STATE OF CONNECTICUT

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

DOCKET NO. 17-10-46 APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES

April 18, 2018

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DECISION

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DECISION

I. INTRODUCTION

A. SUMMARY

In this Decision, the Public Utilities Regulatory Authority approves an amended settlement agreement as filed by The Connecticut Light and Power Company d/b/a Eversource Energy, the Office of Consumer Counsel and the Prosecutorial Unit of the Public Utilities Regulatory Authority. The Public Utilities Regulatory Authority approves distribution revenues of $1,098.572 million for the rate year beginning May 1, 2018; $1,126.599 million for the rate year beginning May 1, 2019; and $1,158.262 million for the rate year beginning May 1, 2020. The Public Utilities Regulatory Authority allows a total revenue increase of $124.661 million over the three-year rate plan, as proposed in a settlement agreement. This amount is only 37 percent of the $336.989 million requested in the application to amend rate schedules. The approved increase will allow The Connecticut Light and Power Company to attract capital needed for the continued investment in infrastructure necessary to provide safe, adequate and reliable electric distribution service at reasonable rates. Further, in this Decision, the Public Utilities Regulatory Authority approves separately filed settlement agreements on revenue allocations and on pole attachment rates.

B. BACKGROUND OF THE PROCEEDING

On October 27, 2017, The Connecticut Light and Power Company d/b/a Eversource Energy (CL&P or Company) provided notice to the Public Utilities Regulatory Authority (Authority or PURA) of its intention to file a rate case application in conformance with the requirements of the Regulations of Connecticut State Agencies (Conn. Agencies Regs.) §§16-1-22(b) and 16-1-53a. The Company indicated that Article 1.3 of the amended merger settlement agreement, which was approved by the Authority in the April 2, 2012 Decision in Docket No. 12-01-07, Application for Approval of Holding Company Transaction Involving Northeast Utilities and NSTAR (NSTAR Decision), required the Company to file an application to amend its distribution rates to set new rates no later than July 1, 2018. CL&P Notice of Intent, p. 1.

On November 22, 2017, CL&P submitted an application to the Authority for approval of amended rate schedules (Application) pursuant to §§16-19 and 16-19e of the General Statutes of Connecticut (Conn. Gen. Stat.).

C. CONDUCT OF THE PROCEEDING

By Notice of Audit dated December 4, 2017, the Authority conducted an audit of CL&P's rates and revenues at the Company's offices located at 107 Selden Street, Berlin, CT 06037 on December 18, 2017. The Authority conducted a separate audit of the Company's books and records at the same location on January 3, 2018, pursuant to a Notice of Audit dated December 11, 2017.

On December 5, 2017, pursuant to Conn. Gen. Stat. §16-19(a), the Authority notified all admitted Parties and Intervenors that it would extend the 150-day period by 30 additional days.

Pursuant to a Notice of Pre-Hearing Conference dated November 30, 2017, the Authority conducted a Pre-Hearing Conference on December 6, 2017, to discuss procedural issues with all admitted Parties and Intervenors at the Authority's offices located at Ten Franklin Square, New Britain, CT, 06051.

By Notice of Hearing dated December 28, 2017, pursuant to Conn. Gen. Stat. Connecticut §§16-19 and 16-19e, the Authority conducted daytime hearing sessions at its offices on January 31, 2018 and February 7, 8, 9, 13, and 22, 2018.

In addition, the Authority held evening sessions solely for the purpose of receiving public comment. The hearings commenced at 6:00 p.m. on the following dates, at the following locations: January 24, 2018, at the Authority's offices; January 30, 2018, at the Stamford Government Center, 888 Washington Boulevard, Stamford, CT; January 31, 2018 at the Branford Fire Department, Training Room, 45 North Main Street, Branford, CT and February 6, 2018, at New London City Hall, 181 State Street, New London, CT.

During the course of the proceeding, the Authority received three separate settlement agreements addressing specific issues in the case. One of the settlement agreements, the January 11, 2018 settlement agreement jointly filed by the Company, the Office of Consumer Counsel (OCC) and the Prosecutorial Division of the Authority (PRO; together, Settling Parties) (January 11, 2018 Settlement Agreement), prompted an Interim Decision to be issued by the Authority, that indicated that it would not be acceptable to the PURA as filed. On March 19, 2018, the Authority issued a Proposed Interim Decision to provide notice of the requested adjustments regarding the January 11, 2018 Settlement Agreement and an opportunity for comment and/or the Settling Parties to amend that Agreement. The Authority identified certain areas of concern in the Proposed Interim Decision that related to accounting adjustments, the Fee Free Credit Card and Debit Card proposal, and new system resiliency programs.[1] On March 23, 2018, the Authority received a Joint Motion to approve an amendment to the January 11, 2018 Settlement Agreement.

On April 5, 2018, the Authority issued a proposed final Decision on this matter and provided an opportunity for all Parties and Intervenors to provide Written Exceptions concerning the proposed final Decision. The Authority held Oral Arguments on this matter on April 16, 2018.

D. PARTIES AND INTERVENORS

The Authority designated CL&P, 107 Selden Street, Berlin, Connecticut 06037; Office of Consumer Counsel, Ten Franklin Square, New Britain, Connecticut 06051; Department of Energy and Environmental Protection Commissioner Robert F. Klee, 79

[1] The proposed Interim Decision was finalized and issued on March 28, 2018.

Elm Street, Hartford, CT 06106 and Prosecutorial Division of the Authority, Ten Franklin Square, New Britain, CT 06051 as Parties to this proceeding.

Intervenor status was granted to: Office of the Attorney General; International Brotherhood of Electrical Workers Local 457, Connecticut Industrial Energy Consumers, New England Cable and Telecommunications Association, Inc.; Tesla, Inc., Acadia Center, Kimberly-Clark Corporation, Wal-Mart Stores East, LP's and Sam's East, Inc.'s and Leo Smith.

E. PUBLIC COMMENT

The Authority conducted four evening public comment hearings within the CL&P service territory for the purpose of receiving comments from the general public concerning the Application. CL&P's notice to customers regarding the hearings, submitted by the Company on November 29, 2017, was approved by the Authority on December 1, 2017.

A total of 153 persons attended the public comment hearings and 45 of those persons provided testimony to the Authority. State Senator Len Suzio expressed concern over Connecticut's increasing deficit and increasing state and local tax burdens on commercial and residential customers. Senator Suzio asserted a higher electric rate not only would be an added burden to the residents, it was another strike against the state's ability to attract and retain businesses. Senator Suzio stated although it is unusual for the PURA to deny a complete rate increase, he stated that the current circumstances warrant its denial. Tr. 1/24/18, pp. 9-13.

State Representative Tony Hwang, Vice Chairman of the Energy and Technology Committee, questioned why other utilities in other states were able to reduce their rates due to the federal tax reduction and was surprised that CL&P had not been able to reduce its rate request. Tr. 1/30/18, pp. 6-8. State Representative Lonnie Reed, co-chair of the Energy and Technology Committee, encouraged the Authority to find more savings for the ratepayers. Representative Reed mentioned that the Company charges the highest rate in the continental United States and encouraged the Authority to find more ways to reduce the request. Tr. 1/31/18, pp. 5-7. State Representative Tom Delnicki and Branford First Selectman James Cosgrove also expressed concerns over the proposed rate increase request, especially regarding residential customers and businesses. Tr. 1/24/18, pp. 6-7; Tr. 1/31/18, p. 23.

Public comments mirrored those provided by public officials. Residential and commercial customers were additionally concerned regarding the reliability of the system based upon observations that there have not been noticeable improvements since the major storms a few years ago. Tr. 1/31/18, pp. 13 and 16-17; Tr. 2/6/18, pp. 24 and 44. Overall, most Connecticut residents and commercial customers that spoke or submitted written comments were not supportive of the Application. Many cited the state's current economic condition and the negative financial impact of a rate increase.

The Authority also received approximately 2,500 letters and emails regarding the Application. There were a few letters in support of the Application; however, nearly all

of the persons who wrote opposed CL&P's rate increase request, stating reasons similar to those offered at the evening public hearings.

II. AUTHORITY ANALYSIS

A. APPLICATION AND AMENDED SETTLEMENT AGREEMENT

On November 22, 2017, CL&P submitted its Application pursuant to Conn. Gen. Stat. §§16-19 and 16-19e. In the Application, the Company petitioned for an increase in distribution rates over a three-year period. CL&P indicated the proposed increase is necessary to address distribution operating deficiencies of approximately $255.8 million for calendar year 2018, which the Company seeks to recover in rates during the first rate year; an incremental increase of approximately $45 million for calendar year 2019, which the Company seeks to recover in rates during the second rate year; and an incremental increase of approximately $36 million for calendar year 2020, which the Company seeks to recover in rates during the third rate year.

The Company indicated its distribution operating deficiency is primarily attributable to the following four factors: (1) the amount of capital expenditures devoted to CL&P's electric distribution system for the purpose of increasing electric system reliability and resiliency; (2) increased federal, state and municipal taxes; (3) an increased depreciation expense associated with its capital investment; and (4) a decline in demand and sales of electricity. The Company claimed actual and planned investments of least approximately $2 billion since its prior rate case to install and improve electric distribution facilities serving the 149 cities and towns within its service territory. The Company noted that the four factors combined – increased investments in the electric system, taxes and depreciation expense coupled with a decline in demand and sales of electricity – account for approximately 82%, or $209 million of the $255.8 million operating deficiency for 2018, which the Company seeks to recover in rates during the 1st Rate Year. Application, pp. 3-5.

The Company's Application included pre-filed testimony, Standard Filing Requirement schedules and exhibits on various topics including its: (a) revenue requirement request; (b) core capital and system resiliency plans; (c) return on equity (ROE) and capital structure; (d) depreciation, operation and maintenance (O&M) and tax expenses; (e) sales forecast and general rate design strategies; and (f) customer experience metrics and proposals. Application, pp. 6 and 7.

During the course of this proceeding, the Settling Parties engaged in active settlement discussions on the full range of issues presented in the Application. Motion No. 32, p. 1.

In the January 11, 2018 Settlement Agreement, the Settling Parties proposed reductions to the original revenue requirement for each year of the three-year rate plan and provided for new rates effective May 1, 2018. The Settling Parties noted that the January 11, 2018 Settlement Agreement also included reductions to rate base, O&M expenses, depreciation and amortizations, and cost of capital among other items. The Settling Parties explained that the reduction to the Company's revenue requirements reflect a portion of the estimated reduction to tax expense resulting from the recent

federal tax law change. The Settling Parties also stated that the terms of the January 11, 2018 Settlement Agreement were negotiated as a complete and balanced package to resolve the issues presented in the Application, except for rate design and third-party pole attachment rental rates, which would continue to be litigated in this Docket. The Settling Parties indicated that the proposed January 11, 2018 Settlement Agreement, if approved by the Authority, would eliminate the need to adjudicate the Company's revenue requirement request, thereby avoiding costs and resource-consuming litigation. Motion No. 32, pp. 1-3.

The January 11, 2018 Settlement Agreement proposed, among other things, revenue requirement increases of $97.1 million, $32.7 million and $24.7 million, effective May 1, 2018 (RY2018), 2019 (RY2019), and 2020 (RY2020), respectively. This represents an increase of 2.47% in the Rate Year 1, an incremental increase of 0.81% in the Rate Year 2 and an incremental increase of 0.61% in Rate Year 3. Further, the January 11, 2018 Settlement Agreement proposed to establish an authorized ROE of 9.25%, and a new rate tracking mechanism for core capital, system resiliency and grid modernization plant additions. See, January 11, 2018 Settlement Agreement, pp. 1-4 and 8. The proposed January 11, 2018 Settlement Agreement is incorporated herein as Appendix A.[2] The January 11, 2018 Settlement Agreement was supplemented by the Settling Parties through additional clarifications and concessions made in the hearings and/or late filed exhibits. Joint Brief, Attachment 1, Summary of Additional Settlement Concessions and Clarifications.

Subsequently, the Authority received two additional proposed settlement agreements pertaining to separate issues not addressed in the January 11, 2018 Settlement Agreement. On February 2, 2018, the Company, OCC, PRO and the Connecticut Industrial Energy Consumers (CIEC; together, the Revenue Agreement Parties) submitted a joint motion to approve a settlement agreement on revenue allocations (Revenue Agreement), intended to resolve the Company's revenue allocation request in the Application. See, Motion No. 37. The proposed Revenue Agreement is incorporated herein as Appendix B.

On February 15, 2018, the Company, New England Cable and Telecommunications Association, Atlantic Broadband CT, Cablevision of Litchfield, LLC, Charter Communications Operating, LLC, Comcast of Connecticut, Inc., and CoxCom, LLC (together, the Attachment Agreement Parties) submitted a joint motion to approve a settlement agreement on pole attachment rates (Attachment Agreement), intended to resolve the Company's proposed adjustments to its pole attachment rates in the Application. See, Motion No. 40. The proposed Attachment Agreement is incorporated herein as Appendix C.

On March 19, 2018, the Authority issued a proposed Interim Decision to provide notice of requested adjustments regarding the January 11, 2018 Settlement Agreement and an opportunity for comment and/or the Settling Parties to amend the Settlement Agreement (Proposed Interim Decision). Specifically, the Authority identified certain modifications in the Proposed Interim Decision that related to accounting adjustments, the Fee Free Credit Card and Debit Card proposal, and new system resiliency

[2] A complete listing of the Appendices to this Decision, with hyperlinks, is attached below.

programs. The Proposed Interim Decision pertained only to the January 11, 2018 Settlement Agreement. Proposed Interim Decision, p. 3.

On March 23, 2018, the Authority received a Joint Motion to approve an amendment to the January 11, 2018 Settlement Agreement (together with the January 11, 2018 Settlement Agreement, the Amended Settlement Agreement). The amendment to the January 11, 2018 Settlement Agreement is incorporated herein as Appendix D.

The Settling Parties stated that the record in this case and the evidence summarized in its joint brief collectively demonstrate that the January 11, 2018 Settlement Agreement equitably balances the interests of customers and the Company. Further, the Settling Parties indicated the January 11, 2018 Settlement Agreement is the end-result of substantial negotiations and concessions by each party taking place over a 10-month negotiation process. It included settlement discovery, on-site audits and witness interviews with the OCC and its consultants all aspects of the case. The Settling Parties argued that the January 11, 2018 Settlement Agreement provides substantial benefits to customers by removing $182.3 million from the original rate request in the Application of $336.8 million over three years. Joint Brief of CL&P, OCC and PRO, pp. 1-3.

In addition, the Settling Parties indicated that the January 11, 2018 Settlement Agreement provides additional important benefits to customers in the following areas. First, it proposes a new capital tracker that provides greater transparency and more frequent semi-annual adjustments for capital projects, which sustain Connecticut-based jobs and generate important tax revenues for the 149 towns the Company serves. Second, it authorizes the Company to obtain funding for new employees if, and only if, it first demonstrates it hired them. Third, it credits customers for the benefits of the new federal tax law retroactive to January 1, 2018, even though proposed new rates become effective on May 1, 2018. Fourth, the January 11, 2018 Settlement Agreement contains reductions to the Company's rate year expenses. Fifth, it provides residential and small business customers with the convenience to pay their bills by credit and debit card without paying a convenience fee. Finally, the January 11, 2018 Settlement Agreement framework requires the Company's shareholders first to demonstrate they have spent a specified amount toward the remediation of several contaminated sites before incremental costs would be deferred and placed in rates in a future rate case. Id., pp. 1-3.

The Settling Parties asserted that the record in this proceeding contains substantial evidence that supports the reasonableness of the January 11, 2018 Settlement Agreement. Further, it was carefully scrutinized during five hearing days in which the Company, the OCC and PRO produced witnesses for cross-examination. Additionally, 1,061 interrogatories were issued in this case, including approximately 70 interrogatories, 19 late-filed exhibits and four late-filed exhibit supplements that focused solely on the settlement. Additionally, no Party or Intervenor objected to, or proposed a modification to the January 11, 2018 Settlement Agreement. Id., pp. 7 and 8.

Pursuant to Conn. Gen. Stat. §4-177(c), a contested case may be resolved by a proposed settlement agreement unless precluded by law. Additionally, pursuant to

Conn. Gen. Stat. §16-19jj, the Authority is directed to encourage the use of proposed settlements to resolve contested cases. As discussed further below, the Authority hereby approves the proposed settlement agreements for the purposes of ratemaking in this proceeding, including the Amended Settlement Agreement, the Revenue Agreement and the Attachment Agreement.

1. Revenue Requirement

a. Rate Base

The Settling Parties indicated that to facilitate resolution of issues in the instant proceeding, they accepted the Authority rate base adjustments requested in the Proposed Interim Decision. However, the Settling Parties stated that the Proposed Interim Decision focused on specific costs that are decreasing due to the four-month delay at the beginning of the three-year rate plan. In addition, it failed to recognize that costs that are not funded by the January 11, 2018 Settlement Agreement would increase in other areas during the last fourth months of RY2020. The Company filed an affidavit attesting that it incurred at least $60 million for the October 29, 2017 storm and additional costs for catastrophic storms that occurred on March 2018. Motion No. 43, pp. 9 and 10; Attachment 1, pp. 3 and 4; Attachment 3. As a result, the Settling Parties agreed that $18.625 million of the post 2016 storm costs should be included in RY2018 rate base. The Settling Parties noted that this amount represents just over 30% of the estimated $60 million costs for the October 29, 2017 storm. The Company calculated that the proposal to include $18.625 million of new storm costs in rate base in RY2018 generates additional revenue requirements of $1.684 million for RY2018; $1.654 million for RY2019 and $19.457 million for RY2020. Id.

The Authority finds that the decreasing costs at the start of the proposed three-year rate plan are amortization expenses associated with specifically allowed regulatory assets with definite amounts to be recovered. The Company, where practicable, is not allowed to recover more than the allowed amounts over the specified amortization periods or replace these amounts with speculative new costs that are dissociated with these expiring regulatory assets. The Authority will accept the Settling Parties' proposal to utilize the $22.794 million reduction to the amortization expenses to fund $18.625 million of the post-2016 catastrophic storm costs that have been incurred based on the storm related nature of these costs. The costs of the October 29, 2017 storm and other catastrophic storm costs incurred subsequent to this date will be reviewed as part of a future rate application. The total storm cost allowed in the future rate application would be reduced by the $18.625 million allowed herein as storm regulatory asset via the Amended Settlement Agreement.

b. Tax Law Changes

Pursuant to Orders No. 1 and 2 in the Proposed Interim Decision, the Company attached updated calculations of current and deferred income taxes as Attachment 2 to the motion to amend the January 11, 2018 Settlement Agreement. For additional impacts of the Tax Cuts and Jobs Act (Tax Act), the Company reduced the additional revenue requested in the Settlement Agreement by $26.466 million over the three-year rate plan. CL&P noted that all tax calculations resulting from the Tax Act that are filed

pursuant to the Amended Settlement Agreement, constitute estimated calculations that are subject to final true-up pursuant to processes described in Sections 18.b.i, 18.b.ii, 18.b.iii and 18.b.iv of the January 11, 2018 Settlement Agreement. Motion No. 43, pp. 3 and 4; Attachment 2, Updated Schedules C-3.40A, B and C and C-3.41 A, B and C.

The Amended Settlement Agreement addressed the calculations of current and deferred income tax expenses. However, the Authority's concern, as specified in the Proposed Interim Decision, that average reductions to Accumulated Deferred Income Tax (ADIT) may not correlate to the levels of plant-in-service reductions proposed in the January 11, 2018 Settlement Agreement, was not addressed in the Amended Settlement Agreement. CL&P stated that attachments accompanying the compliance filing for the Proposed Interim Decision reflected all tax impacts of the Tax Act, except those related to ADIT, which the Company continues to evaluate with its outside tax professionals. Additionally, the Company indicated that when the ADIT calculations are completed, CL&P would propose the associated bill credits to customers in the proposed New Capital Tracking Rate. Proposed Interim Decision Compliance Filing, p. 1.

The Authority finds the tax calculations to date in the Amended Settlement Agreement reasonable. The PURA will also review the other impacts of the Tax Act that were not incorporated into either of these documents when the Company files its tax updates. The Settling Parties agreed that storm costs should not be recovered in the New Capital Tracker. Settling Parties Joint Brief, p. 19. Consistent with that treatment, the Authority similarly concluded that the additional impacts of the Tax Act, including the revenue effect of ADIT, should flow back to ratepayers through the traditional distribution rates and not through the New Capital Tracker. For a more transparent regulatory process, the Authority finds that the revenue effects of the Tax Act should be separately reviewed from any proceeding designed to review the recovery of costs related to the new system resiliency, excess core capital project and grid modernization programs.

c. Expenses

i. Amortization Expense

The Settling Parties agreed to the Authority's calculation of amortization expense adjustments as stated in the Proposed Interim Decision. However, to mitigate future bill impacts of the post-December 31, 2016 catastrophic storm costs on customers, the Settling Parties proposed not to reduce the Company's revenue requirements for RY2018, RY2019 and RY2020 for these adjustments. As discussed in the Rate Base section, the Company noted that including $18.625 million of new storm costs in rate base in RY2018 yields revenue requirements of $1.684 million for RY2018; $1.654 million for RY2019 and $19.457 million for RY2020. These amounts total $22.794 million and match the total amortization expense adjustments in the Proposed Interim Decision. The Settling Parties proposed that any additional post December 31, 2016 storm costs approved by the Authority in a future proceeding less the $18.625 million included herein would be recovered in base distribution rates in the Company's next rate case. According to the Settling Parties, both the OCC and PRO did not waive their

rights for prudency reviews of post December 31, 2016 storm costs in future proceedings.

Also, the Settling Parties stated that the Company can elect to have the Authority evaluate the prudency of post-December 31, 2016 storm costs in either its next rate case or initiate a separate contested case involving such storm costs any time after the conclusion of this instant proceeding. Furthermore, the Company indicated that any funds attributable to storm amortizations approved in the Decision dated December 17, 2014 in Docket No. 14-05-06, Application of The Connecticut Light and Power to Amend Rate Schedules (2014 Rate Case Decision), after RY2020 will be applied to the catastrophic storm reserve until the Company's next application to amend distribution rates. The Settling Parties stated that their proposal mitigates customer bill impacts, reduces rate spikes from multiple recent catastrophic storms and promotes rate stability. Additionally, the Settling Parties' proposal to not decrease rates in the short-term shields customers from a larger rate increase the next time distribution rates are adjusted to recover new catastrophic storm costs. Motion No. 43, pp. 7 and 8; Amended Settlement Agreement, p. 3; Attachment 3, p. 1.

During the instant proceeding, the Authority requested CL&P's unrecovered balance for storm costs as of May 2018. The Company reported that the deferred storm balance as of May 2018 was $17.642 million after applying 16-months of storm reserve accrual. CL&P stated that this amount does not include costs associated with an October 29, 2017 storm. Late Filed Exhibit No. 37, Attachment 1. The Authority will allow the Company to offset storm costs associated with the October 29, 2017 storm and post-October 29, 2017 catastrophic storm costs by the $22.794 million as proposed by the Settling Parties. In the Proposed Interim Decision, the Authority determined that the total post RY2020 amortization expenses that will be allowed as an offset to catastrophic storm costs was $28.940 million and reduced amortization expenses by $18.764 million in RY2020. As a result, the Authority concludes that for post RY2020 periods, total amortization expenses that will be applied to the catastrophic storms reserve until the Company's next application to amend base rates is $47.704 ($18.764 + $28.940) million.

ii. EESCO Capital Funding

The Settling Parties accepted the adjustments to the Eversource Energy Service Company (EESCO) Capital Funding requested in the Proposed Interim Decision. However, the Settling Parties stated that the January 11, 2018 Settlement Agreement already contained $2 million per year that was intended to address any additional adjustments proposed by the Authority that were not identified in the January 11, 2018 Settlement Agreement. Thus, in the Amended Settlement Agreement, the Settling Parties agreed to apply $1 million of this catchall provision to offset the reduction to EESCO capital funding in the Proposed Interim Decision. Motion No. 43, pp. 8 and 9; Amended Settlement Agreement, p. 5. The Authority accepts this treatment.

iii. Residual O&M Expense

The Authority typically allows utilities a residual O&M expense category since, without this adjustment, a utility would not be made whole for increases in its O&M

expenses not adjusted for elsewhere. The residual O&M expenses generally exclude all significant fixed and contractual expenses. Almost all fixed and contractual expenses are material in nature and, therefore, would be captured in a specific expense schedule. The test year residual O&M amounts classified as residual were the product of an extensive analysis of the Company's test year operating expenses. The amounts that were not captured in specific expense schedules were instead captured as residual O&M and cannot be readily identified as fixed or variable costs. Response to Interrogatory FI-25.

The Company did not use an inflation factor to determine its residual O&M expense beyond test year 2016 based on the Decision dated June 30, 2010 in Docket No. 09-12-05, Application of the Connecticut Light and Power Company to Amend Its Rate Schedules (2009 CL&P Rate Case Decision), which allowed CL&P to recover the test year expense only.

The Authority examined the group of residual accounts for the test year and each of the three pro forma rate years of 2018 through 2020. Response to Interrogatory FI-30. The Authority's analysis focused on the contents of each individual account, whether the expenses were adjusted elsewhere in the Application and whether these expenses would be recurring. The Authority finds that all the accounts that represent the residual O&M expense should be approved.

d. Non-Hardship Uncollectibles

Pursuant to the Decision dated October 26, 2016, in Docket No. 16-03-01, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company (2015 RAM Decision), the Company will provide in Docket No. 18-03-01, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company (2017 RAM Proceeding), an analysis of suppliers' non-hardship net write-offs as well as non-hardship write-offs for each individual supplier, as compared to the supplier's contributions through the discounts applied to the supplier payments. The January 11, 2018 Settlement Agreement, Attachment 9, restated Orders No. 1 and 2 from the 2015 RAM Decision. Settlement Agreement, p. 8; Attachment 9. The Authority accepts and finds the Settling Parties' proposal is reasonable.

e. Employee Retirement Benefits

Included in the Amended Settlement Agreement is funding for retirement benefits. CL&P funding for retirement benefits include pension expense, supplemental retirement plan through a 401(k) and enhanced 401(k) known as K Vantage, a Supplemental Executive Retirement Plan (SERP) and a Non-Supplemental Executive Retirement Plan (Non-SERP). Retiree medical benefits come from an Other Post Employee Benefits (OPEB) health plan constructed under Financial Accounting Standard (FAS) 106 and a CL&P specifically designed program called MedVantage.

CL&P has a defined benefit pension plan that covers the majority of its existing employees. However in 2006, CL&P closed entry to its defined pension benefit plan to newly hired non-bargaining employees. Effective January 1, 2006, the Company

introduced a new enhanced 401(k) based benefit called the K-Vantage Program for all new non-union hires and allowed existing employees to opt out with their pension frozen into the new benefit program. All new employees participate in the K-Vantage benefit instead of the defined benefit plan.

The Company stated that the pension expense is calculated on the basis of the accounting rules set forth in Accounting Standards Codification 715-30 (ASC 715-30). The pension plan was calculated based on a standard calculation to determine the net periodic pension cost. Affecting the net periodic benefit cost are actuarial assumptions such as the discount rate, expected return on assets and average wage increase. Rizza PFT, pp. 5-9.

A 401(k) plan is a qualified retirement plan under the Internal Revenue Code that allows employees to save a portion of their salary for retirement on a pre-tax basis. Typically, employers match a portion of each employee's contribution with the employee choosing the investment options for the contributions. The Company has two 401(k) plans which is a traditional 401(k) plan and the other an enhanced 401(k) called K-Vantage.

The K-Vantage benefit is in addition to the traditional 401(k) match. Under K-Vantage, CL&P contributes an amount equal to a percentage of the employee's covered pay into his/her 401(k) account. CL&P contributions are based on the employee's age and service. Synan PFT, p. 20.

A SERP, which is a non-qualified plan, provides executives with a supplemental retirement benefit in addition to the benefit provided under the qualified plan. CL&P reported that it is a common company practice to provide executives with a benefit that makes them whole for the limits on pensionable earnings that the Internal Revenue Service (IRS) imposes on qualified pension plans. The objective is for executives to receive a pension that is similar to nonexecutives' pensions relative to their pay. Response to Interrogatory FI-46. New officers are no longer eligible to participate in the SERP since CL&P no longer offers a defined benefit plan to new employees. Response to Interrogatory FI-50.

The Non-SERP account is used to record expenses related to specially negotiated post-employment benefits, including pension enhancements not covered by the Northeast Utilities Service Company (NUSCO) Retirement Plan or the SERP. Such enhancements are normally provided in the hiring agreements to make up for benefits lost at previous employers by some mid-career hires or as part of a separation agreement with the Company. CL&P stated that the Non-SERP benefits help to attract and retain qualified personnel. Response to Interrogatory FI-9.

The Other Post Retirement Employee Benefits (OPEB) expense is calculated on the basis of the accounting rules set forth in Accounting Standards Codification 715-60 (ASC 715-60). CL&P provides retiree medical benefits under the Financial Accounting Standard No. 106 - Employers' Accounting for Post-Retirements Benefits Other Than Pensions (FAS 106). The cost of retiree health care benefits under FAS 106 was determined actuarially using standard practices. Response to Interrogatory FI-40.

CL&P implemented a new post-employment Health Reimbursement Account HRA program, Med-Vantage that supplements benefits offered to employees in K-Vantage. The Company deposits $1,000 annually into a tax-advantaged HRA account for each participant who is age 40 or older, which can be used for post-employment healthcare premiums or expenses. Synan PFT, p. 21.

The Authority recognizes that the Company has done considerable work in minimizing the cost of its retirement benefits while still providing a competitive level of pension and health care benefits. The Authority reviewed and considered the Amended Settlement Agreement's provisions related to the Company's employee retirement benefits of pensions, 401 (k) and K-Vantage expense, OPEB, SERP, Non-SERP, OPEB and Med-Vantage. Overall, the Authority sees this matter related to such benefits as an exercise in the give and take of settlement negotiations. The Authority accepts and finds the Settling Parties' proposal is reasonable. The Authority will require that CL&P make at minimum, its actuarially required minimum contribution.

2. Fee Free Credit Card and Debit Card

In the Application, the Company proposed a program in which the Company would recover from all ratepayers the convenience fees charged by credit or debit card companies for customers who pay their bills using such cards. Under this program, all customers would be eligible to pay their bills using a credit or debit card without being charged a convenience fee. The Company estimated the costs for this to be $3.274 million for RY2018, $4.366 million for RY2019 and $5.161 million for RY2020 for a total of $12.801 million over the three rate years. Application, Schedule WPC-3.32, pp. 1-3.

Subsequently, the January 11, 2018 Settlement Agreement reduced the cost of the program by $0.262 million for each of the rate years, resulting in proposed costs of $3.012 million for RY2018, $4.104 million for RY2019 and $4.899 million for RY2020; or a total of $12.015 million for the three rate years. January 11, 2018 Settlement Agreement, Attachment 3. The Company then identified a savings of approximately $343,000 from the recent selection of a new program vendor. Those savings were not reflected in the Settlement Agreement but will be reflected in the Company's next rate case. Joint Brief, p. 23. In addition, the Settling Parties modified the original proposal by eliminating the convenience fees for only residential and small business customers, with the cost of this program being paid for by all residential and small business customers. January 11, 2018 Settlement Agreement, p. 10. The Settling Parties also proposed that commercial and industrial (C&I) customers pay a portion of the convenience fee when they pay their bills using a credit or debit card. The convenience fee for C&I customers would be reduced by 25% and the cost of the program would be charged to the customers who are eligible for the reduction in the cost of the convenience fee. Id.

In the January 11, 2018 Settlement Agreement, the Settling Parties required the Company to file an annual compliance filing each March 1st which would include the following data for the immediately preceding calendar year:

a. The number of credit/debit card payments.
b. The costs associated with the credit/debit card payments.

c. How quickly payments are being received from the date a bill issued.
d. The number of credit card payments made by financially challenged/hardship customers.
e. The annual amount of uncollectibles.
f. The qualitative improvements in customer satisfaction with the option.

The Company would include the above data for the calendar year 2016 in its first annual compliance filing. Any under-collection of program costs incurred would be deferred for recovery in rates at the time of the Company's next rate case and any over-collection of these program costs would be credited to customers. Id.

In its proposed Interim Decision, the Authority determined that the Settling Parties had not demonstrated that the proposed Fee Free credit card/debit program would provide a clear benefit to all of the Company's customers and, therefore, should not be paid for or subsidized by all ratepayers. The Authority determined that the Settling Parties did not demonstrate that socializing the cost of such a fee would improve bill repayment or reduce uncollectibles. The Authority acknowledged that the elimination of the convenience fee would certainly remove an irritant to customers who are accustomed to paying without such fees for unregulated products and services. Furthermore, the Authority contended that those customers may be eligible for points and other benefit programs through their credit or debit card provider which provides an incentive for using such payment methods in spite of the modest convenience fee. As such, the Authority concluded the cost of $12.015 million over the three rate years is excessive and should not be borne by ratepayers. Proposed Interim Decision, p. 11.

In the Amended Settlement Agreement, in response to the Authority's concerns stated in the proposed Interim Decision, the Settling Parties proposed a scaled-back program which has a revenue requirement of $1.76 million per year on average over the three rate years for a total of $5.3 million. The Settling Parties reduced the cost of the original proposal by more than 50%. The scaled-back program eliminated small business, commercial and industrial customers. Therefore, only residential customers will be eligible to participate. Joint Motion No. 43, p. 4.

The Amended Settlement Agreement required the Company to file an annual compliance filing each March 1st, which would include the following data for the immediately preceding calendar year as was outlined in the original Settlement Agreement:

1. the number of credit/debit card payments;
2. the costs associated with the credit/debit card payments;
3. how quickly payments are being received from the date a bill issued;
4. the number of credit card payments made by financially challenged/hardship customers;
5. the annual amount of uncollectibles; and
6. the qualitative improvements in customer satisfaction with the option

The Settling Parties acknowledged that any approval of this program would only last until the next rate case, at which time the Authority would determine whether the program should be continued. Id., p. 5.

Based on the Settling Parties' assertions in the Amended Settlement that the Fee Free program not only has the potential to improve customer satisfaction, but also could help to reduce uncollectibles and potentially reduce the Company's cash working capital revenue requirement, the Authority approves the proposed Fee Free credit card/debit program as filed in the Amended Settlement Agreement. Continuation of the program beyond RY1-RY3 is subject to CL&P submitting the annual compliance filings and subject to the review of the program at the time of the Company's next rate case, confirming that the program is producing benefits for all ratepayers (e.g., lowering uncollectibles expense).

3. Tree Trimming Expenditures

In the Proposed Interim Decision, the Authority determined that, to take full advantage of the new capital tracking mechanism, the PURA would require the Company to provide additional justification on a yearly basis to show sufficient need for Enhanced Tree Trimming (ETT) and Enhanced Tree Removal (ETR) implementation and/or significant cost reductions that might further improve the cost effectiveness of the programs. Accordingly, the Authority requested that the January 11, 2018 Settlement Agreement be revised to make the following modifications to Section 3.a.ii.2, New System Resiliency:

- ETT will be funded as filed in the Application for calendar year 2018.
- ETT will be funded at 50% of proposed cost for calendar years 2019 and 2020.
- In its November New Capital Tracker compliance filings, the Company may seek Authority approval for the additional funding for incremental ETT miles in upcoming calendar years 2019 and 2020. The Company may justify the additional mileage based on need, cost reductions expected, or any other reason it deems appropriate.
- For calendar years 2019 and 2020, any remaining mileage not trimmed under ETT will be performed as part of the routine maintenance by the Company to maintain its routine maintenance four-year trim cycle. Funding will be recoverable in the New Capital Tracker.
- ETR will be funded as filed in the Application for calendar year 2018.
- ETR will be funded at 66.67% of proposed costs for calendar years 2019 and 2020.
- In its November New Capital Tracker compliance filings, the Company may seek Authority approval for additional funding for incremental ETR miles in upcoming calendar years 2019 and 2020. The Company may justify the additional mileage based on need, cost reductions expected or any other reason it deems appropriate.

Proposed Interim Decision, pp. 11-14.

The Settling Parties incorporated these requested modifications into the Amended Settlement Agreement. See, Amended Settlement Agreement, Section 3.a.ii.2, New System Resiliency. Therefore, the Authority approves the Amended

Settlement Agreement with respect to its provisions for future funding and tracking of ETT and ETR capital expenditures. To remain apprised of actual and proposed capital spending changes for both the traditional capital program and the programs in the New Capital Tracker, the Authority will require the Company to report on capital expenditure variances each year for the three Rate Years.

4. Cost of Capital

a. Introduction

In determining the appropriate cost of capital, Conn. Gen. Stat. §16-19e (a) requires that:

> [t]he level and structure of rates be sufficient, but no more than sufficient, to allow public service companies to cover their operating costs including, but not limited to, appropriate staffing levels, and 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 . . .

In addition, in Federal Power Commission v. Hope Natural Gas Company, 320 US 591 (1944) (Hope Decision), the Court established criteria to determine cost of capital allowances. In that decision, the Court determined that companies need to be allowed to earn a level of revenues sufficient to enable them to operate successfully, maintain their financial integrity and to attract capital and compensate their investors for their risk.

To determine a rate of return (ROR) on rate base that is appropriate for the Company's overall cost of capital, the Authority identifies the components of its capital structure and estimates the cost of each component. The components are then weighted according to their proportion of total capitalization. These weighted costs are summed to determine the Company's overall cost of capital, which becomes the allowed ROR. In the analysis below, the Authority reviewed the Settlement Agreement and its negotiated cost of capital components in light of the Hope Decision.

b. Capital Structure and Costs

i. Capital Structure

The Settling Parties proposed rates that are based on a capital structure consisting of 53.00% common equity for each of the rate years 2018 through 2020. According to the January 11, 2018 Settlement Agreement, the Company is free to use a higher common equity portion in its actual capital structure, but for distribution ratemaking purposes the common equity portion is set at 53.00%. January 11, 2018 Settlement Agreement, p. 9.

The Settling Parties indicated that the ROE and allowed capital structure represent overall tradeoffs encompassed in the January 11, 2018 Settlement Agreement. It is a critical, interrelated cost-of-service element that, in additional to other

agreed upon provisions, embody the trade-offs made by each party to obtain the January 11, 2018 Settlement Agreement. In reaching the agreed upon ROE and capital structure, the Settling Parties considered the following factors: the impact on customers; the impact on the Company's credit rating (and resulting short and long-term debt costs); the Company's risk of changing market conditions during the three-year term of the rate plan and the Authority's ratemaking precedent. Response to Interrogatory FI-211.

The January 11, 2018 Settlement Agreement's ratemaking capital structures over the three rate years are as follows:

Table 1 - Rate Year 2018 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Long-term Debt	45.29%	4.80%	2.17%
Preferred Stock	1.71%	4.75%	0.08%
Common Equity	53.00%	9.25%	4.90%
Total Capitalization	100.00%		7.15%

Settlement Agreement, p. 9; Attachment 6.

Table 2 - Rate Year 2019 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Long-term Debt	45.34%	4.54%	2.06%
Preferred Stock	1.66%	4.75%	0.08%
Common Equity	53.00%	9.25%	4.90%
Total Capitalization	100.00%		7.04%

Id.

Table 3 - Rate Year 2020 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Long-term Debt	45.38%	4.64%	2.11%
Preferred Stock	1.62%	4.75%	0.08%
Common Equity	53.00%	9.25%	4.90%
Total Capitalization	100.00%		7.09%

Id.

The negotiated 53% common equity portion results in a 0.74% reduction to the common equity portion for 2018 and reductions of 0.94% and 0.45% for 2019 and 2020, respectively. Response to Interrogatory FI-210; Tr. 2/8/18, p. 148. The Settling Parties indicated that a major objective of the Company was to align its ratemaking construct with its actual financial situation to support its financial integrity and associated credit ratings. Customers benefit from the Company's strong credit rating through lower

capital costs and assured access to the credit markets through liquidity. Response to Interrogatory FI-216; Joint Brief, p. 26.

The Authority considered the Settling Parties' rationale regarding the negotiated 53% common equity portion for ratemaking and finds it reasonable and approves the Amended Settlement Agreement's 53% common equity portion of the ratemaking capital structures for the three rate years of 2018, 2019 and 2020.

ii. Cost of Long-Term Debt

The January 11, 2018 Settlement Agreement provided for long-term debt cost rates of 4.80% in 2018, 4.54% for 2019 and 4.64% for 2020, the same as proposed in the Application. Settlement Agreement, Attachment 6.

These rates were developed using consensus interest rate forecasts for the 30-year US Treasury bond rates for 2018, 2019 and 2020 from its bank, Mitsubishi UFJ Financial Group. For the 2019 and 2020 forecasts, the Company then added on a risk premium of approximately 90 basis points to those consensus interest rates to estimate forecasted coupon rates for the 2019 and 2020 issuances. The 90 basis point spread was based upon the Company's recent refinancing of one of its 30-year first mortgage bonds that was completed in August of 2017.[3] In this refinancing, the spread over the then current 30-year US Treasuries was 85 basis points. Response to Interrogatory FI-089; Tr. 2/8/18, pp. 170-174; 191.

The Authority finds the Company's methodology to estimate the proposed forecasted long-term debt cost rates reasonable and approves long-term debt cost rates of 4.80% in 2018, 4.54% for 2019 and 4.64% for 2020.

iii. Cost of Preferred Stock

The January 11, 2018 Settlement Agreement provided for a cost of preferred stock rate of 4.75% for each of the three rate years, 2018, 2019 and 2020, and was the same as proposed in the Application. January 11, 2018 Settlement Agreement, Attachment 6.

The preferred stock rate is purely a historical rate reflecting the Company's cost to carry the preferred stock issuances made over 1949 to 1968. Preferred stock has not been issued since 1968, but this asset class is perpetual and will remain outstanding until the Company chooses to call it in. The Company's explanation for leaving the preferred stock outstanding is that the credit rating agencies give up to a 50% credit for preferred stock to their credit rating matrix, thus up to 50% of the outstanding preferred stock may be treated as common equity for credit rating purposes with the remainder treated as long-term debt. This treatment has the effect of increasing the Company's common equity portion for credit rating purposes. Additionally, the cost of preferred stock is much cheaper than the cost of common equity and only slightly more costly than long-term debt; thus, it is more cost effective for the Company and the customers

[3] Approval granted in the Decision dated January 4, 2017, Application of The Connecticut Light and Power Company DBA Eversource Energy for Approval of the Issuance of Long-Term Debt.

to keep the preferred stock rather than refinancing it with common equity. Response to Interrogatory FI-94; Tr. 2/8/18, pp. 167-169. The Authority finds the proposal reasonable and approves the cost of preferred stock of 4.75% in each of the three rate years.

iv. Cost of Equity

The January 11, 2018 Settlement Agreement provided for an ROE of 9.25%. The Settling Parties indicated that the allowed ratemaking capitalization mix and ROE were critical, interrelated cost-of-service elements that in addition to other agreed upon provisions, embody the tradeoffs made by each Party to obtain a settlement. Therefore, the Settling Parties requested that negotiated ratemaking capitalization mix and ROE be accepted as they are and not disturbed by the Authority. Response to Interrogatory FI-21; Joint Brief, pp. 23 and 24.

The Company indicated the latest SNL Research issue, formerly Regulatory Research Associates (SNL/RRA), finds that the average ROE for general rate cases was 9.60% for 2016 and 9.63% for 2017 through the third quarter for electric utilities. A further breakdown of the SNL/RRA data shows that electric distribution only rate cases averaged 9.31% ROE for 2016 and 9.50% ROE 2017 through the third quarter. Therefore, the Company stated that the proposed 9.25% ROE was below all but two authorized ROEs for electric utilities through the third quarter of 2017. Response to Interrogatory FI-231. Furthermore, the Settling Parties suggested that the record in this proceeding supported a starting ROE of approximately 9.25%, and perhaps in the range of 9.25% to 9.60% based upon the principal that average authorized ROE for electric distribution companies (EDCs) were 13 to 35 basis points higher than the average authorized ROEs for local gas distribution companies (LDCs) over the period 2013 through 2016. Responses to Interrogatories FI-211 and FI-231, Attachment A; Joint Brief, p. 28. The Authority finds an allowed ROE of 9.25% for CL&P to be fair and reasonable based on other allowed ROEs of EDCs with comparable risk, and it is hereby approved.

v. Credit Rating, Financial Viability and Capital Markets

The Company stated the January 11, 2018 Settlement Agreement will allow it to maintain its financial integrity, enabling access to capital at competitive rates under a variety of economic and financial market conditions. Response to Interrogatory FI-209. Since issuance of the NSTAR Decision**,** the Company has been upgraded by the three credit rating agencies. The Company now has credit ratings of A+ with Standard & Poor's Credit Rating Agency (S&P), A- with Fitch Ratings (Fitch) and Baa1 with Moody's Investors Service (Moody's). Responses to Interrogatories FI-62, FI-210 and FI-211; Tr. 2/8/18, pp. 148-151.

Since 2014, the Company has maintained an actual capital structure with an equity component greater than the 50.38% allowed in the 2014 CL&P rate case. For example, the Company's actual common equity component was 51.28% on December 31, 2014, 52.13% on December 31, 2015, 53.76% on December 31, 2016 and 53.8% on December 31, 2017. This higher equity ratio has allowed the Company to maintain

its current S&P A+ credit rating. Responses to Interrogatories FI-070, FI-211 and FI-220; Joint Brief, p. 26; Tr. 2/8/18, pp. 152-156.

The Company provided an estimate of its key financial credit ratios incorporating all aspects of the negotiated January 11, 2018 Settlement Agreement parameters including the 9.25% ROE and 53% ratemaking common equity component over the three-year rate plan. Responses to Interrogatories FI-61, FI-226 and FI-229; Late Filed Exhibit No. 8; Tr. 2/8/18, pp. 184-190. The Authority reviewed these results overlaying the credit rating agencies' published rating criteria and parameters, and it concurs that the Company should be positioned to maintain its current A+, A- and Baa1 credit ratings, all else equal. As noted by CL&P, it would not enter into a settlement unless that agreement would continue to give the Company good financial credibility. Response to Interrogatory FI-56; Tr. 2/8/18, pp. 193-195.

vi. Weighted Average Cost of Capital

Consistent with Conn. Gen. Stat. §16-19e(a)(4), the Authority identified an appropriate ROR on the rate base for the Company's overall capital structure. The Authority reviewed the key components of the Amended Settlement Agreement's capital structure, estimated the cost of each component of capital and then calculated its overall cost of capital by weighting each component cost by its proportionate share of the overall capital structure. The summing of the weighted costs of the classes of capital produced an overall ROR on rate base of 7.15% for the Rate Year 2018, 7.04% for the Rate Year 2019 and 7.09% for the Rate Year 2020. The Authority finds this reasonable and approves the Amended Settlement Agreement capital structures and the resulting ROR on rate base for the three rate years of 2018, 2019 and 2020.

c. Earnings Sharing Mechanism

The January 11, 2018 Settlement Agreement provides for earnings sharing at the end of each calendar year above the authorized ROE of 9.25% to be shared with customers and shareholders on a 50/50 basis. The Settling Parties agreed that the customer portion of any earnings in excess of the Company's allowed ROE will be used first to offset the environmental remediation deferral and, if there are no environmental remediation deferrals to offset at such time, then the customer portion of any excess earnings above the Company's allowed ROE will be used to offset the cost of catastrophic storms. The January 11, 2018 Settlement Agreement calls for the Company to file an earning sharing report, on a calendar year basis, annually with the Authority each March 31st. January 11, 2018 Settlement Agreement, p. 9. The Company confirmed that it would continue its ROE compliance obligation under Order No. 1 in the Decision dated June 30, 1977, in Docket No. 76-03-07, Investigation to Consider Rate Adjustment Procedure and Mechanisms Appropriate to Charge or Reimburse the Consume for Changes in the Cost of Fossil Fuel and/or Purchase Gas for Electric and Gas Public Service Companies. Furthermore, the Company indicated that it will continue the Earnings Sharing Mechanism (ESM) after the three-year rate plan until such time that a rate review occurs in a subsequent distribution rate case. Response to Interrogatory FI-225; Late Filed Exhibit No. 10; Joint Brief, pp. 29 and 30, Attachment 1.

Given both environmental remediation deferrals and the cost of catastrophic storms are both regulatory assets held in rate base and carried at the weighted average cost of capital, the Authority concurs with the Settling Parties' rationale to use potential excess earnings to pay down these items through the ESM as these are ultimately paid for by the customer. Responses to Interrogatories FI-223, FI-224 and FI-225; Tr. 2/8/18, pp. 196-201. Consequently, the Authority finds this ESM proposal to be reasonable and approves it without modification.

5. Annual Adjustment for Full-time Equivalent Employees

In the January 11, 2018 Settlement Agreement, the Settling Parties proposed that the Company withdraw its request to recover the cost of any incremental full-time equivalent employees (FTEs) for 2017. The Company further reduced its request for FTEs from 157 from 2017-2020 to a revised proposal of 100 FTEs in 2018-2020 subject to certain restrictions. January 11, 2018 Settlement Agreement, p. 5, Section 5(a) (i).

The Company will be eligible for a step increase of a specified amount of expense per-incremental FTE up to an annual cap of 33 FTEs in 2018, 33 FTEs in 2019 and 34 FTEs in 2020. Id., p. 5, Section 5(a) (ii). The total number of incremental hires eligible for the step adjustment is capped at 100 over a 3-year period of 2018-2020. Id., p. 6, Section 5(a) (iii). The FTE baseline will be the number of CL&P FTEs as of November 30, 2017, which was 1,166. Id., Section 5(a) (iv). The expense per incremental FTE allowed for recovery in rates will be $84,000 per FTE for 2018, $82,000 per FTE for 2019 and $87,000 per FTE for 2020. Id., Section 5(a) (vi). In addition, the Company will reduce outside contractor expense in the event that the Company qualifies for an annual step adjustment for incremental FTEs. Id., Section 5(b). If the Company hires 100 proven incremental FTEs, the total reduction to outside contractor expense collected in distribution rates shall be $1.53 million. Id., Section 5(b)(ii).

The Authority accepts the proposed annual step adjustment for proven incremental FTEs over the three rate years. In order for the Company to receive annual step increases to its base distribution rates, the Company is directed to submit annual compliance filings demonstrating that it actually hired up to 33 incremental FTEs in 2018, up to 33 incremental FTEs in 2019; and up to 34 incremental FTEs in 2020. The annual filings will be made on January 31st, beginning January 31, 2019.

6. Conclusion on Amended Settlement Agreement

As described herein, the Authority approves the January 11, 2018 Settlement Agreement, as amended by the March 23, 2018 Amended Settlement Agreement. The Amended Settlement Agreement incorporates the requested modifications in the Proposed Interim Decision, with the exceptions discussed above. The Amended Settlement Agreement is the end-result of substantial negotiations and concessions by parties representing various interests in the outcome on the proceeding, taking place over a 10-month negotiation process. The Amended Settlement Agreement proposed a substantially-reduced revenue requirement increase by removing $182.3 million from the original rate request in the Application of $336.8 million over three years, with the greatest reduction occurring in the first year. Therefore, the Authority finds the

Amended Settlement Agreement just and reasonable and in the public interest. The rate model for each rate year, based on the Amended Settlement Agreement, is incorporated herein as Appendix E.

B. REVENUE, RATE DESIGN AND TARIFFS

1. Operating Revenue

CL&P filed the following summary of its expected operating income for each of the rate years using the proposed sales forecast for the rate years and expected other revenues.

Table 4

OPERATING INCOME SUMMARY

Description	Test Year at Current Rates	Rate Year 1 at Current Rates	Rate Year 2 at Current Rates	Rate Year 3 at Current Rates
Distribution Revenue	$ 1,033,548	$ 1,007,369	$ 1,004,326	$ 1,006,747
Distribution Other Revenue	$ 24,943	$ 26,854	$ 26,854	$ 26,854
Total Operating Revenue	$ 1,058,491	$ 1,034,223	$ 1,031,180	$ 1,033,601

Application, Schedule WC-3.1.

a. Rate Revenue at Present Rates

Based on the sales forecast discussed in Section II. B.2. Sales Forecast, CL&P calculated distribution revenue at present rates of $1,007.369 million for Rate Year 1, $1,004.326 million for Rate Year 2 and $1,006.747 million for Rate Year 3. Since the Authority accepted the Company's sales forecast for Rate Year 1, no change to the rate revenue at present rates is needed. The Authority is requiring the Company to update its sales forecasts for Rate Years 2 and 3 which will change the expected revenue at present rates.

b. Other Revenues

CL&P forecasted an increase in "other" operating revenues from $24.943 million in the Test Year to $26.854 million in the Rate Year 1, a total increase of approximately $1.9 million. The Company maintained the same level of expected other revenues in Rate Years 2 and 3. The Authority reviewed the breakdown of the Company's projections of other revenues for each of the rate years and finds the projections acceptable subject to further adjustment that may be required as a result of the Attachment Agreement.

2. Sales Forecast

CL&P forecasted a 1.5% decline in total sales in 2018 over 2017, a further 1.5% sales decline in 2019 and a 0.2% sales decline in 2020. Ludwig PFT, Exhibit DJL-10.

The Company expected declining sales in the rate years as a result of continued energy efficiency measures and rooftop solar installations, as well as slightly higher electricity prices and a slow-growth state economy. Ludwig PFT, p. 6.

Historically, CL&P's sales forecast has been correlated strongly with the underlying economic forecast. The Company asserted that residential sales are primarily driven by household income, which has risen steadily since 2013. However, average electric energy use per customer is declining. The Company projected that Rate 1 residential customers in Rate Year 1 will use an average of 667 kWh per month, a 3.5% reduction in monthly average use from the Test Year. Rates Panel (TRP) PFT, p. 15. In the commercial sector, electric sales are driven by nonmanufacturing employment levels. Similarly, employment levels in the manufacturing sector in Connecticut drive industrial sector sales. The number of nonmanufacturing jobs in Connecticut has risen annually since 2010, whereas the number of manufacturing jobs in the state has shrunk or remained steady over the past decade. Ludwig PFT, Exhibit DJL-9.

Electricity sales in Connecticut are declining. The Company's weather adjusted retail sales have declined every year across each customer class since 2014. CL&P attributed the declines to Company-administered energy efficiency programs, increased solar installations, overall efficiency gains from equipment and appliances and the slow economic recovery. Ludwig PFT, p. 2. While CL&P noted a fundamental relationship between electricity sales and the economy still exists, the growth has not been strong enough to counter advancements in energy efficiency and increased deployments of distributed generation. Id., p. 3.

In 2017, the Company reported actual weather-normalized sales of 21,018 GWh, a 1.8% decline from 2016. Late Filed Exhibit No. 28. Forecasted CL&P retail sales, as well as 2017 weather-adjusted actual sales, are shown in the table below:

Table 5

CONNECTICUT LIGHT AND POWER COMPANY DBA EVERSOURCE ENERGY
(gWh)

		RES. SALES	% CH	COM. SALES	% CH	IND. SALES	% CH	TOTAL RETAIL SALES	% CH
WN Actual	*2017*	*9,719*		*8,922*		*2,143*		*21,018*	
	FORECAST NORMALIZED FOR WEATHER (gWh)								
	2017	9,918		9,194		2,215		21,582	
	2018	9,735	-1.8%	9,109	-0.9%	2,162	-2.4%	21,256	-1.5%
	2019	9,605	-1.3%	8,956	-1.7%	2,126	-1.7%	20,932	-1.5%
	2020	9,625	0.2%	8,914	-0.5%	2,105	-1.0%	20,885	-0.2%

Late Filed Exhibit No. 28, Attachment 2.

a. Forecasting Methodology

i. Trend Forecast

The Company used an econometric modeling approach to develop its sales forecast. In July 2016, CL&P obtained historical and forecast economic data from Moody's Analytics and incorporated economic variables in its customer and sales econometric models. Response to Interrogatory RA-9. The period of historical economic data the Company used in its models varies for each customer class: the residential sector model relies on data from June 2006 – July 2016; the commercial sector model relies on data from January 2006 – September 2016; and the industrial sector model relies on a shorter time period, from February 2009 – July 2016. Tr. 2/22/18, pp. 663 and 664. In addition to economic and demographic statistics, the Company incorporated weather data, electricity prices, customer account and other explanatory variables into its models. Response to Interrogatory RA-10. CL&P stated that it is currently evaluating the addition of an end-use variable to include in future econometric models, but a final decision is not expected until the end of 2018. Response to Interrogatory RA-12. Notably, CL&P finalized its sales forecast for the Rate Years in November 2016. Tr. 02/22/18, p. 663.

ii. Out of Model Adjustments

CL&P made a series of "out of model" adjustments to its sales forecast to account for recent trends that are not fully captured by its econometric models, which rely primarily on historical data. In the fall of 2016, the Company calculated additional reductions in electric energy use due to energy efficiency initiatives outlined in the most recent Electric and Natural Gas Conservation and Load Management (C&LM) Plan approved by the Connecticut Department of Energy and Environmental Protection. Response to Interrogatory RA-9. Referring to state and federal regulations, the Company also gathered data internally to forecast lost sales due to solar installations not already embedded in the sales history. Late Filed Exhibit No. 25. In addition, CL&P obtained data on forecasted electric vehicle sales from the Electric Power Research Institute to account for sales in the residential sector not previously captured in its models. Response to Interrogatory RA-14. The Company noted that it did not adjust its sales forecast for the Rate Years to account for other emerging technologies, such as battery storage or renewable thermal. Response to Interrogatory RA-15. Given a lack of historical data and/or no direct policy in place to support an emerging technology, the Company acknowledged it would be challenging to incorporate a potential sales impact from an emerging technology into its sales forecast. Tr. 2/9/18, p. 348.

Accounting for all out of model adjustments, CL&P reduced its total forecasted sales by 451 GWh in 2018, 697 GWh in 2019 and 832 GWh in 2020. The Company's out of model adjustments are shown below.

Table 6

		CL&P DBA Eversource Energy Out of Model Adjustments					
	GWH						
	Residential Adjustments						
Year	Eviews Trend Forecast	Energy Efficiency	Solar	Leap Year	Electric Vehicles	**Total Out of Model Adjustments**	Final Forecast
2018	9,939	-22	-183	0	2	**-204**	9,735
2019	9,933	-42	-293	0	7	**-328**	9,605
2020	10,016	-54	-364	15	13	**-391**	9,625
	Commercial Adjustments						
Year	Eviews Trend Forecast	Energy Efficiency	Solar	Leap Year		**Total Out of Model Adjustments**	Final Forecast
2018	9,256	-84	-63	0		**-147**	9,109
2019	9,202	-144	-101	0		**-246**	8,956
2020	9,219	-201	-126	22		**-305**	8,914
	Industrial Adjustments						
Year	Eviews Trend Forecast	Energy Efficiency	Solar	Leap Year	Large Customer Self-Generation Unit	**Total Out of Model Adjustments**	Final Forecast
2018	2,262	-19	-16	0	-65	**-100**	2,162
2019	2,249	-33	-25	0	-65	**-123**	2,126
2020	2,241	-46	-31	6	-65	**-136**	2,105

Response to Interrogatory RA-11, Attachment 1.

b. Position of the Parties

None of the Parties or Intervenors commented specifically on CL&P's proposed sales forecasting methodology or the forecast results in their respective testimony or Briefs.

c. Authority Analysis

The Authority investigated the methodology and data sources CL&P used to establish its sales trend forecast for the Rate Years. The Authority identified a few key developments that have occurred since the sales trend forecast was completed in November 2016. For example, on October 31, 2017, the Connecticut General Assembly passed a biennium budget ending June 30, 2019, diverting $127 million from the energy efficiency fund into the general fund. This budgetary decision will affect planned energy efficiency programs outlined in the 2016-2018 C&LM Plan, resulting in a 17% reduction in funding in 2017, a 33% reduction in 2018 and a 17% reduction in 2019. Response to Interrogatory RA-18. CL&P noted C&LM program funding cuts would be offset in part by the Company's successful Passive Demand Resources bid to

provide 34 MW of coincident summer peak passive demand resources to Connecticut over the next 2 to 3 years, which was authorized by Conn. Gen. Stat. §16a3j and approved by the Authority in Docket No. 17-01-11, PURA Review of Public Act 15-107(b) Small-Scale Energy Resource Agreements. Late Filed Exhibit No. 26. CL&P demonstrated that taken together, future decreases in C&LM Plan funding and increased energy efficiency program activity due to the Company's incremental bid would still require an out of model adjustment to account for lost sales, but to a smaller degree than CL&P initially included in its sales forecast. Specifically, CL&P's original out-of-model adjustments for energy efficiency would decrease by 55 GWh in 2018 and 29 GWh in 2019 and 2020, respectively, to account for the impact of the budget cuts and the incremental bid. Late Filed Exhibit No. 28.

In response to the Authority's Late-Filed Exhibit request at the hearing, CL&P also provided an adjusted solar forecast. That forecast reduced the amount of lost sales due to solar installations to reflect actual delays in a number of large solar projects the Company initially projected would come online during the Rate Years. Late-Filed Exhibit No. 28. In addition, while the Company projected an increase in sales 2017 in its trend forecast completed for this rate case, actual weather normalized sales in 2017 declined by 1.8% from 2016. Tr. 2/22/18, p. 660.

The Authority examined whether it would be appropriate for the Company to make adjustments to its sales forecast based on the issues described above. CL&P stated it would not be appropriate to revise the out of model adjustments for solar installations and energy efficiency without updating all of the assumptions in the sales trend forecast, which would require a significant effort at this late stage in the proceeding. Late Filed Exhibit No. 28; Tr. 2/22/18, p. 665. Furthermore, the Company believed its original sales forecast for 2018 developed for this rate case is reasonable, noting that its overstated solar forecast was more than offset by declines in sales. Tr. 2/22/18, p. 665.

The Authority agrees with CL&P's assessment that, given the totality of factors that have changed since the original forecast was made, the 2018 sales forecast of 21,256 GWh weather normalized total retail sales remains reasonable. However, the Authority concludes that it is unreasonable to accept CL&P's sales forecast – which was developed in late 2016 – for Rate Years 2019 and 2020, given the complex and changing dynamics affecting the Company's sales. The Company confirmed it updates its sales forecast annually, beginning in August, and finalizes the forecast in November. Tr. 2/22/18, p. 662. The Company also acknowledged that it would be possible to update its sales forecast, which would then be used to set the rates for Rate Year 2. Tr. 2/22/18, pp. 671 and 672. Accordingly, the Authority will require CL&P to submit an updated sales forecast as part of its Rate Year 2 and Rate Year 3 rate plan filings, as directed in Section II.B.5.c., Summary of Rate Design, including the following supporting materials:

1. Actual and weather-normalized sales for the previous 10 calendar years for each customer class.

2. An explanation of the methodology and results from the Company's trend forecast and out-of-model adjustments including, but not limited to, the

information presented in the Company's response to RA-011 (out of model adjustments) and Late Filed Exhibits No. 25 (explanation of out of model adjustments, including methodology for solar deployment), 31 and 32 (adjusted solar PV forecasts annual solar PV installations for the previous 10 calendar years).

The Authority will then review and either accept, modify, or reject the sales trend forecast the Company will submit as part of its Rate Year 2 and Rate Year 3 rate plan filings.

3. Cost of Service Study

The cost-of-service study (COSS) provides information with respect to the determination of the economic cost drivers for utility services and revenue responsibility for the different rate classes. In the Application, the Company indicated that the COSS reflects forecasted costs for calendar year 2018, along with proforma sales and revenue at current rates. For each rate class, the relative ROR, and excess or deficiency of the class provides CL&P with guidance to allocate the overall revenue. In allocating costs and determining the class rate design revenue targets, CL&P used the results of the COSS to develop the effective ROR for each class. Accordingly, the Company designed proposed rates that move the rate classes closer to equalized RORs. In addition, the COSS provides guidance to identify and determine where an increase or decrease is warranted for the recovery of fixed distribution system costs through the customer and demand related components. The Company asserted that in allocating the total Rate Year 1 distribution revenue requirement among rate classes and in designing rates within the classes, it used methodologies from previous rate cases approved by the Authority. Rates Panel PFT, pp. 6-9.

The Company was directed in the Decision dated December 17, 2014, in Docket No. 14-05-06, Application of the Connecticut Light and Power Company to Amend Rate Schedules, (2014 CL&P Rate Case Decision), to submit a zero-intercept study for determining the customer and demand components of various plant accounts. As such, to meet its compliance obligation, the Company performed two analyses using the zero-intercept method. First, CL&P stated that it analyzed the installed cost of its transformers, sorted by major type (overhead, pad amount, and underground) and sub-type. Second, the Company performed a regression analysis on each set of transformers using the cost per kVA as the independent variable and kVA as the dependent. The regression results indicated an R-square ranging between 58% and 74% based on the transformer type. The regression analysis was not performed for other distribution plant accounts such as poles, towers and fixtures. The Company stated it does not retain the necessary information to perform the analysis on these plant accounts. The Company concluded that this methodology leads to illogical results because more than 100% is allocated to the customer component of the total cost. The second analysis illustrated what the zero-intercept result would be for the same population of installed transformers that used cost per unit as the independent variable. The results indicated an R-squared ranging between 75% and 95%, based on the transformer type. As a result, the Company proposed the Authority abandon the zero-intercept approach. TRP PFT, pp. 10-12.

Wal-Mart took no position on the Company's filed COSS. However, if there are modifications to the proposed model or an alternative COSS model, it indicated that it would address any such proposal. Wal-Mart asserted that COSS-derived rates support the fair way of assigning rates that reflects cost causation, which sends proper price signals to customers and minimizes price distortions. Tillman PFT, pp. 7 and 8.

The Authority accepts the COSS submitted by the Company and will rely on it to address rate design issues. In the instant case, the Company expressed that it does not have the necessary information to explore using the zero-intercept methodology to identify customer and demand portions of various plant accounts. Therefore, the Authority accepts the continued use of the minimum system methodology the Company uses to perform its COSS. The Company may continue to submit a COSS using the minimum system approach in its next rate increase application.

4. Revenue Allocation

a. Company Proposal

As noted above, the Company's COSS was used to determine the revenue responsibility for each rate class. These revenue requirements are compared to each class's revenue at current rates to determine whether a revenue excess or deficiency exists. To move each rate class closer to the system average, rate classes found to have a deficiency would receive a greater increase to current distribution revenue. Those with an excess would receive an increase less than the Company's originally proposed average distribution increase of 25.41% for Rate Year 1. In addition, the unmetered classes (particularly the street lighting classes for which certain rate design constraints apply) would see an increase at or near the Company's average in Rate Year 1. TRP PFT, pp. 15 and 16.

The following table shows the excess or deficiency of each rate class relative to revenue at current rates based on CL&P's revenue requirement for each rate class resulting from the COSS:

Table 7

Rate Codes	Rev. Req.	Current Revenue	Excess / (Deficiency)
Rate 1 & 7	$766,886	$ 529,194	($237,692)
Rate 5	139,863	93,375	(46,488)
Rate 18	56	36	(20)
Rate 27 & 30	171,310	205,066	33,756
Rate 29	861	387	(474)
Rate 35 & 37	51,904	60,483	8,579
Rate 39	2,024	1,235	(789)
Rate 40	6,400	5,616	(784)
Rate 41	599	776	176
Rate 55	16,304	17,036	732
Rate 56	44,673	51,387	6,714
Rate 57	19,610	16,396	(3,213)
Rate 58	36,681	35,567	(1,114)
Rate 115	2,422	2,959	537
Rate 116 & 117	30,179	13,793	(16,386)
Special Contracts	297	916	619
Total	**$1,290,068**	**$1,034,222**	**($255,846)**

Application, Exhibit TRP-19, p. 3.

b. Settlement Agreement on Revenue Allocations

The Revenue Agreement Parties submitted the Revenue Agreement on February 2, 2018. The proposed revenue allocations were consistent with CL&P's objective of moving all customer class RORs closer to the system average as indicated in the Application. Revenue Agreement, p. 3.

The proposed Revenue Agreement factored in the adjusted overall revenue increase from the proposed January 11, 2018 Settlement Agreement, which increased the overall revenue requirement by 2.47% in Rate Year 1, compared to the 6.57% increase proposed in the Application. The adjusted revenue requirement increase reflects an updated distribution target, excluding the Gross Earnings Tax (GET), of $1,025,981 for Rate Year 1 and an adjusted distribution increase of 9.65%, compared to an increase of 25.41% proposed in the Application. In an effort to move rate classes closer to the system average throughout the rate years, the Revenue Agreement Parties proposed a 120% increase in Rate Year 1 and a 110% increase in Rate Years 2 and 3 for those classes whose ROR is less than the system average. Those rate classes whose ROR is greater than the average would receive a below average percent change. Revenue Agreement, Attachment 1; Late Filed Exhibit No. 27.

The Revenue Agreement Parties indicated that the Revenue Agreement provides an equitable method to allocate the adjusted proposed revenue requirement among various rate classes and the interests of residential, C&I customers were represented

during the negotiations. Joint Brief, p. 2. In addition, the Revenue Agreement parties claim that the Revenue Agreement accomplishes the goal of moving class RORs closer to the system average indicated by CL&P's COSS. Motion No. 37, p. 2. Consistent with the Company's Application, rate classes that are below the overall ROR would see a greater increase and vice-versa for those above the overall ROR. Settling Parties Joint Brief, pp. 8 and 30. CIEC supports the proposal because the C&I rate classes provide revenue above the system-average ROR. According to CIEC, C&I classes are therefore, subsidizing the residential classes and the Revenue Agreement establishes rate unity based on a more equal allocation of the distribution costs among rate all customer classes and does so gradually to prevent a rate shock to any rate class. CIEC Brief, pp. 3 and 4.

c. Authority Analysis of Revenue Agreement

The Authority finds that the COSS results demonstrated the need to assign a higher or lower portion of the distribution rate increase to rate classes with a deficiency or excess relative to the system average ROR. As a result, Rates 1, 7, 5, 18, 29 and 39 receive a higher portion of the distribution rate increase. Rates 27, 30, 35, 37, 41, 55, 56, 57, 58 and 115 receive a lower portion of the distribution rate increase to bring these classes closer to the system-average ROR. This assignment of the revenue increase aids in reducing interclass subsidies and moving rate classes closer to their cost of service. The Authority also applies the principles of rate gradualism in assigning the revenue increase to the classes to minimize adverse rate impacts on any one rate class.

The Authority finds that the Revenue Agreement proposal appropriately allocates more revenue responsibility to rate classes whose RORs are less than CL&P's system average. The proposed revenue allocation in the Revenue Agreement promotes a more equalized ROR among the rates classes while adhering to the principles of rate gradualism. Therefore, the Authority approves the Revenue Agreement proposal. Any further adjustments to the overall revenue requirement that may be required in Rate Years 2 and 3 as a result of this Decision shall be allocated to the rate classes utilizing the methodology in the Revenue Agreement.

5. Rate Design

The Company proposed rates designed to recover a distribution revenue operating deficiency of $255.8 million, $45 million and $36 million for Rate Years 1, 2 and 3, respectively. The Company developed the proposed distribution rates in each rate year by allocating the revenue increase amongst the rate classes as previously discussed and then designed rates for each rate class in a manner that achieves a balance among several rate design objectives. Within each rate class, the prices for the customer and demand related components of service were proposed at levels intended to move current prices closer to levels indicated in the COSS. Any remaining costs not collected through Customer and Demand Charges were proposed for recovery through a volumetric Delivery Charge. TRP PFT, pp. 3-5. CL&P stated that the principles of cost causation and fairness were used to set rates at the class level for each rate class. Further, according to CL&P, the changes to rates and the overall class responsibility

reflect gradualism, particularly changes in the total class responsibility and in the development of the Customer Charge. Id.

CL&P indicated that as part of the overall rate design, it also relied on the COSS results to develop the proposed Customer Charges for non-residential customers. The Company proposed these Customer Charge revisions to move the customer revenue requirement closer to the fully allocated COSS. Specifically, CL&P proposed to reduce the Customer Charge for Rates 27 through 37 and 41 through 56. However, the Customer Charge for Rates 18 and 40 would also increase. The Company claimed it considered the rate and bill impacts, as well as the overall increases to rate and revenue for these classes. TRP PFT, p. 14; Late Filed Exhibit No. 11.

a. Residential Service Rates

In the Application, the COSS assigned a unit rate of $28.55 to customers under the Rates 1 and 7 tariffs as a fixed customer charge. CL&P asserted that this unit rate is significantly lower than that of the COSS results in its last rate case, but it is substantially above the current fixed customer charge under these tariffs. As a result, the Company proposed to maintain the fixed current charge of $19.25 since it achieves the goal of moving rates gradually closer to actual cost. The Company also stated it would modify its customer charge proposal based on the outcome rendered in the Decision dated December 20, 2017 in Docket No. 17-01-12, PURA Establishment of the Maximum Residential Customer Charge (MRCC Decision), for Rates 1 and 7. TRP PFT, pp. 13 and 14.

i. Residential Electric Service (Rate 1) and Residential Electric Heat (Rate 5)

Conn. Gen. Stat. §16-243bb required the Authority to establish a maximum residential customer charge (MRCC) for non-electric heating residential service to recover only the fixed costs and O&M expenses directly related to metering, billing, service connections and the provision of customer service (Statutory Functions). The Authority initiated Docket No. 17-01-12 to determine a methodology for the EDCs to calculate the MRCC in compliance with Conn. Gen. Stat. §16-243bb. On December 20, 2017, the Authority issued the MRCC Decision, which included a framework of includable Federal Energy Regulatory Commission (FERC) accounts from which the EDCs could include costs that met the statutory functions in their MRCC calculations. The Authority also recognized that in order to determine the MRCC, the Company would use a combination of cost allocation and direct assignment. The Authority required the Company to provide documentation that supported CL&P's MRCC allocations where direct assignment was not practical or feasible. MRCC Decision, p. 16.

On January 12, 2018, the Company filed its MRCC Calculation, Supplemental TRP Testimony and supporting documentation. The Company proposed a revised Test Year MRCC of $10.16 and a revised Rate Year 1 MRCC of $11.88. Supplemental TRP Testimony, Exhibits TRP-25 and TRP-27. The Company stated that it developed the Rate Year 1 MRCC calculation by updating the Test Year rate base and expenses for rate year information and revising the allocation percentages assigned to Rate 1

customers. The Company held the percentage allocations for the customer component constant based on Test Year information. Supplemental TRP Testimony, p. 4. The Rate Year MRCC calculations were based on the revenue requirements proposed by the Company in the Application and did not reflect the provisions of the proposed January 11, 2018 Settlement Agreement, including changes to the federal corporate income tax rate and a lower rate of return on the rate base. Joint Brief, p. 33.

The Company's MRCC calculations included Administrative and General (A&G) costs associated with FERC Accounts 920 (Salaries Expense), 921 (Office Supplies), 923 (Outside Services), and 930 (Miscellaneous Expenses). While these FERC accounts were not approved by the Authority in the MRCC Decision, CL&P argued that they contained costs that are directly related to one or more of the statutory functions and should be included in the MRCC calculation. The Company also stated that it is part of the Eversource family of companies (Service Company) and relies on the Service Company for a certain amount of labor and expenses that directly support the Statutory Functions. Supplemental TRP Testimony, pp. 7 and 8.

The Company included approximately $2.9M in expenses in FERC Account 905 (Miscellaneous Accounts) in its Rate Year 1 MRCC calculation for its proposed Fee for Free program. Late Filed Exhibit No. 15-SP01, Attachment 1. The Company testified that it considered these costs to be directly related to customer service because customers would not have to pay additional fees to use the service. Tr. 02/22/18, p. 609.

On February 15, 2018, the Company updated its proposed Test Year and Rate Year 1 MRCC calculations to show the impact of the proposed January 11, 2018 Settlement Agreement and the reductions to the federal corporate income tax rate. Late Filed Exhibit No. 15. The Company calculated a Test Year MRCC of $8.82 and the proposed Rate Year 1 MRCC was $9.70. The Company calculated the Rate Year 1 MRCC by applying a 38% proxy to its Test Year MRCC calculation. The 38% proxy represented the $97M revenue requirement from the January 11, 2018 Settlement Agreement for Rate Year 1 expressed as a percentage of the Company's originally proposed revenue requirement of $255M in the Application. Tr. 2/22/18, p. 621.

Subsequently, the Company adopted a methodology introduced by the OCC to calculate the Rate Year MRCC. Under this method, the drivers and changes from Test Year to Rate Year 1 are analyzed at an individual FERC account level and expense allocations are applied. Using this methodology with some modification, the Company calculated a Rate Year 1 MRCC of $9.41. Late Filed Exhibit No. 15-SP02, Attachment 1. The OCC stated that the Company's original Test Year MRCC calculation of $10.16 did not include a revised ROR and capital structure consistent with the proposed January 11, 2018 Settlement Agreement, and the revisions to the federal income tax corporate rate. Additionally, the OCC maintained that the Company's proposal contained software costs in FERC Account 303 (Intangible Plant) that were not directly related to the four statutory functions, and also the removed payroll costs associated with Business Change Support. Rubin PFT, pp. 5-9. The OCC calculated a Test Year MRCC of $9.73 that reflected these revisions. Id., Exhibit SJR-1. The OCC expressed that its Test Year calculation was limited because additional changes to the Company's Test Year MRCC calculation were expected for deferred income tax and

depreciation as a result of the proposed January 11, 2018 Settlement Agreement. Id., p. 9.

The OCC stated that the Company's proposal to apply an overall proxy to the Test Year MRCC to determine a Rate Year 1 MRCC failed to provide an accurate calculation of the Rate Year MRCC under the proposed January 11, 2018 Settlement Agreement. Further, it did not meet the burden of proof required by the MRCC Decision for an increase in the MRCC from Test Year data. Initially, the OCC recommended that the Authority approve a Test Year MRCC of $9.73 and reject the Company's proposed Rate Year 1 MRCC calculation. Id. pp. 9-11.

On February 20, 2018, the OCC's witness, Mr. Rubin provided supplemental testimony addressing the Company's response to Late Filed Exhibit No. 15. OCC's supplemental testimony included a revised Test Year and Rate Year 1 MRCC that reflected the revenue requirement from the proposed January 11, 2018 Settlement Agreement and federal tax law changes. Rubin Supplemental PFT at 5. The OCC agreed that the Company's Test Year MRCC calculation of $8.82 was reasonable. Rubin Supplemental PFT, p. 2. The OCC asserted that the Company's Rate Year 1 MRCC calculation of $9.70 was inaccurately calculated and did not reflect the requirements of the proposed January 11, 2018 Settlement Agreement. Id. The OCC identified a claimed mathematical error within the Company's Rate Year 1 MRCC calculation. Specifically, the OCC averred that an incorrect percentage was applied to the MRCC Rate Year 1 calculation to reflect the revenue changes from the January 11, 2018 Settlement Agreement, which resulted in the MRCC being overstated. According to the OCC, applying the correct percentage would yield a Rate Year 1 MRCC of $9.36. In addition to the calculation error, the OCC stated that the Company did not reflect the specific changes to the depreciation rates for Services and Meters contained in Attachment 4 of the January 11, 2018 Settlement Agreement. Thus, the OCC determined that the Company overstated the depreciation expenses in its Rate Year MRCC calculation. Id., p. 6.

The OCC testified that the Company's Rate Design Team and the OCC had agreed to some modifications to the Rate Year MRCC calculation methodology presented by the OCC in its Supplemental Testimony. The OCC stated that the modified Rate Year MRCC methodology that was agreed to by the Company and the OCC was more accurate, reflected the provisions of the MRCC Decision and was consistent with the Conn. Gen. Stat. §16-243bb. Tr. 2/22/18, p. 657. The Company calculated a Rate Year MRCC of $9.41 applying this methodology. Late Filed Exhibit 15-SP02, Attachment 1.

The Authority reviewed the Company's MRCC proposal with the following criteria: a) the Company must demonstrate MRCC-specific cost allocations for FERC accounts where direct assignment was not possible to ensure that only costs directly related to the statutory functions are included in the Company's MRCC calculation; b) the Company must substantiate that any A&G costs from FERC Accounts 920, 921, 923 and 930 included in the proposed MRCC calculation must be directly-related to one or more statutory functions; and c) adjustments from Test Year MRCC to Rate Year MRCC must meet the requirements of the MRCC Decision and be consistent with Conn. Gen. Stat. §16-243bb. Finally, the Authority analyzed whether the Company's

MRCC calculation accurately reflects the proposed revenue requirements in the January 11, 2018 Settlement Agreement and recent reductions to the corporate federal income tax rate.

The Company used a combination of direct assignment and cost allocation in its proposed MRCC calculation. For example, for FERC Account 303 (Intangible Plant), the Company directly assigned costs through examination of individual software assets. Response to Interrogatory OCC-340-RV01, Exhibit TRP-26RV01. For other accounts, the Company developed MRCC-specific cost allocations. For instance, distribution plant cost allocations were based solely on the costs of services and meters. Other upstream network distribution plant such as transformers and poles were excluded from distribution plant cost allocations. Similarly, gross plant and distribution expense account cost allocations were developed on an individual FERC account basis. Exhibit TRP-25-RV02. The Authority finds that the Company applied direct assignment and cost allocations at an account level in its MRCC calculation consistent with the requirements of the MRCC Decision.

For A&G costs contained in FERC Accounts 920, 921, 923 and 930, the Company responded to multiple data requests and provided testimony at the February 9, 2018 hearing to support the inclusion of costs contained in these accounts as includable in the MRCC calculation. For FERC Account 920, the Company provided an exhibit that identified the work Cost Control Centers (CCC), employee job titles, and description of the work performed, and statutory functions for the proposed labor costs. Incentive compensation was excluded from FERC Account 920. Response to Interrogatory RA-21 and Exhibit TRP-26. For Account 921 (Office Supplies), the Company used an overhead allocator from its COSS and applied it only to the costs used to support employee CCCs that support the customer function. Response to Interrogatory RA-22; Tr. 2/09/18, pp. 268 and 269.

Costs included in the Company's MRCC calculation for Account 923 (Outside Services) were attributed to temporary employees hired to support various MRCC functions such as customer care, and metering reading. Response to Interrogatory RA-23; Tr. 2/09/18, pp. 270 and 271. For Account 930 (Miscellaneous Expenses), the Company included an allocation of Service Company costs in the MRCC calculation. It specifically identified bill consolidation and rate consolidation as projects that contained costs which are directly related to related to customer care and includable under the statutory functions. Response to Interrogatory OCC-113, Attachment 1; Late Filed Exhibit No. 14.

The Authority recognizes that Eversource is structured in such a way that certain labor is performed and expenses are incurred by the Service Company and then shared among the Eversource Companies including CL&P. The Company provided sufficient documentation that costs attributed to FERC Accounts 920, 921, 923 and 930 are directly related to the statutory functions and are thereby includable in the MRCC calculation. The Authority determines that the Company's Test MRCC calculation of $8.82 provided as Exhibit TRP-25RV02 is acceptable and consistent with Conn. Gen. Stat. §16-243bb. The Company demonstrated that it included costs directly related to the statutory functions, used direct assignment of costs when possible, and applied a granular level of cost allocation performed at a FERC account level.

In the MRCC Decision, the Authority required that any requested increase in the MRCC over test year levels must be supported with a summary worksheet detailing, by account, the total cost proposed for inclusion, the applicability to one or more of the statutory functions, the allocator used to functionalize and classify said costs and the unit rate of the collective adjustment to be compliant with Conn. Gen. Stat. §16-243bb. MRCC Decision, p. 37. Rather than adjusting the MRCC from the test year to the rate year on a percentage basis to reflect the overall revenue requirement increase, the Company changed its methodology to a more granular approach where allocators that reflect the incremental changes for the rate base and expenses from Test Year to Rate Year 1 are applied at a FERC account level. Under the latest proposed methodology, each account is analyzed and allocated individually. The Company calculated a Rate Year 1 MRCC of $9.41 using this method. Late Filed Exhibit No. 15-SP02, Attachment 1.

The Authority reviewed the costs included in the Company's Rate Year 1 MRCC calculation and finds them acceptable with one exception. The Company included costs in the Rate Year 1 MRCC calculation associated with the Fee for Free program in FERC Account 905. Id. Currently, residential non-heating customers have the option to pay their monthly bill with a credit card and incur an administrative fee for using this service. Tr. 2/22/18, pp. 607–609.

The Authority finds that the Fee for Free option will shift costs from the cost causers (customers who choose to pay with a credit card) to all customers. While some customers would benefit using the Fee for Free program, other customers will incur additional costs for an optional service they do not use. While the program will benefit some customers, it is not essential to the provision of customer service. The Authority finds unconvincing the Company's argument that the Fee for Free service is directly related to the customer service function, because the program only shifts costs among customers. Therefore, the Authority finds that the costs for the Fee for Free program are not includable in the MRCC calculation because those costs are not directly related to the statutory functions.

With the exception noted above, the Authority finds the modified methodology proposed by the Company at the February 22, 2018 late filed hearing and provided as Late Filed Exhibit No. 15-SP02, Attachment 1 to calculate the MRCC to be consistent with the MRCC Decision. The Company will be directed to adjust the proposed Rate 1 Customer Charge for Rate Year 1. Specifically, to reflect the MRCC methodology as discussed above and to adjust the volumetric delivery rate to a level sufficient to meet the remaining distribution revenue targets for the applicable classes as proposed in the Revenue Agreement as filed in Late Filed Exhibit No. 27, subject to any further adjustment required herein. Further, the Authority approves maintaining the current Rate 5 Customer Charge at its current level of $23.75. The Company shall utilize this methodology to update its MRCC calculation for the purposes of establishing Rate 1 Customer Charge for Rate Years 2 and 3.

A customer on Rate 1 with usage of 700 kWh is expected to see a monthly increase of approximately $5.40 or 3.88% in Rate Year 1[4] compared to an approximate increase of $13.69 or 9.82% as originally proposed in the Application for Rate Year 1. Late Filed Exhibit No. 11. The actual bill impact will be subject to slight change upon review of the final rate plan submitted by the Company.

ii. Residential Time-Of-Day Service (Rate 7)

The Company proposed and subsequently amended its proposed Customer Charge for Residential Time-of-Day Service (Rate 7) consistent with the proposed Rate 1 Customer Charge and the MRCC requirements discussed above. The Company also proposed additional rate design changes to Rate 7. Under the Company's proposal, the pricing differential between on-peak and off-peak rates would increase from $0.035 per kWh to approximately $0.119 per kWh. The Company would achieve the new pricing differential by increasing the on-peak transmission and federally mandated congestion charges (FMCC) and reducing the off-peak charges. The Company indicated that the rate design change is consistent with the Company's other TOD Rates and would minimally impact its billing systems to implement this change. TRP PFT, pp. 22 and 23; Exhibit TRP-9. If approved, the Company plans a communication campaign that will inform customers about additional potential savings for Rate 7. Response to Interrogatory DEEP-6.

The DEEP Bureau of Energy and Technology Policy (BETP) supports the Company's proposed changes to Rate 7. The BETP asserted that it is critically important to have effective TOD rates available to all customers and to provide incentives to reduce peak demands and energy consumption. The BETP stated that less than 500 CL&P customers take service under Rate 7 and stressed that customers must understand TOD rates for them to be adopted. The BETP recommended that the Company be ordered to develop a plan to promote residential customers to switch to Rate 7. BETP Brief, p. 7.

The Rate 7 Customer Charge shall be set at the same level as the Rate 1 Customer Charge. The Authority approves the Company's proposal for time-differentiated rates for the transmission and non-bypassable federally mandated congestion charge components of Rate 7, effective July 1, 2018.[5] The Authority finds the Company's proposal to increase the pricing differential between on-peak and off-peak rates for Rate 7 has the potential to reduce peak demand and energy consumption. The Authority agrees with BETP that customer education regarding residential TOD rates will help customers better understand the potential savings under Rate Class 7 and will require the Company to report on its communication campaign plans and activity.

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[4] Based on the proposed revenue requirement in the Settlement Agreement and a MRCC of $10.80, and subject to slight change based in the final determined MRCC level.

[5] The approved distribution charges will be effective May 1, 2018.

b. Commercial and Industrial Rates

In the proposed final Decision, the Authority found that the Customer and/or Demand Charges for some of the C&I rate classes, particularly those that were proposed at 100% COSS-based levels, may need to be recalculated from what was originally filed in the Application. In order to accomplish this, the Authority proposed to require that CL&P submit a revised COSS for the Rate Years. However, the Company indicated that a revised COSS would not be necessary to establish customer service charges for C&I customers and requested that the Authority not require one. The Company claimed that, given the Revenue Agreement, changes in class revenue requirement allocations are reflected in changes to rates for the demand component of service. CL&P letter in lieu of Written Exception, p. 4. The Authority accepts this methodology in lieu of an updated COSS in this case since the overall reduction costs will be applied to the demand component of service and in some cases, as discussed herein, applied to the customer component for some rates. Therefore, the Authority will not require the annual filing of the COSS for the Rate Years.

c. Summary of Rate Design

Except as noted above, the Authority generally accepts the approach taken by CL&P in its rate design proposal as amended by the Amended Settlement Agreement, the Revenue Agreement and the Attachment Agreement. CL&P will be directed to submit a final rate plan for each Rate Year incorporating the pro forma financial profile approved in this Decision and including the following:

- Proposed rates for each rate year consisting of the following:
  - testimony;
  - schedule E-1, Scored and Unscored Proposed Tariffs;
  - schedule E-2.0, Revenue Summary;
  - schedule E-2.3, Typical Bill Comparisons; and
  - standard revenue proof exhibits.
- The revenue allocation approved in Section II.B.4.c. Revenue Allocation, with any adjustment to the overall revenue requirement allocated to the rate classes utilizing the Revenue Agreement methodology.
- Customer Charges for the residential service rates as directed in Section II.B.5.a. Residential Service Rates.
- Adjusted C&I rates as discussed in Section II.B.5.b. Commercial and Industrial Rates.
- The pole attachment rates approved in Section II.B.6.d. Pole Attachment Rates, with any remaining revenue requirement allocated to the rate classes utilizing the Revenue Agreement methodology.
- The billing determinants included in the Company's proposal for Rate Year 1, with updated billing determinants for Rate Year 2 and 3 as directed in Section II.B.2. Sales Forecast.
- Proposed rates effective May 1, 2018.

6. Pole Attachment Rates

a. Company Proposal

The Company proposed Community Antenna Television (CATV) pole attachment rates of $16.60 for fully owned poles and $8.30 for jointly owned poles. For Telecommunications (Telecom) pole attachments, the Company proposed Urban rates of $16.21 for fully owned poles and $8.11 for jointly owned poles. For Non-Urban rates, the Company proposed $16.30 for fully owned poles and $8.15 for jointly owned poles. Exhibit TRP-10. Municipalities are exempt for fees associated with the first pole attachment on any pole. TRP PFT, p. 24. The Company stated that it applied the methodology for calculating the pole attachment fees for CATV, Telecom and municipal tariffs determined by the Authority in the Decision dated December 17, 2014 in Docket No. 14-05-06. TRP PFT, p. 23. In compliance with the 2014 CL&P Rate Case, the Company conducted and filed a usable space study In August 2017. The Company used the results of the space study in its underlying assumptions to calculate its proposed pole attachment rates. TRP PFT, p. 24.

b. NECTA Proposal

NECTA stated that there are several reasons why the Company's proposed CATV pole attachment rates should not be approved. Primarily, NECTA asserted that the Company's usable space study was flawed in several regards including sample size, sample design, determining average pole height, and margin of error. Cowan PFT, pp. 3-10. NECTA claimed that the Company's space study resulted in deriving an unreliable space factor of 7.66%. Kravtin PFT, p. 10. NECTA presented several alternatives to be used for the space factor and testified that a 6.25% space factor assuming values of a 40-foot pole height with 14 feet of usable space to be widely accepted. Id., p. 16. NECTA also identified the Company's equivalent pole count and the use of the FCC default 15% appurtenance factor as additional components, which contributed to a higher CATV pole attachment rate than should be allowed by the Authority. Id., pp. 10, 27. Based on its analysis, NECTA determined a maximum CATV pole attachment rate of $11.41 for fully owned poles and $5.71 for jointly owned poles. Id., p. 23.

c. Pole Attachment Settlement Agreement

On February 15, 2018, CL&P and NECTA filed a joint motion to approve an Attachment Agreement for CATV and Telecom pole attachment rates. Under the terms of the Attachment Agreement, new pole attachment rates would go in effect as of January 1, 2018, and would be billed semi-annually, commencing July 1, 2018. The proposed rates would remain in place until the effective date of any new pole attachment rates established by the Authority. The Company and NECTA agreed to a 6.25% useable space factor in its CATV pole attachment formula calculation. Attachment Agreement, p. 3. The Attachment Agreement also utilized an average pole height of 40 feet. Attachment Agreement, Chart 2(a) and Attachment 1.

The proposed CATV pole attachment rates are $13.55 for fully owned poles and $6.77 for jointly owned poles. Attachment Agreement, p. 4. For Urban Telecom pole

attachments, the proposed rates are $15.02 for fully owned poles and $7.51 for jointly owned poles. For Non-Urban Telecom pole attachments, the proposed rates are $15.10 for fully owned poles and $7.55 for jointly owned poles. Attachment Agreement, Attachment 1. The Attachment Agreement included the CATV and Telecom pole attachment formula rate calculations and underlying assumptions. The following formulas were used to calculate the CATV and Telecom pole attachment rates:

> CATV Pole Attachment Rate Formula:
> Maximum Rate = Space Factor x Net Cost of a Bare Pole x Carrying Charge Rate.
>
> Telecom Pole Attachment Rate Formula:
> Maximum Rate = Net Cost of a Bare Pole x Carrying Charge Rate x Space Factor x Conversion Factor (66% for Urban, 44% for Non-Urban).
>
> Attachment Agreement, Attachment 1.

d. Authority Analysis

The Authority reviewed the evidence presented by the Company and NECTA regarding the CATV and Telecom pole attachment rates. The Authority notes that no Telecom providers requested party or intervenor status nor provided evidence in this proceeding.[6] As a preliminary matter, the Authority finds that the CATV and Telecom pole attachment formulas used to calculate the pole attachment rates in the Attachment Agreement are acceptable and are consistent with the FCC Pole Attachment Order formulas.[7]

The Authority also examined and compared the assumptions and underlying components from the Company's initial proposal to the Attachment Agreement and considered their reasonableness in relation to the CATV and Telecom pole attachment rate calculations. The Authority finds that several components did not change from the Company's initial proposal to the Attachment Agreement such as the $688.30 net cost per bare pole, the number of equivalent poles, the use of a 15% appurtenance factor and the 31.49% carrying charge. Under the Attachment Agreement, the net cost per bare pole increased by approximately 12.9% from the Company's last rate case. 2014 CL&P Rate Case Decision, p. 196. The Company attributed this change to larger increases in gross pole investment when compared to increases in accumulated depreciation and accumulated deferred income taxes combined with a slight decrease in the number of poles since the Company's last rate case. Response to Interrogatory RA-26. The Attachment Agreement used the Company's proposed equivalent pole

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6 On March 7, 2018, CenturyLink filed public comments urging the Authority to reject the proposed pole Attachment Agreement. On March 14, 2018, NECTA filed a motion to strike CenturyLink's comments citing that CenturyLink did not request party or intervenor status in this proceeding. On March, 19, 2018, the Authority granted NECTA's motion to strike CenturyLink's request. The Authority afforded the opportunity for those interested to seek the right to participate as a Party or Intervenor in the proceeding; however, CenturyLink did not make such a request and therefore lacks standing.

7 See, Implementation of Section 224 of the Act, A National Broadband Plan for Our Future, Report and Order and Order on Reconsideration, 26 FCC Rcd 5240 (2011) (FCC Pole Attachment Order), pp. 108_110.

count of 377,554 poles. The Company identified that the standard non-custodian fee for a joint pole owner is $650. Responses to Interrogatories OCC-303 and RA-28. The Authority finds that the net cost per bare pole and number of equivalent poles to be reasonable and acceptable.

There is evidence that supports a continued trend by the Company to replace old poles with new poles that are at least 40 feet in length. Approximately 90% of the new and replaced poles in years 2014 through 2017 were at least 40 feet in length. Additionally, all poles replaced in 2018 will be a minimum of 40 feet in length. Responses to Interrogatories NECTA-18, Attachment 1 and NECTA-19. Increasing the average pole height to 40 feet impacts the space factors in the CATV and Telecom pole attachment formulas. The space factor for CATV pole attachments was 6.25% and for Telecom pole attachments was 10.5%.

The Authority finds that the Company and NECTA have demonstrated a reasonable negotiation of the components used to calculate pole attachment rates. The Authority determined that the proposed CATV and Telecom pole attachment rates are reasonable and acceptable and, therefore, approves the Attachment Agreement as filed. The Company shall account for any revenue adjustments resulting from the Attachment Agreement in its electric distribution rates in accordance with the Revenue Agreement methodology.

7. Street Lighting

a. Company Proposal

CL&P stated that in the 2014 Rate Case Decision, the Authority approved the additional unbundling of street lighting rates into system, equipment and O&M service. This rate design enabled the introduction of Low Emitting Diode (LED) options on an equal cost and rate design footing with traditional technologies. CL&P is proposing to use the same street lighting methodology that was approved in the 2014 Rate Case Decision with updates for current costs. The Company also proposed to expand its LED offerings to include flood lights, standard decorative and premium decorative lighting and different LED wattage levels. TRP PFT, p. 19.

The Company developed a rate for system-related service consisting of customer and demand components that applies to any fixture connected to the Company's distribution system, regardless of ownership. The customer component is a uniform rate per fixture that applies monthly to each fixture connected to the Company's system. The demand component is a uniform rate per watt that applies to the rated wattage of each fixture under either rate schedule. These two charges are combined to form the total charge per fixture each month for the system component of distribution service. Id., pp. 19 and 20.

A separate monthly equipment charge has been developed for each specific type of equipment utilized by customers taking service under Rate 116. These charges were developed by first calculating the total installed cost of each type of equipment and developing a monthly rate by multiplying a street lighting carrying charge by the installed cost of each type of street lighting equipment. The street lighting O&M rate has been

derived from street lighting O&M expenses of the COSS. The Company proposal for Rate 116 was that only LED lights be available for new installations and replacements. Id., pp. 20 and 21.

CL&P recommended consolidating provisions of service for certain street lighting offerings (Rate 116 premium decorative lights) and eliminated categories where there are no lights or other types of equipment served (e.g., Incandescent and Mercury Vapor lights). In addition, the Company added LED offerings for Floodlights, Standard Decorative and Premium Decorative lighting. Id., p. 21.

b. Leo Smith's Positions

Leo Smith stated that CL&P has not complied with mandates for street lighting, as enumerated under Conn. Gen. Stat. §13a-110a(e)(1) and (e)(2) and with mandates required for utility company floodlighting under Conn. Gen. Stat. §13a-143d(b)(1), (b)(2), (b)(3) and (b)(4). Mr. Smith requested the Authority issue relief in the form of compliance orders. Leo Smith Brief, p. 1.

Leo Smith also argued that the Company has not complied with Conn. Gen. Stat. §13a-110a,(e)(1) requirements that the streetlight be designed to maximize energy conservation and to minimize light pollution, glare and light trespass. In addition, Leo Smith claims that CL&P has not sought to use the minimum light level sufficient for the intended purpose as required under Conn. Gen. Stat. §13a-110a (e)(2), and, as a result, CL&P caused substantial damage to Connecticut's environment and energy conservation policy. Id., pp. 36 and 37.

Leo Smith further claimed that CL&P was using floodlighting services as an additional revenue stream and it has been 15 years since the floodlighting statute was enacted, and 8 years since compliance was required. Parts of the floodlighting law have been completely and totally ignored, particularly the requirements that no light be visible at a height of 5 feet, at a distance of 70 feet, anywhere in the road or at any point along the adjacent property lines. Id., p. 50.

Leo Smith filed Written Exceptions to the proposed final Decision regarding the legal interpretations of Conn. Gen. Stat. §§13a-110a and 13a-143d and requested that the Authority make CL&P's offer of a pilot program for dimmable LED technologies mandatory with a specified reporting date. Leo Smith Written Exceptions, pp. 2-8.

c. CL&P Response

CL&P stated that it fully complies with the requirement that streetlights maximize energy conservation because all streetlights installed or replaced by the Company comply with Tariff Rate 116 or Tariff Rate 117, which is approved by the Authority. The Company complies with the requirement to minimize light pollution, glare and light trespass because all fixtures installed or replaced are full cutoff fixtures, which was the intent of the legislature when it enacted this requirement. CL&P also installs glare shields upon request and complies with the requirement that a streetlight's illuminance is equal to the minimum illuminance adequate for the intended purpose by providing a full range of streetlights that meet the Authority's approved specifications in Rate 116

and Rate 117. Customers may select the most appropriate streetlight for each given application and for all luminaires with a rated output greater than 1800 lumens, the Company installs only full cutoff fixtures. CL&P Reply Brief, p. 9.

CL&P argued that it also is fully compliant with the flood lighting rules in Conn. Gen. Stat. §13a-143d because it replaced all flood lights with controlled beam fixtures by the end of 2010. The Company addressed compliance with Conn. Gen. Stat. §13a-143d in the Decision dated June 30, 2005, in Docket No. 04-01-01, DPUC Investigation Into the Connecticut Light and Power Company's Streetlight Assets, Plant Values, Accounting Practices and Rates. In that docket, the Company declared that the most effective method of complying with the new law from both a cost and performance perspective, was to replace all flood lights with controlled beam fixtures, which was part of its re-lamping process that was acknowledged by the Authority. Id., p. 15.

CL&P proposed to undertake a pilot program to evaluate the reliability and operating characteristics of dimmable LED technologies. This is the Company's standard approach for evaluating new lighting technologies. It is also the same approach the Company used to evaluate and introduce LED street lights as replacements for high pressure sodium street lights. The Company can install dimmable LED fixtures at its facilities in Berlin, CT, and file a report and recommendation with the Authority in its next rate proceeding. At that point, based on the results of the dimmable LED pilot program, the existing LED street lights the Company is presently installing could potentially be considered for upgrade upon request, in the same manner as the midnight shutoff option currently offered by the Company. Id., p. 5.

d. Authority Analysis

The Authority reviewed the Company's street lighting proposals and finds that the rate design conforms to the methodology that the PURA approved in CL&P's last rate case. Therefore, the Authority approves the rate design as proposed. The Authority also finds that CL&P's street and flood lighting practices comply with Conn. Gen. Stat. §§13a-110(e) and 13a-143d and Authority-approved tariffs implementing the same, Tariff Rate 116 and Tariff Rate 117. Further, after examining the arguments put forward by Leo Smith and the rebuttal of the Company, the Authority determines that the claims put forward by Mr. Smith are not supported by the statutes upon which he relies or the record evidence.

The Company is fully compliant with the street lighting rules in Conn. Gen. Stat. §13a-110(e)[8], as demonstrated by the record in this proceeding. The Company fully complies with the requirement that luminaires maximize energy conservation because all luminaires installed or replaced by the Company comply with its Tariff Rate 116 or

[8] Conn. Gen. Stat. §13a-110(e) states that a public utility may install or replace a permanent outdoor luminaire for roadway lighting, if the cost of operating the luminaire is paid for by municipal funds, when the following conditions are met: (1) The luminaire is designed to maximize energy conservation and to minimize light pollution, glare and light trespass; (2) The luminaire's illuminance is equal to the minimum illuminance adequate for the intended purpose; and (3) Any luminaire with a rated output of more than 1800 lumens used on municipal roads must be a full cutoff luminaire.

Rate 117, as approved by the Authority.[9] The Company complies with the requirement to minimize light pollution, glare and light trespass because all fixtures installed or replaced are full cutoff fixtures, which was the intent of the legislature when it enacted this requirement.[10] The Company also installs glare shields upon request.[11] The Company complies with the requirement that a luminaire's illuminance is equal to the minimum illuminance adequate for the intended purpose by providing a full range of luminaire that meet the Authority's approved specifications in Rate 116 and Rate 117. Consequently, customers may select the most appropriate luminaire for each given application.[12] Finally, for all luminaires with a rated output greater than 1800 lumens, the Company installs only full cutoff fixtures.[13]

The Authority finds that the express language of Conn. Gen. Stat. §13a-110(e) does not require the use of only certain specific types of lighting or methods of construction and configuration to achieve compliance. The Authority finds that the three guidelines set forth in the statute may reasonably be interpreted in a manner to find that there are multiple approaches to "minimize light pollution, glare and light trespass." As such, the Authority finds that the meaning of the statute is not plain and unambiguous. Therefore, the Authority may examine the legislative history as an aide in interpreting the statute.[14] The Authority finds that the legislative history supports a finding that the legislature intended that the requirement to minimize light pollution, glare and light trespass may be met through the installation of full cutoff street lighting. CL&P Response to Smith Interrogatory 20-RV01, Attachment 1. In conclusion, the Authority finds that: 1) the street lighting practices currently used by CL&P comply with the requirements of Conn. Gen. Stat. §13a-110(e); and 2) none of Leo Smith's requested changes to the street lighting practices or street lighting rates are required by Conn. Gen. Stat. §13a-110(e) or any of the rate statutes governing this proceeding, Conn. Gen. Stat. §§16-19 and 16-19e.

With respect to flood lighting, the Authority also finds that CL&P is fully compliant with the flood lighting standards contained in Conn. Gen. Stat. §13a-143d, as demonstrated by the record in this proceeding. CL&P replaced all flood lights with controlled beam fixtures by the end of 2010.[15] The Company addressed compliance

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[9] CL&P Street and Security Lighting Electric Service Tariff, Rate 116, available at https://www.eversource.com/content/docs/default-source/ratestariffs/rate116.pdf; CL&P Partial Street Lighting Service Electric Service Tariff, Rate 117, available at https://www.eversource.com/content/docs/defaultsource/rates-tariffs/rate117.pdf; CL&P Response to CL&P Response to Smith Interrogatory 16.

[10] CL&P Response to CL&P Response to Smith Interrogatory 20-RV01; CL&P Response to Smith Interrogatory 5; Tr. 2/7/18, pp. 42 and 43.

[11] CL&P Response to Smith Interrogatory 5; Tr. 2/7/18, p. 42.

[12] CL&P Street and Security Lighting Electric Service Tariff, Rate 116, available at https://www.eversource.com/content/docs/default-source/ratestariffs/rate116.pdf; CL&P Partial Street Lighting Service Electric Service Tariff, Rate 117, available at https://www.eversource.com/content/docs/defaultsource/rates-tariffs/rate117.pdf. CL&P Response to Smith Interrogatory 16; CL&P Response to Smith Interrogatory 2, Attachment 1.

[13] CL&P Response to Smith Interrogatory 5.

[14] Alexson et al. v. Foss et al., 276 Conn. 599, 605-606 (2006) (a statute is deemed ambiguous when, read in context, it is susceptible to more than one reasonable interpretation, at which point the legislative history should be examined).

[15] CL&P Response to Smith Interrogatory 24.

with Conn. Gen. Stat. §13a-143d in Docket No. 04-01-01[16] at the time the statute was first enacted. In that docket, the Company explained that the most effective method of complying with the new law, from both a cost and performance perspective, was to replace all flood lights with controlled beam fixtures, which the Company proposed to do as part of its group re-lamping process.[17] The proposal received the support of the statute's sponsor, State Representative James O'Rourke, and Mr. Smith himself, on behalf of the Connecticut Section of the International Dark-Sky Association.[18] CL&P's proposed method of complying was acknowledged by the Authority in a letter dated January 6, 2006.[19] CL&P provided annual reports on its progress in that docket until the replacement process was complete.[20] As with the street lighting statute discussed above, the Authority finds that the flood lighting statute does not mandate use of specific technologies, configurations or construction design to achieve compliance. The Authority finds that there may be different ways of complying with the flood lighting provision. In this case, the Authority finds, based on the record evidence, that CL&P's flood lighting practices are in compliance with Conn. Gen. Stat. §13a-143d and the Authority's guidance in Docket No. 04-01-01. The Authority further finds that none of Leo Smith's requested changes to CL&P's flood lighting practices are specifically required by the express language of Conn. Gen. Stat. §13a-143d or any of the rate statutes governing this proceeding, Conn. Gen. Stat. §§16-19 and 16-19e.

The Authority also approves the consolidating street lighting provisions in the Application. In addition, the Authority approves CL&P's request to conduct a pilot program to evaluate dimmable LED technologies and directs CL&P to file with the Authority in its next rate proceeding, a report and recommendations based on the pilot.

8. Electric Vehicle Rate Rider

a. Company Proposal

CL&P requested to continue and expand the Electric Vehicle (EV) program and associated rate design to include customers who own and operate separately metered fast charging stations. TRP PFT, p. 27. The Company proposed that the rate calculation for such EV fast-charging stations be based on a per kWh equivalent to demand charges to be determined in accordance with the Company's general service rate schedule that would otherwise apply to the load being served. Id., p. 28. CL&P clarified its proposal to expand the EV Rate Rider to include customers who own and operate separately metered charging stations available to the public. Late Filed Exhibit No. 22.

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[16] Decision dated June 30, 2005, in Docket No. 04-01-01., DPUC Investigation Into the Connecticut Light and Power Company's Streetlight Assets, Plant Values, Accounting Practices and Rates.

[17] CL&P Response to Smith Interrogatory 24.

[18] CL&P Response to Smith Interrogatory 24, Attachment 2.

[19] CL&P Response to Smith Interrogatory 24, Attachment 3.

[20] CL&P Response to Smith Interrogatory 24, Attachment 4.

b. Tesla's Position

Tesla acknowledged the CL&P proposal to expand its existing EV Rate Rider and stated that the rider, as currently crafted, converts demand charges into kWh charges and eliminates the demand ratchet, where customers charge at state-owned charging stations that provide charging to the public for free. Tesla stated that the Company's revised proposal for the EV Rate Rider expansion in Late Filed Exhibit No. 22 will more accurately track current law, expand EV ridership in Connecticut, help smooth system load, generate new energy sales and revenue and keep more dollars in the local and regional economy. For these reasons, Tesla urged the Authority to adopt the Company's revised proposal. Tesla Brief, pp. 11 and 12.

In its Written Exceptions, Tesla requested that the Authority amend the proposed final Decision to clarify that the approved EV Rate Rider expanded eligibility to include privately-owned publicly accessible charging stations.

c. DEEP's Position

DEEP supported CL&P's request to expand its current EV Rate Rider but argued that an additional amendment is reasonable to expand the rider to all separately-metered EV charging stations. DEEP stated that CL&P's revised proposal to expand the EV Rate Rider may not sufficiently accelerate the goals of EV adoption. DEEP supported Tesla's initial recommendation that the Authority consider whether the EV Rate Rider's eligibility should be extended to private separately-metered charging stations as well. Bell PFT, p. 5. DEEP argued that increasing the applicability and eligibility of the EV Rate Rider to a diverse number of sites, whether private or publicly owned, supports the state's ability to achieve its goals. DEEP also stated that expanding eligibility can encourage widespread investment in the EV infrastructure within CL&P's service territory and provide greater access to charging stations for various vehicle types, including private fleets. DEEP Brief, pp. 9 and 10.

Additionally, DEEP contended that expanding eligibility to private as well as public ownership provides equitable, non-discriminatory rates for all EV fast charging customers. Further, ratepayers may benefit from the downward pressure on rates due to the uptick in energy sales and revenues from EV charging, provided the charging happens at the proper time and location. DEEP asserted that the expansion of the EV Rate Rider to all private and publicly available charging stations is an important policy component to expanding EV adoption across the state and should be adopted in this proceeding. DEEP Brief, p. 11.

In its Written Exceptions, DEEP reiterated that the Authority should consider expanding the EV Rate Rider. DEEP emphasized an expansion of the EV Rate Rider would incentivize the deployment of EV charging stations and, therefore, supported increased EV adoption levels. Expanding the EV Rate Rider DEEP argued, would also result in improved data collection, enabling the Company to use this data to better respond to the impacts of anticipated growth of EVs on the distribution system. DEEP commented that the Authority could address the issue of the EV Rate Rider in its grid modernization docket, Docket No. 17-12-03, PURA Investigation into the Distribution System Planning Practices of the Electric Distribution Companies.

d. CL&P Response

CL&P asserted that DEEP's proposed expansion of the EV Rate Rider beyond publicly accessible charging stations, regardless of ownership by a public or private customer, was not raised during the discovery phase of this proceeding and therefore, not subject to discovery by the Authority. Id., p. 4.

e. Authority Analysis

CL&P requested to continue and expand the EV Rate Rider program as a logical next step in expanding the availability of EV charging stations. The Authority finds that the Company's revised proposal in Late Filed Exhibit No. 22, which effectively extends the eligibility of the EV Rate Rider to publicly and privately-owned charging stations so long as they are publicly accessible, meets that goal. The Authority further clarifies that a publicly accessible charging station is one that allows any electric vehicles capable of charging at such charging station[21] to charge at the charging station under the same terms, conditions and pricing structure. CL&P shall file a revised tariff incorporating this clarification. The revised tariff shall require a representative of the charging station owner to submit a signed affidavit agreeing to all tariff requirements, including those clarified by this decision.

The Authority finds that DEEP's request to expand eligibility beyond publicly accessible charging stations, including to private fleets, was not timely, as it was first raised in their Brief and precluded the participants from developing the record on this issue. DEEP Brief, p. 10. Therefore, the Authority will not require CL&P to include the requested change in its proposed compliance tariffs and approves the Company's EV Rate Rider proposal as revised in Late Filed Exhibit No. 22. The Authority will review proposals to expand eligibility beyond publicly accessible charging stations, if CL&P, DEEP, Tesla or any other interested person files a motion to reopen Docket No. 13-12-11, Request for CL&P for Approval of Electric Vehicle Rate Ride Pilot for that purpose.

9. Distributed Generation Rate Rider and Demand Ratchet

Demand ratchets are mechanisms applied to certain C&I customer classes to account for the customer's peak demand. A demand ratchet fixes the demand charge under certain C&I rate classes for a period of time based on the highest demand recorded during the billing month or the preceding eleven months. The Company currently provides two methods for C&I customers subject to a demand ratchet to adjust the charge. Under the Company's tariff provisions for certain rate classes, customers may provide at least three-month written notice to the Company to decrease the distribution demand solely to reflect lower load levels and demonstrable conservation and load management. Application, Exhibit TRP-11, p. 75.

[21] The Authority recognizes that certain EVs' batteries may not be technologically compatible with all charging stations and that certain EVs' batteries may only be capable of being charged at technologically compatible stations, unless the EV owner has an adapter that makes the EV battery capable of being charged at an otherwise incompatible charging station.

In addition, eligible C&I customers can enroll in the Distributed Generation (DG) Rate Rider to waive the customer's distribution demand ratchet provision for the customer's DG load served under those rates. In its Decision dated March 27, 2006, in Docket No. 05-07-16, DPUC Review of the Development of a Program to Provide Various Incentives or Customer-Side Distributed Generation Resources (DG Rate Rider Decision), the Authority approved a DG Rate Rider for customers with a new base load DG project that began operation after July 21, 2015, has a rating of not more than 65 megawatts, and whose generation capacity is available during peak periods. The Authority specified that emergency generation and other demand response projects do not qualify for the DG Rate Rider, but peaking units would qualify. DG Rate Rider Decision, p. 23.

CL&P stated that 147 C&I customers are currently enrolled under the DG Rate Rider. Late Filed Exhibit No. 23. As a condition for service under the DG Rate Rider, C&I customers are required to make qualifying, combined heat and power facilities available during peak hours. Id.

Tesla also recommended that CL&P make an adjustment to the demand ratchet contained in the Company's C&I customer general service tariffs to allow customers who invest in C&LM services to have their demand ratchets eliminated. Tesla expressed that the demand ratchet has become an impediment, not a prompt, to C&I customers' adoption of distributed energy resources (DERs). Id., p. 2. Tesla also urged the Authority to direct CL&P to eliminate the demand ratchet for customers who invest in C&LM services, such as battery storage. Tesla argued that the costs of the recommended change will be minimal and, over the long-term, will benefit ratepayers in many ways. Id., pp. 2 and 3.

CL&P noted that the assertions and conclusions offered to support Tesla's recommendation to eliminate the demand ratchet under the DG Rate Rider for customers who invest in load management and conservation services, such as battery storage, are not supported by the recorded evidence in this proceeding. The Company argued that although Tesla submitted pre-filed testimony and conducted limited cross examination of the Company's witnesses, such testimony and responses to discovery do not adequately support the recommendations or substantiate the conclusions offered by Tesla relative to the efficacy of the DG Rate Rider and the demand ratchet, as they currently exist. CL&P Reply Brief, p. 6.

CL&P stated that the DG Rider was fully vetted and approved by the Authority in the DG Rate Rider Decision. The Company administers enrollment under the DG Rate Rider consistent with approval by the Authority. To the extent a customer claims they are entitled to or seeks a waiver from the eligibility requirements of the DG Rate Rider or demand ratchet, the Company reviews the facts and circumstances of such claim. CL&P argued that if the issue warrants further review and consideration, the Authority may reopen the DG Rate Rider Decision to examine this issue so that all affected participants can submit sufficient evidence to enable the Authority to make a decision based on a more full and adequate evidentiary record. Id., p. 7.

As to the issue of adjusting the demand ratchets under the DG Rate Rider, upon review, the Authority cannot find sufficient discussion[22] of the topic in the record to warrant approval of any changes at this time or for the Authority to make findings and conclude that the failure to eliminate or adjust the demand ratchet offends the principles contained in Conn. Gen. Stat. §§16-19, 16-19e or 16-19f. Parties interested in this issue, such as the other Connecticut EDC, The United Illuminating Company, were not participants in this proceeding, and, therefore, not afforded adequate notice and opportunity to address Tesla's proposal to expand the DG Rate Rider and potentially eliminate the demand ratchets for certain projects. Demand ratchets for DG projects were addressed in the DG Rate Rider Decision. In that Decision, the Authority established a program to qualify for a waiver of the demand ratchets. The Authority will consider, upon petition, re-opening Docket No. 05-07-16, for the purpose of addressing the proposal to eliminate demand ratchets for qualifying EDC customers. That proceeding would allow for a full evidentiary record to be established and participation by other interested parties.

10. Grid Modernization

CL&P indicated its intention to file separately, outside of its rate case application, a proposal to recover costs related to grid modernization initiatives. The Company stated its forthcoming proposal will seek to address the development of EV infrastructure, energy storage, and proposed investments in technologies that will assist in integrating DERs while maintaining reliability. PFT Bowes, pp. 55. In its original application, CL&P also proposed to recover costs related to grid modernization through a rate tracking mechanism and sought approval from the Authority that a capital tracking mechanism be used to evaluate the Company's grid modernization proposals.

In its Written Exceptions, DEEP referred to the Company's stated intention in its rate case application to separately file a grid modernization proposal in the future. Acknowledging the Authority's ongoing docket relating to grid modernization, Docket No. 17-12-03, DEEP requested that the Authority provide guidance to the Company on how its forthcoming grid modernization proposal may align with Docket No. 17-12-03. In addition, DEEP recommended that the Authority require CL&P to submit an updated cost-benefit analysis of deploying advanced meters as part of its grid modernization proposal.

The Authority appreciates DEEP's reference to Docket No. 17-12-03 and request that PURA provide CL&P with additional guidance on its forthcoming grid modernization proposal. Any grid modernization proposals CL&P submits in the future should be made in coordination with the findings and prioritization of potential solutions as determined in Docket No. 17-12-03. Further, while the Amended Settlement Agreement establishes the capital tracker as a vehicle for cost recovery for separately approved grid modernization programs, more precise guidelines related to cost recovery of plant

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[22] The Authority does not have an adequate record evidence and analysis to properly evaluate and accept as credible the limited amount of evidence presented by Tesla in the record of this proceeding regarding the proposed elimination of the demand ratchet. Briggs v. State Employees Retirement Commission, 210 Conn. 214, 217 (1989).

additions and associated O&M for grid modernization investments may be developed in Docket No. 17-12-03.

11. Tariffs

a. Company Proposal

CL&P proposed to amend several provisions of its tariffs, including its service charges and terms and conditions for delivery service and electric suppliers. Proposed amendments to the terms and conditions for delivery service include a change to the billing period for prorated bills and clarifying changes to definitional terms and labeling. These proposed amendments include changes to reconnection fees, returned check fees, meter testing, meter reading and extended metering options rates. TRP PFT, pp. 26 and 27.

In addition, a new sales tax abatement charge is being proposed. This charge is for customers who fail to complete the necessary paperwork as tax exempt which requires the Company to manually refund taxes once the paperwork is completed. The proposed rates for these services have been developed based on the cost of performing these functions. The Company also proposed new language to address easements when a property is subdivided or conveyed to another party. Id., p. 27.

The proposed amendments to the terms and conditions for supply service include clarifying changes to the definitions and determination of loads. Appendix A of these terms and conditions include changes to the meter reading, meter testing and extended metering options rates. The proposed rates for these services have been developed based on the cost of performing these functions. Id.

b. OCC

The OCC stated that a returned payment charge should recover the utility's costs of processing the return (including any bank fees) and perhaps provide a small additional amount to serve as a further deterrent to the customer for issuing a dishonored payment. This is consistent with the widespread use of cost-of-service principles when determining utility rates, charges and fees. Rubin PFT, pp. 13-15. Further, the OCC recommended that CL&P's returned payment charge in Connecticut should be set at $11 (the Company proposed to reduce the current charge of $22 to $20), the same charge that was recently implemented for its Massachusetts affiliate. Id.

c. Authority Analysis

The Authority reviewed the Company’s proposed charges and language changes to the terms and conditions and finds that the charges have been developed based on the cost of performing these functions, and approves them as filed. Also, the Company’s proposed new language drew no objections and the Authority’s review finds them to be appropriate and approves the new language as filed.

12. Conclusion on Revenue, Rate Design and Tariffs

Except as noted above, the Authority accepts the approach taken by CL&P in its rate design proposal, as amended by the Amended Settlement Agreement, the Revenue Agreement and the Attachment Agreement.

C. CUSTOMER SERVICE ISSUES

1. Customer Notifications and Collections

CL&P's standard bill form, termination notice and customer rights notice were reviewed and found to be in compliance with applicable regulations. Application, Schedule H-2.0, Exhibits A and B; Response to Interrogatory CA-7. CL&P's Terms and Conditions for Delivery Service were also reviewed and found to be in compliance with applicable regulations. Application, Schedule H-2.0, Exhibit E, Schedule E-1.0 and E-1.1; Response to Interrogatory CA-26.

2. Policy and Procedures for Estimated Billing

CL&P provided its policy and procedures for generating an estimated bill. CL&P's billing system produces an estimated bill based upon historical usage in the comparable month in the prior year. The Company continues to follow the automated notification process to inform customers of options to avoid an estimated bill as outlined in Order No. 20 in the 2009 CL&P Rate Case Decision. Response to Interrogatory CA-1.

CL&P issues estimated bills infrequently. The table below shows the percentage of estimated bills issued over time periods ranging from 1 to 3 months to 12 or more months:

Table 8

Year	1-3 Months	4-6 Months	7-11 Months	12+ Months
2015 Y-T-D	1.1096%	0.0180%	0.56%	0.001%
2016	1.1869%	0.0236%	0.038%	0.0003%
2017	1.175%	0.0262%	0.0044%	0.0004%

Response to Interrogatory CA-18.

The Authority finds the extremely low percentage of estimated bills issued by the Company supports CL&P's current estimated billing policy and procedures. The Company's estimated billing procedures have been reviewed and found to be in compliance with applicable regulations. CL&P's bill form and associated customer notices were also reviewed and found in compliance with applicable regulations. Application, Exhibit H-2.0.

3. Customer Security Deposits

The Authority reviewed CL&P's current customer security deposits policies and procedures and found them to be in compliance with Conn. Agencies Regs. §§16-11-105 and 16-262j-1. Application, Schedule H-2.0 Exhibit F, Customer Service

Policies, No. C150.1 and No. C350.1; Response to Interrogatory CA-18. The Company provides policy and procedures in writing to those customers that are required to pay a security deposit and stated that there are other means by which customers are informed of security deposit requirements. For example, termination notices inform the customer that a security deposit may be required before service can be restored and CL&P's Customer Service Representatives remind customers that a deposit is required when reinstating service. Finally, new commercial accounts receive information in the mail regarding security deposit requirements and how they are calculated. Response to Interrogatory CA-21.

4. Customer Call Center

CL&P maintains a Customer Service Center to address customer complaints and inquiries. Statistics below, submitted by CL&P for calendar years 2015 through 2017, depict the call center's monthly performance:

Table 9

2015	ASA[23]	ACR[24]	2016	ASA	ACR	2017	ASA	ACR
January	37.2	5.8%	January	7.4	2.3%	January	78.82	10.5%
February	45.8	6.5%	February	5.9	2.5%	February	39.8	5.6%
March	90.2	10.9%	March	5.8	2.2%	March	29.0	4.2%
April	60.0	7.2%	April	24.5	4.5%	April	21.0	3.4%
May	59.5	8.6%	May	46.1	7.4%	May	47.4	6.7%
June	31.3	5.3%	June	36.0	5.4%	June	28.7	4.2%
July	21.1	4.4%	July	35.1	6.1%	July[25]	26.2	3.4%
August	18.8	3.5%	August	68.7	9.0%	August-	21.5	2.9%
September	8.7	2.2%	September	85.7	10.9%	September	31.0	5.3%
October	16.5	3.2%	October	53.8	7.9%	October	82.6	6.5%
November	5.2	1.9%	November	14.7	3.7%	November	98.6	13.1%
December	3.5	2.6%	December	7.9	1.5%	December	40.2	7.0%

Response to Interrogatory CA-2.

Currently, there are no specific standards or benchmarks for EDC call center metrics set forth in Connecticut's state statutes or regulations. The Authority finds CL&P's call center performance statistics to be acceptable as filed based upon its experience in reviewing other regulated utilities call center statistics.

CL&P participated in monthly meetings with the Authority's Consumer Affairs Unit as a means to improve upon the level of service provided to customers. These monthly meetings were established in the 2009 CL&P Rate Case Decision, Order No. 30. All parties agreed that these meetings have been helpful in handling customer service matters and the parties mutually agree it will be beneficial to continue meeting each month.

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[23] Average Speed of Answer, in seconds.

[24] Abandoned Call Rate.

[25] Through December 2017.

5. Conclusion on Customer Service Issues

Overall, the Authority finds CL&P's customer service policies and procedures to be in compliance with applicable statutes and regulations.

III. FINDINGS OF FACT

1. On November 22, 2017, CL&P submitted an Application to the Authority for approval of amended rate schedules pursuant to Conn. Gen. Stat. §§16-19 and 16-19e.

2. The Company petitioned for an increase in distribution rates over a three-year period.

3. CL&P claimed distribution operating deficiencies of approximately $255.8 million for calendar year 2018, an additional approximately $45 million for calendar year 2019 and an additional approximately $36 million for calendar year 2020.

4. The Company claimed its operating deficiency is primarily attributable increased investments in the electric system, taxes and depreciation expense coupled with a decline in demand and sales of electricity

5. The Company claimed actual and planned investments of least approximately $2 billion since the 2014 CL&P Rate Case Decision was rendered to install and improve electric distribution facilities serving the 149 cities and towns within its service territory.

6. The Settling Parties filed a January 11, 2018 Settlement Agreement which proposed reductions to the original revenue requirement for each year of the three-year rate plan and provides for new rates effective May 1, 2018.

7. The January 11, 2018 Settlement Agreement established an authorized ROE of 9.25%, and a new rate tracking mechanism for core capital, system resiliency and grid modernization plant additions.

8. The January 11, 2018 Settlement Agreement was supplemented by the Settling Parties through additional clarifications and concessions made in the Hearings and/or late-filed exhibits.

9. Subsequently, the Authority received two additional proposed settlement agreements, the Revenue Agreement and the Attachment Agreement.

10. The Authority issued a Proposed Interim Decision to provide notice of requested adjustments regarding the January 11, 2018 Settlement Agreement and an opportunity for comment and/or the Settling Parties to amend the January 11, 2018 Settlement Agreement.

11. In the Proposed Interim Decision, the Authority identified certain modifications in that related to accounting adjustments, the Fee Free Credit Card and Debit Card proposal, and new system resiliency programs.

12. In response to the Proposed Interim Decision, the Settling Parties filed an Amended Settlement Agreement.

13. The Amended Settlement Agreement establishes a new capital tracker that provides greater transparency and more frequent semi-annual adjustments for capital projects which sustain Connecticut-based jobs and generate important tax revenues for the 149 towns the Company serves.

14. The Amended Settlement Agreement authorizes the Company to obtain funding for new employees if, and only if, it first demonstrates it hired them.

15. The Amended Settlement Agreement credits customers for the benefits of the new federal tax law retroactive to January 1, 2018, even though proposed new rates become effective on May 1, 2018.

16. The Amended Settlement Agreement contains reductions to the Company's rate year expenses.

17. The Amended Settlement Agreement provides residential and small business customers with the convenience to pay their bills by credit and debit card without paying a convenience fee.

18. The Amended Settlement Agreement framework requires the Company's shareholders first to demonstrate they have spent a specified amount toward the remediation of several contaminated sites before incremental costs would be deferred and placed in rates in a future rate case.

19. A total of $18.625 million of the post 2016 storm costs are included in RY2018 rate base.

20. The revenue requirements for the $18.625 million of new storm costs included in rate base in RY2018 are $1.684 million for RY2018; $1.654 million for RY2019 and $19.457 million for RY2020.

21. A total of $22.794 million amortization expense adjustment in the Interim Decision is used to fund $18.625 million of post-2016 catastrophic storm costs.

22. The additional revenue requested in the Settlement Agreement reduced by $26.466 million over the three-year rate plan for additional impacts of the Tax Act.

23. The total revenue requirements for the $18.625 million new storm costs included rate base in RY2018 equals the total amortization expense adjustments of $22.794 million in the Interim Decision.

24. The deferred storm balance as of May 2018 is $17.642 million.

25. In the Interim Decision, the Authority determined that the total post RY2020 amortization expenses allowed as an offset to catastrophic storm costs was $28.940 million.

26. The Authority reduced amortization expenses by $18.764 million in RY2020.

27. The total amortization expenses to be applied to the catastrophic storms reserve for periods subsequent RY2020 is $47.704 million.

28. The Amended Settlement Agreement contained a $2 million per year to address any additional adjustments proposed by the Authority.

29. The Settling Parties agreed to apply $1 million of the $2 million catchall provision to offset the reduction to EESCO capital funding in the Interim Decision.

30. CL&P funding for retirement benefits include pension expense, supplemental retirement plan through a 401(k) and enhanced 401(k) known as K Vantage, a SERP, and a Non-SERP.

31. Retiree medical benefits come from an OPEB health plan constructed under FAS 106 and a CL&P specifically designed program called MedVantage.

32. A 401(k) plan is a qualified retirement plan under the Internal Revenue Code that allows employees to save a portion of their salary for retirement on a pre-tax basis.

33. Typically, employers match a portion of each employee’s contribution with the employee choosing the investment options for the contributions.

34. The Company has two 401(k) plans which is a traditional 401(k) plan and the other an enhanced 401(k) called K-Vantage.

35. Under K-Vantage, CL&P contributes an amount equal to a percentage of the employee’s covered pay into his/her 401(k) account are based on the employee’s age and service.

36. A SERP, which is a non-qualified plan, provides executives with a supplemental retirement benefit in addition to the benefit provided under the qualified plan.

37. New officers are no longer eligible to participate in the SERP since CL&P no longer offers a defined benefit plan to new employees.

38. The Non-SERP account is used to record expenses related to specially negotiated post-employment benefits, including pension enhancements not covered by the NUSCO Retirement Plan or the SERP.

39. The OPEB expense is calculated on the basis of the accounting rules set forth in ASC 715-60.

40. CL&P implemented a new post-employment HRA program, Med-Vantage that supplements benefits offered to employees in K-Vantage.

41. Under Med-Vantage the Company deposits $1,000 annually into a tax-advantaged HRA account for each participant who is age 40 or older, which can be used for post-employment healthcare premiums or expenses.

42. The Settling Parties proposed a scaled-back Fee Free Credit/Debit card program in the Amended Settlement Agreement.

43. The revenue requirement for the scaled-back Fee Free Credit/Debit card program is an average of $1.76 million per year, for a total of $5.3 million for the three rate years.

44. The January 11, 2018 Settlement Agreement's ratemaking capital structure consists of 53.00% common equity for each of the rate years 2018 through 2020.

45. The January 11, 2018 Settlement Agreement provided for long-term debt cost rates of 4.80% in 2018, 4.54% for 2019 and 4.64% for 2020.

46. The Company's current higher credit ratings of A+, A- and Baa1 from S&P, Fitch and Moody's.

47. The January 11, 2018 Settlement Agreement provided for a cost of preferred stock rate of 4.75% for each of the three rate years, 2018, 2019 and 2020.

48. The January 11, 2018 Settlement Agreement provided for an ROE of 9.25%.

49. The Company has been upgraded by the three credit rating agencies and now has credit ratings of A+ with S&P, A- with Fitch and Baa1 with Moody's.

50. The January 11, 2018 Settlement Agreement produced an overall ROR on rate base of 7.15% for the Rate Year 2018, 7.04% for the Rate Year 2019 and 7.09% for the Rate Year 2020.

51. The January 11, 2018 Settlement Agreement provides for earnings sharing at the end of each calendar year above the authorized ROE of 9.25% to be shared with customers and shareholders on a 50/50 basis.

52. The Settling Parties proposed the Company withdraw its request to recover any costs for incremental full-time equivalent employees for 2017.

53. The Company reduced its request for FTEs from 157 from 2017-2020 to 100 FTEs in 2018-2020 subject to certain restrictions.

54. The Company will be eligible for an annual step increase of 33 FTEs in 2018, 33 FTEs in 2019 and 34 FTEs in 2020.

55. The expense per incremental FTE allowed for recovery in rates will be $84,000 in 2018, $82,000 in 2019 and $87,000 in 2020.

56. The Company will reduce outside contractor expense by $1.53 million if it hires 100 proven incremental FTEs.

57. CL&P's weather adjusted retail sales have declined annually during the 2014 – 2017 time period.

58. CL&P forecasted a 1.5% decline in total retail sales in 2018 over 2017, a further 1.5% decline in 2019 and a 0.2% decline in sales in 2020.

59. The Company finalized its sales forecast for each of the Rate Years in November 2016.

60. The Company used an econometric modeling approach to develop its sales forecast and subsequently made out of model adjustments to account for impacts of energy efficiency, solar installations and electric vehicle sales not captured by its models.

61. On October 31, 2017, the Connecticut General Assembly passed a biennium budget ending June 30, 2019, that diverted $127 million from the energy efficiency fund into the general fund.

62. The budgetary diversion will affect energy efficiency programs outlined in the 2016-2018 C&LM Plan, resulting in a 17% reduction in funding in 2017, a 33% reduction in 2018 and a 17% reduction in 2019.

63. Authorized by Conn. Gen. Stat. §16a3j and approved by the Authority in Docket No. 17-01-11, CL&P's Passive Demand Resources bid will provide 34 MW of coincident summer peak passive demand resources to Connecticut over 2 to 3 years.

64. CL&P conducted two separate COSS using the minimum-system methodology and the zero-intercept methodology.

65. The Revenue Requirement Settlement Agreement revised CL&P's system average percentage from 25.41% to percentage of 9.65%.

66. The Company developed the Rate Year 1 MRCC calculation by updating the Test Year rate base and expenses for Rate Year information and revised the allocation percentages assigned to Rate 1 and Rate 7 Residential non-heating customers.

67. The Company included Administrative and General costs associated with FERC Accounts 920 (Salaries Expense), 921 (Office Supplies), 923 (Outside Services), and 930 (Miscellaneous Expenses).

68. The Company included costs in FERC Account 905 (Miscellaneous Accounts) in its Rate Year 1 MRCC calculation for its proposed Fee for Free program

69. CL&P relies on the Service Company for certain labor and expenses directly related to the statutory functions.

70. The Company used a combination of direct assignment and cost allocation in its proposed MRCC calculation.

71. The Company adopted a methodology to calculate the Rate Year MRCC where the drivers and changes from Test Year to Rate Year 1 are analyzed at an individual FERC account level and expense allocations are applied.

72. The Company proposed a design change to Rate Class 7 that increases the pricing differential between peak and off-peak rates.

73. The rate design change would minimally impact the Company's billing systems.

74. The Company plans a communication campaign that will inform customers about additional potential savings for Rate Class 7.

75. No Telecom providers requested party or intervenor status nor presented evidence in this proceeding.

76. The CATV and Telecom pole attachment formulas used to calculate the pole attachment rates are consistent with the FCC Pole Attachment Order formulas.

77. The net cost per bare pole increased from the Company's last rate case due to increases in gross pole investment compared to increases in accumulated depreciation and accumulated deferred income taxes.

78. The standard non-custodian fee for a joint pole owner is $650.

79. Distribution poles being replaced in 2018 are at least 40 feet in length.

80. The Company developed a rate for system-related service consisting of customer and demand components that applies to any fixture connected to the Company's distribution system, regardless of ownership.

81. The customer component is a uniform rate per fixture that applies monthly to each fixture connected to the Company's system, while the demand component is a uniform rate per watt that applies to the rated wattage of each fixture under either rate schedule.

82. A separate monthly equipment charge has been developed for each specific type of equipment utilized by customers taking service under Rate 116.

83. The street lighting O&M rate has been derived from street lighting O&M expenses of the COSS.

84. Streetlights installed or replaced by the Company comply with its Rates 116 or 117 tariffs.

85. CL&P provides a full range of streetlights that meet the Authority's approved specifications in Rates 116 and 117 tariffs.

86. The rate design for streetlights conforms to the methodology that the Authority approved in the Company's last rate case.

87. CL&P's street and flood lighting practices comply with Conn. Gen. Stat. §§13a-110(e) and 13a-143d and Authority-approved tariffs implementing the same, in Rate 116 and Rate 117.

88. The Company fully complies with the requirement that luminaires maximize energy conservation because all luminaires installed or replaced by the Company comply with the requirements of Rate 116 or Rate 117, approved by the Authority.

89. The Company complies with the requirement to minimize light pollution, glare and light trespass because all fixtures installed or replaced are full cutoff fixtures, which was the intent of the legislature when it enacted this requirement.

90. The Company installs glare shields upon request.

91. The Company complies with the requirement that a luminaire's illuminance is equal to the minimum illuminance adequate for the intended purpose by providing a full range of luminaire that meet the PURA-approved specifications in Rate 116 and Rate 117.

92. For all luminaires with a rated output greater than 1800 lumens, the Company installs only full cutoff fixtures.

93. CL&P replaced all flood lights with controlled beam fixtures by the end of 2010.

94. The EV Rate Rider, as currently crafted, converts demand charges into kWh charges and eliminates the demand ratchet, where customers charge at state-owned charging stations that provide charging to the public for free.

95. Under the Company's tariff provisions for certain C&I rate classes, customers may provide at least three months' prior written notice to the Company to decrease the distribution demand solely to reflect lower load levels and demonstrable conservation and load management.

96. The DG Rate Rider allows eligible C&I customers to waive the distribution demand ratchet provision for their DG load served under those rates.

97. There are 147 C&I customers currently enrolled under the DG Rate Rider.

98. CL&P's standard bill form, termination notice and customer rights notice comply with applicable regulations.

99. CL&P's estimated bill form complies with applicable regulations.

100. CL&P's policies and procedures for the administration of customer security deposits comply with applicable regulations.

101. CL&P's Call Center performance statistics were acceptable as filed.

IV. CONCLUSION AND ORDERS

A. CONCLUSION

As described herein, the Authority finds that the January 11, 2018 Settlement Agreement, as amended by the March 23, 2018 Amended Settlement Agreement, the Revenue Agreement and the Attachment Agreement are just and reasonable and in the public interest as filed, and are hereby approved subject to the Orders below. The Authority approves distribution revenues of $1,098.572 million for the rate year beginning May 1, 2018; $1,126.599 million for the rate year beginning May 1, 2019; and $1,158.262 million for the rate year beginning May 1, 2020. The allowed revenue increase of $124.661 million over the three-year rate plan is approximately 37 percent of the $336.989 million requested in the Application.

B. ORDERS

For the following Orders, the Company shall submit one original of the required documentation to the Executive Secretary, 10 Franklin Square, New Britain, Connecticut 06051 and file an electronic version through the Authority's website at www.ct.gov/pura. Submissions filed in compliance with the Authority's Orders must be identified by all three of the following: Docket Number, Title and Order Number. Compliance with orders shall commence and continue as indicated in each specific Order or until the Company requests and the Authority approves that the Company's compliance is no longer required after a certain date.

1. No later than April 23, 2018, CL&P shall file with the Authority for review and approval, a rate plan and five complete sets of tariffs, scored and unscored, that incorporates the billing determinants, financial profile approved herein and the directives in Section II.B.5. Rate Design, with proposed rates effective May 1, 2018.

2. No later than April 30, 2018, the Company shall file for Authority review and approval a revised EV Rate Rider consistent with the clarification provided in Section II.B.8. Electric Vehicle Rate Rider.

3. No later than May 18, 2018, the Company shall report on the status of its communication campaign to residential customers regarding Rate Class 7 savings including the number of customers they propose to switch to rate 7 with their campaign, copies of any mailings, bill messages web-based updates or media campaigns.

4. No later than November 30, 2018, 2019 and 2020, respectively, the Company shall provide the Authority with the budget of construction program capital spending by initiative or category for the following year. The filings shall be consistent with the terms of the New Capital Tracker filings as described in Section 3.a. of the Amended Settlement Agreement and Section 1. Enhanced Tree Trimming and Enhanced Tree Removal of Amended Attachment 1 of the Amended Settlement Agreement.

5. No later than January 31, 2019, and annually thereafter until the next general rate proceeding, the Company shall provide its calendar year actuarial minimum pension contribution and provide the amount of actual pension contribution made for the corresponding calendar year.

6. No later than January 31, 2019, and annually thereafter until the next general rate proceeding, the Company shall provide its calendar year actuarial minimum FAS 106 contribution and provide the amount of actual pension contribution made for the corresponding calendar year.

7. No later than January 31, 2019, and annually thereafter until the next general rate proceeding, the Company shall provide its calendar year contributions to the Med-Vantage plan.

8. No later than January 31, 2019, and annually thereafter, the Company shall submit annual filings demonstrating that it actually hired up to 33 incremental FTEs in 2018, 33 incremental FTEs in 2019 and 34 incremental FTEs in 2020. The Company shall include in each annual filing an exhibit illustrating FTE and Contractor Expense adjustments as depicted in Attachment 8 of the January 11, 2018 Settlement Agreement.

9. No later than March 1, 2019, and annually thereafter, the Company shall file the following data for the immediately preceding year calendar year:

    1. the number of credit/debit card payments;
    2. the costs associated with the credit/debit card payments;
    3. how quickly payments are being received from the date a bill issued;
    4. the number of credit card payments made by financially challenged/hardship customers;
    5. the annual amount of uncollectibles; and
    6. the qualitative improvements in customer satisfaction with the option.

    In its first annual filing, the Company shall also file data relating to items 1-6 above, for calendar years 2016 and 2017 as well as the percentage of new

uncollectible accounts that have a credit/debit card payment posted since the inception of the program.

10. No later than March 15, 2019, the Company shall file for Authority review and approval, a rate plan for Rate Year 2 incorporating the directives in Section II.B.5. Rate Design.

11. No later than May 31, 2019, 2020 and 2021, respectively, the Company shall provide the Authority with a report of actual construction program capital spending by Initiative or category for the preceding year. The filings shall be consistent with the terms of the New Capital Tracker filings as described in Section 3.a. of the Amended Settlement Agreement and Section 1. Enhanced Tree Trimming and Enhanced Tree Removal of Amended Attachment 1 of the Amended Settlement Agreement. If actual spending varies from budgeted spending by more than 10% in any initiative or category from that budgeted, or if the total aggregate capital spending varies by more than 10%, the Company shall provide an explanation of the reason for such variance.

12. No later than March 16, 2020, the Company shall file for Authority review and approval, a rate plan for Rate Year 3 incorporating the directives in Section 11.B.5. Rate Design.

13. Prior to its next rate case proceeding, CL&P shall install dimmable LED fixtures at its facilities in Berlin, Connecticut and file a report and recommendation with the Authority in the next rate proceeding that evaluates the reliability and operating characteristics of dimmable LED technologies.

List of Appendices

Appendix A – Settlement Agreement
- Attachment 1 – Revenue Requirement Summary
- Attachment 2 – Rate Base
- Attachment 3 – Operating Expenses at Current Rates
- Attachment 4 – Depreciation Rates
- Attachment 5 - Other Amortization Expense
- Attachment 6 – Cost of Capital
- Attachment 7 - Decoupling
- Attachment 8 – FTE and Contractor Expense Adjustments
- Attachment 9 - Copy of Orders from 10/26/16 Decision in Docket No. 16-03-01

Appendix B – Revenue Agreement

Appendix C – Attachment Agreement

Appendix D – Amendment to the Settlement Agreement
- Amended Attachment 1 – Revenue Requirement Summary
- Amended Attachment 2 - Rate Base
- Amended Attachment 3 - Operating Expense at Current Rates
- Amended Attachment 5 – Other Amortization Expense
- Amended Attachment 7 - Decoupling

Appendix E – Rate Model

DOCKET NO. 17-10-46 APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES

This Decision is adopted by the following Commissioners:

Katherine S. Dykes

Michael A. Caron

John W. Betkoski, III

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



April 18, 2018

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority

Date