

# 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

Company	Last Rate Case	WICA Roll-over	Income Tax Adjs.
Connecticut Water	2010	2	2
Aquarion Water	2013	1	1
Torrington Water	2008	1	1
Avon Water	2010	1	1
Hazardville Water	2010	1	1
Jewett City	2011		
Heritage Village	2015	No WICA	
Valley Water	2010	No WICA	



# THANK YOU

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