

**STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY**

APPLICATION OF THE CONNECTICUT : Docket No. 23-08-32
WATER COMPANY TO AMEND ITS :
RATES : March 11, 2024

**BRIEF OF WILLIAM TONG, ATTORNEY GENERAL
FOR THE STATE OF CONNECTICUT**

William Tong, Attorney General for the State of Connecticut (“Attorney General”), hereby submits his brief regarding the Connecticut Water Company’s (“CT Water” or the “Company”) Application to Amend its Rate Schedule (“Application”) filed on October 3, 2023. In its Application, CT Water proposes to increase its rates by \$21.8 million. Late Filed Exhibit (“LF”) 1, Schedule A-1.0. CT Water’s proposed rate increase would average nearly 18.4 percent across its service territory. *Id.* For the reasons stated herein, the Attorney General respectfully submits that the Public Utilities Regulatory Authority (“PURA” or “Authority”) should reject the bulk of CT Water’s rate hike request. The Company has failed to meet its burden of showing that its proposed rates are just and reasonable. They are not. The evidence in this proceeding clearly shows that CT Water’s proposed rate increase is unjustified and unaffordable for its ratepayers.

The Attorney General has identified a number of unnecessary expense items for which the Authority should disallow recovery from ratepayers. The adjustments proposed by the Attorney General would reduce CT Water’s proposed revenue requirement within the range of \$14.8 million to \$20.2 million per year, offsetting the majority of CT Water’s proposed \$22 million increase. Other parties have also identified the excessive and unnecessary costs in this Application. The Attorney General believes these cuts represent a substantial first step towards reducing CT Water’s requested rate

hike and that the Authority should adopt these recommendations in determining an appropriate rate structure for CT Water.

I. CT WATER'S APPLICATION

CT Water is the second largest water company in the State of Connecticut, serving more than 107,000 customers in 60 towns and cities across the State, as well as 3,000 wastewater customers in Southbury, CT. Patla, Pre-Filed Testimony (“PFT”), 4. CT Water proposes to increase its rates by more than \$21.8 million above what is currently authorized in rates. LF-1, Schedule A-1.0.

The Company further proposes that the Authority authorize CT Water to earn a return on equity (“ROE”) of 10.5 percent. Patla PFT, 16-17; Bulkley PFT, 6, 79. This proposed ROE is 150 basis points higher than the Authority approved for CT Water in its last rate case less than three years ago. Final Decision, Docket No. 20-12-30, *Application of the Connecticut Water Company for a Rate Increase*, 33. CT Water claims that this new 22 percent rate increase is necessary because of its “significant capital investments made in its infrastructure to ensure the provision of clean water and reliable service to customers and increases in operating and maintenance costs.” Application, 1.

The rates proposed by CT Water exceed levels that could be considered just and reasonable for the following reasons. First, CT Water’s proposed ROE is simply far too high. It is based upon a flawed analysis and is substantially higher than recent Authority decisions. Second, the Company’s proposed capital structure is uneconomic and burdensome. It is higher than the water distribution company average, thereby unnecessarily increasing costs to ratepayers. Woolridge PFT, 4. Third, the record in this proceeding shows that CT Water has overstated a number of its expense items. These

expense items include directors and officers liability insurance, fees and dues, bad debt calculations, consulting costs and incentive compensation.

As the Authority is well aware, Connecticut residents have endured exceptionally difficult economic circumstances over the past three years. High inflation has eaten away at workers' incomes, and the Federal Reserve's inflation fighting measures have increased the costs of borrowing for everything, including home mortgages, car payments, and credit card debt.

Connecticut consumers – especially those on fixed or limited incomes – are simply unable to absorb any further increases in their cost of living. These customers are entitled to expect that the Authority and all the participants in this proceeding will work to ensure that the water utility rates approved will be no higher than absolutely necessary.

II DISCUSSION

A. The Authority Should Reject CT Water's Proposed ROE and Capital Structure

In its Application, CT Water proposed that the Authority approve an ROE for the Company's shareholders of 10.5 percent. Bulkley PFT, 102. This ROE, if approved, would be the highest authorized return for any of the State's principal regulated public service companies.

In its most recent rate case decision, PURA authorized the United Illuminating Company a base return of 8.8 percent, less 52 basis points in penalties reducing UI's functional return to 8.28 percent. See Final Decision, Docket No. 22-08-08, *Application of the United Illuminating Company to Increase its Rates and Charges*, 1. The Aquarion Water Company – the regulated entity most similarly situated to CT Water - received a return of 8.7 percent. Final Decision, Docket No. 22-07-01, *Application of Aquarion*

Water Company of Connecticut to Amend its Rate Schedule, at 1. The Connecticut Light and Power is currently authorized an ROE of 9.25 percent. Docket No. 17-10-46, *Application of the Connecticut Light and Power Company d/b/a/ Eversource Energy to Amend its Rate Schedules*, Decision, dated Apr. 18, 2018, at 18. The Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company are authorized to earn a 9.3 percent ROE and 9.26 percent ROE, respectively. Docket No. 18-05-16, *Application of Connecticut Natural Gas Corporation To Increase its Rates and Charges*, Decision, dated Dec. 19, 2018, at 10-11; Docket No. 17-05-42, *Application of the Southern Connecticut Gas To Increase its Rates and Charges*, Decision, dated Dec. 13, 2017, at 8. The Yankee Gas Services Company has an authorized ROE of 9.3 percent. See Docket No. 18-05-10, *Application of the Yankee Gas Services Company d/b/a/ Eversource Energy to Amend Its Rate Schedules*, Decision, dated Dec. 12, 2018, at 11.

CT Water's requested ROE is 120 basis points higher than the next highest ROE among the state's regulated utilities and 170 basis points higher than the last two rate case decisions issued by the Authority. The Company has presented no reasonable explanation for why a relatively low risk operation such as a water utility should be awarded the highest authorized ROE of any of the State's regulated public service companies. All of the electric and gas distribution companies listed above present higher risk profiles for investors than water companies.

As noted by the Office of Consumer Counsel's cost of capital expert:

[a]s shown in Table 5, the water and gas distribution industries are among the lowest risk industries in the U.S. as measured by beta. As such, the cost of equity capital for this industry is amongst the lowest in the U.S., according to the CAPM.

Woolridge PFT, 73.

CT Water's overstated ROE request is based upon a flawed and unreliable cost of capital analysis. First, CT Water proposed a capital structure that includes a relatively high level of equity. In addition, CT Water's testimony in support of its proposed ROE of 10.50 percent contains errors that have distorted the Company's discounted cash flow ("DCF"), capital asset pricing model ("CAPM") and empirical capital asset pricing model ("ECAPM") analyses and inflated its proposed ROE. As a result, the Company's proposed ROE is higher than other similarly situated water utility companies and substantially higher than the levels recently approved for Connecticut's other public service companies.

The Attorney General generally supports the OCC's cost of capital testimony as well as the Authority's Education, Outreach and Enforcement ("EOE) testimony. The EOE recommends an ROE of 8.09 percent and the OCC recommends an ROE of 9.125 percent, Woolridge PFT, 73. Adjusting CT Water's proposed ROE from 10.5 percent to the 9.125 percent would result in a rate reduction of approximately \$7.1 million per year.¹ Adjusting CT Water's proposed ROE from 10.5 percent to the 8.09 percent would result in a rate reduction of approximately \$12.507 million per year.² The Attorney General believes that these two estimates provide the reasonable range for the Authority to determine an appropriate ROE.

¹ This \$7,135,446 represents 137.5 basis points difference in ROE times CT Water's pretax revenue requirement of \$5,189,415 for each 100 basis points. LF-1, Schedule A-1.0 A.

² This \$12,506,490 represents 241 basis points difference in ROE times CT Water's pretax revenue requirement of \$5,189,415 for each 100 basis points. LF-1, Schedule A-1.0 A.

1. The Authority Should Reject CT Water's Proposed Capital Structure

In its Application, CT Water proposed a capital structure of 53.13 percent common equity and 46.87 percent debt. LF-1, Attachment A-1.0; Bulkley PFT, 80. The Authority should reject the Company's proposed capital structure because it is economically inefficient and does not effectively balance the interests of the Company and its ratepayers. The cost of equity is much higher than the cost of debt. The Company projects its cost of equity as 10.5 percent, its cost of long-term debt as 3.817 percent. Woolridge PFT, 4. Moreover, because of the income tax responsibility associated with the use of common equity in the capital structure, that form of capital is nearly three times more costly than debt capital. Increasing the Company's equity component relative to less expensive debt raises the overall cost of capital and, therefore, is unnecessarily expensive for ratepayers. Woolridge PFT, 31-32. This is particularly inappropriate where, as here, the Company's proposed equity levels:

include[] a higher common equity ratio and lower financial risk than the common equity ratio: (1) maintained by the companies in the Proxy Group; (2) approved for water utility companies in recent years; and (3) employed by its parent company, SJW Group.

Woolridge PFT, 6.

The Authority should impute a capital structure with a lower equity to debt ratio. The OCC's witness proposes an equity ratio of 51.97 percent. Woolridge PFT, 4. The EOE's witness proposes an equity ratio of 50.53 percent. Rothschild PFT, 9. The Authority has consistently imputed more reasonable capital structures on utilities when their proposed structure has become unduly burdensome for ratepayers, both as a means to reduce costs and to guide and encourage companies to adjust their debt to equity levels appropriately. The Authority should make a similar adjustment here. Reducing the

Company's proposed capital structure from 52.73 percent equity to 50 percent equity will reduce CT Water's revenue requirement by an additional \$2 million a year.³ In the alternative, if the Authority accepts the 52.73 equity levels the authority should adjust the authorized ROE downward to reflect the decreased risk associated with the lower debt levels.

2. The Authority Should Reject CT Water's Discounted Cash Flow Analysis and Risk Premium / Capital Asset Pricing Model Analysis of the Cost of Equity

The Authority should reject the Company's ROE testimony because it is less compelling than that presented by the OCC or the EOE. The Attorney General generally supports the principal reliance upon the discounted cash flow analysis ("DCF") as opposed to determinations of market risk premium. Both the OCC and the Company used very similar proxy groups, with ten of the Company's proxies included in OCC's group of eleven.⁴ Woolridge PFT, 23. The OCC, EOE and the Company employed the constant-growth DCF and the capital asset pricing models ("CAPM"). Woolridge PFT, 4; Rothschild PFT, 10; Bulkley PFT, 5-6. OCC's witness, however, identified a number of distortions to the Company's testimony and cost of capital analysis generating an upward bias in the results. Specifically, the OCC's witness concluded that:

³ The \$2.0 million represents a twenty basis points reduction in the Company's weighted cost of capital from 7.48 percent to 7.28 percent. Based upon the Company's Rate Year rate base of \$718.5 million, a twenty basis point reduction reduces utility operating income by \$1,437,000. Using a revenue conversion factor of 1.3796 to estimate the revenue requirement for the 50 percent equity component yields an additional \$563,000 for a total revenue requirement reduction of \$2,000,000. LF-1.

⁴ The relatively small sample size of regulated water companies reduces the financial data necessary to support a robust DCF analysis. Consultants for both the Company, OCC and the EOE responded to the paucity of reliable data by including in their proxy group analysis entities that were not water companies.

Ms. Bulkley has overstated her reported DCF results in four ways: (1) she gives very little weight to her DCF results; (2) she relies exclusively on the overly-optimistic and upwardly-biased earnings per share (“EPS”) growth- rate forecasts of Wall Street analysts and *Value Line*; (3) she has included a flotation cost adjustment despite the fact the CWC has not paid any flotation costs; and (4) she claims that the DCF results underestimate the market-determined cost of equity 5 capital due to high utility stock valuations and low dividend yields.

Woolridge PFT, 6-7.

For example, the Company’s own DCF analysis would indicate an equity cost much lower than the 10 to 11 percent range, so the company simply discounted that analysis.

The average of her mean constant-growth DCF equity cost rates is only 9.27% for her group. However, she claims that her recommended range of equity cost estimates is 10.00% to 11.00% for the Company. Given that she has only used two approaches – DCF and CAPM – and her DCF results are 9.27%, it is clear she gave her DCF results very little weight. Had she given her DCF results any weight, she would have arrived at a lower recommendation for her estimated cost of equity.

Woolridge PFT, 76-77.

In addition, the Company’s discounted cash flow analysis used a growth rate exclusively based upon projected earnings per share forecasts by historically optimistic Wall Street analysts and without consideration of the dividend growth rate. Woolridge PFT, 64.

[N]ot only are those forecasts inaccurate, but they are also overly optimistic and upwardly biased. I have provided a full discussion of this issue on pages 49-55 of this testimony and report on a study I conducted in Figure 11. Using the electric utilities and gas-distribution companies covered by *Value Line*, this study demonstrates that the mean forecasted EPS growth rates are consistently greater than the achieved actual EPS growth rates over the 1985-2022 time period. Over the entire period, the mean forecasted EPS growth rate is over 200 basis points above the actual EPS growth rate. As such, the projected EPS growth rates for utilities are overly optimistic and upwardly based. Hence, exclusively using these growth rates as a DCF growth rate produces an overstated equity-cost rate. In addition, I also highlighted a study by Szakmary, Conover, and

Lancaster (2008) who evaluated the accuracy of *Value Line*'s three-to-five-year EPS growth rate forecasts using companies in the Dow Jones Industrial Average over a thirty-year time period and found these forecasted EPS growth rates to be significantly higher than the EPS growth rates that these companies subsequently achieved.

Woolridge PFT, 78. Because CT Water selectively used an unsustainably high expected growth rate, its DCF model overestimates the true cost of capital and, therefore, its recommended return on equity.

Finally, the Company's witness included an additional 14 basis points for "floatation costs." Flotation costs are the transactional costs associated with the issuance of new stocks. The Attorney General has consistently argued that it is inappropriate to force ratepayers to absorb transaction costs like these. It is even more inappropriate where, as here, it appears that CT Water has not and does not anticipate incurring any such flotation costs.

Ms. Bulkley claims that a flotation cost adjustment of 0.14% is justified for the Company. To support her claim, she cites several equity issuances by Connecticut Water and its parent, SJW Group, that go back over the past decade. She does not justify a flotation cost adjustment by identifying any expected flotation cost by CWC or SJW Group in the coming years to justify the 0.14% flotation costs. Furthermore, Ms. Bulkley has not provided any evidence that Connecticut Water Company has paid flotation costs. Therefore, the Company should not be allowed to collect additional revenues in the form of a higher ROE for flotation costs to account for flotation costs that have not been identified or paid.

Woolridge PFT, 80.

Similarly, in its CAPM analysis, the Company may have substantially overestimated the risk premium ("RP") to be applied in this case. The RP, in short, represents the investors' expected value for the increased risk associated with a stock offering as compared to a more secure bond instrument such as United States Treasury bills. The problem in any RP analysis, however, concerns the inherent uncertainty of measuring that investor's future expectation. Moreover, the most used measures of RP,

average projected growth rate for equities is unreasonably high. The Company's calculated growth rate was 12.3 percent. As the OCC witness stated:

Simply put, the assumption of a 12.83% expected stock market return is excessive and unrealistic. The compounded annual return in the U.S. stock market is about 10% (9.64% according to Damodaran between 1928–2022).⁴⁵ Ms. Bulkley's CAPM results assume that the return on the U.S. stock market will be more than 20 percent higher in the future than it has been in the past. The high expected stock market return, and the resulting market risk premium and equity cost rate results are directly related to computing the expected stock market return as the sum of the adjusted dividend yield plus the expected EPS growth rate of 11.13%.

Woolridge PFT, 86. Put another way, it is simply unreasonable to postulate a future growth rate of 12 percent in a 4 percent economy. The Company's true cost of capital is simply much lower than that presented by the Company's witness.

3. The Authority Should Reduce CT Water's ROE to Account for Risk Reducing Effects of the Water Revenue Decoupling Provisions Approved in Public Act 13-78

In addition to the adjustments proposed by the OCC, the Attorney General further recommends that the Authority adjust downward CT Water's ROE to account for the impact of Public Act 13-78. Section 3 of the Act provides that the Authority shall implement full sales decoupling by means of a "revenue adjustment mechanism" that "reconciles in rates the difference between the actual revenues of a water company and allowed revenues." This provision has had a profound impact on water utility companies' cash flows, revenue stability and financial risk. This decoupling mechanism eliminates the risks of variable weather and sales. As such, the lower business risk associated with this adjustment clause should result in a lower allowed return on equity. This reduction in business risk is reinforced by the Water Infrastructure and Conservation Adjustment⁵

⁵ Public Act 07-139, An Act Concerning Water Company Infrastructure Projects, provides that water companies may apply for a water infrastructure and conservation

("WICA"), a mechanism by which water companies can continually roll in the cost of new plant investment into their rates.

The Attorney General recognizes that no other party to this proceeding has recommended an ROE reduction for this statute, and that the Authority has in the past declined to impose such a reduction. Nonetheless, the Attorney General believes that there should be some acknowledgement of the reduced business risk reflected in the Company's authorized ROE, even if only 10 basis points. A 10-basis point reduction would amount to an additional reduction to the company's revenue requirements of \$518,942. LF-1, Revised Schedule A-1.0 A.

B. The Authority Should Reject CT Water's Depreciation Recommendations

Ratepayers pay regulated utilities for the return of and on capital investments that are used and useful for providing utility service. Dunkle PFT, 4-6. Depreciation expense represents a utility company's recovery of its investment in plant over the useful service life of that plant. Depreciation expense also includes the "salvage" value of that plant once it has been removed from service. In the event the salvage plant has a positive value, the depreciation expense is reduced by that value. In the event the salvage value is negative (i.e., the costs to remove the plant are higher than its value), then the depreciation expense is increased by that cost. *Id.* Depreciation rates are intended to provide the company with a revenue stream to pay the return of the capital investment to

adjustment in their rates. The practical effect of this WICA adjustment is to allow water companies to immediately include the costs of new incremental plant investment into their rates, reducing the regulatory lag associated with such investment and reducing risk to the Company's shareholders. The purpose of this law is to encourage water companies to make continuous investment to improve their infrastructure rather than to wait until just before a rate proceeding.

coincide with the actual expected service life of the particular investment to be recovered. Essentially, depreciation accounting seeks to distribute the cost of capital assets, less salvage, over the estimated useful life of the asset.

CT Water provided a depreciation study by its witness John J. Spanos. Application, Exhibit A-10. The Company's depreciation study, however, tends to understate the average service life of its physical plant and overestimates its future negative net salvage costs. The practical effect of these calculations is to accelerate the Company's recovery of its investment and to raise the overall annual expense to ratepayers. It also forces today's customers to pay disproportionately for distribution infrastructure that will service customers for many decades to come.

The Attorney General supports the recommendations of the OCC's witness William W. Dunkel as a reasonable estimate of the Company's actually incurred depreciation expense. Indeed, in its most recent rate case decision, the Authority itself fully adopted Dunkel's recommendations. See Final Decision, Docket No. 22-08-08, *Application of the United Illuminating Company to Increase its Rates and Charges*, 189; Dunkel PFT, 1.

Dunkle identified a number of excessive depreciation expense items. For example, CT Water included net salvage expenses that the Company was unlikely to incur. In Account 343, *Transmission and Distribution Mains*, CT Water proposed to recover \$371,714 in net salvage costs. Dunkel PFT, 8. This number is far higher, however, that the Company is likely to incur or has incurred in the past. This is because most water mains are retired in place. Dunkel PFT, 6; OCC-285. In fact, "it is rare that a service would not be retired in place." Dunkel PFT, 6; OCC-289. As a result, the Company would never incur the costs of digging up and removing retired mains and

services. *Id.* Indeed, this conclusion has been borne out by the Company's actual incurred depreciation expense for this plant. For the years 2018 through 2022, the average annual net salvage cost actually incurred to mains was \$5,288 per year, not \$371,714. Dunkle PFT, 7.

Adopting The OCC's recommended depreciation concerning depreciation which would reduce depreciation expense, and therefore costs to ratepayers, by \$2,911,268 a year. Defever PFT, 75.

C. The Authority Should Reject CT Water's Proposed Revenue Requirements

In its Application, CT Water overstated a number of revenue and expense items. Taken together with the Attorney General's recommended changes to the Company's proposed ROE, the revenue and expense adjustments eliminate the need for the majority of the Company's requested rate increase. The following discussion addresses a few of the adjustments to larger revenue and expense items that the Authority should impose. In addition to addressing the merits of these particular proposals, these adjustments are intended to provide examples of the many revenue requirement adjustments that are warranted in this case and are not intended to represent an exhaustive list.

1. The Authority Should Reject Ratepayer Funding of Directors and Officers Liability Insurance

In its Application, CT Water included \$257,445 for Directors and Officers Liability Insurance ("D&O") in the test year. *Application Schedule C-9*. CT Water claims that D&O insurance is recoverable from ratepayers as a prudent and necessary expense and that it will not be able to attract qualified individuals to serve on the board without it.

The Authority should reject CT Water's request to have ratepayers fund 100 percent of D&O insurance and, consistent with past rate decisions, allow no more than 25 percent of this cost be allocated to ratepayers. *See* Docket Nos. 16-06-04, *Application of The United Illuminating Company To Increase Its Rates And Charges*; 13-01-19, *Application of The United Illuminating Company To Increase Rates And Charges*; and 13-06-08, *Application of Connecticut Natural Gas Corporation To Increase Its Rates And Charges*. Moreover, these lawsuits are principally brought by the Company's shareholders. The Attorney General understands that the Authority has disallowed only 50 percent of CT Water's D&O insurance costs in CT Water's last rate case. Final Decision, *Docket No. 20-12-30, Application of the Connecticut Water Company to Amend its Rate Schedule*, p. 12-13. The Attorney General nonetheless urges the Authority to disallow at least \$193,804 from CT Water's revenue requirements. Defever PFT, 23

2. The Authority Should Reject Ratepayer Funding of Board of Directors Fees

In its Application, CT Water included \$422,840 for Board of Directors fees in the test year. *Application Schedule C-4*. CT Water claims that these fees are recoverable from ratepayers as a prudent and necessary expense.

The Authority should reject CT Water's request to have ratepayers fund 100 percent of Board of Director's expenses and, consistent with past rate decisions, allow no more than 25 percent of this cost be allocated to ratepayers. *See* Docket No. 13-01-19, *Application of The United Illuminating Company To Increase Rates And Charges*. Just as with D&O insurance above, these fees serve the interests of shareholders. The Attorney General understands that the Authority has disallowed only 50 percent of CT Water's Board of Director's expenses in CT Water's last rate case. Final Decision, Docket No.

20-12-30, *Application of the Connecticut Water Company to Amend its Rate Schedule*,

12. The Attorney General nonetheless urges the Authority to disallow at least \$317,130 from CT Water's revenue requirements. Defever PFT, 16.

3. The Authority Should Reject CT Water's Proposed Employee Bonus Programs Funding

In its Application, CT Water proposes that its customers fund incentive plans that would pay the Company's employees \$1.4 million in cash incentives and \$900,000 in stock bonuses. *Application Schedule C-1*. The Company proposes that 100 percent of these costs should be funded by its ratepayers. *Id.*

The Attorney General opposes this ratepayer funded incentive plan, particularly for executives and officers. As explained in the OCC's testimony, these bonuses are not designed to incent greater effort as almost all eligible employees receive the bonus. Defever PFT, 9. Moreover, these incentives appear to be designed principally to benefit shareholders, not ratepayers. Defever PFT, 11. Consistent with prior precedent, the Attorney General urges the Authority to disallow 50 percent of these bonuses from recovery by ratepayers, or \$1,200,000. Final Decision, Docket No. 20-12-30, *Application of the Connecticut Water Company to Amend its Rate Schedule*, 9-10.

4. Bad Debt Expense

CT Water proposes to recover \$598,292 in bad debt expense. *Application Schedule C-6*. The Authority should reduce the bad debt expense to be consistent with the Company's five-year average, which would reduce this expense item by \$163,540. Defever PFT, 19. This reduction would be consistent with the Authority's determination in CT Water's last rate decision. Final Decision Docket No. 20-12-30, *Application of the Connecticut Water Company to Amend its Rate Schedule*, 10-11.

5. Investor Relations Expense

The Company proposes to recover \$356, 246 for investor relations expense. Application, Schedule C-5. This amount should be excluded from rates in its entirety as it benefits shareholders, not ratepayers, and is inconsistent with Connecticut law. See, Defever PFT 16-17.

(d) No public service company shall recover through rates any direct or indirect cost associated with (1) travel, lodging or food and beverage expenses for such company's board of directors and officers or the board of directors and officers of such company's parent company; (2) entertainment or gifts; (3) any owned, leased or chartered aircraft for such company's board of directors and officers or the board of directors and officers of such company's parent company; or (4) investor relations.

Public Act No. 23-102, *An Act Strengthening Protections for Connecticut's Consumers of Energy*, Sec. 3(d)(4).

6. Other Adjustments Proposed by OCC

The Attorney General supports the many adjustments proposed by the OCC in this matter. These include adjustment to payroll and property tax,⁶ consulting costs,⁷ employee recognition awards,⁸ non-industry dues,⁹ and temporary help.¹⁰ Cumulatively, these adjustments, together with those proposed by the Attorney General, should allow the Authority to reject the great bulk of CT Water's proposed rate increase.

III. CONCLUSION

The \$22 million per year rate increase requested by CT Water is unwarranted at this time and would result in rates that are more than just and reasonable. The Attorney

⁶ Defever PFT, 23-24.

⁷ Defever PFT, 19-20.

⁸ Defever PFT, 20-21.

⁹ Defever PFT, 14.

¹⁰ Defever PFT, 13.

General has proposed certain reasonable adjustments to the Company's authorized ROE and capital structure that would save ratepayers from \$9 to \$15 million per year and maintain rates at reasonable levels. In addition, the Attorney General has identified additional expense and revenue adjustments that the Authority should approve, further reducing CT Water's revenue requirement by more than \$6 million per year. The itemization of adjustments discussed herein is by no means meant to provide an exhaustive list. The Attorney General concurs with many of the other adjustments recommended by the OCC in this case. The Attorney General urges the Authority to adopt these specific rate reduction recommendations as a first step to determining an appropriate revenue requirement for CT Water. The Authority should strive to find ways to keep customers' bills as stable as possible.

WHEREFORE, for the foregoing reasons, the Attorney General respectfully requests that the Authority reject CT Water's rate Application. The Authority should instead approve rates as described herein.

Respectfully Submitted,

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