STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 17-05-42 APPLICATION OF THE SOUTHERN CONNECTICUT GAS COMPANY TO INCREASE ITS RATES AND CHARGES

December 13, 2017

By the following Commissioners:

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DECISION

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I. INTRODUCTION

A. SUMMARY

In this decision, the Public Utilities Regulatory Authority approves the Amended Settlement Agreement as filed by The Southern Connecticut Gas Company, the Office of Consumer Counsel and the Prosecutorial Unit of the Public Utilities Regulatory Authority. The Public Utilities Regulatory Authority finds that the total rate increase of $11.193 million over the three rate years will allow The Southern Connecticut Gas Company to attract capital needed for the company to continue to provide safe, adequate, and reliable gas distribution services at reasonable rates.

B. BACKGROUND OF THE PROCEEDING

On June 30, 2017, pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e, The Southern Connecticut Gas Company (SCG or Company) filed an application for a rate increase (Application) with the Public Utilities Regulatory Authority (PURA or Authority). SCG proposed a total rate increase of $23.4 million over the three-year rate plan.

By letter dated September 5, 2017 (Motion No. 14), SCG, the Office of Consumer Counsel (OCC) and the Prosecutorial Staff of the Public Utilities Regulatory Authority (PRO; together, the Settling Parties) jointly submitted for approval a proposed settlement agreement (Settlement Agreement). The Settling Parties stated that the Settlement Agreement resolves revenue requirement issues relating to the Application and eliminated the need to adjudicate the Company's revenue requirement thereby avoiding costs and resource-consuming litigation. On October 16, 2017, the Settling Parties submitted an amended Settlement Agreement (Amended Settlement Agreement) for the Authority's review and approval, herein incorporated as Appendix A.

C. CONDUCT OF THE PROCEEDING

Pursuant to a Notice of Pre-Hearing Conference dated June 16, 2017, the Authority conducted a Pre-Hearing Conference on July 11, 2017, to discuss procedural issues with all admitted parties and intervenors at the Authority's offices located at Ten Franklin Square, New Britain, CT.

By Notice of Audit dated July 10, 2017 and by Notice of Change of Location of Audit dated July 17, 2017, the Authority conducted an audit of the Company's books and records at 180 Marsh Hill Road, Orange, CT beginning on July 31, 2017.

The Authority held noticed hearings on October 2, 2017 and October 3, 2017 in the Authority's offices. The Authority held a noticed technical meeting on October 10, 2017.

By Notice of Close of Record dated November 22, 2017, the record was closed.

Public Comment hearings were also held on September 7, 2017, at 6:30 p.m., in the Wheeler Rooms A & B, Bridgeport City Hall, 45 Lyon Terrace, Bridgeport, Connecticut and September 12, 2017, at the Kennedy Mitchell Hall of Records, 200 Orange Street, New Haven, Connecticut.

D. PARTIES AND INTERVENORS

The Authority recognized the following as parties to this proceeding: The Southern Connecticut Gas Company, 180 Marsh Hill Road, Orange, CT 06477; Office of Consumer Counsel, Ten Franklin Square, New Britain, CT 06051; the Commissioner of the Department of Energy and Environmental Protection, 79 Elm Street, Hartford, CT 06106; and Prosecutorial Division of the Authority, Ten Franklin Square, New Britain, CT 06051. The Authority granted Intervenor status to the Office of the Attorney General.

E. PUBLIC COMMENT

The Authority held two evening public comment hearings for the purpose of receiving comments from the general public concerning the Application on September 7, 2017, at the Bridgeport City Hall, 45 Lyon Terrace, Bridgeport and on September 12, 2017, at the Kennedy Mitchell Hall of Records, 200 Orange Street, New Haven. No members of the public attended either hearing.

Additionally, the Authority received four letters and emails regarding the Application. None of that correspondence supported SCG's rate increase request, citing opposition to the increase and demanding reasonable rates for all Connecticut residents.

II. AUTHORITY ANALYSIS

Pursuant to Conn. Gen. Stat. § 4-177, a contested case may be resolved by a proposed settlement agreement unless it is precluded by law. Conn. Gen. Stat. § 16-19jj, directs the Authority to encourage the use of proposed settlement agreements to resolve contested cases when the Authority deems it appropriate to do so. The Authority may approve proposed settlements which are just and reasonable and in the public interest.

A. AMENDED SETTLEMENT AGREEMENT

In the Amended Settlement Agreement, the Settling Parties agreed to a three-year rate plan for the rate years 2018, 2019 and 2020, with new rates effective January 1, 2018. The Company will recover an increase in its revenue requirement of $1.507 million over its current rates which is an increase of 0.4% over currently authorized revenues and 0.8% over currently authorized distribution revenues. The net increase to customers will be $757,000 which reflects the $750,000 annual merger rate credit as was accepted by the Authority in its Decision dated December 9, 2015 in Docket No. 15-07-38, Joint Application of Iberdrola, S.A., Iberdrola USA, Inc., Iberdrola USA Networks, Inc. Green Merger Sub, Inc. and UIL Holdings Corporation for Approval of a Change of Control. Effective January 1, 2019, the Company will recover an incremental

increase in its allowed revenue requirement of $4.673 million which is an incremental increase of 1.2% over the prior year overall revenues and 2.3% over the prior year distribution revenues. Effective January 1, 2020, the Company will recover an incremental increase of $5.013 million which is an incremental increase of 1.3% over the prior year overall revenues and 2.4% over the prior year distribution revenues. The total increase for the three-year rate plan is $11.193 million. The total net increase to customers after the annual merger credit is $10.443 million. Joint Brief, pp. 9 and 10; Amended Settlement Agreement, Attachment 1, pp. 3 and 4.

In addition, the Amended Settlement Agreement includes adjustments made to rate base and Operation and Maintenance (O&M) expense. Some of the adjustments made to O&M were specific to particular items. Other O&M adjustments were made during the discovery process and some of the adjustments were a result of settlement negotiations.

To determine the reasonableness of the settlement amount and to exercise its due diligence responsibility, the PURA conducted an analysis based on the record evidence, which included responses to over 600 interrogatories and audit data requests. The Authority considered adjustments to rate base items, revenues, uncollectibles, pensions, other specific operation and maintenance expenses and property taxes. The Authority approves the Amended Settlement Agreement.

B. CUSTOMER SERVICE REVIEW

1. Standard Bill Form and Termination Notice

SCG's standard bill form, termination notice and customer rights notice were reviewed and found to be in compliance with applicable regulations. Application, Schedule H-2.0 and H-2.1; Response to Interrogatories CA-2, CA-3 and CA-6. Besides written notification of a pending termination, SCG will call the delinquent customer seven days after the disconnect notice is mailed requesting that the customer contact the Company. Response to Interrogatory CA-1. SCG has also affirmed that customers will not be terminated for unregulated charges in compliance with applicable regulations. Response to Interrogatory CA-2.

2. Policies and Procedures for Estimated Billing

SCG provided its policies and procedures for generating an estimated bill. SCG's billing system produces an estimated bill based upon historical usage in the comparable month in the prior year. If the corresponding month of the previous year is not available, the amount is based on the previous month. All of these procedures have been reviewed and found to be in compliance with applicable regulations. Application, Exhibit H-2.2; Response to Interrogatory CA-4.

SCG's bill form and associated customer notices were also reviewed and found acceptable. The United Illuminating Company (UI), an affiliate of SCG, also provides its customers with the proper estimated bill form. Additionally, the Company provides customers with notification (in both English and Spanish) as required by the Regulations of Connecticut State Agencies (Conn. Agencies Regs.) §16-3-102C3. SCG sends a

letter after the second consecutive estimated bill to alert their customers. Response to Interrogatory CA-4.

The Authority notes however, that the issuance of estimated bills by SCG occurs very infrequently. The table below shows the percentage of estimated bills issued over time periods ranging from 1-3 months to as long as 12 or more months:

Year	1 to 3 Months	4 to 6 Months	7 to 11 Months	12+ Months
2014	3.53%	0.31%	0.18%	0.17%
2015	4.75%	0.034%	0.019%	0.17%
2016	1.14%	0.012%	0.012%	0.016%

Response to Interrogatory CA-5.

3. Customer Security Deposits

The Authority reviewed the current policies and procedures used by SCG to administer customer security deposits and found them to be in compliance with applicable regulations. Presently, the Company utilizes a residential security deposit checklist when customers contact SCG to initiate service, including those customers whose service was terminated for non-payment during the prior two years. Response to Interrogatory CA-9. The security deposit checklist includes all of the questions and provisions to be discussed with customers as required by Conn. Agencies Regs. §16-262j-1. Application, Schedule H-2.3.

SCG does not provide a written copy of its policies and procedures to those customers required to provide a security deposit. Response to Interrogatory CA-7. However, the Company maintains its terms and conditions on its website which include the security deposit policies and procedures. Tr. 10/3/17, pp. 5 and 6. The Company also makes customers aware of the policy's availability on-line via mailings of its rules and regulations to new customers and existing customers. Tr. 10/2/17, p. 25.

According to SCG, customers are not provided a separate receipt for a paid security deposit. Once the deposit is paid, the customer will see the amount and the date it was paid on its monthly SCG bill. Response to Interrogatory CA-8. Further, after customers are quoted an amount for the security deposit, they receive an invoice with the deposit request which, along with the information on the bill, is the receipt or confirmation of the payment. Tr. 10/3/17, p. 6.

4. Service Appointments

SCG schedules service appointments during normal hours of operation as well as during evenings. The service appointments are made Monday through Friday from 8:30 a.m. to 8:00 p.m. If the workload dictates that certain work will not be completed during the period promised, the customer will be advised by telephone. SCG's new Ventyx Service Suite Dispatch Application provides notification to dispatchers, supervisory staff and assigned technician when service appointment windows are in

jeopardy of being missed. The Customer Service Department will make after hour and weekend appointments upon special requests from customers on a best-effort basis. Application, Schedule H-2.4, Response to Interrogatory CA-11. Over the last three years, SCG has kept at least 96% of its scheduled service appointments. Response to Interrogatory CA-11.

5. Customer Call Center

SCG's Customer Care Center addresses customer complaints and inquiries. Its operating hours are 7:30 a.m. to 6:30 p.m. Monday through Friday. Response to Interrogatory CA-22. According to SCG, there is no queue time in the IVR. The IVR offers options for self-service or to be transferred to customer service. Statistics below, submitted by SCG for calendar years 2015 and 2016, indicate the call center's monthly performance:

2015	ASA[1]	ACR[2]	2016	ASA	ACR
January	1:01	4.8%	January	1:34	7.1%
February	1:05	5.0%	February	:53	4.2%
March	2:17	6.17%	March	:37	3.1%
April	5:53	15.0%	April	1:16	6.9%
May	4:02	17.1%	May	2:03	12.0%
June	4:16	17.9%	June	1.52	10.7%
July	1:23	6.7%	July	1:31	9.5%
August	:50	3.7%	August	:35	3.0%
September	:38	3.5%	September	:36	3.2%
October	2:03	9.5%	October	:58	4.1%
November	2:00	8.8%	November	:39	2.9%
December	1:54	9.1%	December	:30	2.4%

Response to Interrogatory CA-23.

The Authority notes that SCG has continued to meet monthly with the PURA's Consumer Affairs staff. These meetings have been valuable for both parties as a means to discuss complaint trends, ongoing or anticipated issues. The Authority finds that there is value in continuing the monthly compliance meetings. Accordingly, the Authority will direct SCG to continue the monthly meetings with Authority staff.

6. Customer Service Summary

Overall, SCG's customer service policies and procedures are in compliance with applicable statutes and regulations.

C. COST OF CAPITAL

[1] Average speed of answer in minutes and seconds.
[2] Abandoned call rate.

1. Introduction

In determining the appropriate cost of capital, Conn. Gen. Stat. §16-19e (a) requires that:

> [t]he level and structure of rates be sufficient, but no more than sufficient, to allow public service companies to cover their operating costs including, but not limited to, appropriate staffing levels, and capital costs, to attract needed capital and to maintain their financial integrity, and yet provide appropriate protection to the relevant public interests, both existing and foreseeable . . .

In addition, in Federal Power Commission v. Hope Natural Gas Company, 320 US 591 (1944) (Hope Decision), the Court established criteria to determine cost of capital allowances. In that decision, the Court determined that companies need to be allowed to earn a level of revenues sufficient to enable them to operate successfully, maintain their financial integrity and to attract capital and compensate their investors for their risk.

To determine a rate of return (ROR) on rate base that is appropriate for the Company's overall cost of capital, the Authority identifies the components of its capital structure and estimates the cost of each component. The components are then weighted according to their proportion of total capitalization. These weighted costs are summed to determine the Company's overall cost of capital, which becomes the allowed ROR.

2. Capital Structure and Costs

a. Capital Structure

The Settling Parties proposed rates that are based on a capital structure for each of the rate years 2018 through 2020 which is as follows:

Rate Year 2018 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Short-term Debt	8.03%	2.59%	0.21%
Long-term Debt	39.55%	6.46%	2.55%
Common Equity	52.42%	9.25%	4.85%
Total Capitalization	100.00%		7.61%

Amended Settlement Agreement, Attachment 6; Tr. 10/2/17, pp. 35 and 36.

Rate Year 2019 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Short-term Debt	6.23%	3.37%	0.21%
Long-term Debt	41.37%	5.69%	2.36%
Common Equity	52.40%	9.25%	4.85%
Total Capitalization	100.00%		7.41%

Id.

Rate Year 2020 Proposed Average Rate Year Capitalization

Class of Capital	Ratemaking Percentage	Cost	Ratemaking Weighted Cost
Short-term Debt	5.17%	3.73%	0.19%
Long-term Debt	42.64%	5.63%	2.40%
Common Equity	52.19%	9.25%	4.83%
Total Capitalization	100.00%		7.42%

Id.

The capital structures for the three rate years 2018 through 2020 were the result of a negotiation process among the OCC, SCG and PRO. The Settling Parties believe that these rate year capital structures are consistent with what was allowed in SCG's last rate case in Docket No. 08-12-07, Application of The Southern Connecticut Gas Company for a Rate Increase (2008 Rate Case). Specific parameters that were considered in developing the above capital structures were comparability to SCG's local gas distribution company (LDC) peers and that they are within the range for investment grade ratings. The importance of this is to be able to attract capital under various market conditions at interest rates that are commensurate with companies whose risk is comparable to that of SCG.

Using this philosophy, the Settling Parties based their targeted capital structure on examination of a gas company peer group, along with the specific business risks of SCG and the competitive market for capital. A common equity percentage of approximately 52% will align SCG with its peer group of LDCs, maintain its credit metrics and insure its ability to access the capital markets at reasonable interest rates given a variety of capital market conditions. Response to Interrogatory FI-184. In addition, on a level specific to SCG to develop a ratemaking capital structure, factors such as forecasted capital investments and working capital needs must be considered. This develops a financing plan that balances SCG's capital needs to target the ratemaking capital structure. The levels of short-term debt and long-term debt are based on the costs of this debt and levels of short-term debt that are reasonable for SCG's size and relative to the liquidity available to SCG. Response to Interrogatory FI-184.

The Authority believes this decision-making process produces optimal results and concurs with this reasoning. The Authority notes that the equity percentage for gas utilities is shown as 50.64% for the first half of 2017, in the Regulatory Research

Associates (RRA) Regulatory Focus Major Rate Case Decisions. The largest equity percentage in the RRA database is 55.15%. Response to Interrogatory FI-205. The Authority finds that the SCG equity percentages of 52.42% in Rate Year 2018, 52.40% in Rate Year 2019 and 52.19 in Rate Year 2020 are all acceptable.

The summing of the weighted costs of the classes of capital produced an overall ROR on rate base of 7.61% for the Rate Year 2018, 7.41% for the Rate Year 2019 and 7.42% for the Rate Year 2020. The Authority approves the Amended Settlement Agreement capital structures and the resulting ROR on rate base for the three rate years of 2018, 2019 and 2020.

b. Cost of Short-Term Debt

The Amended Settlement Agreement provided for cost rates of short-term debt of 2.59% in 2018, 3.37% in 2019 and 3.73% in 2020. Amended Settlement Agreement, Attachment 6. These rates are based on forecasted market rates. The source of funding for short-term debt is either from its affiliated utilities or from AVANGRID, which is the parent corporation of UIL Holdings, which in turn is the parent corporation of SCG, under a pooling agreement. In addition, SCG has a committed bank facility consisting of a syndicate of 19 bank lenders. Tr. 10/2/17, pp. 40 and 41. More specifically, SCG for its short-term debt, pays interest at the A2/P2 30-day commercial paper rate published by the Federal Reserve. This rate is significantly lower than the rate available to SCG under its committed revolving credit facility. Response to Interrogatory FI-179. The Authority finds SCG short-term debt is at the least cost. The Authority approves the cost rates of short-term debt of 2.59% in 2018, 3.37% in 2019 and 3.73% in 2020.

c. Cost of Long-Term Debt

The Amended Settlement Agreement provided for cost rates of long-term debt of 6.46% in 2018, 5.69% for 2019 and 5.63% for 2020 and was the same as proposed in the Application. These cost rates were developed using forecasted 10-year and 30-year United States Treasury security rates as published in the December 2016 issue of Blue Chip Financial Forecast and added an average of the then current spreads applicable to a 10-year note and 30-year bond, provided by several investment bankers. This was added to a 10 basis point forecast adder. The result of this was then averaged with the resulting forecasted 10-year and 30-year coupons to obtain a forecasted coupon representing an average range of maturities from which the Company may choose to issue debt. Response to Interrogatory FI-174; Tr. 10/2/17, pp. 34 and 35. The decreasing interest rates on the long-term debt portfolio reflect that as high coupon debt matures and is replaced by lower coupon debt, the result is that the overall portfolio cost of debt comes down. This is partially offset by the expectation of rising long-term interest rates. Response to Interrogatory FI-187. The Authority approves the cost rates of long-term debt of 6.46% in 2018, 5.69% for 2019 and 5.63% for 2020.

d. Cost of Equity

The Amended Settlement Agreement stipulated a 9.25% allowed return on equity (ROE) for all three rate years of 2018-2020. This 9.25% allowed ROE was a product of

settlement negotiations. Tr. 10/2/17, pp. 41 and 42. It was not developed using formulaic calculations or any specific methodology such as discounted cash flow, the capital asset pricing model or a risk premium methodology. Response to Interrogatory FI-208. The Settling Parties made use of certain data points of allowed ROEs found in the publication of RRA Regulatory Focus Major Rate Case Decisions from January 2017 through June 2017, which showed the average of local gas distribution companies allowed ROEs was 9.50% during the first six months of 2017. In addition, an extract from the RRA database that lists gas utilities showed that since July 1, 2017, three awarded ROEs were granted of 9.60%, 9.55% and 10.10%. Response to Interrogatory FI-205. The Settling Parties believe that SCG is risk-comparable to the LDCs in RRA's database. Tr. 10/2/17, pp. 44 and 45.

The joint Brief of SCG, OCC and PRO provided a comparative history of SCG's allowed ROE. SCG's current allowed ROE is 9.36% as adjudicated in the 2008 Rate Case. The national average for gas companies through June 2017 was 9.50%. SCG provided evidence in support of an allowed ROE of 9.95% through its expert cost of capital witness. Given these bench marks, the allowed ROE as set forth in the Amended Settlement Agreement is a reduction of 70 basis points from SCG's proposed ROE, is 25 basis points less than the current national average and is 11 basis points less than SCG's current allowed ROE. Joint Brief, p. 13. The Authority finds this shows the effect of the negotiation process was to decrease the allowed ROE from Application.

Included in the Amended Settlement Agreement are the decoupling and DIMP mechanisms. The Amended Settlement Agreement does not make an explicit adjustment to the ROE for decoupling or the DIMP. Those factors are implicitly accounted for in the end result due to the fact that such mechanisms are common among the Company's peer group and the 9.25 percent ROE is consistent with, if not below, recent averages of allowed ROEs. Response to Interrogatory FI-190. The Authority concurs with this reasoning. The Authority finds an allowed ROE of 9.25% for SCG to be fair and reasonable based on other allowed ROEs of LDCs with comparable risk and it is hereby approved.

3. Earnings Sharing Mechanism

The Amended Settlement Agreement offered an earnings sharing mechanism (ESM) such that earnings above the authorized ROE of 9.25% will be shared equally (50/50) between customers and shareholders. SCG reported that the 50/50 sharing was a result of negotiation. Response to Interrogatory FI-193. The Authority finds the 50/50 sharing is equitable to both ratepayers and stockholders.

The customer portion of any earnings sharing shall be applied by SCG to offset the environmental regulatory asset as described in Section 1.6.2 of the Amended Settlement Agreement and any amounts in excess of the regulatory asset will be credited directly to customers. The Company will file an earnings sharing report annually with the Authority. Amended Settlement Agreement, p. 9. This earnings sharing report will be on a calendar year basis from January to December. Tr. 10/2/17, p. 45. The Authority finds the Amended Settlement Agreement ESM is consistent with the recent sharing mechanism approved in the Decision dated December 4, 2016 in Docket No. 16-06-04, Application of The United Illuminating Company to Increase its

Rates and Charges. The Authority approves the ESM as outlined in the Amended Settlement Agreement.

The Settling Parties to the Amended Settlement Agreement believe that the ESM is consistent with the mandates of Conn. Gen. Stat. § 16-19(g). This statute mandates the Authority to review the need for an interim rate decrease "when a public service company has, for six consecutive months, earned a return on equity which exceeds the return authorized by the Authority by at least one percentage point," among other factors. In addition, the utility "shall be required to demonstrate to the satisfaction of the Authority that earning such a return on equity or collecting rates which are more than just, reasonable and adequate is directly beneficial to its customers." Under the Amended Settlement Agreement's ESM, the Authority will continue to regulate overearnings pursuant to Conn. Gen. Stat. § 16-19(g). If SCG earns an ROE above 9.25%, such that an interim review is triggered, the statute allows the Authority to permit the Company's rates to continue if it determines "that earning such a return on equity . . . is directly beneficial to its customers." Response to Interrogatory FI-194. The Authority will exercise its mandate under Conn. Gen. Stat. §16-19(g), if needed, in the future.

4. Credit Rating, Financial Viability and Capital Markets

SCG reported that the Amended Settlement Agreement, if approved, should provide stability to SCG's current rating levels with early indications that it might lead to positive changes. This is substantiated by Moody's May 11, 2017 Credit Opinion which stated:

> SCG's positive outlook reflects our expectation that the company will secure the decoupling mechanism and infrastructure trackers available to gas distribution companies in Connecticut when it completes its next rate case in 2018. The positive outlook also assumes that the company will continue to produce financial metrics that are strong for the rating, and that the credit supportiveness of its regulation will remain constructive.

Response to Interrogatory FI-189.

In addition, on September 13, 2017, Fitch changed the ratings outlook on SCG from stable to positive and stated in a related press release that the outlook revisions reflect expectations for improved financial performance at SCG due to a constructive rate case settlement pending. Id.

The Authority finds that the Amended Settlement Agreement will, at a minimum, support the credit rating of SCG and provide the foundation for an increase in credit rating.

The Authority's analysis of SCG's financial ratios shows a financially strong company taking into consideration the Amended Settlement Agreement's increase in revenues. The Authority considered SCG's times interest earned ratio on a pro forma basis which indicates the number of times that earnings cover interest expense. Times interest earned ranged from 4.20x to 4.28x. In addition, SCG's cash flow coverage ratio

ranged from 3.76x to 4.60x on a pro forma basis. These solvency ratios show that SCG has the ability to meet long-term obligations as they come due. Response to Interrogatory FI-195. The Authority finds SCG's financial metrics indicate a strong financial position, and as such, the ability to enter the capital markets and provide dependable gas service to its customers.

The Company believes that the Amended Settlement Agreement will provide stability and preserve SCG's access to the debt markets during the three years of the rate plan. SCG currently has good access to the capital markets on terms that are competitive with peer gas utilities with similar ratings, and that should continue to be the case with rates based on the Amended Settlement Agreement. Response to Interrogatory FI-183. The Authority agrees with SCG and finds that the Amended Settlement Agreement will provide for a revenue increase necessary to support SCG's access to the capital markets.

D. EMPLOYEE RETIREMENT BENEFITS

The Amended Settlement Agreement incorporated a modification to account for AVANGRID's recently announced targeted voluntary employee separation plan (VESP). Since AVANGRID is the parent corporation of UIL Holdings, which in turn is the parent corporation of SCG, there was an expectation of a modest effect on SCG's employee levels during the rate year and rate year revenue requirement. The VESP reflects a reduction of $200,000 in each rate year for a cumulative $600,000 reduction to the revenue requirement over the three year rate plan. Tr. 10/2/2017, pp. 18 and 19; Amended Settlement Agreement, pp.1 and 2; Revised Attachments 1 (line 32) and 3 (line 42).[3] The Authority concurs with the Settling Parties that some reduction to revenue requirement is appropriate given the expectation of a modest decrease to SCG's employee levels. Given that AVANGRID announced the program at the conclusion of the settlement proceedings, it is reasonable that Settling Parties would provide an estimate rather than a verifiable figure. The Company will be required to provide the Authority with the final number of SCG employees who take advantage of the VESP and total salary, bonus, and total benefit savings related to those employees separation of service from VESP.

The Amended Settlement Agreement also included a downward adjustment to 401(k) expense ranging from $42,000 to $45,000 for a three-year average downward adjustment of $43,500 over the three-year rate plan. The adjustment reflects the Settlement Parties' adoption of the methodology used by the Authority in the Decision dated December 14, 2016 in Docket No. 16-06-04, Application of the United Illuminating Company to Increase Its Rates and Charges (2016 UI Rate Case). In the 2016 UI Rate Case, the Authority adjusted downward 401(k) expense by recognizing that some of the employees who receive a match on their 401(k) have incentive compensation and that for those employees with incentive compensation, only one-half of the match would be funded by ratepayers. Thus for the 2016 UI Rate Case, one-half of the employees were entitled to incentive compensation and one-half of these employees 401(k) match was disallowed equaling one-quarter (1/2 x 1/2) of the total requested 401(k) match. In the

[3] Inclusive of the gross revenue conversion factor the annual adjustment would be $213,000 for rate year one and $639,000 over the three-year rate plan. Amended Settlement Agreement, p. 2.

case of SCG, only one-third of employees were eligible for incentive compensation, thus the 401(k) adjustment was to disallow one-half of the match on the one-third of employee's eligible for incentive compensation (or 1/2 of 1/3). Amended Settlement Agreement, Attachment 3 (line 37); Responses to Interrogatories FI-182 and OCC-212; Tr. 10/2/17, pp. 62-67. The Authority finds this to be a reasonable approach based on the 2016 UI Rate Case and accepts the 401(k) expense.

The Amended Settlement Agreement included a downward adjustment to Other Post Employee Benefits Retiree Medical expense (OPEB) ranging from $144,000 to $190,000 per year for a three-year average downward adjustment of approximately $170,000 over the three-year rate plan. The Amended Settlement Agreement expense amounts are $1,104,000 in Rate Year 1, $1,030,000 in Rate Year 2 and $838,000 in Rate Year 3. The Company indicated that OPEB expenses may either be pre-funded through Vested Employee Benefit Accounts (VEBA) and/or 401(h) sub-accounts, or funded on a pay-as-you go basis (i.e., cash funding). The Company plans to pay expense benefits of $416,000 in Rate Year 1, $404,000 in Rate Year 2 and $390,000 in Rate Year 3. Therefore, the Amended Settlement Agreement's allowed expense amounts exceed the expected benefit payout by $688,000 in Rate Year 1, $626,000 in Rate Year 2 and $448,000 in Rate Year 3. The Amended Settlement Agreement does not require the Company to contribute to the VEBA and/or 401(h) sub-account or to pay-as-you-go to meet agreed upon OPEB expense to the plans. The Company did indicate its past OPEB total contributions ranged from a low of $833,895 to a high of $1,570,842 over the years 2012 through 2016. The Company indicated that this expense varies based upon its past pay-as-you-go history.

Although the Amended Settlement Agreement allows an expense amount which exceeds the expected payout for OPEB, the Company indicated its desired flexibility in its management of expenses. The Company states that this is the prudent approach as the OPEB projected expenses were estimates and flexibility would allow the Company to choose the OPEB timing and level of contributions. Additionally, SCG requires flexibility to meet all of the cash needs of the Company, such as OPEB, Pension and DIMP when and where cash would be needed. Attachment 3 (line 18); Responses to Interrogatories FI-99; FI-199; Tr. 10/2/17, pp. 68-72. The other Settling Parties concurred, indicating that the ratemaking process sets a revenue requirement and the Company must meet its expense requirements, such as those noted above within the parameters of the established revenue requirement. Thus, having one or a few expense items that are lower than projected does not negate the fact the Company must meet all its obligations. Tr. 10/2/17, pp. 80 and 81.

The Amended Settlement Agreement's allowed defined benefit pension expense is less than the actuarial minimum required cash contribution. The Company planned cash contribution is $5,254,000 for 2018, $8,250,000 for 2019 and $7,265,000 for 2020, while the Amended Settlement Agreement allows for $4,683,000, $4,704,000 and $3,410,000, respectively. Amended Settlement Agreement, Attachment 3 (line17); Response to Interrogatory FI-200. The difference between the allowed and the expected cash contribution results in a shortfall of $571,000, $3,546,000 and $3,855,000 over the three-year rate plan. The Company clarified that some expense estimates will be wrong, some will be too high and others too low. With the approved revenue requirement, SCG will need to manage the business with flexibly to address

pressing needs as priorities change. Tr. 10/2/17, p. 84. SCG clarified that the Amended Settlement Agreement provides for $800,000 for the qualified pension plan additional minimum liability (AML) as was established during the time of the merger between SCG and Energy East Corporation in the December 16, 1999 Decision in Docket No. 99-07-20, Joint Application of Energy East Corporation and Connecticut Energy Corporation for Approval of Change of Control.

The AML will be fully amortized after Rate Year 3 as the AML's balance would be zero. Responses to Interrogatories FI-147 and FI-201; Tr. 10/2/17, pp. 84 and 85.

The Amended Settlement Agreement also includes a three-year phase out of the non-qualified pension plan or supplemental employee retirement plan (SERP). The SERP was an additional pension plan for executive class employees and has been closed to new entrants since January 1, 2003. There are seven remaining participants with the age of the remaining plan participants ranging from 58 to 79 with an average age of 71. All of the participants terminated employment prior to 2008 and the SERP includes some provisions for remainder-man and/or spousal benefit. Given the nature of the benefit, it is not possible to determine when SERP payments will be completed. Responses to Interrogatories FI-150 and FI-203; Tr. 10/2/17, pp. 88-90. The Amended Settlement Agreement allows for $552,000, $363,000 and $180,000 in SERP expense over the three-year rate plan. Amended Settlement Agreement, Attachment 3 (line 38); Response to Interrogatory FI-202. The Company indicated that the SERP phase out only applies to the Amended Settlement Agreement; going forward the Company would not be precluded from requesting recovery of the SERP in full. Tr. 10/2/17, pp. 87 and 88.

The Authority has considered the Amended Settlement Agreement's provisions related to the Company's employee retirement benefits, 401 (k) Expense, OPEB, Pension and SERP. Overall, the Authority sees this matter related to such benefits as an exercise in the give and take of settlement negotiations. The Authority will require that SCG make at minimum, its actuarially required minimum contribution and grant the Company the flexibility to meet its cash needs within the framework of the Amended Settlement Agreement.

E. EXPENSES

1. Non-Hardship Uncollectible Expenses

SCG originally proposed total uncollectible expenses of $8.46 million for 2018, $8.518 million for 2019 and $8.624 million for 2020. Application Schedules WP C-3.20 A, C-3.20 B and C-3.20 C. These amounts included hardship uncollectible expense of $2.827 million for each rate year. Id. Based on its initially proposed increases to the revenue requirements for the three-year rate plan, SCG had also proposed increases to the uncollectible expenses of $0.128 million for 2018, $0.239 million for 2019 and $0.302 million for 2020. Application Schedules C-1.0 A, C-1.0 B and C-1.0 C. Thus, the total non-hardship expenses first proposed are $5.761 ($8.46 - $2.827 + $0.128) million for 2018, $5.93 ($8.518 - $2.827 + $0.239) million for 2019 and $6.099 ($8.624 - $2.827 + $0.302) million for 2020. The Settling Parties proposed a reduction of $0.171 million to each rate year's non-hardship uncollectible expense. Amended Settlement

Agreement Exhibit 1. Based on the Amended Settlement Agreement revenue requirements for the three-year rate plan, the proposed increases to uncollectible expense are $0.024 million ($1.507 million rate increase times 1.573 percent uncollectible expense factor) for 2018, $0.097 million ($6.180 million rate increase times 1.573 percent uncollectible expense factor) for 2019 and $0.176 million ($11.193 million rate increase times 1.573 percent uncollectible expense factor) for 2020. As a result, the Authority allows non-hardship uncollectible expenses of $5.486 ($8.460 - $2.827 - $0.171 + $0.024) million for 2018, $5.617 ($8.518 - $2.827 - $0.171 + $0.097) million for 2019 and $5.802 ($8.624 - $2.827 - $0.171 + $0.176) million for 2020.

2. Hardship Uncollectible Expenses

a. Hardship Account Net Write-Offs

SCG proposed annual hardship account net write-offs of $2.827 million for each rate year. Application Schedules WP C-3.20 A, C-3.20 B and C-3.20 C. The proposed amount is a three-year average of the hardship account net write-offs for 2014 to 2016. Id. The Company reported a deferred hardship account net write-offs balance of $7.677 million as of December 31, 2017, and proposed a six-year amortization period for the deferred amount. Application Schedule WP C-3.29 A-C, p. 2. Thus, SCG proposed a deferred hardship account net write-offs amortization expense of $1.28 million ($7.677 / 6) for each rate year. Id. The Settling Parties did not propose any adjustment to either component of the hardship account net write-offs. Therefore, the total allowed hardship account net write-offs in each rate year is $4.107 million ($2.827 + $1.280).

b. Matching Payment Program

SCG proposed an annual matching payment program (MPP) cost of $2.289 million for each rate year. The proposed amount is a three-year average of the MPP charges for 2014 to 2016. Application Schedule WP C-3.29 A-C, p. 5; Amended Settlement Agreement Attachment 5. Also, the Company reported an MPP regulatory liability balance of $43.599 million as of December 31, 2017, and proposed a six-year amortization period to refund the deferred credit balance. Thus, SCG proposed to refund $7.266 million ($43.599 / 6) in each rate year. As a result, the net MPP credit for each rate year is $4.977 million ($7.266 - $2.289). Id. Finally, in accordance with Section 1.6.7 of the Amended Settlement Agreement, the Company is allowed to defer the differences between the ongoing MPP cost of $2.289 million allowed in base rates and the actual annual amounts incurred. These amounts were unchanged from the Application to the Amended Settlement Agreement.

c. Hardship Grant Program

SCG reported a deferred hardship grant credit balance of $2.791 million as of December 31, 2017, and proposed a six-year amortization period to refund the regulatory liability balance. Thus, SCG proposed a deferred hardship accounts net write-offs amortization expense credit of $0.465 million ($2.791 / 6) for each rate year. Application Schedule WP C-3.29 A-C, p. 3. Also, the Company proposed to continue to recover an annual hardship grant program cost of $3 million in the rate years.

Application Schedules WP C-3.29 A-C, p. 4. Therefore, the total allowed net hardship grant cost in each rate year is $2.535 million ($3.000 + $0.465).

d. Summary of Uncollectible Expenses

Based on the Amended Settlement Agreement, the Authority summarizes the allowed total of non-hardship and hardship uncollectible expenses in the table below:

Uncollectible Expenses (millions)	2018 Rate Year	2019 Rate Year	2020 Rate Year
Non-Hardship	$5.486	$5.617	$5.802
Hardship Accounts Net Write-Offs	$4.107	$4.107	$4.107
Hardship Matching Payment Program	($4.977)	($4.977)	($4.977)
Hardship Grant Program	$2.535	$2.535	$2.535
Total Allowed Uncollectible Expenses	$7.151	$7.282	$7.467

3. Income and Property Tax Expenses

At Section 1.5.1 of the Amended Settlement Agreement, the Settling Parties agreed to allow SCG to defer differences in state and federal income taxes and municipal property taxes resulting from changes in tax rates or applicable laws. Amended Settlement Agreement, p. 6. The Authority interprets this section to mean that, for 2018, 2019 and 2020, the Company will defer any differences, whether credits or charges, between state and federal income, and municipal property taxes allowed in the instant proceeding, and such amounts that may result due to changes in applicable tax rates or laws. While the Authority determines that it is speculative to predict future changes in property or income tax rates and their effects on the revenue requirements allowed herein, the Authority will review, in future proceedings, if such deferred amounts, resulting from changes in applicable tax rates or laws, would be allowed in base rates.

F. PIPELINE SAFETY

1. Geographic Information System (GIS)

SCG currently operates with a paper records system involving thousands of paper records. The paper records provide system information and location of gas facilities such as mains, services and valves. The GIS project will digitize these records to create an asset inventory geographically depicted on maps. The GIS will bring efficiencies in managing the cast iron – bare steel replacement program by allowing leaks to be tracked, repaired and documented. Barnes, Hawley PFT, pp. 13 and 14. The PURA finds the GIS is a critical component to the advancement of the Company's distribution integrity management program.

The GIS project is necessary to update and modernize the Company's system mapping. This project has a capital component and an O&M component. The capital component involves the purchase of base maps and the development of software and software tools in 2017 through 2019. The O&M component covers the conversion of

data to electronic formats from existing paper records in 2018, 2019 and 2020, at an expected total cost of approximately $4.9 million. Amended Settlement Agreement Attachment 3, Line 39.

2. Pipe Replacement Program

SCG has substantial infrastructure with which to provide service to its customers. Some of that infrastructure is new, made of modern materials (e.g., plastic and coated and cathodically protected steel), installed using the most current construction practices, and operated and maintained in a manner designed to provide high levels of reliability and safety. However, some of the infrastructure is old and made of materials and installed with construction practices that are no longer considered state-of-the-art (e.g., cast iron and bare steel). The only way to reduce the threat of cast iron and bare steel pipe leaks is through replacement. Barnes, Hawley PFT, p. 9. While SCG traditionally had programs designed to address the ongoing operation and maintenance requirements, as the infrastructure has aged, the Authority finds the need for a more extensive integrity management program.

SCG currently has 637 miles of cast iron and 81 miles of bare steel mains. Barnes, Hawley PFT, p. 10. If SCG continues at its current replacement rate, it would take approximately 30 years to complete replacement of the cast iron and bare steel pipe. Barnes, Hawley PFT, p. 8. SCG proposed to increase its capital spending on cast iron and bare steel replacement to $30.669 million in Rate Year 1, $38.800 million in Rate Year 2, $46.092 million in Rate Year 3. The increase in spending reflects a 20-year replacement program. Amended Settlement Agreement pp. 9 and 10. The Authority finds that the level of capital spending proposed for replacement of cast iron mains, bare steel mains and bare steel services is reasonable to adequately provide for the integrity of SCG's pipeline system. It is anticipated that this level of replacement will reflect the improvement required by the DIMP regulations. SCG will be directed to spend approximately $30.669 million during Rate Year 1, approximately $38.800 million during Rate Year 2, and approximately $46.092 million during Rate Year 3, and no less than $46.092 million over each subsequent calendar year, through an associated order.

The Authority, through the Gas Pipeline Safety Unit (GPSU), will be actively reviewing the progress and will work with SCG to determine if an adequate level of safety improvement is being attained. In addition to the on-going review provided by the GPSU, SCG will be ordered to file a pipe replacement program report.

3. Staffing

As with most companies, SCG's current workforce is aging. SCG expects that 29 gas operations employees will reach the age of 62 and be eligible for retirement by the end of 2018. With potential retirements occurring in the near future, the Company will be faced with a reduction in its skilled workforce. Barnes, Hawley PFT, pp.14 and 15. In addition, the Company has announced a voluntary employee severance program. Tr. 10/02/2017, pp. 18 and 19. In addition, the Company continues to expand its gas system and increase its cast iron/bare steel replacement program. With the potential for a significant loss of experience and knowledge in the near future, the Company must ensure that adequate staffing of competent and qualified personnel are

in place in a timely manner to provide the necessary project design, construction, operations, maintenance, training and oversight at SCG. The Authority will be especially mindful of staffing levels if future violations of federal or state safety regulations necessitate civil penalties.

4. Pipeline Safety Orders

In the July 17, 2014 Decision in Docket No. 09-09-08RE01, DPUC Investigation into the Contemplated Workforce Reductions by Connecticut Natural Gas Corporation and Southern Connecticut Gas Company – Modify and Rescind Orders, the Authority concluded that any orders contained in the February 11, 2010 Decision in Docket No. 09-09-08, DPUC Investigation into the Contemplated Workforce Reductions by Connecticut Natural Gas Corporation and Southern Connecticut Gas Company, would terminate at the time of issuance of final Decision for SCG in its next rate case. The Authority has determined that continuance of some of these orders is necessary to ensure public safety and therefore will provide a set of new orders to provide ongoing oversight of the Company's operations and maintenance programs. In addition, Order No. 45 from the 2008 Rate Case Decision will be rescinded. Order No. 45 required the Company to carryover any replacement program capital expenditure under-spending to the following year. Order No. 45 is duplicative of an order in this Decision and is no longer needed to assist the Authority.

G. REVENUE, RATE DESIGN AND TARIFFS

1. Revenue Adjustment

The rate increase provided in the Amended Settlement Agreement reflects a correction of $4.222 million to the revenue forecast as filed in the Application. Amended Settlement Agreement, p. 12. The Rate LGS current revenues will be updated to reflect the $4 million fuel cell-related adjustment as discussed in response to Interrogatory EN-033. Response to Interrogatory RA-31.

The Authority accepts the revenue adjustments proposed in the Amended Settlement Agreement. Due to the magnitude of revenues associated with fuel cell customers and the potential impact on the forecasted revenues in this case, the Authority will direct the Company to report all (existing and new) fuel cell customer activity. The Company should include the number of customers, the date and rate under which service is provided in subsequent decoupling and system expansion filings. In addition, the total revenues received by each customer in the applicable period should be provided (versus expected revenue in the case of the forecasted customers herein).

2. Rate Design

The Company will recover the revenue requirement increase from all rate classes on a proportional basis to the rate design proposed in the Application for each of the rate years. Southern will submit its detailed rate design schedules in a compliance filing once a final Decision is rendered in this docket. Amended Settlement Agreement, pp. 13 and 14.

For the revenue allocation, the Company plans to retain the proportional distribution rate increases/decreases contained in its original rate case filing for all three years of the rate plan. For example, in Rate Year 1, the Amended Settlement Agreement increase of $1.120 million is approximately 15% of the original Rate Year 1 distribution increase of $7.371. Therefore, each firm rate class will receive approximately 15% of the total Rate Year 1 rate increase/decrease proposed in the Company's original filing. The Rate Year 1 original and Amended Settlement Agreement total class distribution rate changes are shown below. Rate Year 2 and Rate Year 3 will follow the same formula.

Rate Year 1 Application and Amended Settlement Agreement Total Class Distribution Rate Changes

Rate	Description	Original	Settlement
RSG	Residential Non-Heat	8.80%	1.34%
RSH	Residential Heating	5.57%	0.85%
RMDS	Residential Multi-Dwelling (1)	3.22%	0.49%
SGS	Small General Service (1)	3.73%	0.57%
MGS	Medium General Service (1)	0.89%	0.14%
LGS	Large General Service (1)	-0.76%	-0.11%

Response to Interrogatory RA-33.

For the rate design, the Company plans to apply the above Amended Settlement Agreement percentage increases/decreases to each billing component. The original proposed increase in the customer charge for each rate class will be multiplied by the above Amended Settlement Agreement percentages to develop the revised Amended Settlement Agreement customer charges. The original proposed revenue increase or decrease for the total volumetric and demand charge components in each rate class will similarly be multiplied by the above Amended Settlement Agreement percentages to develop Amended Settlement Agreement rates. Finally, the Company will split the total distribution volumetric and demand charges into Delivery versus Merchant (i.e., SSC/TSC) to develop rate class rates of return that are approximately equal within classes for Delivery and Merchant service. The final step will have no bearing on total customer bill impacts as it is merely categorizing the amount of distribution revenue billed as either Delivery or Merchant. The above rate design mechanics will be repeated for Rate Years 2 and 3 in the Company's compliance rate design filings in 2018 for 2019, and 2019 for 2020. Id.

The Authority accepts the proposed rate design framework. The proposed rate design plan may include changes from the formula approach in the Settlement Agreement in the event the Company finds any anticipated bill impacts to be burdensome in the course of designing the Rate Year rate plans, subject to agreement by the Settling Parties and approval by the Authority.

As discussed above, the Amended Settlement Agreement reflects the correction of the Rate LGS demand levels as identified in the Company's response to Interrogatory EN-033. Response to Interrogatory RA-32. The Authority accepts that the proposed correction be made as part of the Rate Year rate plans.

3. Tariffs

SCG proposed tariff modifications in Application, Schedule E-1.0. The proposed changes incorporate the Company's proposed rate changes, necessary language for the applicability of the proposed rate mechanisms and certain clarifications and additions to the Company's definitions. SCG also proposed several clarifying changes to its marketer-based tariffs, creating consistency in the tariff language between SCG and the Connecticut Natural Gas Corporation. SCG proposed changes to its Rules and Regulations as part of its best practice effort and increases to its disconnect and reconnect charges. Goodwin PFT, pp. 32 and 33.

The Amended Settlement Agreement modified the tariff treatment of the DIMP rates by including projected DIMP investments in base rates, and using the DIMP rate as a reconciliation mechanism, which was a change from the Company's original Application. This change was identified in Section 1.9 of the Amended Settlement Agreement, and in response to Interrogatory RA-036. See Tr., pp. 52–58.

The Authority accepts the proposed tariff changes in the Application, and as modified by the Amended Settlement Agreement, subject to a revision of the rates to reflect the approved revenue requirement targets in each of the Rate Years. In addition to the modification of the DIMP reconciliation described above, SCG's proposed tariffs separately identify the rates for the conservation adjustment mechanism and the system expansion reconciliation.

4. Rates and Revenue Conclusion

The Company will be directed to submit final rates and tariffs for each of the rate years, including the appropriate revenue proof exhibits, a supporting Cost of Service Study and all work papers, typical bill comparison work papers, written comments and tariff sheets in conformance with the Amended Settlement Agreement.

III. FINDINGS OF FACT

1. The Settling Parties proposed rates that are based on a capital structure for each of the rate years 2018 through 2020.

2. The capital structure for rate year 2018 is composed of 8.03% short-term debt, 39.55% long-term debt and 52.42% common equity.

3. The ROR on rate base is 7.61% for rate year 2018.

4. The capital structure for rate year 2019 is composed of 6.23% short-term debt, 41.37% long-term debt and 52.40% common equity.

5. The ROR on rate base is 7.41% for rate year 2019.

6. The capital structure for rate year 2020 is composed of 5.17% short-term debt, 42.64% long-term debt and 52.19% common equity.

7. The ROR on rate base is 7.42% for rate year 2020.

8. The Amended Settlement Agreement provided for cost rates of short-term debt of 2.59% in 2018, 3.37% in 2019 and 3.73% in 2020.

9. Short-term debt is funded from affiliated utilities and from AVANGRID under a pooling agreement and a committed bank facility.

10. For its short-term debt, SCG pays interest at the A2/P2 30-day commercial paper rate published by the Federal Reserve.

11. The Amended Settlement Agreement provided for cost rates of long-term debt of 6.46% in 2018, 5.69% for 2019 and 5.63% for 2020.

12. The decreasing interest rates on the long-term debt portfolio reflect that as high coupon debt matures and is replaced by lower coupon debt, the overall portfolio cost of debt comes down.

13. The Amended Settlement Agreement stipulated a 9.25% allowed ROE for all three rate years of 2018 through 2020.

14. The 9.25% allowed ROE was a product of negotiations.

15. The Settling Parties made use of certain data points of allowed ROEs found in the publication of RRA Regulatory Focus Major Rate Case Decisions January 2017 – June 2017, which showed the average of local gas distribution companies allowed ROE was 9.50% during the first six months of 2017.

16. An extract from the RRA database for gas utilities showed that since July 1, 2017, three awarded ROEs were granted of 9.60%, 9.55% and 10.10%.

17. SCG's current allowed ROE is 9.36% as adjudicated in Docket No. 08-12-07.

18. In the Application, SCG provided evidence in support of an allowed ROE of 9.95% through its expert cost of capital witness.

19. The allowed ROE as set forth in the Amended Settlement Agreement is a reduction of 70 basis points from the ROE proposed in the Application, is 25 basis points less than the current national average and is 11 basis points less than SCG's current allowed ROE.

20. The Amended Settlement Agreement offered an ESM such that earnings above the authorized ROE of 9.25% will be shared equally (50/50) between customers and shareholders.

21. The 50/50 sharing in the ESM was a result of negotiation.

22. The customer portion of any earnings sharing shall be applied by SCG to offset the environmental regulatory asset as described in Section 1.6.2 of the Amended Settlement Agreement and any amounts in excess of the regulatory asset shall be credited directly to customers.

23. The Company will file an earnings sharing report annually with the Authority.

24. Under the Amended Settlement Agreement's ESM, the Authority will continue to regulate overearnings under Conn. Gen. Stat. §16-19(g).

25. Moody's has given SCG a positive outlook.

26. On September 13, 2017 Fitch changed the ratings outlook on SCG from stable to positive.

27. SCG's times interest earned ratio ranged from 4.20x to 4.28x on a pro forma basis

28. SCG's cash flow coverage ratio ranged from 3.76x to 4.60x on a pro forma basis.

30. SCG's standard bill form, termination notice and customer rights notice comply with applicable regulations.

31. SCG's estimated bill form complies with applicable regulations.

32. SCG's policies and procedures for the administration of customer security deposits comply with applicable regulations.

33. SCG's Customer Care Center is available from 7:30 a.m. to 6:30 p.m., Monday through Friday, for customer complaints and inquiries.

34. AVANGRID recently announced a targeted VESP.

35. The VESP reflects a reduction of $200,000 in each rate year for a cumulative $600,000 reduction to the revenue requirement over the three-year rate plan.

36. The Amended Settlement Agreement included a downward adjustment to 401(k) expense ranging from $42,000 to $45,000 for a three-year average downward adjustment of $43,500 over the three-year rate plan.

37. The Amended Settlement Agreement OPEB expense amounts are $1,104,000 in Rate Year 1, $1,030,000 in Rate Year 2 and $838,000 in Rate Year 3.

38. The Company' OPEB expenses may either be pre-funded through VEBA and/or 401(h) sub-accounts, or on a pay-as-you go basis (i.e., cash funding).

39. The Amended Settlement Agreement's allowed defined benefit pension expense is less than the actuarial minimum required cash contribution.

40. The SERP was an additional pension plan for executive class employees and has been closed to new entrants since January 1, 2003.

41. The Amended Settlement Agreement allows for $552,000, $363,000 and $180,000 in SERP expense over the three-year rate plan.

42. The Rate LGS current revenues were updated to reflect the $4 million fuel cell-related adjustment as discussed in response to Interrogatory EN-033.

IV. CONCLUSION AND ORDERS

A. CONCLUSION

The Authority finds the Amended Settlement Agreement dated October 16, 2017 to be just and reasonable and in the public interest. The Authority approves Amended Settlement Agreement subject to the orders below.

B. ORDERS

For the following Orders, the Company shall submit one original of the required documentation to the Executive Secretary, 10 Franklin Square, New Britain, Connecticut 06051 and file an electronic version through the Authority's website at www.ct.gov/pura. Submissions filed in compliance with the Authority's Orders must be identified by all three of the following: Docket Number, Title and Order Number. Compliance with orders shall commence and continue as indicated in each specific Order or until the Company requests and the Authority approves that the Company's compliance is no longer required after a certain date.

1. No later than March 5, 2019, and annually thereafter SCG shall file an earnings sharing report with the Authority with the customer portion of any earnings sharing applied to offset the environmental regulatory asset as described in Section 1.6.2 of the Settlement Agreement and any amounts in excess of the regulatory asset shall be credited directly to customers.

2. No later than January 31, 2018, SCG shall acknowledge in writing that it will submit for the Authority's approval, any changes to its customer service practices, procedures or policies in writing at least 30 business days prior to the effective date of such changes.

3. No later than January 31, 2018, SCG shall acknowledge in writing that the Company will continue its monthly meetings with the Authority's Consumer Affairs Unit.

4. No later than January 31, 2019, the Company shall provide the final number of SCG employees who take advantage of the VESP and the total salary, bonus and total benefit savings related to those employees separation of service from VESP.

5. No later than June 1, 2019, and annually thereafter until the next general rate proceeding, the Company shall provide its calendar year actuarial minimum pension contribution and provide the amount of actual pension contribution made for the corresponding calendar year.

6. SCG is directed to spend approximately $30.669 million during Rate Year 1, approximately $38.800 million during Rate Year 2, and approximately $46.092 million during Rate Year 3, and no less than $46.092 million over each subsequent calendar year on system integrity projects, following a risk based system replacement methodology until the Authority approves any alternative following SCG's next rate application. If SCG does not spend the full amount on system integrity projects in any rate year, the difference shall be made up the following rate year.

7. SCG shall achieve a Grade 2 leak backlog of 60 or less leaks at the end of each calendar year until the Authority issues its final Decision in SCG's next rate proceeding.

8. No later than the 20th of each month until the Authority issues its final Decision in SCG's next rate proceeding, the Company shall submit to the Authority a tabulation of suspected Gas Odor Complaint responsiveness for the prior month. The submittal shall include all available data for the current calendar year up to and including the prior month and the data for the previous calendar year. The submittal shall include a detailed timeline (time call received, time call dispatched, time of arrival onsite) and a detailed explanation for any response time in excess of 30 minutes during normal business hours and 45 minutes at all other times. If SCG exceeds the guidelines, it shall include in its explanation whether or not the local fire department was utilized and if so, it's associated response time.

9. No later than January 20, 2018, and quarterly thereafter, until the Authority issues its final Decision in SCG's next rate proceeding, SCG shall submit to the Authority a tabulation of the Grade 2 and Grade 3 leak statuses (e.g., beginning balance, leaks detected, leaks repaired, other disposition, ending balance) for the prior quarter. The submittal shall include all available data for the current calendar year and the data for the previous calendar year.

10. No later than January 20, 2018, and quarterly thereafter, until the Authority issues its final Decision in SCG's next rate proceeding, SCG shall submit to the Authority a tabulation of third-party damages for the prior quarter. The submittal shall include all available data for the items listed below for the current calendar year and the data for the previous calendar year.

    a. total number of Call Before You Dig tickets;

b. total number of damages;
c. total number of damages/1,000 tickets;
d. number of contractor at fault (not including no notice) damages;
e. number of contractor at fault damages/1,000 tickets;
f. number of no notice damages;
g. number of no notice damages/1,000 tickets;
h. number of company markout person at fault damages;
i. number of company markout person at fault damages/1,000 tickets;
j. number of company records at fault damages; and
k. number of company records at fault damages/1,000 tickets.

11. No later than February 20, 2018, and every six months thereafter until the Authority issues its final Decision in SCG's next rate proceeding, the Company shall submit to the Authority a pipe replacement program report for the preceding six months. The submittal shall be formatted and contain the same information as shown below:

Facility	Material	Pressure	Size	Mileage on 7/1/17	Miles (to nearest 1/10 mile) replaced between 7/1/17 and 12/31/17	Mileage on 12/31/17
Mains	Cast Iron	High Pressure	4" or less			
			Over 4" thru 6"			
			Over 6" thru 8"			
			Over 8"			
		Low Pressure*	4" or less			
			Over 4" thru 6"			
			Over 6" thru 8"			
			Over 8"			
	Bare Steel	High Pressure	All			
		Low Pressure*	All			

	Material	Pressure	Size	Number of Services on 7/1/17	Services Replaced Between 7/1/17 and 12/31/17	Number of Services on 12/31/17
Services	Bare Steel	High Pressure	All			
		Low Pressure*	all			

Capital Expenditures for Cast Iron and Bare Steel Main replacement - 7/1/17 - 12/31/17	$
Capital Expenditures for Bare Steel service replacement - 7/1/17 – 12/31/17	$
* Low pressure means a gas distribution system in which the gas pressure in the main is substantially the same as the pressure provided to the customer.	

12. SCG shall submit to the PURA Gas Pipeline Safety Unit, any and all material changes or revisions to its operating procedures, maintenance procedures or construction standards, no later than 10 days prior to their implementation. If an unforeseen circumstance(s) does not allow for that notification, SCG shall telephonically notify the Gas Pipeline Safety Unit as soon as possible. This order shall remain in effect until the Authority issues its final Decision in SCG's next rate proceeding.

13. The Authority hereby rescinds Order No. 45 issued in the July 17, 2009 final Decision in Docket No. 08-12-07.

14. No later than noon on December 18, 2017, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 1 in accordance with the directives herein in Section II, G, Revenue, Rate Design and Tariffs.

15. No later than December 4, 2018, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 2 in accordance with the directives herein in Section II, G, Revenue, Rate Design and Tariffs.

16. No later than December 4, 2019, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 2 in accordance with the directives herein in Section II, G, Revenue, Rate Design and Tariffs.

APPENDIX A

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF THE SOUTHERN CONNECTICUT GAS COMPANY TO INCREASE RATES AND CHARGES	:	**DOCKET NO. 17-05-42**
	:	**OCTOBER 16, 2017**

AMENDED SETTLEMENT AGREEMENT

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STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF THE SOUTHERN CONNECTICUT GAS COMPANY TO INCREASE RATES AND CHARGES	:	**DOCKET NO. 17-05-42**
	:	**OCTOBER 16, 2017**

AMENDED SETTLEMENT AGREEMENT

The Southern Connecticut Gas Company ("SCG" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (collectively, the "Settling Parties") enter into this Settlement Agreement regarding the Company's June 30, 2017 application ("Application") filed with the Public Utilities Regulatory Authority ("PURA" or the "Authority") pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e.

WHEREAS, the Company requests in its Application approval of a three-year rate plan commencing January 1, 2018;

WHEREAS, the requested three-year rate plan proposes an increase in revenues of $8.139 million in 2018, or approximately 2.2 percent over currently authorized overall revenues and approximately 4.0 percent over currently authorized distribution revenues; an incremental increase of $7.086 million in 2019, or approximately 1.8 percent over the prior year proposed overall revenues and approximately 3.3 percent over the prior year proposed distribution revenues; and an incremental increase of $3.965 million, or approximately 1.0 percent over the prior year proposed overall revenues and

approximately 1.8 percent over the prior year proposed distribution revenues, for a total proposed increase of $19.190 million over the three-year rate plan;

WHEREAS, the Application included schedules consistent with the Authority's standard filing requirements along with testimony, attachments and exhibits from 9 witnesses;

WHEREAS, the Authority docketed the Application as Docket No. 17-05-42 and subsequently issued a Notice of Proceeding on June 12, 2017 in which it designated the OCC as a party to the proceeding;[1]

WHEREAS, the Company has responded to approximately 600 interrogatories and audit requests issued by the Authority and the OCC during the course of this proceeding;

WHEREAS, the Company and OCC filed a joint motion on August 2, 2017 requesting the Authority to appoint prosecutorial staff in order to facilitate settlement discussions among the parties, and the Authority granted the motion on August 4, 2017, and subsequently designated PRO on August 7, 2017;

WHEREAS, the Company's discovery responses included a case update with a revenue adjustment that had the effect of lowering SCG's expected revenue in the first rate year by approximately $3.976 million and therefore raised the Company's proposed incremental rate increase for 2018 from $8.139 million to $12.361 million, and thus raised the total proposed increase over the three-year rate plan from $19.190 million to

[1] The Notice of Proceeding also designated the Commissioner of the Department of Energy and Environmental Protection as a party to this docket. The Authority also granted a petition to intervene by the Attorney General of the State of Connecticut on June 19, 2017.

$23.412 million;[2]

WHEREAS, on August 22, 2017 the Settling Parties filed a joint motion to suspend the procedural schedule to allow the Settling Parties an opportunity to continue such discussions in furtherance of their efforts to resolve matters at issue in this docket on mutually agreeable terms and as an alternative to a fully litigated proceeding, and PURA granted the motion on August 24, 2017;

WHEREAS, the Settling Parties entered into an original settlement agreement that was dated and filed with the Authority on September 5, 2017, and subsequently agreed to several amendments to the original terms as contained in this amended settlement agreement (together, the "Settlement Agreement");

WHEREAS, the Settling Parties wish to resolve the matters raised in the Application and specified in this Settlement Agreement on mutually agreeable terms, and without establishing any new precedent or principles applicable to any other proceedings; and

WHEREAS, the Authority's policy, consistent with Conn. Gen. Stat. §16-19jj, is to encourage the use of settlements to resolve contested cases.

NOW THEREFORE, in consideration of the exchange of promises and covenants contained herein, the legal sufficiency of which is hereby acknowledged, the Settling Parties agree, subject to the Authority's approval, to the following terms:

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[2] See EN-033. SCG revised downward the maximum daily quantity ("MDQ") values for three large cogeneration customers, which MDQ adjustments lowered the expected revenue from these large customers by approximately $3.976 in 2018.

ARTICLE I: TERMS OF SETTLEMENT

1.1 Effective Date and Term

1.1.1 The effective date of the Company's new rates pursuant to this Settlement Agreement shall be January 1, 2018.

1.1.2 The term of the Company's rate plan shall be three years, for the rate years 2018 ("Rate Year 1"), 2019 ("Rate Year 2"), and 2020 ("Rate Year 3").

1.2 Revenue Requirements

1.2.1 On January 1, 2018, the Company will increase the distribution component of its rates to recover an increase in its allowed revenue requirement of **$1.507** million over currently effective rates. This represents an increase of **0.4** percent over currently authorized overall revenues and **0.8** percent over currently authorized distribution revenues.

1.2.2 On January 1, 2019, the Company will increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of **$4.673** million over then-currently effective rates. This represents an incremental increase of **1.2** percent over the prior year overall revenues and 2.3 percent over the prior year distribution revenues.

1.2.3 On January 1, 2020, the Company will increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of **$5.013** million over then-currently effective rates, for a total increase over the three-year rate plan of **$11.193** million. This represents an incremental increase of 1.3 percent over the prior year

overall revenues and 2.4 percent over the prior year distribution revenues.

1.2.4 Attachment 1 provides a summary of the Revenue Requirements and Average Residential Bill Impacts.[3]

1.3 Rate Base

1.3.1 Attachment 2 provides a summary of Rate Base to be reflected in tariffs.

1.3.2 SCG's requested increase to Rate Base has been adjusted in Rate Years 1, 2 and 3 by the amounts shown in Attachment 2. The Rate Base amounts reflect certain Settlement Adjustments (defined below) associated with changes in depreciation as further described in Section 1.6.1 of this Settlement Agreement.

1.3.3 Rate Base has also been adjusted to reflect the inclusion of the test year end of period balance of customer deposits. In addition, the Rate Base cash working capital allowance has been adjusted to reflect a lowering of the revenue lag associated with purchased gas costs.

1.3.4 Rate Base reflects capital expenditures set forth in Schedule F-7.0 from the Application and reflected in Attachment 2.

1.4 O&M Expense

1.4.1 Attachment 3 provides a detailed summary of O&M expenses to be reflected in SCG's tariffs pursuant to this Settlement Agreement.

1.4.2 SCG's requested increase to O&M expense will be reduced in Rate Years

[3] Final bill impacts will vary in the detailed implementation rate design.

1, 2 and 3 by the amounts shown in Attachment 3. The O&M expense reflects adjustments agreed to by the Settling Parties in the settlement process ("Settlement Adjustments") as well as adjustments identified by the Company during the discovery process ("Discovery Adjustments").

1.4.3 SCG's proposed Apprentice Helper program is allowed in rates and included in O&M expense as proposed in the Application, providing for an incremental nine (9) full-time employees ("FTEs"). During the three-year rate plan, the Company shall provide bi-annual compliance filings to the Authority for Rate Years 1, 2 and 3 to report on the number of FTEs in the Apprentice Helper program.

1.5 Income and Property Taxes

1.5.1 SCG will defer differences in state and federal income taxes and municipal property taxes as a result of changes in tax rates or applicable laws.

1.5.2 Property tax expense has been adjusted from the original Application based on updated July 2017 municipal mill rates. This adjustment is reflected in Attachment 3.

1.5.3 The Company's revenue requirements reflect full income tax normalization.

1.6 Depreciation and Amortization

1.6.1 SCG's requested increase to depreciation expense will be reduced in Rate Years 1, 2 and 3 by the amounts shown in Attachment 3 due to changes in

depreciation rates associated with certain distribution plant accounts. A detailed schedule of plant accounts and applicable depreciation rates is provided in Attachment 4. Consistent with Section 2.2 of this Settlement Agreement, the parties' agreement to the depreciation rates in Attachment 4 do not establish any principles and should not be construed as acceptance by OCC or PRO of any depreciation methodology proposed by SCG, or as a change in the Company's position regarding the propriety of any depreciation methodology offered in the Application.

1.6.2 Environmental remediation costs shall be recovered as follows: (i) SCG shall be allowed to recover the $1.8 million of environmental remediation costs incurred through December 31, 2016. The amortization period for these environmental remediation costs will be five years; and (ii) SCG is authorized to track and defer environmental costs for future review and recovery.

1.6.3 Matching Payment Program ("MPP") costs shall be recovered as proposed in the Application, as follows: (i) the Company shall credit customers for the deferred liability associated with the MPP; and (ii) the MPP deferred regulatory liability of $43.6 million will be amortized over six years.

1.6.4 Geographic Information System ("GIS") O&M costs included in the Application in the amount of approximately $4.9 million shall be recovered as follows: (i) the $4.9 million has been removed from O&M expense and included in Other Amortization Expense; and (ii) the $4.9 million cost of GIS will be amortized over three years.

1.6.5 A detailed schedule of Other Amortization Expense is provided in Attachment 5.

1.6.6 Treatment of Hardship Customer Net Write-offs – Uncollectible Expense shall be as follows. The Company's base rates will reflect $2.738 million annually of Hardship Customer Uncollectible Expense as shown in Attachment 3. Consistent with existing practice, any difference (higher or lower) between the Company's actual Hardship Customer Uncollectible Expense and the $2.738 million annually reflected in base rates will be deferred and included in rate base.[4]

1.6.7 Treatment of Hardship Customer Matching Payment Program shall be as follows. The Company's base rates will reflect $2.289 million annually for the on-going Hardship Customer Matching Payment Program as shown in Attachment 5. Consistent with existing practice, any difference (higher or lower) between the Company's actual Hardship Customer Matching Payment Program and the $2.289 million annually reflected in base rates will be deferred and included in rate base.[5]

1.7 Cost of Capital

1.7.1 The Company will use 9.25 percent as its allowed return on common equity ("ROE").

1.7.2 The Company's revenue requirement is based on a capital structure

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[4] The Authority approved this treatment in Docket No. 08-12-07, Application of The Southern Connecticut Gas Company for a Rate Increase (July 17, 2009), at 49.

[5] Docket No. 08-12-07, at 50-51.

consisting of the following: (a) for Rate Year 1, 52.42 percent common equity and 47.58 percent debt; (b) for Rate Year 2, 52.40 percent common equity and 47.60 percent debt; and (c) for Rate Year 3, 52.19 percent common equity and 47.81 percent debt.

1.7.3 Attachment 6 provides the overall rate of return used to establish the revenue requirements in this Settlement Agreement based on the ROE and capital structure in Section 1.7.1 and 1.7.2 for each of the applicable rate years.

1.8 Earnings Sharing Mechanism

1.8.1 Earnings above the authorized ROE of 9.25 percent will be shared equally (50/50) between customers and shareholders.

1.8.2 The customer portion of any earnings sharing shall be applied by SCG to offset the environmental regulatory asset as described in Section 1.6.2 above, and any amounts in excess of the regulatory asset shall be credited directly to customers.

1.8.3 The Company shall file an earnings sharing report annually with the Authority.

1.9 Distribution Integrity Management Program

1.9.1 The Company shall implement a Distribution Integrity Management Program ("DIMP") mechanism to be used for reconciliation purposes.

1.9.2 The projected DIMP investments incorporated into base rates reflect a 20-

year replacement program, consistent with the DIMP program approved for SCG's affiliate, Connecticut Natural Gas Corporation ("CNG").

1.9.3 DIMP revenue requirements associated with projected capital expenditures are incorporated as part of base rates as of January 1, 2018. The DIMP projected capital expenditures are as follows: $30.669 million for Rate Year 1; $38.800 million for Rate Year 2; and $46.092 million for Rate Year 3. DIMP revenue requirements in base rates are as follows: (a) $1.794 million for Rate Year 1; $6.682 million for Rate Year 2; and $12.893 million for Rate Year 3. The annual DIMP revenue requirement includes gross earnings tax, O&M, income taxes, depreciation, property taxes and return on investment, as shown in Attachment 7.

1.9.4 Differences (positive or negative) between the DIMP revenue requirement in base rates and actual revenue requirements incurred by SCG will be reconciled annually through a DIMP Reconciliation Mechanism.

1.9.5 The Company shall perform the annual DIMP Reconciliation at year-end. The Company shall submit its annual DIMP Reconciliation filing on or around April 1 of each year, with new DIMP Reconciliation rates to be effective each May on a billing-cycle basis. The first DIMP Reconciliation calculation will true-up the actual revenue requirement through December 2018 to the revenue requirement contained in 2018 base rates. The 2019 and 2020 annual DIMP Reconciliation filings will similarly reconcile the 2019 and 2020 actual revenue requirement to the DIMP revenue requirement included in 2019 and 2020 base rates. Any

annual DIMP Reconciliation beyond 2020 (Rate Year 3) will true-up the actual annual DIMP revenue requirement to the DIMP revenue requirement included in 2020 base rates. This process will continue until new rates are set in the Company's next rate case.

1.9.6 Under or over-recovery of the DIMP revenue requirement will be collected or refunded on a volumetric basis using a per Ccf rate applicable to all firm customers. DIMP Reconciliation rates shall apply to existing customers and system expansion customers.

1.9.7 DIMP costs will be included within the distribution charge on customer bills and will not be a separate line item.

1.10 System Expansion Rates

1.10.1 System Expansion ("SE") related revenue requirements and revenues will be reflected in base rates in a manner similar to the methodology approved by PURA for CNG. Attachment 8, which is an update to Exhibit CRG-8 to the Application reflecting changes consistent with this Settlement Agreement, includes the SE revenue requirement and revenue included in base rates for Rate Years 1, 2 and 3.

1.10.2 As reflected in Attachment 8, the SE revenues included in base rates[6] are as follows: (a) $14.513 million for Rate Year 1; $18.480 million for Rate Year 2; and $22.413 million for Rate Year 3. Also as reflected in Attachment 8, the SE revenue requirements in base rates are as follows:

[6] Attachment 8 includes SE revenues at current rates. SE revenues will be updated based on implementation of the final rate design.

(a) $11.518 million for Rate Year 1; $13.088 million for Rate Year 2; and $15.109 million for Rate Year 3.

1.11 Revenue Forecast

1.11.1 The rate increase provided in this Settlement Agreement reflects a correction of $4.222 million ($3.976 million grossed up for gross earnings tax and uncollectible expense) to the revenue forecast as filed in the Application, as shown in Attachment 1.

1.12 Revenue Decoupling

1.12.1 SCG will implement a revenue decoupling mechanism ("RDM") consistent with Conn. Gen. Stat. §16-19tt(b). The RDM will operate in a similar manner to the decoupling mechanism allowed for CNG, except that it will also be applied to all SE customers.

1.12.2 The approved distribution revenue requirement for each of the three rate years will be the basis for the revenue decoupling target. Each year, the Company will compare the approved annual revenue requirement with the actual distribution revenue collected, and a credit or charge will subsequently be included on customer bills based on the annual revenue reconciliation. All distribution revenue, including Other non-tariff-based revenue and firm special contract revenue, will be included in the reconciliation of actual revenue to target approved revenue requirement.

1.12.3 SCG's compliance rate design and the decoupling target will reflect the $0.75 million annual merger-related customer credit commencing January

1, 2018.

1.12.4 The decoupling distribution revenue for the rate case pro forma (approved) and the actual period will exclude the following revenue items, consistent with the decoupling mechanism approved for CNG: (a) Conservation; (b) DIMP Reconciliation; (c) System Expansion[7]; (d) Non-Firm Margin; and (e) gas cost related revenues, which consist of all Purchased Gas Adjustment supply charge revenues, all Transportation Service Charge shifted cost revenues and ancillary revenues from Firm Transportation.

1.12.5 Attachment 9 shows the development of the Decoupling Targets for Rate Years 1, 2 and 3.

1.12.6 Under or over-recovery of the decoupling target will be collected or refunded on a volumetric basis. This calculation would be performed at the end of each calendar year. Any prior-period true-ups would be included in this annual calculation. The decoupling adjustment would be effective each April on a billing cycle basis. The first RDM rate will be effective April 1, 2019 based on calendar 2018 results.

1.12.7 The RDM shall apply to all firm tariff customers, including both existing customers and SE customers.

1.13 Rate Design

1.13.1 The Company will recover the revenue requirement increase pursuant to

[7] Attachment 9 includes SE revenues at current rates. SE revenues will be updated based on implementation of the final rate design.

this Settlement Agreement from all rate classes on a proportional basis to the rate design proposed in the Application for each of the rate years. The Company will submit its detailed rate design schedules in a compliance filing once a final decision is rendered in this docket.

1.14 Credit Card Fees

1.14.1 Credit card transaction fees will be included in each of the rate years in the amounts shown in the Application.

1.14.2 As of January 1, 2018 and forward, the Company's actual costs for credit card transaction fees shall be reconciled annually with the amount embedded in rates. The difference (positive or negative) between the Company's actual costs and the amount allowed in rates will be deferred and reconciled in the Company's next rate case.

1.14.3 The Company will explore whether it is legally permissible to establish a dollar limit on the monthly amount that can be paid by credit card in order to mitigate potential spikes in credit card fees caused by substantially large payments.

1.15 Service on Customer Premise Program and Customer Reconnect Fee Structure

1.15.1 The Company will implement the increases in Schedules C-3.21 A – C of the Application to its charged service rates (both standard rates during

normal working hours and premium rates after normal working hours).[8]

1.15.2 The Company will implement the fee structure change proposed in the Application for customer reconnections following meter removals or service disconnections due to non-payment; violations of Company rules and regulations; abuse, fraud or meter-tampering; or failure to grant access to SCG employees or agents. The change will increase the average charge for a reconnection to $125.00.[9] This fee structure change is consistent with SCG's affiliate CNG and with the cost of providing this service.

1.16 Regulatory Process

1.16.1 The Settling Parties shall cooperate and use best efforts to obtain approval of the Settlement Agreement from PURA to allow for implementation of new rates on January 1, 2018. The Settling Parties will request the Authority to issue approval of the Settlement Agreement in its entirety by that date.

1.16.2 To facilitate PURA's review of this Settlement Agreement and issuance of a final decision in this docket, the implementation of SCG's distribution revenue requirement increase shall be subject to a make-whole provision in the event the regulatory process extends past January 1, 2018 and new rates are not implemented until after this date. The purpose of this

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[8] See Docket No. 10-07-09RE01, Joint Application of UIL Holdings Corporation and Iberdrola USA, Inc. for Approval of a Change of Control of Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company - SCG Customer Service, Practices, Procedures or Policies (June 30, 2017) at 3 (finding that the issue would be more appropriately addressed in this rate case).

[9] See Docket No. 10-07-09RE01, at 3.

provision is to keep the Company and its customers in the same position as if Rate Year 1 rates had gone into effect on January 1, 2018.

1.16.3 If the Authority approves this Settlement Agreement after January 1, 2018 or otherwise approves new rates to take effect after January 1, 2018, SCG will be allowed to recover the full annual value of the rate increase for calendar 2018 (Rate Year 1). This rate increase recovery will be accomplished through the 2018 RDM calculation that will reconcile actual 2018 distribution revenue to the approved 2018 (Rate Year 1) distribution revenue.

ARTICLE II: SETTLEMENT CONDITIONS

2.1 This Settlement Agreement will not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false.

2.2 The making of this Settlement Agreement establishes no principles and will not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as to those issues and proceedings that are stated in this Settlement Agreement as being specifically resolved by approval of this Settlement Agreement.

2.3 This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of these negotiations (including any work papers or documents produced in connection with the negotiations) are confidential; that all offers of settlement are without prejudice to the position of

any party or participant presenting such offer or participating in such discussion; and, except to enforce rights related to this Settlement Agreement or defend against claims made under this Settlement Agreement, that they will not use the content of said negotiations in any manner in this or other proceedings involving one or more of the parties to this Settlement Agreement, or otherwise.

2.4 The Settling Parties intend that the Company's customers receive the full value of the settled matters, and not some substitute regulatory treatment of lesser value either now or in the future, and agree that no terms of this Settlement Agreement will be used or interpreted to diminish, in any way, the intended customer benefit related to this Settlement Agreement.

2.5 The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned upon its approval in full by the Authority. This Settlement Agreement is also contingent upon the provision of accurate and truthful information by the Company during the settlement negotiation process.

2.6 If the Authority does not approve this Settlement Agreement in its entirety, or does not issue an order on the Settlement Agreement by February 1, 2018, each of the Settling Parties shall have the right to withdraw from the Settlement Agreement upon notice to the other parties and the Authority, and in that event the Settlement Agreement will be deemed to be withdrawn and will not constitute a part of the record in this or any other proceeding or used for any other purpose.

2.7 Under no circumstances will: (a) any charge under this Settlement Agreement or tariffs promulgated hereunder recover costs that are collected by the Company

more than once, or through some other rate, charge or tariff; or (b) any charge recover costs more than once in any other rate, charge or tariff collected by the Company, it being acknowledged by the Settling Parties that such collection(s) described in this article, unless fully refunded with interest as soon as reasonably possible, will constitute a breach of this Settlement Agreement when discovered and generally known, and be deemed to violate the involved tariffs.

2.8 The terms of this Settlement Agreement will be governed by Connecticut law and not the law of some other state. This Settlement Agreement will be effective upon approval by the Authority, regardless of any pending appeals or motions for reconsideration, clarification, or recalculation, and the obligations imposed in each article will expire on that date stated therein, if any.

2.9 The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

This Settlement Agreement may be signed in counterparts each of which will be deemed an original and all of which together will constitute one in the same document.

[signature page follows]

The foregoing Settlement Agreement is executed as of October 16, 2017.

The Southern Connecticut Gas Company

By: _____
Anthony Marone
President and CEO, UIL Holdings

Office of Consumer Counsel

By: _____
Elin Swanson Katz, Esq.
Connecticut Consumer Counsel

Public Utilities Regulatory Authority Prosecutorial Staff

By: _____
Steven Cadwallader
Chief of Utility Regulation

The foregoing Settlement Agreement is executed as of October 16, 2017.

The Southern Connecticut Gas Company

By: _____
Anthony Marone
President and CEO, UIL Holdings

Office of Consumer Counsel

By: Elin Swanson Katz
Elin Swanson Katz, Esq.
Connecticut Consumer Counsel

Public Utilities Regulatory Authority Prosecutorial Staff

By: Steven D. Cadwallader
Steven Cadwallader
Chief of Utility Regulation

Settlement Agreement Attachment 1 (Amended October 16, 2017)
Revenue Requirements
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

	Rate Year 2018	Rate Year 2019	Rate Year 2020	Total Rate Increases
Revenue Requirements Increase Requested - Initial Application	**$ 8,139**	**$ 15,225**	**$ 19,190**	
Settlement and Discovery Adjustments:				
Rate Base	(1,386)	(1,195)	(1,045)	
O&M Expense	(4,916)	(6,220)	(4,003)	
Property Tax	107	109	64	
Depreciation Expense	(2,327)	(2,469)	(2,619)	
Amortization Expense	1,638	734	(129)	
Return on Equity	(3,607)	(3,808)	(4,089)	
Correction to Operating Revenue at Present Rates	4,222	4,222	4,222	
Voluntary Employee Separation Program (VESP)	(213)	(213)	(213)	
Additional Settlement Agreement Adjustments	(150)	(205)	(185)	
Revenue Requirements Increase Requested - Settlement Agreement	$ 1,507	$ 6,180	$ 11,193	
Incremental Rate Increase Requested - Settlement Agreement	$ 1,507	$ 4,673	$ 5,013	$ 11,193

Amounts may not add due to rounding.

Settlement Agreement Attachment 1 (Amended October 16, 2017)
Revenue Requirements
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

	Rate Year 2018 at Proposed Rates	Rate Year 2019 at Proposed Rates	Rate Year 2020 at Proposed Rates
Operating Revenues:			
Gas Sales - Before Rate Increase	$ 374,995	$ 377,789	$ 385,108
Rate Increase	1,507	6,180	11,193
Other Revenue Adjustments	(3,391)	(2,637)	(3,425)
Other Operating Revenue	2,422	2,449	2,476
Total Operating Revenues	375,533	383,781	395,352
Purchased Gas Costs	173,731	172,965	175,757
Operating Expenses:			
O&M Expense	90,893	94,245	94,859
Depreciation	28,246	30,306	32,265
Other Amortization Expense	(1,766)	(1,766)	(1,766)
Other Taxes	28,806	30,048	31,438
Total Operating Expenses	146,179	152,832	156,796
Income Taxes	14,979	15,715	16,951
Operating Income	$ 40,645	$ 42,270	$ 45,849
Average Rate Base	$ 534,053	$ 570,297	$ 617,780
Average Rate of Return	7.61%	7.41%	7.42%
Common Equity Percent of Total Capital	52.42%	52.40%	52.19%
Return on Equity	9.25%	9.25%	9.25%

Amounts may not add due to rounding.

Settlement Agreement Attachment 1 (Amended October 16, 2017)
Average Customer Bill Impact - Incremental Rate Increase
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

Average Customer Bill Impact Based on Incremental Rate Increase

Customer Bill Impact Before Reflecting $750,000 Annual Merger Commitment Credit

	2018	2019	2020
Operating Revenues @Current	$ 374,025	$ 377,599	$ 384,159
Distribution Revenues @Current	$ 200,294	$ 204,634	$ 208,402
Rate Increase (Incremental)	$ 1,507	$ 4,673	$ 5,013
%Increase Total	0.4%	1.2%	1.3%
%Increase Distribution	0.8%	2.3%	2.4%
Bill Impact - Average Residential Heating Customer (per Month)	$ 0.40	$ 1.24	$ 1.31

Customer Bill Impact After Reflecting $750,000 Annual Merger Commitment Credit

	2018	2019	2020
Operating Revenues @Current	$ 374,025	$ 377,599	$ 384,159
Distribution Revenues @Current	$ 200,294	$ 204,634	$ 208,402
Rate Increase (Incremental)	$ 757	$ 4,673	$ 5,013
%Increase Total	0.2%	1.2%	1.3%
%Increase Distribution	0.4%	2.3%	2.4%
Bill Impact - Average Residential Heating Customer (per Month)	$ 0.20	$ 1.24	$ 1.31

Amounts may not add due to rounding

Settlement Agreement Attachment 1 (Amended October 16, 2017)
Average Customer Bill Impact - Cumulative Rate Increase
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

Average Customer Bill Impact Based on Cumulative Rate Increase

Customer Bill Impact Before Reflecting $750,000 Annual Merger Commitment Credit

	2018	2019	2020
Operating Revenues @Current	$ 374,025	$ 377,599	$ 384,159
Distribution Revenues @Current	$ 200,294	$ 204,634	$ 208,402
Rate Increase (Cumulative)	$ 1,507	$ 6,180	$ 11,193
%Increase Total	0.4%	1.6%	2.9%
%Increase Distribution	0.8%	3.0%	5.4%
Bill Impact - Average Residential Heating Customer (per Month)	$ 0.40	$ 1.64	$ 2.92

Customer Bill Impact After Reflecting $750,000 Annual Merger Commitment Credit

	2018	2019	2020
Operating Revenues @Current	$ 374,025	$ 377,599	$ 384,159
Distribution Revenues @Current	$ 200,294	$ 204,634	$ 208,402
Rate Increase (Cumulative)	$ 757	$ 5,430	$ 10,443
%Increase Total	0.2%	1.4%	2.7%
%Increase Distribution	0.4%	2.7%	5.0%
Bill Impact - Average Residential Heating Customer (per Month)	$ 0.20	$ 1.44	$ 2.73

Amounts may not add due to rounding

Settlement Agreement Attachment 2 (Amended October 16, 2017)

Rate Base Summary

Rate Years 2018 - 2020

(Thousands of Dollars)

The Southern Connecticut Gas Company

Docket No. 17-05-42

	Rate Year 2018 Average Balance	Rate Year 2019 Average Balance	Rate Year 2020 Average Balance
Utility Plant in Service	$ 934,728	$ 997,748	$ 1,060,656
Accumulated Provision for Depreciation and Amortization	(344,624)	(367,885)	(393,159)
Net Utility Plant in Service	590,103	629,863	667,498
Add:			
Working Capital	23,507	19,933	23,093
Materials, Supplies, Gas Inventories	18,582	17,930	17,763
Prepayments	6	6	6
Deferred Debits - Regulatory Assets	(7,951)	5,504	22,521
Deduct:			
Accumulated Provision for Deferred Taxes [1]	(71,801)	(83,199)	(92,179)
Reserve / Regulatory Liabilities	(13,008)	(14,356)	(15,535)
Customer Deposits	(5,385)	(5,385)	(5,385)
Average Rate Base	$ 534,053	$ 570,297	$ 617,780

Notes:

Average Rate Base reflects a 13 month average

(1) Reflects Additional Settlement Agreement Adjustment from Technical Meeting

Amounts may not add due to rounding.

Settlement Agreement Attachment 2 (Amended October 16, 2017)
Rate Base Adjustments
Change from Applicaton to Amended Settlement Agreement
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company

Docket No. 17-05-42

	Rate Year 2018 Average Balance	Rate Year 2019 Average Balance	Rate Year 2020 Average Balance
Utility Plant in Service			
Accumulated Provision for Depreciation and Amortization	$ 1,086	$ 3,344	$ 5,737
Net Utility Plant in Service	1,086	3,344	5,737
Add:			
Working Capital	(7,240)	(7,207)	(7,323)
Materials, Supplies, Gas Inventories			
Prepayments			
Deferred Debits - Regulatory Assets			
Deduct:			
Accumulated Provision for Deferred Taxes [1]	(6,543)	(8,171)	(9,125)
Reserve / Regulatory Liabilities			
Customer Deposits	(5,385)	(5,385)	(5,385)
Average Rate Base	$ (18,082)	$ (17,420)	$ (16,096)

Notes:

Average Rate Base reflects a 13 month average

(1) Reflects Additional Settlement Agreement Adjustment from Technical Meeting

Amounts may not add due to rounding.

Settlement Agreement Attachment 2
Capital Expenditures
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company

Docket No. 17-05-42

Description	2018	2019	2020
Customer			
New Business	$ 14,120	$ 12,849	$ 13,120
Meters and Regulators	5,654	5,734	5,754
Total Customer	19,773	18,583	18,874
Infrastructure Improvement and Replacement			
Cast Iron and Bare Steel Replacement	$ 30,669	$ 38,800	$ 46,092
District Regulators and Gate Stations	2,913	1,537	2,323
Other Infrastructure Improvement and Replacement	935	958	965
Total Infrastructure Replacement	34,516	41,295	49,380
System Operations			
Operations Equipment	$ 270	$ 274	$ 279
Fleet	1,104	904	753
Facilities	7,801	6,578	3,363
Total System Operations	9,175	7,756	4,394
Business Effectiveness			
Information Technology	$ 63	$ 63	$ 876
Modernization - GIS	1,014	1,296	-
Total Business Effectiveness	1,077	1,359	876
Total Capital Expenditures	**$ 64,542**	**$ 68,993**	**$ 73,524**

Amounts may not add due to rounding.

Settlement Agreement Attachment 3 (Amended October 16, 2017)
Total Operating Expense at Current Rates
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

		Application			Adjustments			Settlement Agreement		
Total Operating Expense	Application Reference	Rate Year 2018	Rate Year 2019	Rate Year 2020	Rate Year 2018	Rate Year 2019	Rate Year 2020	Rate Year 2018	Rate Year 2019	Rate Year 2020
Uncollectible Expense:										
Non-hardship Customers	WP C-3.20 A-C line 20	$ 5,632	$ 5,691	$ 5,797	$ (171)	$ (171)	$ (171) [1]	$ 5,461	$ 5,520	$ 5,626
Hardship Customers	WP C-3.20 A-C line 22	2,827	2,827	2,827				2,827	2,827	2,827
Other Amortization Expense	WP C-3.29 A-C line 25	(3,308)	(2,457)	(1,644)	1,542	691	(122)	(1,766)	(1,766)	(1,766)
Pension Expense	WP C-3.24 (Summary) A-C line 20	4,921	4,750	3,372	(238)	(46)	38	4,683	4,704	3,410
OPEB Retiree Medical Expense	WP C-3.24 (Summary) A-C line 16	1,294	1,207	982	(190)	(177)	(144)	1,104	1,030	838
Other O&M Expense		80,328	85,025	84,951	(3,536)	(4,960)	(2,971) [1]	76,792	80,065	81,980
Depreciation Expense	C-1.0 A, B, C line 24	30,437	32,631	34,731	(2,191)	(2,325)	(2,466)	28,246	30,306	32,265
Property Tax Expense	WP C-3.30 A-C (Summary) line 15	10,493	11,323	12,177	100	103	60	10,593	11,426	12,237
Other Tax Expense	WP C-3.30 A-C (Summary) lines 16-18	18,318	18,528	18,893	(169)	(169)	(170) [1]	18,149	18,359	18,723
								-	-	-
Total Operating Expense	C-1.0 A, B, C line 27	$ 150,943	$ 159,525	$ 162,086	$ (4,853)	$ (7,054)	$ (5,946)	$ 146,090	$ 152,471	$ 156,140

Note. Total operating expense does not reflect uncollectible expense and gross earnings tax expense for the rate year revenue requirement increase.

[1] Additional Settlement Agreement Adjustment from Technical Meeting

Details of Other O&M Expense Adjustments (line 19 above):		Rate Year 2018	Rate Year 2019	Rate Year 2020
Other Public Company Costs	Settlement Adjustment	$ 132	$ 139	$ 146
Board of Director Fees	Settlement Adjustment	56	58	59
Audit & Accounting Fees	Settlement Adjustment	354	368	380
Advertising Expense	Settlement Adjustment	11	11	11
Incentive Compensation Expense	Settlement Adjustment	102	60	39
Travel, Education & Training Expense	Settlement Adjustment	89	92	95
401(k) Expense	Settlement Adjustment	42	44	45
SERP Expense	Settlement Adjustment		182	359
GIS Data Conversion Costs	Settlement Adjustment	1,700	2,836	342
Payroll Expense	Settlement Adjustment			300
Employee Healthcare Expense	Settlement Adjustment	250	250	250
Voluntary Employee Separation Program	Settlement Adjustment	200	200	200
Facilities Maintenance Expense	Discovery Adjustment	92	93	95
Environmental Expense	Discovery Adjustment	92	94	96
Meters Expense	Discovery Adjustment		101	101
Regulatory Commission Expense	Discovery Adjustment	42	42	44
Insurance Expense	Discovery Adjustment	227	243	263
Corporate Capital Charge	Technical Meeting Adjustment	147	147	146 [1]
TOTAL		$ 3,536	$ 4,960	$ 2,971

Settlement Agreement Attachment 4
Depreciation Rates
Rate Years 2018 - 2020

The Southern Connecticut Gas Company

Docket No. 17-05-42

	ACCOUNT	Annual Depreciation Rate	
INTANGIBLE PLANT			
303	MISCELLANEOUS INTANGIBLE PLANT	18.76	
MANUFACTURED GAS PRODUCTION PLANT			
305	STRUCTURES AND IMPROVEMENTS		a
307	OTHER POWER EQUIPMENT		a
311	LIQUEFIED PETROLEUM GAS EQUIPMENT		a
NATURAL GAS STORAGE AND PROCESSING PLANT			
361	STRUCTURES AND IMPROVEMENTS	3.09	
362	GAS HOLDERS		a
363.5	OTHER EQUIPMENT	4.91	
DISTRIBUTION PLANT			
374.1	LAND AND LAND RIGHTS - ROW	1.37	
375	STRUCTURES AND IMPROVEMENTS	2.44	
375.4	STRUCTURES AND IMPROVEMENTS - BULK HEAD	3.42	
375.5	STRUCTURES AND IMPROVEMENTS - ENVIRONMENTAL REMEDIATION	2.94	
376.1	MAINS - OTHER	2.54	
376.15	MAINS - YALE-STERLING PROJECT	5.00	b
376.16	MAINS - SIKORSKY PROJECT	5.00	b
376.2	MAINS - PLASTIC	2.40	
376.4	MAINS - VALVES > 4 INCHES	2.68	
376.9	MAINS - TRUNKLINE	2.55	
378	MEASURING AND REGULATING STATION EQUIPMENT - GENERAL	3.52	
379	MEASURING AND REGULATING STATION EQUIPMENT - CITY GATE	4.86	
380.0	SERVICES - STEEL	5.61	
380.1	SERVICES - OTHER	6.76	
380.15	SERVICES - YALE-STERLING PROJECT	5.00	b
380.2	SERVICES - PLASTIC	3.00	
381	METERS	3.59	
381.1	METERS - AMR	5.13	
382	METER INSTALLATIONS	4.97	
	METER INSTALLATIONS - FULLY AMORTIZED	0.00	c
383	HOUSE REGULATORS	2.69	
384	HOUSE REGULATOR INSTALLATIONS	5.06	
	HOUSE REGULATOR INSTALLATIONS - FULLY AMORTIZED	0.00	c
385	INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT	4.66	
385.15	INDUSTRIAL M&R STATION EQUIPMENT - YALE-STERLING PROJECT	5.00	b
385.16	INDUSTRIAL M&R STATION EQUIPMENT - SIKORSKY PROJECT	5.00	b
387	OTHER EQUIPMENT	6.16	
GENERAL PLANT			
390	STRUCTURES AND IMPROVEMENTS	2.47	
391	OFFICE FURNITURE AND EQUIPMENT	11.35	
	OFFICE FURNITURE AND EQUIPMENT - FULLY AMORTIZED	0.00	c
391.2	OFFICE FURNITURE AND EQUIPMENT - DATA PROCESSING EQUIPMENT	22.39	
	OFFICE FURNITURE AND EQUIP - DATA PROCESSING - FULLY AMORTIZED	0.00	c
392.1	TRANSPORTATION EQUIPMENT - LIGHT AND HEAVY TRUCKS	7.90	
392.2	TRANSPORTATION EQUIPMENT - PASSENGER AND TRAILERS	21.18	
392.21	TRANSPORTATION EQUIPMENT - SERVICE VANS	26.47	
393	STORES EQUIPMENT	6.47	
394	TOOLS, SHOP AND GARAGE EQUIPMENT	6.85	
	TOOLS, SHOP AND GARAGE EQUIPMENT - FULLY AMORTIZED	0.00	c
395	LABORATORY EQUIPMENT	6.59	
396	POWER OPERATED EQUIPMENT	4.64	
397	COMMUNICATION EQUIPMENT	6.65	
	COMMUNICATION EQUIPMENT - FULLY AMORTIZED	0.00	c
398	MISCELLANEOUS EQUIPMENT		a
TOTAL DEPRECIABLE GAS PLANT		3.19	

a Unrecovered reserve is amortized over 5 years.
b Yale-Sterling and Sikorsky projects are depreciated over 20 years per contract terms.
c Vintages beyond the amortization period are considered fully amortized and are no longer depreciated.

Settlement Agreement Attachment 5
Other Amortization Expense
Rate Years 2018-2020
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket No. 17-05-42

	Amortization Life in Years	Pro Forma Regulatory Asset (Liability) as of 12/31/2017	Other Amortization Expense			
			Test Year 2016	Rate Year 2018	Rate Year 2019	Rate Year 2020
Other Amortization Expense:						
Hardship Customer Accounts Receivable Write-offs	6	$ 7,677	$ 2,834	$ 1,280	$ 1,280	$ 1,280
Hardship Customer Assistance Grant Program	6	(2,791)	437	(465)	(465)	(465)
Hardship Customer Grant Program - Ongoing	1	-	3,000	3,000	3,000	3,000
Hardship Customer Matching Payment Program	6	(43,599)	3,135	(7,266)	(7,266)	(7,266)
Hardship Customer Matching Payment Program - Ongoing	1	-	4,514	2,289	2,289	2,289
Deferrals Associated with PURA Dockets	3	(760)	-	(253)	(253)	(253)
Current Rate Case	3	1,265	-	422	422	422
Environmental Remediation Costs	5	1,809	277	362	362	362
Tropical Storm Sandy Costs	3	537	-	179	179	179
Qualified Pension Plan Additional Minimum Liability	3	(800)	(830)	(267)	(267)	(267)
Accumulated Deferred Income Tax	10	(26,712)	-	(2,671)	(2,671)	(2,671)
GIS Data Conversion Costs	3	4,878	-	1,626	1,626	1,626
Total Other Amortization Expense		$ (58,497)	$ 13,367	$ (1,766)	$ (1,766)	$ (1,766)

Note:
Test Year amortization expense represents what was allowed in Docket No. 08-12-07

Amounts may not add due to rounding.

Settlement Agreement Attachment 6
Cost of Capital Summary
Rate Years 2018 - 2020

The Southern Connecticut Gas Company
Docket No. 17-05-42

Rate Year 2018	Weight	Cost Rate	Rate Year 2018 Weighted Cost
Short-Term Debt	8.03%	2.59%	0.21%
Long-Term Debt	39.55%	6.46%	2.55%
Common Equity	52.42%	9.25%	4.85%
Total Capital	100.00%		7.61%

Rate Year 2019	Weight	Cost Rate	Rate Year 2019 Weighted Cost
Short-Term Debt	6.23%	3.37%	0.21%
Long-Term Debt	41.37%	5.69%	2.36%
Common Equity	52.40%	9.25%	4.85%
Total Capital	100.00%		7.41%

Rate Year 2020	Weight	Cost Rate	Rate Year 2020 Weighted Cost
Short-Term Debt	5.17%	3.73%	0.19%
Long-Term Debt	42.64%	5.63%	2.40%
Common Equity	52.19%	9.25%	4.83%
Total Capital	100.00%		7.42%

Amounts may not add due to rounding.

Settlement Agreement Attachment 7
DIMP Revenue Requirements Analysis
(Thousands of Dollars)

The Southern Connecticut Gas Company
Docket: 17-05-42

Line		Rate Years Cumulative Impact 2018	2019	2020
1	**Required Revenue**	**$ 1,794**	**$ 6,682**	**$ 12,893**
2				
3	Uncollectible Expense	28	105	203
4	Gross Earnings Tax	76	285	550
5	Property Taxes	-	266	970
6	Depreciation	375	1,370	2,502
7	Pre-Tax Income	1,315	4,656	8,668
8				
9	State Income Tax	64	280	1,502
10	Federal Income Tax	(4,043)	(2,866)	2,050
11	Deferred Taxes	4,375	3,994	(940)
12	Utility Operating Income (UOI)	919	3,248	6,056
13				
14	Interest expense	333	1,124	2,117
15	Net Income	$ 585	$ 2,124	$ 3,939
16	ROE on Average Rate Base	9.25%	9.25%	9.25%
17				
18	Rate Base (End of Period):			
19				
20	Gross Plant	$ 30,669	$ 69,469	$ 115,561
21	Accumulated Depreciation	(375)	(1,745)	(4,247)
22	Net Plant	30,294	67,724	111,315
23	Deferred Taxes	(4,375)	(8,369)	(7,429)
24	Rate Base (End of Period)	$ 25,920	$ 59,355	$ 103,886
25				
26	Average Rate Base	$ 12,069	$ 43,819	$ 81,601

Settlement Agreement Attachment 8
System Expansion Reconciliation (SER) Revenue Requirement
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company

Docket No. 17-05-42

	2018	2019	2020
System Expansion Revenue[1]	$ 14,513	$ 18,480	$ 22,413
Required Revenue	11,518	13,088	15,109
O&M	933	882	918
GET	490	558	645
Property Taxes	1,441	1,703	1,996
Depreciation	2,155	2,566	3,006
Pre-Tax Income	6,499	7,378	8,545
SIT	150	171	222
FIT	(647)	235	1,899
Deferred Taxes	2,455	1,826	454
Utility Operating Income (UOI)	4,541	5,147	5,970
Interest expense	1,648	1,781	2,087
Net Income	$ 2,893	$ 3,365	$ 3,883
ROE	9.25%	9.25%	9.25%
SER - Revenue Requirement Deficiency / (Excess)	$ (2,996)	$ (5,392)	$ (7,304)

[1] The system expansion revenue is an estimate using current rates. Revenues will be updated when the final rate design is filed in the rate design compliance filing.

Settlement Agreement Attachment 9
Decoupling
Rate Years 2018 - 2020
(Thousands of Dollars)

The Southern Connecticut Gas Company

Docket No. 17-05-42

	2018	2019	2020
Total Revenue	$ 375,894	$ 384,197	$ 395,749
Remove:			
PGA (Firm & Special Contracts)	(157,466)	(157,807)	(160,720)
Conservation	(15,556)	(16,182)	(16,107)
TSC-Shifted Cost	(2,697)	(2,666)	(2,637)
DIMP Reconciliation[1]	-	-	-
System Expansion[2]	(14,513)	(18,480)	(22,413)
Non Firm Margin	(21,871)	(20,752)	(20,788)
Merger Credit	(750)	(750)	(750)
Net Revenue	$ 163,040	$ 167,562	$ 172,334

Notes:

[1] DIMP Reconciliation revenue will be removed from the Actuals in the decoupling calculation.

[2] The system expansion revenue is an estimate using current rates. Revenues will be updated when the final rate design is filed in the rate design compliance filing.

DOCKET NO. 17-05-42 APPLICATION OF THE SOUTHERN CONNECTICUT GAS COMPANY TO INCREASE ITS RATES AND CHARGES

This Decision is adopted by the following Commissioners:

Michael A. Caron

John W. Betkoski, III

Katherine S. Dykes

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

December 13, 2017

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority

Date