STATE OF CONNECTICUT

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

DOCKET NO. 18-05-10 APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES

December 12, 2018

By the following Commissioners:

Michael A. Caron
John W. Betkoski, III
Katherine S. Dykes

Lead Staff: G. Lucchina
Legal Advisor: R. Luysterborghs

DECISION

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DECISION

I. INTRODUCTION

A. SUMMARY

In this decision, subject to the orders in Section IV.B., the Public Utilities Regulatory Authority approves the Settlement Agreement filed by Yankee Gas Services Company, the Office of Consumer Counsel and the Prosecutorial Unit of the Public Utilities Regulatory Authority. The Public Utilities Regulatory Authority finds that the Settlement Agreement, providing for a total rate increase of $30.2 million over the three rate years, will allow The Yankee Gas Services 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 15, 2018, pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e, The Yankee Gas Services Company d/b/a Eversource Energy (Yankee or Company) filed an application for a rate increase (Application) with the Public Utilities Regulatory Authority (PURA or Authority). Yankee proposed a total rate increase of $86 million over the three-year rate plan with an increase of $49 million in Rate Year (RY) 1, $21 million in RY 2 and $16 million in RY 3.

Yankee, the Office of Consumer Counsel (OCC) and the Prosecutorial Staff of the Public Utilities Regulatory Authority (PRO; together, the Settling Parties) jointly submitted a Settlement Agreement for the Authority to review and approve. The Settlement Agreement (Settlement Agreement) is contained in three separate motion filings dated September 5, 2018 (Motion No. 43, Appendix A to this Decision, hereinafter 9/5/18 Settlement Filing), September 14, 2018 (Motion No. 45, Appendix B to this Decision, hereinafter 9/14/18 Settlement Filing), and September 21, 2018 (Motion No. 46, Appendix C to this Decision, hereinafter 9/21/18 Settlement Filing). The Settlement Agreement proposes rate increases of $1.4 million in RY 1, $15.8 million in RY 2 and $13 million in RY 3.

C. CONDUCT OF THE PROCEEDING

Pursuant to a Notice of Pre-Hearing Conference dated June 7, 2018, the Authority conducted a Pre-Hearing Conference on June 28, 2018, to discuss procedural issues with all admitted parties and intervenors at the Authority's offices located at Ten Franklin Square, New Britain, CT.

On June 19, 2018, Yankee submitted a motion for approval of its customer notice and permission to provide it to customers. On June 22, 2018, the Authority approved the customer notice.

By Notices of Audit dated June 26, 2018 and July 31, 2018, the Authority conducted audits of the Company's books and records at 107 Selden Street, Berlin, CT beginning on July 31, 2018.

The Authority held noticed Public Comment hearings on August 20, 2018, at the Windham Town Hall and August 21, 2018, at the Newtown Town Hall.

By Notice of Hearing dated September 18, 2018, the Authority held a hearing on September 26, 2018 at its offices at Ten Franklin Square, New Britain, CT, to review the Settlement Agreement.

By Notice of Close of Record dated November 1, 2018, the record was closed.

D. PARTIES AND INTERVENORS

The Authority recognized the following as parties to this proceeding: The Yankee Gas Services Company d/b/a Eversource Energy, 107 Selden Street, Berlin, CT 06037; 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: August 20, 2018, at the Windham Town Hall, 979 Main St., Willimantic, CT and August 21, 2018, in the Council Chambers at the Newtown Municipal Center, 3 Primrose Street, Newtown, CT. Approximately 53 members of the public attended both the hearings and of this total, nine people spoke. Those customers that provided testimony expressed concerns regarding environmental issues, such as reducing emissions, hydraulic fracturing and the effects from proposed pipeline expansion projects. Tr. 8/21/18 pp. 6-7, 14-15, 17-18, 19-20. A member of the Windham Chamber of Commerce spoke in support of Yankee and their collaboration with the Chamber on reliability and resiliency projects in several towns including several gas expansion projects in the region. Tr. 8/20/18, pp. 6-7.

The Authority received approximately 25 letters and emails regarding the Company's Application. Many of the correspondence received did not support Yankee'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, encourages 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. SETTLEMENT AGREEMENT

The discussions among the Settling Parties resulted in the September 5th joint filing of the proposed Settlement Agreement. The Company's original application for a rate increase sought incremental revenues of $86 million over a three-year rate period of 2019-2021. The Settlement Agreement proposes total incremental distribution revenue requirements over a three-year period of $30.2 million, which constitutes a reduction of 65% or $55.8 million to the original proposal. The largest reduction is in the first year of the three-year rate plan. The Company's original proposal to increase distribution rates by $49 million in the first rate year was reduced by 97% to $1.4 million. The proposed reductions were due to reductions to O&M expense and capital programs, tax savings and ROE reductions. 9/5/18 Settlement Filing, pp. 2-4.

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 interrogatories and audit data requests. The Authority also considered adjustments specific to the Settlement Agreement.

B. CUSTOMER SERVICE REVIEW

1. Standard Bill Form and Termination Notice

Yankee'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-2.0(A); Response to Interrogatories CA-1 through CA-4. According to the Company, a customer with a pending termination notice has the opportunity to take advantage of several electronic methods for bill payment such as on-line payments or electronic checks. Tr. 9/26/18, p. 42. Both the Company and the Authority were aware of incidents involving customers with pending termination notices who utilized electronic bill payment methods. Such incidents had the potential for customers to be in jeopardy of having their service terminated if the payment was processed or received after the disconnect date indicated in the termination notice. Tr. 9/26/18, pp. 43, 48 and 49. Yankee indicated that it was in the process of reviewing its termination notices so as to avoid these situations. Tr. 9/26/18, p. 49. Accordingly, Yankee will be ordered to report on any enhancements that it can make to its termination notice format so that customers who want to take advantage of electronic bill payment methods are aware that any electronic payment made on an account after the last day of guaranteed service may still subject that account to service termination and any associated reconnection fees.

Yankee does not make routine telephone contact with the typical delinquent customer. Response to Interrogatory CA-1. The Company has recently implemented a new service that allows customers to set up online preferences to receive disconnect alerts, and this allows them to receive it in a manner that is secure. The customer sets up the preference for either receiving a text message or email from the Company advising them of their delinquent status. Tr. 9/26/18, p 37. Yankee has also affirmed

that customers will not be terminated for unregulated charges, in compliance with applicable regulations. Application, H-2.0(B) and Response to Interrogatory CA-2. Eversource mails a bill insert every November entitled "Your Rights: Important Information About Your Service" to its customers. Response to Interrogatory CA-3. The Authority finds that Yankee's termination notice and standard bill form are in compliance with applicable statutes and regulations.

2. Policies and Procedures for Estimated Billing

Yankee provided its policies and procedures for generating an estimated bill. Yankee'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-2.0 (C); Response to Interrogatory CA-5 and CA-6.

Yankee's bill form and associated customer notices were also reviewed and found acceptable. The Company provides its customers with the proper estimated bill form and also provides customers with notification (in both English and Spanish) as required by Conn. Agencies Regs. § 16-3-102C3. Yankee sends a letter after the second consecutive estimated bill to alert their customers. Response to Interrogatory CA-5.

The Authority notes that the issuance of estimated bills by Yankee 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
2015	1.00%	0.22%	0.135%	0.087%
2016	1.15%	0.17%	0.130%	0.106%
2017	2.44%	0.21%	0.22%	0.074%

Response to Interrogatory CA-6.

Yankee indicated that the primary reason for the increase in estimated meter readings for the one to three-month category in 2017 was the Company being behind in performing meter exchanges. According to Yankee, it has been able to catch up on this work which has resulted in a reduction in the one to three-month category to 2% for calendar year 2018. Tr. 9/26/18, p. 46. The Authority finds that Yankee's estimated billing procedures are reasonable.

3. Customer Security Deposits

Presently, the Company utilizes a residential security deposit questionnaire when customers contact Yankee to initiate service, including those customers whose service was terminated for non-payment during the last two years. The security deposit

includes all of the questions and provisions to be discussed with customers as required by Conn. Agencies Regs. §16-262j-1. Application, Schedule H-2.0 (F).

Yankee does not provide a written copy of its policies and procedures to those customers required to provide a security deposit. However, information on the Company's security policy is provided on the disconnect notice and annually in a bill insert which include the security deposit policies and procedures. Response to Interrogatory CA-7.

According to the Company, the customer will be mailed a receipt letter for their deposit two weeks after the deposit payment posts to the account. Tr. 9/26/18, p.49.

The Authority reviewed the current policies and procedures used by Yankee to administer customer security deposits and found them to be in compliance with applicable regulations.

4. Service Appointments

Yankee schedules service appointments during normal hours of operation for non-emergency appointments the availability is Monday through Friday 8:00 a.m. to 12:00 p.m. and 12:00 p.m. to 4:00 p.m. Yankee will make exceptions to this policy based on specific customer needs. Emergency calls are responded to 24 hours a day. Application schedule H-2.0 (D), Response to Interrogatory CA-9. Over the last three years, Yankee has kept at least 99% of its scheduled service appointments. Response to Interrogatory CA-10. The Authority finds that Yankee's appointment policies and procedures are reasonable.

5. Customer Call Center

The Company maintains a Customer Care Center to address customer complaints and inquiries. The operating hours for this call center are 8:00 a.m. to 6:00 p.m. Monday through Friday. Response to Interrogatory CA-21. According to Yankee, the IVR does not capture data required to calculate the average time spent in the IVR. Statistics below, submitted by Yankee for calendar years 2016 and 2017, indicate the call center's monthly performance:

2016	ASA[1]	ACR[2]	2017	ASA	ACR
January	15.0	2%	January	217.0	11%
February	13.0	2%	February	101.6	5%
March	11.0	2%	March	69.5	4%
April	51.0	4%	April	45.8	3%
May	78.0	6%	May	78.9	5%
June	62.0	5%	June	49.0	3%

[1] Average Speed of Answer, in seconds

[2] Abandoned Call Rate

July	58.0	5%	July	56.9	3%
August	95.0	6%	August	40.9	2%
September	108.0	8%	September	52.0	4%
October	75.0	6%	October	75.3	5%
November	32.0	3%	November	203.4	11%
December	19.0	2%	December	66.9	5%

Response to Interrogatory CA-22.

The statistics submitted by Yankee indicated a degradation in service level during calendar year 2017, especially in the winter timeframe. Based upon these results, the Authority believes it is prudent to monitor Yankee's call center performance statistics on an ongoing basis. Accordingly, Yankee shall be ordered to submit, on a quarterly basis, monthly telephone answering statistics. Said statistics shall indicate the average speed of answer, the average call handle time, the number of abandoned calls, the abandoned call rate, an evaluation of the percentage of customer-initiated IVR transactions completed within the IVR (Transaction Completion Rates), the average number of customer service representatives answering calls, and the ratio of calls to customer service representatives.

6. Customer Service Summary

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

Overall, the Authority finds Yankee's customer service policies and procedures to be in compliance with applicable statutes and regulations.

C. COST OF CAPITAL

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 Comm'n v. Hope Natural Gas Co., 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 are based on capital structures for each of the rate years 2019 through 2021 which are as follows:

Capital Structure for Rate Year 1 Ending December 31, 2019

Class of Capital	$ Amount	% of Total	Cost	Weighted Cost
Short-Term Debt				
Long-Term Debt	556,441,000	46.48	4.32%	2.01%
Common Equity	640,768,000	53.52	9.30%	4.98%
Total Capitalization	1,197,209,000	100.00		6.99%

9/5/18 Settlement Filing, Attachment 6 and Response to Interrogatory FI-263.

Capital Structure for Rate Year 2 Ending December 31, 2020

Class of Capital	$ Amount	% of Total	Cost	Weighted Cost
Short-Term Debt				
Long-Term Debt	662,989,000	46.01	4.43%	2.04%
Common Equity	777,926,000	53.99	9.30%	5.02%
Total Capitalization	1,440,915,000	100.00		7.06%

9/5/18 Settlement Filing, Attachment 6 and Response to Interrogatory FI-263.

Capital Structure for Rate Year 3 Ending December 31, 2021

Class of Capital	$ Amount	% of Total	Cost	Weighted Cost
Short-Term Debt				
Long-Term Debt	734,359,000	46.24%	4.45%	2.06%
Common Equity	853,791,000	53.76%	9.30%	5.00%

Total Capitalization	1,588,150,000	100.00%		7.06%

9/5/18 Settlement Filing, Attachment 6 and Response to Interrogatory FI-263.

Yankee, in setting its target capital structure, considers many factors in determining amounts of equity and debt in its capitalization. Yankee recognizes that due to the additional risks facing equity holders, the cost of equity is greater than the cost of debt. To provide safe and reliable service at the least cost, Yankee must use lower cost debt to balance the higher cost equity. However, decreasing the equity ratio below industry standards would cause the financial community to view Yankee as a higher risk than Yankee's gas utility industry peers, resulting in higher debt costs. Yankee believes its target capital structure properly manages its overall cost of capital. Response to Interrogatory FI-2. These capital structures, in the Settlement Agreement, were a product of negotiation. Tr. 9/26/18, p. 33.

In comparing gas utility capital structures, the Authority used data from Regulatory Research Associates (RRA) which lists 2018 rate cases for gas utilities. This data reveals that the most frequently reported common equity percentages are in the range of 50.00% to 54.50 %. Response to Interrogatory FI-280, Attachment 2.

The Authority finds the proposed Settlement Agreement capital structure to be reasonable when compared to industry standards and, therefore, approves it.

b. Short-Term Debt

Yankee did not include short-term debt in its capital structure since it is not a permanent source of capital. This is because Yankee only utilizes short-term debt to cover daily cash requirements, including financing the Company's ongoing construction costs for plant not yet placed into service. Yankee also uses cash from operations to finance day-to-day construction activities and to meet other operating requirements. Cash from operations and long-term debt are used in combination with short-term debt so that the short-term debt facilities are not exhausted and remain available as a source of capital for ongoing operations. Response to Interrogatory FI-45. When construction projects are completed and are incorporated into rate base, those capital additions are supported solely by the Company's long-term debt and equity resources since short-term resources are used and maintained solely for ongoing operations. Therefore, only long-term financing costs are properly included in the calculation of the weighted average cost of capital applicable to rate base. Response to Interrogatory OCC-31. This treatment of short-term debt was allowed in the Decision dated June 29, 2011, in Docket 10-12-02 Application of Yankee Gas Services Company for Amended Rate Schedules, the Decision dated June 29, 2007, in Docket No. 06-12-02PH01, Application of Yankee Gas Services Company for a Rate Increase – Revenue Requirement and the Decision dated December 8, 2004, in Docket No. 04-06-01, Application of Yankee Gas Services Company for a Rate Case. The Authority approves this treatment of excluding short-term debt from Yankee's capital structure in the Settlement Agreement.

c. Long-Term Debt

The Settlement Agreement provided for cost rates of long-term debt of 4.32% in 2019, 4.43% for 2020 and 4.45% for 2021 and was the same as proposed in the Application. The Settlement Agreement does not change the process that Yankee uses to access the debt capital markets. Yankee's goal in debt financing is to obtain the least cost financing.

The cost of long-term debt proposed in the Settlement Agreement is the embedded cost of Yankee's current portfolio adjusted for the expected effects associated with new debt in the three rate years. The forecasted coupons for the Series of new bonds was developed using 30-year U.S. Treasury yield forecast and estimated new issue pricing for 30-year First Mortgage Bond securities. Response to Interrogatory OCC-32 and Tr. 9/26/18, p. 34. The Authority approves the cost rates of long-term debt of 4.32% in 2019, 4.43% for 2020 and 4.45% for 2021.

d. Return on Equity

The Settlement Agreement stipulated a 9.30% allowed return on equity (ROE) for all three rate years of 2019-2021. This 9.30% allowed ROE was a product of settlement negotiations. Tr. 9/26/18, p. 28. 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. Tr. 9/26/18, p. 27. The Settling Parties made use of certain data points of allowed ROEs, in the negotiation process, found in the publication RRA Regulatory Focus Major Rate Case Decisions from January through June 2018. Tr. 9/26/18, p. 32. The Settling parties calculated using the RRA data, an average authorized ROE for natural gas utilities through the first two quarters of 2018 was 9.55%. The Settling Parties reason that the 9.30% Settlement Agreement ROE is below the natural gas industry average for 2018 of 9.55% and, therefore, is reasonable. Response to Interrogatory FI-280.

The Authority finds that a range of reasonableness was established by the pre filed testimonies of OCC and the Company. This range of reasonableness was agreed on by the Settling Parties. Tr. 9/26/18, p. 28. The OCC's expert witness Dr. J. Randall Woolridge calculated a ROE of 8.75% while the Company's witness Ann Bulkley calculated a ROE of 10.25%. Both expert witnesses used standard methodologies such as discounted cash flow (DCF), capital asset pricing model (CAPM) and risk premium (RP) applying these to a comparable group of gas utilities. The Authority notes that the agreed upon Settlement ROE of 9.30% is within this range of reasonableness of 8.75% to 10.25%. With the initial positions of the parties, coupled with the RRA findings, the Authority finds a settlement ROE of 9.30% for Yankee to be fair and reasonable based on gas utilities with comparable risk and is hereby approved.

3. Earnings Sharing Mechanism

The Settlement Agreement includes an earnings sharing mechanism (ESM) such that earnings above the authorized ROE of 9.30% will be shared equally (50/50) between customers and shareholders for each of the three rate years. 9/5/18 Settlement Filing, p. 9. Yankee reported that the 50/50 sharing was agreed upon because this percentage is consistent with the Company's current ESM and those

authorized at other Connecticut utilities. Response to Interrogatory FI-270. The Authority finds the 50/50 sharing is equitable to both customers and shareholders.

The Authority has consistently allowed an ESM since ESMs work well with the mandates of Conn. Gen. Stat. §16-19(g). Yankee stated that it will continue to file, on a quarterly basis, under Order No. 1 in Docket No. 76-03-07, Investigation to Consider Rate Adjustment Procedures and Mechanisms Appropriate to Charge or Reimburse the Consumer for Changes in the Cost of Fossil Fuel and/or Purchased Gas for Electric and Gas Public Service Companies its ROE to be used to determine overearnings under the requirement of Conn. Gen. Stat. §16-19(g).

The customer portion of any earnings in excess of Yankee's allowed ROE will be used to offset its environmental remediation deferral. The environmental remediation is a result of the manufactured gas process (MGP) started in the early 1800s until the mid-1950s. During this time period, MGPs were widely used for producing gas for use in lighting and heating. In the 1930s interstate pipelines were constructed for natural gas transmission and the MGPs shut down since they could not compete with less expensive natural gas delivered through pipelines. Finneran and Iadarola PFT, p 5. Yankee currently is responsible for a total of 14 MGP sites throughout its service territory.[3] Each site requires investigation and some level of remediation to mitigate environmental risk and ensure compliance with federal and DEEP regulatory requirements. Finneran and Iadarola PFT, p 6. In 2018, the Company expects to incur $3.5 million for investigation and remediation of MGP sites. For Rate Year 1 (January 1, 2019 – December 31, 2019) the Company expects to incur $2.2 million; for Rate Year 2 (January 1, 2020 – December 31, 2020) $5.9 million; and for Rate Year 3 (January 1, 2021 – December 31, 2021) $5.9 million. Finneran and Iadarola PFT, p. 11.

Any earnings sharing amount in excess of the environmental remediation deferral shall be credited directly to customers. On a calendar year basis, Yankee will file an earnings sharing report annually with the Authority each March 31. 9/5/18 Settlement Filing, p. 9. The Authority finds that offsetting the environmental remediation deferral will moderate the impact of this deferral on future rates. The Authority approves of this treatment of earnings sharing.

At present, Yankee is operating under an ESM through the Decision dated April 29, 2015, in Docket No. 14-08-10, PURA Review of Overearnings for Yankee Gas Services Company and the Decision dated April 29, 2015, in Docket No. 15-02-46, PURA Review of Overearnings for Yankee Gas Services Company - Reporting Period July 2014 Through December 2014. Section 10(a) of the Settlement Agreement attached to the 9/5/18 Settlement Filing states that:

[3] One of the 14 sites is shared with The Connecticut Light and Power Company (CL&P) d/b/a Eversource Energy.

> "The current ESM threshold of 9.5% that was established in Docket No. 14-08-10 & 15-02-46 shall remain in effect until the establishment of new rates hereunder on November 15, 2018, at which time shall be lowered to reflect the revised ESM threshold of 9.3% for the remainder of 2018." Section 10(b) of the Settlement Agreement states that, "For calendar year 2019 and thereafter up until the time of the Company's next distribution rate case, earnings at the end of each calendar year above the authorized ROE of 9.30% shall be shared with customers and shareholders on a 50/50 basis."

As a result, the ESM for calendar year 2018 is calculated using a blended ROE of 9.30% and 9.50% which is shown below:

Date	ROE Before ESM
Current through November 14, 2018	9.50%[4]
November 15, 2018 through December 31, 2018	9.30%
Overall 2018 ROE before ESM (9.50% * 318/365 days) + (9.30% * 47/365 days)	9.474%

9/5/18 Settlement Filing, Attachment 6.

The ESM will result in a credit or surcharge on the customers' bills starting each April 1 since it is tied to the decoupling adjustment. The Settlement Agreement stated that, "The decoupling adjustment would be effective each April on a billing cycle basis." 9/5/18 Settlement Filing, p. 10. The rate would be on a per ccf credit on customers' bills for the next 12 months as part of the decoupling adjustment line item on a customer's bill. The OCC and PRO agree with this treatment. Tr. 9/26/18, pp. 89 and 90. The Authority approves this treatment of earnings sharing with customers.

4. Credit Rating, Financial Viability and Capital Markets

The Company stated they had discussions with both Standard & Poor's and Moody's and both rating agencies seem to be "content" with the Settlement Agreement. Tr. 9/26/18, p. 37. A witness for the Company testified that, under the Settlement Agreement, "the financial viability and the credit worthiness of Yankee Gas should remain strong." Tr. 9/26/18, p. 37.

The Authority's analysis of Yankee's financial ratios shows a financially strong gas utility taking into consideration the Settlement Agreement increases its revenues. The Authority considered Yankee's times interest earned ratio on a pro forma basis which indicates the number of times that earnings cover interest expense. Times interest earned was at 3.54 for 2019, 3.80 for 2020 and 3.66 for 2021. In addition, Yankee's cash flow coverage ratio was at 3.08 for 2019, 3.47 for 2020 and 3.34 for 2021. These solvency ratios show that Yankee has the ability to meet long-term

[4] The 9.50% was established in Docket No. 14-08-10, PURA Review Of Overearnings For Yankee Gas Services Company, and Docket No. 15-02-46, PURA Review Of Overearnings For Yankee Gas Services Company – Reporting Period July 2014 Through December 2014.

obligations as they come due. Response to Interrogatory FI-271. The Authority finds Yankee'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.

Yankee believes that the Settlement Agreement will maintain its financial integrity because it incorporates a revenue requirement that is aligned with the Company's actual cost of service. In addition, Yankee has the ability to recover capital costs associated with the systematic replacement of leak-prone infrastructure. Yankee also finds that the capital structure and authorized rate of return will maintain adequate cash flow and provide a reasonable return as compared to other similar investment opportunities available in the marketplace. Yankee stated that the Settlement Agreement will provide it the opportunity "to access capital in the marketplace at competitive rates on a going forward basis." Response to Interrogatory FI-262. The Authority agrees with Yankee and finds that the Settlement Agreement will provide for a revenue increase necessary to support Yankee's access to the capital markets.

D. CAPITAL PROGRAMS

As part of the Settlement, the Parties agreed to reductions in Yankee's proposed capital plant additions that were included in base distribution rates in the proposed three year rate plan. A comparison of the Company's proposed Application and proposed Settlement capital additions are shown below.

Capital Additions

	Rate Year 1	Rate Year 2	Rate Year 3
Application	$198.3 million	$209.6 million	$218.3 million
Proposed Settlement Reduction	$48.3 million	$59.6 million	$68.3 million
Average Rate Base	$150.0 million	$150 million	$150 million
Percent Reduction	24.4%	28.4%	31.3%

Hart PFT, pp. 7 and 8: Settlement Agreement, p. 3.

Based on the Settlement, Yankee has significantly reduced its proposed capital additions included in base distribution rates for the three years of the rate plan. The three year average capital additions is $208.7 million, which equates to an average reduction over the three year plan of $58.7 million or 28.1% as compared to the Company's original Application. The Authority finds that a reduction in the capital additions included in base distribution rates associated with the proposed rate plan is beneficial to ratepayers.

E. DEPRECIATION.

The Settlement results in a decrease to the Company's proposed depreciation expenditures associated with its proposed Application for Rate Year 1, Rate Year 2 and Rate Year 3. These decreases are shown in the table below.

Total Depreciation Expenditures

	Rate Year 1	Rate Year 2	Rate Year 3
Application	$54.09 million	$58.84 million	$63.84 million
Proposed Reduction	$13.28 million	$15.48 million	$14.02 million
Total Expenditure	$40.81 million	$43.36 million	$49.82 million
Percent Reduction	-25%	-26%	-22%

Revised Settlement Attachment 3.

The table above illustrates that the proposed Settlement results in a significant decrease in the depreciation expenditure over the life of the rate plan. The Parties' indicated that the depreciation rates included in the Settlement were not intended to be an acceptance of any future depreciation methodology and or to set a future precedent. The Authority finds that the proposed Settlement depreciation expenditures will result in a reduction to customers' bills as compared to the Company's Application of 22% to 26%. Further, the proposed Settlement depreciation rates will allow the Company to retain cash flow necessary to support the retirement of plant in-service associated with its cast iron and bare steel replacement program.

F. EXPENSES

1. O&M Expense Reduction (General)

The Settling Parties included 4% - 5% reductions to proposed operating expenses in the Settlement Agreement. The below table depicts the original Application filing from Yankee, the overall expense reduction, and the final amount of expense to be included in rates as a result of the Settlement Agreement:

	Application	Settlement Adjustment	Settlement Agreement
Rate Year 1	$458,470	(19,712	438,759
Rate Year 2	467,523	(22,740)	444,783
Rate Year 3	480,017	(22,583)	457,435

The Settling Parties reduced proposed expenses in such categories as Employee Incentive Compensation, Officer Incentive Compensation, Field Operations, Depreciation, Amortization of Deferred Assets, Deferred income Tax Expense, as well as several other expense accounts. 9/21/18 Amended Settlement Filing, Attachment 3, Lines 13 through 31. Specifically, there were significant reductions of $13.281 million, $15.484 million and $14.021 million in depreciation for the Company in RY 1, 2 and 3, respectively. 9/21/18 Amended Settlement Filing, Attachment 3, Line 26. These

reductions were a major factor in reducing the original proposed rate increase to the level set forth in the 9/21/18 Amended Settlement Filing.

2. Fee Free

The proposed Fee Free program allows residential customers the option of paying their bills using either by credit or debit card. Yankee proposed a program where the credit and debit card convenience fees associated with this program would be recovered from ratepayers. The originally proposed estimated costs provided by the Company were $169,000 for RY1, $308,000 for RY2, as well as $484,000 for RY3, totaling at $961,000. 9/5/18 Settlement Filing, Attachment 3, Line 44. The Settlement Agreement makes no adjustment to the originally proposed amounts.

The Authority finds that the "Fee Free" proposal is consistent with the decision dated March 28, 2018 in Docket No. 17-10-46, Application of The Connecticut Light & Power Company D/B/A Eversource Energy to Amend its Rate Schedules. As part of the Settlement Agreement, the Company shall produce compliance filings consistent with the requirements outlined in the above docket and the Settlement Agreement. Settlement Agreement, Section 13 a, b, c, d – 'Credit/Debit Card Fees'. Based on the facts and analysis presented by the Settling Parties, the Authority approves the proposed "Fee Free" credit card/debit card program.

3. Full-Time Equivalents

In its original Application, the Company requested a payroll expense of $38.471 million for RY1, $39.437 million for RY2 and $40.425 million for RY3 which included the incremental full-time equivalents (FTEs) to be hired for the Waterbury Liquid Natural Gas (WLNG) plant maintenance and operations team as was described in the June 15, 2018 prefiled testimony of James P. Davis. The Company stated the incremental FTEs are necessary to support the expanded staffing requirements for greater reliance on liquefied natural Gas (LNG) in order to compensate for the fact that the existing LNG liquid refill trucking contract will soon expire and the contract cannot be replaced on commercially reasonable terms in the current marketplace. 9/5/18 Settlement Filing, Section 6(a)(iii). The payroll expense excluded the incremental cost of new FTEs the Company expects to hire through the Natural Gas Field Technician Certificate Program which the Company and Middlesex Community College jointly established commencing in August 2018. The program is intended to help develop the future workforce in the growing natural gas industry and will benefit the Company and its customers by developing a larger pool of qualified gas industry employees. 9/5/18 Settlement Filing, Section 6(a)(ii).

The Settling Parties accepted the Company's payroll expense in the Application as filed. In addition, as part of the Settlement Agreement, the Company agrees to submit one compliance filing on or before January 31, 2020 in Docket No. 18-05-10 that demonstrates the Incremental LNG FTEs have been hired and which confirms that the incremental LNG FTEs are in addition to the 354 Yankee FTEs as of June 30, 2018. Id.

The Authority approves the proposed payroll expense for the three rate years as proposed in the Settlement Agreement.

4. Impact of Federal Tax Law Change

With the passing of the Federal Tax Cuts and Jobs Act (TCJA) on December 22, 2017, the Federal corporate income tax rate was cut from 35% to 21%. As part of the Settlement Agreement, the Settling Parties agreed to credit to customers 100% of the tax savings retroactive to January 1, 2018, through credits that have been applied to mitigate the new natural gas distribution rates for Rate Years 1, 2 and 3 as a result of the Settlement Agreement. 9/5/18 Settlement Filing, Section 17(c)(i).

The Settling Parties proposed to refund to customers the $9 million reduction to the tax expense for the period January 1, 2018 through November 15, 2018 and have reflected that as a reduction to the revenue requirement in the Rate Years. 9/5/18 Settlement Filing, Section 17(c)(ii)(n15). In addition, carrying charges in the amounts of $0.379 million for RY1 and $0.073 million for RY2 will be paid for the benefit of customers. 9/21/18 Section 4.

Regarding the reduction to the Company's Accumulated Deferred Income Taxes (ADIT) expense resulting from the TCJA, the Company will credit to customers 100% of the ADIT which has been collected in prior years that is in excess of the ADIT calculated at the new federal income tax rate of 21% (Excess ADIT). 9/5/18 Settlement Filing, Section 17(c)(iii). The Company calculated the Excess ADIT credits as $5.407 million for RY1, $5.407 million for RY2 and $5.505 million for RY3 for total credits of $16.319 million. 9/21/18 Settlement Filing, Attachment 1, Revised, p. 1.

In addition, upon approval of the Settlement Agreement, Yankee agrees to file in Docket No. 18-01-15, PURA Review of Rate Adjustments Related to the Federal Tax Cuts and Jobs Act, (TCJA Docket) an irrevocable waiver and release of its pending legal claims in the TCJA Docket.9/5/18 Settlement Filing, Section 17(c)(ii).

The Authority approves the Settling Parties' proposed plan for addressing the impacts of the TCJA.

5. Non-Hardship Uncollectible Expenses

Yankee proposed total non-hardship uncollectible expenses of $6.416 million for 2019, $6.512 million for 2020 and $6.677 million for 2021. Application Schedule WP C-3.28, pp. 2-4. The Settling Parties agreed to reductions to the non-hardship uncollectible expenses of $0.358 million for 2019, $0.363 million for 2020, and $0.373 million for 2021. 9/5/18 Settlement Filing, Attachment 3. Thus, the total non-hardship uncollectible expenses proposed are $6.058 ($6.416 - $0.358) million for 2019, $6.149 ($6.512 - $0.363) million for 2020 and $6.304 ($6.677 - $0.373) million for 2021. Id.

Yankee proposed a non-hardship uncollectible expense factor of 1.1835%. Application Schedule WP C-3.28, p. 1. The Settling Parties proposed increases to the revenue requirements of $1.381 million for 2019, $15.765 million for 2020, and $13.012 million for 2021. 9/5/18 Settlement Filing, Attachment 1. Therefore, the associated increases to the uncollectible expenses are $0.016 ($1.381 x 1.1835%) million for 2019, $0.203 ([$1.381+15.765] x 1.1835%) million for 2020, and $0.357

([$1.381+15.765+13.012] x 1.1835%) million for 2021. As a result, the Authority allows total non-hardship uncollectible expenses of $6.074 ($6.058 + $0.016) million for 2019, $6.352 ($6.149 + $0.203) million for 2019, and $6.661 ($6.304 + $0.357) million for 2020.

6. Hardship Uncollectible Expenses

a. Deferred Hardship Account Amortization

Yankee reported a deferred hardship accounts balance of $8.894 million as of December 31, 2017, and proposed a three-year amortization period for the deferred amount. Application Schedule WPC-3.33, p. 6. In its original application, Yankee proposed a deferred hardship account amortization expense of $2.965 million ($8.894 / 3) for each rate year. Id. The Settling Parties proposed a four-year amortization period for the deferred hardship balance. 9/5/18 Settlement Filing, Attachment 5. Hence, the amortization expense for the deferred hardship balance is $2.224 million ($8.894 / 4) for each rate year. Id.

b. Hardship Accounts and Matching Payment Program

For the annual recurring costs associated with the hardship account write-offs and matching payment program, Yankee proposed total hardship expense of $8.301 million for each rate year. Application Schedule WPC-3.33, p. 6. This annual amount was not changed in the Settlement Agreement. 9/5/18 Settlement Filing, Attachment 5.

c. Summary of Uncollectible Expenses

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

Uncollectible Expenses (millions)	**2019 Rate Year**	**2020 Rate Year**	**2021 Rate Year**
Non-Hardship	$ 6.074	$ 6.352	$ 6.661
Hardship Accounts Amortization	$ 2.224	$ 2.224	$ 2.224
Hardship Write-Offs/MPP Expense	$ 8.031	$ 8.031	$ 8.031
Total Allowed Uncollectible Expenses	$16.329	$16.607	$16.916

The Authority has reviewed the Settlement Agreement provision for uncollectible expense categories and approves the indicated amounts.

7. Employee Retirement Benefits

The Settlement Parties' accepted the Applicant's proposed employee benefit expenses as initially proposed in the Application. Specifically, total allowed Employee

Benefits for RY1, RY2 and RY3 are $10,534million, $10,327 million and $10,204 million, respectively. 9/5/18 Settlement Filing, Attachment 3 (Revised), p.1.

With respect to the allowed expense items related to Company's employee benefit offerings, the Settling Parties indicated that the Settlement Agreement process was designed to establish a representative level of rates for the Company to recover in the rate years. The funding requirement for each particular benefit offering would likely be different from the actual expense amount in any given year. Additionally, the expense amounts would likely change over the rate years compared to expectations of those amounts today. Therefore, the Settling Parties suggest that it is good practice to provide the Company with flexibility to properly fund each of the components of the employee retirement benefit offerings. Tr. 9/26/18, pp. 77-78. Accordingly, the Settling Parties stated that the Company cannot commit to mandatory funding levels equal to the expense amounts recovered in the Settlement Agreement's revenue requirements especially given that in several areas the amounts are negative (i.e., Defined Benefit (DB Pension) in Rate Year 3 and OPEB-FAS-106 expense in Rate Years 2 and 3). Settling Parties' Joint Brief, pp. 14 and 15. The Authority finds the Settlement Parties' negotiations related to the employee retirement benefit offerings such as DB Pension, 401(k) plan, K-Vantage, OPEB-FAS-106 and MedVantage expenses to be reasonable and concurs that the revenue requirement as proposed will be sufficient to meet the needs of these post-retirement related employee benefits.

The Authority considered the Settlement Agreement's provisions contained in the 9/5/18 Settlement Filing related to the Company's employee retirement benefits including DB Pension, 401 (k) expense, OPEB, Med-Vantage, SERP and Non-SERP. Overall the Authority sees this as an exercise in the give and take of settlement negotiations. Under the Settlement Agreement, the Company is not required to commit to mandatory funding levels. The Authority will require that the Company make at a minimum its' actuarially required minimum contribution to the DB Pension Plan as these minimum requirements may change during the rate years. The Authority believes this approach grants the Company the flexibility to meet the cash needs of the Company within the framework of the Settlement Agreement. Below is a summary of how the Settlement Agreement addresses employee benefit expenses.

a. Defined Benefit Pension Plan Expense and Defined Contribution 401(k) Plan Expenses

The Settling Parties did not make any adjustments to the Company's proposed Defined Benefit Pension Plan's (DB Pension Plan) proposed expenses. The Company indicated that the legacy Northeast Utilities Retirement DB Pension Plan was closed to new participants in 2005 for salaried employees and closed by 2011 for unionized employees. This legacy plan was then merged into the NSTAR pension plan and the pension plans were renamed Eversource Pension Plan on December 31, 2014. At this time the DB Pension Plan is primarily concerned with the ongoing accruals for the active participants still in the plan. Response to Interrogatory FI-171. Since 2012, the Company has not made any changes to its actuarial assumptions for Expected Return on Plan Assets or Salary Increase Rate. The Discount Rate actuarial assumption is updated annually by the actuary as required by the SEC's directive to use the yield on high-quality bonds as a basis to determine the rate at the time of measurement.

Subsequently, these annual discount rate changes reflect changes to actual interest rates. Responses to Interrogatories FI-172, OCC-39.

The Company indicated that DB Pension expense is calculated in accordance with FASB ASC 715-30 (previously FAS-87) while the DB Pension Plan's minimum required contribution is specified by the Employee Retirement Income Security Act of 1974 (ERISA) and determined under IRC section 430(a). At this time, the Company indicated there are no minimum required contributions projected by its actuary in each of the rate years; however, these projections are subject to change during the three year rate plan. The Company indicated that the Settlement Agreement does not mandate a pre-determined annual funding level for the DB Pension Plan but provides estimated expenses based on current estimates. Response to Interrogatory FI-293. With regard to the DB Pension Plan, the Company indicated it has annually made at least the actuarially determined required minimum contributions and will continue to do so. Tr. 9/26/18, p. 80.

The Settlement Parties did not make any adjustments to the Defined Contribution 401(k) benefits (401(k) Expense) as included in the original Application. The Eversource 401(k) Plan is a defined contribution pension plan through which employees can contribute up to 50% of their eligible compensation up to the IRS limits. The Company provides a corresponding Employer Matching contribution of 100% up to the first 3% of employee pre-tax and/or Roth 401(k) contribution based on eligible compensation. Response to Interrogatory FI-52. The proposed 401(k) Expense incorporates the effect of vacant positions. Response to Interrogatory FI-286. These 401(k) Expenses represent the Company's match to contributions made by the employees. Responses to Interrogatories FI-54, FI-57, FI-285 and FI-286.

By 2011, Eversource's predecessor, Northeast Utilities, had closed its DB Pension Plan to all new entrants. For current Eversource employees who are no longer eligible for the legacy DB Pension Plan, the K-Vantage Plan was instituted. The K-Vantage Plan is less costly than the traditional DB Pension Plan and serves as a supplement to the existing 401(k) Plan for those employees who are not eligible to participate in the closed DB Pension Plan. Responses to Interrogatories FI-58, Attachment 1; FI-288 and FI-289; Tr. 9/26/18, pp. 68-70. The Company makes K-Vantage contributions of 2.5%, 4.5% or 6.5% based on eligible K-Vantage compensation and the employee's age and service. These K-Vantage contributions are made automatically by the Company as the intent of the K-Vantage plan was to supplement employee retirement in lieu of the closed DB Pension Plan. The K-Vantage contributions are made in addition to any 401(k) Employer Match on the employees' 401K Plan. Response to Interrogatory FI-52.

Based on currently available information, the Company anticipated that the revenue provided under the Settlement Agreement will be sufficient to satisfy the funding obligation for 401(k) plan including the K-Vantage portion during the three-year rate plan. Response to Interrogatory FI-287.

The Authority finds the Settlement Parties' proposal related to the DB Pension, 401(k) plan and K-Vantage expenses to be reasonable and the concurs that the

revenue requirement as posed will be sufficient to meet the needs of these retirement related employee benefits.

b. Post-Employment Health Care Benefit-FAS 106 (FAS-106) and MedVantage Expense

The Company maintains its' Post-Employment Health Care Benefit which is also referred to as the Other than Pension Post-Employment Benefit (OPEB-FAS-106) program, but it has changed how this retiree health care benefit is provided to its retirees. Previously, the Company sponsored group health plan to retirees. But, the Company made a series of changes to retiree medical benefits since the 2011 Yankee Rate Case. In 2013, with the introduction of Medicare Part D Employer Group Waiver Plan (EGWP), the Company changed its prescription drug benefit offered to Medicare eligible retirees. Effective January 1 of 2017, all retirees were transitioned to a private health care exchange. Eversource standardized the approach to retiree health care across all subsidiaries. Instead of providing a private group insurance plan for each subsidiary Company, now Eversource provides retirees with a tax-free contribution to a Health Reimbursement Account (HRA). Responses to Interrogatories FI-77, FI-93 and FI-101. The Company's contribution to the retiree's HRA is a fixed dollar amount ($6,500 per year for non-Medicare eligible retirees and for each eligible non-Medicare dependent and $2,500 per year for Medicare eligible retirees and each Medicare eligible dependent). There is a group of grandfathered Medicare retirees who received a 3.5% annual increase to the amount provided for their HRA. Responses to Interrogatories FI-84 and FI-101; Tr. 9/26/18, pp. 81 and 82. The Company also provides Med-Vantage which is a post-retirement health care benefit to employees who have separated from service with the Company. In order to be eligible for Med-Vantage, the separated employee should have previously participated in K-Vantage and attained at least the age of 40 prior to separation. The Company contributes $1,000 per year into a HRA for Med-Vantage eligible employees. Responses to Interrogatories FI-114 and FI-119.

Although the OPEB-FAS-106 retiree health plans do not have required minimum funding contributions as per the DB Pension Plan, it is a well-funded plan the Company has contributed to consistently. Tr. 9/26/18, p. 80. The Company indicated that for both retiree health care expenses, OPEB-FAS-106 and MedVantage, it expects that the revenues approved in the Settlement Agreement will be sufficient to enable it to recover its expenses in these areas over the three-year rate plan. Responses to Interrogatories FI-290 and FI-291.

The Authority finds the Settlement Parties' proposal related to the OPEB-FAS-106 and MedVantage expenses to be reasonable and concurs that the revenue requirement as posed will be sufficient to meet the needs of these post-retirement related employee benefits.

c. Supplemental Executive Retirement Plan (SERP) and Non-SERP Expenses (Non-SERP)

The Settling Parties indicated that SERP and Non-SERP expense items were part of the concessions made during the negotiating process, but ultimately no changes were made on SERP and Non-SERP expense items for the Settlement Agreement.

Although the Settlement Parties did not make any adjustments to the SERP and Non-SERP expense items included in the original Application, SERP and Non-SERP expense items have received different treatments by the Authority in past rate case Decisions and also in other utility Settlement Agreements between OCC and other companies. Response to Interrogatory FI-293, FI-294, FI-295 and FI-296; Tr. 9/26/18, pp. 72-76. The Authority considers the SERP and Non-SERP expenses as areas ripe for thorough review at the next rate proceeding and/or settlement process.

G. PIPELINE SAFETY

1. "No-Access" Charge on Inside Service Line Inspections

Yankee is required to inspect and perform maintenance on Company owned piping as required by Title 49 of the Code of Federal Regulations Part 192. If Company owned piping is inside a building, then Yankee must be provided access to the inside gas piping. In responses to Interrogatories GPS-7 and GPS-9, Yankee stated that as of July 15, 2018, they have 45,403 inside service lines and have not gained access to inspect 1,785 of these inside service lines after 6 years and 2 complete cycles of inside service line inspections. In response to Interrogatory GPS-8, Yankee has shown that its current process for conducting inside service line inspections does not include implementing a charge to the customer when access to the inside service line is denied.

In Docket No. 18-05-16, Application of Connecticut Natural Gas Corporation to Increase Its Rates and Charges, Connecticut Natural Gas Corporation (CNG) proposed to implement a trip charge on a customer's account if the customer repeatedly fails to provide access to perform mandated inspections on inside gas services. The proposed trip charge would be established initially at $90.00 and periodically updated as appropriate, subject to approval by PURA. Docket No. 18-05-16 Settlement Agreement p. 13.

Implementing such a charge would provide Yankee another tool to use in order to perform these required inspections of inside gas services and would greatly benefit safety. Therefore, Yankee will be directed to establish a trip charge to be applied when the Company is denied access to perform mandated inspections on inside gas services based on criteria to be established by Yankee and approved by the Authority, through an associated order.

2. Pipe Replacement Program

Yankee is currently seven years into its cast iron and bare steel replacement program. Hart PFT, p. 34. Yankee currently has approximately 321 miles of cast iron main, 50 miles of bare steel main, and over 11,500 bare steel service lines remaining in its distribution system. Ackley PFT, p. 30. The Settlement Agreement proposes to replace all cast iron and bare steel assets in 13 years, while the original Application proposed to do the same in 11 years. Response to Interrogatory GPS-27. The Settlement Agreement also lengthened the time frames for replacing additional leak

prone assets such as copper services, small diameter coupled steel mains, coupled steel services, and unprotected coated steel mains and services from 14 to 15 years. For the last several years, threats from these types of piping in Yankee's distribution system have consistently ranked in the medium to high risk range in the Company's Distribution Integrity Management Program relative risk scoring. Response to Interrogatory GPS-13.

The Authority has been clear and consistent for many years now that high risk infrastructure must be replaced expeditiously. In Docket No. 13-06-08, Application of Connecticut Natural Gas Corporation to Increase Its Rates and Charges, Docket No. 17-05-42, Application of The Southern Connecticut Gas Company to Increase Its Rates and Charges, and Docket No. 10-12-02, Application of Yankee Gas Services Company for Amended Rate Schedules, the Authority approved 20-year cast iron and bare steel replacement programs for Connecticut's gas companies. The Authority sees no reason to deviate from this standard. Therefore Yankee will be ordered in this Decision to spend in rate years 2019 through 2021 and in each subsequent rate year an amount which will allow the Company to completely replace its cast iron and bare steel facilities in no more than 11 years and completely replace its copper services, small diameter coupled steel mains, coupled steel services, and unprotected coated steel mains and services in no more than 14 years. The additional expenditures through this order will be recovered through the DIMP rate mechanism.

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

3. Class 3 Leaks

Class 3[5] leaks have traditionally been eliminated through the replacement of older, leak-prone pipe. However, the Authority has noticed an increase in the percentage of outstanding Class 3 leaks on plastic and coated and cathodically protected steel pipe. In Docket No. 13-06-08, Application of Connecticut Natural Gas Corporation to Increase Its Rates and Charges, the Authority found that approximately 44% of CNG's Class 3 leaks were on plastic or coated and cathodically protected steel pipe. Consequently, the Authority ordered CNG to achieve a Class 3 leak backlog of 120 or less leaks on plastic or coated and cathodically protected steel pipe at the end of each calendar year. Docket 13-06-08 Final Decision p.153. Yankee will be directed to achieve a similarly limited backlog of Class 3 leaks on plastic and coated and cathodically protected pipe at the end of each calendar year through an associated order. At the end of 2017, Yankee had 344 Class 3 leaks on plastic or coated and cathodically protected steel pipe. Response to Interrogatory GPS-1. Based on the size and composition of Yankee's distribution system in comparison to the other Connecticut gas companies, Yankee will be directed to reduce the backlog of Class 3 leaks on plastic or coated and cathodically protected steel pipe to no greater than 180 by the end of each calendar year beginning in 2020.

[5] Class 3 leaks are non-hazardous to people or property and are expected to remain as such.

4. Pipeline Safety Orders

In the June 29, 2011 Decision in Docket No. 10-12-02, Application of Yankee Gas Services Company For Amended Rate Schedules (2010 Rate Case Decision) and the April 2, 2012 Decision in Docket No. 12-01-07, Application For Approval of Holding Company Transaction Involving Northeast Utilities and NSTAR, the Authority issued orders related to pipeline safety that were mostly written to terminate at the time of issuance of Yankee's next rate case. The Authority finds that the continuance of some of these orders is necessary to ensure public safety and, therefore, will issue new orders regarding oversight of the Company's operations and maintenance programs. In addition, Order No. 16 from the 2010 Rate Case Decision, which required the Company to reduce the number of class 2 leaks to 90 or less at the end of each calendar year, will be rescinded because it is duplicative of an order in this Decision and is no longer needed. Company

H. REVENUE, RATE DESIGN AND TARIFFS

1. Distribution Rates / Other Revenues

The Company stated that under the proposed Settlement Agreement, the overall incremental total bill impact of base distribution rate increase will be 0.3% in RY1, 2.9% in RY2, and 2.3 % in RY3. With the inclusion of the Distribution Integrity Management Program (DIMP) and the Purchased Gas Adjustment (PGA) the overall bill impact increases to 1.6%, 2.9%, and 3.2% for RY 1-3, respectively. The percentages reflect overall impacts and are not representative of individual rate classes. 9/5/18 Settlement Filing, Attachment 1, p. 2.

In its original application, the Company included an exhibit of Other Revenues of approximately $1.97 million for each of the three rate years. Exhibit WP C 3.1, p.3. Other Revenues include late payment charges, reconnect and returned check fees. Other Revenues are included in the Company's total revenue calculations.

In the 9/14/18 Settlement Filing, the Settling Parties filed a proposal for revenue allocation and rate design issues.

The Authority accepts the distribution rate revenue adjustments proposed in the 9/14/18 Settlement Filing. The reduced incremental revenue increases in the Settlement Agreement will lessen the overall bill impact to customers, particularly in RY1. Other Revenues, though small in magnitude, reduce the distribution revenue requirements which benefits ratepayers. Any over or under recovery of other revenues will be reflected in the revenue decoupling adjustment.

2. Rate Mechanisms

a. Decoupling

The Company stated that its proposed decoupling mechanism is consistent with the decoupling methodology used by other Connecticut utilities including Connecticut Natural Gas (CNG), Southern Connecticut Gas (SCG) and the Connecticut Light &

Power Company d/b/a Eversource Energy. Davis, Ullram, Therrien, Heintz (Rates Panel) PFT, p. 6. Yankee indicated its decoupling mechanism will utilize a total revenues construct, with the revenue target based on the approved revenue requirements for each of the three rate years. The Company stated that any over or under recovery of revenue associated with sales in a given revenue decoupling period will be compared with the approved revenue levels for the same time period. The Company intends to include decoupling as a separate line item on customers' bills. The Company stated it believes its proposed decoupling mechanism is in compliance with Conn. Gen. Stat. § 16-19tt. Id., pp. 13-15.

The Company proposed including all distribution revenue, and other non-tariff-based revenue in its decoupling calculation. The Company will exclude the following revenues from its decoupling calculation: Conservation Adjustment Mechanism ("CAM") revenues, DIMP revenues related to the reconciliation, System Expansion Revenues and reconciliation, interruptible and special contract revenue, revenues specifically identified and approved for exclusion by the Authority and revenues related to gas costs, including non-firm margins that are addressed in the PGA process. The Company intends to include Service Expansion (SE) customers in the decoupling calculation for each rate year consistent with the approach approved in SCG's rate case in Docket No. 17-05-42, Application of The Southern Connecticut Gas Company to Increase its Rates and Charges. (SCG Rate Case Decision) Id., pp. 15 and 16.

Yankee stated that the decoupling period will be from January 1 to December 31 for each of the three rate years. The Company plans to submit its decoupling filing with the Authority by March 1st following the end of each rate year. Yankee will compare the approved distribution target revenues to actual revenues associated with the corresponding revenue decoupling period (i.e., each rate year). The difference will be included as a line item on customer bills for the following twelve months as either a credit or charge, beginning April 1st following each such rate year. The Company intends to make its first decoupling filing no later than March 1, 2020 for RY1 and will continue to use this approach after the expiration of the last rate year up until the time of its next rate case. The Company proposed to recover (or refund) the decoupling charge (or credit) on a volumetric basis consistent with the current methodology employed by the other Connecticut LDCs. The Company stated that the charge or credit will be a uniform per Ccf charge. The adjustment will be a separate line item on customer bills identified as "Revenue Decoupling Adjustment". Id., pp. 16 and 17.

The Company proposed a decoupling target illustration of $307.1 million for RY1[6], $275.9 million for RY2, and $288.6 million for RY3. 9/5/18 Settlement Filing, Attachment 7. The Authority notes that the Company should utilize estimated system expansion revenue amounts that are consistent with Attachment 7 in its decoupling mechanism. The estimated amounts were $33.521M for RY1, $36.995M for Rate Y2 and $48.134M. The system expansion amount for RY1 covered the time period from November 15, 2018 through December 31, 2019. Id. Section F. 2. C. below addresses the system expansion mechanism.

[6] Rate Year 1 includes the period 11/15/18 through 12/31/19, Settlement Agreement, p. 9.

The Authority reviewed the decoupling proposal and finds that the Company's proposed decoupling mechanism is in compliance with Conn. Gen. Stat. § 16-19tt. The decoupling mechanism serves to stabilize the impact of unpredictable variables such as abnormal weather where actual gas sales can deviate from anticipated sales forecasts in any given year. The proposed decoupling mechanism ensures that Yankee only recovers its approved revenues and is consistent with decoupling mechanisms for Connecticut's other LDCs. Therefore, the Authority approves the decoupling proposal.

b. DIMP Reconciliation Mechanism

The Company proposed a DIMP Reconciliation Mechanism which would recover the costs of DIMP and Core Capital additions above specified amounts in base distribution rates. Yankee's proposed DIMP Reconciliation Mechanism would reconcile the forecast revenue requirement to reflect the actual DIMP and Core Capital for the prior full calendar year. Settlement Agreement, p. 5.

The Company proposed to file its DIMP Reconciliation annually, by March 1st of each year for rates to become effective April 1st, covering a true-up of the prior calendar year's actual activity and a forecast of the current year's activity. The initial DIMP reconciliation rate would cover DIMP and Core Capital investments above the specified amount included in base distribution rates placed in service during RY1 and would be recovered from April 1, 2019 through March 31, 2020. Under the proposed Settlement Agreement, DIMP and Core Capital investments combined in base distribution rates are $117.1 M for RY1, $115.0M for RY 2, and $112.7M for RY3. 9/5/18 Settlement Filing, Table 1, p. 3. The Company also provided its DIMP revenue requirement of $3.085M for 2018 for which it will recover through the DIMP Reconciliation Mechanism effective November 15, 2018. Settlement Agreement, Attachment 8. The Company intends to collect or refund the DIMP reconciliation on a volumetric basis across all rate classes. Response to Interrogatory RA-9. The Company testified that in the COSS, the Company allocates the costs for mains primarily by demand. Tr. 9/26/10, p. 100.

The Authority determines that inclusion of DIMP in the rate base and allowing recovery through the DIMP Reconciliation Mechanism of incremental DIMP and Core Capital will likely minimize customer rate shock compared to a stand-alone DIMP charge that has the potential to produce much larger DIMP charges over time if DIMP was not allowed in the rate base.

The Authority notes that Yankee's DIMP proposal will charge or credit customers solely through a volumetric charge, unlike SCG which utilizes both volumetric and demand in its DIMP mechanism depending on the customer's rate class. The Authority approves the DIMP mechanism charged solely through a volumetric charge for this Settlement Agreement. However, in its next rate case, the Company shall provide an alternative recovery methodology for consideration that includes both volumetric and demand factors similar to SCG.

c. System Expansion Reconciliation Mechanism

The Company has a System Expansion Reconciliation (SER) mechanism in place. Yankee would maintain the existing annual filing structure of the Company's

current SER mechanism that occurs around March 1st, covering the prior calendar year, to be effective April 1st. Rates Panel, PFT, p. 20. Under the proposed Settlement Agreement, the SER would be modified to include system expansion revenue requirements and revenues in the base rates. 9/5/18 Settlement Filing, Other Provisions, p. 5. Yankee testified that after the implementation of new rates in this proceeding, the annual system expansion (SE) reconciliation will reconcile the actual revenue requirement less SE revenues against the projected revenue requirement and projected SE revenue included in base rates in the rate years. Rates Panel PFT, pp. 19-20. The Company stated that inclusion of the SE revenues in the base rates will help offset the revenue requirement associated with SE customer investments. Response to Interrogatory RA-13. The Settlement Agreement included an exhibit that illustrated the SE revenue requirements that projected an excess of system expansion revenues for Rate Years 1 -3. Based on the average rate base associated with SER, the estimated required revenue for RY1 is $19.766M, $24.570M for RY2, and $29.913M for RY3. 9/21/18 Settlement Filing, (Revised) Attachment 9.

The Authority finds that the modifications to the SER mechanism to include SE revenues in the base rates is warranted, agrees with their inclusion in the Other Provisions section of the proposed Settlement Agreement, and approves the SER mechanism proposal.

3. Sales Forecast

The Company provided its sales forecast and testimony in its Application. The sales forecast is the basis for the rate year billing determinants for rate design. Ludwig, PFT p. 2. The Company's weather normalized sales forecast anticipated sales to increase by 2.9% in RY 1, 2.2% in RY2, and 1.4% in RY3. Id., p. 8. The Company attributed the projected sales growth to the system expansion program and improving economic conditions. Id. For Rate Year 3, the forecasted sales growth was only 1.4% due to fewer forecasted step loads, less favorable gas-to-oil price differential; and continued decline in manufacturing employment. Response to Interrogatory RA-6. The Company stated that it used Moody's Analytics to develop the Yankee customer and use per customer forecasts. Ludwig, PFT, p. 9. The Company assumed that gas prices would slightly increase through the forecast period. Id., p. 10. The Company also identified step loads and a special contract that converted at the end of 2017 as out of model adjustments to its sales forecast. Response to Interrogatory RA-7. Finally, the Company testified that while it conducts surveys of its larger commercial customers, the surveys are focused on customer satisfaction. Tr. 9/26/10, p. 98.

The Authority reviewed the Company's sales forecast, testimony and multiple interrogatory responses regarding the Company's forecast. While the Authority believes there are areas of opportunity for the Company to further enhance their sales forecasts such as engaging large customers regarding their operations or expansion plans, the Authority recognizes that the Company's econometric forecasting approach, to some extent, picks up trends such as new areas of sales growth. The Authority accepts the Company's sales forecast as it encompasses normalized weather, out of model adjustments, gas to oil price differentials and economic conditions.

4. Cost of Service Study

In general, a COSS is a mathematical business model that systematically assigns cost responsibility among customer classes for Company assets and expenses incurred by a LDC to serve customers. Since the COSS culminates in summarizing customer, energy, demand and total costs by customer class, it is an invaluable tool for documenting equity and establishing revenue requirements and tariff charges by customer class.

The Company filed its COSS as part of the application. The Company testified that its COSS is in compliance with the findings in the Authority's prior generic gas-related COSS proceedings.[7] Rates Panel, PFT p. 22. Specifically, Yankee affirmed that the cost allocators used in the Company's COSS conform to the Authority's decisions. Response to Interrogatory RA-66. In addition, OCC's witness reviewed the Yankee COSS and noted the methodologies used are appropriate. OCC witness Bachelder PFT p. 31

Schedule E 6.0 (A) of the Company's COSS presented the current ROR at present rates for each rate class on a bundled and unbundled basis. Rates Panel PFT, p. 24. Yankee's COSS allocated the costs of the utility over the RY 1 period and produced income statements for each customer class. By examining the individual class income statement, the return on equity for each class can be determined and compared to the overall utility return. Schedule E. 6.0 (C) provided a unitized ROR. These calculations provide an initial step in determining the revenue allocation (of an increase or decrease) among the utility's numerous customer rate classes.

The Authority finds that the Company's COSS study is consistent and complies with prior PURA decisions regarding gas COSS methodologies and accepts the COSS as a guide to be used for revenue allocation.

5. Revenue Allocation

The Company proposed a revenue allocation based upon the results of its class COSS with the goal to designing rates that are cost-based, fair and equitable both within and among rate classes. Rates Panel PFT, p. 24. The relative position of an individual rate class compared to all rate classes is an indicator of class cost responsibility. Yankee set the delivery component of class distribution rates based on the class ROR and resulting overall class revenue impacts. Those rate classes with current RORs significantly below the system average ROR have been assigned a

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[7] By Decision dated August 9, 2000 in Docket No. 99-03-28, DPUC Review of Natural Gas Companies Cost of Service Methodologies, the Authority established a COSS architecture that included prescribing extensive allocation rules that standardized COSS methodologies for all gas companies. By Decision dated September 5, 2007, in Docket No. 06-04-04, DPUC Review of Natural Gas Companies Cost of Service Methodologies, the Authority made further modifications to the COSS standards regarding cost allocations between merchant and distribution functions, on-site LNG facilities, upstream storage, and firm sales and firm transportation administrative costs.

higher proportional rate increase as opposed to those classes with current RORs close to or exceeding the current ROR.

The revenue allocation provided in the Rate Design Settlement reflects the proposed allocation percentages from the initial filing, which will be used by the Company to allocate the $1.4 million RY1 incremental revenue requirements. 9/21/18 Settlement Filing, p. 4 and Attachment 1. For example, in RY1, the Amended Settlement Agreement increase of $1.4 million is approximately 3% of the original RY1 distribution increase of $49.0 million. Therefore, each firm rate class will receive approximately 3% of the total RY1 percentage rate increase/decrease proposed in the Company's original filing. The proposed RY1 original and Settlement Agreement total class distribution rate percentage changes are shown below.

Rate	Description	Original	Settlement
Rate 01	Residential Non-Heating	17.8%	0.5%
Rate 02	Residential Heating	13.3%	0.4%
Rate 03	Residential Multi-dwelling	12.7%	0.3%
Rate 10	Small Commerical & Industrial	10.9%	0.3%
Rate 20	Medium Commerical & Industrial	4.5%	0.1%
Rate 30	Large Commerical & Industrial	6.5%	0.2%
Rate 36	Seasonal	0.0%	0.0%
Special Contracts		0.0%	0.0%
Interruptible		0.0%	0.0%
Total		10.1%	0.3%

9/14/18 Settlement Filing, Attachment 1, p.1.

For RY 2 and 3, the Company plans to retain the proportional distribution rate increases/decreases contained in its original rate case filing. Id., p. 4; Attachments 4 and 7.

OCC's witness reviewed Yankee's revenue allocation and noted Yankee's proposed allocation results in rates by class that are closer to paying their proportional share. OCC witness Bachelder PFT, p. 31. Yankee's original revenue allocation proposal and the revenue allocation proposed in the Rate Design Settlement are based on the Company's class COSS. The Authority finds that the revenue allocation proposed in the Rate Design Settlement is consistent with the class COSS and is designed to move classes closer to rate parity over the long term. Moving each class toward cost of service sends the proper cost signals to customers, and over time, rates will approach cost. The expected class impact as detailed in the Rate Design Settlement is reasonable. The Authority accepts the proposed revenue allocation.

6. Rate Design

In its application filing, the Company set prices for the customer and demand-related components of service at levels that attempted to move current prices closer to levels indicated in the COSS. Rates Panel PFT, p. page 31. Yankee provided and compared the various proposed rate elements to the cost derived from the COSS.

Id., p. 35. The Company tempered its proposal in order to provide a gradual change in rates. Id, p. 31.

To implement the revenue allocation proposed in the rate design settlement, a rate design by class and rate element was included in the 9/14/18 Settlement Filing. This proposed rate design framework is similar in structure to Yankee's original proposal filed in its Application. However, due to the reduction in revenue requirements reflected in the revenue requirements settlement, some elements of Yankee's original rate design proposal changed.

The rate design settlement contained in the 9/14/18 Settlement Filing included a detailed rate design for each rate class, including bill impact statements for RY1-3. 9/14/18 Settlement Filing, Attachment 3, 6 and 9. The Authority reviewed the bill impact statements provided in the rate design settlement and finds no undue impact on the rate classes. For example, for Rate Class 02, Residential Heating, the Company originally proposed increasing the monthly customer service charge (CSC) from $15 per month to $18.75 per month. The Company also proposed increasing volumetric charges relatively equally. Per the terms of the rate design settlement contained in the 9/14/18 Settlement Filing, the Company will not increase the CSC in Rate Year 1, in Rate Year 2 the CSC will increase by $1 and in Rate Year 3 the CSC will increase by an additional $1. The volumetric charges will be modified per the terms of the attachments to the 9/14/18 Settlement Filing.

For Rate Class 03, Residential Multi-Dwelling, the Company originally proposed increasing the CSC from $41 per month to $49 per month. The Company had originally proposed increasing the demand charge by $0.40 and the volumetric charges by approximately 30%. Per the terms of the rate design settlement contained in the 9/14/18 Settlement Filing, the Company will increase the CSC to $44 per month and the demand charge by $0.04. The volumetric charges will be modified per the terms of the attachments to the 9/14/18 Settlement Filing.

The Company will recover the revenue requirement increase from all rate classes consistent with the rate design specified in Attachments 2, 5 and 8 of the 9/14/18 Settlement Filing. The Company will submit its detailed rate design schedules in a compliance filing as ordered in this Decision.

The Authority accepts the proposed rate design framework contained in the 9/14/18 Settlement Filing. The proposed rate design plan may include changes from the approach in the Settlement Agreement in the event the Company finds any anticipated bill impacts to be burdensome to customers in the course of designing the Rate Year rate plans, subject to agreement by the Settling Parties and approval by the Authority.

7. Tariffs

The Company 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. The Company also proposed several

changes including (i) a Rider MFG to allow certain manufacturing customers, without alternative fuel, to partake in interruptible service in exchange for negotiated rates including revised language submitted in Q-LFE-003-SP01 Id., p. 6 (ii) a Meter Diversion Charge of $250 to deter theft; (iii) a sales tax abatement charge of $68 per instance to be assessed to customers who fail to complete the necessary paperwork required if they are tax exempt; and (iv) revised language filed as Attachments 10 and 11 to the 9/14/18 Settlement Filing related to the Revenue Decoupling Mechanism and the DIMP Adjustment. Id., p. 5.

The Authority accepts the proposed tariff changes in the Application, as modified by the Settlement Agreement, subject to revised rates reflecting the approved revenue requirement targets.

8. Houses of Worship

The record in this proceeding includes correspondence from The United Church of Christ Southbury ("UCCS"). UCCS highlights the Decision dated April 25, 2018 in Docket 17-05-52, Application of the United Church of Christ, Southbury for Change in Commercial Designation for Religious Organizations, (UCCS Docket) which determined that a House of Worship ("HOW") change in rate classification was not appropriate. By letter dated July 26, 2018, UCCS reiterated its request to place churches and other religious institutions in a residential rate tariff category or create a separate rate tariff for HOW. (UCCS 07/26/18 Letter.) UCC's application in the UCCS Docket was supported by over 35 congregations.

UCCS stated that it is unconvinced by utilities' arguments that revising the current system would be difficult and open "a Pandora's Box for a flood of similar requests for other not-for-profit institutions." UCCS argued that it "pays demand charges when essentially no gas is consumed" and that the current rate design may discourage HOW facilities from using natural gas due to the commercial designation. UCCS acknowledged that it did not have any specific data to support its position. UCCS also highlighted that existing HOW have been grandfathered into the residential classification for electricity service, but newer facilities are now considered commercial. UCCS 07/26/18 Letter, p.3.

Connecticut State Representative Tami Zawistowski submitted correspondence dated July 18, 2018, on this issue. Rep. Zawistowski commented that demand charges are not appropriate for HOW "which may operate the largest portion of their property only one day per week, with overall usage not reflective of the R-20 classification on an annual basis."

The Company stated it has not considered any rate forms, discounts or adjustments for existing rates of HOW customers because doing so would shift costs to other customers, on both an intra-class and inter-class basis. The Company further stated that the Company bases gas rate categories on the customers' cost characteristics and cost responsibility. According to the Company, carving out customers for specific rate treatment would not necessarily guarantee lower bills for those customers because a new cost category for HOW customers would need to be

created and a cost-of-service study performed for this new class. Response to Interrogatory RA-47.

The key concern raised by UCCS is that the demand charge portion of the bill is not truly reflective of UCCS's usage and, therefore, unfair. In order to address this concern, it is necessary to briefly review the role that demand charges play in rate design. Rates are designed to fairly and equitably allocate the cost of the distribution system to ratepayers based on cost responsibility. The key driver in the cost of the state's natural gas distribution system is peak demand; therefore, the demand charge enables the utility to recover system costs consistent with cost-causation and cost recovery principles. Importantly, a demand charge is not simply an additional charge added to a customer's gas bill. Three part rates, such as Rate 20, which include customer, demand and volumetric components have significantly lower volumetric rates than would a typical two part rate (such as a residential or small general service rate), which collects the demand charges within the volumetric component. Demand charges are not confined to commercial customers. Multi-Dwelling Residential Customers (Rate Class 03) have a demand rate component. When properly constructed, demand rates are not more expensive than non-demand rates. Three part rates are used to properly charge a diverse group of customers within a rate schedule and recognize varying load factors (intensity of use) and load levels.

The Authority finds that no significant evidence has been provided in this proceeding nor have circumstances changed which would cause the Commission to reconsider or change its final decision in the UCCS Docket.

First, although the UCCS is a church, its gas usage profile is consistent with customers in Medium General Firm Service Rate 20, which is available to non-residential customers with gas consumption of between 5,000 Ccf and 20,000 Ccf per year. The Company performed a customer specific analysis of the facility in the UCCS Docket and reported that the UCCS used approximately 7,500 CCF per year, which was very close to the average Rate 20 customer. Response to Interrogatory RA-46. In that Docket, the UCCS acknowledged that it operates a preschool in the building Monday through Friday. In general, HOWs have usage patterns that are more aligned with commercial entities than with residential customers. For example, a HOW may operate, sponsor or lease space for daycare facilities which operate during weekdays. A HOW may also have activities on many days of the week to support their music, youth, community and educational programs and activities. All of these activities can occur on a day (or days) other than the day of worship. Consequently, the consumption profile of a HOW is typically not consistent with a residential rate category. The Authority recognizes that, as with all rate classes, there may be some facilities whose usage is statistically outside the average rate class customer profile; however, those exceptions do not necessarily warrant reclassification of an entire category of customers, many of whom fall squarely within the current rate category.

Second, the Authority finds that creating or reclassifying a HOW rate would create a cost shift to other customers, in effect creating a subsidization for one sub-group of customers at the expense of other customers. To do so is inconsistent with COSS and rate design principles which, under the proposed Settlement Agreement, are moving customer classes towards more equalized rates of return and cost of service so

that customers pay their fair share of costs. Further, other non-profit institutions may request similar preferential treatment which would potentially multiply the effect of the subsidization, further skewing the cost of service model for rate design. Although subsidizing a HOW may be a laudable public policy, the use of utility rate design to accomplish this objective is not.

Lastly, the Authority is concerned that treating houses of worship differently than other similarly situated non-residential customers may raise significant legal issues and lead to unintended consequences. It is not clear how a utility would identify a HOW as people's spiritual and religious practices have and continue to evolve. A HOW is no longer limited to the steepled buildings on the town square. Utilities would be placed in the positon of having to determine which spiritually or religiously aligned persons or organizations qualify for this special treatment. Basing a rate class determination on the religious identity of the customer rather than the customer's general gas usage would be fraught with complexities, Constitutional and otherwise.

In summary, the Authority maintains that the overarching principle that dictates rate design or customer classification is cost causation. Therefore, the Authority determines that its findings in the UCCS docket remain valid.

9. 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 and all work papers, typical bill comparison work papers, written comments and tariff sheets in conformance with the Settlement Agreement.

III. FINDINGS OF FACT

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

2. Yankee's estimated bill form complies with applicable regulations.

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

4. Yankee's Customer Care Center is available from 8:00 a.m. to 6:00 p.m. Monday through Friday for customer complaints and inquiries.

5. The proposed Settlement's capital expenditures are less than the proposed Application.

6. The proposed Settlement depreciation expenditures are less than Yankee's Application.

7. The capital structure components are weighted according to their proportion of total capitalization.

8. The capital structure components weighted costs are summed to determine the Company's overall cost of capital, which becomes the allowed ROR.

9. Due to the additional risks facing equity holders the cost of equity is greater than the cost of debt.

10. The capital structure for rate year 1 ending December 31, 2019, is at 53.52% equity and 46.48% debt.

11. The capital structure for rate year 2 ending December 31, 2020, is at 53.99% equity and 46.01% debt.

12. The capital structure for rate year 3 ending December 31, 2021, is at 53.76% equity and 46.24% debt.

13. Yankee did not include short-term debt in its capital structure.

14. The 9/5/18 Settlement Filing provided for cost rates of long-term debt of 4.32% in 2019, 4.43% for 2020 and 4.45% for 2021.

15. The cost of long-term debt is the embedded cost of Yankee's current portfolio adjusted for the expected effects associated with new debt in the three rate years.

16. The forecasted coupons for new bonds was developed using a 30-year U.S. Treasury yield forecast and estimated new issue pricing for 30-year First Mortgage Bond securities.

17. The 9/5/18 Settlement Filing stipulated a 9.30% allowed ROE for all three rate years of 2019-2021.

18. The Settling parties stated that from the most recent RRA average authorized ROE for natural gas utilities was 9.55%.

19. The OCC's expert witness Dr. J. Randall Woolridge calculated an allowed ROE of 8.75%.

20. The Company's expert witness Ann Bulkley calculated an allowed ROE of 10.25%.

21. The 9/5/18 Settlement Filing offered an ESM such that earnings above the authorized ROE of 9.30% will be shared equally (50/50) between customers and shareholders for each of the three rate years 2019 through 2021.

22. Yankee reported that the 50/50 sharing was agreed upon because this percentage is consistent with the Company's current ESM and those authorized at other Connecticut utilities.

23. The legacy Northeast Utilities Retirement DB Pension Plan was closed to new participants in 2005 for salaried employees and by 2011 for unionized employees.

24. The legacy Northeast Utilities Retirement DB Pension Plan was also merged into the NSTAR pension and renamed Eversource Pension Plan on December 31, 2014.

25. There are no minimum required contributions projected by the Company's actuary in each of the rate years for the Eversource Pension Plan.

26. The Eversource 401(k) Plan is a defined contribution pension plan through which employees can tribute up to 50% of their eligible compensation up to the IRS limits.

27. For the Eversource 401(k) Plan, the Company provides a corresponding Employer Matching contribution of 100% up to the first 3% of employee pre-tax and/or Roth 401(k) contribution based on eligible compensation.

28. The Company made a series of changes to retiree medical benefits since the 2011 Yankee Rate Case.

29. In 2013, the Company changed its prescription drug benefit offered to Medicare eligible retirees with the introduction of Medicare Part D Employer Group Waiver Plan (EGWP).

30. Effective January 1, 2017, all retirees were transitioned to a private health care exchange.

31. The Company also provides Med-Vantage which is a post-retirement health care benefit to employees who have separated from service with the Company.

32. Negotiated post-employment benefits, including pension enhancements not covered by the Eversource Retirement plan or the SERP.

33. The customer portion of any earnings in excess of Yankee's allowed ROE will be used to offset the environmental remediation deferral.

34. Any earnings sharing amount in excess of the environmental remediation deferral shall be credited directly to customers.

35. On a calendar year basis, Yankee will file an earnings sharing report annually with the Authority each March 31.

36. At present Yankee is operating under an ESM through the Decision dated April 29, 2015 in Docket No. 14-08-10, PURA Review of Overearnings for Yankee Gas Services Company and the Decision dated April 29, 2015 in Docket No. 15-02-46, PURA Review of Overearnings for Yankee Gas Services Company - Reporting Period July 2014 Through December 2014.

37. Yankee's pro forma times interest earned ratio was calculated at 3.54 for 2019, 3.80 for 2020 and 3.66 for 2021.

38. Yankee's pro forma cash flow coverage ratio was calculated at 3.08 for 2019, 3.47 for 2020 and 3.34 for 2021.

39. The customer portion of any earnings sharing shall be applied by Yankee to offset the environmental regulatory asset as described in 9/5/18 Settlement Filing, Section 1.6.2, and any amounts in excess of the regulatory asset shall be credited directly to customers.

40. The incremental distribution revenue requirements in the 9/5/18 Settlement Filing are $1.4 million, $15.8 million, and $13.0 million for Rate Years 1, 2, and 3 respectively.

41. Other revenues are approximately $1.97M for RY 1, 2, and 3 respectively.

42. The Company intends to include Service Expansion (SE) customers in the decoupling calculation for each rate year consistent with the approach approved in SCG's rate case in Docket No. 17-05-42.

43. The decoupling period for RY1 includes the period from November 15, 2018 through December 31, 2019.

44. The decoupling period for RY2 will be from January 1, 2020, through December 31, 2020, and RY3 will be January 1, 2021, through December 31, 2021.

45. The Company will recover (or refund) the decoupling charge (or credit) on a volumetric basis.

46. The Company proposes to file its DIMP Reconciliation annually, by March 1st of each year for rates to become effective April 1st, covering the prior calendar year's actual activity.

47. The Company will recover the DIMP charge on a volumetric basis.

48. Under the proposed 9/5/18 Settlement Filing, the System Expansion Reconciliation would be modified to include system expansion revenue requirements and revenues in the rate base.

49. The Company's weather normalized sales forecast anticipated sales to increase by 2.9% in RY1, 2.2% in RY2, and 1.4% in RY3.

50. The Company's COSS study is consistent and complies with prior PURA decisions regarding gas COSS methodologies.

51. Rate classes with current RORs significantly below the system average ROR have been assigned a higher proportional rate increase.

52. The Company will recover the revenue requirement increase from all rate classes consistent with the rate design specified in 9/14/18 Settlement Filing, Attachments 2, 5 and 8.

53. The Company proposed a Meter Diversion Charge of $250 to deter theft.

54. The Company proposed a sales tax abatement charge of $68 per instance to be assessed to customers who fail to complete the necessary paperwork required if they are tax exempt.

55. The Company bases gas rate categories on customers with similar cost characteristics and cost responsibility.

IV. CONCLUSION AND ORDERS

A. CONCLUSION

The Authority finds the Settlement Agreement to be just and reasonable and in the public interest. The Authority approves the 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 January 31, 2019, Yankee 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.

2. No later than January 31, 2019, Yankee shall acknowledge in writing that the Company shall continue its monthly meetings with the Authority's Consumer Affairs Unit.

3. No later than January 31, 2019, Yankee shall report to the Authority on any enhancements to its termination notice advising customers who want to take advantage of electronic bill payment methods, that any electronic payment made on an account after the last day of guaranteed service may still subject that account to service termination and any associated reconnection fees.

4. No later than April 30, 2019, and every quarter thereafter, Yankee shall submit monthly telephone answering statistics containing the following information:

   a) Average Speed of Answer (ASA);
   b) Average call handle time;
   c) Number of abandoned calls;
   d) Abandoned Call Rate;
   e) Transaction Completion Rates within the IVR;
   f) Average number of customer service representatives; and
   g) Ratio of calls to customer service representatives.

5. No later than December 19, 2018, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 1 in accordance with the directives herein Section H, Revenue, Rate Design and Tariffs.

6. No later than December 19, 2019, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 2 in accordance with the directives herein Section H, Revenue, Rate Design and Tariffs.

7. No later than December 18, 2020, the Company shall file with the Authority its proposed final rates and tariffs for Rate Year 3 in accordance with the directives herein in Section H, Revenue, Rate Design and Tariffs.

8. Annually, the Company shall file its Decoupling and DIMP filings by March 1st of the subsequent calendar year.

9. The Company will file an earnings sharing report, on a calendar year basis, annually with the Authority each March 31st.

10. The Company is directed to spend in rate years 2019 through 2021 and in each subsequent rate year an amount which will allow the Company to completely replace its cast iron and bare steel facilities in no more than 11 years and completely replace its copper services, small diameter coupled steel mains, coupled steel services, and unprotected coated steel mains and services in no more than 14 years following a risk based system replacement methodology until the Authority approves any alternative following Yankee's next rate application. If Yankee does not spend the full amount in any rate year, the difference shall be made up the following rate year.

11. The Company shall establish a trip charge to be applied to the customer's account in each instance the Company is denied access to perform mandated inspections on inside gas services. This trip charge shall be based on criteria to be established by Yankee and submitted to the Authority within 30 days of this final Decision. These criteria must be approved by the Authority. Once the criteria are approved, this order shall remain in effect until the Authority issues its final Decision in Yankee's next rate proceeding.

12. The Company shall achieve a Class 2 leak backlog of 90 or less leaks at the end of each calendar year until the Authority issues its final Decision in Yankee's next rate proceeding.

13. Beginning in 2020, Yankee shall achieve a Class 3 leak backlog of 180 or less leaks on coated and cathodically protected steel pipe and plastic pipe at the end of each calendar year until the Authority issues its final Decision in Yankee's next rate proceeding.

14. No later than the 15th of each month until the Authority issues its final Decision in Yankee'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 Yankee 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.

15. No later than January 15, 2019, and quarterly thereafter, until the Authority issues its final Decision in Yankee's next rate proceeding, Yankee shall submit to the Authority a tabulation of the Class 2 and Class 3 leak statuses (e.g., beginning balance, leaks detected, leaks repaired, other disposition, ending balance) for the prior quarter. The submittal shall report Class 3 leaks on coated and cathodically protected steel pipe and plastic pipe separately from all other Class 3 leaks. The submittal shall include all available data for the current calendar year and the data for the previous calendar year.

16. No later than January 15, 2019, and quarterly thereafter, until the Authority issues its final Decision in Yankee's next rate proceeding, Yankee 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.

17. No later than February 15, 2019, and every six months thereafter until the Authority issues its final Decision in Yankee's next rate proceeding, the Company shall submit to the Authority a pipe replacement program report for the preceding six months. For the February 15, 2019 submission, the format from Order No. 10 issued in the June 29, 2011 final Decision in Docket No. 10-12-02, Application of Yankee Gas Services Company For Amended Rate Schedules shall be used. For each subsequent submission, the submittal shall be formatted and contain the same information as shown below:

Facility	Material	Pressure	Size	Mileage on 7/1/18	Miles (to nearest 1/10 mile) replaced between 7/1/18 and 12/31/18	Mileage on 12/31/18
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			
	Copper	High Pressure	All			
		Low Pressure*	All			
	Coupled Steel**	High Pressure	All			
		Low Pressure*	All			
	Unprotected Coated Steel	High Pressure	All			
		Low Pressure*	All			

	Material	Pressure	Size	Number of Services on 7/1/18	Services Replaced Between 7/1/18 and 12/31/18	Number of Services on 12/31/18
Services	Bare Steel	High Pressure	All			
		Low Pressure*	All			

	Copper	High Pressure	All			
		Low Pressure*	All			
	Coupled Steel**	High Pressure	All			
		Low Pressure*	All			
	Unprotected Coated Steel	High Pressure	All			
		Low Pressure*	All			

Capital Expenditures for Main replacement - 7/1/18 - 12/31/18	$
Capital Expenditures for Service replacement - 7/1/18 – 12/31/18	$
* 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. ** The inventory of coupled steel pipe is unknown as not all couplings are represented in the Company's Geographic Information System (GIS), therefore the inventory of coupled steel pipe is estimated.	

18. The Company 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, Yankee 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 Yankee's next rate proceeding.

19. The Authority hereby rescinds Order No. 16 issued in the June 29, 2011 final Decision in Docket No. 10-12-02, Application of Yankee Gas Services Company For Amended Rate Schedules.

20. On or before January 31, 2020, the Company shall file a report demonstrating that the Incremental LNG FTEs have been hired and confirms that the incremental LNG FTEs are in addition to the 354 Yankee FTEs as of June 30, 2018.

21. On or before March1, 2020, the Company shall submit a compliance filing pursuant the Authority's final decision in this docket for the 'Fee Free' program. The filing should include the number of credit card payments, costs associated with payments, speed of payments from bill issuance, number of credit card payments made from hardship customers, annual uncollectible, as well as

qualitative improvements in customer satisfaction. Additionally, the Company shall provide the test year data in the filing.

22. In its next rate case, the Company will provide an illustrative DIMP reconciliation mechanism that recovers DIMP through either a volumetric or demand charge dependent on customer rate class.

APPENDIX A

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 18-05-10**
	:	**SEPTEMBER 5, 2018**

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT

Yankee Gas Services Company d/b/a Eversource Energy ("Yankee" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (together, the "Settling Parties"), having entered into a settlement agreement dated September 5, 2018 ("Settlement Agreement"), hereby jointly request the Public Utilities Regulatory Authority ("PURA" or the "Authority") approve the attached Settlement Agreement. The Settlement Agreement, if approved by the Authority, will resolve the issues specified in the Settlement Agreement, yield substantial benefits to customers, and eliminate the need to adjudicate the Company's revenue requirement request, thereby avoiding costs and resource-consuming litigation. In support of this motion, the Settling Parties state as follows:

1. During the course of this proceeding, the Settling Parties engaged in active settlement discussions on the full range of issues presented in Yankee's June 15, 2018 application (the "Application"). The Settling Parties approached these discussions with a common purpose, which was to work cooperatively toward a comprehensive resolution of the issues presented in the Application.

2. On September 5, 2018, the discussions among the Settling Parties culminated in the execution of a Settlement Agreement, a copy of which accompanies this joint

motion.

3. Because more than seven (7) years have elapsed since Yankee increased distribution rates in Docket No. 10-12-02, its original Application sought incremental revenues of $86 million over a three-year rate period of 2019-2021. The Settlement Agreement establishes total incremental distribution revenue requirements over a three-year period of $30.2 million, which constitutes a reduction of 65% or $55.8 million to the Application's original proposal, with the largest reduction in the first year of the three-year rate plan. The Company's original proposal to increase distribution rates by $49 million in the first rate year was reduced by 97% to $1.4 million, thereby reducing distribution bill impacts for the first year from 9.2% to 0.3%.[1] The following Table illustrates the reductions to the distribution rate relief originally requested in the Company's Application:

Table 1

Distribution Rate Increase	**Rate Year 1**	**Rate Year 2**	**Rate Year 3**
Request in Original Application	$49 million	$21 million	$16 million
Bill Impact (increase on total bills)	9.2%	3.7%	2.9%
Revised Request in Settlement	$1.4 million	$15.8 million	$13 million
Bill Impact (increase on total bills)	0.3%	2.9%	2.3%

4. The principle reductions to the original request for rate relief that yielded these savings for customers were driven by, among other things, the following factors:

   a. O&M & Other Adjustments: Reductions to O&M expense, including reductions to audit fees, bank fees, board of trustee fees, corporate communications expense, debt service charges, employee incentive compensation, insurance expense,

[1] Bill impacts are provided on a total bills basis.

service company capital funding costs, telecommunications expense, and uncollectibles expense. The settlement also disallows 100% of officer incentive compensation and employee severance expense. Additionally, it reduces the Company's rate base cash working capital to reflect a lowering of the revenue lag associated with purchased gas costs.

b. Capital Programs: Reductions to the amount of capital plant additions the Application originally sought to include in distribution rates. The Company also agreed to slow down the pace of the Application's proposed capital programs such as slowing DIMP capital work to replace aging bare steel and cast-iron pipe from 11 years to 13 years; slowing other DIMP work for additional leak-prone facilities from 14 years to 15 years; and slowing system resiliency work from 8 to 10 years.

c. Taxes: Utilizing 100% of savings resulting from the recent federal tax law change to moderate bill impacts on customers, including:

- The Company agreeing to wave its pending legal claims in Docket No. 18-01-15[2] and agreeing to credit customers $9 million of pre-rate year tax savings retroactive to January 1, 2018, plus carrying charges thereon of $461,000, effective upon approval of the Settlement Agreement. This resolution is consistent with the rate case settlement PURA approved for the Company's affiliate, CL&P, in Docket No. 17-10-46.[3]

- The Company agreeing to apply ADIT-related tax savings of approximately

[2] Docket No. 18-01-15, PURA Review Of Rate Adjustments Related To The Federal Tax Cuts And Jobs Act.
[3] Docket No. 17-10-46, Application of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend its Rate Schedules.

$3.8 million annually to moderate bill impacts for customers.[4]

d. ROE:

- Reducing the Application's proposed ROE from 10.25% to 9.30%. The Company sought an ROE higher than 9.30% in light of, among other things, the fact that PURA approved an ROE of 9.25% almost one year ago for SCG, but (from the Company's perspective) in the past year numerous objective market metrics support an ROE above 9.30%. Nevertheless, in order to achieve a settlement, the Company agreed to accept an ROE of 9.30%.
- Additionally, the settlement terminates the approval Yankee received in 2015[5] to retain 67 basis points of earnings in excess of its allowed ROE before excess earnings are shared with customers. Under the Settlement Agreement, any earnings in excess of the allowed ROE of 9.3% will be shared 50/50 between customers and shareholders. The customer portion of any earnings in excess of the Company's allowed ROE will be used to offset the environmental remediation deferral in order to moderate the impact of this deferral on future rates.

e. Investments Since the Last Rate Case: The settlement also recognizes, however, that Yankee has demonstrated the need for rate relief because, among other things, it has been seven (7) years since its distribution rates were last increased in a rate case in Docket No. 10-12-02. Since that time, Yankee has completed capital projects totaling more than $500 million that are not yet reflected in rates,

[4] The exact amounts of the annual ADIT-related savings are provided in Exhibit FA-1 in the June 15, 2018 pre-filed testimony of Company witness Frank Anello.
[5] See Docket No. 14-08-10, PURA Review Of Overearnings For Yankee Gas Services Company, and Docket No. 15-02-46, PURA Review Of Overearnings For Yankee Gas Services Company – Reporting Period July 2014 Through December 2014.

and it has experienced significant increases in municipal property taxes, depreciation expense and other areas that impact its distribution business.

f. Other Provisions: The Settlement Agreement also includes implementation of a Distribution Integrity Management Program (DIMP) rate mechanism; a continuation of the system expansion mechanism, with the system expansion revenue requirements and revenues being reflected in base rates; the implementation of revenue decoupling; among other items.

5. The Settling Parties agree that the new rates proposed in the Settlement Agreement are consistent with Conn. Gen. Stat. §§ 16-19 and 16-19e. Additionally, the Settling Parties agree that the terms of the Settlement Agreement were negotiated as a complete and balanced package to resolve the issues presented in the Application, except for rate design which would continue to be litigated in this Docket. As a result, the Settlement Application is presented and conditioned upon approval of its terms in full, without additional conditions or requirements.

6. In order to facilitate the Authority's review of the Settlement Agreement within a time schedule acceptable to the Authority, the Settling Parties respectfully propose to adjust the balance of the procedural schedule in the following manner. This is merely a proposal, and the Settling Parties ultimately defer to the Authority's sound judgment concerning which adjustments should be made to the balance of the procedural schedule.

   a. First, the Settlement Agreement will obviate the need for OCC to file its remaining testimony and the Company's remaining rebuttal testimony, as well as the discovery process associated with such testimony. Additionally, as of this date,

1,044 interrogatories have been issued to the Company on all aspects of the original Application, so there is ample evidence already in the record to facilitate PURA's comparison of the proposed settlement to the original Application.

b. Second, the Settling Parties anticipate that PURA will need to conduct discovery on the Settlement Agreement, and therefore, propose that September 6-17, 2018 be used for such discovery. The Settling Parties will use every effort during this period to respond to the Authority's discovery requests as expeditiously as possible, including filing data responses early to the greatest extent possible.

c. Third, subsequent to the discovery period on the Settlement Agreement — out of respect for the fact that PURA spent considerable time selecting hearing dates on which both the Commissioners and PURA staff are available — the Settling Parties respectfully propose that PURA use the existing hearing dates scheduled for September 18 and 19 for the hearings on the Settlement Agreement and the one topic that is not addressed by the Settlement Agreement: rate design. In the alternative, PURA can select whichever alternate or additional hearing dates work for the Commissioners and PURA staff.

d. Fourth, the Settlement Agreement does not address rate design, and therefore, this topic will need to be addressed during the hearing process. All discovery has already been completed on the Company's original rate design proposal, including the fact that OCC already filed its testimony on rate design on August 10, 2018. Therefore, rate design is ready for cross-examination by PURA staff, parties and intervenors during the hearing process.

7. In addition to this scheduling proposal, the Settling Parties have made provisions in the

Settlement Agreement to allow further flexibility in the event the regulatory process requires additional time and PURA's approval of new rates extends past November 15, 2018, which is the date the Settling Parties agreed to for the Company's new base distribution rates to take effect. In this event, the Settlement Agreement includes a provision to keep the Company and its customers in the same position as if rates for rate year one had gone into effect on that date.

8. Finally, the Authority's August 22, 2018 ruling on Motion No. 40 stated in relevant part that PURA's "suspension [of hearings] is conditioned upon Eversource waiving its right under § 16-19(b) of the General Statutes of Connecticut, to implement any rate change after one hundred eighty days of the proposed effective date, ***for a period equal to the duration of this suspension***. Eversource shall file with the Authority a letter to that effect."[6] Yankee hereby provides the requested waiver.

WHEREFORE, the Settling Parties respectfully request that the Authority issue an updated procedural schedule that reflects PURA's adjustments to the schedule to allow for discovery and hearings on the Settlement Agreement and rate design. The Settling Parties also request that PURA issue a decision approving the Settlement Agreement in its entirety.

[signature page follows]

[6] Docket No. 18-05-10, 8/22/18 PURA Ruling on Motion No. 40 at Page 1 (emphasis added.) Pages 1-2 of the 8/22/18 ruling stated, "In the event the settlement is not approved or settlement discussions terminate, the Authority will lift the suspension and establish a procedural schedule for the remainder of the statutory 180-day time period and issue a Decision on the original application." (Id. at 1-2.)

Respectfully submitted,

YANKEE GAS SERVICES COMPANY
D/B/A EVERSOURCE ENERGY

By: *Vincent P. Pace*
Vincent P. Pace, Esq.
Associate General Counsel
Eversource Energy
107 Selden Street
Berlin, CT 06037
860-665-5426
Vincent.Pace@eversource.com

OFFICE OF CONSUMER COUNSEL

By: *Lauren H. Bidra*
Lauren H. Bidra, Esq.
Staff Attorney
Office of Consumer Counsel
State of Connecticut
10 Franklin Square
New Britain, CT 06051
860-827-2904
Lauren.Bidra@ct.gov

PROSECUTORIAL STAFF OF THE PUBLIC
UTILITIES REGULATORY AUTHORITY

By: *Antonio Santoro*
Antonio Santoro, Esq.
Prosecutorial Staff
Public Utilities Regulatory Authority
State of Connecticut
10 Franklin Square
New Britain, CT 06051

CERTIFICATION

This is to certify that on this day, the foregoing document was filed with the Public Utilities Regulatory Authority, and copies of the foregoing document were served upon each person designated on the Authority's official service list in this proceeding in accordance with R.C.S.A. § 16-1-15.

By: *Vincent P. Pace*
Vincent P. Pace, Esq.

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 18-05-10**
	:	**SEPTEMBER 5, 2018**

SETTLEMENT AGREEMENT

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STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 18-05-10**
	:	**SEPTEMBER5, 2018**

SETTLEMENT AGREEMENT

Yankee Gas Services Company d/b/a Eversource Energy ("Yankee" 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 15, 2018 application, pre-filed testimony, supporting exhibits, SFRs[1] and discovery responses (collectively, the "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;

WHEREAS, the requested three-year rate plan in the Application proposes an increase in revenues of $49 million for the first rate year, or approximately 9.2% over currently authorized overall revenues; an incremental increase of $21 million for the second rate year, or approximately 3.7% over the prior year proposed overall revenues; and an incremental increase of $16 million, or approximately 2.9% over the prior year proposed overall revenues, for a total proposed increase of $86 million over the three-year rate plan;

WHEREAS, the Authority docketed the Application as Docket No. 18-05-10 and subsequently issued a Notice of Proceeding in which it designated the OCC as a party to the proceeding;

WHEREAS, as of this date, 1,044 interrogatories have been issued to the Company in Docket No. 18-05-10; and

WHEREAS, the Company filed a motion on August 22, 2018 requesting the Authority to appoint prosecutorial staff in order to facilitate settlement discussions among the parties; and the Authority granted the motion on August 22, 2018;

WHEREAS, the Settling Parties seek 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.

[1] "SFRs" means "standard filing requirements".

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:

1) Effective Date and Term.

a) The effective date of the Company's new base distribution rates[2] pursuant to this Settlement Agreement shall be November 15, 2018.

b) The term of the Company's rate plan shall be the periods:

i) November 15, 2018 to November 14, 2019 ("Rate Year 1");

(1) a 47 Day Interim Period (as defined below) prior to the commencement of Rate Year 2;

(2) The Settling Parties have agreed to delay the Company's ability to collect in distribution rates the step increase in the revenue requirement for Rate Year 2 during the 47-day period from November 15, 2019 to December 31, 2019 (the "47 Day Interim Period") in order to ensure, for administrative convenience, that Rate Year 2 and Rate Year 3 are aligned with calendar years 2020 and 2021, respectively. In return for the Company's concession to delay the commencement date of Rate Year 2 by 47 days, the Company shall be allowed to continue the Rate Year 1 base distribution rates during the 47 Day Interim Period until the commencement of Rate Year 2.

ii) January 1, 2020 to December 31, 2020 ("Rate Year 2");

iii) January 1, 2021 to December 31, 2021 ("Rate Year 3"); and

iv) Collectively, Rate Year 1, Rate Year 2 and Rate Year 3 are the "Rate Years".

2) Revenue Requirements.

a) On the commencement of Rate Year 1, the Company shall increase the distribution component of its rates to recover an increase in its allowed revenue requirement of $1.38 million over currently effective rates. This represents an average increase of 0.3% over currently authorized overall revenues.

b) On the commencement of Rate Year 2, the Company shall increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of $15.77 million over then-currently effective rates. This represents an average incremental increase of 2.9% over the prior year overall revenues.

c) On the commencement of Rate Year 3, the Company shall increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of $13.01 million over then-currently effective rates. This represents an

[2] Base distribution rates are also known as "delivery" rates.

average incremental increase of 2.3% over the prior year overall revenues.

d) Attachment 1 provides a summary of the revenue requirements and average rates on a current basis versus those proposed under the Settlement Agreement.[3]

3) DIMP, System Expansion and Core Capital.

a) Summary of Settlement Agreement's Treatment of Capital Programs.

i) Overview. The following subsections in this Section 3 describe the authorized recovery of plant additions for the Distribution Integrity Management Program ("DIMP") (see Section 3(b)), System Expansion ("SE") (see Section 3(c)), Core Capital[4] (see Section 3(d)), and the parameters and process this Settlement Agreement imposes on the recovery of additional plant additions for DIMP, SE and Core Capital (see Section 3(e)). Table 1 below summarizes the Settling Parties' agreement concerning plant additions for these capital programs.

Table 1- Yankee Gas Company
Plant Additions By Year
($ Thousands)

Line	Program	2018	2019 Rate Year 1	2020 Rate Year 2	2021 Rate Year 3	Notes
1	System Expansion	$ 32,900	$ 32,900	$ 35,000	$ 37,275	Note A
2						
3	DIMP Eligible Service Replacement		$ 8,000	$ 7,000	$ 6,000	Note B
4	Other Basic Business		33,139	33,478	33,977	
5	Total Basic Business		$ 41,139	$ 40,478	$ 39,977	
6						
7	DIMP-Eligible Reliability Investments		$ 56,000	$ 59,640	$ 63,517	
8	System Resiliency		25,000	25,000	25,000	
9	DIMP-Eligible System Integrity Investments (flood hardening)		-	-	-	
10	System Integrity		16,500	16,500	16,700	
11	Gate and Regulator Station		4,500	4,800	4,200	
12	Total Reliability		$ 102,000	$ 105,940	$ 109,417	
13						
14	Total Plant Additions	$ 150,000	$ 176,039	$ 181,418	$ 186,669	Note C
15						
16	Base Rate Plant Additions		$ 150,000	$ 150,000	$ 150,000	Note D
17						
18	Base Rate Plant Additions excluding System Expansion		$ 117,100	$ 115,000	$ 112,725	Line 16 - Line 1
19						
20	Total Plant Additions excluding System Expansion		$ 143,139	$ 146,418	$ 149,394	Line 14 - Line 1. Note E
21						
22						
23	Notes:					
24	(A) System Expansion plant additions will continue to be reconciled to actual additions within the System Expansion Reconciliation ("SER")					
25	(B) Additions on lines 3 through 12 reflect the level of additions included in base rates and/or the DIMP mechanism. Actual amounts may vary by program.					
26	(C) Total capital spending reflects the $150 million additions included in base distribution rates, plus the incremental amount to be recovered in the DIMP Reconciliation Mechanism annually.					
27	(D) Base Rate recovery per Settlement					
28	(E) Non-SE spending shown on Line 20 represents the total spending cap for purposes of applying the terms of Settlement Provision.					

i) Total Plant Additions. Row 16 in Table 1 above demonstrates that the Company's

[3] Final bill impacts will vary as a result of the approved rate-design implementation.

[4] "Core Capital" includes all other capital programs of the Company in the Application, except for SE and DIMP.

proposed plant additions in the Application shall be reduced so that, as a result, the Company shall be authorized to recover in distribution rates for Rate Years 1, 2 and 3 plant additions for DIMP, SE and Core Capital combined of $150 million annually.

ii) System Expansion. Row 1 in Table 1 above demonstrates that – although SE plant additions and expected revenues are reflected in the distribution rates approved hereunder – the actual SE plant additions for which the Company seeks rate recovery shall be reconciled through the Company's separate annual System Expansion Reconciliation ("SER") proceedings before PURA.

iii) DIMP and Core Capital. Row 18 in Table 1 above demonstrates that when SE plant additions of $32.900 million for Rate Year 1, $35.000 million for Rate Year 2 and $37.275 million for Rate Year 3 are subtracted from the $150 million of total plant additions that shall be reflected in distribution rates for Rate Years 1, 2 and 3, it yields remaining plant additions in distribution rates for DIMP and Core Capital combined of $117.100 million for Rate Year 1, $115.000 million for Rate Year 2 and $112.725 million for Rate Year 3. Because any additional SE plant additions for which the Company seeks recovery shall be examined in the separate annual SER proceeding by PURA, the Settling Parties have agreed upon the following parameters and process governing the recovery of additional DIMP and Core Capital plant additions that are in excess of the DIMP and Core Capital plant additions in distribution rates that are shown on Row 18 of Table 1:

(1) Additional plant additions for DIMP and Core Capital combined up to the annual amounts shown in Row 20 of Table 1 are recoverable through the DIMP Reconciliation Mechanism.

(2) Plant additions for DIMP and Core Capital in excess of the amounts shown in Row 20 of Table 1 can be recovered through the DIMP Reconciliation Mechanism following receipt of approval to do so from PURA, as described in greater detail in Section 3(e)(ii)(2)(c) of this Settlement Agreement.

b) DIMP.

i) A DIMP for the Company was approved in the June 29, 2011 rate case decision in Docket No. 10-12-02. Table 1 above reflects the Company's DIMP-related plant additions for Rate Years 1, 2 and 3.[5]

ii) This Settlement Agreement establishes a reconciling DIMP Reconciliation Mechanism. The Company shall perform the annual DIMP Reconciliation at year-end. The Company shall submit its annual DIMP Reconciliation rate filing on or around March

[5] The categories and types of projects the June 15, 2018 pre-filed testimonies of Mr. Akley and Mr. Hart propose to include within the definition of "DIMP" are hereby approved, provided the Company's recovery of the amount of annual plant additions for DIMP in distribution rates and the DIMP Reconciliation Mechanism is subject to the parameters set forth in Section 3(e)(ii) of this Settlement Agreement. Accordingly, "DIMP" includes (i) replacing leak prone main and service assets of the type: cast iron, bare steel, copper, unprotected coated steel and small diameter coupled steel; and (ii) hardening the system within identified flood zone areas by: replacing leak prone facilities, uprating low pressure facilities to higher pressures, installing vent line protectors and relocating or hardening regulator stations.

1st of each year, with new DIMP Reconciliation rates to be effective April 1st on a billing-cycle basis. The annual DIMP Reconciliation filing will true up the revenue requirement to reflect actual plant additions for DIMP and Core Capital for the prior full calendar year, and will project the plant additions for DIMP and Core Capital for the current calendar period for review and approval by PURA.

iii) On or before May 31st of each year, the Company shall submit a DIMP compliance filing that identifies for each DIMP project in excess of $100,000 completed during the immediately preceding year: (A) whether the cost of any such project has exceeded budget by 10% or more; and (B) if the 10% variance threshold was exceeded then provide an explanation for the variance.

iv) DIMP Reconciliation rates shall apply to existing customers and system expansion customers.

c) System Expansion.

i) SE related revenue requirements and revenues will be reflected in base rates in the manner proposed in the Application. An update of the June 15, 2018 Company Exhibit DPH-1, which reflects the revenue requirements embedded in base distribution rates for SE during the three Rate Years, is provided in Attachment 9 hereto.

ii) Table 1 above reflects the SE plant additions for Rate Years 1, 2 and 3.

iii) The Company shall reconcile SE revenue requirements in base rates to future SE revenue requirements through the separate annual System Expansion Reconciliation ("SER") proceeding.[6] Therefore, differences (positive or negative) between the SE revenue requirement in approved base distribution rates and actual revenue requirements incurred by the Company will be reconciled annually through the SER reconciliation mechanism.

(1) An example of the calculation of the SER revenue requirements for Rate Years 1, 2 and 3 is provided as Attachment 9 to this Settlement Agreement. The system expansion revenue is an estimate using current rates. The revenues will be updated with the final rate design is filed and approved by PURA in this docket.

d) Other Capital Programs.

i) The Company's other capital programs, excluding DIMP and SE programs, were previously defined above as "Core Capital" for definitional purposes and administrative convenience. Table 1 above reflects the Core Capital projected plant additions for Rate Years 1, 2 and 3.

e) Limitations Governing the Recovery of Incremental Plant Additions.

[6] By Decision dated November 22, 2013 in Docket No. 13-06-02, PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy (Gas Expansion Decision), PURA approved the use of a System Expansion Reconciliation (SER) mechanism to annually reconcile revenue and costs associated with the gas expansion plan required by Conn. Gen. Stat. § 16-19ww.

i) SE. The Company's future SE capital expenditures and plant additions (which are incremental to the SE plant additions placed in base distribution rates) shall continue to be evaluated, reconciled and approved by PURA in the separate annual SER reconciliation filing. Although the Company agrees to limit the amount of SE plant additions placed in base distribution rates during the three Rate Years, if the Company's actual SE plant additions for the Rate Years and thereafter exceed the level of SE plant additions in approved base distribution rates, then the Company is allowed to recover the difference thereof in its annual SER reconciliation filing to PURA as part of the overall cost and revenue true-up.

ii) Core Capital and DIMP.

(1) 2018. Plant additions for Core Capital and DIMP projects of $117.1 million for calendar year 2018 shall be recovered in base distribution rates. If actual plant additions, for both Core Capital and DIMP combined, are greater or less than $117.1 million, then the revenue requirement based on actual plant additions shall be reflected (in the form of a credit to the Company or a credit to customers, as appropriate) through the DIMP Reconciliation mechanism in the cumulative revenue requirement calculated therein.

(2) 2019, 2020, 2021.

(a) Table 1 above demonstrates that plant additions for Core Capital and DIMP projects combined of $117.100 million for Rate Year 1, $115.000 million for Rate Year 2 and $112.725 million for Rate Year 3 shall be recovered in base distribution rates.

(b) If annual plant additions for Core Capital and DIMP projects exceed the annual amounts in Section 3(e)(ii)(2)(a) above (which is the immediately preceding paragraph above), then the Company shall be entitled to timely recover through the DIMP Reconciliation Mechanism such actual excess plant additions for DIMP and Core Capital combined up to $143.139 million for Rate Year 1, $146.418 million for Rate Year 2 and $149.394 million for Rate Year 3 through the DIMP Reconciliation Mechanism.

(c) If annual plant additions for Core Capital and DIMP projects exceed the amounts in Section 3(e)(ii)(2)(b) above (which is the immediately preceding paragraph above), then the Company shall be entitled to seek prior approval from PURA to recover such excess amounts of plant additions for that time period through the DIMP Reconciliation Mechanism as part of its annual DIMP Reconciliation filing to be submitted on or around March 1 of each year. If the actual level of annual plant additions for Core Capital and DIMP projects exceed the amounts in Section 3(e)(ii)(2)(b) above (which is the immediately preceding paragraph above), but the Company does not seek or otherwise receive PURA pre-approval to recover the costs of additional Core Capital and DIMP plant additions through the DIMP Reconciliation Mechanism, such additional investments will not be recoverable as part of the DIMP Reconciliation Mechanism, but shall be included for recovery at the time of the Company's next distribution rate case.

(3) Post-2021. Post-2021 the Company shall be allowed to recover $100 million of DIMP-related plant additions annually through the DIMP Reconciliation mechanism until the Company's distribution rates are adjusted in its next distribution rate case. Additionally, the Company is authorized to seek permission from PURA to recover any post-2021 annual DIMP-related plant additions in excess of $100 million either through a re-opening of this Docket or a DIMP Reconciliation proceeding.

f) Miscellaneous Provisions.

(1) This Settlement Agreement will not limit the Company's management's prerogative on necessary capital expenditures to maintain a safe and reliable system and will not be used as a basis to reduce test year capital expenditures in a future rate case.

(2) All capital recovery under this Settlement Agreement – in both base distribution rates and each tracking reconciliation mechanism referenced herein – for Core Capital, DIMP and SE projects will include recovery of the effect of plant, accumulated deferred income taxes ("ADIT"), and accumulated depreciation for the cumulative additional plant additions. Revenue requirements will include pre-tax return on investment, return of investment (depreciation), property taxes, gross earnings tax, interest expense and uncollectible expense.

4) Rate Base.

a) Attachment 2 provides a summary of rate base to be reflected in tariffs.

b) The Company's requested increase to rate base has been adjusted in Rate Years 1, 2 and 3 by the amounts in Attachment 2. The rate base amounts reflect certain reductions to plant additions, depreciation, ADIT and other Settlement Adjustments (defined below) that are described in other sections of this Settlement Agreement.

c) The rate base cash working capital allowance has been adjusted in Attachment 2 to reflect a lowering of the revenue lag associated with purchased gas costs.

5) O&M Expense.

a) Attachment 3 provides a detailed summary of O&M to be reflected in the Company's tariffs pursuant to this Settlement Agreement.

b) The Company's requested increase to O&M will be reduced in Rate Years 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 (collectively, the "Settlement Adjustments").

c) Attachment 3 hereto demonstrates that specified variable, supply-related categories of costs associated with the operation of the liquified natural gas ("LNG") facility shall be removed from base distribution rates effective as of November 15, 2018 and thereinafter the actual amount of such categories of costs shall be recovered in the Purchased Gas Adjustment Clause ("PGA").

6) Full-Time Equivalents.

a) Full-Time Equivalents ("FTEs").

i) The Company's payroll expense in the Application is approved as filed.

ii) The payroll expense in Section 6(a)(i) above excludes the incremental cost associated with the new FTEs the Company expects to hire through the Natural Gas Field Technician Certificate Program, which the Company and Middlesex Community College jointly established commencing in August 2018 to help develop the future workforce in the growing natural gas industry, and will benefit the Company and its customers by developing a larger pool of qualified gas industry employees.

iii) The approval in Section 6(a)(i) above includes recovery in distribution rates for the proposed incremental FTEs to support expanded in-house LNG operations that are described in the June 15, 2018 pre-filed testimony of James P. Davis (hereinafter, the "Incremental LNG FTEs"). The Incremental LNG FTEs are necessary to support expanded staffing requirements for greater reliance on liquefied LNG in order to compensate for the fact that the existing LNG liquid refill trucking contract will soon expire and that contract cannot be replaced on commercially reasonable terms in the current market place.

iv) Following the hiring of the Incremental LNG FTEs, the Company is required to submit one compliance filing on or before January 31, 2020 in Docket No. 18-05-10 that (A) demonstrates the Incremental LNG FTEs have been hired and (B) confirms the Incremental LNG FTEs are incremental to the 354 Yankee FTEs as of June 30, 2018 (see Q-OCC-119).

7) Depreciation.

a) Depreciation. The Company'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 schedule of plant accounts and applicable depreciation rates is provided in Attachment 4. Consistent with Section 16(b) of this Settlement Agreement, the Settling Parties' agreement to the depreciation rates in Attachments 3 and 4 do not establish any principles and should not be construed as acceptance by any Settling Party of any depreciation methodology proposed by the Company, or as a change in the Company's position regarding the propriety of any depreciation methodology offered in the Application.

8) Environmental Remediation.

a) Environmental remediation costs shall be recovered as follows: (i) The Company's proposal in the Application to recover environmental remediation costs is approved as filed, except that the amount it is allowed to recover in base distribution rates for Rate Years 1, 2 and 3 is reduced by the amount shown in Attachment 3 hereto; and (ii) the Company is authorized to track and defer any additional environmental remediation costs for future review and recovery in each subsequent rate case in accordance with the process and terms proposed in the Application.

9) Cost of Capital.

a) In consideration of other provisions and concessions contained herein, the Company shall use 9.30% as its allowed return on common equity ("ROE").

b) The Company's revenue requirement is based on a capital structure for the Rate Years as proposed in SFR Schedule D-1.0 of the Application. The Company can utilize a higher percentage of common equity in its capital structure, but, if it does so, its capital structure for distribution rate making purposes shall be capped in the manner set forth in the immediately preceding sentence until the time of its next rate case.

c) 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 Sections 9(a) and 9(b) for each of the applicable Rate Years.

10) Earnings Sharing Mechanism.

a) For calendar year 2018, the current ESM threshold of 9.5% that was established in Docket Nos. 14-08-10 & 15-02-46[7] shall remain in effect until the establishment of new rates hereunder on November 15, 2018, at which time it shall be lowered to reflect the revised ESM threshold of 9.3% for the remainder of 2018. The methodology for doing so is provided in Attachment 6.

b) For calendar year 2019 and thereafter up until the time of the Company's next distribution rate case, earnings at the end of each calendar year above the authorized ROE of 9.30% shall be shared with customers and shareholders on a 50/50 basis.

c) The Settling Parties agree that the customer portion of any earnings in excess of the Company's allowed ROE will be used to offset the environmental remediation deferral in order to moderate the impact of this deferral on future rates. Any amount in excess of the environmental remediation deferral shall be credited directly to customers.

d) The Company shall file an earnings sharing report, on a calendar year basis, annually with the Authority each March 31st.

11) Revenue Decoupling.

a) Yankee will implement the revenue decoupling mechanism ("RDM") set forth in the Application, which is consistent with Conn. Gen. Stat. §16-19tt(b).

b) The approved distribution revenue requirement for each of the three Rate Years will be the basis for the revenue decoupling target, subject to the exception for Rate Year 1 and the 47-Day Period described in subsection 11(b)(i) below. Each year, the Company will compare the approved annual revenue requirement with the actual distribution revenue, and a credit or charge will subsequently be included on customer bills based on the annual revenue reconciliation.

[7] Docket No. 14-08-10, PURA Review Of Overearnings For Yankee Gas Services Company, and Docket No. 15-02-46, PURA Review Of Overearnings For Yankee Gas Services Company – Reporting Period July 2014 Through December 2014.

i) Provided, however, notwithstanding the foregoing, for administrative convenience, the first decoupling filing shall collectively address Rate Year 1 (11/15/18 to 11/14/19) and the 47-Day Interim Period (11/15/19 to 12/31/19) that precedes the commencement of Rate Year 2.

c) 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 the Company: (a) Conservation; (b) DIMP Reconciliation; (c) System Expansion; (d) System Expansion Reconciliation; (e) Non-Firm Margin; (f) Meter Diversion Charge; and (g) 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.

d) Attachment 7 shows an example of the Decoupling Targets for Rate Years 1, 2 and 3, including an illustrative example of the calculation of the targets for the 47-Day Interim Period prior to the commencement of Rate Year 2.

i) The System Expansion revenue is estimated in the Decoupling Target example in Attachment 7. Actual Decoupling Targets for Rate Years 1, 2 and 3, including the 47-Day Interim Period will be determined and filed as part of compliance once final rate design is filed and PURA issues a final decision in this docket.

e) 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, 2020 based on calendar 2019 results plus the 47-Day Interim Period explained above.

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

g) The RDM shall continue after Rate Year 3.

12) Rate Design.

a) Rate design is excluded from the Settlement Agreement. Rate design will be litigated in this Docket by each Settling Party pursuant to the schedule in this Docket.

13) Credit/Debit Card Fees.

a) The Settling Parties agree to allow the Company to implement the "Fee Free" credit card/debit card proposal for residential customers as proposed in the June 15, 2018 rate case application in this Docket. This approach is identical to the Fee Free credit card/debit card proposal for residential customers that PURA approved in The Connecticut Light and Power Company's April 18, 2018 rate case decision in Docket No. 17-10-46.[8]

[8] Docket No. 17-10-46, Application Of The Connecticut Light And Power Company D/B/A Eversource Energy To Amend Its Rate Schedules.

b) The Company shall file an annual compliance filing in this Docket on March 1, 2020 and each March 1st thereafter that includes the following data for the immediately preceding calendar year: (i) the number of credit/debit card payments, (ii) costs associated with the credit/debit card payments, (iii) monitoring how quickly payments are being received from the date a bill is issued, (iv) number of credit card payments made by financially challenged/hardship customers, (v) annual amount of uncollectibles, and (vi) qualitative improvements in customer satisfaction with this option. In its first annual compliance filing, the Company shall also file data relating to (i) through (v), above, for the Test Year in this rate case (which is calendar year 2017).

c) Based on a comparison of actual total "Fee Free" credit card/debit program costs incurred by the Company to the amount allowed in rates, any over-collection shall be credited to customers and any under-collection shall be deferred for recovery in rates at the time of the next rate case.

d) The Company shall file a monthly status report in this Docket on the status of its efforts to implement the Fee Free program for Connecticut customers, provided that the obligation to file such monthly reports shall terminate upon the Company's filing of its final status report which confirms that the Fee Free program has been implemented.

14) Additional Terms and Conditions.

a) Rate Case Expense. Only actual rate-case expense incurred by the Company, OCC and PURA shall be recovered through rates. The categories of rate case expense identified by the Company in data response Q-OCC-064 are acceptable, provided the Company can only recover it actual expense for those categories. In addition, the Company shall be allowed to recover actual expenses for PURA and OCC consultants to the extent the Company is billed for such services associated with this proceeding.

b) Proposal to Help Minimize Excavations on Municipal Roads. The Company shall be allowed to implement its program as filed concerning new customers along routes of replacement projects, as described on Pages 27-29 of Mr. Akley's June 15, 2018 pre-filed testimony. The revenues generated from this program, and the associated costs of this program, shall be recovered through the annual SER reconciliation filing.

c) Proposal to Update and Consolidate Records in GIS[9] to Mitigate the Risk of Damage to Facilities Resulting from Excavations. The Company shall be allowed to implement its program as filed to improve the quality of records in order to help, among other things, reduce the risk of underground infrastructure being damaged from future excavations and to increase efficiency, as described on Pages 41-43 of Mr. Akley's June 15, 2018 pre-filed testimony. Page 43 of Mr. Akley's testimony states, "If the Authority approves the Company's proposal for this program in this case, then it would establish a regulatory asset and defer recovery of these costs to the time of its next rate case."

d) Divestiture of Propane Assets. Yankee shall defer to its next rate case its unrecovered deferral amount resulting from its divestiture of its propane assets (see Q-OCC-366), which were divested in compliance with the PURA-approved terms in Docket No. 09-09-

[9] "GIS" means geographic information system.

21.[10] If any gains are realized from the future land sale of the remaining propane site in Kensington, Connecticut, then the gain will reduce any unrecovered deferral amount.

e) Five Year Historical Data. Beginning with the Company's next rate case, the Company will file with its SFRs five years of historical expense data in the form of Schedule C-3.0.

f) Uncollectible Expense. Reductions to the Company's proposed recovery for uncollectible expense and hardship uncollectible expense are provided in Attachment 3 hereto.

15) Regulatory Process.

a) 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 November 15, 2018. The Settling Parties request the Authority to issue approval of the Settlement Agreement in its entirety by that date.

b) To facilitate PURA's review of this Settlement Agreement and issuance of a final decision in this Docket, the implementation of the Company's distribution revenue requirement increase shall be subject to a make-whole provision in the event the regulatory process extends past November 15, 2018 and new rates are not implemented until after this date. The purpose of this provision is to keep the Company and its customers in the same position as if Rate Year 1 rates had taken effect on November 15, 2018.

c) If the Authority approves this Settlement Agreement after November 15, 2018 or otherwise approves new rates to take effect after November 15, 2018, the Company will be allowed to recover the full annual value of the rate increase for Rate Year 1. This rate increase recovery will be accomplished through the next annual revenue decoupling calculation that will reconcile actual Rate Year 1 distribution revenue to the approved Rate Year 1 distribution revenue.

16) Settlement Conditions.

a) 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.

b) 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.

c) 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

[10] Docket No. 09-09-21, Application of Yankee Gas Services Company for Approval to Sell Propane Equipment and Real Property.

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.

d) The Settling Parties intend to each 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 benefits related to this Settlement Agreement.

e) 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.

f) If the Authority does not approve this Settlement Agreement in its entirety, or does not issue an order on the Settlement Agreement within three months of the date this Settlement Agreement is filed with PURA, then each of the Settling Parties shall have the right (but not the obligation) to elect 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.

g) Under no circumstances will: (i) 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 (ii) 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.

h) 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.

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

j) 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.

k) The words used in this Settlement Agreement shall have the normal and customary meaning of such words.

17) Impact of Federal Tax Law Change.

a) Tax Law Change. United States House Resolution (H.R. 1) from the 115th Congress, which was signed by the President and was designated as Public Law No: 115-97 (the

"Federal Tax Law Change"),[11] among other things, reduced the federal corporate tax rate, effective January 1, 2018.

b) 100% of Savings from Federal Tax Law Change Credited to Customers Retroactive to January 1, 2018. The following subsections of this Settlement Agreement demonstrate that 100% of the tax savings resulting from the Federal Tax Law Change retroactive to January 1, 2018 are hereby credited to customers through credits that have been applied to mitigate the new natural gas distribution rates resulting from this Settlement Agreement.

c) Tax Gross-Up Savings.

i) For the Period On And After The Effective Date Of New Rates. Regarding the reduction to the federal corporate tax rate from 35% to 21% resulting from the Federal Tax Law Change to the Company's tax expense for the incremental distribution revenue requirements for Rate Years 1, 2 and 3 (the "Post-Rate Effective Date Gross-Up Tax Reduction"), 100% of the Post-Rate Effective Date Gross-Up Reduction is credited to customers, as reflected in the Attachments accompanying this Settlement Agreement.

ii) For The Period Prior To The Effective Date of New Rates. The $9 million reduction to the federal corporate tax rate from 35% to 21% resulting from the Federal Tax Law Change for the period January 1, 2018 up until the time new distribution rates are set in this Docket is hereinafter defined as the "Pre-Rate Effective Date Gross-Up Tax Reduction".[12] Effective upon approval of this Settlement Agreement without change or modification (or if there are any PURA-ordered changes or modifications, all such changes and modifications must be found to be acceptable by Yankee), then Yankee agrees to file in Docket No. 18-01-15[13] an irrevocable waiver and release of its pending legal claims in Docket No. 18-01-15 and to provide customers in base distribution rates with 100% of the Pre-Rate Effective Date 2018 Gross-Up Reduction retroactive to January 1, 2018 in a manner that is consistent with the settlement between CL&P, OCC and PRO in Section 18(c) of their January 11, 2018 rate case settlement agreement that PURA approved on April 18, 2018 in Docket No. 17-10-46 (the "CL&P Rate Case Settlement Agreement").[14] Accordingly, consistent with Section 18(c) of the CL&P Rate Case Settlement Agreement, Yankee's Pre-Rate Effective Date Gross-Up Tax Reduction shall be applied as a credit to the base distribution rates established under this Settlement Agreement.[15] Also consistent with the CL&P Rate Case

[11] See https://www.congress.gov/bill/115th-congress/house-bill/1.

[12] See Attachment 1 hereto calculating the Pre-Rate Effective Date Gross-Up Tax Reduction savings as $8.99 million.

[13] Docket No. 18-01-15, PURA Review Of Rate Adjustments Related To The Federal Tax Cuts And Jobs Act.

[14] Section 18(c) of the CL&P Rate Case Settlement states, "Although new distribution rates under the Settlement Agreement do not take effect until May 1, 2018, the Company agrees to provide customers with the benefits of the Federal Tax Law Change effective as of January 1, 2018 in the form of a customer credit made through the New Capital Tracker that is equivalent to, and reflective of, the reduction in the Company's federal income tax rate expense during the period January 1, 2018 through April 30, 2018. That credit shall be offset against the recovery through the New Capital Tracker of the revenue requirement associated with the incremental Plant Additions that have been placed in service since the Company's last rate case in Docket No. 14-05-06 during the period January 1, 2018 through April 30, 2018."

[15] The Company has calculated the Pre-Rate Effective Date Gross-Up Tax Reduction for the period January 1, 2018

Settlement Agreement, the Company shall recover through the DIMP Reconciliation Mechanism the revenue requirement associated with the DIMP plant additions and system resiliency plant additions from the Core Capital program placed in service since January 1, 2018. The revenue requirement associated with such additions is calculated in Attachment 8.

(1) Carrying Charges on the Pre-Rate Effective Date Gross-Up Tax Reduction to Also Benefit Customers. Regarding the Pre-Rate Effective Date Gross-Up Tax Reduction, Yankee shall pay carrying charges thereon for the benefit of customers in the amount of $383,000 for Rate Year 1 and $78,000 for Rate Year 2, which are incorporated into Attachment 1 hereto.

iii) Excess ADIT Savings. Regarding the reduction to the Company's ADIT expense resulting from the Federal Tax Law Change ("Excess ADIT" or "EDIT"), 100% of the Excess ADIT is credited to customers, as reflected in the Attachments accompanying this Settlement Agreement.

d) General Principles. The Settling Parties agree that the following provisions shall apply to the calculation of the impact on the Company's tax expense resulting from the Federal Tax Law Change.

i) Compliance with IRS Normalization Rules. The Excess ADIT balances and reduction to ADIT expense resulting from the Federal Tax Law Change that will be credited to customers shall comply with applicable "normalization"[16] rules, regulations and interpretations of the Internal Revenue Service ("IRS"), including requiring the reduction of Excess ADIT expense to be allocated over the remaining lives of the Company's assets in question.

ii) True-Up of Estimated Tax Impacts to Actual Tax Impacts. Based on a comparison of the actual tax expense incurred by the Company due to the Federal Tax Law Change compared to the estimated tax expense reflected in distribution rates (and, to the extent applicable, reflected in the other tracking rates discussed herein), any over-collection or under-collection shall be credited or charged to customers at the next applicable step increase in distribution rates that occurs pursuant to this Settlement Agreement.

iii) Additional Provisions. Yankee will defer differences in state and federal income taxes

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through November 15, 2018 to be $9 million and has reflected that amount as a reduction to the revenue requirement the Rate Years. To the extent the Rate Year 1 revenue requirement will be in effect for a period longer than 12 months, as contemplated in Section 1 herein, this would result in a credit to customers in excess of the $9 million owed to customers for the Pre-Rate Effective Date Gross Up Tax Reduction. As such, to the extent the amount credited to customers in rates exceeds the $9 million, by virtue of having rates effective for more than 36 months, such difference will be reconciled to the actual amount of $9 million through the DIMP Reconciliation Mechanism.

[16] Under IRS rules, "normalization" is the practice of recording the tax impacts of timing differences on the Company's books to ensure that taxes are treated (and accounted for) the same as for ratemaking purposes. As timing differences are accounted for on a company's books, the "normalization" of the tax treatment (what the IRS allows for deductions) is maintained consistent with rate treatment (how deductions impact rate base). The Company must follow these IRS rules with respect to normalization in order to, among other things, ensure that it can utilize accelerated depreciation. The federal statute that discusses normalization rules affecting public service companies appears in 26 U.S.C.A. § 168, at I.R.C. § 168(i)(9).

as a result of changes in tax rates or applicable laws. Yankee will defer differences in municipal property taxes as a result of changes to tax policy having a material impact on funding provided to municipalities, such as changes to State educational funding.

[signature page follows]

The foregoing Settlement Agreement is executed as of September 5, 2018.

Yankee Gas Services Company d/b/a Eversource Energy

By: John Moreira

John Moreira
Vice President-Financial Planning and Analysis for Eversource Energy Service Company, as contracting agent on behalf of Yankee Gas Services Company

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

APPENDIX B

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS	:	**DOCKET NO. 18-05-10**
SERVICES COMPANY	:	
D/B/A EVERSOURCE ENERGY TO	:	
AMEND ITS RATE SCHEDULES	:	**SEPTEMBER 14, 2018**

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT ON REVENUE ALLOCATION AND RATE DESIGN

Yankee Gas Services Company d/b/a Eversource Energy ("Yankee" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (together, the "Settling Parties"), having entered into a settlement agreement dated September 14, 2018 (the "Rate Design Settlement Agreement"), hereby jointly request the Public Utilities Regulatory Authority ("PURA" or the "Authority") approve the attached Rate Design Settlement Agreement on revenue allocations and rate design. The Rate Design Settlement Agreement is in addition to the September 5, 2018 settlement agreement that established revenue requirements for the three-year rate plan in this rate case that was filed by the Settling Parties in this docket (the "Revenue Requirements Settlement Agreement"). The September 5, 2018 Revenue Requirements Settlement Agreement did not address rate design and the allocation of revenues to different classes of customers, but the attached Rate Design Settlement Agreement now proposes to resolve this final issue through an equitable and balanced compromise that was achieved by the Settling Parties.

The Rate Design Settlement Agreement, if approved by the Authority, will eliminate the need to adjudicate the Company's revenue allocation request and the design of rates for each rate class, thereby avoiding costs and resource-consuming litigation. In support of this motion, the Settling Parties state as follows:

1. During the course of this proceeding, the Settling Parties engaged in active settlement discussions concerning revenue allocation and rate design as presented in Yankee's application dated June 15, 2018 (the "Application"). The Settling Parties approached these discussions with a common purpose, which was to work cooperatively toward a comprehensive resolution of the revenue allocation and rate design issues presented in the Application.

2. On September 14, 2018, the discussions among the Settling Parties culminated in the execution of the Rate Design Settlement Agreement on revenue allocations and rate design, a copy of which accompanies this joint motion.

3. This Rate Design Settlement Agreement provides for revenue allocation among rate classes for new rates effective November 15, 2018, consistent with the settlement level revenue requirements set forth in the separate September 5, 2018 Revenue Requirements Settlement Agreement filed in this docket. The Rate Design Settlement Agreement also provides the methodologies to be applied by the Company to design rates in order to recover the incremental revenue from each rate class as well as service fees under the Company's Rules and Regulations.

4. Through this Rate Design Settlement Agreement, OCC and PRO have achieved the objective of setting initial revenue requirements for each rate class and establishing the design of rates for each rate class in a manner that is equitable, balanced, and consistent with PURA precedent.

5. Counsel for the Connecticut Industrial Energy Consumers ("CIEC") has authorized the Settling Parties to inform PURA that while CIEC does not endorse this Rate Design Settlement Agreement, CIEC will remain neutral to this Rate Design Settlement

Agreement. CIEC submits that the settlement agreements represent a compromise package of concessions and agreements that address principal issues of concern among the parties. CIEC submits that its position in this settlement does not establish a precedent that is binding on CIEC in any future cases.

6. Additionally, counsel for Intervenor-Allnex USA Inc. ("Allnex") has authorized the Settling Parties to inform PURA that Allnex does not oppose this settlement.

7. The Rate Design Settlement Agreement is presented and conditioned upon approval of its terms in full, without additional conditions or requirements. The Settling Parties respectfully request approval of this Rate Design Settlement Agreement, simultaneous with the Authority's final disposition of the Revenue Requirements Settlement Agreement filed on September 5, 2018.

8. The Settling Parties do not propose any additional adjustment to the revised procedural schedule issued by the Authority in this docket. The Settling Parties respectfully request that this Rate Design Settlement Agreement be considered by the Authority on September 26, 2018 and, if needed, on September 28, 2018, the dates on which the Authority has scheduled hearings.

9. In addition, the Settling Parties have made provisions in the Rate Design Settlement Agreement to allow flexibility in the event the regulatory process requires additional time and PURA's approval of new rates extends past November 15, 2018. In this event, the Rate Design Settlement Agreement includes a provision to keep the Company and its customers in the same position as if rates for rate year one had gone into effect on that date.

WHEREFORE, the Settling Parties respectfully request that the Authority grant this joint motion, and issue a final decision approving the Rate Design Settlement Agreement in its entirety.

Respectfully submitted,

YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY

By: *Jennifer E. Galiette*
Jennifer E. Galiette, Esq.
Counsel
Eversource Energy
107 Selden Street
Berlin, CT 06037
860-665-2598
Jennifer.Galiette@eversource.com

OFFICE OF CONSUMER COUNSEL

By: *Lauren H. Bidra*
Lauren H. Bidra, Esq.
Staff Attorney
Office of Consumer Counsel
State of Connecticut
10 Franklin Square
New Britain, CT 06051
860-827-2904
Lauren.Bidra@ct.gov

PROSECUTORIAL STAFF OF THE PUBLIC UTILITIES REGULATORY AUTHORITY

By: *Antonio Santoro*
Antonio Santoro, Esq.
Prosecutorial Staff
Public Utilities Regulatory Authority
State of Connecticut
10 Franklin Square
New Britain, CT 06051

CERTIFICATION

This is to certify that on this day, the foregoing document was filed with the Public Utilities Regulatory Authority, and copies of the foregoing document were served upon each person designated on the Authority's official service list in this proceeding in accordance with R.C.S.A. § 16-1-15.

By: *Jennifer E. Galiette*
Jennifer E. Galiette, Esq.

APPENDIX C

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 18-05-10**
	:	**SEPTEMBER 21, 2018**

JOINT MOTION TO APPROVE AMENDED REVENUE REQUIREMENT SETTLEMENT AGREEMENT

Yankee Gas Services Company d/b/a Eversource Energy ("Yankee" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (together, the "Settling Parties") hereby jointly request that the Public Utilities Regulatory Authority ("PURA" or the "Authority") approve the amended revenue requirements settlement ("Amended Settlement") enclosed herewith, implementing certain modifications to the settlement initially filed on September 5, 2018 ("Filed Settlement") to correct for an error in the tax gross-up computation.

As explained in greater detail below, the Amended Settlement reflects modifications designed to correct for a mathematical error discovered on one of the worksheets supporting the Filed Settlement, which miscalculated income-tax expense associated with cost-of-service reductions agreed to by the Settling Parties. To preserve the settlement outcome agreed to by the Settling Parties, the correction of this mathematical error requires changes to the revenue requirement encompassed within the Filed Settlement, including additional cuts in the requested rate relief. With these modifications, Yankee's customers will receive the exact same bill impacts that were achieved by the Filed Settlement. In support of this motion, the Settling Parties state as follows:

1. On September 5, 2018, the Settling Parties submitted the Filed Settlement to the

Authority.

2. In the past few days, Yankee discovered and confirmed the existence of an error embedded in the Excel spreadsheet utilized to calculate the gross-up of income-tax expense associated with the agreed upon revenue requirement. The mathematical error caused the Company to over-estimate the impact of each expense reduction by assigning a tax-expense reduction to certain items, for which there would not be any actual corresponding reduction to tax expense in the revenue requirement calculation. From an overall revenue-requirement perspective, this mathematical error caused total income tax expense owed to government taxing authorities to be inadvertently understated by approximately $7 million annually.

3. On September 18, 2018, Yankee notified OCC and PRO of the math error and provided a detailed explanation of the computational mistake and the actions that caused the mistake. Yankee indicated to OCC and PRO that it takes full responsibility for the error. There is no action taken by OCC and PRO that caused or added to this mistake.

4. After considerable discussion between the Settling Parties, it was mutually agreed that the paramount consideration is to provide customers with the benefit of their bargain, as negotiated by OCC and PRO. It was also agreed that this would mean that, while corrections could be made, the resulting bill impacts would have to remain identical to those achieved by the Filed Settlement. To achieve this outcome, however, it became apparent that Yankee would have to make additional cuts, above-and-beyond the substantial cuts already made to achieve settlement in the first instance.

5. As a result of these developments, the Amended Settlement incorporates modifications relating to environmental expense, depreciation expense, tax expense and other O&M expense to provide customers with the exact same bill impacts achieved by the Filed Settlement. The following table illustrates Yankee's original request for rate relief; shows the revised bill impacts resulting from the Filed Settlement; and confirms that customers will continue to receive the exact same bill impacts under the Amended Settlement that were achieved under the Filed Settlement.

Distribution Rate Increase	Rate Year 1	Rate Year 2	Rate Year 3
Original Application	$49 million	$21 million	$16 million
Bill impact (total bill)	9.2%	3.7%	2.9%
Filed Settlement	$1.4 million	$15.8 million	$13 million
Bill impact	0.3%	2.9%	2.3%
Amended Settlement	$1.4 million	$15.8 million	$13 million
Bill impact	0.3%	2.9%	2.3%

6. Attachment A hereto presents the applicable revised Attachments 1, 2, 3, 4, 5 and 9 to the Filed Settlement, reflecting the correction of the math error as well as the above-described adjustments, which are necessary to ensure customers receive the exact same bill impacts that were achieved by the Filed Settlement.

7. During the September 26, 2018 hearing (or during any additional hearings scheduled by PURA), the Company will produce a witness to answer questions about these topics.

8. Additionally, as PURA is aware, on September 14, 2018, the Company, OCC and PRO filed a separate settlement agreement regarding the manner in which they propose to allocate the revenue requirements from this rate case among different classes of customers (the "Revenue Allocation Settlement"). Because the Amended Settlement

holds the agreed upon revenue requirement level with the Filed Settlement, despite the correction to income-tax expense, there is no need to amend the separate Revenue Allocation Settlement.

WHEREFORE, the Settling Parties respectfully request that the Authority issue a decision (1) approving the September 5, 2018 Filed Settlement, as amended by the Amended Settlement; and (2) approving the September 14, 2018 Revenue Allocation Settlement.

[signature page follows]

Respectfully submitted,

YANKEE GAS SERVICES COMPANY
D/B/A EVERSOURCE ENERGY

By: *Vincent P. Pace*
Vincent P. Pace, Esq.
Associate General Counsel
Eversource Energy
107 Selden Street
Berlin, CT 06037
860-665-5426
Vincent.Pace@eversource.com

OFFICE OF CONSUMER COUNSEL

By: *Lauren H. Bidra*
Lauren H. Bidra, Esq.
Staff Attorney
Office of Consumer Counsel
State of Connecticut
10 Franklin Square
New Britain, CT 06051
860-827-2904
Lauren.Bidra@ct.gov

PROSECUTORIAL STAFF OF THE PUBLIC
UTILITIES REGULATORY AUTHORITY

By: *Antonio Santoro*
Antonio Santoro, Esq.
Prosecutorial Staff
Public Utilities Regulatory Authority
State of Connecticut
10 Franklin Square
New Britain, CT 06051

CERTIFICATION

This is to certify that on this day, the foregoing document was filed with the Public Utilities Regulatory Authority, and copies of the foregoing document were served upon each person designated on the Authority's official service list in this proceeding in accordance with R.C.S.A. § 16-1-15.

By: *Vincent P. Pace*
Vincent P. Pace, Esq.

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE	:	**DOCKET NO. 18-05-10**
GAS SERVICES COMPANY	:	
D/B/A EVERSOURCE ENERGY	:	
TO AMEND ITS RATE	:	
SCHEDULES	:	
	:	**SEPTEMBER 21, 2018**

AMENDMENT TO SEPTEMBER 5, 2018 REVENUE REQUIREMENTS SETTLEMENT AGREEMENT

Table of Contents

Attachments

The following revised Attachments hereto replace the corresponding Attachments to the 9/5/18 revenue requirements settlement agreement that was filed in this Docket:

Attachment 1	Revenue Requirements and Average Bill Impacts (***replaces 9/5/18 version***)
Attachment 2	Rate Base and Adjustments to Rate Base (***replaces 9/5/18 version***)
Attachment 3	Total Operating Expense (***replaces 9/5/18 version***)
Attachment 4	Depreciation Rates (***replaces 9/5/18 version***)
Attachment 5	Other Amortization Expense (***replaces 9/5/18 version***)
Attachment 6	Not applicable; no change to original 9/5/18 version of this Attachment
Attachment 7	Not applicable; no change to original 9/5/18 version of this Attachment
Attachment 8	Not applicable; no change to original 9/5/18 version of this Attachment
Attachment 9	Calculation of Net System Expansion Revenue Requirement in Base Rates (***replaces 9/5/18 version***)

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 18-05-10**
	:	**SEPTEMBER 21, 2018**

AMENDMENT TO SEPTEMBER 5, 2018 REVENUE REQUIREMENTS SETTLEMENT AGREEMENT

Yankee Gas Services Company d/b/a Eversource Energy ("Yankee" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (collectively, the "Settling Parties") entered into a Settlement Agreement dated September 5, 2018 ("Filed Settlement Agreement") concerning revenue requirements for the three-year rate plan proposed in the Company's June 15, 2018 application filed with the Public Utilities Regulatory Authority ("PURA" or the "Authority") pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e.

WHEREAS, the Filed Settlement Agreement was submitted in this Docket on September 5, 2018;

WHEREAS, Yankee recently discovered and confirmed the existence of an error in a cell formula embedded in an Excel spreadsheet utilized to calculate the gross-up of income tax expense associated with the agreed upon revenue requirement in the Filed Settlement Agreement. The mathematical cell error caused Yankee to over-estimate the impact of each expense reduction by assigning a tax-expense reduction to certain items, for which there would not be any actual corresponding reduction to tax expense in the revenue requirement calculation. From an overall revenue-requirement perspective, this mathematical error caused total income tax expense owed to government taxing authorities to be inadvertently understated by approximately $7 million annually in the Filed Settlement Agreement; and

WHEREAS, on September 18, 2018, Yankee notified OCC and PRO of the math error and provided a detailed explanation of the computational mistake and the actions that caused the mistake. Yankee indicated to OCC and PRO that it takes full responsibility for the error. There is no action taken by OCC and PRO that caused or added to this mistake; and

WHEREAS, after considerable discussion between the Settling Parties, it was mutually agreed that the paramount consideration is to provide customers with the benefit of their bargain, as negotiated by OCC and PRO. It was also agreed that this would mean that, while corrections could be made, the resulting bill impacts would have to remain identical to those achieved by the Filed Settlement Agreement. To achieve this outcome, however, it became apparent that Yankee would have to make additional cuts, above-and-beyond the cuts already made to achieve settlement in the first instance; and

WHEREAS, as a result of these developments, this amendment ("Amendment") incorporates modifications relating to environmental expense, depreciation expense, tax expense

and other O&M expense to provide customers with the exact same bill impacts achieved by the Filed Settlement Agreement.

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 that amend the Filed Settlement Agreement:

1) Definitions. Capitalized terms used but not defined herein have the meanings assigned to such terms in the Filed Settlement Agreement.

2) Revisions to Attachments.

a) The following table: (i) illustrates Yankee's original request for rate relief; (ii) shows the revised bill impacts resulting from the Filed Settlement Agreement; and (iii) confirms that customers will continue to receive the exact same bill impacts under the Amendment as achieved by the Filed Settlement Agreement.

Distribution Rate Increase	Rate Year 1	Rate Year 2	Rate Year 3
Original Application	$49 million	$21 million	$16 million
Bill impact (total bill)	9.2%	3.7%	2.9%
Filed Settlement	$1.4 million	$15.8 million	$13 million
Bill impact	0.3%	2.9%	2.3%
Amended Settlement	$1.4 million	$15.8 million	$13 million
Bill impact	0.3%	2.9%	2.3%

b) In order to correct the above-described math error, but still ensure that customers will continue to receive the exact same bill impacts as achieved by the Filed Settlement Agreement, the Settling Parties agree in this Amendment to utilize the attached revised versions of Attachments 1, 2, 3, 4, 5 and 9 that replace the corresponding original Attachments to the Filed Settlement Agreement. These revised Attachments reflect the correction of the math error as well as the above-described adjustments that are necessary to ensure customers receive the same bill impacts achieved by the Filed Settlement Agreement.

3) Amendment to Section 8(a) Environmental Remediation. In order to reflect the effect of this Amendment's additional adjustment to the recovery in the Rate Years of environmental remediation expense, the reference to "Attachment 3 hereto" in Section 8(a) of the Filed Settlement Agreement is amended to be "Attachments 3 and 5 hereto". The remainder of the text of Section 8(a) is unchanged.

4) Amendment to Section 17(c)(ii)(1) for Carrying Charges for Tax Credit to Customers. In order to be consistent with the updated Attachments hereto which reflect that the tax credit in question is now being returned to customers sooner (and therefore the original calculation of the carrying charges thereon are accordingly reduced slightly), the calculation of carrying

charges for Rate Years 1 and 2 in Section 17(c)(ii)(1) of the Filed Settlement Agreement are amended as follows: $379,000 for Rate Year 1 (instead of $383,000); and $73,000 for Rate Year 2 (instead of $78,000).

5) Remainder of the Filed Settlement Agreement Remains Unchanged. Subject to the amendments set forth in this Amendment, the remainder of the Filed Settlement Agreement remains unchanged and in full force and effect. In the event of any conflict or inconsistency between this Amendment and the Filed Settlement Agreement, this Amendment shall control.

[signature page follows]

The foregoing Settlement Agreement is executed as of September 21, 2018.

Yankee Gas Services Company d/b/a Eversource Energy

By:_____
John Moreira
Vice President-Financial Planning and Analysis for Eversource Energy Service Company, as contracting agent on behalf of Yankee Gas Services Company

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

The foregoing Settlement Agreement is executed as of September 21, 2018.

Yankee Gas Services Company d/b/a Eversource Energy

By: John M. Moreira
John Moreira
Senior Vice President-Finance and Regulatory and Treasurer of Yankee Gas Services Company d/b/a Eversource Energy

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

DOCKET NO. 18-05-10 APPLICATION OF YANKEE GAS SERVICES COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES

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 12, 2018

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

Date