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July 16, 2025

Mr. Jeffrey Gaudiosi
Executive Secretary
Public Utilities Regulatory Authority
Ten Franklin Square
New Britain, Connecticut 06051

Re: Docket No. 24-12-05 – PURA Procedural Review of the Annual Rate Adjustment Mechanisms of The Connecticut Light and Power Company and The United Illuminating Company

Dear Mr. Gaudiosi:

The Office of Consumer Counsel ("OCC") submits these comments[1] in response to the Notice of Request for Written Comments ("Notice") issued by the Public Utilities Regulatory Authority ("PURA" or "Authority") on June 11, 2025, in the above-referenced proceeding. We first provide general recommendations on process for updates to Rate Adjustment Mechanism ("RAM") rate elements, and we then address each of the prompts from this Notice in sequence.

General Recommendations for RAM Rate Update Process

Recent issues with underrecoveries on specific RAM elements have highlighted the need for changes to the process for updating rates. At the extreme, poorly forecast rates, if not corrected through an additional rate adjustment, can result in the accumulation of significant liability on the part of ratepayers, or may mean chronic overpayment by these customers. As the OCC made clear in its initial comments, neither of these outcomes is in the interest of consumers.

Moreover, the mismatch between the RAM rate periods and the Electric Distribution Companies' ("EDCs") use of calendar year accounting renders even perfect forecasting inaccurate, as even perfectly designed rates set to cover May through April will result in "underrecoveries" as of the calendar year end, when the EDCs have not yet collected the revenues earmarked for January through April. This systemic bias towards underrecovery can result in unnecessary carrying costs that harm customers and exacerbate the rate shock concerns that have been discussed thus far in this proceeding. We strongly recommend that PURA consider resolutions to the misalignment between RAM rate periods and EDC accounting methodologies within this docket.

Before providing specific recommendations for modifications to the update process in response to the Notice prompts, we wish to establish clear terminology. In this Notice, the Authority variously refers to "reconciliation[s]," "true-ups," and "rate adjustment[s]." To clarify, in these comments,

[1] These comments were drafted with substantial assistance from Synapse Energy Economics, OCC's consultant in this proceeding.

the OCC uses the term "standard rate adjustment" to refer to the standard update to rates for the Generation Service Charge ("GSC") and the various components adjusted in the annual RAM proceedings ("RAM Components"), as presently take effect in January, May, July, and September. We use the term "additional rate adjustment" to refer to any other rate adjustments that may occur on an as-warranted basis, outside of the standard rate adjustment schedule.

Through our initial comments and in our responses to the second Notice contained in these comments, the OCC has expressed openness to changes in the schedule for rate adjustments. These changes may be especially warranted for certain Power Purchase Agreement ("PPA") costs or for the entire Non-Bypassable Federally Mandated Congestion Charge ("NBFMCC"), to bring these updates into alignment with the timing of GSC rate changes, as discussed subsequently in these comments. More generally, the OCC is open to standard rate adjustments for RAM Components that coincide with the GSC adjustments on January 1st and July 1st when most customers are already accustomed to changes in rates. Keeping the schedule for adjustments consistent to the extent practicable should make it easier for customers to understand rate changes and should also make it easier to understand the holistic effects of many contemporaneous changes in rates, which may either accumulate in one direction or net out. The Authority may be concerned that a RAM rate setting scheme with different adjustment dates for different rate elements, plus additional rate adjustments, could be overly burdensome and confusing – both for the Authority and utilities to administer, and for customers to understand.

If RAM and GSC rates are aligned on a similar adjustment schedule, the OCC does think there may be a need for additional rate adjustments at times. For example, we note that while July 1st GSC adjustments are typically decreases due to the easing of natural gas market pricing in summer months, customer usage typically increases in the same period – resulting in total bills that tend to exceed winter months despite reduced supply rates. It is conceivable that a rate adjustment resulting in a substantial overall bill increase in July may be less affordable to customers than a slightly higher[2] volumetric increase in September or January. Therefore, the concept of a total bill impact analysis and threshold for bill increases at any one point in time may become more important. In the event total bill increases exceed an established threshold by rate class, the Authority could consider whether to phase in the change more gradually through additional rate adjustments for all rate classes. It may make sense for this threshold to differ for different customer groups.

Responses to Prompts

1. *UI proposed a twice-per-year reconciliation filing to more quickly capture market volatility in rates that would include filings on April 15th and October 15th for rates effective July 1st and January 1st, respectively. UI Written Comments, Mar. 14, 2025, pp. 23-29. Eversource continues to advocate for a change to the current RAM process that allows for adjustment(s) to rates in the interim period (i.e., within the six-month window of January through June and/or July through December) when observed conditions have materially deviated from the assumptions on which reconciling mechanism rates were set. Eversource Written Comments, Mar. 14, 2025, p. 15. Eversource notes that the Decision*

[2] Due to additional carrying costs.

in Docket No. 04-03-19, DPUC Design of Adjustment Clauses Necessary for Transitional Standard Service, contemplated that the Authority might adjust the NBFMCC rate more than semi-annually to deal with such material cost increases or decreases.1 Id., pp. 16-17. Similarly, the Department of Energy and Environmental Protection (DEEP) opined that volatility in rates could be addressed by requiring the EDCs to notify the Authority when collections are deviating by a percentage from the expectations within existing rates. DEEP Written Comments, Mar. 14, 2025, p. 3.

Provide comments regarding a potential additional true-up for RAM mechanism rates that allows the EDCs to provide actual cost and revenue updates to the rates that are typically approved on May 1st and can be adjusted September 1st of each year with the goal of mitigating significant over- and under-collection build-up into the next RAM reconciliation year

a. If recommended, provide comments on the appropriate timeline for such a true-up mechanism as it relates to the standard timelines of the annual RAM proceedings. Additionally, provide comments on appropriate thresholds or metrics that would trigger such a true-up. Finally, provide feedback on whether an adjustment to RAM rates for such a true-up would be appropriate to align with the Standard Service Rate changes on January 1st and/or July 1st of each year, if proposed thresholds or other triggers are met.

OCC agrees that implementing additional rate adjustments could be beneficial for some RAM adjustments, such as the NBFMCC and System Benefits Charge ("SBC"). Triggering criteria could be structured around a total bill materiality threshold. For instance, an underrecovery in the NBFMCC that will result in a total average bill increase exceeding a predetermined multiple of historic inflation rates[3] for any one rate class could trigger consideration of an additional rate adjustment. We recommend that the appropriate threshold be determined through a stakeholder process.

b. If not recommended, provide a detailed explanation for the position. Discuss any potential unintended consequences anticipated to result from implementing an additional RAM true-up.

OCC <u>does</u> recommend that PURA consider additional rate adjustments.

2. *Regarding the impact of the sale of energy applicable to the Power Purchase Agreements within the NBFMCC, UI suggested that winter pricing uncertainty could be avoided by considering actual January, February, and March pricing within the RAM rates established on May 1st. UI Written Comments, Mar. 14, 2025, pp. 16-20. UI added that price differences could be evaluated on a six-month basis to allow for an interim NBFMCC rate adjustment when price variances are greater than 10% to the upside or downside. Id.*

   Provide comments regarding the standard incorporation of the actual net cost effects of January, February, and March actual LMPs into the regular May 1st NBFMCC rate

[3] The compound annual inflation rate over the last five years is approximately 3.91%.

adjustment. Similarly, comment on the advisability of making a standard adjustment to the September 1 RAM rates to incorporate the net cost effects of the actual LMPs for January through June. Finally, discuss whether a 10% variance or some other variance threshold is appropriate to trigger an interim NBFMCC rate adjustment.

As OCC noted with respect to Connecticut Light and Power's May 2025 NBFMCC rate adjustment,[4] we support the use of the most recent actual incurred cost data in setting the NBFMCC to most accurately reflect the expected impact of Locational Marginal Prices ("LMPs") upon PPA net costs, although we note that actual costs up to and including March pricing may drastically differ from those incurred in April through December. For that reason, we also support the use of actual costs incurred as of September to adjust the NBFMCC to account for variances between May and September, as well as to forecast the future rate period.[5] As suggested above, we recommend that the triggering threshold for additional rate adjustments be based upon total bill impact, as opposed to a variance in individual cost drivers. For example, a 10% decrease in LMPs may be offset by significant underrecoveries in other components within the NBFMCC, such that adjusting the overall rate downward to account for the LMP decrease could result in an unnecessary overall NBFMCC underrecovery.

3. *Eversource proposed aligning the net costs of the Millstone and Seabrook PPAs with the Standard Service Rate changes that occur on January 1st and July 1st of each year. Eversource Written Comments, Mar. 14, 2025, p. 14. Similarly, the Office of Consumer Counsel (OCC) recommended aligning NBFMCC adjustments with the GSC adjustments. OCC Written Comments, Mar. 14, 2025, p. 11.*

   Discuss the pros and cons of carving certain PPA contracts (i.e., Millstone and Seabrook) out of the NBFMCC to align with the Standard Service Rate changes as well as the pros and cons of aligning all NBFMCC cost components with Standard Service rate change dates. Comment on potential unintended consequences of either or both approaches, including under what circumstances alignment of select PPAs or the full NBFMCC with Standard Service rate change dates could compound ratepayer impacts on January 1 and July 1.

As noted in the prompt, we support the idea of adjusting PPA costs during GSC adjustments – for the reasons raised in our last set of comments:

> We note that the GSC and NBFMCC naturally somewhat oppose one another – with many PPA costs within the NBFMCC being driven by low wholesale market pricing, and GSC costs being generally driven by high wholesale marker pricing,

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[4] See Docket No. 25-01-03, OCC Letter in Lieu of Written Exceptions (Apr. 4, 2025), p. 1. ("[W]e are in favor of determining revenue requirements for future rate periods with the goal of accuracy, and we support the use of any reliable information in achieving that goal. Although we have no objection to the Authority's analysis of LMPs under current market conditions, we are also unable to comment on whether that analysis will accurately predict future PPA costs.")

[5] See Docket No. 25-01-03, OCC Brief Letter in Lieu of Brief (June 20, 2025), p. 11 ("[W]e recommend that PURA carefully consider any adjustment as it did in the Interim Decision – by taking into consideration both the market data that has already occurred and projections but recognizing that the market volatility makes overreliance on projections risky.").

> although the timing of market impacts on either rate does not necessarily align. It may be worth discussing whether the NBFMCC could be separated from other RAM accounts such that adjustments could better align with supply-related adjustments, without impacting the other components of the RAM.

However, as noted above, while it is conceptually logical to align these adjustments because of their general tendency to offset one another, the data used to adjust each rate is not based upon the same time periods. The GSC is typically driven by long-term contracts procured prior to the GSC rate adjustment – the pricing for which is primarily driven by market futures at the time of procurements, which can be "laddered" throughout the year. Conversely, as discussed above in response to Prompt 2, the net PPA costs within the NBFMCC can be set based upon market pricing that is much more recent. Given the potential for extreme volatility in the energy markets, it is possible that these variances in timing could confound the offsetting tendency of aligning PPA costs with GSC adjustments. For example, if the GSC rate is based upon suppliers' anticipation that market prices would be much higher than the pricing that actually materializes (i.e. the GSC rate is substantially lower than real-time market pricing), and PPA net costs are set based upon current market conditions (i.e. real-time market pricing that exceeds the PPA fixed price), the rate impact of the GSC and PPAs could directionally align, rather than offset one another. In this way – as the prompt suggest – the alignment of PPAs and the GSC could "compound ratepayer impacts."

It is also OCC's understanding that recently passed legislation will impact the interplay between PPA costs and the GSC. Senate Bill 4, which is now Public Act No. 25-173, includes provisions that would allow energy products purchased through PPAs to be used to satisfy the EDCs' Standard Service obligations,[6] with the specific direction that the costs for "any energy, capacity or other products purchased [under a PPA] used to serve standard service customers . . . shall be recovered through the [GSC]".[7] The same Act also requires that the standard service procurement plan be amended in ways that could impact the timing of procurements – which would potentially impact the issue raised above with respect to the relative timing of GSC and PPA cost adjustments.[8]

All that said, one potential benefit of separating PPA costs from other NBFMCC elements is that they are entirely outside the control of the EDCs – whereas other costs recovered within the NBFMCC are in fact within the control of the Companies. We raise this only to point out that certain RAM costs (such as PPA net costs) could be trued up with very little procedural process, whereas other NBFMCC components – such as internal administrative costs[9] or the return of and on capital expenditures[10] – require greater scrutiny.

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[6] P.A. 25-173, Sec. 30.
[7] Id., modifying General Statutes § 16a-3m(e)(3).
[8] Id., Sec. 31, modifying General Statutes § 16-244m(a)(2).
[9] See Docket No. 25-01-03, OCC-5, Supp. 1; Docket No. 25-01-04, OCC-5, Supp. Attachment 1.
[10] See Docket No. 25-01-03, OCC-7, Supp. Attachment 1; Docket No. 25-01-04, OCC-7, Supp. Attachment 1.

4. *Provide comments that propose specific metrics or thresholds that could determine whether certain increases (or decreases) to any RAM component cost would merit a potential RAM rate adjustment true-up. Additionally, provide comments on the potential usefulness of analyzing potential rate impacts against household incomes to more precisely determine such metrics and thresholds.*

As discussed above in response to Prompts 1 and 2, we believe materiality thresholds should be based upon total bill impact, as opposed to variances as to particular costs or even particular RAM categories. It could make sense to consider household income in any analysis of whether a particular potential adjustment is affordable at the time it is imposed – for instance, if an additional rate adjustment would cause the total bill impact to exceed an established threshold, PURA could take this into consideration in determining how best to time the additional rate adjustment. However, the ultimately authorized revenue requirements for the RAM components must be recovered – whether sooner or later – and delaying such recovery imposes incremental carrying costs, which can further exacerbate affordability concerns. OCC recommends that PURA exercise its discretion – in light of all available facts, circumstances, and positions of all stakeholders – in determining the appropriate timing for additional rate adjustment.

5. *Regarding the EDCs' calculation of non-hardship uncollectible expenses, provide comments on whether a 3-month lookback of data is appropriate for the allocation of non-hardship uncollectible expense to the GSC (i.e., Eversource's methodology), or if a 12-month lookback is more appropriate (i.e., UI's methodology). Provide rationale and data to support your position. If another period is more appropriate, provide comments supporting that recommendation.*

Both UI and Eversource allocate non-hardship uncollectible expenses to the GSC. There appears to be significant volatility from month-to-month and year-to-year in the amount that is allocated to the GSC. Based upon review of the data for 2023 and 2024, the month-to-month volatility is due primarily to significantly changing total monthly non-hardship uncollectible amounts, while the volatility between years seems to be due to changes in the GCS allocation factors.

The utilities both allocate non-hardship uncollectible expenses to the GSC based on total GSC revenues.as a percentage of sales, but they differ in how often this allocation percentage is adjusted.[11] Eversource's methodology adjusts the allocation percentage to the GSC every three months and calculates total non-hardship write-offs each month – in other words, Eversource applies a given allocation factor to the monthly total non-hardship write-offs for three

[11] We note that these uncollectibles are usually a small percentage of the utility revenue requirement. In 2023, Eversource's bundled revenue requirement was $2.9 billion, and UI's was $669 million,11 compared with total non-hardship write-offs of $25.8 million and $2.6 million for Eversource and UI, respectively. In these years, non-hardship uncollectibles represented less than 1 percent of each utility's total revenue requirement.

consecutive months and then updates this factor.[12] Eversource's 3-month lookback allocation percentages for 2023 and 2024 are shown in Table 1.[13]

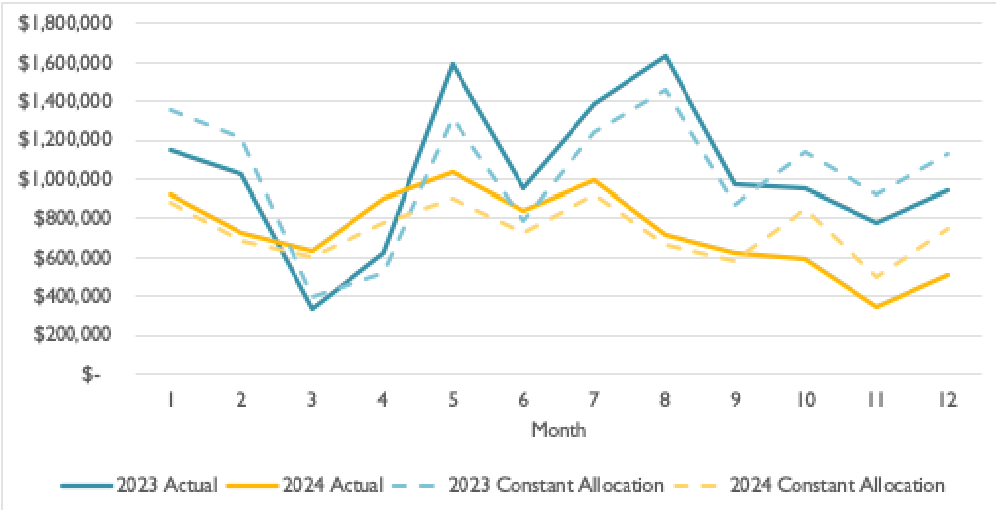
Table 1. Eversource monthly GSC non-hardship uncollectible percentage allocation, 2023-2024

	2023	2024
January-March	40.50%	35.08%
April-June	57.74%	38.47%
July-September	53.62%	36.15%
October-December	40.19%	23.03%
Annual Weighted Average	***47.88%***	***33.40%***

Analysis of Eversource's non-hardship uncollectible amounts in 2023 and 2024 shows that even if the 3-month lookback is changed to one annual allocator –calculated from the weighted-average of 3-month factors– GSC component monthly bill levels and volatility would not change significantly. FigureFigure 1 shows that application of an annual allocation percentage rather than one updated every three months does not significantly dampen the variability in allocation of non-hardship uncollectibles to the GSC. This is because the primary driver of variability in the amount of non-hardship uncollectibles recovered through the GSC within a given year is not the changes in the allocation factor but rather the changes in the estimated monthly write-offs. Changes in the annual sales volumes are likely a key factor as well.

[12] Q-OCC-006, Attachment 1a.
[13] Source: Q-OCC-006, Attachment 1a and 1b.

Figure 1. Eversource monthly GSC non-hardship uncollectibles - actuals versus constant allocation percentage, 2023-2024



Source: Q-OCC-006, Attachment 1a and 1b.

For simplicity and consistency across utilities, we recommend 12-month lookbacks for both Eversource and UI. However, we note that this will not reduce inter-year volatility. Diminishing the variability in total annual allocation of non-hardship uncollectibles to the GSC can be addressed by adopting a different allocation methodology that is not based upon annual sales – for example, with use of a three- or five-year rolling average of GSC revenues as a percentage of the total rather than basing this allocation factor on annual values.

6. *Refer to Interrog. Resp. RRU-1. Provide any additional comments on the scenarios submitted by the EDCs. Specifically, provide feedback on whether a phase-in period would be advisable to ease the effect of potential changes to allocators, and propose a period of time that would be sufficient to phase such allocation changes into rates.*

The OCC appreciates the detailed analyses provided by the utilities in response to this interrogatory. We do not offer comment on the relative merits of the allocation approaches on the basis of their differential effects across the customer classes. Instead, we see this quantification as an opportunity to stress the importance of evaluating total bill impacts rather than specific rider changes when deciding how to implement changes over time. In general, we do not believe that the choice of whether to change the allocation methods for the NBFMCC, SBC, or Revenue Decoupling Mechanism ("RDM") should turn on how disruptive any such change would be in increasing or decreasing the allocations to given classes. It is clear that some of the contemplated allocation changes would substantially alter certain classes' contributions on a proportional basis. However, any such changes to relative contributions for given RAM elements should not be taken as indicative of the merit of the change – in other words, a given allocation change, though potentially resulting in a significant increase or decrease in a given classes' responsibility for the associated RAM element, may still represent an improvement in cost reflectivity and therefore may ultimately be warranted.

We recommend that the Authority examine the impact of all of the changes to a customers' total bill by rate class. The Authority should set a threshold for total bill impacts by rate class and should apply that threshold to determine if the total bill impact for any rate classes warrant further consideration. Should the Authority, in evaluating the differential class rate impacts of the given allocation change, determine that such a change would result in rate shock, then the Authority could opt to phase in this allocation change. To the extent possible, the phase in should align with the schedule for any other additional rate adjustments.

7. *DEEP and the EDCs advocate for the use of forecasts rather than prior year actuals adjusted with known and measurable changes. DEEP Written Comments, Mar. 14, 2025, p. 3; Eversource Written Comments, Mar. 14, 2025, p. 30; UI Written Comments, Mar. 14, 2025, p. 24. Under a forecast-based approach, describe the methodology by which the EDCs would forecast expected RAM rate component costs for the May 1 to April 30 period.*

OCC supports the use of any available information that can best inform the ultimate estimate for upcoming rate period costs. We continue to support the traditional standard used in Connecticut, where historic actual costs are used as a baseline to determine expected future costs – as augmented by any additional indicators that reliably suggest how the future may differ. The degree to which those indicators are deemed reliable can reasonably vary based upon the particular cost. For example, no person can know what will occur in the energy markets – so all rate setting based on the expectation of future market conditions is necessarily entirely speculative – but the most recent market information is likely more indicative than the data from the prior calendar year, which is months old. On the other hand, certain other costs are generally consistent from one year to the next, so prior year actual costs are a reasonable proxy for the future experience – even if more recent short-term data may indicate a variance. Overall, the shared goal among all stakeholders and the Authority should be accuracy – with the shared understanding that precision is unlikely to be attainable.

As we noted in response to the last comment prompt, underrecoveries harm ratepayers because of the associated incremental carrying costs – and overrecoveries harm ratepayers who pay rates in real time that are more than sufficient.[14] Ideally, rates should be set to avoid either outcome. It makes sense to update the RAM structure to correct for the recent challenges with underrecoveries, promote consistent practices across utilities, better align GSC and RAM rate changes to promote transparency and allow for more comprehensive

[14] See OCC Comments (March 14, 2025, p. 11 ("In the longer term, ratepayers are harmed by under-recoveries because they must pay the unrecovered balance plus carrying costs – so the overall cost is higher than necessary. However, in the shorter term, ratepayers can also be harmed by over-recovery, in that – all else equal – monthly bills are set higher than necessary").

and holistic assessments of changes to total bills, and establish total bill change thresholds (especially for bill increases) to enable PURA to consider additional rate adjustments. However, based upon the current structure of the RAM where underrecoveries are calculated on a calendar year basis rather than a rate period basis, and the resulting historical experience where underrecoveries are generally more common than overrecoveries, it may make sense for the Authority to set rates that better protect ratepayers from the risk of underrecovery than overrecovery We reiterate our request that PURA address this important issue within this proceeding.

8. *Provide comments on the potential impacts that Senate Bill 4 may have regarding any of the procedural topics being investigated within this proceeding, and whether its provisions prompt reconsideration of any previously submitted comments.*

As addressed above in response to Prompt 3, the provisions of Senate Bill 4 pertaining to the use of PPAs within the GSC and also pertaining to the procurement plan may be highly relevant to the issue of the frequency and timing of RAM rate adjustments.

Respectfully submitted,

STATE OF CONNECTICUT OFFICE OF CONSUMER COUNSEL

CLAIRE E. COLEMAN
CONSUMER COUNSEL

By: ***/s/ Tom Wiehl***
Thomas Wiehl
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cc: Service List