STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 26-03-04 **ANNUAL REVIEW OF SYSTEM EXPANSION RECONCILIATION MECHANISMS**

October 8, 2026

PROPOSED FINAL DECISION

This proposed final Decision is being distributed to the parties in this proceeding for comment. The proposed Decision is not final. The Authority will consider the parties' arguments and exceptions before reaching a final Decision, which may differ from the proposed Decision. Therefore, this proposed Decision does not establish any precedent and does not necessarily represent the Authority's final conclusion.

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PROPOSED FINAL DECISION

I. INTRODUCTION

A. SUMMARY

The Public Utilities Regulatory Authority (Authority or PURA) approves the system expansion reconciliation (SER) filings for 2025 submitted by Yankee Gas Services Company d/b/a Eversource Energy (Yankee or Company).

B. BACKGROUND OF THE PROCEEDING

In 2013, the Authority approved a joint natural gas system expansion plan (SEP) in accordance with General Statutes § 16-19ww and the 2013 Comprehensive Energy Strategy (CES).[1] Decision, Nov. 22, 2013, Docket No. 13-06-02, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy (SEP Decision). As part of the approval, the Authority implemented the system expansion reconciliation (SER) mechanism as of January 1, 2014 to annually reconcile revenue and costs associated with the SEP in between rate cases. Order No. 17 of the SEP Decision requires the gas companies[2] (LDCs) to submit annual SER filings. The annual SER filing provides, among other things, data regarding SEP revenue, SEP revenue requirements, and SEP projects completed in the previous year, as well as anticipated SEP activity in the following 12 months.

Subsequently, the Authority reopened Docket No. 13-06-02 several times to modify the SEP Decision.

On June 11, 2014, the Authority reopened Docket No. 13-06-02 to, *inter alia*, modify Section II.D.2, Assignment of Non-firm Margin Credits, to comport with new requirements in Section 51 of Public Act No. 14-94, An Act Concerning Connecticut's Recycling and Materials Management Strategy, the Underground Damage Prevention Program and Revisions to Energy and Environmental Statutes (2014 Act), and to consider the modification of Order No. 8 in the SEP Decision. Docket No. 13-06-02RE01, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy – Reopening (Settlement Docket).

In its January 14, 2015 Decision in the Settlement Docket, the Authority approved the settlement agreement entered into by and between the Office of Consumer Counsel (OCC), DEEP's Bureau of Energy and Technology Policy, and the LDCs (Settling Parties) on October 22, 2014 (2014 Settlement Agreement), which clarified certain implementation rules of the SEP, including, among other things, evaluation of project metrics and the allocation of non-firm margin (NFM).

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1 Pursuant to General Statutes § 16a-3d, the Department of Energy and Environmental Protection (DEEP) is required to prepare a CES for the state every four years.

2 As defined in General Statutes § 16-1(5).

On February 24, 2016, the Authority reopened Docket No. 13-06-02 a third time[3] for the limited purpose of revising Order No. 17 in the SEP Decision. Docket No. 13-06-02RE03, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy – Reopening (Order No. 17 Docket). In its March 30, 2016 Decision (Order No. 17 Decision) in the Order No. 17 Docket, the Authority rescinded Order No. 16 and revised Order No. 17 in the SEP Decision. The revised Order No. 17 requires the LDCs to submit the annual SER filings in an annual docketed proceeding.

By Order No. 1 of the Decision dated September 13, 2017, in Docket No. 17-03-03, Review of the 2016 System Expansion Reconciliation Mechanisms Filed by: Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company and Yankee Gas Service Company (17-03-03 Decision), the Authority required the LDCs to tabulate and report acquisition costs and per-unit capital and operation and management costs for each year of the program in each annual filing.

On January 27, 2021, in accordance with the December 16, 2020 Decision in Docket No. 20-03-16, Review of the 2019 System Expansion Reconciliation Mechanisms Filed by Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company and Yankee Gas Services Company (20-03-16 Decision), the Authority reopened the docket for a fifth time[4] to re-examine certain elements of the SEP, including, but not limited to, convening a working group to examine steps to mitigate project variances, reduce the number of customers that are non-compliant with their service agreements, revisit or redesign current marketing efforts related to program participation, and propose a modified system expansion plan framework that recognizes and solves the challenges experienced in recent years. Docket No. 13-06-02RE05, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy – Program Review.

On August 20, 2021, pursuant to General Statutes §§ 16-9, 16-11, 16-19d, 16-19ww, 16-41, 16-258a, 42-110a et seq., and 4-177 et seq., and regulations promulgated pursuant to said statutes, the Authority, *inter alia*, initiated a proceeding to evaluate the LDCs' marketing practices for the SEP and consider any appropriate modifications to the SEP Decision and decisions in the associated reopened dockets. Docket No. 21-08-24, Petition of William Tong, Attorney General for the State of Connecticut, and the Office of

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[3] In the second reopening of the SEP Decision, the Authority approved the long-term gas Precedent Agreements, also known as capacity contracts, as submitted, but made clear the Decision is not a pre-approval of the commodity purchasing strategy the LDCs are setting up using these pipeline contracts. See Decision Aug. 27, 2015, Docket No. 13-06-02RE02, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy – New Gas Capacity Contracts. Pursuant to General Statutes § 16-19ww(a)(5), the SEP includes "strategy for capacity procurement," and the Authority found that the contracts were prudent because supply opportunities at the time were sporadic.

[4] In the fourth reopening of the SEP Decision, the Authority approved a two-year pilot program for the collection of a refundable contribution-in-aid-of-construction (CIAC) to address the issues of potential new customers not taking service after executing sales contracts. See Decision Nov. 8, 2017, Docket No. 13-06-02RE04, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy – Refundable Contribution in Aid of Construction.

Consumer Counsel for an Investigation into Eversource Energy Regarding Gas Expansion Marketing (2022 SEP Modification Docket).

In its April 27, 2022 Decision in the 2022 SEP Modification Docket (2022 SEP Modification Decision), pursuant to General Statutes §§ 16-9 and 4-181a, the Authority ordered the immediate winding down of the SEP by: (1) ending the enrollment of new customers in the SEP program effective the date of the 2022 SEP Modification Decision, other than those customers identified in the 2022 SEP Modification Decision who may qualify for incentives under the current SEP if such identified customers execute a services agreement with a gas company on or before the date certain; (2) assigning 100% of surplus NFM to offset the rate base of the gas companies; and (3) directing the gas companies to cease all outbound and passive marketing regarding the SEP. 2022 SEP Modification Decision, pp. 17-21.

On September 14, 2022, the Authority issued an Interim Decision in Docket No. 22-03-03, Review of the 2021 System Expansion Reconciliation Mechanisms Filed by: Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company and Yankee Gas Services Company (SEP Orders Decision), modifying and streamlining the SEP Orders in the Authority's decisions in Docket No. 13-06-02 and the associated reopened dockets, and in the annual system expansion rate (SER) dockets, pursuant to the 2022 SEP Modification Decision.

On December 17, 2025, the Authority issued a decision for the most recent SER docket, Docket No. 25-03-01, Annual Review of System Expansion Reconciliation Mechanisms (2025 SER Decision). The Authority approved the SER rates for the Connecticut Natural Gas Company (CNG), the Southern Connecticut Gas Corporation (SCG), and Yankee, without issuing additional orders. For the 2025 customer rates, the SER surcharge rates (averaging out between the three LDCs) impacted the average residential non-heating and heating customer monthly bill by 2.41% and 1.98%, or approximately $1.43 and $2.52 per month, respectively. 2025 SER Decision, p. 10.

The Authority directed CNG and SCG to use the then-upcoming 2025 SER proceeding in Docket No. 25-03-01 for final reconciliation of SER revenue requirements deficiencies and excesses. Decision, Nov. 18, 2024, Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and the Southern Connecticut Gas Company to Amend their Rate Schedules (23-11-02 CNG Decision), p. 187 and Decision, Nov. 18, 2024, Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and the Southern Connecticut Gas Company to Amend their Rate Schedules (23-11-02 SCG Decision), pp. 203-204. All subsequent SER revenue requirement deficiencies or excesses were to be reconciled through the revenue decoupling mechanism (RDM). See, e.g., 23-11-02 SCG Decision, pp. 203-204.

Accordingly, SCG and CNG have not filed applications for SER reconciliations in this proceeding.

During Yankee's latest rate case, Yankee was also directed to phase out SER. Decision, Mar. 11, 2026, Docket No. 24-12-01, Application of Yankee Gas Services Company d/b/a Eversource Energy to Amend its Rate Schedules, pp. 195-196. Therefore, this proceeding includes the final reconciliation of SER revenue requirement

deficiencies or excesses through the SER mechanism for Yankee or any other LDC; all future reconciliations will occur through the RDM. Application, Narrative, p. 3.

C. CONDUCT OF THE PROCEEDING

By Notice of Proceeding dated March 18, 2026, the Authority announced it would conduct a contested proceeding in accordance with General Statutes § 16-19ww to review: (a) the proposed SER costs and revenues for 2025 submitted by each company; (b) the information submitted pursuant to Order No. 1[5] of the 17-03-03 Decision, as modified by the SEP Order Decision; and (c) the information submitted pursuant to Order Nos. 1[6] and 2[7] of the 20-03-16 Decision.

On March 2, 2026, Yankee submitted its annual SER filing. By Notice of Hearing dated July 1, 2026, the Authority announced that upon request PURA would hold a hearing regarding the SER filing on July 9, 2026. No party requested a hearing and, accordingly, the hearing was cancelled.

The Authority issued a Proposed Final Decision on October 8, 2026. All Parties were given the opportunity to file written exceptions to the Proposed Final Decision.

D. PARTIES AND INTERVENORS OR PARTICIPANTS

The Authority recognized the following as Parties to this proceeding: Yankee Gas Services Company, 107 Selden Street, Berlin, CT 06037; Office of Consumer Counsel, Ten Franklin Square, New Britain, CT 06051; and the Commissioner of DEEP, 79 Elm Street, Hartford, CT 06106.

II. STANDARD OF REVIEW

In this docket, the Authority examines the SER rates proposed by Yankee to determine if they are consistent with the SEP Decision and with general ratemaking principles. In particular, under General Statutes § 16-19e(a)(4) and (5), the Authority must ensure "that the level and structure of rates [are] sufficient, but no more than sufficient, to allow public service companies to cover their operating costs … and capital costs to attract the needed capital and to maintain their financial integrity …." and that rates "reflect prudent and efficient management of the franchise operation" by the Company.

Specifically, the Authority must find that: (1) the SEP projects for which recovery is sought meet the conditions of the 2014 Settlement Agreement, as modified by the 2022 SEP Modification Decision; (2) the calculation of any SEP revenue deficiency or excess, including, among other things, operation and maintenance (O&M) costs and the allocation

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[5] Order No. 1 of the 17-03-03 Decision requires the LDCs, beginning with the 2017 SER filing, to incorporate tables that summarize annual acquisition costs and, per-unit (cost-per-meter, cost-per-foot, cost-per-service) capital and operating and maintenance (O&M) costs for each year of the SEP program as detailed in Section II.B.2., Expansion Plan Costs and Ongoing Cost Monitoring of the 17-03-03 Decision. 17-03-03 Decision, p. 7.

[6] Order No. 1 of the 20-03-16 Decision requires the LDCs to "file their Fifth-Year Project Accuracy Assessments in future SER filings that include accuracy assessments of all projects in their fifth year, as well as a summary page that follows the format in Tables H-J" of the 20-03-16 Decision, p. 18.

[7] Order No. 2 of the 20-03-16 Decision requires that the LDCs report in all future SER filings the average cost of all service connections for which a Hurdle Rate analysis was not performed. Id.

of non-firm margins, is accurate and reflects prudent operation of the SEP; and (3) the proposed SER rates are just, reasonable, and non-discriminatory.

III. AUTHORITY ANALYSIS

A. SEP REVENUE AND SER RATES

1. SEP Capital Expenditures

The SEP capital expenditures reported by the Company for 2025 are in accordance with the reporting requirement of the SEP Decision.

For the SEP capital expenditures to be recoverable under the SER mechanism, the Company must demonstrate that the projects meet the requirements of the SEP Decision as well as General Statutes § 16-19e. SEP Decision, p. 48. The Company may recover prudent investments made pursuant to the approved SEP in a timely manner. Id. To demonstrate prudence, the Company must provide supporting documents required by the SEP Decision. Id., p. 56.

In its 2025 SER filings, the Company reported the following 2025 SEP plant additions, as shown below in **Table 1**.

Table 1: 2025 SEP Plant Additions

Category	Yankee ($)
Intangible	N/A
Mains	(113,836)
Services	254,904
Meters	45,380
Other[8]	443,622
Total	**630,070**
Non-firm Margin Offset	N/A
Net Capital Expenditure	**630,070**

Company's 2025 SER Compliance Filing, March, 2, 2026, Exs. C-1.

The 17-03-03 Decision requires the Company to report capital costs for mains, service lines, and meters on a unit cost basis to monitor the efficiency of the Company in implementing the SEP. 17-03-03 Decision, p. 6. The Authority implemented the requirement to include per unit costs so that PURA could monitor the "continued value of the expansion program" and "each company's ability to control expansion project costs." Id. Table 2, below, shows the capital costs, new customers added, and the resulting unit

[8] E.g., Meter installations, industrial measurement, regulator station equipment. Yankee Gas Services delineates costs related to meter installation costs between FERC Account 381 for meters and FERC Account 382 for meter installations. 2025 SER Decision, p. 5. LDCs are allowed to put meter installation costs into either account, as long as they are consistent with allocating costs to the chosen account. 18 C.F.R. § 201.381.a and 18 C.F.R. § 201.382.a

costs for mains, service lines, and meters from the inception of the SEP, updated to include 2025 costs, for the Company.

Table 2: Yankee Unit Cost Analysis for SEP

Year	Capital Expenditures ($)	Mains ($/Foot)	Service Lines ($/Install)	Meters ($/unit)	New Customers Added
2014	18,648,000	58	4,958	454	6,063
2015	22,287,335	74	8,304	878	5,965
2016	28,324,269	103	8,564	1,040	5,095
2017	30,689,795	112	7,535	1,185	4,169
2018	31,446,953	106	6,542	1,392	4,434
2019	45,408,105	203	8,629	1,427	4,524
2020	43,414,508	280	5,788	1,396	3,970
2021	35,674,738	239	10,874	864	3,969
2022	28,115,202	239	10,139	1,128	2,756
2023	23,988,649	663	4,228	7,593	871
2024	6,053,361	249	2,440	8,846	255
2025	630,070	N/A	15,931	5,433	90

Yankee 2025 SER Exs. I-1a, I-1b; 2024 SER Decision, p. 6.

The total capital expenditures for Yankee decreased considerably during the sunsetting of SEP, with 2025 capital expenditures of only $630,070, compared to an annual average between 2014 and 2023 of $30,799,755. See **Table 2**. Yankee's per-unit costs for meters were an outlier compared to other cost categories and have increased since 2023, which Yankee attributes to costs carried over from previous years as "a timing disconnect between when meters are set in the field" and when the installation is reflected in accounting. 2025 SER Decision, p. 6. Service line installation also followed this trend in 2025. Despite the increase, Yankee's total capital expenditure decreased due to a sharp decline in installations. Between calendar years 2014 and 2024, Yankee had an average annual number of installations of 4,187. In 2025, the number of installations decreased to 90. See **Table 2**.

The Authority finds that the primary cause of increased per-unit costs is costs carried over from 2023 and 2024. Due to the decreasing number of installations, carried-over costs represent a larger portion of capital expenditure than in previous years, even if costs remain essentially constant. This finding is consistent with previous Authority decisions. See Decision, December 18, 2024, Docket No. 24-03-01, Annual Review of System Expansion Reconciliation Mechanisms, p. 7. **Table 3**, below, illustrates the shifts in per-unit costs.

Table 3: Change in Per Unit Capital Costs for 2025 Installations

		Mains ($/Foot)	Service Lines ($/Install)	Meters ($/unit)	New Customers Added
Yankee	2014-2024 Average	211	7,091	2,382	3,825
	2025	N/A	15,931	5,433	90
	% Change in 2025 from 2014-2024 average	**N/A**	**+125%**	**+128%**	**-98%**

See Yankee 2025 SER Exs. I-1a, I-1b; 2025 SER Decision, p. 7 (derived percentages).

2. SEP Revenue Deficiency/Credit

The Authority approved the SER mechanism pursuant to General Statutes § 16-19ww(d) to allow LDCs to annually reconcile the revenue and costs associated with the SEP outside of each company's traditional rate proceedings. In the annual SER proceeding, the Authority reviews the calculation of any SEP revenue deficiency or excess to determine if it is accurate and reflects prudent operation of the SEP by the LDCs.

The difference between the billed SEP distribution revenue and the SEP revenue requirement is the Gross Revenue Deficiency. The Gross Revenue Deficiency is then adjusted to account for (1) any SEP revenue deficiency or excess included in base rates during the prior rate case; (2) a reconciliation of prior SER rates to determine the Net Revenue Deficiency; and (3) the one-time shareholders' payment when all of the cost mitigation tools allowed by the Settlement Agreement are exceeded. **Table 4** illustrates the LDCs' calculations of the Net Revenue Deficiency for 2025.

Table 4: 2025 Net Revenue Deficiency

	Yankee ($)
SEP Required Revenues	30,632,348
SEP Billed Revenues	42,767,916
SEP Gross Revenue Deficiency/(Excess) (a)	(12,135,568)
Adjustment for Base Rates[9] (b)	16,359,437
Prior SER rate reconciliation (c)	11,588,192
Omitted from SER/Shareholder Cost (d)	(2,619,415)
Net Revenue Deficiency / (Excess) (a) + (b) + (c) + (d)	**13,192,646**

2025 SER Compliance, Ex. A-2.

[9] 2025 base distribution rates are established in Yankee's most recent rate case (i.e., Docket No. 18-05-10) as of the 2025 SER Filings.

The Authority reviewed Yankee's 2025 Net Revenue Deficiency calculations and supporting documents and accepts the net revenue deficiency amount of **$13,192,646**.

3. SER Rates and Bill Impact

Based on the Net Revenue Deficiencies in **Table 4** above, the LDCs are required to calculate the SER surcharges by allocating the deficiency among their rate classes. The allocation is based on the class allocation factors approved in each company's most recent rate case. **Table 5** below summarizes the proposed SER rates and the corresponding bill impact effective as of April 1, 2026.

Table 5: 2026 SER Rates ($/ccf) and Total Bill Impact

Rate Class	Yankee	Bill Impact
Rate 01	0.1062	2.32%
Rate 02	0.0519	2.17%
Rate 03	0.2859	1.59%
Rate 10	0.3133	1.11%
Rate 20	0.2579	1.33%
Rate 30	0.2105	1.24%
Rate 36	0.0003	0.01%

Exs. A-1, Item I and Item II.

To provide visibility regarding the total impact of the SER rate on customer bills, the LDCs are required to calculate the projected contribution SER Rates would have to the average customer bill. Exs. A-1, Item II.

Yankee's SER surcharge will impact the average residential non-heating and heating customer monthly bill by 2.32% for customers on Rate 01 and 2.17% for customers on Rate 02, or by approximately $1.49 and $3.48 per month, respectively. Yankee SER Compl., Ex. A-1, Item II.

The SEP Decision states that if the SER Rate impacts the overall average residential bill for existing customers by 5% or more in any given year, or by 15% or more over the life of the plan, the LDCs are required to notify the Authority. SEP Decision, p. 58. This condition would trigger a reevaluation of the program's effectiveness by the Authority. Id. However, this analysis is no longer necessary, as the Authority already ordered the immediate winding down of the SEP and ended the enrollment of new customers. 2022 SEP Modification Decision, p. 17.

IV. CONCLUSION

Based on the information in the record, the Authority approves the 2025 Yankee SER filings.