., \$/customer), demand charges (e.g., \$/kW measured in a particular period), and volumetric charges (e.g. \$/kWh).

## Revenue Decoupling

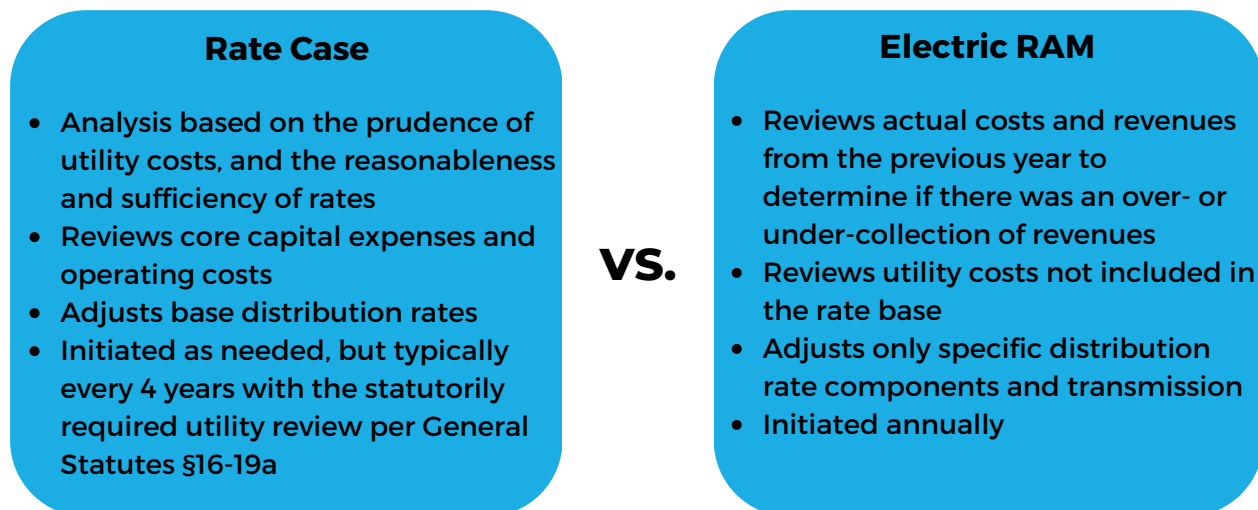
Any under- or over-collection of a utility's approved annual revenue requirement is subject to reconciliation pursuant to the state's revenue decoupling law. Decoupling ensures that the utility receives its annual revenue requirement, regardless of its annual sales. As such, decoupling disconnects utility revenue from consumption, thereby creating incentive for conservation efforts and other measures that reduce sales.

For electric and gas utilities, the reconciling rate component is known as the revenue decoupling mechanism (RDM). For water utilities, the reconciling rate component is known as the revenue adjustment mechanism (RAM, though, not to be confused with an electric rate adjustment mechanism described further below). The Authority reviews and compares a utility's revenue each year with its approved revenue requirement and authorizes a charge or credit, as appropriate, through the RDM or RAM, as applicable, to reconcile any difference from the preceding year. The charge or credit is applied for one year.

## Rate Cases vs. Electric Rate Adjustment Mechanisms (RAM)

The Authority also reviews rates recovered through additional cost recovery mechanisms. For electric and gas utilities, this includes a review of the charges related to the supply through the standard service and last resort offer for electric customers and the purchased gas adjustment for gas customers. For electric utilities this also includes a review of transmission and additional distribution-related charges through the annual rate adjustment mechanisms (RAM). Whereas a rate case is used to determine the expected revenue requirement a utility needs to recover the cost of providing safe and reliable distribution service, the electric RAM is used to recover and reconcile costs not included in base distribution rates. Included in the electric RAM for example are costs or revenues associated with clean energy programs directed by statute, arrearage management programs, and transmission costs, among other costs. These costs are reconciled on an annual basis and charged to customers through separate rate components that are included on the delivery side of customers' monthly bills.

### Figure 2: Understanding Rate Cases vs. Electric RAM Proceedings



Ultimately, rate cases and rate adjustments are some of the most important tools that the Authority has because their outcomes affect all residents, businesses, critical infrastructure, and industries within a utility's service territory. For more information on

the 2024 electric RAM decisions, and how differences in expected and actual revenues are reconciled each year, see the discussion of the Rate Adjustment Mechanism in Section 3 below in this Report.

## COMPLETED RATE CASES

In 2024, the Authority completed full prudence reviews and issued decisions for the Connecticut Water Company (CWC) and both of Avangrid's natural gas companies, Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG). The decisions for each of these companies are products of rigorous discovery and analysis described above, which included hundreds of interrogatories, weeks of hearings including hours of cross examination and testimony by topical experts, detailed audits of financial statements, and multiple public comment hearings. The Authority's decisions present the fulfillment of its duties to ensure that approved rates are sufficient to cover the companies' prudently incurred costs, and a reasonable rate of return, while protecting the public interest. Summaries of the decision dated June 28, 2024 in Docket No. 23-08-32, Application of Connecticut Water Company to Amend its Rate Schedule, (CWC Decision), and the decisions dated November 18, 2024 in Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company to Amend Their Rate Schedules (CNG Decision, SCG Decision, and together, Avangrid Decisions) are provided below.

**Table 2: 2024 Completed Rate Case Summary**

	Dkt. No 23-11-02 CNG	Dkt. No. 23-11-02 SCG	Dkt. No. 23-08-32 CWC
<b>Customers</b>	186,000	208,000	110,000
<b>Territory</b>	25 towns in southwestern CT	24 towns in southwestern CT	60 towns statewide
<b>Previously-Authorized Revenue Requirement</b>	\$442,112,779	\$436,004,126	\$118,245,047
<b>Previously-Authorized ROE</b>	9.30%	9.25%	9.00%
<b>Requested Revenue Requirement</b>	\$461,815,765	\$479,242,959	\$140,000,875
<b>Requested ROE</b>	10.2%	10.2%	10.5%
<b>Approved Annual Revenue Requirement</b>	\$417,502,324	\$425,288,190	\$124,700,031
<b>Approved ROE</b>	9.15%	9.15%	9.3%
<b>Other Details</b>	CNG must return \$24 million to ratepayers over the next three years, which is reflected in the approved annual revenue requirement.	SCG must return \$96 million to ratepayers over the next three years, which is reflected in the approved annual revenue requirement.	

## Connecticut Water Company Rate Case (Dkt. No 23-08-32)

On October 3, 2023, the Connecticut Water Company (CWC or Company) filed a rate application with PURA in accordance with General Statutes § 16-19 in Docket No. 23-08-32, Application of Connecticut Water Company to Amend its Rate Schedule (CWC Application).[3] CWC currently provides water service, including wastewater service, to approximately 110,000 customers in 60 Connecticut municipalities. CWC requested an ROE of 10.5%<sup>[4]</sup> and an annual revenue requirement of \$140,000,875, a 18.4% increase from the previously authorized revenue requirement.

The Authority conducted an extensive investigatory process involving three public comment hearings, several days of field audits and inspections, seven in-person days of evidentiary hearings, one late filed exhibit hearing, oral arguments, and the issuance of several hundred discovery requests (i.e., requests for further information). At the conclusion of that process, on June 28, 2024, the Authority issued a Decision approving an ROE of 9.30% and an annual revenue requirement of \$124 million for the rate year commencing on July 1, 2024. The authorized revenue requirement is an approximately \$16 million reduction from CWC's request.

[Read the CWC Rate Case Final Decision.](#)

## Avangrid Rate Case (Docket No. 23-11-02)

Avangrid Networks, Inc. (Avangrid) is the parent of UI and two gas companies in Connecticut, the Connecticut Natural Gas Corporation (CNG) and the Southern Connecticut Gas Company (SCG). On November 3, 2023, CNG and SCG each filed applications with PURA to amend their existing rates in accordance with General Statutes § 16-19, submitted in PURA Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company to Amend Their Rate Schedules. This was SCG's first fully adjudicated rate case since 2009, and CNG's first since 2014, as both had otherwise resolved rate amendments through settlement agreements once in the intervening years. In 2023, PURA directed both companies to file rate amendment applications or be subject to a financial audit. This proceeding therefore represented a particularly important opportunity for the Authority to complete a full and transparent investigation of the companies' operations, operating expenses, and capital costs. The Authority completed its review of both applications in this same docket and issued a final decision specific to each company on November 18, 2024. A summary of each decision and where to find further information is provided below.

### Connecticut Natural Gas (CNG)

CNG currently provides gas service to over 186,000 residential, commercial, and industrial customers in 25 towns and cities in the southwestern part of Connecticut. CNG's application included a requested ROE of 10.20%, and a revenue requirement of \$461,815,765, representing a 4.46% increase over the currently authorized revenues.



The Authority conducted an extensive investigatory process involving multiple rounds of pre-filed testimony, several days of field audits and inspections, three public comment hearings, 14 in-person days of evidentiary hearings, two days of late filed exhibit hearings, legal briefings and reply briefs, a draft decision, exceptions to the draft decisions and oral arguments, and the issuance of several hundred discovery requests (i.e., requests for further information). At the conclusion of that process, on November 18, 2024, the Authority issued a Final Decision, approving an ROE of 9.15% and an annual revenue requirement of \$417,502,324 for the rate year December 1, 2024 – November 30, 2025. Notably, however, reflected in this amount is the fact that the Company will be required to return to ratepayers approximately \$24 million of ratepayer money over the next three years; thus, the approved revenue requirement after such credits are fully returned is \$423,824,405.

The reduced ROE and revenue requirement were found to be appropriate as CNG has earned healthy returns since its last rate amendment (resolved via settlement agreement), including several periods of sustained over-earning. As previously discussed in this section, and throughout this report, it is PURA's duty to serve as the proxy for traditional market competition by investigating whether rates proposed by a regulated company are "are unreasonably discriminatory or more or less than just, reasonable and adequate, or that the service furnished by such company is inadequate to or in excess of public necessity and convenience," as required by General Statutes § 16-19(a). Further, the Company has the burden of proof to demonstrate that their proposed rates are reasonable. PURA determined that CNG did not meet its burden of justifying or providing sufficient evidence for the requested revenue requirement and ROE included in their application. This outcome protects the public interest by preventing customers from having to pay for costs that CNG did not sufficiently justify.

[Read the CNG Rate Case Final Decision.](#)

### ***Southern Connecticut Gas (SCG)***

SCG currently provides gas service to over 208,000 residential, commercial, and industrial customers in 24 towns and cities in the southwestern part of Connecticut. CNG's application included a requested ROE of 10.20%, and a revenue requirement of \$479,242,959, representing a 9.92% increase over the currently authorized revenues.

As with CNG, The Authority conducted an extensive investigatory process involving multiple rounds of pre-filed testimony, several days of field audits and inspections, 3 public comment hearings, 14 in-person days of evidentiary hearings, two days of late filed exhibit hearings, legal briefings and reply briefs, a draft decision, exceptions to the draft decisions and oral arguments, and the issuance of several hundred discovery requests (i.e., requests for further information). At the conclusion of that process, on November 18, 2024, the Authority issued a Final Decision, approving an ROE of 9.15% and an annual revenue requirement of \$425,288,190 for the rate year December 1, 2024 – November 30,

2025. Notably, however, reflected in this amount is the fact that the Company will be required to return to ratepayers approximately \$96 million of ratepayer money over the next three years; thus, the approved revenue requirement after such credits are fully extinguished is \$457,817,762.

The reduced ROE and revenue requirement were found to be appropriate as SCG has earned healthy returns since its last rate amendment (resolved via settlement agreement), including several periods of sustained over-earning. As previously discussed in this section, and throughout this report, it is PURA's duty to serve as the proxy for traditional market competition by investigating whether rates proposed by a regulated company are "are unreasonably discriminatory or more or less than just, reasonable and adequate, or that the service furnished by such company is inadequate to or in excess of public necessity and convenience," as required by General Statutes § 16-19(a). Further, the Company has the burden of proof to demonstrate that their proposed rates are reasonable. PURA determined that SCG did not meet its burden of justifying or providing sufficient evidence for the requested revenue requirement and ROE included in their application. This outcome protects the public interest by preventing customers from having to pay for costs that SCG did not sufficiently justify.

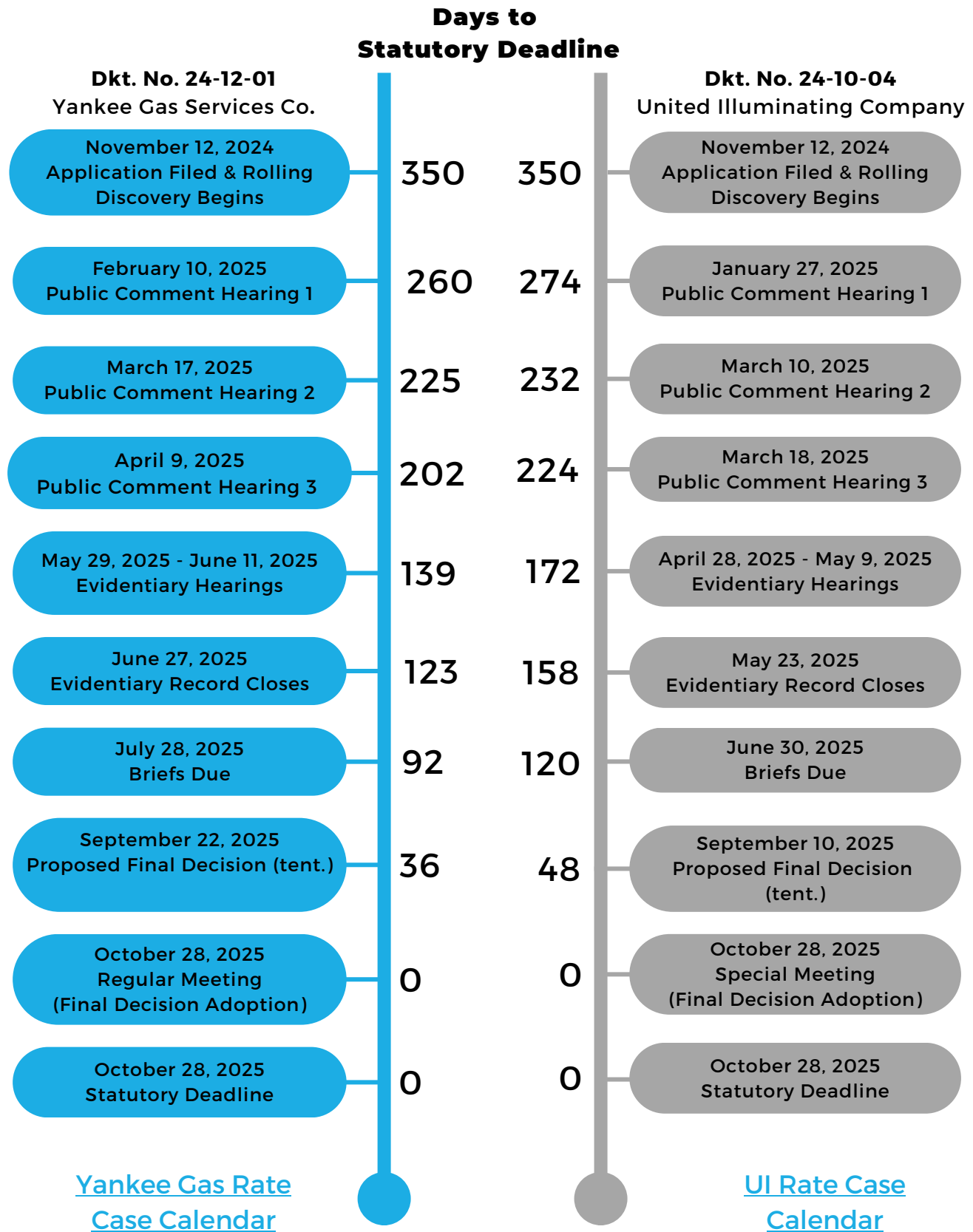
[Read the SCG Rate Case Final Decision.](#)

## ACTIVE RATE CASES

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In 2024, PURA received rate case applications from Yankee Gas Services Company (YGS) and The United Illuminating Company (UI), filed on the same day. Robust public engagement and comment are priorities in both proceedings, as demonstrated by the multiple opportunities for public comment offered through live sessions conducted in the communities and also held virtually, during lunchtime and evening hours, and the opportunity to submit comments in writing at any time. Until a decision is reached in each docket, PURA is unable to comment substantively outside of the formal noticed proceedings; however, the procedural progress of each case is provided in the timelines below. Connecticut law requires that both electric and natural gas rate cases be completed within 350 days of receipt of the application.

**Figure 3: Active Rate Case Progress and Scheduled Next Steps**





## ADDITIONAL RATE CASES ON THE HORIZON

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In the next twelve months, it is possible that additional public service companies may file rate amendment applications. As described above, rate cases provide an opportunity to both regulators and other stakeholders for careful scrutiny of all parts of a utility's business operation, which also helps improve transparency and accountability.

Though formal opportunities for public comment and participation will not be available until these rate cases are officially filed, PURA continues to emphasize the importance of proactive and transparent public engagement. Members of the public, legislators, representatives of various companies or industries, municipalities, and all other interested stakeholders are encouraged to view the [PURA rate case page](#) and to familiarize themselves with related resources on the various components of a rate case.

### PURA Video Tutorials About Rate Cases

Click the links in each circle to learn more.

**Overview of Rate Cases & Why They Matter to You**

**Ways to Get Involved In a Rate Case**

**The Why and How of Setting Utility Rates**

**Parties in a Rate Case**

**How is my bill affected by a rate case?**

**Review of Storm Costs in a Rate Case**

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[1] General Statutes § 16-22.

[2] The utility is also allowed to recover certain operations and maintenance costs, such as labor.

[3] CWC's last rate increase occurred in 2021, in Docket No. 20-12-30. Decision, July 28, 2021, Docket No. 20-12-30, Application of the Connecticut Water Company to Amend its Rate Schedules (July 2021 CWC Rate Case Decision); Decision, Nov. 17, 2021, Docket No. 20-12-30, Application of the Connecticut Water Company to Amend its Rate Schedules.

[4] The July 2021 CWC Rate Case Decision previously set the allowed ROE to a 9.00%.