

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



March 13, 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 –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 6.76% for the twelve months ended December 31, 2016.

Exhibit 2a through 2e – Average ROE for UI Distribution of 1.12% for the three months ended December 31, 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 December 31, 2016
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 222,234,776
Commercial Service	128,260,747
Industrial Service	19,086,806
Other Sales to Ultimate Consumers	8,245,173
Total Sales of Electricity	<u>377,827,502</u>
OTHER ELECTRIC REVENUES	<u>4,887,572</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>382,715,074</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	195,224,035
Depreciation and Amortization	57,199,020
Total Taxes	71,555,762
Total Electric Operating Expenses	<u>323,978,817</u>
TOTAL UTILITY OPERATING INCOME	58,736,257
OTHER INCOME AND DEDUCTIONS - NET	12,743,582
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	2,873,625
TOTAL INCOME	<u>74,353,464</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	28,798,278
Amort. Debt Disc., Prem. & Expense	1,418,634
Other Interest Charges	175,334
Allowance for Borrowed Funds Used During Construction - Credit	(1,636,831)
Net Interest Charges	<u>28,755,414</u>
NET INCOME	<u>\$ 45,598,049</u>

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(RATEMAKING)
TWELVE MONTHS ENDED December 31, 2016
Distribution Company

OPERATING REVENUES	
Residential Service	\$ 222,234,776
Commercial Service	128,260,747
Industrial Service	19,086,806
Other Sales to Ultimate Consumers	8,245,173
Total Sales of Electricity	<u>377,827,502</u>
OTHER ELECTRIC REVENUES	<u>4,887,572</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>382,715,074</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	195,224,035
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Total Taxes	71,555,762
Total Electric Operating Expenses	<u>323,978,817</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 58,736,257</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT December 31, 2016
 AND RATE OF RETURN ON RATE BASE
 FOR THE TWELVE MONTHS ENDED December 31, 2016
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10
 Distribution Company

	Average	End of Period December 2016
Rate Base:		
Utility Plant in Service	\$ 1,621,953,030	\$ 1,664,956,516
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	426,249,143	419,089,485
Net Utility Plant in Service	1,195,703,888	1,245,867,031
Add:		
Working Capital	29,415,729	30,852,266
Prepaid Expenses	1,704,208	2,255,468
Regulatory Asset - SFAS 158	182,796,804	236,687,876
Regulatory Asset - UPZ	20,393,758	23,056,864
Deferred Taxes:		
Pension Costs	(20,830,909)	(19,144,279)
2013 Rate Case Storm Reserve	2,354,365	2,762,865
Pension Liability (taxes on SFAS 158)	70,466,415	83,890,830
Injuries and Damages	1,693,722	1,840,262
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,302,137	1,113,599
Regulatory Liability - UPZ Amortization	1,196,195	2,221,505
Deduct:		
Customer Advances for Construction	2,469,226	3,509,165
Allowance for Bad Debt	3,261,538	2,800,000
Pension Liabilities	163,904,885	221,516,929
2013 Rate Case Storm Reserve	5,763,441	6,763,441
Reserve for Injuries and Damages	4,054,274	4,413,000
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	2,928,262	5,438,200
Deferred Taxes:		
Accelerated Tax Depreciation	136,190,016	154,312,300
Regulatory Asset - SFAS 158	70,466,415	83,890,830
Pensions (account 282)	(10,051,493)	(10,556,284)
Regulatory Asset - ETT (UPZ)	8,240,027	9,418,729
Repairs and maintenance deduction	125,287,839	122,979,168
Rate Base	\$ 972,138,986	\$ 1,005,375,912

Returns on Ratebase:

The United Illuminating Company
 Rate of Return on Rate Base Common Stock Equity
 For Twelve Months Ended
 December 31, 2016
 Distribution Company

	Average		End of Period					
	Capitalization Ratio	Average Rate Base	Embedded Cost	Return	Capitalization Ratio	Rate Base	Embedded Cost	Return
Total		\$ 972,138,986		\$ 58,736,257		\$ 1,005,375,912		\$ 58,736,257
Less								
Long-term Debt	48.26%	469,154,275	5.27%	24,740,105	45.37%	456,139,051	5.65%	25,772,123
Applicable to Common Stock	51.74%	\$ 502,984,711		\$ 33,996,151	54.63%	\$ 549,236,861		\$ 32,964,134
Rate of Return on Rate Base Common Stock Equity				6.76%				6.00%

The United Illuminating Company
Rate of Return on Common Stock Equity
For the Twelve Months Ended
December 31, 2016
Distribution Company

Exhibit 1e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 45,598,049}{\$ 955,684,128} = \underline{\underline{4.77\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 45,598,049}{\$ 913,718,390} = \underline{\underline{4.99\%}}$$

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
Three Months Ended December 31, 2016
Distribution Company

SALES OF ELECTRICITY	
Residential Service	\$ 51,805,443
Commercial Service	30,143,132
Industrial Service	4,629,144
Other Sales to Ultimate Consumers	1,992,860
Total Sales of Electricity	<u>88,570,578</u>
OTHER ELECTRIC REVENUES	<u>4,817,208</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>93,387,786</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	59,784,224
Depreciation and Amortization	3,607,466
Total Taxes	17,816,674
Total Electric Operating Expenses	<u>81,208,363</u>
TOTAL UTILITY OPERATING INCOME	12,179,423
OTHER INCOME AND DEDUCTIONS - NET	3,544,101
ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	609,417
TOTAL INCOME	<u>16,332,942</u>
INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES	
Interest on Long-Term Debt	7,244,044
Amort. Debt Disc., Prem. & Expense	308,809
Other Interest Charges	(8,287)
Allowance for Borrowed Funds Used During Construction - Credit	(341,282)
Net Interest Charges	<u>7,203,284</u>
NET INCOME	<u>\$ 9,129,658</u>

THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(RATEMAKING)
Three Months Ended December 31, 2016
Distribution Company

OPERATING REVENUES	
Residential Service	\$ 51,805,443
Commercial Service	30,143,132
Industrial Service	4,629,144
Other Sales to Ultimate Consumers	1,992,860
Total Sales of Electricity	<u>88,570,578</u>
OTHER ELECTRIC REVENUES	<u>4,817,208</u>
TOTAL ELECTRIC OPERATING REVENUES	<u>93,387,786</u>
ELECTRIC OPERATING EXPENSES:	
Operation & Maintenance Expenses	59,784,224
Depreciation and Amortization	3,607,466
Total Taxes	17,816,674
Total Electric Operating Expenses	<u>81,208,363</u>
ELECTRIC UTILITY OPERATING INCOME	<u>\$ 12,179,423</u>

THE UNITED ILLUMINATING COMPANY
 RATE BASE AT December 31, 2016
 AND RATE OF RETURN ON RATE BASE
 FOR THE THREE MONTHS ENDED December 31, 2016
 REFLECTING THE DECISION TO DOCKET NOS. 840601, 880914, 920605, 960329, 990304, 990335 AND 01-10-10
 Distribution Company

	Average	End of Period December 2016
Rate Base:		
Utility Plant in Service	\$ 1,643,373,557	\$ 1,664,956,516
Less: Accum. Prov. For Depr. & Amort. & Cost of Removal	419,241,551	419,089,485
Net Utility Plant in Service	1,224,132,005	1,245,867,031
Add:		
Working Capital	30,013,473	30,852,266
Prepaid Expenses	2,255,134	2,255,468
Regulatory Asset - SFAS 158	194,944,229	236,687,876
Regulatory Asset - UPZ	22,411,615	23,056,864
Deferred Taxes:		
Pension Costs	(19,690,627)	(19,144,279)
2013 Rate Case Storm Reserve	2,660,740	2,762,865
Pension Liability (taxes on SFAS 158)	69,347,714	83,890,830
Injuries and Damages	1,821,306	1,840,262
Vacation Accrual	1,026,050	1,026,050
Allowance for Bad Debt	1,174,874	1,113,599
Regulatory Liability - UPZ Amortization	2,221,505	2,221,505
Deduct:		
Customer Advances for Construction	3,625,179	3,509,165
Allowance for Bad Debt	2,950,000	2,800,000
Pension Liabilities	176,434,553	221,516,929
2013 Rate Case Storm Reserve	6,513,441	6,763,441
Reserve for Injuries and Damages	4,366,595	4,413,000
Accrued Vacation	2,568,947	2,568,947
Regulatory Liability - UPZ Amortization	5,438,200	5,438,200
Deferred Taxes:		
Accelerated Tax Depreciation	144,847,278	154,312,300
Regulatory Asset - SFAS 158	69,347,714	83,890,830
Pensions (account 282)	(12,002,532)	(10,556,284)
Regulatory Asset - ETT (UPZ)	9,005,140	9,418,729
Repairs and maintenance deduction	126,073,215	122,979,168
Rate Base	\$ 993,150,289	\$ 1,005,375,912
Returns on Ratebase:		
Operating Income	\$ 12,179,423	\$ 12,179,423
Rate of Return on Rate Base	1.23%	1.21%

The United Illuminating Company
Rate of Return on Rate Base Common Stock Equity
For Three Months Ended
December 31, 2016
Distribution Company

Exhibit 2d

	<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		\$ 993,150,289	\$ 12,179,423	\$ 12,179,423		\$ 1,005,375,912	\$ 12,179,423	
Less								
Long-term Debt	46.90%	465,787,485	1.34%	6,252,543	45.37%	456,139,051	1.41%	6,443,031
Applicable to Common Stock	53.10%	<u>\$ 527,362,803</u>		<u>\$ 5,926,880</u>	54.63%	<u>\$ 549,236,861</u>		<u>\$ 5,736,392</u>
Rate of Return on Rate Base Common Stock Equity				<u>1.12%</u>				<u>1.04%</u>

**The United Illuminating Company
Rate of Return on Common Stock Equity
For the Three Months Ended
December 31, 2016
Distribution Company**

Exhibit 2e

End of Period:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 9,129,658}{\$ 955,684,128} = \underline{\underline{0.96\%}}$$

Average:

$$\frac{\text{Income for Common Stock}}{\text{Common Stock Equity}} = \frac{\$ 9,129,658}{\$ 946,965,208} = \underline{\underline{0.96\%}}$$