



STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

Frequently Asked Questions: Docket No. 22-08-08 PURA Ruling Sets Distribution Rates for United Illuminating Customers

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How will PURA's Final Decision impact an average residential customer's electric bill? When will this change take effect?

Beginning on September 1, 2023, customers can expect an increase in base distribution rates of 6.6% and overall bills by 2%, resulting in an average first year increase of approximately \$65 for the average residential customer.

I heard UI's proposal would have increased rates 5-8%. How does today's decision change that?

UI requested a base distribution revenue requirement increase of \$131 million over the next three years, which is roughly 35% more than it currently charges. If approved, that request would have increased base distribution rates by 26% and overall customer bills by 8% starting September 1, 2023, with subsequent incremental increases in September 2024 and September 2025 as well.

The difference in how the increase is calculated and discussed depends on the perspective taken. PURA only has jurisdiction to set distribution rates, which is the charge from which UI receives its revenue and profit. But this is only one part of your entire bill, with the actual cost for electricity comprising the remainder. PURA does not regulate the cost of electricity, which is subject to a competitive market.

It is perhaps most accurate to say that UI asked for a 35% increase in the distribution revenue it receives, but such an increase only equates to a total customer bill increase of 11%, with an 8% increase in the first year.

What standards did PURA use to review UI's rate request? Are they new?

PURA applied long-standing standards and well-established legal precedent in reviewing UI's rate application. These foundational principles of ratemaking are not new nor have they changed.

PURA is guided by Conn. Gen. Stat. §§ 16-19 and 16-19e, among other statutes, when conducting a rate case and reviewing a rate application. Further, by law, the company has the burden to prove that its proposed rates are just and reasonable by a preponderance of evidence. Conn. Gen. Stat. § 16-22. Notably, this burden requires the utility 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. 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 Conn. Gen. Stat. § 16-19e.

In this proceeding, the Authority determined that UI had not met this burden with respect to certain aspects of its requested operating and capital costs, despite having extensive opportunities over the last year to do so. The Authority has a statutory obligation to balance the interest of ratepayers and utility shareholders and, as the 300-page decision demonstrates, the Authority will rigorously scrutinize rate amendment applications and the voluminous evidentiary record to ensure the utility satisfies its burden.

PURA determines that an allowed return on equity (ROE) of 9.10% is appropriate. Could the company earn more or less than that ROE based on their performance?

The Authority must determine the ROE that is "sufficient, but no more than sufficient" for the company to "cover [its] capital costs, to attract needed capital and to maintain [its] financial integrity."

However, the Authority may also adjust the ROE to send clear signals to a utility regarding certain performance objectives it must achieve. By adjusting an approved ROE downward, the Authority can indicate dissatisfaction with a company's performance, and motivate it to make improvements before its next rate application.

In this decision, PURA determined that an 9.10% ROE would be reasonable, rather than the company's proposed 10.20%. Additionally, PURA included a downward adjustment of 0.47% to specifically address UI's management and operational performance deficiencies, resulting in an effective 8.63% ROE. This ROE is not guaranteed, but rather constitutes what has been calculated for the purpose of setting rates. The Company may earn more or less than that amount depending on its implementation of the approved rate plan and decisions of its management.

Key issues contributing to this approved ROE and further adjustment are discussed in the decision summary document.

Did PURA deny any proposed capital costs for recovery in rates?

The Authority allowed UI to recover over \$500,000,000 dollars of new plant additions completed since UI's last rate case. However, the Authority determined that UI failed to sufficiently demonstrate that certain capital investments made since 2021 were, in fact, completed and in-service. As such, under the governing legal standard, the utility is not permitted to include these plant additions in rate base and earn a return on the capital. For similar reasons, the Authority also declined to allow recovery in rates effective September 1, 2023, of future capital additions. Nonetheless, UI is fully entitled to seek recovery of these capital investments in its next rate case.

UI claims this decision will stifle their future investments in the grid and result in reduced reliability. Is that true?

The company is, at all times, obligated by law to provide safe, adequate, and reliable service to all customers regardless of the outcome of a given rate case. Conn. Gen. Stat. §§ 16-244i and 16-10a. Moreover, nothing in this decision prohibits UI from continuing to make capital investments in its distribution system going forward, and the Authority expects UI to effectuate its capital plan prudently and efficiently.

The Authority also expects the company to continue to implement solutions in compliance with the Authority's direction, decisions, and rulings in the furtherance of the regulatory goals and priority public outcomes identified in the April 26, 2023 decision in Docket No. 21-05-15, [PURA Investigation into a Performance-Based Regulation Framework for the Electric Distribution Companies](#).

The company may seek recovery in a future rate case for any capital additions already incurred or incurred in the future, which are not incorporated into rate base or reflected in rates in this decision. As such, the company continues to have the opportunity to earn a reasonable return on all prudent and useful investments.¹

Did the decision reduce the number of employees UI can have? If so, why?

The decision authorizes the company to increase the number of employees it has over its current level by 47. Importantly, these 47 incremental employees include 13 customer service employees, two employees in the Projects group to support the uptake of distributed energy resources, and all 21 Electric Field Operations employees

¹ Indeed, this approach to providing an opportunity for a return on investment is, overwhelmingly, the most common approach used by regulators over the more than 100-year history of public utility regulation.

requested as these resources support vital blue- and gray-sky system operations functions.

If the decision increases the number of employees, why is UI claiming otherwise?

Prior to today's decision, UI was collecting money from its customers for over 200 employee positions that the company did not fill. Between 2018 and 2022, UI collected more than \$55 million from customers for these unfilled employee positions. The number of employees for which the company received money, but did not employ, ranged from 153 to 211 over this period, or between 19% and 27% of the total number of authorized employees. For comparison purposes, the percentage of unfilled positions is typically around 5-6%.

In its application, the company requested a starting headcount of 519 employees. However, the company does not currently have 519 employees. Given UI's history of over-collecting revenues from customers for employee positions that remain unfilled, the Authority adjusted the starting headcount to the number of employees actually employed by UI as of February 28, 2023, i.e., 485.

UI claims the decision adversely impact the state's ability to meet its climate goals and investment in renewable energy. Is that true?

No. PURA's [Grid Modernization Framework](#), and the state's existing [clean energy](#) and [energy innovation](#) programs are unimpacted by this decision as each have their own funding mechanisms that, with the exception of the Light-Duty Electric Vehicle (LD EV) program, do not flow through the base distribution charges set through a rate case. In the case of the LD EV program, the Authority authorized the Company to seek recovery of the costs incurred to date in this rate case, yet the Company failed to timely do so.

It is also important to note that these programs are extremely successful. PURA's design and authorization of the Residential Renewable Energy Program has resulted in the highest residential solar development in the state's history over 2022 and 2023, with 106 megawatts (MW) approved in 2022 and 101 MW already approved as of August 1 in 2023. This is compared to the historical average of 50-60 MW per year. The design and authorization of the Non-Residential Renewable Energy Program has resulted in the sustained deployment of non-residential renewable energy system deployment compared to historical averages. Further, the authorization of the Energy Storage Solutions Program has resulted in more than 76 MW of approved storage facilities since January 1, 2022. Lastly, the Innovative Energy Solutions program is currently evaluating 21 innovative energy solutions for funding through Docket No. 22-08-07, [Innovative Energy Solutions Program Cycle 01](#), many of which will partner directly with UI if selected.

What about the deployment of EV charging stations? UI claims the decision will adversely impact their deployment.

As of June 30, 2023, 840 ports at EV charging stations have been deployed in UI's service territory through the LD EV program. EV charging port deployment is broken down as follows:

- Residential: 242 ports
- Multi-Unit Dwellings: 302 ports
- Direct Current Fast Chargers: 30 ports
- Public/Destination Chargers: 146 ports
- Workplace & Light-Duty Fleets: 120 ports

The company may be referring to the several EV charging infrastructure programs included in its rate application, which PURA was unable to rule on in this decision for a myriad of reasons. PURA identified several ongoing investigations more appropriate for the review of these proposals. Ultimately, the Authority made no determination on these proposals, and encourages UI to submit the proposals for evaluation and implementation in the identified proceedings.

What is the Final Decision's impact on small businesses in Connecticut?

First, the approval of a thoroughly vetted, lower rate increase than initially requested is positive for all Connecticut businesses. Economic modeling consistently shows a positive net impact of lower electricity rates as it allows for businesses and individuals to spend more money on other goods and services.

Additionally, the decision approves an Economic Development Rate (EDR) Rider, which will be available no later than June 1, 2024. An overview of several key EDR Terms is depicted in the table below.

Term	5 years
Discount	<p>Base discount: 15%</p> <p>Plus: 5% for five years for being located in a Distressed Municipality or Environmental Justice community</p> <p>Discount Cap: 50% of the difference between the standard rate revenues over the Term for the additional load, less the incremental cost to serve</p>
Eligibility	<p>C&I customers</p> <p>Incremental (i.e., new or expanded) load</p> <p>Participation in at least one clean energy/grid modernization/energy efficiency program</p> <p>Provide annual data to the Company for the annual report on the EDR Rider</p>
Availability	Starting on or before June 1, 2024

How much of my electric bill goes toward paying executives of United Illuminating and Avangrid?

In this proceeding, UI requested recovery of \$219,996 in UI executive compensation in base rates. The company also requested recovery of \$2,979,995 for Avangrid officer compensation in base rates. In addition, the Company requested capitalization for executive compensation of \$296,458, resulting in a total request of \$3,496,449, which equates to an impact to an average household of \$6 per year.

Instead of authorizing the compensation as requested, the decision states that PURA finds it is necessary and appropriate to connect the recovery of UI and Avangrid officer compensation to the achievement of certain customer outcome metrics related to low-income customer identification, customer communications, and payment arrangements for medical protection customers. If these metrics are not achieved on an annual basis, UI customers would see the compensation paid toward UI and Avangrid officers reduced by up to 20% per year.

What was PURA's process in reaching this Final Decision.

Throughout the 350-day proceeding, the Authority conducted [an extensive investigatory process](#) involving: four public comment hearings; multiple rounds of pre-filed testimony; several days of field audits and inspections; 13 in-person days of evidentiary hearings; submission of 145 late filed exhibits; two days of late filed exhibit hearings; legal briefings and reply briefs; issuance of a proposed final decision; exceptions to the proposed final decision and oral arguments; and the issuance of several hundred discovery requests (i.e., requests for further information).

Further, for perspective, the company and all formal Parties and Intervenors to this proceeding had more than 150 days between when UI submitted its rate application and the close of the record to provide evidence in support of or opposition to UI's rate application or any factual finding.