



March 3, 2023

Mr. Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 76-03-07RE01 Investigation to Consider Rate Adjustment Procedures and Mechanisms Appropriate to Charge or Reimburse the Consumer for Changes in the Cost of Fossil Fuel – Compliance Filing Placeholder

Dear Mr. Gaudiosi:

The enclosed quarterly report for December 2022 of The Southern Connecticut Gas Company (the “Company”) is furnished in compliance with a directive of the Public Utilities Regulatory Authority (“PURA”). This report contains financial information that is unaudited and preliminary and, as such, may be subject to subsequent adjustment.

I hereby certify service of this filing upon all parties and interveners of record in this proceeding.

Very truly yours,

A handwritten signature in black ink, appearing to read "Daniel R. Canavan", is written over a light gray circular stamp.

Daniel R. Canavan
Vice President, Regulatory Affairs
UIL Holdings Corporation
As Agent for The Southern Connecticut Gas Company

180 Marsh Hill Road, Orange, CT 06477
www.soconngas.com

An equal opportunity employer



Docket No. 76-03-07RE01
THE SOUTHERN CONNECTICUT GAS COMPANY

REPORT TO THE CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY (PURA)

DECEMBER 31, 2022

Filing Date: March 3, 2023

Docket No. 76-03-07RE01
THE SOUTHERN CONNECTICUT GAS COMPANY
Statement of Income
Twelve Months Ending December 31, 2022
(In Thousands)
(Unaudited)

Total Operating Revenue	<u>\$ 515,329</u>
Operating Expenses	
Purchased Gas Expense	294,846
O & M Expenses	96,132
Depreciation and Amortization Expenses	35,579
Taxes Other than Income	32,217
Income Taxes	<u>7,511</u>
Total Operating Expenses	466,284
Total Operating Income (Loss)	49,045
Total Other (Income) and Deductions	<u>1,079</u>
Total Income (Loss) Before Interest Charges	47,967
Interest Charges:	
Interest on Long-Term Debt	13,452
Amortization of Debt Discount and Expense	-
Other Interest Charges	<u>5,194</u>
Total Interest Charges	<u>18,645</u>
Net Income (Loss)	<u><u>\$ 29,321</u></u>

Docket No. 76-03-07RE01
The Southern Connecticut Gas Company
Rate Base Summary
As of December 31, 2022
(In Thousands)
(Unaudited)

Line No.	<u>Description</u>		<u>End of Period Rate Base</u>
1	Utility Plant in Service	\$	1,296,240
2	Working Capital		30,101
3	Materials and Supplies		51,922
4	Prepayments		13
5	Deferred Debits / Regulatory Assets		2,114
6	Accumulated Reserve for Depreciation		(480,273)
7	Deferred Income Taxes		(147,124)
8	Reserves / Regulatory Liabilities		(15,984)
9			
10	Total End of Period Rate Base	\$	<u>737,008</u>

			<u>Average Rate Base</u>
11	Utility Plant in Service	\$	1,231,665
12	Working Capital		26,811
13	Materials and Supplies		36,868
14	Prepayments		13
15	Deferred Debits / Regulatory Assets		2,289
16	Accumulated Reserve for Depreciation		(466,209)
17	Deferred Income Taxes		(142,482)
18	Reserves / Regulatory Liabilities		(16,339)
19			
20	Total Average Rate Base	\$	<u>672,616</u>

Docket No. 76-03-07RE01
The Southern Connecticut Gas Company
Rate of Return on Common Equity
Twelve Months Ending December 31, 2022
(Thousands of Dollars)
(Unaudited)

Utility Operating Income	\$ 49,045	
Tax Rectification Adjustment	<u>(1,129)</u>	(1)
Adjusted Utility Operating Income	\$ 47,916	
Average Rate Base	<u>\$ 672,616</u>	
Rate of Return on Rate Base	7.12%	
Exclude Weighted Cost of Debt	<u>-2.16%</u>	
Common Equity Component	4.96%	
Common Equity Percent of Total Capitalization	<u>53.64%</u>	
Adjusted Return on Common Equity	<u>9.25%</u>	
Unadjusted Return on Common Equity (before tax rectification)	<u>9.56%</u>	

<u>Average Capital Structure and Cost Rates</u>	<u>Capital Structure</u>		<u>Cost of Debt</u>	
	<u>Amount</u>	<u>Weighting</u>	<u>Rate</u>	<u>Weighted Rate</u>
Capital Structure per Books:				
Long Term Debt	\$ 304,000	37.87%	4.68%	1.77%
Short Term Debt	8,173	1.02%	3.97%	(4) 0.04%
Common Equity	<u>490,548</u>	<u>61.11%</u>		
	<u>\$ 802,721</u>	<u>100.00%</u>		<u>1.81%</u>
Adjustments:				
Long Term Debt	(29,581)	(2)		
Short Term Debt	-			
Common Equity	(163,557)	(3)		
Adjusted Capital Structure:				
Long Term Debt	\$ 274,419	45.02%	4.68%	2.11%
Short Term Debt	8,173	1.34%	3.97%	(4) 0.05%
Common Equity	<u>326,991</u>	<u>53.64%</u>		
Total	<u>\$ 609,583</u>	<u>100.00%</u>		<u>2.16%</u>

- Notes:
- (1) This adjustment is to exclude the portion of taxes relating to debt expense not included in the return on rate base.
- (2) Long Term Debt Adjustments are as follows:
- | | |
|---|--------------------|
| . To deduct unamortized debt expense. | \$ (1,318) |
| . To eliminate the effects of merger-related expenses in SCG's capital structure (Energy East Acquisition). | <u>(28,262)</u> |
| Total | <u>\$ (29,581)</u> |
- (3) Common Equity Adjustments are as follows:
- | | |
|--|---------------------|
| . To eliminate the effects of the portion of goodwill recorded to paid-in capital (Energy East Acquisition). | \$ (245,937) |
| . To eliminate the effects of goodwill amortizations (Energy East Acquisition). | 13,517 |
| . To eliminate the effects of Purchase Accounting pertaining to the UIL Acquisition | (110,022) |
| . To eliminate the effects of goodwill impairments (Iberdrola - Sale of SCG to UIL). | 178,885 |
| Total | <u>\$ (163,557)</u> |
- (4) Short-term debt rate includes an apportioned cost of the Avangrid revolving credit facility fee.



March 3, 2023

Mr. Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

RE: Docket No. 76-03-07RE01; Investigation to Consider Rate Adjustment Procedures and Mechanisms Appropriate to Charge or Reimburse the Consumer for Changes in the Cost of Fossil Fuel – Compliance Filing Placeholder

Dear Mr. Gaudiosi:

The enclosed quarterly report for December 31, 2022 of Connecticut Natural Gas Corporation (the “Company”) is furnished in compliance with Order No. 1 of the Decision in Docket No. 92-10-09, and a directive of the Public Utilities Regulatory Authority (“PURA”). This report contains financial information that is unaudited and preliminary and, as such, may be subject to subsequent adjustment. Page 4 of this report shows the December 31, 2022 rolling 12-month ROE for the Company of 10.18%. This includes the 50% portion of earnings sharing totaling \$4.065 million of revenue owed back to customers.

I hereby certify service of this filing upon all parties and interveners of record in this proceeding.

Very truly yours,

Daniel R. Canavan
Vice President, Regulatory Affairs
UIL Holdings Corporation
As Agent for Connecticut Natural Gas Corporation

180 Marsh Hill Road, Orange, CT 06477
www.cngcorp.com

An equal opportunity employer



CONNECTICUT NATURAL GAS CORPORATION

REPORT TO THE CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY (PURA)

DECEMBER 31, 2022

Filing Date: March 3, 2023

CONNECTICUT NATURAL GAS CORPORATION
Statement of Income
Twelve Months Ending December 31, 2022
(In Thousands)
(Unaudited)

Total Operating Revenue	\$	525,973
Operating Expenses		
Purchased Gas Expense		283,647
O & M Expenses		110,148
Depreciation and Amortization Expenses		44,646
Taxes Other than Income		31,666
Income Taxes		10,187
Total Operating Expenses		<u>480,294</u>
Total Operating Income (Loss)		45,678
Total Other (Income) and Deductions		<u>1,705</u>
Total Income (Loss) Before Interest Charges		43,973
Interest Charges:		
Interest on Long-Term Debt		9,383
Amortization of Debt Discount and Expense		-
Other Interest Charges		25
Total Interest Charges		<u>9,408</u>
Net Income (Loss)		34,565
Preferred Stock Dividends		<u>-</u>
Balance for Common Stock	\$	<u><u>34,565</u></u>

CONNECTICUT NATURAL GAS CORPORATION
Rate Base Summary
As of December 31, 2022
(In Thousands)
(Unaudited)

Line No.	Description	<u>End of Period Rate Base</u>
1	Utility Plant in Service	\$ 1,218,161
2	Working Capital	41,164
3	Materials and Supplies	59,612
4	Prepayments	54
5	Deferred Debits / Regulatory Assets	(8,924)
6	Accumulated Reserve for Depreciation	(649,441)
7	Deferred Income Taxes	(45,881)
8	Reserves / Regulatory Liabilities	(7,103)
9		
10	Total End of Period Rate Base	<u>\$ 607,642</u>

		<u>Average Rate Base</u>
11	Utility Plant in Service	\$ 1,169,838
12	Working Capital	37,053
13	Materials and Supplies	43,497
14	Prepayments	54
15	Deferred Debits / Regulatory Assets	(4,299)
16	Accumulated Reserve for Depreciation	(636,955)
17	Deferred Income Taxes	(41,856)
18	Reserves / Regulatory Liabilities	(8,138)
19		
20	Total Average Rate Base	<u>\$ 559,193</u>

CONNECTICUT NATURAL GAS CORPORATION
Rate of Return on Common Equity
Twelve Months Ended December 31, 2022
(Thousands of Dollars)
(Unaudited)

	Pre-Sharing	
Utility Operating Income	\$ 45,678	
Tax Rectification Adjustment	<u>574</u>	(1)
Adjusted Utility Operating Income	\$ 46,252	
Average Rate Base	<u>\$ 559,193</u>	
Rate of Return on Rate Base	8.27%	
Exclude Weighted Cost of Debt	<u>-2.06%</u>	
Common Equity Component	6.21%	
Common Equity Percent of Total Capitalization	<u>56.16%</u>	
Pre-Sharing Adjusted Return on Common Equity	<u>11.07%</u>	
Pre-Sharing Unadjusted Return on Common Equity (before tax rectification)	<u>10.88%</u>	

Average Capital Structure and Cost Rates

	Capital Structure		Cost of Debt	
	Amount	Weighting	Rate	Weighted Rat
Capital Structure per Books:				
Long Term Debt	\$ 190,000	29.49%	4.75%	1.40%
Short Term Debt	12,817	1.99%	3.70%	(4) 0.07%
Preferred Stock	340	0.05%	8.00%	0.00%
Common Equity	<u>441,024</u>	<u>68.46%</u>		
	<u>\$ 644,180</u>	<u>100.00%</u>		<u>1.48%</u>
Adjustments:				
Long Term Debt	(773)	(2)		
Short Term Debt	-			
Preferred Stock	-			
Common Equity	(181,759)	(3)		
Adjusted Capital Structure:				
Long Term Debt	\$ 189,227	40.99%	4.75%	1.95%
Short Term Debt	12,817	2.78%	3.70%	(4) 0.10%
Preferred Stock	340	0.07%	8.00%	0.01%
Common Equity	<u>259,265</u>	<u>56.16%</u>		
Total	<u>\$ 461,649</u>	<u>100.00%</u>		<u>2.06%</u>

Notes:

(1)	This adjustment is to exclude the portion of taxes relating to debt expense not included in the return on rate base.	
(2)	Long Term Debt Adjustments are as follows:	
	. To deduct unamortized debt expense.	\$ (773)
	Total	<u>\$ (773)</u>
(3)	Common Equity Adjustments are as follows:	
	. To eliminate the effects of the portion of goodwill recorded to paid-in capital (Energy East Acquisition).	\$ (215,176)
	. To eliminate the effects of goodwill amortizations (Energy East Acquisition).	7,812
	. To eliminate the effects of Purchase Accounting pertaining to the UIL Acquisition.	(65,317)
	. To eliminate the effects of goodwill impairments (Iberdrola - Sale of CNG to UIL).	<u>90,923</u>
	Total	<u>\$ (181,759)</u>
(4)	Short-term debt rate includes an apportioned cost of the Avangrid revolving credit facility fee.	

(Thousands of Dollars)
(Unaudited)

Utility Operating Income	\$	45,678	
Tax Rectification Adjustment		<u>574</u>	(1)
Adjusted Utility Operating Income	\$	46,252	
Less: Debt Cost Return		<u>11,493</u>	-2.06%
Return on Equity Rate Base	\$	34,759	11.07%
Average Rate Base	\$	<u>559,193</u>	
Debt Percent of Total Capitalization	43.84%	\$ 245,146	
Common Equity Percent of Total Capitalization	<u>56.16%</u>	\$ 314,047	
Earnings at 9.30%	\$	29,206	9.30%
Earnings Above 9.30% to be shared		5,553	
50% to Customer		2,776	
Gross Revenue Conversion Factor		1,4643	
Customer Sharing Amount		<u>4,065</u>	
Total Customer Sharing Amount	\$	4,065	
Post-Sharing earnings and ROE	\$	31,983	10.18%

Notes: (1) This adjustment is to exclude the portion of taxes relating to debt expense not included in the return on rate base.