

March 20, 2025

Hon. Martin M. Looney  
Senate President, Pro Tempore  
Executive and Legislative Nominations Committee  
Legislative Office Building, Room 3300  
Hartford, CT 06106-1591

Re: Information Pertaining to Recent Public Hearings Conducted by the Connecticut General Assembly, Executive and Legislative Nominations Committee

Dear Senator Looney:

On March 13, 2025, the General Assembly's Executive and Legislative Nominations Committee conducted a hearing to consider the nomination of David A. Arconti, Jr. to serve as commissioner of the Public Utilities Regulatory Authority ("PURA"). During the hearing, you asked Commissioner Arconti about the reasons that The Connecticut Light & Power Company d/b/a Eversource Energy ("CL&P" or "Eversource") has not submitted a rate application to PURA in recent years.<sup>1</sup> Commissioner Arconti graciously suggested that the question should be directed to Eversource. Accordingly, I would like to take this opportunity to address this important question with you and the other Senate and House members of the Executive and Legislative Nominations Committee (the "Committee").

At the hearing, your specific question to Commissioner Arconti posited that "PURA doesn't get a chance to do a thorough examination of every facet of a utility's operation until they file a rate case," and that there was a "very long period of time between [2018] and a full rate application," by CL&P.<sup>2</sup> Further, you stated that, without a rate application during that time, the "scope of documentation and information that's provided to PURA has been less than there would have been with a full application." Your question to Mr. Arconti was "what is Eversource's strategy?" You further stated that this question is "on the minds of many."

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<sup>1</sup> Connecticut General Assembly – Executive and Legislative Nominations Public Hearing, March 13, 2025, <https://www.youtube.com/watch?v=GMT6FNG5dXk&t=3556s>, at 56:23-58:42/4:42.21.

<sup>2</sup> Commissioner Arconti testified that the Company's most recent rate application was in 2017. That rate application put new rates into effect as of May 1, 2018, implementing a settlement agreement between the Company, PURA's internal Prosecutorial Staff and the Office of Consumer Counsel ("OCC"), covering a three-year period commencing May 26, 2018. On October 1, 2021, the Company entered into a second settlement agreement with OCC, the Office of the Attorney General, the Department of Energy and Environmental Protection and Connecticut Industrial Energy Consumers, wherein the Company paid an unprecedented \$103 million penalty to customers and the State of Connecticut in relation to Storm Isaias. That settlement extended certain aspects of the 2018 Rate Settlement and froze distribution rates freeze through January 1, 2024, along with other terms and conditions.

There are several important items of note in relation to CL&P's filing of a new rate amendment:

**1. Unpublished Management Audit:**

A rate application is *not* the only opportunity that PURA has under Connecticut law to examine the operations of public-service companies. In fact, PURA *has* conducted a “thorough examination of every facet of [CL&P's] operations” in the past three years with the assistance of an independent management consulting firm. The completion of this “thorough examination of every facet of [CL&P's] operations” was not mentioned by PURA at either the February 20, 2025 committee hearing or the March 13, 2025 committee hearing. Eversource awaits PURA's publication of the final management audit report – *two and a half years after the audit was commenced* and a year after the audit report was initially delivered to PURA.

On April 28, 2021, PURA issued its final decision in the storm docket investigating performance following Storm Isaias, announcing that it would exercise its authority under Conn. Gen. Stat. § 16-8(b)(2) to undertake comprehensive management audits to be performed by an independent management consulting firm of “nationally recognized stature” on all of the Connecticut operating affiliates of Eversource and Avangrid.<sup>3</sup> PURA issued a request for proposals to retain an independent management consulting firm in February 2022, ultimately hiring FTI Consulting, Inc. PURA conducted an initial meeting with FTI Consulting and Eversource on July 13, 2022. Eversource was informed that FTI Consulting would conduct its audit of the Avangrid companies first and the final management audit report for the Avangrid companies was published by PURA in June 2023, *less than one year later*.<sup>4</sup>

FTI Consulting commenced its audit of the management and operations of the Eversource operating companies with a kick-off meeting on October 31, 2022. Between November 2022 and January 2024, Eversource responded to 800 written requests for data discovery pertaining to all facets of the companies' operations. Between February 2023 and August 2023, FTI conducted a total of 70 interviews with Eversource managers, directors and executive officers. Eversource estimates the total cost of the management audit to be approximately \$1.4 million.

Eversource's is aware that FTI Consulting initially delivered its audit report to PURA in March 2024. However, PURA did not authorize FTI Consulting to provide Eversource with a copy of the audit report (as is required by law), until October 2024. Eversource provided factual corrections and updates to FTI Consulting in December 2024. On February 26, 2025, FTI informed Eversource that it had submitted its final report to PURA two weeks prior and had no

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<sup>3</sup> Docket No. 20-08-03, *Investigation into Electric Distribution Companies' Preparation for and Response to Tropical Storm Isaias*, Final Decision on April 28, 2021, at 124-125. For Eversource, the management audit included CL&P, Yankee Gas Services Company and Aquarion Water Company of Connecticut.

<sup>4</sup> FTI Consulting's Management Audit report for the Avangrid is dated June 14, 2023 and is available at <https://portal.ct.gov/-/media/pura/docket/management-audit-of-avangrids-connecticut-companies-2023.pdf>.

information on PURA’s timeline for publication. As of this date, the Eversource management audit report remains unpublished by PURA.

Accordingly, Eversource’s expectation is that PURA has, in fact, obtained a broad scope of meaningful, detailed information on the Company’s operations by virtue of FTI Consulting’s review over the past two and a half years. Thus, the premise that this information is not available to PURA without the filing of a rate application is not accurate.

## **2. Electric System Infrastructure Mechanism:**

In addition to the comprehensive examination of all facets of operations through the management audit, the bulk of Eversource’s capital investment over the past four years has already been the subject of PURA’s prudence review by virtue of the Electric System Infrastructure Mechanism, or “ESI.”

A feature of the 2018 Rate Settlement was the establishment of the ESI to provide for recovery of up to \$300 million of capital investment *annually* to maintain and improve the reliability of the electric system. To enable PURA’s prudence review, the Company typically submits over 1,000 pages of testimony, schedules and project documentation each year. These records document and explain all of the capital projects that the Company is seeking to recover through customer rates for that year. The scope of documentation provided to PURA is analogous to a general distribution rate proceeding, although presented on a single-year basis, instead of all at once in a rate proceeding when there is *less time* to review project documentation.

As I recently testified before the Energy & Technology Committee,<sup>5</sup> the settling parties developed the ESI to address the problem that, in a rate case, the utility would historically present a projection of capital expenditures over the period of a multi-year rate plan for inclusion in rates. In CL&P’s 2018 rate case, there was concern that, if the Company did not actually invest the level of capital that it was *forecasting* to complete, customer rates would be established too high.<sup>6</sup> As a solution, the parties included a *lower-than-forecasted* level of capital investment in base rates and then established the ESI mechanism to allow for recovery of capital over that level, *only if actually expended by the Company* on core reliability projects.<sup>7</sup>

The ESI is adjudicated on an annual basis and the Company is required to produce comprehensive documentation for PURA’s prudence review.<sup>8</sup> The docket takes place over a period of seven months, which is roughly 60 percent of the time allowed for a rate application, for *only one year* of project costs. Without an annually recurring mechanism, PURA would normally review at least *four to five years* of project documentation over 350 days in a general distribution

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<sup>5</sup> [www://efaidnbmnnnibpcajpcglefindmkaj/https://www.cga.ct.gov/2025/etdata/chr/pdf/2025ET-00204-R001030-CHR.pdf](http://www.efaidnbmnnnibpcajpcglefindmkaj/https://www.cga.ct.gov/2025/etdata/chr/pdf/2025ET-00204-R001030-CHR.pdf), February 4, 2025, at page

<sup>6</sup> Transcript, E&T Committee Public Hearing, February 4, 2025, at 162-163.

<sup>7</sup> Id.

<sup>8</sup> Id. at 165.

rate proceeding. If PURA were to have the same amount of time to review four to five years of project documents in a general rate proceeding as it has to review annual ESI documentation, PURA would need to conduct rate cases over 840 days or two and a half years.<sup>9</sup>

### **3. PURA's Delayed Storm Cost Prudence Review:**

Eversource is currently carrying a balance of deferred costs for storm restoration in Connecticut totaling approximately \$1.2 billion. Eversource has already filed audited invoice documentation with PURA supporting approximately \$806 million of that total. However, PURA has refused to move forward with that review, claiming that it *cannot* conduct a review of storm costs outside of a rate application, although this contradicts PURA's own precedent.<sup>10</sup>

Eversource cannot reasonably prepare a rate application to support recovery of storm costs on an amortized basis without knowledge of the actual amount of storm costs authorized for recovery through distribution rates. For example, PURA's precedent would allow for amortization of prudently incurred storm costs over a six-year period, which is approximately \$200 million a year for a \$1.2 billion deferral. Eversource's opportunity to propose an alternative bill-impact mitigation strategy as part of its rate application is cut off where PURA is unwilling to complete its prudence review in advance of the rate application, as it has done in the past.

In fact, the task of conducting a comprehensive prudence review for \$1.2 billion of storm costs, which Eversource fully supports and welcomes, is a monumental one, and deserves the necessary time and attention required for its fulsome completion, which is not conducive in a 350-day rate proceeding, given the quantum of storm-cost documentation presented for review. This is the reason that PURA has routinely conducted prudence reviews for storm costs *outside of a rate case*. In 2020, PURA *mandated* that Eversource submit its Isaias storm costs for a prudence review in the context of the storm investigation, although PURA ultimately dropped the cost review from the docket after receiving the documentation.<sup>11</sup>

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<sup>9</sup> Id. at 172, 176.

<sup>10</sup> For example, in 2013, PURA conducted a contested case proceeding to review the prudence of \$462 million of costs associated with Tropical Storm Irene, the October Nor'easter and Storm Sandy, *in advance of the Company's 2014 general distribution rate proceeding*, which was held in a separate case in Docket No. 14-05-06. See, Docket No. 13-03-23, *Petition of The Connecticut Light and Power Company for Approval to Recover Its 2011-2012 Major Storm Costs*, March 12, 2014 Decision. In 2018, PURA also reviewed storm costs outside of a rate case in Docket No. 18-11-12 (Decision on April 17, 2019).

<sup>11</sup> On August 14, 2020, PURA issued a Revised Notice of Proceeding broadening the scope of the Isaias storm investigation to encompass a storm cost review. On October 1, 2020, PURA denied Eversource's Motion No. 30, requesting a procedural conference to discuss the production of storm cost data, which was not readily available by the date of October 19, 2020, just over 60 days from the event. On October 23, 2020, PURA denied Eversource's Motion No. 33, requesting an extension of time to submit a final and complete report on storm costs. On November 6, 2020, PURA denied Eversource's Motion No. 38 (and UI's Motion #39), requesting that the full Commission rule on the Companies' request for additional time. On November 9, 2020 and January 4, 2021, Eversource submitted its compiled storm cost information. However, after compelling the Companies to compile and submit the storm costs, PURA simply dropped its review of costs, omitting it from the final decision.

Eversource first submitted \$634 million of storm costs to PURA for a prudence review on December 22, 2023, covering storms from 2018 through 2021, including Storm Isaias. Over two months later, on March 1, 2024, PURA rejected the Company's filing, improperly treating it as a request for an increase in revenues. On March 11, 2024, Eversource submitted the entire filing to PURA for a second time.

On March 28, 2024, PURA opened Docket No. 24-03-30, captioned as "*Investigation of the 2018-2021 Catastrophic Storm Costs Reported by The Connecticut Light and Power Company d/b/a Eversource Energy.*" However, PURA has not set a schedule for this proceeding designed to conclude the proceeding before a rate application is filed. PURA's current schedule allows for discovery through August 2025 and contemplates a hearing on September 17 and September 18, 2025, although there is no schedule for testimony by other parties or other procedural necessities, nor is there a decision date. On December 30, 2024, Eversource submitted an additional set of invoices supporting storm costs totaling \$173 million for storms occurring through January 31, 2023, bringing the total currently pending before PURA for review to approximately \$806 million.

Through its procedural rulings, PURA has already delayed its review of storm costs by over a year, while new storm costs are continually adding to the deferred balance. At this point, the deferred storm-cost amount is almost *five times* the total revenue request that CL&P made in its 2018 rate application (\$255 million) and will likely be more than double the amount of the rate request in CL&P's new rate application. Leaving the bulk of the work to review \$1.2 billion to a 350-day calendar for the rate application will severely burden the rate proceeding, while also preventing the Company from making reasonable proposals to mitigate customer bill impacts.

Accordingly, Eversource's expectation is that it will need to obtain a final decision on storm-cost recovery before any rate application can be submitted to PURA.

#### **4. PURA's Delayed Implementation of Advanced Metering Infrastructure**

On December 4, 2024, PURA issued a final decision in Docket No. 17-10-46RE04, which was a docket opened by PURA to consider implementation of a rate mechanism to enable the implementation of advanced metering infrastructure ("AMI"). The December 4, 2024 Final Decision comes more than five years after PURA commenced its investigation into AMI as part of its equitable modern grid initiative, and follows from a series of decisions by PURA that have posed serious obstacles for the implementation of AMI.<sup>12</sup>

Over this time period, the cost of implementing AMI has increased from an estimate of \$600 million in 2021 to the most recent estimate of \$1.2 billion in 2025. It will take a full-on

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<sup>12</sup> Eversource has consistently explained to PURA that it plans to implement AMI on a longer-term, phased basis as part of routine operations, if PURA is unwilling to authorize an annual rate mechanism that would support an accelerated implementation plan to deliver AMI to Eversource customers in a three to five-year time period.

collaborative effort and heaps of creativity to make this affordable for customers. However, PURA is not headed in that direction.<sup>13</sup>

On December 9, 2024, Eversource submitted a Motion for Reconsideration and Clarification notifying PURA that the AMI Decision continues to raise obstacles to the implementation of AMI and adds new inconsistencies to the mix. In its Motion, Eversource respectfully requested that PURA directly and unambiguously address the remaining obstacles so that the program can move forward. The primary obstacles are that: (1) notwithstanding PURA’s claims to the contrary, PURA’s framework continues to *bar recovery* of nearly 100% of the approximately \$103 million of operations and maintenance expenses necessary to implement AMI; (2) the Final Decision continues to implicate the concept of “benefit realization” in the prudence review, which is an *outcome* of AMI implementation not a prudence component, affirming the instability and unpredictability of post-implementation cost recovery; and (3) the Final Decision establishes a new recovery cap tied to an impractical project implementation schedule. The Final Decision also creates ambiguity as to the treatment of cost recovery after a rate proceeding, although the AMI implementation will continue for multiple years after that.

On January 3, 2025, PURA issued an Executive Secretary ruling on the Company’s request for reconsideration and clarification, stating that PURA would reconsider the AMI Cost Recovery Decision, “on an appropriate schedule.” However, PURA has not issued any further directives to date. To allow the implementation of the AMI Plan to move forward, PURA will need to address the issues raised by the Company for reconsideration with clarity and transparency. Without resolution of these issues, the Company is prevented from making any proposal in its rate application to accommodate AMI implementation.

Accordingly, Eversource’s expectation is that it will need to obtain a workable final decision on AMI implementation before any rate application can be submitted to PURA.

## **5. Customer Impact of Rate Application**

Eversource is aware that PURA has socialized the proposition that the interests of electric customers will be furthered as soon as PURA can “get under the hood” and use its “tools” in a CL&P rate application to change distribution rates and impose a performance-based ratemaking (“PBR”) framework. However, this is a false premise. There is no relief for customers that is coming from an electric distribution rate case given the magnitude of cost issues that PURA has piled up for that case.

In fact, PURA directives for CL&P’s future rate case contemplates a **\$3 billion** rate proceeding, including an estimated base revenue deficiency in the range of \$400 million or more, deferred storm costs of at least \$1.2 billion, a five-year reliability and resiliency plan on the order

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<sup>13</sup> In contrast, in Massachusetts, the Department of Public Utilities completed its AMI docket in less than two years (2021-2022), approving an AMI plan with a fair and predictable pathway to cost recovery for Eversource and National Grid. As part of that implementation, Eversource was able to procure meter-purchase contracts that locked in lower costs for meters in Connecticut. Unfortunately, Eversource’s ability to take advantage of those contracts in Connecticut will expire in June 2025, with AMI implementation stalled because of the obstacles raised by PURA.

of \$400 million and consideration of costs for advanced metering infrastructure totaling \$1.2 billion. All of these cost items are stacked up for resolution in that case, which is not in the interests of customers. Nor is it plausible that all of these issues can be resolved in this manner.

Consequently, unless PURA is planning on abandoning all applicable law, CL&P's rate application will cause *a substantial rate increase for customers*. In the context of a debilitating outcome from PURA, credit-rating downgrades will occur (again) and performance-based ratemaking will not be implemented as judicial appeals will proceed from there. This should not be an outcome that anyone is seeking. Above all else, the interests of customers and the State of Connecticut are completely undermined by a false premise that customers are served by forcing utilities into a state of financial paralysis, whereas the investment needed to sustain utility systems to the long-term benefit of customers is a necessity.

We plan to continue our engagement with policymakers, regulators, communities and other state leaders to support all of our customers with constructive public policies that, among other goals, leverage new technologies to stabilize customer bills by providing more control to customers.

## **Conclusion**

Eversource operates from a fundamental perspective that customers need and rely on the essential services that we provide and that we should provide those services safely, reliably and at a reasonable cost. We are deeply committed to the State of Connecticut and the municipalities and customers that we serve. We have proven that commitment through our strong storm performance over the past several years, our high level of customer service and service reliability, as well as many other ways.

However, the utility business is unusual in that we must rely on the State's policymakers for fair and balanced treatment in the ratemaking exercise, which is critical for us to fulfill our public-service commitment to customers. As it stands, our perspective on the filing of a distribution rate proceeding is that: (1) we continue to await the results of an intensive two-year examination of our operations that PURA has not published although it was completed a year ago; (2) there are significant issues that need to be resolved prior to the rate filing in relation to storm-cost recovery and AMI implementation, among other issues; and (3) that filing will result in a rate increase for customers, if lawfully reviewed and decided upon, that calls for collaboration. Any representation to the contrary can only mean that PURA has already decided the outcome of that proceeding before we have even submitted the evidence.

Consequently, protecting the long-term interests of our customers and employees requires us to take the steps necessary to resolve the critical outstanding issues regarding storm costs, AMI implementation and other matters on a collaborative, integrated basis as much as we possibly can -- and that's what we intend to do.

Letter to Sen. Looney, Senate President Pro Tempore  
Regarding Questions from Executive and Legislative Nominations Committee  
March 20, 2025  
Page 8

Sincerely,

*Douglas P. Horton*

Douglas P. Horton  
Vice President, Distribution Rates & Regulatory Requirements

On Behalf of The Connecticut Light & Power Company  
d/b/a Eversource Energy

cc: Executive and Legislative Nominations Committee