

March 7, 2024

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

Re: Docket No. 76-03-07 Investigation to Consider Rate Adjustment Procedures and Mechanisms Appropriate to Charge or Reimburse the Consumer for Changes in the Cost of Fossil Fuel and/or Purchased Gas for Electric and Gas Public Service Companies – **Compliance Order No. 1**

Dear Mr. Gaudiosi:

The United Illuminating Company (“UI” or “Company”) hereby submits the calculation of its earned return on equity on a Distribution-only basis in compliance with Order No. 1 and the Public Utility Regulatory Authority’s (“PURA”) letter dated June 30, 2003, both issued in Docket No. 76-03-07.

Exhibits 1a through 1e, attached hereto, report the average return on equity for UI Distribution of 4.31 percent for the twelve months ended December 31, 2023, computed in compliance with Order No. 19 in Docket No. 22-08-08, using the common equity ratio authorized in the final decision in that docket (Exhibit 1d). In further compliance with Order No. 19 in Docket No. 22-08-08, the report demonstrates that excluding “all disallowed expenses” from the computation increases the return on equity for UI Distribution from 4.31 percent to 4.63 percent.

Exhibit 1d also provides the Company’s average return on equity of 4.35 percent for the twelve months ended December 31, 2023, utilizing the Company’s actual common equity ratio, which is greater than the common equity balance authorized in the final decision in Docket No. 22-08-08. Both computations utilizing the actual and allowed equity ratio show that the Company’s earned return on equity has deteriorated below the earned return on equity of 4.61 percent previously reported for the twelve months ended September 30, 2023.

Please note that the computation of an earned return on equity of 4.31 percent for the twelve months ended December 31, 2023, does not account for the write-off of deferred assets required by the Authority’s Decision, valued at \$23.948M on a post-tax basis. The impact of these write-offs on the earned return on equity for the twelve months ended December 31, 2023, is -3.81 percent, causing an earned return on equity of **0.50 percent** (where 4.31% minus 3.81% = 0.50%).

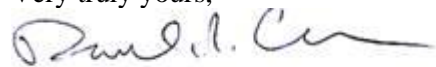
Exhibit 2a through 2e, attached hereto, report the average return on equity for UI Distribution of 2.09 percent for the three months ended December 31, 2023.

Continuing Barrier to Availability of Investment Capital:

The Company's current return on equity is not only below the cost of equity expected in the markets, it is also below fixed income returns. As a result, the Company's current level of return is not financeable in the equity markets. Equity investors take on more risk than holders of Company bonds or debt, and for this reason they demand higher returns to compensate for the higher volatility of returns than bond/debt holders, as well as their lower priority claim on Company assets in the case of default and discretionary dividends. As reflected in Exhibit 1d, the Company's embedded cost of debt is 4.59 percent, or more than 20 basis points *higher* than its return on equity. Consequently, the Company's earned return on equity is substantially insufficient to attract equity capital to finance operations and a continuing barrier to obtaining investment capital. Furthermore, as a result of PURA's decision in Docket No. 22-08-08, the rates authorized by PURA are not sufficient to yield a reasonable return on Company assets currently in rate base and therefore are unjust, unreasonable and confiscatory.

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 The United Illuminating Company

Attachments

**The United Illuminating Company**  
**Rate of Return on Common Stock Equity**  
**FOR THE QUARTER ENDED December 31, 2023**  
**December 31, 2023**  
**Distribution Company**

**Exhibit 2e**

**End of Period:**

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 17,774,036}{\$ 1,343,198,035} = \underline{\underline{1.32\%}}$$

**Average:**

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 17,774,036}{\$ 1,378,051,293} = \underline{\underline{1.29\%}}$$

THE UNITED ILLUMINATING COMPANY  
STATEMENT OF INCOME  
TWELVE MONTHS ENDED December 31, 2023  
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 250,364,150
Commercial Service	135,019,012
Industrial Service	21,777,260
Other Sales to Ultimate Consumers	7,101,287
Total Sales of Electricity	<u>414,261,708</u>
OTHER ELECTRIC REVENUES	<u>60,487,838</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>474,749,545</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	261,401,414
Depreciation and Amortization	77,245,171
Other Taxes	69,476,828
Income Taxes	10,754,430
Total Electric Operating Expenses	<u>418,877,843</u>
TOTAL UTILITY OPERATING INCOME	55,871,702
OTHER INCOME AND DEDUCTIONS - NET	6,556,267
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	5,981,536
TOTAL INCOME	<u>68,409,505</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on L/T Debt and Amort. Debt Disc., Prem. & Expense	25,794,411
Other Interest Charges	2,611,454
Allowance for Borrowed Funds Used During Construction - Credit	(3,241,554)
Net Interest Charges	<u>25,164,311</u>
NET INCOME	<u><u>\$ 43,245,194</u></u>

THE UNITED ILLUMINATING COMPANY  
STATEMENT OF INCOME  
(RATEMAKING)  
TWELVE MONTHS ENDED December 31, 2023  
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 250,364,150
Commercial Service	135,019,012
Industrial Service	21,777,260
Other Sales to Ultimate Consumers	7,101,287
Total Sales of Electricity	<u>414,261,708</u>
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Total Electric Operating Expenses	<u>418,877,843</u>
TOTAL UTILITY OPERATING INCOME	<u>\$ 55,871,702</u>

THE UNITED ILLUMINATING COMPANY  
 RATE BASE AT December 31, 2023  
 AND RATE OF RETURN ON RATE BASE  
 TWELVE MONTHS ENDED December 31, 2023  
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10  
 Distribution Company

	Average	End of Period December 2023
Rate Base:		
Utility Plant in Service	\$ 2,417,966,168	\$ 2,508,380,797
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	800,502,906	826,208,892
Net Utility Plant in Service	1,617,463,262	1,682,171,905
Add:		
Working Capital	20,769,073	9,379,791
Prepaid Expenses	2,026,814	6,270,031
Regulatory Asset - SFAS 158	80,099,533	87,588,634
Deferred Taxes:		
Total UI-Distribution ADITs	(320,174,327)	(332,748,069)
Deduct:		
Customer Advances for Construction	552,935	552,935
Allowance for Bad Debt	13,353,846	14,700,000
Pension Liabilities	118,734,430	119,175,775
Reserve for Injuries and Damages	8,347,275	7,917,963
Accrued Vacation	3,266,462	3,476,000
Customer Security Deposits	356,221	1,136,913
Rate Base	\$ 1,255,573,187	\$ 1,305,702,706
Operating Income	\$ 55,871,702	\$ 55,871,702
Rate of Return on Rate Base	<u>4.45%</u>	<u>4.28%</u>

**The United Illuminating Company**  
**Rate of Return on Rate Base Common Stock Equity**  
**TWELVE MONTHS ENDED December 31, 2023**  
**Distribution Company**

	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 1,255,573,187		\$ 55,871,702		\$ 1,305,702,706		\$ 55,871,702
Less Long-term Debt	50.00%	<u>627,786,594</u>	4.59%	<u>28,817,616</u>	50.00%	<u>652,851,353</u>	4.50%	<u>29,400,577</u>
Applicable to Common Stock	50.00%	<u>\$ 627,786,594</u>		<u>\$ 27,054,086</u>	50.00%	<u>\$ 652,851,353</u>		<u>\$ 26,471,125</u>
Rate of Return on Rate Base Common Stock Equity				<u>4.31%</u>				<u>4.05%</u>
O&M Adjustment Required by PURA								
Incentive Compensation		(1,418,337)						
Employee Recognition Awards and Loyalty Gifts		(3,417)						
Caregiver Program		(20,764)						
Industry Association Dues		(416,843)						
Board of Directors (75%)		(4,970)						
Investor Relations		(57,051)						
Audit Services (50%)		(86,069)						
Communications and Brand Services		(250,376)						
Non-Industry Dues		(124,291)						
Advertising		<u>(364,935)</u>						
Total Disallowed Expenses:		<u>(2,747,051)</u>						
Tax Effect		755,920						
Total PURA Adjustments		<u>\$ (1,991,131)</u>						

	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 1,255,573,187		\$ 57,862,833		\$ 1,305,702,706		\$ 57,862,833
Less Long-term Debt	50.00%	<u>627,786,594</u>	4.59%	<u>28,817,616</u>	50.00%	<u>652,851,353</u>	4.50%	<u>29,400,577</u>
Applicable to Common Stock	50.00%	<u>\$ 627,786,594</u>		<u>\$ 29,045,217</u>	50.00%	<u>\$ 652,851,353</u>		<u>\$ 28,462,256</u>
Rate of Return on Rate Base Common Stock Equity				<u>4.63%</u>				<u>4.36%</u>

## Notes:

As directed in Order 19 in Docket No. 22-08-08, the Company has (1) excluded all disallowed expenses from the earned ROE calculation and (2) computed the earned ROE using the authorized allowed rate making common equity portion which was less than the actual carried common equity position.

**The United Illuminating Company**  
**Rate of Return on Rate Base Common Stock Equity**  
**TWELVE MONTHS ENDED December 31, 2023**

**Exhibit 1d**

**Distribution Company**

	<u>Average</u>				<u>End of Period</u>			
	<u>Capitalization Ratio</u>	<u>Average Rate Base</u>	<u>Embedded Cost</u>	<u>Return</u>	<u>Capitalization Ratio</u>	<u>Rate Base</u>	<u>Embedded Cost</u>	<u>Return</u>
Total		\$ 1,255,573,187		\$ 55,871,702		\$ 1,305,702,706		\$ 55,871,702
Less								
Long-term Debt	40.84%	<u>512,776,090</u>	4.59%	<u>23,538,229</u>	43.59%	<u>569,155,809</u>	4.50%	<u>25,631,423</u>
Applicable to Common Stock	59.16%	<u>\$ 742,797,098</u>		<u>\$ 32,333,473</u>	56.41%	<u>\$ 736,546,896</u>		<u>\$ 30,240,279</u>
Rate of Return on Rate Base Common Stock Equity				<u>4.35%</u>				<u>4.11%</u>



**The United Illuminating Company**  
**Rate of Return on Common Stock Equity**  
**TWELVE MONTHS ENDED December 31, 2023**

**Exhibit 1e**

**Distribution Company**

**End of Period:**

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 43,245,194}{\$ 1,343,198,035} = \underline{\underline{3.22\%}}$$

**Average:**

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 43,245,194}{\$ 1,334,767,132} = \underline{\underline{3.24\%}}$$

QUARTER ENDED December 31, 2023

Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 64,060,325
Commercial Service	35,204,528
Industrial Service	5,678,150
Other Sales to Ultimate Consumers	1,914,993
Total Sales of Electricity	<u>106,857,996</u>
OTHER ELECTRIC REVENUES	<u>17,969,060</u>
TOTAL ELECTRIC OPERATING REVENUES <sup>(1)</sup>	<u>124,827,055</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	65,286,887
Depreciation and Amortization	18,117,629
Other Taxes	17,221,787
Income Taxes	4,243,639
Total Electric Operating Expenses	<u>104,869,942</u>
TOTAL UTILITY OPERATING INCOME	19,957,113
OTHER INCOME AND DEDUCTIONS - NET	3,344,425
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	1,191,512
TOTAL INCOME	<u>24,493,050</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on L/T Debt and Amort. Debt Disc., Prem. & Expense	6,736,615
Other Interest Charges	1,007,562
Allowance for Borrowed Funds Used During Construction - Credit	(1,025,163)
Net Interest Charges	<u>6,719,014</u>
NET INCOME	<u>\$ 17,774,036</u>

THE UNITED ILLUMINATING COMPANY  
STATEMENT OF INCOME  
(RATEMAKING)  
QUARTER ENDED December 31, 2023  
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 64,060,325
Commercial Service	35,204,528
Industrial Service	5,678,150
Other Sales to Ultimate Consumers	1,914,993
Total Sales of Electricity	106,857,996
OTHER ELECTRIC REVENUES	17,969,060
TOTAL ELECTRIC OPERATING REVENUES	124,827,055
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	65,286,887
Depreciation and Amortization	18,117,629
Other Taxes	17,221,787
Income Taxes	4,243,639
Total Electric Operating Expenses	104,869,942
TOTAL UTILITY OPERATING INCOME	\$ 19,957,113

THE UNITED ILLUMINATING COMPANY  
RATE BASE AT December 31, 2023  
AND RATE OF RETURN ON RATE BASE  
FOR THE QUARTER ENDED December 31, 2023  
REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10  
Distribution Company

	Average	End of Period December 2023
Rate Base:		
Utility Plant in Service	\$ 2,394,242,243	\$ 2,508,380,797
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	790,717,269	826,208,892
Net Utility Plant in Service	1,603,524,973	1,682,171,905
Add:		
Working Capital	23,234,027	9,379,791
Prepaid Expenses	1,121,477	6,270,031
Regulatory Asset - SFAS 158	78,865,183	87,588,634
Deferred Taxes:		
Total UI-Distribution ADITs	(318,201,816)	(332,748,069)
Deduct:		
Customer Advances for Construction	552,935	552,935
Allowance for Bad Debt	13,076,923	14,700,000
Pension Liabilities	121,131,149	119,175,775
Reserve for Injuries and Damages	7,533,327	7,917,963
Accrued Vacation	3,273,154	3,476,000
Customer Security Deposits	180,088	1,136,913
Rate Base	\$ 1,242,796,268	\$ 1,305,702,706
Operating Income	\$ 19,957,113	\$ 19,957,113
Rate of Return on Rate Base	<u>1.61%</u>	<u>1.53%</u>

**The United Illuminating Company**  
**Rate of Return on Rate Base Common Stock Equity**  
**FOR THE QUARTER ENDED December 31, 2023**  
**December 31, 2023**  
**Distribution Company**

**Exhibit 2d**

	<b>Average</b>				<b>End of Period</b>			
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 1,242,796,268		\$ 19,957,113		\$ 1,305,702,706		\$ 19,957,113
Less								
Long-term Debt	50.00%	621,398,134	1.13%	6,996,027	50.00%	652,851,353	1.15%	7,492,044
Applicable to Common Stock	50.00%	\$ 621,398,134		\$ 12,961,086	50.00%	\$ 652,851,353		\$ 12,465,069
Rate of Return on Rate Base Common Stock Equity				2.09%				1.91%