

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



November 7, 2016

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 –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 7.39% for the twelve months ended September 30, 2016.

Exhibit 2a through 2e – Average ROE for UI Distribution of 2.74% for the three months ended September 30, 2016.

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 September 30, 2016
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 220,609,665
Commercial Service	128,670,909
Industrial Service	19,268,298
Other Sales to Ultimate Consumers	8,528,744
Total Sales of Electricity	<u>377,077,617</u>
OTHER ELECTRIC REVENUES	<u>8,456,883</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>385,534,500</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	185,523,526
Depreciation and Amortization	68,185,828
Total Taxes	71,032,170
Total Electric Operating Expenses	<u>324,741,524</u>
TOTAL UTILITY OPERATING INCOME	60,792,976
OTHER INCOME AND DEDUCTIONS - NET	13,347,221
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	3,527,861
TOTAL INCOME	<u>77,668,058</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	29,052,047
Amort. Debt Disc., Prem. & Expense	1,460,197
Other Interest Charges	714,279
Allowance for Borrowed Funds Used During Construction - Credit	(1,972,655)
Net Interest Charges	<u>29,253,868</u>
NET INCOME	<u>\$ 48,414,190</u>

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(RATEMAKING)
TWELVE MONTHS ENDED September 30, 2016
Distribution Company

OPERATING REVENUES	
Residential Service	\$ 220,609,665
Commercial Service	128,670,909
Industrial Service	19,268,298
Other Sales to Ultimate Consumers	8,528,744
Total Sales of Electricity	<u>377,077,617</u>
OTHER ELECTRIC REVENUES	<u>8,456,883</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>385,534,500</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	185,250,002
Depreciation and Amortization	68,185,828
Total Taxes	71,143,904
Total Electric Operating Expenses	<u>324,579,734</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 60,954,765</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT September 30, 2016
 AND RATE OF RETURN ON RATE BASE
 FOR THE TWELVE MONTHS ENDED September 30, 2016
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10

	Average	End of Period September 2016
Rate Base:		
Utility Plant in Service	\$ 1,604,252,140	\$ 1,636,985,642
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	430,044,054	432,762,313
Net Utility Plant in Service	1,174,208,086	1,204,223,329
Add:		
Working Capital	29,368,088	29,387,249
Prepaid Expenses	1,667,666	2,613,481
Regulatory Asset - SFAS 158	180,976,678	181,029,680
Regulatory Asset - UPZ	19,110,633	21,893,121
Deferred Taxes:		
Pension Costs	(21,374,133)	(21,224,183)
2013 Rate Case Storm Reserve	2,147,075	2,558,615
Pension Liability (taxes on SFAS 158)	71,879,126	69,347,714
Injuries and Damages	1,643,883	1,782,433
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,346,130	1,195,299
Regulatory Liability - UPZ Amortization	683,540	2,221,505
Deduct:		
Customer Advances for Construction	1,836,843	3,687,536
Allowance for Bad Debt	3,369,231	3,000,000
Pension Liabilities	159,104,610	159,181,275
2013 Rate Case Storm Reserve	5,255,997	6,263,441
Reserve for Injuries and Damages	3,932,269	4,271,434
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	1,673,292	5,438,200
Deferred Taxes:		
Accelerated Tax Depreciation	129,752,883	135,686,454
Regulatory Asset - SFAS 158	71,879,126	69,347,714
Pensions (account 282)	(9,659,860)	(11,610,530)
Regulatory Asset - UPZ	7,547,160	8,706,060
Repairs and maintenance deduction	123,258,854	132,213,433
Rate Base	\$ 962,163,469	\$ 977,300,327
Returns on Ratebase:		
Operating Income	\$ 60,954,765	\$ 60,954,765
Rate of Return on Rate Base	6.34%	6.24%

The United Illuminating Company
 Rate of Return on Rate Base Common Stock Equity
 For Twelve Months Ended
 September 30, 2016
 Distribution Company

Exhibit Id

	Average			End of Period				
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 962,163,469		\$ 60,954,765		\$ 977,300,327	\$ 60,954,765	
Less Long-term Debt	48.88%	470,305,504	5.23%	24,606,649	47.81%	467,247,286	5.31%	24,804,916
Applicable to Common Stock	51.12%	\$ 491,857,966		\$ 36,348,117	52.19%	\$ 510,053,041	\$ 36,149,849	
Rate of Return on Rate Base Common Stock Equity				<u>7.39%</u>				<u>7.09%</u>

The United Illuminating Company
Rate of Return on Common Stock Equity
For the Twelve Months Ended
September 30, 2016
Distribution Company

Exhibit 1e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 48,414,190}{\$ 936,374,140} = \underline{\underline{5.17\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 48,414,190}{\$ 896,850,840} = \underline{\underline{5.40\%}}$$

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
Three Months Ended September 30, 2016
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 66,567,582
Commercial Service	36,482,516
Industrial Service	5,436,268
Other Sales to Ultimate Consumers	2,038,673
Total Sales of Electricity	<u>110,525,039</u>
OTHER ELECTRIC REVENUES	<u>(5,959,842)</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>104,565,198</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	45,806,836
Depreciation and Amortization	16,366,453
Total Taxes	22,626,374
Total Electric Operating Expenses	<u>84,799,664</u>
TOTAL UTILITY OPERATING INCOME	19,765,534
OTHER INCOME AND DEDUCTIONS - NET	3,217,674
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	512,784
TOTAL INCOME	<u>23,495,992</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	7,160,593
Amort. Debt Disc., Prem. & Expense	308,565
Other Interest Charges	369,354
Allowance for Borrowed Funds Used During Construction - Credit	(291,375)
Net Interest Charges	<u>7,547,137</u>
NET INCOME	<u>\$ 15,948,855</u>

THE UNITED ILLUMINATING COMPANY
 STATEMENT OF INCOME
 (RATEMAKING)
 Three Months Ended September 30, 2016
 Distribution Company

OPERATING REVENUES	
Residential Service	\$ 66,567,582
Commercial Service	36,482,516
Industrial Service	5,436,268
Other Sales to Ultimate Consumers	2,038,673
Total Sales of Electricity	<u>110,525,039</u>
OTHER ELECTRIC REVENUES	<u>(5,959,842)</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>104,565,198</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	45,693,657
Depreciation and Amortization	16,366,453
Total Taxes	22,672,608
Total Electric Operating Expenses	<u>84,732,718</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 19,832,480</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT September 30, 2016
 AND RATE OF RETURN ON RATE BASE
 Three Months Ended September 30, 2016

REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10

	Average	End of Period September 2016
Rate Base:		
Utility Plant in Service	\$ 1,621,933,946	\$ 1,636,985,642
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	430,906,349	432,762,313
Net Utility Plant in Service	1,191,027,597	1,204,223,329
Add:		
Working Capital	28,534,759	29,387,249
Prepaid Expenses	2,053,410	2,613,481
Regulatory Asset - SFAS 158	181,029,680	181,029,680
Regulatory Asset - UPZ	21,201,259	21,893,121
Deferred Taxes:		
Pension Costs	(21,256,622)	(21,224,183)
2013 Rate Case Storm Reserve	2,456,490	2,558,615
Pension Liability (taxes on SFAS 158)	69,347,714	69,347,714
Injuries and Damages	1,735,225	1,782,433
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,256,574	1,195,299
Regulatory Liability - UPZ Amortization	2,221,505	2,221,505
Deduct:		
Customer Advances for Construction	3,725,981	3,687,536
Allowance for Bad Debt	3,150,000	3,000,000
Pension Liabilities	159,517,254	159,181,275
2013 Rate Case Storm Reserve	6,013,441	6,263,441
Reserve for Injuries and Damages	4,155,872	4,271,434
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	5,438,200	5,438,200
Deferred Taxes:		
Accelerated Tax Depreciation	134,518,457	135,686,454
Regulatory Asset - SFAS 158	69,347,714	69,347,714
Pensions (account 282)	(11,780,215)	(11,610,530)
Regulatory Asset - UPZ	8,464,235	8,706,060
Repairs and maintenance deduction	130,031,038	132,213,433
Rate Base	\$ 965,482,718	\$ 977,300,327
Returns on Ratebase:		
Operating Income	\$ 19,832,480	\$ 19,832,480
Rate of Return on Rate Base	2.05%	2.03%

The United Illuminating Company
 Rate of Return on Rate Base Common Stock Equity
 For the Three Months Ended
 September 30, 2016
 Distribution Company

	Average			End of Period				
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 965,482,718	\$ 19,832,480	\$ 19,832,480		\$ 977,300,327	\$ 19,832,480	\$ 19,832,480
Less								
Long-term Debt	48.16%	464,976,477	1.32%	6,118,613	47.81%	467,247,286	1.33%	6,201,229
Applicable to Common Stock	51.84%	\$ 500,506,241		\$ 13,713,867	52.19%	\$ 510,053,041		\$ 13,631,251
Rate of Return on Rate Base Common Stock Equity				2.74%				2.67%

The United Illuminating Company
Rate of Return on Common Stock Equity
For the Three Months Ended
September 30, 2016
Distribution Company

Exhibit 2e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 15,948,855}{\$ 936,374,140} = \underline{\underline{1.70\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 15,948,855}{\$ 923,492,407} = \underline{\underline{1.73\%}}$$