STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

RE: APPLICATION OF THE	**:**	**DOCKET NO. 26-03-15**
CONNECTICUT WATER COMPANY	**:**	
TO AMEND ITS RATE SCHEDULES	**:**	**OCTOBER 22, 2026**

BRIEF OF THE OFFICE OF CONSUMER COUNSEL

Respectfully Submitted.

STATE OF CONNECTICUT
OFFICE OF CONSUMER COUNSEL

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I. Introduction

On May 11th, 2026 Connecticut Water Company ("the Company", "Connecticut Water", or "CWC") filed with the Public Utilities Regulatory Authority ("PURA" or "the Authority") an application to increase its allowed base revenues, collected through rates charged to Connecticut ratepayers. The Company is asking for an increase of over $25 million dollars,[1] representing over an 18% increase in currently allowed revenues. With a requested return on equity of 10.00% and a rate base of approximately $900 million, the Company is asking Connecticut ratepayers to fund a **42.6% increase to the Company's current profit level**.[2] Connecticut residents understand that infrastructure must be maintained and an increase of some amount may be unavoidable. However, a request of this amount with so high a profit margin is untenable, particularly at a time of rampant inflation, with rising costs affecting nearly every sector of people's everyday lives. The request also must be viewed in light of the Company's relatively recent rate increases, and its ability to collect additional revenue annually through two statutorily authorized cost trackers. A multitude of Connecticut Water customers have filed comments in opposition to this rate increase, often citing the high cost of living and the unaffordability for everyone from young families to senior citizens living on a fixed income.[3] Ratepayers know they need safe and clean drinking water, but this knowledge does not stretch their dollars farther—it only underlines the necessity to curb the Company's increase to only what is just and necessary.

[1] This number represents the updated filing provided in LFE-01, see Summary tab.
[2] LFE-01, Schedule C-1.0, Adjusted Utility Operating Income at Proposed Rates vs. Current Rates (($67,125,773-$47,073,293)/$47,073,293).
[3] *See generally* Correspondence in Docket No. 26-03-15; ex. Public Comment Laurie Batignani dated July 24th, 2026; Public Comment Tim Ackerman dated July 28th, 2026; Public Comments Anna and Gary Messecar dated August 25th, 2026.

PURA's remit is to authorize rates that are no more than just and reasonable to enable a utility to properly provide for the public convenience, necessity, and welfare. General Statutes § 16-19(a). Recognizing that improvements and investments must be made to Connecticut Water's system, particularly with emerging contaminants like PFAS, the requested increase is nevertheless excessive and goes beyond the statutory requirements for setting rates in the state.

After thoroughly evaluating the application, OCC has determined that the Company's request is above what is needed to provide safe and reliable service to its customers and proposes an alternative. As set forth in detail below, OCC proposes an increase of $344,968, representing an overall revenue increase of 0.3%, which would allow the Company to continue to provide safe and reliable service to Connecticut ratepayers and still be able to continue to attract capital and retain net earnings.

a. Background and Procedural History

Connecticut Water's most recent base rate increase was granted by the Authority in Docket No. 23-08-32 . The Final Decision was issued on June 28th, 2024, authorizing a total revenue of $124,700,031 effective July 1st, 2024.[4] The Company filed its initial Notice of Intent to file a rate increase on March 13th, 2026 and subsequently filed its Application with the Authority on May 11th, 2026. The Authority convened a Scheduling Conference on June 11th, 2026. OCC issued interrogatories to the Company beginning on May 21st, 2026. *See* OCC-1. The Authority held public comment hearings on July 29th, August 10th, and August 26th. OCC and other parties filed testimony on July 31st, 2026, with the Company's rebuttal on August 21st, and

[4] This is exclusive of the additional $1,115,803 in executive compensation which the Company had the opportunity to recover through the achievement of certain performance targets. *See* Decision 23-08-32 June 28th, 2024 p. 1. This number is also exclusive of surcharges imposed in Water Infrastructure and Conservation Adjustment and Water Quality Treatment Adjustment proceedings.

OCC and other parties' surrebuttal filed September 4th. The rolling discovery period ended on September 15th, 2026 and six days of evidentiary hearings commenced on September 21st, ending on October 1st, 2026. One day of evidentiary hearings was held specifically for Late-Filed Exhibits ("LFEs") on October 7th, 2026. The evidentiary record closed on October 8th, 2026.

II. Summary of OCC Positions

After careful review of the present application, OCC has identified several areas of concern and requests that the following be included as findings in the Proposed Final Decision of the Authority. Each of the following positions is discussed more fully within this brief.

- **Return on Equity**: The Company's request for a return on equity of 10.00% is excessive and should be reduced to 8.30%. CWC's requested overall rate of return of 7.477% is excessive and should be reduced to 6.37%.
- **Rate Base**: The Company's rate base request is excessive and is inconsistent with past PURA precedent for the water industry. The Authority should set CWC's rate base as of the last LFE hearing date in this proceeding, not based on forecasted levels to the mid-point of the rate year. This represents $46,068,087 of plant additions forecasted after September 30th, 2026 that are not yet in service or used and useful. Additionally, OCC recommends excluding $17,718,967 in completed 2026 additions lacking adequate authorization documentation. In total, OCC recommends $63,787,054 of gross plant addition adjustments. This results in a net rate base reduction of $37,306,699 to the proposed rate year level.
- **Expenses**: The Company's revised requested pro forma operating, maintenance, depreciation, and tax expenses are overstated, excessive, and should be reduced for ratemaking purposes by at least $7,638,819.

- **Cost of Service**: OCC recommends that the Authority accept CWC's COSS methodology and resulting class cost allocations, but adopt OCC's 1.75-times-overall system-average limitation for class revenue allocation, providing additional movement toward the Company's own COSS results while maintaining gradualism.
- **Rate Design**: OCC recommends that PURA maintain CWC's residential inclining block structure but preserve the proportional relationship among the volumetric tiers as rates increase, rather than maintaining fixed-dollar tier differentials.
- **Total Adjustments**: OCC's recommended adjustments are detailed in the attached Brief Schedules. If OCC's final positions are adopted in total, rather than the $25 million revised rate increase requested by the Company, a rate increase of approximately $345,000 above current rates would result.

III. Applicable Legal Standards

a. Connecticut's Ratemaking Statutes

The foundational framework for Connecticut's ratemaking process is set forth in General Statutes § 16-19(a), tasking PURA to review proposed rate amendments of public service companies, including Connecticut Water, to ensure that such proposed amendments will not result in rates that are "more or less than just, reasonable and adequate, or that the service furnished by such company is inadequate or in excess of public necessity or convenience." PURA must investigate the rate application using the principles set forth in General Statutes § 16-19e, including: (1) whether there is a clear public need for proposed services; (2) whether the Company is managerially efficient and that the Company is competent to provide efficient and adequate service; (3) whether the Company performs its responsibilities with economy, efficiency and care and so as to promote economic development with consideration for energy

conservation, energy efficiency, and the utilization of renewable energy and for the prudent management of the natural environment; (4) whether the level and structure of the rates being sought by the company are sufficient "but no more than sufficient" to allow the company to cover its operating costs and to attract capital and to maintain its financial integrity, while also providing appropriate protection to existing and foreseeable public interests; and (5) whether the rates charged reflect prudent and efficient management. General Statutes § 16-19e. Recognizing these various factors, the Supreme Court of Connecticut has made clear that prudence is not the only standard by which the Authority can determine whether costs are properly recoverable. See *GenConn v. Public Utilities Regulatory Authority*, 348 Conn. 532, 544-546 (2024) (acknowledging distinction between threshold analysis of whether costs are prudently incurred and subsequent determination of whether such costs are appropriately recovered from ratepayers and noting that even prudently incurred costs are nonetheless subject to review for recovery in accordance with the § 16-19e standards).

b. Fair Return

Public utility companies are entitled to collect rates that will allow them to earn returns equal to similar businesses that are attended by corresponding levels of risks and uncertainties. *Bluefield Waterworks & Imp. Co. v. Public Service Comm'n of W. Va.*, 262 U.S. 679, 692 (1923). However, utility companies have "no constitutional right to such profits as are realized or anticipated in highly profitable or speculative ventures." *Id*. The proper rate of return cannot be standardized, and lower rates of return are appropriate where investments are "safe, returns certain, and risk reduced to almost a minimum." *Id*. at 693. A utility company's constitutional guarantee is not the promise of the rate of return itself, but of the opportunity to earn it. *State of Missouri ex rel. Southwestern Bell Telephone Co. v. Public Service Comm'n of Missouri*, 262

U.S. 276, 290 (1923) (Brandeis J., concurring) ("[T]he federal Constitution guarantees to the utility the opportunity to earn a fair return."). In fact, utility companies enjoy no "guarantee of *any level of revenues* or return." *Southern New England Telephone Co. v. Department of Public Utility Control*, 274 Conn. 119, 125 (2005) (emphasis added). The "authorized rate of return is in the nature of an opportunity rather than a guarantee." *Id*. The authorized rate of return can be envisioned as "a ceiling set by the department." *Id*.

Courts have made clear that the rate itself, rather than the method of reaching the rate, is the focus of the regulatory body. *Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591 (1944). The statutory standard of "just and reasonable" refers to the "result reached not the method employed" in reaching the rate itself. *Id*. at 602. "The rate-making process . . . i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests." *Id*. at 603.

A utility's constitutionally protected opportunity to earn a fair return is not infringed "by the disallowance of certain capital expenditures and operating costs consistent with the general rate-making principles codified in § 16-19e(a)(4) and (5)." *Aquarion Water Co. of Connecticut v. Public Utilities Regulatory Authority*, 352 Conn. 381, 399 n. 14 (2025). Disallowance of requested costs does not result in confiscatory taking only because the resulting effective rate of return falls outside of the range approved by the commission, where the effective rate of return is computed outside of the ratemaking formula. *Id*. at 419 (quoting *Toledo Edison Co. v. Public Utilities Commission*, 12 Ohio St. 3d 143, 146 (1984).

Connecticut statutes provide guidance to the Authority when setting a rate of return for a utility. First, General Statutes § 16-19e(a) provides guidance for setting rates, including directing the level and structure of rates be sufficient, but no more than sufficient, to allow public service

companies to cover their … capital costs, to attract needed capital and to maintain their financial integrity, and yet provide appropriate protection to the relevant public interests, both existing and foreseeable…" Second, General Statutes § 16-19gg requires the Authority to "consider the following factors in determining a reasonable rate of return: (1) Macroeconomic conditions at the time the rate amendment is pending before the authority; (2) the company's compliance with state law, regulations and the decisions and policies of the authority and the Department of Energy and Environmental Protection; (3) the burden of the public service company's costs on residential ratepayers, measured as a percentage of household income, under the current and proposed rate; (4) trends in the company's accrual of bad debt; (5) the rate impact on all residential and nonresidential customers; and (6) any other issue deemed relevant by the authority." Factor number three, consideration of the burden of the public service company's costs on residential ratepayers, is particularly relevant to today's challenging economic circumstances for ratepayers.

c. Used and Useful

The Takings Clause of the Fifth Amendment of the United States Constitution entitles regulated utility companies to rates "sufficient to yield a reasonable rate of return upon the value of the property used, *at the time it is being used*, to render the services. . . [b]ut [a utility] is not entitled to have included any property not used and useful for that purpose." *Denver Union Stock Yard Co. v. United States*, 304 U.S. 470, 475 (1938) (emphasis added). The "basis of all calculations as to the reasonableness of rates to be charged by a corporation . . . must be the fair value of the property *being used by it* for the convenience of the public." *Smyth v. Ames, 169 U.S.* 466, 546 (1898) (emphasis added). The "used and useful standard" is a "bedrock principle of utility regulation." *Kentucky Utils. Co. v. FERC*, 760 F.2d 1321, 1324 n.4 (D.C. Cir. 1985). The

same standard is also the basis for the ratemaking prohibition against intergenerational inequity, or the concept that current ratepayers should not fund future system improvements until those improvements actually provide benefits as in-service plant. *Id*. There exists a distinction between, on one hand, utility property and, on the other hand, the cost of utility property allowed in rate base, because only that portion of utility property that is the result of prudent and reasonable management is included in rate base. *Aquarion,*352 Conn. at 390 (citing *CL&P v. DPUC*, 219 Conn. 51, 67-68 (1991). However, even where investments are "deemed to have been made prudently and in good faith," they may be excluded from rate base if they are not "used and useful for the public." *Los Angeles Gas & Elec. Corp. v. Railroad Commission of Cal*., 289 U.S. 287, 306 (1933). A state scheme of utility regulation "does not 'take' property simply because it disallows recovery of capital investments that are not 'used and useful in service to the public." *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 301 (1989).

d. Known and Measurable

When assessing the evidence that may be gleaned from a test year to establish rates, the results from that test year may be adjusted by "known and measurable" changes that could justify an alteration in rates for the public utility company. *Connecticut Natural Gas Corp. v. Department of Public Utility Control*, 51 Conn. Supp. 307, 322, 981 A.2d 1084, 1095 (2009) (discussing "known and measurable" changes to historic test year evidence). The application of the "known and measurable" standard is similar to an evidentiary standard, in that the Authority can conclude that proposed deviations from the test year evidence are not persuasive if they are not adequately demonstrable. *Id*. (noting that department was not persuaded by plaintiff's evidence regarding "known and measurable" changes). *See Aquarion*, 352 Conn. at 391 ("To maximize the accuracy of PURA's estimates, a test year is 'employed to show what the probable

operating and financial condition of the company will be in the immediate future'[5] . . . . [T]he test year may be adjusted 'forward for a reasonable period of time' to permit the utility to recover '*definite, ascertainable expenses* maturing or *certain to materialize* during that period of time.'"[6] (emphasis added).

e. Prudence

As noted above, when reviewing the management decisions of a public utility company, General Statutes § 16-19e(a)(5) directs PURA to determine if "the level and structure of rates charged customers … reflect prudent and efficient management of the franchise operation . . ." This standard requires an assessment of the information available to management at the time the decision was made. *CL&P v. DPUC*, 216 Conn. 627, 645 (1990) ("The prudence of a management decision depends on good faith and reasonableness, judged at the time the decision is made."); *Violet v. FERC*, 800 F.2d 280, 282 (1st Cir., 1986) ("The prudence of the investment must be judged by what a utility's management knew, or could have known, at the time the costs were incurred.")

f. Administrative Agency Discretion

In regard to the Authority's ratemaking powers, the "legislature . . . has not imposed upon [PURA] any specific formula or policy to use in setting rates." *Town of Greenwich v. DPUC*, 219 Conn. 121, 126 (1991). PURA's "broad grant of regulatory authority carries with it the necessarily equally broad discretion, to be exercised within legal limits . . . to take into account such varying factors as economics, public policies, accounting principles, fairness to the parties, and the context and intent of any prior agreements entered into by the utility, and to

[5] Quoting *Southern New England Telephone Co. v. Public Utilities Commission*, 29 Conn. Supp. 253, 258 (1970).
[6] Quoting *Connecticut Natural Gas Corp. v. Public Utilities Commission*, 29 Conn. Supp. 379, 390-91 (1971).

balance those factors by a process of reasoned decision-making". *Office of Consumer Counsel v. Dept. of Public Utility Control*, 279 Conn. 584, 593-94 (2006). Given its statutory duty to ensure that the level and structure of rates is sufficient, but no more than sufficient, to allow public service companies to cover their operating costs, "PURA must be able to protect the interests of ratepayers, and, when it determines that a company is overrecovering, it must be allowed to adjust the rates." *GenConn*, 348 Conn. at 549. As the Supreme Court of the United States has recognized, "[t]he Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas. Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances." *Federal Power Commission v. Natural Gas Pipeline Co. of America*, 315 U.S. at 586.

g. Burden of Proof

Ultimately, the public service company has the burden of proof to show that a proposed rate is just and reasonable. General Statutes § 16-22 (placing burden of showing that proposed rate under consideration is "just and reasonable" on public service company). As a general rule of administrative law, the moving party bears both the burden of production and the burden of persuasion in an administrative proceeding. *Bridgeport Dental, LLC v. Commissioner of Social Services*, 2014 WL 6476971 (Conn. Super. Ct. October 20, 2014) (citing 2 Am.Jur.2d, Administrative Law § 342 (2014). In the context of a rate case, the petitioning company bears the burden of proving not only the amounts of its operating costs and other expenses, but also the "basis for charging to its expense accounts and the propriety of including such charges for rate-making purposes." *Connecticut Natural Gas Corporation v. Public Utilities Commission*, 29 Conn. Supp. 379, 394 (1971). To establish the facts to justify a rate amendment, the company

must present facts that exceed the preponderance of the evidence standard. *See Goldstar Medical Services Inc. v. Department of Social Services*, 288 Conn. 790, 821 (2008). "In the absence of state legislation prescribing an applicable standard of proof, . . . the preponderance of evidence standard is the appropriate standard of proof in administrative proceedings . . .." *Id*. The preponderance of the evidence standard requires evidence showing that facts are "more probable than not." *Id*. (citing *Tianti v. William Raveis Real Estate*, *Inc*., 231 Conn. 690, 702 (1995)). The exclusion of plant additions from rate base is not arbitrary or capricious where supporting evidence is "lacking the particularity and detail necessary to ascertain exactly why the costs were prudently incurred." *Aquarion*, 352 Conn. at 402.

h. Pragmatic Adjustments

As noted above, the United States Supreme Court has held that agencies are "free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances." *Federal Power Commission v. Natural Gas Pipeline Co. of America*, 315 U.S. at 586. The Connecticut General Assembly has directed the Authority to make such adjustments. If the Authority finds any proposed amendment of rates to not conform to the principles and guidelines set forth in Section 16-19e, or to be unreasonably discriminatory or more than just, reasonable and adequate to enable the Company to provide properly for the public convenience, necessity and welfare, or the service to be inadequate or excessive, it "*shall* determine and prescribe, as appropriate, an adequate service to be furnished or just and reasonable maximum rates and charges to be made" General Statutes § 16-19(a) (emphasis added).

IV. Rate Base

CWC's initial application requested setting its average Rate Year rate base at $907,337,093. *See* Schedule B-1.0A. In LFE-01, Schedule B-1.0A, the Company made several adjustments updating its proposed Rate Year rate base. The OCC's net result is a decrease of $44,798,459 to $862,538,635. In its expert witness testimony, OCC presented numerous recommended adjustments to the Company's requested Rate Year level of rate base. Below is a discussion of those recommendations and other areas that have risen out of the development of the record and evidentiary hearings in this proceeding.

a. Cash Working Capital

The Company derived its cash working capital request for the Rate Year using the 1/8th rule (also known as the 45 Day Rule). Under this methodology, the Company calculates its cash working capital allowance by multiplying its total O&M expenses by 12.5 percent, representing approximately 45 days of operating expenses. Schedule B-4.0. OCC does not dispute the Company's methodology for calculating cash working capital. However, since O&M expenses serve as the basis for this calculation, the cash working capital allowance must be adjusted to reflect OCC's recommended adjustments to O&M expenses. Based on the adjustments contained in the Direct Testimony of Grace N. Koenig, OCC originally recommended reducing the Company's cash working capital allowance to reflect the adjustments contained in her initial testimony. This resulted in a $775,530 reduction to the cash working capital component of rate base. OCC Koenig Direct Testimony, p. 6. Based on final O&M expense adjustments 6, 472,627 discussed later in this brief, OCC recommends a further reduction to cash working capital of $809,078 to rate base.

b. CIAC, Customer Advances, Security Deposits, Accumulated Excess Deferred Taxes

OCC had previously offered testimony recommending adjustments to the values used in contributions in aid of construction and customer advances, as well as removal of security deposits and accumulated excess deferred taxes. Direct Koenig, pp. 6-7. However, in its updated LFE-1 filing, the Company resolved these issues in its updated position. *See* LFE-1, Schedule B-9.0.

c. Plant in Service

i. Overview of CWC's Proposed Capital Additions

Connecticut Water proposes to set rates on a rate base that combines utility plant in service ("UPIS") as of the close of the historic test year on December 31, 2025, with three successive periods of pro forma plant additions extending two years beyond the test year: (1) additions from the close of the test year through the time of evidentiary hearings, which the Company defined as January 1 through September 30, 2026; (2) additions from October 1 through December 31, 2026; and (3) additions for calendar year 2027. Exh. A.3, Peeling Direct Testimony, p. 19. The pro forma additions exclude investments eligible for recovery through the Water Infrastructure and Conservation Adjustment ("WICA") and the Water Quality and Treatment Adjustment ("WQTA"), which the Company will recover through those mechanisms. OCC-146; Exh. A.3, p. 20.

CWC's proposed investment levels reflect substantial growth in its UPIS. Between December 31, 2022 and December 31, 2025, the Company's UPIS increased from approximately $1.091 billion to $1.361 billion, representing an annual compound growth rate of approximately 7.65 percent. This rate of growth exceeded that experienced by Aquarion Water Company over the same period. Although this difference does not establish that CWC's investments were

imprudent, it illustrates the magnitude of the capital expenditures under consideration and the importance of ensuring that the investments included in rate base are both used and useful and prudently incurred. OCC Larkin-Connolly Direct Testimony, pp. 9–10.

During the course of this proceeding, CWC has revised the capital additions included in its proposed pro forma rate base. In LFE-01, the Company submitted updated schedules reflecting revisions and corrections made throughout the proceeding. These schedules include updated additions for the January 1 through September 30, 2026 period and revised forecasted additions for the remainder of 2026 and calendar year 2027. The revised amounts are presented in Table 1 below.

Table 1: CWC Updated Pro Forma Plant Additions and OCC's Recommended Treatment

PERIOD	UPDATED ADDITIONS (LFE-01)	OCC POSITION
Jan. 1 – Sept. 30, 2026	$32,252,063	Allow, subject to documentation and project-specific adjustments
Oct. 1 – Dec. 31, 2026	$9,036,905	Exclude as forecasted additions
Calendar year 2027	$37,031,182	Exclude as forecasted additions

Source: LFE-01, Attachment 2.

OCC witness Brendan Larkin-Connolly reviewed the capital additions proposed by CWC, the Company's documented capital authorization and project management procedures, and the supporting project-level information produced through discovery. His review identified significant deficiencies in the documentation provided to support the Company's capital investments, particularly regarding evidence of initial project authorization and supplemental approval for expenditures exceeding authorized budgets. Direct Larkin-Connolly, pp. 10–21.

OCC does not recommend disallowances to the historic plant additions completed through December 31, 2025. However, after reviewing the updated 2026 additions presented in LFE-01 against the documentation provided in discovery, OCC identified $17,718,966.84 in

completed 2026 additions for which CWC has not provided sufficient evidence of compliance with its own capital authorization requirements. OCC recommends that these additions be excluded from rate base.

OCC further recommends excluding all forecasted additions for the October 1, 2026 through December 31, 2027 period, totaling $46,068,087, consistent with the Authority's recent decisions regarding incomplete and forecasted plant. In addition, OCC recommends removing the Company's proposed Oracle Customer Information System ("CIS") software-as-a-service ("SaaS") prepayment balance and associated amortization expense because the system will not be complete and in service as of the cutoff date for supporting plant additions in this proceeding. Direct Larkin-Connolly, pp. 31–38; Surrebuttal Larkin-Connolly, pp. 4–14.

ii. Capital Authorization and Project Management Procedures

1. CWC's documented capital authorization and project management procedures are generally sound.

A utility's capital authorization and project management procedures play an important role in determining whether its capital investments were prudently incurred. Regulatory authorities and other stakeholders necessarily face significant information asymmetry when reviewing utility investments. The utility has greater access to information regarding its operational needs, available alternatives, engineering considerations, procurement decisions, and the circumstances that affect project execution. Further, the relatively limited time available to conduct a base rate proceeding makes it impractical to evaluate every management decision associated with hundreds of capital projects. Direct Larkin-Connolly, pp. 11–13.

For these reasons, formal capital authorization and project management procedures provide an important framework for evaluating the prudence of utility investments. When those procedures are reasonable, a prudence review can focus, in part, on determining whether

management followed the established procedures when planning, approving, and implementing individual projects. *Id.*

In his direct testimony, Mr. Larkin-Connolly reviewed the procedures described by CWC witness David C. Peeling, as supplemented by the Company's responses to discovery. Based on this review, Mr. Larkin-Connolly concluded that CWC maintains generally sound procedures for capital planning, project authorization, and project management. Direct Larkin-Connolly, pp. 14–17.

CWC's Capital Planning Council provides oversight of the annual capital budget and reviews project funding requests. In response to OCC-133, the Company provided additional materials describing its project prioritization and authorization procedures, including the Capital Planning Council Governance Document, Project Proposal forms, and Change Request forms. These materials establish a process for reviewing projects before funding is authorized and for seeking additional approval when project costs or scopes materially change. OCC-133, Attachments 1–4; Direct Larkin-Connolly, pp. 15–17.

The Project Proposal form documents the justification for a proposed investment, its anticipated costs, alternatives considered, and the Company's initial approval decision. Similarly, the Change Request form documents circumstances in which the Company must obtain supplemental authorization for changes to an approved project. CWC's procedures require a Change Request when estimated project costs exceed the initially approved budget by the lesser of 15 percent or $100,000, or when bid construction costs exceed the original estimate by the lesser of 35 percent or $250,000. OCC-133, Att. 2–4; Direct Larkin-Connolly, pp. 16–17.

OCC recognizes the value of these procedures. They establish an orderly process for evaluating the necessity of proposed investments, approving expenditures, monitoring project

budgets, and reviewing material changes as projects proceed. However, as discussed below, the existence of appropriate procedures does not establish that those procedures were followed for the capital additions the Company seeks to recover from ratepayers.

2. The existence of sound procedures does not establish that they were followed.

Sound procedures help address the problem of information asymmetry because, if the procedures themselves are reasonable, part of the prudence review becomes verifying that they were followed. Direct Larkin-Connolly, p. 12. That verification, however, depends entirely on the Company producing the records its procedures generate. A written policy describes what *should* happen; only contemporaneous records show what *did* happen. When asked on cross-examination whether he found that CWC maintains procedures for authorizing projects before funding, Mr. Larkin-Connolly drew exactly this distinction: "I would say that I found that they have them. I wouldn't say that they have provided complete documentation to show that . . . that process was completed for all the projects submitted so far." Transcript 9/25 pp. 93-94.

This distinction also matters because a prudence review concerns more than the initial decision to pursue a project. During his cross-examination of Mr. Larkin-Connolly, Chairman Wiehl described the prudence standard as an evaluation of "whether the decision was reasonable given that information at the time" the company made it. Tr. 9/25 p. 106. Mr. Larkin-Connolly agreed and added that while a company may present its approval procedures as evidence that the decision to pursue a project was prudent, "there are an infinite number of decisions made along the way for projects. So I always think of prudency as sort of all those decisions along the way related to a project." Tr. 9/25 p. 107. The Chairman maintained that the decision to build is "just the first decision out of 50 million decisions with respect to a regular project." *Id.* Commissioner Beecher made the same point, observing that a project can be well justified, "but how you get

there matters." Tr. 9/25 pp. 130-131.

For this reason, contemporaneous authorization records and documented changes to project budgets are essential to a prudence review. Records created at the time a project is planned, approved, and implemented provide the most reliable evidence of what the Company knew, considered, and decided, in the same way that historians treat records created at the time of an event as primary sources. Direct Larkin-Connolly, p. 19. Contemporaneous records also show that management review actually occurred: that management approved the scope and budget before expenditures were incurred, monitored performance, and reviewed material changes as they arose. *Id.* Without them, "it is difficult to determine whether these decisions were made through the Company's established processes or whether the later narrative merely provides an after-the-fact explanation of the outcome." *Id.*

It follows that approval of an annual capital budget does not by itself demonstrate that subsequent expenditures were prudently managed. Board approval of a budget, or the inclusion of a project on an annual project list, establishes at most that the Company decided to pursue the project at an expected cost. CWC's own procedures recognize that this initial decision is not the end of management's responsibility: they require a new review and approval when costs exceed the approved budget by more than a defined threshold. Where that review is required and the record contains no evidence that it occurred, the Authority has no basis to conclude that management made a reasoned decision to continue spending at the higher cost. As Mr. Larkin-Connolly testified, when a meaningful share of projects run over budget, "it requires some form of investigation into […] what's driving these cost overruns." Tr. 9/25 p. 133.

iii. CWC's Documentation Does Not Adequately Support Its Capital Additions

1. CWC's initial filing did not provide the contemporaneous

documentation necessary to evaluate compliance with its procedures.

The Company's initial filing supported its capital additions with project summaries for capital budget items over $10,000, presented in Exhibit A.3, Appendix 1. These summaries took three forms: a Long Form for projects generally over $1,000,000 or of particular complexity, a Short Form for projects generally between $100,000 and $1,000,000, and a Tabulated Format for smaller or more routine items. Direct Larkin-Connolly, pp. 16-17; Exh. A.3, pp. 23-24. The Long Form and Short Form narratives describe the project, the deficiencies it addresses, a risk assessment, alternatives, the project scope, the procurement approach, and a milestone schedule. Direct Larkin-Connolly, p. 17.

These narratives omitted the information needed to determine whether the Company's procedures were followed. In response to OCC-135, the Company confirmed that the project summaries do not include the original approved budget, authorization or approval dates, final actual cost, the amount placed in service, the plant-in-service date, or the cost variance from approval. *Id.*, p. 18; OCC-135. Each of these items is relevant to a prudence review. The plant-in-service date and amount are particularly important because they determine whether, and when, an addition is eligible for inclusion in rate base at all. Direct Larkin-Connolly, p. 18.

The narratives also were not records of the Company's capital management process. In response to OCC-138, the Company confirmed that the Appendix 1 narratives "were prepared specifically for this rate case application outside of any project management policy or guideline." *Id.*, p. 18; OCC-138. Appendix 1 therefore is not a production of the Project Request forms, Change Request forms, or Capital Planning Council approval records described in the Company's governance documentation. It is a narrative prepared after the fact for purposes of this proceeding. Direct Larkin-Connolly, p. 19. Retrospective narratives of this kind can explain

a project, but they cannot substitute for records showing that the required approvals were obtained when they were required.

The narratives also covered only a portion of the plant at issue. Of the 502 water and sewer projects with historic plant additions, Mr. Larkin-Connolly was able to match 166 to a narrative in Appendix 1. Those projects represent approximately $104 million, or 36 percent, of total capital investment over 2023 through 2025. The initial filing provided no cost, authorization, or plant-in-service information at all for the remaining 64 percent. *Id.*, p. 24.

2. Supplemental discovery addressed certain deficiencies but did not establish compliance for every project.

In response to OCC-136, the Company produced five attachments that began to fill the evidentiary gap: (1) the Company's Annual Capital Budget Reports, which the Company states reflect the original approval date and approved budget for each project, either as the Board-approved amount or, for in-year additions, the amount in the "Substitutions" column; (2) plant placed in service by period for each project; (3) Change Request forms for projects whose budgets changed after original approval; (4) work order in-service dates; and (5) a sample of 36 Project Request forms. *Id.*, p. 20; OCC-136, Attachments 1-5. This information allowed Mr. Larkin-Connolly, for the first time in the proceeding, to compare a project's originally approved budget against its actual cost, to identify whether and when a project was re-authorized, and to associate plant amounts with in-service dates. Direct Larkin-Connolly, pp. 20-21. Using it, he was able to confirm the cumulative historic addition amounts and their in-service dates and to reconcile them with Schedule B and the Company's annual reports. *Id.*, p. 25.

The authorization records, however, were limited to samples. The Company provided 36 Project Request forms and 53 Change Request forms. *Id.*, p. 24. OCC accepted a sample rather than the full population because the Company indicated that locating all of the forms would be

time consuming. *Id.*, p. 25. That explanation is difficult to reconcile with the Company's own governance document, which describes the Project Request form as being used for "regulatory review and project justification." *Id.* Within the sample, Mr. Larkin-Connolly found that the process the Company outlined appeared to have been carried out. Tr. 9/25 p. 95. A sample, however, cannot verify management authorization and cost control for the entire population of projects for which the Company seeks recovery. As Mr. Larkin-Connolly told Chairman Wiehl, "I got some of the information I needed . . . I got a sample of the project authorizations and the reauthorization forms, and ideally I would like to have seen that for a greater number of projects because that really is the . . . contemporaneous documentation." Tr. 9/25 p. 112.

3. CWC had adequate notice of OCC's documentation expectations for post-test-year additions.

OCC's support for including completed post-test-year additions has been conditional from the outset. In his direct testimony, filed July 31, 2026, Mr. Larkin-Connolly recommended that post-test-year additions placed in service through the late-filed exhibit date be included in rate base "conditioned on complete supporting documentation." Direct Larkin-Connolly, p. 6. He then stated what that documentation should include: "I request that CWC provide the project proposal and change order forms for all post-test year completed plant additions being requested for inclusion in rate base with project budgets over $50,000. Then, the actual plant additions should be supported with plant-in-service dates and addition amounts like what has been provided in response to OCC-136 and what will be provided in response to OCC-135." *Id.*, p. 30. He explained that while he was not expecting these forms for the historic additions, "there should be a higher bar for the post-test year additions." *Id.* His surrebuttal testimony reiterated that his final position would be based on the actual amounts the Company documents and supports through the late-filing date. Surrebuttal Larkin-Connolly, p. 13.

The Company itself represented that it could provide this information. In rebuttal, CWC witness Troy M. Dixon stated that, if requested, "the Company can provide supporting information regarding in-service date, costs, and project justifications" for post-test-year additions. Surrebuttal Larkin-Connolly, p. 5 (quoting Dixon Rebuttal p. 20). The Company therefore had over nine weeks between OCC's direct testimony and the filing of LFE-01 on October 5, 2026 to assemble the Project Request and Change Request forms for its 2026 projects, which, under its own procedures, should already exist. LFE-01 updated the January through September 2026 additions to $32,252,063, but it did not provide the underlying authorization records needed to verify that those additions were approved and re-authorized as the Company's procedures require. LFE-01, Attachment 2.

The timing of this deficiency compounds its effect. Chairman Wiehl observed at hearing that as a rate case progresses, information "rolls in" while the time available to review it shrinks, which can "shift the balance of advantage" toward the party with the information advantage. Tr. 9/25 pp. 111-12. Mr. Larkin-Connolly agreed that as the proceeding advances "there's less time to review the documents" and, once testimony and rebuttal are filed, "there's fewer instances where I could actually present my findings and conclusions." Tr. 9/25 p. 114. He contrasted this case with Docket No. 23-11-02, where CNG and SCG filed monthly capital updates that could be reviewed as they arrived; here, the full update on 2026 plant arrived only at the late-filing stage, so all of those additions had to be evaluated at once. Tr. 9/25 pp. 113-114. Chairman Wiehl described the result as "the diminishing opportunity to apply scrutiny as time passes." Tr. 9/25 p. 115. Gaps in documentation that remain at the late-filing stage cannot be cured through further discovery. The consequence of those gaps must fall on the Company, which bears the burden of proof and controls the records.

iv. Historic Test-Year Plant Additions

1. OCC does not recommend adjustments to historic plant additions.

The Company made approximately $287.6 million in total capital investments from January 1, 2023 through December 31, 2025. Direct Larkin-Connolly, p. 21; Exh. A.3, p. 15. Mr. Larkin-Connolly scoped his review to the incremental plant additions made since the Company's last rate case decision in Docket No. 23-08-32. The pro forma rate base approved in that case already incorporated substantially all of the Company's 2023 non-WICA additions, and the remaining $26.4 million in 2023 additions identified in response to EOE-64 appears to represent WICA-eligible plant recovered through the WICA mechanism. Direct Larkin-Connolly, pp. 22-23. Table 2 summarizes the plant activity over this period.

Table 2: CWC Plant Additions, 2023-2025

	2023 ADDITIONS IN 23-08-32 RATE BASE	2023 ADDITIONS NOT IN 23-08-32 RATE BASE	JAN. 1 – DEC. 31, 2024	JAN. 1 – DEC. 31, 2025	POST-DOCKET 23-08-32 TOTALS
Start UPIS	$1,090,826,316	$1,157,374,821	$1,183,759,022	$1,254,231,460	$1,157,374,821
Additions	$71,484,255	$26,384,204	$78,586,644	$111,091,712	$216,062,559
Retirements	-$4,935,751	-$2	-$8,114,206	-$4,409,532	-$12,523,740
End UPIS	$1,157,374,821	$1,183,759,022	$1,254,231,460	$1,360,913,640	$1,360,913,640

Source: Direct Larkin-Connolly, p. 21, Table 1 (from EOE-64 and CWC Annual Reports for 2023-2025).

The supplemental information produced in response to OCC-136 allowed Mr. Larkin-Connolly to review these additions in the aggregate and to examine selected project records. Using the plant additions by project in OCC-136, Attachment 2 and the in-service dates in Attachment 4, he confirmed the cumulative addition amounts and aligned them with the amounts presented in Schedule B and the Company's annual reports. Direct Larkin-Connolly, p. 25. He also reviewed each of the Project Request and Change Request forms in the sample. *Id.*, p. 24. On this basis, OCC does not recommend project-specific disallowances to the historic plant

additions through December 31, 2025. *Id.*, p. 27; Tr. 9/25 pp. 95-96.

This conclusion should not be read as an endorsement of the documentation in the Company's initial filing. OCC was able to reach it only because discovery produced the plant-in-service data, budget records, and sample authorization forms that the initial filing lacked, and even then the authorization records covered only a sample of projects. As Mr. Larkin-Connolly testified, the incomplete record meant that his conclusions on plant additions remained qualified: "because the record is sort of incomplete, that even at this time, I feel like my conclusions on the plant additions are incomplete." Tr. 9/25 p. 120. The concerns about the initial filing discussed above remain, and are the basis for the prospective directives OCC recommends in Section IV.e.

v. Completed Post-Test-Year Plant Additions

1. OCC supports inclusion of completed additions through the late-filing date, conditioned on adequate documentation.

OCC does not oppose including post-test-year additions placed in service through the late-filing date, provided the Company submits sufficient documentation demonstrating that the additions are used and useful and prudently incurred. Direct Larkin-Connolly, p. 28; Surrebuttal Larkin-Connolly, p. 4. This position is consistent with OCC's recommendations in Docket Nos. 25-11-14, 25-11-13, 24-12-01, and 25-12-12. Direct Larkin-Connolly, p. 28. OCC considers it a reasonable accommodation of utility concerns about regulatory lag, one that "balanc[es] concerns from utilities about regulatory lag in cost recovery, while also maintaining some of the constraints of a traditional historic test year that are meant to instill investment discipline and capital management efficiency." *Id.*

The Authority has taken the same approach in recent cases. In Docket No. 22-08-08, the Authority set rates on only those additions found to be used and useful in the Interim Period. Docket No. 22-08-08, Final Decision (August 25, 2023), p. 20. In Docket Nos. 25-11-14 and 25-

11-13, the Authority allowed completed and in-service plant additions through the date of the last supplemental filing before the close of the record. Docket No. 25-11-14 Final Decision (September 16, 2026) pp. 23, 28; Docket No. 25-11-13 Final Decision (September 16, 2026) pp. 23, 27. In Docket No. 24-12-01, the Authority stated that Yankee Gas was permitted to submit evidence supporting post-test-year additions through the close of the record, provided that it demonstrated the plant was used and useful and its costs were prudently incurred. Docket No. 24-12-01, Final Decision (March 11, 2026), pp. 28-29.

Each of these decisions conditions recovery on a showing that costs have been prudently incurred and are in-service. Post-test-year treatment allows a utility to update the record with completed plant, but it does not relieve the utility of its burden to demonstrate, with evidence, that the plant is in service and that the costs were prudently incurred. Actual plant in service and prudent expenditures must be demonstrated, not presumed from the fact that a project appeared in a capital budget.

2. CWC's failure to provide complete documentation would justify exclusion of unsupported pro forma additions.

In LFE-01, CWC revised its January through September 2026 additions to $32,252,063. LFE-01, Att. 2. The documentation the Company has provided is not adequate to verify that the approvals its procedures require were obtained for numerous projects within that total. The Company did not provide the Project Request and Change Request forms for completed 2026 projects with budgets over $50,000 that OCC identified as the condition for its support, despite notice of that condition and despite its own representation that it could provide project justifications if requested. Because the condition on which OCC's support rested has not been met, the Authority would have a reasonable evidentiary basis to exclude all inadequately supported post-test-year additions from rate base.

OCC nevertheless proposes a measured approach. Rather than recommending exclusion of all 2026 additions lacking authorization forms, OCC has used the records that are available, chiefly the Annual Capital Budget Reports in OCC-136, Att. 1 and the Change Request forms in OCC-136, Att. 3, to identify specific projects for which the record either shows no authorization or shows spending beyond the authorized amount without the required re-authorization. OCC recommends excluding only projects that meet one of these conditions. For the remaining 2026 additions, OCC gives the Company the benefit of the budget records it did produce, even though those records alone do not demonstrate that each project was managed in accordance with the Company's procedures.

3. OCC recommends excluding $17,718,966.84 in completed 2026 additions lacking adequate authorization documentation.

OCC compared the 2026 actual additions by project in LFE-01 with the approved project budgets in the Company's Annual Capital Budget Reports and with the Change Request forms the Company produced. LFE-01, Att. 2; OCC-136, Att. 1. Because the Company's update of 2026 plant additions was not filed until after the evidentiary hearings, OCC had no earlier opportunity to present this project-level analysis, and it is presented here for the first time. The review identified four categories of 2026 additions for which the record does not establish the authorization the Company's procedures require. Table 3 summarizes the recommended exclusions.

Table 3: Recommended Exclusions of Completed 2026 Plant Additions

CATEGORY	# OF PROJECTS	2026 ADDITIONS EXCLUDED
Projects not on approved project lists	4	$3,808.58
Projects with $0 approved budgets	50	$2,127,409.60
Substitute projects without demonstrated approval	2	$253,955.43
Projects requiring Change Request documentation	19	$15,333,793.23
Total	**75**	**$17,718,966.84**

Source: OCC analysis of LFE-01, Attachment 2 and OCC-136, Attachment 1.

These exclusions represent about 55 percent of the $32,252,063 in January through September 2026 additions. Under OCC's recommendation, the remaining $14,533,096.16 in completed 2026 additions would be included in rate base.

a. Projects not included on approved budget lists

Four projects recorded 2026 plant additions but do not appear in the relevant annual capital budget records. OCC-136, Att. 1 is the Company's own identification of the record that reflects each project's original approval date and approved budget. Direct Larkin-Connolly, p. 20. For these four projects, the Company has provided no evidence that the projects received the funding authorization its procedures require. OCC recommends removing the full $3,808.58 in 2026 additions for these projects. Table 4 identifies them.

Table 4: 2026 Additions for Projects Not on Approved Budget Lists

FUNDING PROJECT	DESCRIPTION	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU6162823	717 Middle Tpke	293.36
BU6162989	2 Middle River Dr	280.10
BU6162995	420 Talcottville Rd Vernon	2,863.33
BU6163429	240 Deming St - CCC SVC	371.79
Total		**$3,808.58**

Source: LFE-01, Attachment 2; OCC-136, Attachment 1.

b. Projects listed with $0 approved budgets

Fifty projects recorded positive 2026 plant additions but show no positive funding authorization in the annual capital budget records. Inclusion on a project list with a $0 budget may indicate that the Company recognized the project in some form, but it does not establish that management approved any expenditure on it. Under the Company's procedures, spending that exceeds an approved budget by the lower of 15 percent or $100,000 requires a Change Request and Capital Planning Council review; spending against a $0 budget necessarily exceeds that

threshold. OCC recommends removing the $2,127,409.60 in 2026 additions for these projects. Table 5 identifies them.

Table 5: 2026 Additions for Projects with $0 Approved Budgets

FUNDING PROJECT	DESCRIPTION	APPROVED 2026 BUDGET	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU012015	Developer Preliminary Investigation	$0	1,021.39
BU01723	Hit Hydrants – Billable	$0	15,289.18
BU01757	Billable Service Upgrades	$0	97,220.90
BU6162823	717 Middle Tpke	$0	293.36
BU6162855	Farmington HS- WM	$0	196,326.84
BU6162885	Farmington HS-CCC SVCS	$0	53,800.00
BU6162936	Lead Svc Line - Customer Side	$0	20,932.06
BU6162989	2 Middle River Dr	$0	280.10
BU6162995	420 Talcottville Rd Vernon	$0	2,863.33
BU6163028	Cedar Ave Services	$0	10,829.42
BU6163035	Preserve at Valley View - PH4 - SVC	$0	4,625.01
BU6163154	Plainfield Pike Uline – WM	$0	294,927.50
BU6163160	Plainfield Pike Uline - CCC SVCS	$0	18,000.00
BU6163165	28 Abbe Rd - East Windsor - WM	$0	446.07
BU6163227	Oxford Greens PH5 – WM	$0	33,708.33
BU6163228	Oxford Greens PH5 - Oxford CWC SVC	$0	53,508.07
BU6163232	1600 New Britain Ave- WM	$0	165,362.00
BU6163233	1600 New Britain Ave - CCC SVC	$0	76,654.89
BU6163239	8518 Morea Rd – WM	$0	24,801.89
BU6163240	8518 Morea Rd - CWC SVC	$0	15,219.52
BU6163241	Naug Industrial Park – WM	$0	5,765.83
BU6163249	7 S Main St - Brooklyn - WM	$0	3,172.84
BU6163255	22 Charles St Enfield - DEV WM Ext	$0	45,432.70
BU6163269	Preserve at Valley View PH 2&3 - WM	$0	2,044.00
BU6163288	Orchard Pointe – WM	$0	260,012.39
BU6163289	Orchard Pointe - CWC SVCS	$0	328.32
BU6163354	Stonebridge Commons PH 1 - WM	$0	100,444.00
BU6163355	Stonebridge Commons PH 1 CWC SVCS	$0	328.32
BU6163356	9 Scott Rd – WM	$0	307,793.11
BU6163357	9 Scott Rd - CWC SVCS	$0	15,181.50
BU6163359	Benson Woods PH2 – WM	$0	44,823.25

FUNDING PROJECT	DESCRIPTION	APPROVED 2026 BUDGET	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU6163360	Benson Woods - PH2 CWC SVC	$0	25,294.49
BU6163372	Sylvia Gardens – WM	$0	20,216.88
BU6163373	Sylvia Gardens - CWC SVS	$0	8,077.65
BU6163404	Enfield Terrace – WM	$0	29,917.31
BU6163423	11 Gerber Blvd – WM	$0	10,608.45
BU6163424	7-11 Liberty Place – WM	$0	13,099.30
BU6163428	240 Deming St – WM	$0	18,167.84
BU6163429	240 Deming St - CCC SVC	$0	371.79
BU6163430	240 Deming St - CWC SVC	$0	20,023.18
BU6163432	11 Gerber Blvd - CWC SVC	$0	412.84
BU6163452	Heritage Farms Windsor Locks WM	$0	9,467.21
BU6163461	21 Woodlawn Ave WM	$0	2,767.38
BU6163468	Buckland Gateway LLC - WM	$0	31,130.87
BU6163469	Buckland Gateway - CWC SVCS	$0	2,251.70
BU6163471	Havenwood - Somers – WM	$0	11,232.03
BU6163485	Isabella Court Stafford Springs WM	$0	13,229.18
BU6163486	Isabella Court - CWC SVCS	$0	19,285.90
BU6163489	9 Water St – WM	$0	16,102.63
BU6163490	9 Water St - CWC SVCS	$0	4,316.85
Total (50 projects)		**$0**	**$2,127,409.60**

Source: LFE-01, Attachment 2; OCC-136, Attachment 1.

c. Substitute projects without demonstrated approval

The Company's annual budget documentation accommodates projects added during the year through a "Substitutions" column, and the Company states that for in-year additions the amount in that column reflects the project's approved budget. Direct Larkin-Connolly, p. 20; OCC-136, Att. 1. The Company qualified that representation, however, noting in OCC-136, Attachment 1 that "[s]ubstitution dollars include un-approved substitutions." OCC-136, Att. 1. A substitution amount therefore does not by itself establish that a project was fully authorized. For two projects, the Company has not demonstrated that the substitution received the required approval. OCC recommends removing the $253,955.43 in 2026 additions for these projects.

Table 6 identifies them.

Table 6: 2026 Additions for Substitute Projects Without Demonstrated Approval

FUNDING PROJECT	DESCRIPTION	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU6163422	Guilford Well Power Service Repl	172,994.23
BU6163481	ENT PowerPlan Upgrade	80,961.20
Total		**$253,955.43**

Source: LFE-01, Attachment 2; OCC-136, Attachment 1.

d. Projects exceeding approved budgets without adequate Change Request documentation

The Company's Change Request form requires a change request to be submitted to the Capital Planning Council when estimated costs exceed the initially approved budget by the lower of 15 percent or $100,000. Direct Larkin-Connolly, p. 16; OCC-133, Att. 4. OCC identified 49 projects whose 2026 expenditures exceeded this threshold relative to their 2026 annual budgets. To avoid penalizing projects that were simply spending authorization carried over from earlier years, OCC then took into account unused prior-year budget authorization by comparing each project's cumulative actual additions against its cumulative approved budgets. After that adjustment, 19 projects had cumulative expenditures that exceeded cumulative approved budgets by more than the amount that triggers the requirement for supplemental authorization. The Company did not provide Change Request forms supporting the 2026 cost overruns on these projects. OCC-136, Att. 3; LFE-01. Table 7 identifies them.

Table 7: 2026 Additions for Projects Exceeding Approved Budgets Without Change Request Documentation

FUNDING PROJECT	DESCRIPTION	2023-2026 APPROVED BUDGET	2023-2026. ACTUAL ADDITIONS	VARIANCE ($)	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU011968	Main Failure Replacement - All Regions	1,650,000	3,418,196.28	+$1,768,196.28 (107%)	937,838.73

FUNDING PROJECT	DESCRIPTION	2023-2026 APPROVED BUDGET	2023-2026. ACTUAL ADDITIONS	VARIANCE ($)	JAN. 1 – SEPT. 30 2026 ACTUAL ADDITIONS
BU011972	Hydrant Replacement - All Regions	1,750,000	2,217,829.36	+$467,829.36 (27%)	715,999.50
BU012091	Rivercrest Well Treatment Facility	1,750,000	2,321,134.64	+$571,134.64 (33%)	13,605.68
BU012107	State Operations Ctr-Improvements	1,899,052	2,168,195.94	+$269,143.94 (14%)	874,691.79
BU012381	Gallup Centralized WTP	3,408,900	3,770,495.54	+$361,595.54 (11%)	4,024,749.78
BU012395	Bay Mountain Tank	635,000	988,019.88	+$353,019.88 (56%)	988,019.88
BU012555	HVW - Manganese Treatment	10,680,000	11,622,088.99	+$942,088.99 (9%)	131,238.16
BU012586	Briarwood Controls Upgrades	68,500	134,271.02	+$65,771.02 (96%)	23,144.90
BU012612	Active Directory Integration	304,975	728,539.42	+$423,564.42 (139%)	0.56
BU012616	ENT Cell Phone Replacement	209,797	254,832.04	+$45,035.04 (21%)	81,715.90
BU01576	Misc. Lab Equipment-All Regions	68,000	99,344.67	+$31,344.67 (46%)	28,114.33
BU01693	Vehicle Fleet Purchases	7,365,345	7,985,221.50	+$619,876.50 (8%)	1,329,507.75
BU6162740	MacKenzie WTP Mn Removal Alt Analys	100,000	151,125.40	+$51,125.40 (51%)	1,410.78
BU6162783	Anvil Pump Station Water Main	1,101,000	1,845,933.95	+$744,933.95 (68%)	172,987.07
BU6162946	Crystal-Plainfield Interconnection	3,440,687	4,043,239.86	+$602,552.86 (18%)	4,043,239.86
BU6163260	Modernization of SCADA Communication	508,830	1,044,229.70	+$535,399.70 (105%)	1,044,229.70
BU6163319	Flow Metering Equipment	100,000	200,926.97	+$100,926.97 (101%)	200,926.97
BU6163334	Stafford-Somers Treatment	384,000	616,605.49	+$232,605.49 (61%)	616,605.49
BU6163384	ENT Network Operations Center	50,000	105,766.40	+$55,766.40 (112%)	105,766.40
Total (19 projects)					**$15,333,793.23**

Source: LFE-01, Attachment 2; OCC-136, Attachments 1 and 3.

OCC recommends excluding the entire 2026 addition for each of these projects, rather than only the amount by which spending exceeded the approved budget, for three reasons. First, the Change Request requirement is a decision point that provides insight into project management. Once a project's estimated cost exceeds the threshold, the Company's procedures

call for the Capital Planning Council to review the project, and that review may result in approval of additional funding, a change in scope, reallocation, or termination. Direct Larkin-Connolly, p. 15. Without a Change Request, the record contains no evidence that management made a reasoned decision to continue the project at the higher cost, and no basis on which the Authority could determine what the project would have cost, or whether it would have proceeded in the same form, had the required review occurred. Second, limiting the exclusion to the overage would treat the original budget as an amount the Company is entitled to recover regardless of whether it followed its own procedures, which would leave the Company with no consequence for bypassing the very control that is meant to manage cost overruns. Third, these are post-test-year additions that OCC agreed to support only on the condition that the Company provide its Project Request and Change Request forms. Where the Company has not done so for a project that its own procedures required to be re-authorized, the condition has not been met for that project's 2026 additions. The recommended disallowance for this category is $15,333,793.23.

vi. Forecasted Post-Test-Year Plant Additions

1. PURA has consistently excluded forecasted plant additions from rate base.

The Authority has consistently denied the inclusion of forecasted or planned capital additions in rate base. In Docket No. 22-08-08, the Authority explained that setting rates on forecasted plant "constitutes an exception to the well-established principle that utilities may only earn a return on prudently invested capital that is being used for the public convenience," and acknowledged that "it is an impossibility to provide sufficient evidence that a future plant addition is used and useful and that the investment was prudent." Docket No. 22-08-08, Final Decision (August 25, 2023), p. 19. In CWC's last base rate case, the Authority reinforced this

position, finding that "[i]nclusion of forecasted incomplete plant deviates from the fundamental principle that rate base should solely reflect prudently invested capital actively serving the public interest." Docket No. 23-08-32, Final Decision (June 28, 2024), p. 18. The Authority applied the same reasoning to exclude all forecasted plant additions in Docket No. 25-11-14 Final Decision (September 16, 2026), p. 28 and Docket No. 25-11-13 Final Decision (September 16, 2026), p. 27. In Docket No. 24-12-01, the Authority removed all future period additions from Yankee Gas's pro forma rate base. Docket No. 24-12-01, Final Decision (March 11, 2026), p. 24. Direct Larkin-Connolly, pp. 31-33.

These decisions follow from the two standards that govern rate base. Plant cannot be used and useful until it is complete and providing service to customers. And the prudence of an investment cannot be evaluated until the decisions that determine its cost have been made. As discussed above, prudence turns not only on the decision to pursue a project but on the many decisions made in carrying it out. Tr. 9/25 pp. 106-108. A forecasted investment has not yet been through those decisions, so there is nothing yet for the Authority to evaluate. For this reason, when asked on cross-examination whether he was claiming the forecasted projects were imprudent, Mr. Larkin-Connolly explained that he had not made a judgment on their prudence. Tr. 9/25 p. 96. That is the point: the evidentiary showing the Authority requires cannot yet be made. Mr. Larkin-Connolly summarized his concern as ensuring "that the projects that customers are paying for through rates are projects that . . . the company has demonstrated are complete and providing service to customers." Tr. 9/25 p. 99.

2. OCC recommends excluding all additions forecasted after September 30, 2026.

Consistent with these decisions, OCC recommends excluding from rate base all plant additions forecasted after September 30, 2026. Based on LFE-01, these consist of $9,036,905 in

forecasted additions for October 1 through December 31, 2026 and $37,031,182 in forecasted additions for calendar year 2027, for total gross forecasted additions of $46,068,087. LFE-01, Att. 2.

The late-filing date is the appropriate cutoff because it is the last point in the proceeding at which the Company can supplement the record with documentation of completed plant, and the last point at which the Authority and parties can review that documentation. Direct Larkin-Connolly, pp. 28-29; Surrebuttal Larkin-Connolly, p. 5. The Company argued in rebuttal that the late-filed exhibit date should not operate as an "absolute cutoff" and offered to provide supporting information on forecasted plant if requested. Surrebuttal Larkin-Connolly, p. 5 (quoting Dixon Rebuttal at 20). But the Company has not identified when or how that information would be presented after the record closes, and no compliance mechanism for that purpose has been established. Nor has the Company explained what would happen if the investments fell short of the forecast or if the Authority found certain costs imprudent: whether base rates would be readjusted or customers would receive refunds. *Id.*, pp. 5-6. Permitting later additions would leave the Authority to evaluate plant without the benefit of the adversarial process, and as Mr. Larkin-Connolly observed, "the entire rate case is a timing issue. We could continue updating the record forever." Tr. 9/25 p. 100.

The Company also suggested that excluding forecasted plant creates a "mismatch" between the costs it will incur during the rate year and the revenues established for that year. Surrebuttal Larkin-Connolly, p. 4 (quoting Dixon Rebuttal at 19-20). Chairman Wiehl's questions at hearing explain why that framing is incomplete. Including documented, in-service plant in rate base is itself forward-looking: the plant information on the record "is sort of the basis for what is actually a known and measurable adjustment to determine the incremental costs

the company will incur because of . . . the existence of that in-service plant in the future rate year." Tr. 9/25 p. 109. Mr. Larkin-Connolly agreed, noting that rates "aren't being set to pay for essentially past work. They're being set for the future." Tr. 9/25 p. 111. The distinction is not between past and future costs, but between plant whose existence and cost are known and plant that remains a projection.

3. Including forecasted capital investments weakens cost-control incentives.

Regulatory lag is a feature of traditional rate-of-return regulation, not a defect. As Mr. Larkin-Connolly explained, the "mismatch" the Company describes "is not an unintended byproduct of setting rates on historical data. It is a deliberate feature of the rate-of-return regulatory model." Surrebuttal Larkin-Connolly, p. 5. Base rates are set on a verified level of costs, and the utility then operates under those rates until its next case, retaining the benefit of savings it achieves and bearing the consequences of costs it fails to control. That symmetry "is the principal mechanism through which price regulation substitutes for the discipline that competition imposes on firms in unregulated markets." *Id.* Commissioner Beecher described the Authority's role in the same terms: to impose "that discipline in the absence of a competitive marketplace." Tr. 9/25 p. 127.

Including forecasted plant in rate base is a form of advanced cost recovery. Although it is not a separate recovery mechanism, it gives the utility faster recognition of anticipated investments in base rates than it would receive with rates set on completed plant. Surrebuttal Larkin-Connolly, p. 6. Advanced cost recovery involves a trade-off: it encourages higher rates of capital investment, which in turn produce accelerated increases in customer bills, and it complicates the prudence review because, where investment is affirmatively encouraged, "it becomes harder to discern whether the expenditure is driven by operational need or by the

Company's own financial objectives." *Id.*, pp. 6-7. Mr. Larkin-Connolly made the same point to Commissioner Beecher: because such mechanisms provide "a more contemporaneous return for the company for these investments . . . than they would otherwise receive in base rates, it promotes investment. And so then the question is, well, is it promoting overinvestment?" Tr. 9/25 p. 129. He added that a further concern is whether it promotes "less scrutiny" or inefficiency in the execution of projects. *Id*., p. 130.

These concerns bear directly on affordability. Capital investments are recovered over decades, so investment encouraged by advanced recovery becomes embedded in base rates long after the decision to make it, limiting regulators' ability to respond to affordability concerns later. Surrebuttal Larkin-Connolly, p. 8. Affordability of utility service is a concern in Connecticut, as it is nationally, and regulators in other states have begun to reexamine the role that cost recovery mechanisms play in rising rates. *Id.*, pp. 7-9. Allowing CWC to include forecasted plant in rate base would mean that effectively all of its capital investment receives some form of advanced cost recovery, which would further weaken constraints on capital spending. *Id.*, p. 9.

This is so because a large share of the Company's capital program already receives contemporaneous recovery. The General Assembly has established the WICA and WQTA mechanisms for specific eligible investments, and in doing so has given priority to the policy goals those investments serve. *Id.*, p. 7. Infrastructure replacement through the WICA alone accounted for $133,055,078, or approximately 47 percent, of the Company's $284,636,787 in capital expenditures from 2023 through 2025. Direct Larkin-Connolly, p. 34. The pro forma additions at issue here represent only 36 percent of the Company's 2026 capital budget and 18 percent of its 2027 capital budget; the remainder is presumably WICA- and WQTA-eligible investment excluded from the pro forma rate base. *Id.*, pp. 34-35. Excluding forecasted non-

WICA, non-WQTA plant therefore has no effect on the Company's ability to fund or recover the investments those mechanisms are designed to support. *Id.*, p. 35. As Mr. Larkin-Connolly noted at hearing, the types of investment that have historically received special post-test-year treatment, such as safety and replacement projects, are in Connecticut already covered by two tracker mechanisms. Tr. 9/25 pp. 115-116.

4. OCC's cutoff should apply consistently to all plant-related rate base components.

In his direct testimony, Mr. Larkin-Connolly provided OCC witness Grace N. Koenig with adjustments to UPIS, accumulated depreciation, and accumulated deferred income taxes ("ADIT") that removed the direct effect of the forecasted plant additions, while retaining the Company's other pro forma adjustments to accumulated depreciation and ADIT. Surrebuttal Larkin-Connolly, pp. 9-10. In surrebuttal, he revised this approach. If the Authority establishes a cutoff date for plant in service, that same cutoff should apply to the pro forma adjustments for all plant-related components of rate base. *Id.*, p. 10.

This approach follows the Authority's treatment in Docket Nos. 25-11-14 and 25-11-13. In those cases, after establishing April 30, 2024 as the cutoff for plant additions, the Authority did not retain the companies' proposed rate year average accumulated depreciation. It instead calculated the approved depreciation reserve by summing the test year reserve, the 2023 depreciation accrual, and the January through April 2024 accrual, and stated explicitly that it was not including accumulated depreciation for May 1 through November 30, 2024. Docket No. 25-11-14 Final Decision (September 16, 2026), pp. 29-31; Docket No. 25-11-13 Final Decision (September 16, 2026), pp. 28-31. For plant-related deferred income taxes, the Authority derived the approved balance by running the companies' plant model with the plant adjustments applied, rather than carrying the projected ADIT balances forward independently of the plant adjustment.

Id.; Surrebuttal Larkin-Connolly, pp. 10-11.

Consistent with that precedent, OCC's rate base adjustments remove all incremental accumulated depreciation and ADIT after September 30, 2026, which effectively sets the balances for UPIS, accumulated depreciation, and ADIT at the Company's September 30, 2026 levels. The updated adjustments reflecting LFE-01 and OCC's completed 2026 exclusions are presented in Section f.ii.

vii. Oracle CIS Upgrade

1. The system will not be completed and in service by the applicable cutoff date.

CWC is upgrading its Customer Information System ("CIS"), a project referred to in discovery as "Project Elevate." Direct Larkin-Connolly, p. 35; OCC-205. The Company's current CIS last received a major upgrade in 2009, and after a multiyear evaluation the Company is transitioning to Oracle's Customer Cloud Service and Oracle Field Service platforms, both cloud-based software-as-a-service ("SaaS") solutions. Direct Larkin-Connolly, p. 35; Exh. A.2, p. 31. Because the investment is structured as a service contract rather than a traditional capital asset, the Company records its costs as a prepayment included in rate base on Schedule B-5.0, with an associated ten-year amortization on Schedule C-3.20. Under the Company's proposal, it would earn a return on the unamortized prepayment balance and recover the amortization expense. Direct Larkin-Connolly, pp. 35-36.

OCC is not challenging the Company's decision to undertake the upgrade. Tr. 9/25 pp. 102-103. The issue is that the system will not be complete or in service by the late-filing date. The Company expects the transition to be completed at the end of January 2027 and confirmed in discovery that it expects the new CIS "will be live in late January to early February." Direct Larkin-Connolly, p. 36; Exh. A.2, p. 31; EOE-83(a). In rebuttal, Mr. Dixon argued that the

project should not be removed because the system "is expected to support core customer service, billing, field service, regulatory, and operations functions during the rate year." Surrebuttal Larkin-Connolly, p. 9 (quoting Dixon Rebuttal at 23). An expectation, however, is not an assurance that the system will be complete and providing service to customers. *Id.* Mr. Larkin-Connolly testified that he had seen no information indicating that any portion of the system currently supports Company operations. Tr. 9/25 p. 104.

Incomplete implementation also means the final cost of the project is unknown. As Mr. Larkin-Connolly explained, "right now it's an estimated cost. It's not the full cost of the project," and a general concern with IT projects is "the potential for them to go beyond the initial budget or estimated cost." *Id*. The question the Authority will need to answer is "what's the final cost of the project once it's completed," compared against the benefits the system actually provides. *Id.* Chairman Wiehl summarized the point: the Authority "can't evaluate whether this Oracle CIS project in its entirety is prudent until we . . . can evaluate every decision that was made up until the point it went into service." Tr. 9/25 pp. 107-08. Mr. Larkin-Connolly agreed, noting that the question is "not just the choice to pursue the project but how did you manage the project," including how the Company responded to the challenges that IT projects commonly encounter. Tr. 9/25 p. 108. Those decisions have not yet been made.

2. The entire SaaS prepayment balance and associated amortization should be excluded.

In LFE-01, the Company updated its proposed rate year average SaaS prepayment balance to $11,281,442, up from the $11,217,709 reflected in its initial filing. LFE-01, Att. 1; Direct Larkin-Connolly, p. 36. The change results from a revised 2027 pro forma adjustment, which the Company supports with RRU-338, Att. 1. The revision does not change the fact that the system will not be in service by the cutoff date. If anything, an upward revision to the cost of

a project that is still under development illustrates why final costs should be known before they are placed in rates.

OCC recommends that the Authority remove the entire SaaS prepayment balance from rate base, including the $2,921,525 balance recorded as of the close of the test year. Direct Larkin-Connolly, pp. 36-37. The test year balance is not a smaller or more certain subset of costs that warrants different treatment; it is simply an earlier increment of costs toward the same asset, which will remain incomplete as of the late-filing date. *Id.*, p. 37. OCC also recommends removal of the associated amortization expense on Schedule C-3.20. *Id.* Once the system is complete and its final cost is known, the Company may seek recovery and present the record needed to evaluate both its cost and its benefits. Tr. 9/25 pp. 102-103.

d. Capital Project Documentation and Regulatory Oversight

Section I addresses the consequences of the documentation deficiencies on the revenue increase request in this proceeding. This section addresses how the Authority can prevent them from reoccurring. The record shows that CWC already maintains the records needed to support its capital additions; what was missing was their production. Clear direction from the Authority on what the Company should file in its next rate case would allow the review of capital additions to begin where it should, at the beginning of a rate case with the application and with the Company's own contemporaneous records, rather than reconstructing them through discovery.

e. The Authority Should Establish Clear Expectations for Future Capital Documentation

i. CWC should provide contemporaneous project documentation in future rate proceedings.

OCC recommends that the Authority direct CWC to include the following contemporaneous project documentation in its initial filing in future base rate proceedings:

- Project authorization records, including Project Request forms and Capital Planning Council approval records;
- Applicable supplemental authorization and Change Request forms;
- Original and revised project budgets;
- Actual project costs and variances from the approved budget;
- Plant-in-service dates and amounts; and
- Supporting information that allows project costs to be reconciled to the plant additions included in rate base.

Direct Larkin-Connolly, pp. 6, 38. Full documentation need not be required for every project. Mr. Larkin-Connolly testified that companies commonly apply a threshold, "whether it's $50,000 or $100,000," above which all documents are provided, while for smaller projects it remains helpful to have the initial budget and actual cost, "maybe on a spreadsheet." Tr. 9/25 p. 117. In his view, that approach is "probably the most helpful in finding a balance of […] information overload and still having sort of a good amount of documentation on the capital plant in the record." *Id.* For the post-test-year additions in this case, Mr. Larkin-Connolly requested documentation on projects over $50,000. Direct Larkin-Connolly, p. 30. OCC recommends that the Authority determine the appropriate thresholds for requiring complete documentation in its final decision.

ii. Documentation requirements should facilitate meaningful prudence reviews rather than establish a mechanical checklist.

Chairman Wiehl asked how the Authority should address the tension between specifying the documentation it expects and the risk of a "checking a box standard," in which a utility provides exactly what is listed but the documentation still does not answer the questions that matter. Tr. 9/25 p. 118. OCC shares that concern. Providing the correct forms is not the same as demonstrating that investments were prudent. As Mr. Larkin-Connolly explained, "just because you're providing the documentation doesn't sort of guarantee approval right away. That's just

the initial support," and follow-up requests and inspection of that documentation are what "would lead to the ultimate prudency review." *Id*., p. 119.

The value of adequate initial documentation is that it allows the Authority and parties to concentrate discovery on substantive questions. Had the authorization records been provided at the outset, "the discovery process isn't asking for the documentation. It's maybe asking for additional information that you can grab from the documents initially provided." Tr. 9/25 pp. 112-113. Mr. Larkin-Connolly testified that with that information at the outset, he could have provided more definitive conclusions rather than qualifying his findings as subject to ongoing review. *Id*., p. 120.

The checklist concern is also less acute for CWC than it might be for other utilities, because the documents in question are the Company's own. Mr. Larkin-Connolly testified that, having seen the documents the Company already prepares, he would not have as much of a concern about a check-the-box result, "because their sort of policies have been laid out and the documents provided are sort of would be clear." Tr. 9/25 p. 119. CWC's governance document describes the Project Request form as being used for "regulatory review and project justification." Direct Larkin-Connolly, p. 25. By contrast, the Appendix 1 narratives the Company filed in this case were prepared "specifically for this rate case application outside of any project management policy or guideline." *Id.*, p. 18. Directing the Company to file its existing records would redirect effort the Company is already spending on rate-case narratives toward the records that actually demonstrate how its projects were authorized and managed.

iii. Failure to provide complete documentation in future proceedings should expose unsupported investments to disallowance.

CWC has now received ample notice of the importance of contemporaneous records. OCC's direct testimony identified the deficiencies in the initial filing and stated the

documentation OCC expected for post-test-year additions, and the Commissioners explored these issues at length at the hearing. OCC recommends that the Authority make its expectations explicit in the final decision in this proceeding, so that there is no question in the Company's next case about what it is expected to file.

OCC further recommends that the Authority state that, in future proceedings, capital expenditures that are not adequately supported will be subject to disallowance, potentially permanently if the utility fails to satisfy its evidentiary burden. Any such disallowance should arise from inadequate proof of prudence, not automatically from the absence of a particular form. A utility that cannot produce a specific record may still demonstrate prudence through other contemporaneous evidence. But where a utility has been told what is expected and does not provide evidence sufficient to show that its investments were authorized and managed in accordance with its own procedures, the consequence of that failure should rest with the utility, not with its customers.

f. Summary of OCC's Recommended Plant-Related Rate Base Adjustments

i. Gross Plant Additions Recommended for Exclusion

Table 8 summarizes the gross plant additions OCC recommends excluding from rate base.

Table 8: Gross Plant Additions Recommended for Exclusion

CATEGORY	GROSS ADDITIONS
Completed 2026 additions lacking adequate authorization support	$17,718,966.84
Forecasted additions after September 30, 2026	$46,068,087.00
Total	**$63,787,053.84**

These amounts represent gross plant additions, not rate year average rate base reductions. The effect on rate year rate base, after accounting for accumulated depreciation, ADIT, and

averaging, is presented below.

ii. Rate Base and Revenue Requirement Adjustments

Table 9 presents OCC's consolidated plant-related rate base adjustments. The completed 2026 adjustments remove the UPIS, accumulated depreciation, and ADIT attributable to the identified projects. The forecasted-period adjustment removes all incremental UPIS, accumulated depreciation, and ADIT after September 30, 2026, consistent with the methodology described in Section c.vi.4. The Oracle CIS amortization adjustments removes the remaining unamortized amount from prepaid tax assets in Schedule B-5.0.

Table 9: OCC Plant-Related Rate Base Adjustments

COMPONENT	COMPLETED 2026 ADDITIONS	FORECASTED ADDITIONS	ORACLE CIS	TOTAL
Utility plant in service	$17,159,486	$23,209,383	–	$40,368,869
Accumulated depreciation	$217,075	$13,970,991	–	$14,188,066
Plant-related ADIT	$78,988	$76,559	–	$155,546
Oracle CIS SAS prepaid asset	–	–	-$11,281,442	-$11,281,442
Net rate base impact	**$16,863,424**	**$9,161,833**	**-$11,281,442**	**$37,306,699**

Source: OCC analysis; LFE-01.

These rate adjustments also require corresponding reductions in rate year operating expenses. Removal of the completed 2026 plant additions reduces rate year depreciation expenses by $434,150 and property taxes by $82,807. Then, removal of forecasted plant additions reduces rate year depreciation expenses by $323,848. The corresponding Oracle CIS amortization adjustment is a $1,237,300 reduction in operating expenses representing the annual amortization of the prepaid asset.

V. Cost of Capital

Of the three financial experts hired to give testimony in this case, two were within three basis points of each other on a recommended return on equity for Connecticut Water Company.

OCC's expert witness David Garrett, who recommended an ROE of 8.30 percent and Aaron Rothschild, EOE's hired expert, who settled on 8.33 percent, agree that the ROE sought by the Company here properly belongs in the low 8 percent range. The only outlier suggestion came from Dylan D'Ascendis, the Company's expert, who suggested a much higher ROE, specifically a whopping 10.0 percent – 170 basis points above Mr. Garrett's recommendation. Clearly, the Company seeks a much higher rate than the evidence in this matter supports.

The coalescence of the majority expert opinion around 8.3 percent in this case affords the Authority an opportunity to set a reasonable ROE at 8.3 percent based on the bulk of the evidence in this case. Coupled with a 51% debt ratio, which aligns with the proxy-group beta analysis of 0.77 discussed later in this brief, the Authority can ensure that the Company, specifically its parent company of H2O America, can continue to access the capital necessary to make infrastructure and other investments in its Connecticut-based affiliate, while maintaining affordable rates for Connecticut Water Company's customers. The overall record supports both of these findings, which would help maintain excellent and affordable service for ratepayers.

a. Return on Equity

i. The Record Supports an 8.30% Return on Equity

OCC recommends that the Authority authorize a ROE of 8.30% for Connecticut Water. OCC Garrett Direct Testimony, p. 5. Mr. Garrett evaluated CWC's market-based cost of equity using multiple applications of the Capital Asset Pricing Model ("CAPM") and Discounted Cash Flow ("DCF") model. *Id.* Those analyses produced results from 7.0% to 8.3%: an 8.3% CAPM result, an 8.0% leverage-adjusted CAPM result at the Company's proposed capital structure, a 7.5% DCF result using analyst dividend-growth estimates, and a 7.0% sustainable-growth DCF

result. *Id.* Mr. Garrett selected 8.30%, the top of that range, as his recommended authorized ROE. *Id.*

The Company's witness, Mr. D'Ascendis, reaches substantially higher results. His updated analysis produces a DCF result of 10.96%, CAPM results of 10.02% to 11.69%, and an overall indicated range after his proposed adjustments of 10.22% to 12.74%. Exhibit A.6 D'Ascendis Rebuttal Testimony, pp. 3-4. Although those results exceed the Company's requested 10.00% ROE, Mr. D'Ascendis continues to recommend 10.00% and characterizes it as conservative relative to his own range. *Id*., pp. 3-4. As Mr. Garrett explained, however, a recommendation does not become objectively conservative merely because the same methods produce still higher estimates; the question is whether the models and inputs reasonably measure the return investors currently require for comparable risk. Surrebuttal Garrett, pp. 3-4.

That market-based inquiry is consistent with *Hope* and *Bluefield*. A utility must have an opportunity to earn a return commensurate with investments of comparable risk and sufficient to maintain financial integrity and attract capital. *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 692-93 (1923); *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944). Those standards do not require the Authority to reproduce the average ROE awarded by other commissions, and an authorized return is an opportunity rather than a guarantee of the return actually earned. *See S. New England Tel. Co. v. Dep't of Pub. Util. Control*, 274 Conn. 119, 125 (2005). The record here supports an ROE of 8.30%.

ii. Mr. Garrett's CAPM Provides Strong Support for an 8.30% ROE

Mr. Garrett's CAPM uses three inputs: the risk-free rate, beta, and the equity risk premium ("ERP"). He used a 30-day average yield on the 10-year U.S. Treasury security of 4.5% as the risk-free rate. Direct Garrett, p. 33. He used the then-current Value Line betas for the proxy

group, which averaged 0.77. *Id*., p. 34. A beta below 1.0 reflects lower systematic market risk than the overall market. *Id.* For the ERP, Mr. Garrett considered an expert survey, Kroll, Professor Aswath Damodaran's implied ERP estimates, and his own implied ERP calculation; those measures averaged approximately 5.0%. *Id*., p. 40. Using a 4.5% risk-free rate, 0.77 beta, and 5.0% ERP produces a CAPM cost of equity of approximately 8.3%. *Id.*, pp. 40-41.

The hearing addressed the principal dispute over the Treasury maturity. On cross-examination, Mr. Garrett acknowledged that a 30-year Treasury yield is a reasonable alternative and that substituting the longer maturity, all else equal, would increase Mr. Garrett's CAPM result. Tr. 9/23 pp. 105-06. Mr. D'Ascendis's own application increases Mr. Garrett's CAPM from approximately 8.30% to approximately 8.80%. Surrebuttal Garrett, pp. 11-12. Thus, even accepting the Company's preferred Treasury maturity for that application, the indicated CAPM remains approximately 120 basis points below the Company's requested 10.00% ROE. *Id.*

On redirect, Mr. Garrett explained why he nevertheless considers the 10-year Treasury preferable. Treasury yields are used as a proxy for a riskless investment, so the analyst must balance a sufficiently long investment horizon against the risk associated with a very long-term security. Tr. 9/23, p. 146. He testified that the 10-year Treasury is more commonly used in CAPM applications and reflects a more typical investment horizon than the 30-year maturity. Tr. 9/23 p. 147. The selection of Treasury maturity is thus a legitimate area of analytical judgment, not a basis for rejecting the CAPM. Surrebuttal Garrett, p. 11.

The ERP evidence likewise supports Mr. Garrett's result. He did not rely on a single survey or assumption; he considered multiple forward-looking and implied measures that clustered around 5.0%. Direct Garrett, p. 40. During the hearing, he explained that the ERP is a market-wide input, while company-specific systematic risk is reflected through beta. Tr. 9/23

109. The Company's higher CAPM results therefore reflect materially different market inputs and additional upward adjustments, not record evidence that CWC requires a 10.00% ROE to attract capital.

The underlying ERP sources also provide a reasonableness check. The IESE survey indicated 5.3%, Kroll reported 5.0%, Professor Damodaran's implied estimates averaged 4.4%, and Mr. Garrett's implied calculation was 5.1%. Direct Garrett, p. 40. The average of those independent measures was 5.0%. *Id*. This convergence is more probative of the current market premium than simply substituting a higher historical return assumption, particularly where the CAPM already recognizes CWC's relative systematic risk through beta. *Id*., pp. 34, 40-41.

iii. The ROE Must Be Evaluated Consistently with Financial Leverage

The 8.30% CAPM result must also be considered consistently with financial leverage. The beta observed for the proxy group reflects the financial leverage embedded in the proxy companies. Direct Garrett, pp. 59-61. Mr. Garrett used the Hamada framework to remove the effect of proxy leverage and then apply the leverage associated with a target capital structure. *Id*. Using the filed assumptions, a 51% debt ratio corresponds to the proxy-group beta of 0.77 and an 8.30% CAPM result, while the Company's proposed 46% debt ratio produces a relevered beta of approximately 0.71 and an indicated CAPM cost of equity of approximately 8.00%. *Id*., pp. 61-62; Surrebuttal Garrett, p. 20.

This is not a proposal to dictate CWC's actual financing decisions. Chairman Wiehl asked about the distinction between an actual capital structure and the structure used for ratemaking, and Mr. Garrett explained that CWC remains free to choose how it actually finances its operations. Tr. 9/23 pp.141-42. For ratemaking, however, the leverage and cost of equity assumptions should be internally consistent: either the capital structures should be aligned or the

indicated cost of equity should be adjusted to reflect the difference in financial risk. Tr. 9/23 pp. 142-43. OCC's 51% debt recommendation uses the 8.30% CAPM result associated with the proxy group; if the Authority instead uses CWC's proposed 46% debt ratio, the same leverage analysis indicates an approximately 8.00% cost of equity. Surrebuttal Garrett, p. 20.

iv. The DCF Evidence Indicates a Cost of Equity Well Below 10.00%

Mr. Garrett's DCF analyses independently corroborate a cost of equity below the Company's request. His sustainable-growth DCF used a projected long-term nominal GDP growth rate of 3.8% as the terminal growth benchmark and produced an indicated cost of equity of approximately 7.0%. Direct Garrett, pp. 26-28. His second DCF variation used Value Line's projected dividend-growth estimates and produced an indicated cost of equity of approximately 7.5%. *Id*., p. 28. Both results are below the 8.30% CAPM result. *Id*., p. 5.

The central DCF disagreement concerns terminal growth. A constant-growth DCF assumes that the selected growth rate continues in every future period. Surrebuttal Garrett, p. 7. Mr. D'Ascendis uses three-to-five-year analyst EPS growth forecasts as the perpetual growth rate in his constant-growth DCF. *Id*. Mr. Garrett does not reject those forecasts as near-term information; he rejects extending a finite forecast indefinitely as the terminal assumption. Tr. 9/23 pp. 100-02. A company can grow faster than the economy for a finite period, but no company can grow faster than the aggregate economy forever. Surrebuttal Garrett, pp. 7-8.

Mr. D'Ascendis acknowledged that the GDP limitation may be "technically correct" but argued that the very long horizon makes it unrealistic. Rebuttal D'Ascendis, p. 31. That concession is significant because the constant-growth DCF is itself a perpetuity model. Surrebuttal Garrett, pp. 7-8. Updating prices, dividends, and forecasts does not resolve the underlying assumption; Mr. D'Ascendis's updated 10.96% DCF continues to depend on short-

term EPS forecasts used as perpetual growth. Surrebuttal Garrett, pp. 11-12; Rebuttal D'Ascendis, p. 15. EOE witness Aaron Rothschild independently identified the same issue and showed that replacing the growth assumption materially reduces Mr. D'Ascendis's DCF results. Surrebuttal Rothschild, pp. 12-13.

The updated DCF record also illustrates the effect of the Company's screening choices. Mr. Rothschild noted that Mr. D'Ascendis excludes a 6.12% DCF result for Global Water Resources as too low while retaining results of 13.31% and 13.41% in the same proxy-group average. Surrebuttal Rothschild, p. 13. Those retained high-end results are driven by short-term growth rates of approximately 10% treated as perpetual. *Id.* The Authority should therefore evaluate the Company's 10.96% DCF result in light of both the terminal-growth assumption and the asymmetric treatment of low and high model outputs. *Id*.; Rebuttal D'Ascendis, p. 15.

v. Historical Authorized ROEs Are Not Direct Market Evidence

The Company emphasizes that 8.30% is below recent authorized ROEs for water utilities. On cross-examination, Mr. Garrett acknowledged that he was not aware of a litigated water utility case within the preceding three years authorizing an ROE as low as 8.30%, and that his recommendation would thus be at the low end of recent authorized water-utility ROEs. Tr. 9/23 p. 98. That information may provide context, but it is not a substitute for estimating the current market cost of equity.

Prior authorized ROEs are regulatory outcomes from different cases, jurisdictions, market conditions, capital structures, and regulatory frameworks. Surrebuttal Garrett, pp. 6-7. They are not traded securities and do not directly observe the return investors currently require. *Id.* Treating prior awards as proof of the current cost of equity can also create circularity, with prior

regulatory judgments becoming the principal evidence for future regulatory judgments even as market conditions change. *Id.*

Chairman Wiehl explored that issue at hearing. Mr. Garrett testified that authorized ROEs from other jurisdictions are reasonable background information, but that the Authority should place greater weight on objective applications of the CAPM and DCF and current market evidence. Tr. 9/23 p. 130. He also explained that prior awards may reflect settlements and other non-market factors. *Id.* The hearing further addressed that regulated-utility revenues and financial metrics are themselves heavily influenced by commission decisions, underscoring the limits of treating prior regulatory outcomes as independent market observations. Tr. 9/23 pp. 131-32. Recent authorized ROEs are therefore best used as a secondary reasonableness check, not as a floor. Surrebuttal Garrett, p. 6.

vi. CWC's Claimed Under-Earning Does Not Establish a 10.00% Market Cost of Equity

The hearing also clarified why CWC's recent earned ROE is not a direct measure of its cost of equity. The Company testified that although its previously authorized ROE was 9.3%, its actual earned ROE has been approximately 6% to 7%. Tr. 9/23 p. 45. When Chairman Wiehl asked what caused the under-earning, the Company identified rate-base timing and regulatory lag as significant drivers and also discussed expenses that continued to be incurred despite prior ratemaking disallowances. *Id*. pp. 45-47. The Company could not identify an industry-average actual earned ROE when asked whether such a benchmark supported its comparison. Tr. 9/23 pp. 47-48.

Actual earned ROE is an accounting result affected by revenues, expenses, investment timing, rate-base treatment, and other ratemaking circumstances. The authorized ROE, by contrast, is set prospectively to provide the utility a reasonable opportunity to earn a fair return.

See S. New England Tel. Co., 274 Conn. at 125. A period of under-earning may be relevant to the Authority's overall review, but it does not establish that investors currently require a 10.00% return on CWC equity.

The hearing also developed the risk implications of CWC's regulatory mechanisms. The Company acknowledged that WICA and WQTA reduce regulatory lag, although it contends they do not eliminate all lag associated with its capital program. Tr. 9/23 pp. 48-49. Mr. D'Ascendis further agreed that regulatory mechanisms mitigate CWC's company-specific risk, revenue risk, and earnings volatility. *Id*., p. 50. Those concessions provide no support for increasing the market-model result.

When Chairman Wiehl asked how those mechanisms should enter the ROE analysis, Mr. Garrett explained that standard CAPM and DCF applications provide a market-based starting point but do not expressly model every utility-specific regulatory protection. Tr. 9/23 p. 123. He testified that mechanisms such as decoupling, capital trackers, and reconciliation mechanisms reduce elements of utility-specific risk. Tr. 9/23 p. 124. Mr. Garrett did not make a separate downward adjustment for those mechanisms; his market analysis nevertheless produced 8.30%. Tr. 9/23 pp. 125; 136-37. Thus, the record provides no basis for using CWC's under-earning or regulatory framework to move the market evidence upward to 10.00%.

vii. The Company's Additional Upward Adjustments Do Not Establish a 10.00% ROE

Mr. D'Ascendis supplements his DCF and CAPM analyses with additional methodologies and adjustments, including an empirical CAPM ("ECAPM"), non-price-regulated company comparisons, a credit-risk adjustment, and a flotation-cost adjustment. Rebuttal D'Ascendis, p. 15. Mr. Garrett acknowledged that adjusted betas and the ECAPM address conceptually different empirical issues but explained that this does not establish the magnitude of

Mr. D'Ascendis's selected ECAPM adjustment for the current proxy group. Surrebuttal Garrett, pp. 14-15. He likewise explained that matching utilities to non-utilities partly on regression standard error relies on nonsystematic or diversifiable risk, which does not establish a comparable required return for diversified investors. *Id*., pp. 15-16. These additional methods do not independently establish a 10.00% cost of equity.

The flotation-cost adjustment presents a more direct ratemaking problem. CWC is not publicly traded, and Mr. D'Ascendis derives the adjustment from equity issuances by H2O America. Surrebuttal Garrett, p. 16. The existence of a parent-level issuance cost does not by itself establish what portion of the proceeds was contributed to CWC, what portion of the cost is attributable to Connecticut jurisdictional operations, or why a permanent basis-point adder applied to CWC's entire rate base is the appropriate recovery mechanism. *Id*., pp. 16-18.

Mr. Garrett did not take the categorical position that equity issuance costs can never be recovered. Rather, he identified conditions that would connect any recovery to an actual jurisdictional cost: an identifiable issuance in a relevant period, a documented dollar cost, evidence of the portion attributable to CWC, evidence that the capital supported regulated utility investment, and a recovery mechanism that avoids duplicate or indefinite recovery. Surrebuttal Garrett, p. 17. That framework treats flotation costs as a traceable financing cost rather than as an automatic permanent premium added to the market cost of equity. *Id*., pp. 17-18.

The issue was also addressed at the hearing. PURA staff asked Mr. D'Ascendis whether equity issuance costs are ordinarily borne by existing shareholders outside the regulatory construct, and he agreed that they are. Tr. 9/23 p. 17. Chairman Wiehl then explored whether such costs could instead be treated as identifiable, known-and-measurable costs if the Company establishes that they will actually be incurred and are attributable to CWC. *Id*., p. 138. Mr.

Garrett explained that any recovery should begin with a specific documented dollar amount in a relevant period, trace that amount through the parent structure to CWC and the jurisdictional investment financed, and avoid recovery exceeding the actual jurisdictional cost. *Id*., pp. 138-39. His surrebuttal identifies the same practical conditions in greater detail. Surrebuttal Garrett, pp. 16-18. The record does not support a permanent parent-level flotation-cost adder to CWC's market cost of equity.

viii. EOE's Independent Market Analysis Strongly Corroborates OCC's Recommendation

Finally, EOE witness Aaron Rothschild independently recommends an ROE of 8.33%, with a reasonable range of 8.07% to 8.59%. Direct Rothschild, pp. 8-9. He reached that recommendation using multiple DCF and CAPM variations and a methodology materially different from Mr. Garrett's. *Id*., pp. 11-13. His unadjusted point estimate was 8.25%, which he adjusted upward by eight basis points for financial risk to reach 8.33%. *Id*., p. 12.

Thus, two independent witnesses applying different market-based analyses reached essentially the same ROE conclusion: 8.30% and 8.33%, a difference of only three basis points. Mr. D'Ascendis himself identifies those two recommendations in rebuttal. Rebuttal D'Ascendis, p. 4. Mr. Rothschild also independently criticizes the use of short-term earnings forecasts as perpetual DCF growth and reliance on prior authorized ROEs as evidence of the current required return. Surrebuttal Rothschild, pp. 6-7; 12-13.

The close agreement between the two recommendations supports the reasonableness of OCC's 8.30% recommendation. It places the Company's requested 10.00% ROE approximately 167 to 170 basis points above the two independent recommendations in the record. The Authority need not accept every analytical choice made by OCC and EOE to recognize the central result: multiple market-based analyses support an ROE in the low-to-mid 8% range,

while the Company's higher result depends on assumptions and adjustments that raise the estimate.

For these reasons, OCC recommends that the Authority reject CWC's requested 10.00% ROE and authorize an ROE of 8.30%.

VI. Expenses

Below OCC makes several recommendations regarding reducing or disallowing expenses in order to protect Connecticut Water Company customers from subsidizing shareholder driven and other activities not directly related to the provision of service. This does not mean that OCC suggests these activities and expenses should not be conducted; rather that the Company and its shareholders can pay these expenses out of its extensive net earnings rather than placing more burden on customers.

a. Inflation

In Schedule C-3.22 of its Application, CWC included the Company included $565,451 for inflation to residual O&M expenses in the Rate Year, calculated using a 6.012% percent inflation factor on a pool of $9,405,379 expenses. Schedule C-3.22, p. 2. In its late-filed exhibits, the Company updated its inflation adjustment, reducing the requested level to $509,435 for inflation to residual O&M expenses in the Rate Year, using the same 6.012 percent inflation factor on a reduced pool of O&M expenses ($8,473,634). LFE-01 Schedule C-3.22, p. 2. To calculate residual O&M, the Company applied this inflation factor to residual O&M, which comprises all O&M expenses the Company did not adjust from the Test Year to the Rate Year based on known and measurable data. The Company stated:

> The reason for this is because the Company did not have specific information about a certain expense to make a distinct known and measurable adjustment that would pass scrutiny as a standalone adjustment. Absent having the required amount of supporting detail to successfully defend an individual pro forma adjustment, the Company elected to group such unadjusted costs as part of residual O&M. OCC-270.

OCC witness Ms. Koenig recommends disallowing this blanket escalation adjustment because the Company cannot demonstrate that the proposed increase is reasonable or reflective of anticipated Rate Year costs. OCC Koenig Direct Testimony, p. 8. Furthermore, the Company's historical data demonstrates that residual O&M expenses have fluctuated over the past three years, with expenses both increasing and decreasing. OCC-280, Att. 1. Pro forma adjustments should be based on known and measurable changes rather than an unsupported assumption that all residual expenses will increase at the same rate. In its Final Decision in the Company's prior rate case, the Authority found that applying a broad inflation index to specific test-year expenses is an "imprecise methodology" and is "not necessarily predictive" of the Company's actual Rate Year costs. Docket No. 23-08-32, Final Decision (June 28, 2024), p. 114.

Additionally, PURA recently rejected a broadly applied factor in both Docket No. 25-11-13 and Docket No. 25-11-14, finding that:

> ...although an inflation adjustment may be appropriate in certain circumstances, the application of broad index inflation to a significant portion of Test Year expenses is a departure from more targeted applications approved previously.78 Specifically, inflation escalation permits the utility to, in a way, circumvent its burden to demonstrate that pro forma changes are known and measurable. Evaluating and determining known and measurable changes to Test Year expenses can be a tedious process, but that process is a fundamental component of ratemaking and a reasonable, if not perfect, proxy for free market competition in a monopolized sector. Consequently, utilities should apply inflation adjustments judiciously and, importantly, demonstrate why inflation is the appropriate adjustment for a particular expense. In sum, the Authority finds that general inflation escalation is not a substitute for known and measurable changes and is, therefore, an improper pro forma adjustment, absent an evidentiary showing that escalation is the only reasonable method to determine a Rate Year expense. (Docket No. 25-11-14, Final

Decision (September 16, 2026), pp. 89-90 and Docket No. 25-11-13, Final Decision (September 16, 2026), pp. 101-102.)

Consistent with these decisions, OCC now recommends a $509,435 reduction in O&M expenses.

b. Shareholder Expenses

The Company recorded $874,106 for shareholder expenses in the Rate Year. OCC recommends disallowing these expenses because they are primarily incurred for the benefit of the Company's shareholders rather than ratepayers. Direct Koenig, p. 8. While the Company asserts that certain shareholder-related activities also support regulated utility operations, it has not demonstrated with any specific evidence that the expenses at issue provide a corresponding ratepayer benefits or contribute to the provision of safe and reliable utility service. Ratepayers should not be required to bear costs primarily associated with the Company's ownership and shareholder interests. Accordingly, OCC recommends an $874,106 reduction in O&M expenses.

c. Entertainment

In the Rate Year, the Company included $33,778 for entertainment expenses, including employee events such as pizza and beach parties. Ms. Koenig highlighted that General Statutes § 16-243gg(d)(2) prohibits public utility companies from recovering through rates direct or indirect costs associated with entertainment. Direct Koenig, p. 11. While the Company asserts that these expenses support employee engagement, morale, and retention, they are voluntary expenses that are not necessary for the provision of safe and reliable utility service. Accordingly, OCC recommends disallowing entertainment expenses from the cost of service, resulting in a $33,778 reduction in O&M expenses.

d. Rate Case Expense

In LFE-01, Schedule C-3.18, page 2, the Company recorded $917,000 for rate case expenses, amortized over 36 months in the Rate Year. Pursuant to General Statutes § 16-243p, water companies serving more than 75,000 customers are limited in their recovery of rate case expenses to those associated with OCC and Authority consultants. Accordingly, OCC recommends limiting recoverable rate case expenses to $350,000 for PURA and OCC outside consultant expense. OCC notes that in Docket Nos. 25-11-13 and 25-11-14, PURA limited rate case expense recovery to OCC and PURA outside consultant expenses. Docket No. 25-11-14, Final Decision (September 16, 2026), p. 150; Docket No. 25-11-13, Final Decision (September 16, 2026), p. 171.

Additionally, recovery of rate case expenses should be spread over the period that benefits from incurring the rate case expenses. Therefore, OCC recommends amortizing the rate case expenses over 65 months, consistent with the period between the Company's previous and current rate cases, rather than the Company's proposed 36-month period. Direct Koenig, p. 12. Together, these adjustments result in a $240,819 reduction in O&M expenses.

The Authority also requested briefing specific to rate case expenses incurred based on an order by the Authority, such as the cost of service study in this case. OCC is sympathetic to the Company's position that it incurred these expenses only to comply with a PURA order, however, the Legislature's intent in the statute[7] is clear that ratepayers should not be responsible for this category of expense and a PURA order cannot override the unambiguous mandate of the

[7] General Statutes § 16-243p(b).

Legislature via statute. A cost of service study is a reasonable and foreseeable rate case expense and under this statute, not a cost that is eligible for recovery from ratepayers.

e. Corporate Gifts

In the Rate Year, the Company included $29,167 for corporate gifts. General Statutes § 16-243gg(d)(2) prohibits public utility companies from recovering through rates direct or indirect costs associated with gifts. Additionally, as Ms. Koenig discussed, the Company has not demonstrated that these expenses provide a corresponding benefit to ratepayers or are necessary for the provision of safe and reliable utility service. Direct Koenig, pp. 12-13. Accordingly, OCC recommends disallowing corporate gift expenses from the cost of service, resulting in a $29,167 reduction in O&M expenses.

f. Board of Directors Fees

The Company is proposing to recover $537,937 in Board of Directors fees in the Rate Year. This amount reflects the test year expense level of $507,440 adjusted for inflation. Based on historical data provided by the Company, the Board of Directors fee expense for the Test Year is unusually high and does not reflect expected ongoing levels of expenses. OCC-59. As Ms. Koenig discussed, OCC recommends normalizing these expenses using the average of the three most recent calendar years to better reflect expected Rate Year costs. Additionally, Board of Directors fees primarily benefit the Company's shareholders, as the Board is responsible for overseeing the Company's management and protecting shareholder interests. Direct Koenig, pp. 13-14. Therefore, ratepayers should not be required to bear the full cost of these expenses. The Authority has ruled in prior cases that some burden sharing between shareholders and ratepayers is appropriate, however a cost that primarily benefits shareholders should be primarily borne by

shareholders. The Authority requested briefing on this and similarly apportioned expenses. There is no specific evidence in the record to indicate the precise apportionment of benefit between shareholders and ratepayers. However, common sense dictates that a cost designed specifically to benefit one party, should not be borne solely by another. In this instance, a majority of the costs paid by shareholders is fair and in line with precedent. Consistent with the Authority's treatment of these expenses in this Company's last rate case[8], OCC recommends allocating 75 percent of the normalized Board of Directors fees to shareholders. Together, these adjustments result in a $396,486 reduction in O&M expenses.

g. Executive Liability

In the Rate Year, the Company included $146,720 ($160,367 – 8.51% allocation to capital) for executive liability insurance in the level of insurance expense contained in Schedule C-3.13, p. 2. As Ms. Koenig discussed, these expenses primarily benefit the Company's shareholders by protecting its officers and directors from liabilities associated with their corporate responsibilities. Direct Koenig, p. 15. Therefore, ratepayers should not be required to bear the full cost of insurance that primarily protects the interests of corporate management and shareholders. Consistent with the Authority's treatment of these expenses in its Final Decision in the Company's last rate case decision, OCC recommends allocating 75 percent of executive liability insurance expenses to shareholders. Docket No. 23-08-32 Final Decision (June 28, 2024), p. 109. Accordingly, OCC recommends a $106,628 reduction in O&M expenses.

[8] *See* Docket No. 23-08-32 Final Decision (June 28, 2024), pp. 108-09.

h. Non-Industry Dues

In the Rate Year, the Company included non-industry membership dues in the cost of service. OCC recommends disallowing dues associated with the Connecticut Council of Small Towns, Chamber of Commerce for various small towns, AdvanceCT, the Middlesex Chamber of Commerce, and expenses categorized as miscellaneous memberships. Many of these memberships are related to the Company's public relations, community engagement, or non-utility activities, and the Company has not shown they provide sufficient benefit to ratepayers or contribute to the provision of safe and reliable utility service. Direct Koenig, pp. 15-16. Ratepayers should therefore not be responsible for these expenses. Accordingly, OCC recommends an $18,524 reduction in O&M expenses.

i. Economic Development Fees

In the Rate Year, the Company included $1,709 for economic development fees associated with memberships and contributions to various chambers of commerce within its service territory. Similar to non-industry dues, OCC recommends disallowing these expenses because they primarily support economic development and community relations activities rather than the provision of utility service. While the Company asserts that these memberships provide operational and customer benefits, it has not demonstrated that the expenses at issue provide a corresponding benefit to ratepayers or are necessary for the provision of safe and reliable utility service, and it is therefore inappropriate to apply these expenses to ratepayers. Accordingly, OCC recommends a $1,709 reduction in O&M expenses.

j. Wellness Program

The Company included $31,007 for its employee wellness program in the Rate Year. This program reimburses employees, up to $250 a year, for expenses such as gym memberships, sports leagues, massages, and fitness devices. While the Company asserts that the program promotes employee health and wellness, it has not demonstrated that these expenditures result in measurable cost savings or improved utility service for ratepayers. Without evidence establishing a corresponding ratepayer benefit, these discretionary expenses should not be included in the cost of service and borne by ratepayers. Direct Koenig, p.17. Disallowing such expenses is also consistent with the Authority's treatment of health club fees and memberships in prior water company rate cases. In CWC's last rate case, the Authority rejected the recovery of such expense from ratepayers on the basis of the same speculative assertion of benefits that the Company makes in the present case. Docket No. 23-08-32, Final Decision, p. 111 (June 28, 2024). Likewise, in Aquarion Water Company's 2007 and 2013 rate cases, the Authority similarly disallowed recovery of health club membership fees, finding that such fees have no nexus to the provision of water service. Docket No. 13-02-20, Final Decision, p. 71 (Sept. 24, 2013).Accordingly, OCC recommends a $31,007 reduction in O&M expenses.

k. Long-Term Incentive Compensation

The Company has proposed including long-term incentive costs totaling $1,130,785 in the Rate Year. The Company's long-term incentive plans provided in discovery show that financial metrics comprise 20 percent of the long-term incentive plan. OCC-115, Att. 1. OCC recommends disallowing the portion of these expenses associated with financial performance metrics, as these metrics primarily benefit the Company's shareholders. A fundamental principle of ratemaking is that costs should be assigned to those who benefit from them. Incentive

compensation tied to financial performance is specifically designed to increase shareholder value, which is realized through higher stock prices, increased dividends, and enhanced company valuation. Direct Koenig, p. 18. Ratepayers, by contrast, do not receive these benefits. They do not participate in equity ownership and do not share in financial market gains. Incentive structures that emphasize financial performance can encourage management to prioritize profitability over affordability or operational efficiency. While ratepayers may receive some incidental benefit from the Company's financial performance, the primary beneficiaries of achieving these metrics are shareholders. Therefore, ratepayers should not be required to bear the costs of compensation intended to incentivize financial results that primarily benefit shareholders. *Id*., pp. 18-19. Accordingly, OCC recommends disallowing 20 percent of long-term incentive compensation expenses, resulting in a $226,157 reduction in O&M expenses.

l. Short-Term Incentive Compensation

In the Rate Year, the Company included $1,218,949 for short-term incentive compensation. The Company's short-term incentive plans provided in discovery show that financial metrics comprise 20 percent of the short-term incentive plan. Similarly to long-term incentive compensation, OCC recommends disallowing the portion of these expenses associated with financial performance metrics, as these metrics primarily benefit the Company's shareholders. As Ms. Koenig discussed, a fundamental principle of ratemaking is that costs should be assigned to those who benefit from them. Direct Koenig, p. 19. Incentive compensation tied to financial performance is specifically designed to increase shareholder value, which is realized through higher stock prices, increased dividends, and enhanced company valuation. *Id.* Ratepayers, by contrast, do not receive these benefits. They do not participate in equity ownership and do not share in financial market gains. Incentive structures that emphasize

financial performance can encourage management to prioritize profitability over affordability or operational efficiency. While ratepayers may receive some incidental benefit from the Company's financial performance, the primary beneficiaries of achieving these metrics are shareholders. Therefore, ratepayers should not be required to bear the costs of compensation intended to incentivize financial results that primarily benefit shareholders. Accordingly, OCC recommends disallowing 20 percent of short-term incentive compensation expenses, resulting in a $243,790 reduction in O&M expenses. *Id*., p. 20.

m. Variable Pay Increase

The Company's proposed Rate Year variable pay increase is calculated based on its projected long-term and short-term incentive compensation expenses. OCC recommends revising the variable pay increase to reflect its recommended adjustments to these expenses. The corresponding reduction is necessary to ensure that the Rate Year variable pay increase is consistent with OCC's recommended levels of incentive compensation. This adjustment results in an $11,974 reduction in O&M expenses.

n. Overtime

In its late-filed exhibits, the Company included $1,488,202 of overtime expenses in the Rate Year.[9] OCC recommends normalizing overtime expenses using the average of the three most recent calendar years, as the Company's Test Year overtime expenses were abnormally high and are not representative of expected Rate Year costs, which risks overcollection from

[9] This amount represents the total overtime amount of $2,336,267 located in LFE-01, Schedule C-3.2p2LF, multiplied by 63.7% charged to expense.

customers. Direct Koenig, pp. 21-22. The response to OCC-213 illustrated the annual total overtime and the level of overtime charged to expense:

Year	Total Overtime	Overtime Expense
2023	$1,348,961	$859,288
2024	$1,453,588	$925,936
2025	$1,820,154	$1,159,438
Average	$1,540,901	$981,554
Rate Year	$2,336,267	$1,488,202

Additionally, in response to discovery, the Company acknowledged that it had incorrectly capitalized a portion of overtime expenses that should have been recorded as O&M expenses. OCC-210. The Company also corrected this capitalization error in its LFE-01 update. OCC maintains its recommendation to normalize overtime expenses based on historical spending to better reflect expected Rate Year costs. This results in a $ 467,386 reduction in O&M expenses.

o. Vacancy

In the Rate Year, the Company included an allowance for 10 vacant positions. OCC recommends increasing the vacancy allowance to 21 positions, consistent with the Company's average quarterly vacancies over the three most recent calendar years, as provided in response to OCC-41. Additionally, in response to RRU-006, the Company acknowledged that vacancies had increased since its prior rate case, demonstrating that its proposed allowance of 10 positions is not representative of recent historical vacancy levels. OCC's recommended adjustment provides a more reasonable estimate of expected Rate Year vacancies and prevents the overstatement of payroll expenses. Accordingly, OCC recommends a $ 899,882 reduction in O&M expenses.

In testimony at the October 7, 2026 LFE Hearing, the Company witness acknowledged that CWC has had increased employee vacancies since the last rate case decision was issued that authorized an increase in employee counts, averaging 24.6 vacant FTEs in the nine calendar quarters since the last rate case. LFE-13; Tr. 10/7 pp. 68-69. The updated data in LFE-13 illustrates the increased vacancy trend that has continued in 2025 and 2026. As of September 30, 2026, despite hiring several new employees, the Company had 28 vacant positions. Tr. 10/7 p. 69. PURA should not require ratepayers to fund excessive employee costs due to continued vacancies. OCC notes that an additional adjustment to payroll, employee benefits and payroll tax expenses above that recommended above and as contained in Ms. Koenig's Direct Testimony may be warranted to reflect the most current, known and measurable level of employees.

p. Open Positions

In the Rate Year, the Company included 18.77 new positions in its proposed payroll expenses. OCC recommends removing 4.25 full-time equivalent positions that had not been filled or posted for recruitment at the time of writing. Additionally, the Company confirmed that 13 of the 19 new positions listed on LFE-01, Schedule C-3.2, p. 2, remained open or were cancelled. Tr. 10/7 p. 67.

The Company has not demonstrated that these positions will be filled during the Rate Year or that the associated expenses will be incurred. Therefore, including these costs in the revenue requirement would require ratepayers to fund expenses that remain speculative. This adjustment is separate from OCC's vacancy adjustment, which accounts for the normal level of vacancies experienced by the Company in its existing workforce. Accordingly, OCC recommends a $308,930 reduction in O&M expenses.

q. 401(k)

The Company's calculation of Rate Year 401(k) expenses is based on its proposed compensation expenses. OCC does not dispute the Company's methodology for calculating these expenses. However, OCC recommends adjusting 401(k) expenses to reflect its recommended adjustments to long-term incentive compensation, short-term incentive compensation, variable pay, overtime, vacancies, and open positions. These adjustments reduce the total compensation upon which the Company's 401(k) expenses are calculated. Accordingly, OCC recommends an $109,416 reduction in O&M expenses.

r. Medical and Dental

The Company's calculation of Rate Year medical and dental expenses is based on its proposed employment levels. OCC does not dispute the Company's methodology for calculating these expenses. However, as OCC's recommended adjustments to vacancy and open positions affect the employment level, a corresponding flow-through adjustment to employee medical and dental expenses must be made. Accordingly, OCC recommends a $269,558 reduction in O&M expenses.

s. Payroll Taxes

The Company's calculation of Rate Year payroll taxes is based on its proposed compensation expenses and employment levels. As OCC's recommended adjustments to long-term incentive, short-term incentive, variable pay, overtime, vacancy, and open positions affect compensation and the employment level, a corresponding adjustment to payroll taxes must be made. Additionally, in response to RRU-12, the Company noted that it used the incorrect level of employment to calculate FUTA and SUTA taxes and reversed the label for the FUTA and SUTA

tax calculation. In LFE-01, the Company corrected the tax rates used in its payroll tax calculation. However, OCC maintains that the payroll tax calculation must also be adjusted to reflect OCC''s recommended adjustments to compensation expenses and employment levels. This adjustment reduces O&M expenses by $119,559.

t. Carbon Filters

In its initial filing, the Company included $576,247 in O&M expenses for the Rate Year for carbon filters associated with the Phillip B. Hopkins Water Treatment Plant and the Egypt Road Water Treatment Plant. In rebuttal, the Company agreed that these costs should not be recovered as recurring O&M expenses but instead proposed including them in rate base. Rebuttal Testimony Dixon, p. 19. The Company reflected this updated position in LFE-01. The treatment plants that these carbon filters are associated with are not expected to be placed into service until November and December 2027, respectively. Consistent with OCC's recommendation to remove forecasted plant additions from rate base, these costs should not be recovered through rate base either. This issue is addressed by the previously discussed recommendation to remove all forecasted plant.

u. Investor Relations

In the Rate Year, the Company included $50,616 for investor relations expenses. General Statutes § 16-243gg(d)(4) prohibits public utility companies from recovering through rates direct or indirect costs associated with investor relations. Additionally, these expenses primarily benefit the Company's shareholders rather than ratepayers. Accordingly, OCC recommends disallowing investor relations expenses from the cost of service, resulting in a $50,616 reduction in O&M expenses.

v. Purchased Power

In its rate application, CWC escalated test year purchased power expenses of $4,545,893 by a 10% assumed rate increase ($454,589) and $204,600 of purchased power for the Heritage Village Sewer Treatment Plant to calculate rate year expenses of $5,205,082. *See* Schedule C-3.7. Testimony during evidentiary hearings revealed that "a 10% rate increase was selected as a reasonable planning expectation based on the Company's recent experience with electric rate changes" and that "Company's annual budget process requires a prudent estimate of potential changes in the purchased power costs over the course of a future year". OCC-222.

In Connecticut, the electric distribution companies ("EDC") historically adjust their supply prices in January and July and have possible changes to rates in May and September, with a select few exceptions. The next anticipated non-supply rate change which could affect CWC's electric rates is the EDC Phase 1 RAM - May 1st, rate, as the Company utilizes a supplier, instead of standard service, rendering the January 1st supply rate change a non-event to CWC. The Company's current supplier contract expires on December 31, 2026. Exh. A.4, p. 22. The current supply price for CWC provided by Constellation Energy is $0.11550. OCC-50, Att. 1. During cross-examination the Company witness testified that CWC had secured a new supplier contract at 11.99 cents per kWh beginning January 1, 2027, representing an increase of approximately 3% or 0.44 cents per kWh in the supply cost part of the purchased power expense. This is a four-year fixed price contract. Tr. 9/23 pp. 235-36.

OCC notes that the non-supply portion of Eversource's average electric bill dropped by approximately 3.35 cents per kWh effective May 1, 2026. *See* Docket No. 26-01-03 Interim Decision (April 22, 2026), p. 6. The rate components in the Interim Decision were reaffirmed in the final decision. *See* Docket No. 26-01-03 Final Decision (August 19, 2026), p. 6. The non-

supply rate components in Rate 30 approved effective May 1, 2026 decreased by 3.829 cents per kWh. This was partially offset by increases in demand charges that collect transmission charges, the electric system improvements charge, and competitive transition assessment charges that increased by $3.82 per KW. CWC's LFE-01 Purchased Power Update workpaper shows the same KW and kWh rates in the May 2026 columns and the current ESI rate.

In LFE-01, Schedule C-3.7, the Company revised its estimate of rate year purchased power to update for its new four-year, fixed supply rate contract with Constellation and to revise its estimate of usage, demand, and fixed charges. To estimate the Combined Public Benefits, FMCC Delivery, and RAM/RDM charges based on kWh usage and Transmission and CTA Demand Charges, CWC used a six period average (May and January 2026; May and January 2025; September and July 2024) of these rate components. For the ESI, Distribution Demand and Fixed Service Charge rates, CWC's update used current rate levels.

OCC appreciates the difficult task of estimating electric rates for a future period in the current, volatile energy market. Given world events that have impacted the state of the global energy market and Eversource's pending distribution rate case, the rates that will be in place after May 1, 2027 are very difficult to accurately predict. Many of the rate components that will be determined in the 2027 RAM proceedings and Eversource's distribution rate case effective May 1, 2027 and July 1, 2027 are clearly not known and measurable at this time. The various electric rate components set in the annual RAM proceeding have been severely impacted by world events, the global market, and increased public benefit costs as a result of the COVID-19 pandemic.

In setting the Company's purchased power expenses for the Rate Year beginning February 1, 2027, OCC recommends that actual or contracted rates that are known and

measurable should be used when possible. OCC proposes adjustments to CWC's Purchased Power expense calculation as follows:

(1) Use of the Generation Supply Rate that is effective January 1, 2027 and the result of the Company's new contract with Constellation. Rather than the 12.711 cents per kWh used by the Company in CWC's LFE-01, Schedule C-3.7 and reflected in the LFE-01 Purchased Power Update workpaper, OCC recommends utilizing the 11.99 cents per kWh, fixed four-year contract price discussed at the September 23, 2026 evidentiary hearing. Tr. 9/23 pp. 235-6. Based on the estimated Rate Year usage of 17,997,436 kWh; LFE-01 Purchased Power Update workpaper; OCC recommends a $128,142 reduction to purchased power expenses. (($0.1199 – 0.12711) X 17,997,436).

(2) Reflect the current, known and measurable combined public benefit ("CPB"), FMCC Delivery, and RAM/RDM rates, that will be in place February – April 2027 (the first three months of the Rate Year). Rather than the six-period average rates used by the Company for these rate components, OCC recommends the actual bill components that will remain in-service at for the first three months of the Rate Year. LFE-01 Purchased Power Update workpaper.

Rate Component	CWC six-period average	OCC recommended	Difference
Combined Pub. Benefits	$ 0.01447	$ 0.00662	$-0.00827
FMCC Delivery Charge	$ 0.02031	$-0.01684	$-0.03715
RAM/RDM	$ 0.00117	$ 0.00011	$-0.00106
Total	$ 0.03595	$-0.01011	$-0.04606

Based on the Test Year monthly usage for months 2 through 4 of 2025 contained in OCC-148, Att. 1, OCC calculates estimated Rate Year usage of 4,464,660 kWh for the months of February – April 2025.

Month	kWh Usage	KW Usage
February (2 -2025)	1,559,866	3,976
March (3-2025)	1,594,737	4,309
April (4-2025)	1,310,056	4,119
Total	4,464,660	12,404

Based on OCC's recommended -4.606 cents per kWh adjustment for actual CPB, FMCC Delivery, and RDM/RAM rate components and actual February – April 2025 usage, OCC recommends a reduction in purchased power expenses of $205,642 (4,464,660 kWh X -4.606).

(3) Reflect the current, known and measurable Transmission Demand and CTA Demand Charges, that will be in place February – April 2027 (the first three months of the Rate Year). Rather than the six-period average rates used by the Company for these rate components, OCC recommends the actual bill components that will remain in-service at for the first three months of the Rate Year. *Id.*

Rate Component	CWC six-period average	OCC recommended	Difference
Transmission Demand	$ 10.2217	$ 12.84	$2.62
CTA Demand Charge	$ 0.27	$ 1.47	$1.20
SubTotal	$ 10.4917	$ 14.31	$3.82

Based on the Test Year monthly demand for months 2 through 4 of 2025 contained in OCC-148, Att. 1, OCC calculates estimated Rate Year Demand of 12,404 KW for the months of February – April 2025.

OCC has attached as OCC Brief Exhibit A its modification to OCC-148, Att. 1, showing the summation of columns AD, AF, and AH to calculate the monthly usage in kWh for February – April, and columns AE, AG, and AI to calculate the monthly KW demand for February – April. LFE-01 Purchased Power Update workpaper. Based on OCC's recommended $3.82 increase per

KW adjustment for actual Transmission and CTA Demand Charges and actual February – April 2025 demand, OCC recommends an increase in purchased power expenses of $41,383 (12,404 KW X -$3.82).

In total, OCC recommends a reduction in purchased power expenses of $286,401 [($128,142) + $(205,642) + $47,383].

w. Interest Synchronization

As rate base and cost of capital serve as the basis for calculating interest synchronization, OCC recommends adjusting the interest synchronization calculation to reflect its recommended adjustments to rate base and cost of capital discussed throughout this brief. Accordingly, OCC recommends a $246,415 reduction in state income taxes and a $76,477 reduction in federal income tax expense.

x. Industry Dues

OCC had previously offered testimony recommending removal of the costs associated with industry association dues. OCC's witness recommended applying a proxy of 11%, as applied in the previous rate case, to appropriately represent lobbying costs. The Company applied this adjustment in its updated LFE-01, therefore this issue is resolved.

y. Performance Metrics

In this rate proceeding, the Authority has looked to establish executive compensation performance metrics that would represent ratepayer interests. UPA-31. OCC believes that establishing performance metrics and incentives is an important tool to achieving improvements in core performance areas such as quality of service, customer service, and affordability. Currently, 10% of executive compensation is tied to existing performance mechanisms. The

Company has consistently met those metrics which allowed them to recover 100% of their allowed executive compensation. Should the Authority choose to add those performance metrics which are outlined below, OCC would suggest the total amount of executive compensation tied to performance metrics increase to 15%. This would encourage the Company to continue its commitment to these metrics and give customers confidence that the quality of their service is tied to the utility's performance. While the performance metrics already established in the Final Decision in Docket 23-08-32 should be maintained as further mechanisms designed to improve quality of service, performance, and affordability, OCC recommends that the following performance measures be considered as additional measures of potential performance metrics geared toward ratepayer benefit:

i. Reducing Non-Revenue Water

Reducing non-revenue water lowers the overall cost burden on ratepayers and encourages conservation. In Docket No. 19-04-02, SJW Group and the Company's then parent company, Connecticut Water Service, Inc., agreed to a merger commitment that was part of the settlement agreement approved by the Authority. In its Final Decision, the Authority noted that "the Applicants have committed to reducing nonrevenue water (NRW) to a goal of not more than 14% overall NRW in each system by year-end 2020." Docket No. 19-04-02 Final Decision (September 2, 2019), p. 32.

While CWC's system-wide NRW has remained between 13.3 – 13.9% for the last three years; Exh. A.3, p. 40; 16 of 57 water systems failed to meet the 14% standard in 2025. OCC-131, Att. 1. As a result, CWC was only successful in meeting the NRW merger commitment in 72% of its systems in 2025. Having 28% of the Company's water systems not meet the 14% NRM merger commitment is indicative of less than satisfactory performance. Setting a

performance metric at having a minimum of 90% of water systems meeting the 14% NRW standard like a reasonable performance level represents a reasonable threshold to allow additional incentive compensation recovery at this time.

ii. Customer Owned Lead Service Lines

As discussed in OCC-130, in October 2024, the initial inventories of customer owned service lines included 42,173 unknown material service lines. As of June 2026, the Company had subsequently identified the material for 15,379 of these service lines. A total of 18 of these 15,379 customer-side service lines were identified as lead. With just under 27,000 unknown customer owned service lines, OCC recommends that PURA set Performance Metrics for (1) the completion of the Service Line Identification Program, and (2) a timeline and schedule for annual Service Line Replacements. Completing the Service Line Identification Program based on the required deadline and meeting annual replacement of customer service lines levels to allow additional incentive compensation recovery based on measurable action levels that meet ratepayer interests.

VII. Customer Service

Presently, CWC offers low-income customers a bill discount through its Water Rate Assistance Program ("WRAP"). The WRAP discount has a usage cap, but CWC's IT system permitted the usage cap to be imposed only on annual usage.[10] In OCC-3, CWC stated, "It is anticipated that our new system, which is currently expected to go live in early 2027, will

[10] CWC explained during crosse examination that the current system does not impose a strict usage cap, but rather, assesses usage during the biennial reenrollment and removes customers whose annual usage exceeded 120,000 gallons. Tr. 10/1, pp.95-96.. The Response to EOE-71, Attachment 1 shows the number of gallons in excess of 120,000 gallons used in 2025 before the customer was removed in the current WRAP configuration. Of note, some customers with larger discounts (80% and 40%) used 110,000 to 20,000 gallons *in excess* of 120,000 gallons before being removed from WRAP.

provide the ability to move from an annual cap to something that aligns more closely with usage during the billing period." The Authority should order CWC to file a motion within two weeks of its new Customer Information System going live, confirming there is no cost associated with changing the usage cap to a billing period usage cap rather than an annual usage cap and allowing the Authority to approve this change. An annual usage cap, while better than no usage cap, ultimately falls short in its efficiency goals and could harm customers. A usage cap imposed per billing period allows a customer to receive immediate feedback on how much they have exceeded the usage cap and attempt to adjust consumption accordingly, helping all ratepayers and achieving better efficiency for the overall system. Identifying excessive usage long after the fact offers the customer no ability to address the problem that year and relies on the customer to plan ahead during the next twelve-month cycle in which they are eligible for the discount. Further, when the current usage cap is imposed, the customer is removed from WRAP, subjecting the customer to a whiplash effect of toggling on and off a discounted bill. As a result, OCC believes CWC should change the usage cap from its current configuration to a billing period usage cap when its new Customer Information System is in place.

Based on the data provided in OCC-4 Att. 1, OCC suggests that a quarterly billing period usage cap of 12,500 gallons might be appropriate. The data in Attachment 1 shows that the average annual usage for WRAP customers during 2025 was approximately 42,500 gallons, or 10,625 gallons per quarterly billing period. As a result, it appears that a quarterly billing cap of 12,500 gallons would slightly exceed the current average quarterly usage of low income customers. OCC, however, welcomes input from other stakeholders on the appropriate billing period usage cap. To the extent this is not provided in briefs, OCC suggests that the Authority

require CWC to file a proposed billing period usage cap with its motion and support that proposal with usage documentation.[11]

Going forward, CWC should recertify the eligibility of customers for WRAP annually. Presently, CWC has a biennial recertification process. Tr. 10/1 pp.95-96. Although OCC understands that CWC maintains a biennial process to reduce the burden that recertification places on customers, annual eligibility recertification ensures that the benefits of the ratepayer-funded WRAP inure to the correct customers. Further, although WRAP does not currently appear to have a significant cost to other ratepayers, the Authority should ensure that WRAP has a budget target and that CWC must inform the Authority if the target threshold is crossed.[12]

In addition to WRAP, CWC previously offered two other low-income assistance programs: H2O and grants, both of which were administered by Generation Power CT. *See* Exhibit A.2 Williams Direct Testimony, p. 18. H2O was available only to customers with an overdue balance and matched their payment each month. *Id*. The grants are available to low-income customers regardless of their arrearage status, do not require the customer to make a payment, and are funded entirely by ratepayers. *Id*. Customers could receive either H2O or a grant, but not both. CWC discontinued H2O in 2026.[13] *Id*.

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[11] For example, during cross examination, the Authority cited to industry standards indicating an average usage per day, per person of 39-44 gallons, which equates to about 4,000 gallons per person per quarter. If the Authority presumes an average household of 2, then a 12,500 gallon usage cap per billing period should be more than sufficient (DSS indicated in Docket No. 17-12-03re11 that the average household size for hardship customers is 2). If the Authority presumes an average household size of 4, then a 12,500 gallon usage cap would not be correct. OCC suggests, however, that the presumed low-income customer household size should be the same across all types of utilities (i.e., there is no reason to presume a 2 person household for electric programs and a 4-person household for water programs. Connecticut is a geographically small state and the households receiving the electric discount are the same households receiving the water discount.).

[12] In PA 25-173, Section 7, the General Assembly expressed a desire that discount rates contain a usage cap, annual recertification, and budget target.

[13] During cross examination, the Authority posed a hypothetical in which they were a customer who was on an arrearage forgiveness plan. There currently is no arrearage forgiveness plan for CWC customers. H2O was the arrearage forgiveness plan and it was discontinued by CWC.

In LFE-76, CWC indicated it "remains open to considering a Company-funded assistance program as part of its ongoing evaluation of options to support customers," but then stated that the program "would depend on a strong and supportive regulatory framework that allows for the timely recovery of the Company's prudently incurred costs." It is unclear if in LFE-76 CWC means other prudently incurred costs must be timely recovered before it will offer Company-funded assistance, or if it is saying that the prudently incurred costs associated with Company-funded assistance must be timely recovered. If the latter, then the assistance is not Company-funded and does not differ from current programs.[14] If the former, there is no evidence indicating CWC does not now have a regulatory framework allowing for timely recovery of other prudently incurred costs. The best option for ratepayers would be if CWC shareholders offered to share the costs associated with low-income assistance.

Presuming CWC is not offering to share a portion of low-income assistance costs, it is difficult to know with certainty if CWC's choice to discontinue H2O in favor of the grants was correct. While OCC understands the logic behind discontinuing the program with the more restrictive eligibility (H2O required an arrearage and the grants do not), H2O required a customer to maintain payments to receive its benefits. Furthermore, by requiring an arrearage as part of H2O eligibility, the program guaranteed it was assisting those who needed assistance. As demonstrated in the energy affordability and electric and gas low-income discount rate dockets, the calculations indicate that customers earning between 212% and 275% of the federal poverty level should be able to meet their energy burdens without ratepayer-funded assistance. As a result, it is not clear if the grants are a better use of ratepayer funds than the H2O arrearage forgiveness program. To the extent the grants are the preferred offering, they should produce

[14] In requesting LFE-76, OCC's reference to Company-funded assistance meant assistance funded by the Company's shareholders, not assistance paid for by the Company and later recovered from ratepayers.

lower arrearages, more consistent payments, and fewer service terminations. As a result, OCC suggests that the Authority order CWC to submit an annual compliance filing comparing this data for low income customers on an annual basis to 2025 data (the last year H2O was offered) and reassess the need for an arrearage forgiveness program in CWC's next rate case.

Additionally, OCC noted that CWC labeled its water buggy as part of its "charitable giving" programs. However, as stated during testimony, the water buggy is "entirely in rates." Tr. 10/1 pp. 63-65. A fully-ratepayer funded service may hardly be claimed as a charity by CWC. While OCC understands the community value of the water buggy program, it is clearly also a promotional opportunity for CWC, and it is unclear that it should be funded solely by ratepayers.

Finally, CWC indicated that its current bill does not show the charge per gallon. OCC-77. Customer education begins at the most basic levels. A customer who understands how many gallons of water are used when washing dishes or watering their lawn can then match that usage to the cost per gallon and draw a clearer line between their actions and the cost of those actions. Understanding financial implications of usage is a key to creating more efficient usage, which helps both the environment and all ratepayers. CWC indicated that it would cost $25,000 to $30,000 to include the charge per gallon on the bill. LFE-75. While OCC always hesitates to suggest that utilities spend more, this particular spending seems likely to reap a greater benefit in the long term. Knowledge rarely fails to pay a dividend.

VIII. Cost of Service, Revenue Allocation, and Rate Design

a. Class Cost-of-Service Study

OCC recommends that the Authority adopt the Company's class cost-of-service study ("COSS") for purposes of determining the relative cost responsibility of CWC's customer

classes. OCC witness Jared Geiger reviewed the Company's COSS methodology, supporting workpapers, and discovery responses and did not recommend adjustments to the Company's cost allocations. In particular, OCC did not propose changes to the Company's system or class maximum-day and maximum-hour demand factors or to the Company's revised allocation of service-line costs.

The principal disagreement between OCC and the Company therefore concerns not the underlying COSS, but the extent to which the proposed allocation of the revenue requirement should move customer classes toward the cost responsibilities identified by that study.

b. Revenue Allocation and Gradualism

The Company's COSS indicates that several customer classes currently provide revenues below their allocated cost of service, including the Commercial, Industrial, Seasonal, and Public Authority classes. The Company recognized these disparities in developing its proposed revenue allocation but generally limited the increases assigned to these classes to approximately 1.5 times the overall system-average increase. OCC recommends instead that the increases assigned to these classes be limited to approximately 1.75 times the overall system-average increase.

OCC's recommendation reflects both cost causation and gradualism. The COSS provides the cost-based direction in which class revenue responsibility should move. Gradualism recognizes that eliminating historical differences between revenues and allocated costs in a single rate proceeding can produce unnecessarily large changes in individual class rates. As Mr. Geiger explained during the hearing, the 1.75 factor represents an intermediate step toward the COSS results that provides additional movement toward cost of service while moderating the resulting class rate impacts. Tr. 10/1 p. 14. Mr. Geiger further explained that he considered the

impacts on the Commercial, Industrial, Seasonal, and Public Authority classes and determined that the resulting increases were not too substantial. Tr. 10/1 p. 14.

The treatment of the Residential class illustrates the difference between the Company's and OCC's approaches. The Company's COSS assigns approximately 62.58% of the revenue requirement to Residential customers, compared with approximately 63.51% of present revenues. OCC-167. Thus, the COSS indicates that Residential customers presently provide a greater share of revenues than their allocated cost responsibility. Nevertheless, the Company's proposed revenue allocation would further increase Residential's share of revenues rather than move it toward the COSS result.

Mr. Geiger specifically addressed this issue during the hearing, explaining that under the Company's proposed allocation, the Residential class does not merely fail to move sufficiently toward cost of service; rather, it moves in the opposite direction from that indicated by the COSS. Tr. 10/1 pp. 12-13. He confirmed that OCC's 1.75 factor is a rate-design recommendation intended to address that result while maintaining gradualism. *Id*., p. 14.

CWC's analysis in LFE-53 confirms the effect of OCC's recommendation. In response to LFE-53, CWC calculated an alternative rate design using the 1.75 threshold recommended by OCC. The Company expressly stated that it "identified no OCC recommendations beyond the proposed 175% threshold" and therefore modeled the resulting rates consistent with Mr. Geiger's testimony. *Id.*

Under that analysis, Residential customers would provide approximately 63.58% of revenues, compared with 63.51% under present rates and 62.58% under the COSS. At the same time, the under-recovering classes would make additional progress toward their respective COSS results:

Class	Present Revenue Share	OCC 1.75 Result	COSS
Residential	63.51%	63.58%	62.58%
Commercial	11.80%	13.35%	15.12%
Industrial	2.70%	3.06%	3.43%
Seasonal	0.82%	0.92%	1.24%
Public Authority	3.15%	3.56%	3.89%

These results demonstrate the gradual nature of OCC's recommendation. Even after application of the 1.75 factor, Commercial, Industrial, Seasonal, and Public Authority remain below their COSS-indicated revenue responsibilities. OCC is therefore not proposing to eliminate existing class disparities in this proceeding. Rather, its recommendation provides additional movement in the direction indicated by the Company's COSS while essentially maintaining Residential's present share of total revenues.

c. Indexed Rate of Return

The Company's indexed rate-of-return analysis provides additional support for OCC's concern regarding the direction of the Company's proposed revenue allocation. As discussed during the hearing, an indexed rate of return of 1.0 reflects alignment between a class's revenues and its allocated cost responsibility. Tr. 10/1 p. 18. A class with an indexed rate of return exceeding 1.0 cross-subsidizes the classes with rates of return below 1.0. CWC's analysis in RRU-358, Att. 1 shows Residential at approximately 1.02 under current rates and 1.07 under the Company's proposed rates.

This issue was specifically raised during the examination of Mr. Geiger. The Chairman observed that CWC's proposal generally moves the indexed rate of return for the other customer classes toward 1.0 but moves Residential from approximately 1.02 to 1.07. *Id*. The Chairman then asked whether OCC's 1.75 recommendation addressed this directional concern. *Id*. Mr. Geiger explained that OCC's recommendation would not necessarily move Residential completely to 1.0, but that it would move the class "towards and in the right direction." *Id*. The Chairman subsequently clarified that the concern was that CWC's proposal moves Residential in the opposite direction, and Mr. Geiger agreed. *Id*.

OCC does not rely on the indexed rate-of-return analysis to establish a specific indexed return under its proposed allocation. Mr. Geiger appropriately noted during the hearing that he had not calculated the precise indexed rate of return resulting from his 1.75 recommendation. Tr. 10/1 p. 19. Rather, the significance of CWC's analysis is that it independently demonstrates the same directional concern shown by the COSS revenue shares: the Company's proposed allocation moves Residential farther from its indicated cost responsibility rather than toward it.

Accordingly, OCC recommends that the Authority adopt the Company's COSS but apply OCC's 1.75-times-overall system-average limitation in allocating the revenue requirement among customer classes. This approach appropriately balances cost causation and gradualism. It provides greater movement of under-recovering classes toward their COSS-indicated responsibilities, avoids moving Residential farther from cost of service, and stops well short of immediately eliminating the existing class disparities.

d. Residential Inclining Block Rate Design

CWC employs an inclining block volumetric rate structure for Residential customers under which progressively higher levels of consumption are subject to higher marginal rates.

This structure provides a conservation-oriented price signal by imposing higher marginal prices on higher levels of Residential consumption.

OCC does not oppose CWC's use of an inclining block structure. Following the hearing, CWC provided additional evidence which showed declining usage among high-use Residential customers under the inclining block rate structure. In LFE-56, CWC updated the usage analysis discussed at the hearing to include 2026, as practicable, and added average Residential customer usage for comparison. CWC stated that the additional year "further demonstrates declines for the identified top 20 customers." For the first three quarters of each year, usage per customer for the identified top 20 declined from 443,750 gallons per customer in 2023 to 336,400 gallons in 2024, 280,450 gallons in 2025, and 215,400 gallons in 2026. LFE-56. By comparison, average Residential customer usage was relatively stable over the same period—40,418, 39,748, 39,724, and 40,185 gallons per customer, respectively. *Id*.

The hearing nevertheless identified a separate rate-design issue concerning how the price differentials among CWC's Residential usage tiers should change when the underlying volumetric rates increase. Maintaining the tier differentials as fixed dollar amounts while increasing the underlying rates reduces the percentage differential between tiers and therefore dilutes the relative marginal price signal provided by the higher tiers. Presently, residential rates increase by about 18% between tiers 1 and 2 and 46% between tiers 2 and 3. Schedule E-5.0. Under the Company's proposed rates, the increases are about 13% between tiers 1 and 2 and 34% between tiers 2 and 3.

Mr. Geiger addressed this issue during his examination. He explained that the Company's proposal effectively maintains the tier relationships from a dollar standpoint rather than proportionally as rates increase and that doing so "really dilutes the impact of the tiers," which in

turn dilutes their potential effect on conservation. Tr. 10/1 p. 24. He therefore explained that consideration of both the breakpoints and tier levels is important as overall prices increase.

Importantly, this issue does not appear to present a material dispute between OCC and CWC. When the proportional treatment of the tiers was raised during the hearing, CWC stated that it would be acceptable to change the rate design to provide a proportional increase rather than maintaining the existing fixed-dollar step. Tr. 9/24 p. 112.

Accordingly, OCC recommends that the Authority maintain CWC's Residential inclining block rate structure but require that the approved volumetric rates preserve the proportional relationship among the usage tiers rather than simply maintaining fixed-dollar differentials. This treatment preserves the relative marginal price signal as overall rates increase and is consistent with the conservation objective underlying the inclining block structure. It is also consistent with CWC's position at hearing that proportional treatment of the tiers would be acceptable.
OCC therefore recommends that the Authority:

1. Accept CWC's COSS methodology and resulting class cost allocations, as OCC has not proposed adjustments to the underlying study;

2. Adopt OCC's 1.75-times-overall system-average limitation for class revenue allocation, providing additional movement toward the Company's own COSS results while maintaining gradualism; and

3. Maintain CWC's Residential inclining block structure but preserve the proportional relationship among the volumetric tiers as rates increase, rather than maintaining fixed-dollar tier differentials.

These recommendations are consistent with the positions presented in Mr. Geiger's direct testimony and developed during the hearing. The hearing record and CWC's subsequent late-file exhibits provide additional support for those recommendations, particularly by demonstrating that the 1.75 approach remains an intermediate movement toward, not full implementation of, the COSS results, and that proportional treatment of the Residential usage tiers is consistent with the conservation purpose of the inclining block rate design.

IX. Other Considerations

a. Contributions in Aid of Construction ("CIAC")

In this proceeding, PURA staff issued discovery and conducted cross examination on a number of accounting and ratemaking issues surrounding CIAC and the amortization of CIAC. Both CWC and OCC were issued interrogatories from PURA's RRU staff that dealt with some unique and complex accounting and ratemaking issues that date back over 40 years. Both CWC and OCC presented witnesses to testify at evidentiary hearings on these issues. Additionally, CWC provided responses to LFE-57 and LFE-58 on these issues.

As part of its October 13, 2026 Notice of Request For Briefs, PURA requested that parties and intervenors respond to several questions on the amortization of CIAC, depreciation of CIAC funded plant, and the potential use of previously collected CIAC depreciation amortization to decrease future depreciation expenses or as a source of capital.

The current ratemaking and accounting treatment regarding CIAC and the amortization of CIAC has remained the same since water rate cases litigated in the late 1980s into the early 1990s. CWC's accounting and ratemaking treatment of CIACs and related amortization and depreciation, as well as that by the other PURA regulated water systems, appears to be consistent with DPUC/PURA's orders pre- and post 1988. Prior to the current proceeding, OCC is unaware

of any significant disagreement amongst the Authority, water utilities, and non-company participants regarding the accounting for CIACs and their amortizations in water company rate cases that have occurred since the 1988 and 1989 Bridgeport Hydraulic Company/Aquarion and CWC rate cases when the current accounting and ratemaking treatment was established for Connecticut's water companies. OCC supports utilizing Account 272 for the continued amortization of CIAC balances. OCC believes the accounting and ratemaking treatment that has been in place since the late 1980s should continue at this time, until the Authority holds a generic proceeding or follows the necessary process to change its regulations of which the Uniform System of Accounts is a part.

While OCC agrees that the Connecticut General Statutes sections that address water utility ratemaking have changed over the years, such as the WICA mechanism and the WQTA mechanism, one water utility ratemaking approach that helped fund the financing and recovery of the Safe Drinking Water Act required treatment plants during their construction, the Construction Work In Progress ("CWIP") surcharge is no longer authorized by state statute. OCC does not see that these changes to water utility industry rate mechanisms would directly warrant a change in CIAC depreciation on pre- 1989 plant funded by CIAC.

While OCC believes that the Authority is free to change the ratemaking treatment of depreciation on pre-1989 CIAC funded plant in a forward looking manner, just as it did in the late 1980s and early 1990s on post 1989 CIAC funded plant, OCC believes that a retroactive adjustment to return past collected depreciation or to utilize previously allowed CIAC depreciation expense to reduce future depreciation expense would likely constitute retroactive ratemaking.

OCC does not believe that should change the accounting or ratemaking treatment in the subject proceeding. Several of the alternatives listed in the briefing prompt introduce complex accounting and ratemaking issues that go beyond the discovery and witness testimony of the parties in this proceeding. The suggestions surrounding capital structure and capital funding vehicles have not been explored by any of the outside cost of capital witnesses utilized by CWC, EOE, or OCC in the subject proceeding. No outside witness has explored the potential impact on cost of capital and the potential reaction by financial markets or rating agencies. OCC believes that the Authority should proceed with caution and not institute changes to the treatment of CIACs that may negatively impact ratepayers. Any changes implemented in the current proceeding should be revenue requirement neutral.

OCC recommends that if PURA is considering changes to CIAC amortization and depreciation of CIAC funded plant that it do so in a generic proceeding so that the other water companies impacted may also participate and be heard on the subject. This would allow a more in-depth discussion of all sides of these complex issues and that additional research on the accounting and ratemaking treatment of CIAC awarded over the last 35 years in other jurisdictions, be reviewed on the record.

X. Conclusion

OCC thanks the Authority for the opportunity to provide input on this case, especially at a time of rising costs when it is increasingly important to listen to Connecticut's ratepayers. For the reasons discussed above, OCC recommends the Authority reject the application as presented by the Company, and adopt the reasonable limited increase suggested herein.

Respectfully Submitted,

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