



## **PURA Approves \$6.5 Million Rate Increase for CNG**

At a Special Meeting held on Wednesday, January 22, 2014 the Public Utilities Regulatory Authority (PURA or Authority) approved a Final Decision in a rate case for the Connecticut Natural Gas Corporation (CNG) (Docket No. 13-06-08), that allowed a rate increase of \$6,505,000 or 2.1% above current levels.

Many of the major areas of adjustment to CNG's Application contained in PURA's Final Decision are consistent with those recommended by OCC in its expert witness testimony and Brief in this proceeding. These include:

- Reducing CNG's return on equity from the 9.41% allowed in its 2009 rate case down to 9.18%, which is significantly below the 10.25% requested by the Company and aligned with recent PURA rate case Decisions (UI and Aquarion);
- Rejecting \$3.9 million of the depreciation expense proposed in CNG's depreciation study;
- Reduced expenses associated with payroll, insurance, corporate cost allocations, incentive compensation, and employee benefits.

While PURA's Decision is in sharp contrast to CNG's proposed rate increase of \$20.05 million, OCC continues to believe that no rate increase in the current proceeding was warranted. In this Decision, PURA failed to uphold its precedent, wherein it committed to protect ratepayers from the adverse rate impacts associated with UIL Holdings' 2010 acquisition of CNG. The Authority did not protect customers from UIL's decision to trade off a significant ratepayer asset for shareholder profit in its acquisition of CNG. Various aspects of the acquisition, combined with increased corporate charges that were allowed in this rate proceeding, have increased the annual revenue requirements by over \$10 million from the levels approved in CNG's last rate proceeding, prior to the acquisition.



Additionally, OCC continues to object to the Authority's creation of a rate true-up mechanism for the Distribution Integrity Management Program (DIMP) proposed by the Company. The DIMP recovery mechanism has no legal authority or statutory basis, and constitutes illegal single issue, retroactive ratemaking. The costs of the DIMP program can and should be projected and recovered in rates, just as all of the Company's other costs are projected and recovered, absent statutory authority for a specific recovery mechanism.

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*The Office of Consumer Counsel (OCC) is the State of Connecticut's advocate for all utility ratepayers. OCC seeks to ensure just and reasonable rates and reliable utility service for customers of Connecticut's electric, gas, telephone, and water utilities and reasonable protection for cable television customers. For more information, visit [www.ct.gov/occ](http://www.ct.gov/occ).*