September 4, 2024

This FAQ document is intended to give detailed, evidence-based information regarding the recent electricity bill rate changes that took place July 1 and September 1. OCC is committed to providing accurate, consumer-friendly information to assist ratepayers and policymakers with understanding the regulatory framework that impacts electricity rates and services. With this in mind, this FAQ hits on the following topics:

General Information:

1. **Why Did Electric Bills Increase in July?**
2. **Why did my rates increase again in September?**
3. **What Can Customers Do to Help Lower Their Bills?**

Addressing Some Misconceptions and Questions Regarding the Bill Increases:

1. **The Public Benefits Category of costs recovered in this year's annual rate adjustment are not new and have been included in bills for many years.**
2. **The new Public Benefits category of the electric bill includes more than 60 costs and is not solely driven by affordability initiatives, or unpaid bills related to the Covid moratorium.**
3. **PURA did not approve these costs "behind closed doors" and did provide notice to the public.**
4. **The costs are not being used to help state budget shortfalls; payments are not going to the General Fund.**
5. **Clarifying the July and September rate increase's connection to executive compensation for Eversource and Avangrid CEOs.**
6. **Fact Check on utilities' profits related to this rate increase.**
7. **Explanation regarding rate regulation of regulated monopolies, and related misperceptions that unpaid bills are the company's risk of doing business and other customers can't be charged for their losses.**
8. **Assertions regarding funding the Public Benefits Category of the Bill.**

General Background Information on July and September 2024 Electricity Bill Increases

1. **Why Did Electric Bills Increase in July?**

As part of an effort by PURA, the Legislature, and Governor Lamont to lower costs and increase customer understanding of what they are paying for, PURA redesigned the electric bill format which customers are now seeing on their bills since the changes went into effect in the winter of 2023. As a result, electric bills are now divided into four parts: Supply, Transmission, Local Delivery, and Public Benefits. For most customers, the Supply and Local Delivery costs historically represent the highest percentages of the charges on their bills. In recent months, customers saw all four parts of the bill increase. This is because the majority of charges on a customer's bill are volumetric, meaning they are multiplied by the customer's usage – measured in kWh. Due to the recent heat waves and an increased reliance on cooling systems, many customers' usage increased as much as 60% to 100% from June to July bills. As a result, the dollar costs month over month for Supply, Local Delivery, and Transmission costs increased by those percentages – or kilowatt hour (kWh) – as well.

Usage:

- With only one exception, every charge on your bill is driven by usage. That exception is the fixed customer charge, which is set at $9.62 for Eversource customers and $11.34 for UI customers. Those fixed charges are supposed to compensate the companies for the costs specific to connecting you to the distribution grid – the cost of your meter and service line, as well as customer service.

- But all other costs – the costs to build and maintain the grid infrastructure for both transmission and distribution; the costs of compensation and benefits; vehicles; taxes; etc. – are passed on to customers via various charges that are "volumetric" on your bill. What that means is that unlike the fixed charge where you pay a flat cost each month, there is a price per kWh. That's just a measurement of how much electricity you use. However, different components have different volumetric prices.

- For example, for Eversource customers the current rate for the Non-Bypassable Federally Mandated Congestion Charge (which is the part of the Public Benefits category that pays for nuclear contracts and other reliability-related energy costs) is just under 5 cents per kWh. So, if you use 1,000 kWh of electricity in a month, you'll pay 5,000 cents for that component of the bill – or $50. When you look at your bill you'll see line items with multiplication equations; like "FMCC Charge: 1000 kWh x $0.04791". That is showing you your usage multiplied by the price of the particular charge on your bill. If you add all of those line items up, plus your Customer Charge, they equal your total bill.

- Generally, the reason one customers' costs within the Public Benefits category are different from their friends or neighbors is because they have different usage. Even if two customers live in very similar sized homes and have seemingly similar electric usage, there can be a significant difference when you compare actual metered kilowatt hours. If you find that your usage is significantly higher than your neighbor's, now might be a good time to determine why and if there are steps you can take to reduce your usage.

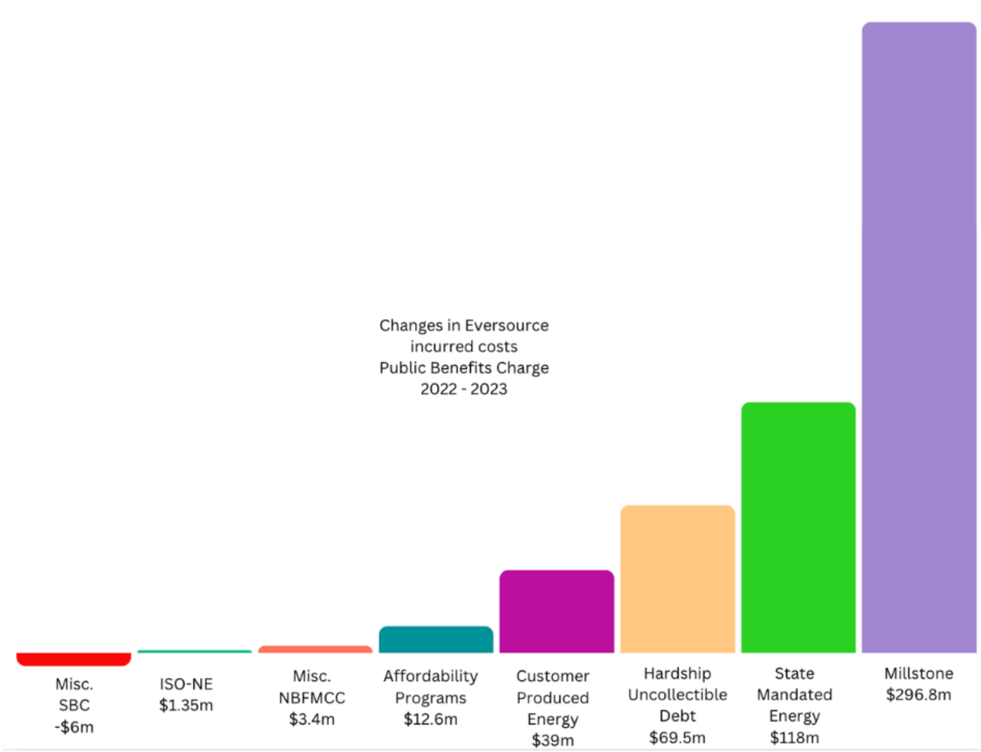
Public Benefits Category Cost Increases from Both Last Year and This Year:

In addition to increased usage, bills have increased because of authorized rate adjustments effective July 1 and September 1, 2024. The July 1 adjustment increased the Public Benefits portion of customers' bills more than the other three categories on the bill. Of that increased Public Benefits category, approximately 35% (Eversource) or 20% (UI) is attributable to costs the utilities under-recovered the past few years – this is in relation to more than 60 separate charges within the Public Benefits category of the bill. Another reason that cost is so high is that unlike in some prior years, this year the utilities insisted (over OCC's objections) – and PURA approved in a 2-to-1 vote – that they be allowed to recover the approximately full outstanding cost over the next 10 months rather than amortized over a longer time period. OCC's motion to reconsider this decision regarding the period of recovery was denied in a 2-1 vote on August 30th.

The remaining approximately 65% (Eversource) or 80% (UI) of the charges in the Public Benefit category are attributable to legislative and PURA required programs related to grid resiliency and reliability, clean energy, energy efficiency, and bill assistance. In addition to affordability measures, protections for vulnerable customers, and procurements for grid-scale wind and solar, this category also includes funding for our gas peaker plants, thermal loops, and front-of and behind-the-meter clean energy investments that are resulting in bill savings for those who are able to participate in them while, critically, also helping ensure grid resilience and reliability for all Connecticut residents.

There have been many things said about the recent bill increases, and unfortunately some of them are incorrect. One of the most damaging inaccuracies is the continued statement that these increases are solely due to the shut off moratorium remaining in place for four years. The shut off moratorium remained in place for four years only for customers with a financial or medical hardship designation on their account. A financial hardship designation is income-based and is given to customers with the lowest incomes, such as those receiving SNAP and Medicaid. A medical hardship designation is based upon serious illness or life-threatening medical conditions. Moreover, when the utilities began data sharing with DSS in 2024, they found that the number of customers eligible for a financial hardship designation was approximately double the number of customers who had received that designation, meaning only half of the customers eligible for the extended shut off moratorium actually benefited from it. OCC does not support a "no payment" program for customers, but we do support assuring that our neighbors most in need can access life essential services, particularly during the global pandemic that had significant and long-lasting health and economic impacts.

Additionally, although the costs of uncollectible outstanding balances for hardship-designated customers in the Public Benefits category are historically significant this year, in large part due to the lingering impacts of the COVID pandemic as well as accounting and regulatory lag, they are not the largest component of the bill increase we are seeing. For example, for Eversource, the year-to-year increase in hardship uncollectibles was about $70 million. But the year-to-year increase in the Millstone contract cost was more than three times higher, at about $297 million. These two costs have received a lot of attention because they are the two single costs that are easiest to identify and understand, but it is important to recognize that there are dozens of other cost drivers within the Public Benefits category (the overall year-over-year increase in Eversource's costs within the category was on the order of $450 million).



2. Why did my rates increase again in September?

There are three reasons the costs were adjusted again in September. This was mostly due to changes in cost-recovery for the utilities related to two PURA programs: the Innovative Energy Solutions Program and the Connecticut Electric Vehicle Charging Program, and the third is a small adjustment to the Transmission charge for UI customers only.

The costs of the Connecticut Electric Vehicle Charging Program reflect all the costs since the program was established in 2021 and are divided into three buckets: Upfront incentives for program participants, ongoing performance incentives for those participating in managed charging events, and administrative costs incurred by Eversource and UI for managing this program. We have heard a lot of comments that the EV costs are going towards vehicle purchase rebates or that the utilities are currently installing, owning, or operating EV chargers with these funds. Customers are not paying for electric vehicle purchases or for the utilities to own EV chargers or to make electric grid investments to accommodate EV electricity demand.[1]

First, there are upfront incentives for program participants.[2] If you want to install an EV charger at your home or business, you can enroll in this program and receive a rebate to reduce the cost of your charger and the costs of energizing it. As explained on PURA's website, these rebates are intended to help to deploy and geographically distribute enough EV chargers throughout the state to support our regional commitment to 3.3 million electric vehicles on Connecticut's roads by 2025. These rebates have also been supported under the rationale that load growth caused by EV charging can actually reduce electricity prices as it spreads fixed electricity system costs over a larger volume of sales, reducing per kilowatt-hour rates. We at OCC have continuously advocated for rigorous benefit-cost analyses to ensure that the anticipated program benefits are accruing to all ratepayers, and for frequent reevaluation of the incentives being offered.

Enrollment in the program also means that you are willing to make your charger available for demand management. That means you are agreeing to adjust some of your EV charging behavior to help reduce peak electricity demand – and that does provide a benefit to all

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[1] A utility's infrastructure costs include the cost of their profit, and it would be inappropriate to pass those costs through in the RAM without a much more in-depth review. That's why OCC insisted upon those costs being recovered through a base distribution rate case, which is an intensive year-long proceeding.

[2] These EV charging incentives are distinct from the federal National Electric Vehicle Infrastructure (NEVI) funding from the Bipartisan Infrastructure Law, which is restricted to direct current fast chargers deployed along highway corridors. OCC has consistently advocated that any federal funding or private market contributions towards EV charger deployment should be accounted for and act as an offset to this state program.

ratepayers, not just EV owners or program participants. That brings us to the second cost that being recovered here, which is ongoing performance incentives for those participating in managed charging events. These are payments or bill reductions that are meant to incentivize peak-smoothing charging behavior and are calibrated to balance the cost spread to all ratepayers against the overall benefits to reliability and avoided upgrade costs that flow from demand response engagement. Since 2021, those first two categories of cost have represented about 85% of the total program cost. The remaining 15% is the third cost category, which are the administrative costs incurred by Eversource and UI in managing this program.

We have received questions about why customers are paying for all three years of the program now. The EV Program was implemented by PURA via a Decision issued in July of 2021. Originally, PURA ordered the companies to hold the costs until their next distribution rate cases, at which point they would have the opportunity to be paid back the accumulated costs plus interest. The companies threatened to close the program and filed requests with PURA insisting that they be allowed to recover their accumulated costs this year. Because of this, Eversource is now allowed to collect about $28 million for costs incurred between October of 2021 and December 2023, plus about $5.4 million in interest expense due to the deferred recovery dating back to 2021. That's all in addition to about $16 million in costs incurred in 2024, as well as forecasted costs for next year amounting to about $24 million. UI's backlog from 2021 through 2023 is about $6 million, plus $876,000 in interest. Going forward, the utilities will recover their costs on an annual basis, with an expected reduction in the rate impact for the program.

3. What Can Customers Do to Help Lower Their Bills?

As stated, these charges on a customer's electric bill are volumetric, meaning the more energy the customer uses, the higher their bill. The average electric customer uses between 700-800 kWh per month, although usage can vary significantly with seasonal temperatures. For example, average historical usage for residential Eversource customers during the month of August is over 900 kWh. Customers who use significantly more than the average should sign up for a Home Energy Solutions audit to conduct an in-home energy assessment and recommend ways to save. Summer is a time in which customers use some of the highest energy-consuming devices, such as air conditioners and pool pumps, and using these items in the most efficient way can produce significant savings.

If a homeowner can afford the upfront cost or obtain financing, installing solar can also help individual customers lower their monthly electricity bills, and overall electricity costs once the installation investment is paid off. The amount of money you can save on your electricity bills with solar panels depends on several factors, such as the size of the system, the amount of sunlight your property receives, and the cost of grid electricity. OCC suggests that customers interested in solar shop carefully, obtain multiple proposals and follow the smart shopping tips recommended by the Department of Energy.

Carefully and consistently monitoring supply rate offerings is another way consumers can reduce bill costs. Customers who are enrolled with a third-party supplier should look at the Supply Cost Comparison on their electric bills (on the right side of the first page) to ensure their supply rate offers savings. Many customers were enrolled on supplier rates last winter that, while beneficial at that time, are no longer lower than the standard service rate – or the customer's initial rate may have already expired and automatically renewed at a higher rate. Customers cannot "set it and forget it" with supply rates. Ensuring the supply rate is competitive is crucial to ensuring you are not overpaying. The EnergizeCT rate board is the only reliable source for shopping for suppliers.[3] Residential customers can terminate their third-party supplier contract at any time and revert back to Standard Service. We've also issued guidance on how to change suppliers to ensure you are getting the lowest rate possible.

[3] Customers should also be certain to enter EnergizeCT.com into their URL window or ensure that their search for EnergizeCT takes them to the website EnergizeCT.com. Many searches take customers to supplier-funded websites that do not display all publicly available rates

Answering Consumer Questions and Addressing Some Misconceptions Regarding the July 2024 Electricity Bill Increases

1. **Almost all of the Public Benefits Category of costs recovered in this year's annual rate adjustment are not new, and have been included in bills for many years.**

We at OCC have heard a lot of commentary expressing that the Public Benefits category represents new costs that were recently added to electric bills. Most of the costs that caused the July 1 increase were not new costs – including the costs of unpaid bills and the Millstone contract. These charges have been part of electric bills for years, and in some cases, decades. What is relatively new is the category itself.

As part of an effort by PURA, the Legislature, and Governor Lamont to lower costs and increase customer understanding of what they are paying for, PURA redesigned the electric bill format which customers are now seeing on their bills. These changes went into effect in the winter of 2023.

Electric bills used to be divided into only two categories: Supply and Delivery. The "Supply" category only captured the cost of purchasing retail energy itself, whereas "Delivery" included the costs for distribution and transmission infrastructure, all of the utilities' operating costs and profit, and program costs driven by legislative and regulatory initiatives – such as the Millstone contract, gas peaker plants, other clean energy purchased power agreements, affordability programs, energy efficiency programs, fuel cell projects, etc.

The recently redesigned bill splits the category that used to be labeled "Delivery" into three parts: "Local Delivery, Transmission, and Public Benefits." The costs that are now in the "Public Benefits" section were called things like "SBC," (System Benefits Charge) "CAM," (Conservation Adjustment Mechanism) "Combined Public Benefits" and "NBFMCC" (Non-Bypassable Federally Mandated Congestion Charge) in older iterations of bills.

2. **The new Public Benefits category of the electric bill includes more than 60 costs and is not solely driven by affordability initiatives, or unpaid bills related to the Covid moratorium.**

The pandemic did result in extremely high levels of unpaid arrearages, but it's important to recognize that the costs of unpaid bills are not a new cost on electric bills – what we call "hardship uncollectibles" are the total unpaid balances for customers who meet the eligibility criteria for financial or medical designations, that have aged long enough for the utilities to write them off as a loss. These losses have been recovered from ratepayers for as long as electric companies have been regulated, and prior to the redesigned bill they were in the "Delivery" category within the "SBC", or "Comb Public Benefit Chrg" charges. As has been true for decades in Connecticut and every other state in the country, the utilities are legally entitled to be compensated for their reasonably incurred costs – so when customers are unable to pay their bills, the utilities must nonetheless be paid for providing service as a matter of law. This RAM cycle, Eversource and United Illuminating proactively exercised that entitlement, demanding full and immediate reimbursement, and were unwilling to entertain solutions that could mitigate the resulting impacts on customers' wallets.

3. **PURA did not approve these costs "behind closed doors" and did provide notice to the public.**

We have heard some comments about the level of transparency at PURA, and as active participants to these proceedings it is difficult for us to agree with the sentiment that these changes happened in secret. The increases were analyzed in two different public proceedings. The docket numbers are 24-01-03 (for Eversource) and 24-01-04 (for UI), and in both cases the companies submitted initial applications in January of 2024. Since then, there have been written comments, interrogatory requests and responses, subsequent data filings, in-person hearings, legal briefing, and two different phases of draft decisions that invited participants to comment. These have been active proceedings for the past seven months, and every document that was filed and analyzed is available on PURA's website at the links above. Consumers and interested parties can also watch the hearings that occurred on PURA's YouTube channel – the dates of those hearings were March 11th, March 18th, June 3rd, and June 5th.

In general, the transparency of PURA proceedings is well-documented: PURA dockets are open to the public, allowing for public hearings and public comments, all documents in the docket are filed publicly, decisions must contain supporting legal rationale, and the decisions are appealable in Connecticut and federal courts. Legislators, the public, and experts in the field can all participate in PURA proceedings to help ensure we have the best system for reconciling utility costs and expenses that is most protective of customers.

Nevertheless, we recognize and agree that these proceedings are dense, complicated, and difficult to follow. PURA has excellent resources on their website and YouTube channel with information about regulatory concepts and how the public can participate. OCC is continuing to develop materials and strategies to try to help the public understand the issues in ways that can improve access and make participation more feasible, so please keep an eye on our Connecticut Office of Consumer Counsel website.

4. **The costs are not being used to help state budget shortfalls; payments are not going to the General Fund.**

We have also been hearing the misconceptions about the ultimate destination of the dollars being collected from ratepayers. We explained how these proceedings are complicated – and they really are – but the concept of the revenue flows is actually pretty simple. These bill increases are paying for two things: reimbursing the utilities for money they spent or didn't receive in the past year, and compensating the utilities for money they will spend or won't receive in the next year.

The companies filed applications last winter seeking these rate increases – which are largely driven by the companies' requests to be reimbursed for money they have already spent, with the remainder being requests to receive reimbursement for the money they will spend in the coming year. The dollars customers are paying at this moment are flowing to the companies – not to the State or to customers – to compensate them for money they have spent or will spend. None of this money is going to the state or being redistributed to low-income customers.

5. **Clarifying the July and September rate increase's connection to executive compensation for Eversource and Avangrid CEOs.**

It's true that Eversource recently announced a very generous compensation increase for their CEO – and the CEO of Avangrid is also very well compensated, and OCC agrees these compensation packages are excessive for executives of public service companies providing life-essential services to its customers. It is also true that a lot of the money earned by both of these CEOs and other highly-compensated executives at both companies is recovered from ratepayers. OCC spends a lot of time and energy during rate cases trying to limit the amount Connecticut customers pay for excessive executive compensation.

But there are nuances here that are important to understand, and they explain why the July and September bill increases are not directly related to CEO compensation.

First, executive compensation comes out of base rates. Those are part of the "Local Delivery" portion of your bill – and are not part of the bill increases in July or September, which were adjusted in this year's annual RAM proceeding. Base rates are determined through different kinds of rate cases, which typically happen on a 4-5 year cycle. So, while OCC always seeks to limit executive pay and shield Connecticut ratepayers from unreasonable costs, the idea that the July or September increases were to directly fund the CEO's pay increase is not true.

Second, in terms of how executive compensation is charged to customers in base rates, it is important to keep in mind that the CEOs are executives at the publicly traded parent company level, rather than the local electric company level. In Connecticut, we refer to our biggest electric company as Eversource, but we are actually customers of a subsidiary of Eversource Energy called Connecticut Light and Power (CL&P). Eversource is a large corporation with a Massachusetts headquarters, and they own other utilities in other states – like Massachusetts and New Hampshire – as well as other business interests that aren't regulated utilities. Similarly, United Illuminating is a subsidiary of a much larger corporation called Avangrid, which also has lots of other revenue streams other than UI. Given this structure, Connecticut customers pay a portion of executive compensation at the CEO level for either of these companies.

Nevertheless, the amount Connecticut ratepayers do pay is substantial and nothing to ignore or discount. For example, Connecticut customers paid Eversource's CEO about $1.8 million in 2023. Avangrid's CEO was paid about $440,000 by UI customers in the same year. Overall, we calculate that UI customers paid $5.46 million to Avangrid executives in 2023, and Eversource customers paid $7.74 million to parent company executives:

EVERSOURCE (CL&P) EXECUTIVE PAY - 2023

Position	Total 2023 Pay	Amount Collected from CL&P Customers
CEO	$18.885 million	$1.8 million
CFO	$4.2 million	$351,000
General Counsel	$2.6 million	$126,000
EVP-HR/IT	$3.2 million	$348,000
EVP-Corp. Relations	$2 million	$169,000
Retired CFO	$2.6 million	$85,000
Remaining 63 Officers	$48 million	$4.9 million
Totals	**$82 million**	**$7.7 million**

AVANGRID (UI) EXECUTIVE PAY - 2023

Position	Total 2023 Pay	Amount Collected from UI Customers
CEO - Avangrid	$3.58 million	$440,000
CEO - Avangrid Networks	$2.4 million	$428,000
General Counsel	$2.8 million	$343,000
CFO	$510,000	$61,000
Top 50 Vice Presidents	$22.9 million	$3.82 million
Board of Directors	$2.83 million	$364,000
Totals	**$35 million**	**$5.46 million**

6. Fact Check on utilities' profits related to this rate increase.

OCC has pushed back against the utilities' narrative that they do not make any profit on these costs in prior PURA filings. The question of whether utilities have any control over these costs, or whether they are profiting from them, comes down to a case-by-case basis when reviewing each specific cost. While it is true that the utilities do not receive a profit markup from the vast majority of the charges from the RAM, the Eversource bill contains a notable exception. The July 1st increase for Eversource customers includes a line item shown on bills as "Local Delivery Improvements". Within the regulatory framework, this is known as the Electric System Improvements charge, or the "ESI". It's a capital tracker that compensates Eversource for investing in grid assets. About $99 million of the July 1st increase is paying for Eversource's return on those investments, which includes the costs of debt and the return on equity, which is profit. This translates to around $50 million of profit baked into this rate increase for Eversource – in that line item alone. Both companies also are recovering a portion of their EV program costs with interest, and the interest rate is the companies' weighted average cost of capital. That figure is a mix of their debt cost *and* their return on equity – meaning part of the interest we're paying is not passed through to the companies' debtors – it is retained by the companies as earnings. It's a small amount compared to the overall magnitude of costs included in the July 1 increase – but it *is* profit.

As to the other pieces of the rate increase, especially the "Public Benefits" category costs, it is true that the vast majority of those costs are outside the companies' control and are "pass through costs," meaning we are just paying the company back for the costs it had to incur in order to purchase state-mandated power, or to facilitate required affordability programs. But this is not the case for all of the costs in this category. There are costs built into that charge for certain compensation costs – the salaries and benefits paid to the companies' employees who are working on administering clean energy and affordability programs. Those costs are under the companies' control. We know that for Eversource alone, $3.65 million is included in the NBFMCC charge for employee compensation for Clean Energy and Grid Modernization programs. So, when Eversource says that *none* of this money pays for utility employees, we have to disagree.

Additionally, the component of the public benefits charge that is for unpaid bills – or "uncollectibles" as is the regulatory term – those are the companies' total bill losses, which includes losses for the parts of the bill that are under their exclusive control and do derive profits. Whether and to what extent state requirements drove the magnitude of those losses this year is a relevant question, but we should also keep in mind that the cost of these "unpaid bills" is really just the companies' overall missing revenue in their respective income statements.

Though the details matter, from a more general standpoint, *all* of this money flows to the companies regardless of whether for pass-through costs or investments, employee compensation or administrative costs, it is all being collected by Eversource or UI as part of their overall revenue stream and income statements. These companies treat revenue just like any other company; they pay for their costs and the amount that is left over after accounting for and covering costs is their net income – their profit.

So, it's true that the vast majority of these costs are pass-throughs where the company isn't adding any premium or building in any profit, and it's also true that these costs are trued up

– meaning if the company actually spends less on a given cost than it collects in rates, it has to credit that money back. But the money customers are paying is part of the companies' overall cash flow that filters through to their bottom lines, and small parts of this increase (the ESI) are specifically earmarked as profit.

7. **Explanation regarding rate regulation of regulated monopolies, and related misperceptions that unpaid bills are the company's risk of doing business and other customers can't be charged for their losses.**

As regulated monopolies, Connecticut's investor-owned electric companies do not assume the same risk as companies operating in the regular market. In fact, utility companies are actually legally entitled to be paid for the reasonable costs they incur – and to recover their reasonable losses – from ratepayers. It's written directly in Connecticut's statutes, and it's a concept that is protected by the U.S. Constitution. The 5th Amendment's Takings Clause prohibits a state from taking private property for public use without "just compensation." The U.S. Supreme Court has made it quite clear that this means that a state cannot set prices for a private company (as they do for a utility company) without paying the company the fair value of the services they render.

The state regulates electric utility prices because electric utilities are monopolies – they have no competition in the marketplace because nobody else is permitted to own electric grid infrastructure in their service areas. Therefore, they can't be allowed to set their own prices because customers can't simply choose a cheaper alternative. To balance state regulated pricing, the Constitution demands that those prices are enough to pay the utility service provider for their costs of doing business.

Under this framework, OCC and PURA have little recourse in the context of the costs included in the July 1 increase that are recovered through annual proceedings before PURA called "reconciling mechanisms." OCC does conduct a thorough accounting review of the company's request to change rates through this mechanism, referred to as "RAM", to confirm whether these costs are appropriately accounted for. But unfortunately for costs recovered in the RAM, like the costs driving these big increases this summer, as long as the companies spent or lost money in a reasonable way – which is fairly easy for them to demonstrate if they are incurring costs as a result of following a state statute or PURA directive – the law requires that they be paid back.

However, the *way* they are paid back isn't necessarily so set in stone. OCC always puts customers' interests first when recommending how and when the utilities recover their costs. This year the companies were unwilling to entertain solutions that could mitigate the immediate impacts upon customers' wallets. Eversource explained in testimony that its cash flow problems required that the entire outstanding balance be recovered within the coming months because "[w]ithout timely and adequate recovery of these large costs, the Company is required to finance the difference until the revenue stream is obtained through customer rates." Eversource announced, "we are not a bank or a credit card company" and warned that if Eversource does not receive "timely recovery" of the money it has paid to Millstone and other agreements, it "may not be in a position to support future state contracts." Unfortunately, over OCC's objections, Eversource refused to extend its reimbursement for the Millstone costs, resulting in the Interim Decision which saddled ratepayers with the full impact of that contract. OCC was disappointed in our utilities' prioritization of their bottom line over practical solutions that could have mitigated the immediate impact of the potential rate increase.

Another option for the utilities to recover their costs in a manner that causes less rate shock and does not rely upon the companies' willingness or capacity to reduce their cash flows is called securitization. Substantial and out-of-the ordinary exogenous costs could be funded with securitization – via bonds issued by the state pursuant to a financing order. This would be similar to the initial recommendation in PURA's Proposed Interim Decision to amortize costs over time in order to mitigate rate shock but would also provide the companies with timely cost recovery and would come at a lower debt cost than the companies' weighted average cost of capital. Ratepayers would also not incur any additional flow-through costs associated with the companies' incremental earnings from traditional utility carrying costs. Legislative authorization is required to use this financing tool and OCC is asking PURA and the legislature to evaluate securitization as a possible mitigating action for these and other impending costs.

8. Assertions regarding funding the Public Benefits Category of the Bill.

There has been discussion about no longer paying for the public-policy driven programs recovered through electric bills. At the outset, all programs that are funded on electric bills, whether directed by the legislature or not, reflect policy determinations regarding energy and utility rate regulation. OCC always advocates for rigorous benefit-cost analysis at PURA to try to ensure electricity customers will receive direct benefits for their investments. In addition, many of these programs will make Connecticut a better place to live now, and in the future, supporting clean and distributed energy to strengthen the reliability and resiliency of our electric grid while protecting our public health, and programs that ensure our neighbors in need can heat their homes.

The discussion should not be about *if* we continue to pay for these programs, but *how* we continue to pay for these programs. Historically, electric bills are a regressive means of funding public programs because, unlike taxes, everyone pays the same amount regardless of income. An average household with a $50,000 annual income pays the same price for these programs as a household with a $1 million annual income, even though that price represents a drastically different proportion of income for those two households. The Low-Income-Discount Rate (LIDR) implemented in 2024 offsets this regressivity somewhat, but the structure is still not as progressive as our state taxation levels. Moving the funding for some of these programs to being federal, state tax or bond-funded makes sense. For example, our electric bills reflect the costs of the affordability programs more than some other states because several of them – including our neighbors in New York, Maine, and Massachusetts – have allocated state or federal funding to assist low-income families with their energy bills, which in turn reduces the burden on all ratepayers.