
OLR Bill Analysis

sHB 5203

AN ACT CONCERNING THE PUBLIC UTILITIES REGULATORY AUTHORITY'S POWERS, UTILITY ADVERTISING DISCLOSURES, AND ELECTRIC BILL COMPONENTS.

SUMMARY

This bill makes various changes in laws related to how the Public Utilities Regulatory Authority (PURA) sets rates for utility companies. Among other things, it:

1. allows, rather than requires, PURA to decouple the distribution revenues of the state's gas companies and electric distribution companies (EDCs, i.e., Eversource and United Illuminating) from their volumetric sales, meaning their revenue is not strictly tied to the amount of gas or electricity they sell, and gives PURA greater discretion in how to do so;
2. limits the extent to which utility companies can use settlement agreements to resolve PURA rate cases by (a) requiring that an agreement's terms and resulting rates meet certain principles and guidelines and (b) limiting the extent to which an agreement can be used to avoid future rate cases or general rate hearings for gas companies and EDCs;
3. changes the deadline by which PURA must decide whether to refund an EDC's overearnings to ratepayers or apply them to offset future rate increases; and
4. requires gas companies and EDCs to file public disclosure reports with PURA that detail advertisement costs and funding sources, among other information.

Lastly, the bill requires the PURA chairperson to prepare a report that outlines and analyzes the delivery-side public policy components on

each EDC's customer electric bills. She must submit the report to the Energy and Technology Committee by January 15, 2023.

EFFECTIVE DATE: October 1, 2022, except the requirement for PURA to prepare a report on electric bills is effective July 1, 2022.

§ 1 — GAS AND EDC RATE DECOUPLING

Current law requires that PURA's rate case decisions order the state's gas and electric distribution companies to decouple their distribution revenues from their volumetric sales. For the EDCs, the decoupling mechanism must be an adjustment of actual distribution revenues to allowed distribution revenues. For the gas companies, the decoupling mechanism must not remove the incentive to support the expansion of natural gas use recommended in the 2013 Comprehensive Energy Strategy. Current law also requires that PURA, when making these determinations, consider decoupling's impact on the EDC's or gas company's return on equity and make any needed adjustments to it.

The bill removes these provisions and instead allows, but does not require, PURA to order the EDCs and gas companies to decouple their distribution revenues from their volumetric sales in any rate case begun on or after October 1, 2022, or in any rate that has a final decision pending on that date. The bill gives PURA discretion to determine the coupling mechanism and methodology used in the decoupling orders.

§ 2 — SETTLEMENTS

Current law requires PURA, when it finds it appropriate, to encourage using proposed settlements produced by alternative dispute resolution mechanisms to resolve contested cases and proceedings. The bill requires PURA to permit, rather than encourage, these settlements.

It also requires PURA, before approving a settlement for a rate case, to determine that the resulting rates and other settlement terms conform to certain existing statutory principles and guidelines for internal utility management and rate structures. Among other things, these include that the level and structure of rates:

1. is sufficient, but no more than sufficient, to (a) allow the company

to cover its operating costs, (b) attract needed capital and to maintain its financial integrity, and (c) provide appropriate protection to the relevant public interests; and

2. reflects prudent and efficient management of the company.

The bill limits the term of any provision in a rate case settlement to no more than three years after its approval by PURA. It also specifies that a rate case settlement that follows a PURA-approved rate case settlement is not a general rate hearing that the law requires for gas companies and EDCs. In effect, this prevents these companies from using multiple rate case settlements to satisfy the requirement for a general rate case hearing before PURA at least once every four years (CGS § 16-19a).

§ 3 — DEADLINE FOR APPLYING UTILITY COMPANY OVEREARNINGS

Under current law, when an EDC exceeds its authorized return on equity (i.e., earns more than what PURA authorized in a rate case), if PURA intends to use the excess funds to offset a future rate increase instead of decreasing present rates, it must either do so or refund the funds to the company's ratepayers within one year. The bill removes the one-year deadline and instead requires that the offset or refund be done, in a manner determined by PURA, by the end of the company's next general rate hearing.

§ 4 — UTILITY COMPANY ADVERTISING

The law generally prohibits the gas companies and EDCs from recovering their political, institutional, or promotional advertising costs as operating expenses in a rate case. However, it makes exceptions for promoting or marketing efficient gas and electric equipment that PURA determines meets certain criteria. The bill removes provisions in current law that require (1) the companies to apply to PURA for a determination about the equipment; (2) PURA to make the determination within 120 days, if practicable; and (3) the companies to pay the reasonable and proper expenses required by PURA and the Office of Consumer Counsel.

The bill instead requires each gas company or EDC that recovered advertising costs from ratepayers during the previous year to file a public disclosure report with PURA by each February 1. For each advertisement, the report must delineate the cost, funding source, primary purpose, communications medium or platform, and approximate dates of display transmittal to the public. The information must also be broken down by type of advertising, month and year, and advertising campaign.

Under the bill, a company's failure to provide complete and accurate data in the report is a violation for which PURA may levy civil penalties of up \$10,000 for each offense.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 26 Nay 0 (03/22/2022)