

The United Illuminating Company
157 Church Street
P. O. Box 1564
New Haven, CT 06506-0901
203.499.2000



May 8, 2017

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”) submits the calculation of rate of return on common stock equity (ROE) on a Distribution-only basis (i.e., total Company excluding Transmission) in compliance with the above-referenced proceedings and in response to the Authority’s letter request dated March 27, 2003.

Exhibits 1a through 1e – Average ROE for UI Distribution of 6.38% for the twelve months ended March 31, 2017.

Exhibit 2a through 2e – Average ROE for UI Distribution of 1.97% for the three months ended March 31, 2017.

If the Authority or the Staff has any questions regarding this filing, please call me at 203-499-2323.

Very truly yours,

Steven P. Favuzza
Vice President, Controller & Treasurer of UIL Holdings Corporation on behalf of
The United Illuminating Company

Attachments

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
TWELVE MONTHS ENDED MARCH 31, 2017
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 228,200,027
Commercial Service	131,191,259
Industrial Service	19,318,868
Other Sales to Ultimate Consumers	8,333,135
Total Sales of Electricity	<u>387,043,289</u>
OTHER ELECTRIC REVENUES	<u>2,384,471</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>389,427,760</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	199,619,739
Depreciation and Amortization	56,361,747
Total Taxes	75,533,539
Total Electric Operating Expenses	<u>331,515,025</u>
TOTAL UTILITY OPERATING INCOME	57,912,735
OTHER INCOME AND DEDUCTIONS - NET	12,823,677
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	2,294,804
TOTAL INCOME	<u>73,031,217</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	28,683,524
Amort. Debt Disc., Prem. & Expense	1,378,305
Other Interest Charges	54,176
Allowance for Borrowed Funds Used During Construction - Credit	<u>(1,327,327)</u>
Net Interest Charges	<u>28,788,678</u>
NET INCOME	<u><u>\$ 44,242,539</u></u>

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(RATEMAKING)
TWELVE MONTHS ENDED MARCH 31, 2017
Distribution Company

OPERATING REVENUES	
Residential Service	\$ 228,200,027
Commercial Service	131,191,259
Industrial Service	19,318,868
Other Sales to Ultimate Consumers	8,333,135
Total Sales of Electricity	<u>387,043,289</u>
OTHER ELECTRIC REVENUES	<u>2,384,471</u>
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Total Electric Operating Expenses	<u>331,515,025</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 57,912,735</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT March 31, 2017
 AND RATE OF RETURN ON RATE BASE
 FOR THE TWELVE MONTHS ENDED March 31, 2017
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10
 Distribution Company

	Average	End of Period March 2017
Rate Base:		
Utility Plant in Service	\$ 1,639,393,520	\$ 1,682,321,647
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	427,005,772	432,216,983
Net Utility Plant in Service	1,212,387,747	1,250,104,664
Add:		
Working Capital	28,929,548	26,685,756
Prepaid Expenses	1,810,900	1,823,550
Regulatory Asset - SFAS 158	197,149,569	236,687,876
Regulatory Asset - UPZ	21,160,068	20,706,424
Deferred Taxes:		
Pension Costs	(20,390,000)	(19,989,422)
2013 Rate Case Storm Reserve	2,527,192	2,558,615
Pension Liability (taxes on SFAS 158)	73,822,519	83,890,830
Injuries and Damages	1,771,419	1,921,859
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,229,864	1,031,899
Regulatory Liability - UPZ Amortization	1,623,407	1,666,129
Deduct:		
Customer Advances for Construction	3,114,106	3,263,961
Allowance for Bad Debt	3,084,615	2,600,000
Pension Liabilities	179,915,978	226,488,236
2013 Rate Case Storm Reserve	6,186,518	6,263,441
Reserve for Injuries and Damages	4,243,551	4,600,748
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	3,974,069	4,078,650
Deferred Taxes:		
Accelerated Tax Depreciation	141,432,248	153,964,332
Regulatory Asset - SFAS 158	73,822,519	83,890,830
Pensions (account 282)	(11,423,191)	(13,432,993)
Regulatory Asset - UPZ	8,583,962	8,650,705
Repairs and maintenance deduction	126,385,555	126,339,081
Rate Base	\$ 981,159,406	\$ 998,838,290
Returns on Ratebase:		
Operating Income	\$ 57,912,735	\$ 57,912,735
Rate of Return on Rate Base	5.90%	5.80%

The United Illuminating Company
 Rate of Return on Rate Base Common Stock Equity
 For Twelve Months Ended
 March 31, 2017
 Distribution Company

Exhibit 1d

	Average			End of Period				
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 981,159,406		\$ 57,912,735		\$ 998,838,290		\$ 57,912,735
Less								
Long-term Debt	47.20%	463,107,239	5.36%	24,838,369	44.81%	447,579,438	5.58%	24,967,568
Applicable to Common Stock	52.80%	<u>\$ 518,052,166</u>		<u>\$ 33,074,366</u>	55.19%	<u>\$ 551,258,852</u>		<u>\$ 32,945,167</u>
Rate of Return on Rate Base Common Stock Equity				<u>6.38%</u>				<u>5.98%</u>

**The United Illuminating Company
Rate of Return on Common Stock Equity
For the Twelve Months Ended
March 31, 2017
Distribution Company**

Exhibit 1e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 44,242,539}{\$ 977,405,607} = \underline{\underline{4.53\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 44,242,539}{\$ 935,581,075} = \underline{\underline{4.73\%}}$$

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2017
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 60,309,629
Commercial Service	33,021,597
Industrial Service	4,686,265
Other Sales to Ultimate Consumers	2,259,440
Total Sales of Electricity	<u>100,276,931</u>
OTHER ELECTRIC REVENUES	<u>2,837,762</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>103,114,693</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	49,552,560
Depreciation and Amortization	14,936,597
Total Taxes	21,503,277
Total Electric Operating Expenses	<u>85,992,435</u>
TOTAL UTILITY OPERATING INCOME	17,122,258
OTHER INCOME AND DEDUCTIONS - NET	2,996,515
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	364,256
TOTAL INCOME	<u>20,483,030</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	6,982,480
Amort. Debt Disc., Prem. & Expense	309,058
Other Interest Charges	(136,232)
Allowance for Borrowed Funds Used During Construction - Credit	(216,710)
Net Interest Charges	<u>6,938,596</u>
NET INCOME	<u>\$ 13,544,435</u>

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(RATEMAKING)
THREE MONTHS ENDED MARCH 31, 2017
Distribution Company

OPERATING REVENUES	
Residential Service	\$ 60,309,629
Commercial Service	33,021,597
Industrial Service	4,686,265
Other Sales to Ultimate Consumers	2,259,440
Total Sales of Electricity	<u>100,276,931</u>
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Operation & Maintenance Expenses	49,552,560
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Total Taxes	21,503,277
Total Electric Operating Expenses	<u>85,992,435</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 17,122,258</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT March 31, 2017
 AND RATE OF RETURN ON RATE BASE
 FOR THE THREE MONTHS ENDED March 31, 2017
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10
 Distribution Company

	Average	End of Period March 2017
Rate Base:		
Utility Plant in Service	\$ 1,674,657,262	\$ 1,682,321,647
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	426,210,270	432,216,983
Net Utility Plant in Service	1,248,446,992	1,250,104,664
Add:		
Working Capital	27,963,842	26,685,756
Prepaid Expenses	1,916,866	1,823,550
Regulatory Asset - SFAS 158	236,687,876	236,687,876
Regulatory Asset - UPZ	21,890,529	20,706,424
Deferred Taxes:		
Pension Costs	(19,422,306)	(19,989,422)
2013 Rate Case Storm Reserve	2,762,865	2,558,615
Pension Liability (taxes on SFAS 158)	69,347,714	83,890,830
Injuries and Damages	1,880,499	1,921,859
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,093,174	1,031,899
Regulatory Liability - UPZ Amortization	1,943,817	1,666,129
Deduct:		
Customer Advances for Construction	3,360,503	3,263,961
Allowance for Bad Debt	2,750,000	2,600,000
Pension Liabilities	224,304,036	226,488,236
2013 Rate Case Storm Reserve	6,763,441	6,263,441
Reserve for Injuries and Damages	4,508,499	4,600,748
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	4,758,425	4,078,650
Deferred Taxes:		
Accelerated Tax Depreciation	153,987,119	153,964,332
Regulatory Asset - SFAS 158	69,347,714	83,890,830
Pensions (account 282)	(11,973,434)	(13,432,993)
Regulatory Asset - UPZ	9,034,717	8,650,705
Repairs and maintenance deduction	124,742,865	126,339,081
Rate Base	\$ 1,001,385,086	\$ 998,838,290
Returns on Ratebase:		
Operating Income	\$ 17,122,258	\$ 17,122,258
Rate of Return on Rate Base	1.71%	1.71%

Exhibit 2J

The United Illuminating Company
 Rate of Return on Rate Base Common Stock Equity
 For the Three Months Ended
 March 31, 2017
 Distribution Company

	Average			End of Period				
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 1,001,385,086	\$ 17,122,258			\$ 998,838,290	\$ 17,122,258	
Less								
Long-term Debt	45.04%	451,023,843	1.39%	6,289,377	44.81%	447,579,438	1.39%	6,241,892
Applicable to Common Stock	54.96%	\$ 550,361,243	\$ 10,832,881		55.19%	\$ 551,258,852	\$ 10,880,367	
Rate of Return on Rate Base Common Stock Equity			1.97%					1.97%

**The United Illuminating Company
Rate of Return on Common Stock Equity
For the Three Months Ended
March 31, 2017
Distribution Company**

Exhibit 2e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 13,544,435}{\$ 977,405,607} = \underline{\underline{1.39\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 13,544,435}{\$ 968,453,720} = \underline{\underline{1.40\%}}$$