NASUCA 2018 MID-YEAR MEETING

CONSTRUCTIVE RATEMAKING MECHANISMS AND REGULATORY POLICY IN WATER

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CONNECTICUT OCC’S POSITION ON RATEMAKING MECHANISMS HAS EVOLVED THROUGH THE YEARS

• For Decades CTOCC Opposed Ratemaking Mechanisms Not Authorized by State Statute

• Numerous PURA Decisions Rejected Rate Mechanisms for Water Companies

• Originally, CT PURA’s Predecessor DPUC Rejected WICA (1999-2000) and RAM Mechanisms
REGULATORY AND LEGISLATIVE CHANGES

• 2007 Legislature supported WICA Mechanism Legislation. Requested Industry, DPUC and OCC Involvement in Collaborative Process

• 2013 Decoupling Legislation Required for all CT Electric and Gas Companies.

• 2013 CNG Rate Case, when DIMP Tracker was Approved

• Gas System Expansion Mechanism Approved by CT Legislature for all CT Gas LDCs
CONNECTICUT’S WICA – THE DETAILS

• Generic Docket Set Filing Requirements and Process

• Requires Initial Assessment Report – Inventory of Existing System (material type, installation date, main break history)

• List of Eligible Projects - A) Renewal or Replacement projects (mains, valves, services, meters, and hydrants); B) Main cleaning or relining; C) Relocation projects that are the result of government actions; D) Leak detection equipment, production meters and pressure reducing valves; E) Energy efficient equipment; F) Stream-flow regulation projects; and (G) Improvements approved in system acquisition.
CONNECTICUT’S WICA – THE DETAILS

• Scoring system to prioritize projects. Criteria include, (1) age, material or condition of the facilities; (2) main break history; (3) adequacy of pressure; (4) head loss; (5) availability of fire flows; and (6) the potential to improve system integrity and reliability.

• Semi annual proceedings: Surcharge amount set; New projects proposed get reviewed and pre-approved; Schedules modified for government road projects or as priorities change.
WICA – RATEPAYER PROTECTION PROVISIONS

• Surcharge limited to 5% in a year, 10% cumulative;

• Overearnings Protection;

• Annual Reconciliation

• Recovery Once Used and Useful/In-service

• Customer Notice of WICA Surcharge
WATER COMPANY REVENUE ADJUSTMENT MECHANISM

• Legislatively Created in 2013
• Optional For Companies (But Requires PURA Approval), But Once Established Required Until Next Rate Case
• Different Methods – 1) Annual Rate Mechanism; 2) Rate Change; 3) Deferral Until Next Rate Case
• True-up to Revenues Allowed in Last Rate Case Adjusted for System Acquisition
• An earnings sharing mechanism that shares any earnings in excess of the allowed return on equity to be shared equally between ratepayers and shareholders
DEVELOPMENTS SINCE WICA AND RAM IMPLEMENTED

• Far Fewer Rate Case Applications
• Limited Reopeners For Income Tax Reductions – Repair Tax
• Roll-over of WICA into Base Rates When Near 10%, Accompanied by Rate Application Stay-out
• Significant Increases in the Replacement of Aging Infrastructure
• Environmental Benefits – Conservation, Lower Levels of Non-revenue Water
• Overearnings Shared With Ratepayers From $1 Above Allowed ROE
## CONNECTICUT WATER UTILITY SNAPSHOT

<table>
<thead>
<tr>
<th>Company</th>
<th>Last Rate Case</th>
<th>WICA Roll-over</th>
<th>Income Tax Adjs.</th>
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<tbody>
<tr>
<td>Connecticut Water</td>
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<tr>
<td>Aquarion Water</td>
<td>2013</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Torrington Water</td>
<td>2008</td>
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<td>1</td>
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<tr>
<td>Avon Water</td>
<td>2010</td>
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</tr>
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<td>Hazardville Water</td>
<td>2010</td>
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<td>1</td>
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<td>Jewett City</td>
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<td>Heritage Village</td>
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</tr>
<tr>
<td>Valley Water</td>
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</tr>
</tbody>
</table>
THANK YOU

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