

**STATE OF CONNECTICUT  
PUBLIC UTILITIES REGULATORY AUTHORITY**

|                                 |   |                     |
|---------------------------------|---|---------------------|
| JOINT PETITION OF GEORGE        | : | DOCKET NO. 13-07-XX |
| JEPSEN, ATTORNEY                | : |                     |
| GENERAL FOR THE STATE OF        | : |                     |
| CONNECTICUT, AND ELIN           | : |                     |
| SWANSON KATZ, CONSUMER          | : |                     |
| COUNSEL, FOR AN                 | : |                     |
| INVESTIGATION INTO THE          | : |                     |
| RESPONSE OF CONNECTICUT'S       | : |                     |
| PUBLIC SERVICE COMPANIES        | : |                     |
| TO CERTAIN CHANGES TO IRS       | : |                     |
| ACCOUNTING REGULATIONS          | : |                     |
|                                 |   |                     |
| APPLICATION OF THE UNITED       | : | DOCKET NO. 13-01-19 |
| ILLUMINATING COMPANY            | : |                     |
| TO INCREASE ITS                 | : |                     |
| RATES AND CHARGES               | : |                     |
|                                 |   |                     |
| APPLICATION OF AQUARION         | : | DOCKET NO. 13-02-20 |
| WATER COMPANY OF CONNECTICUT    | : |                     |
| TO AMEND ITS RATES              | : |                     |
|                                 |   |                     |
| APPLICATION OF CONNECTICUT      | : | DOCKET NO. 13-06-08 |
| NATURAL GAS CORPORATION         | : |                     |
| TO INCREASE ITS RATES           | : |                     |
| AND CHARGES                     | : |                     |
|                                 |   |                     |
| PETITION OF THE CONNECTICUT     | : | DOCKET NO. 13-03-23 |
| LIGHT AND POWER COMPANY         | : |                     |
| FOR APPROVAL TO RECOVER         | : |                     |
| ITS 2011-2012 MAJOR STORM COSTS | : | JULY 1, 2013        |

**PETITION OF GEORGE JEPSEN, ATTORNEY  
GENERAL FOR THE STATE OF CONNECTICUT, AND ELIN SWANSON  
KATZ, CONSUMER COUNSEL, FOR AN INVESTIGATION INTO THE  
RESPONSE OF CONNECTICUT'S PUBLIC SERVICE COMPANIES TO  
CERTAIN CHANGES IN INTERNAL REVENUE SERVICE ACCOUNTING  
REGULATIONS**

Pursuant to Conn. Gen. Stat. §§ 16-11 and 16-19, George Jepsen, Attorney  
General for the State of Connecticut ("Attorney General") and Elin Swanson Katz,  
Consumer Counsel (jointly "Petitioners"), hereby petition the Connecticut Public Utilities

Regulatory Authority (“PURA” or “Authority”) to commence an investigation into the response of Connecticut’s public service companies to certain changes in Internal Revenue Service (“IRS”) accounting regulations. These accounting changes may substantially reduce the going forward federal tax liability of all of Connecticut’s public service companies, and further provide for tax refunds over a three year look-back period. The Authority should open this investigation to ensure that Connecticut’s public service companies are taking the appropriate steps to ensure that their ratepayers will receive the full benefits of these refunds and the decrease in future tax liabilities. The filing of this petition should not delay PURA’s consideration of the Settlement Agreement filed by the Connecticut Water Company (“CWC”) and the Petitioners on this date, in docket 09-11-12, which fully resolves this issue with respect to CWC.

The Authority should also reopen the evidentiary record and hold additional hearings in Docket No. 13-01-19, *Application of the United Illuminating Company to Increase its Rates and Charges*, in order to reflect the impact these rule changes will have on UI, not only concerning its tax refunds and future reduced liability, but also its recovery of costs associated with the 2011 and 2012 major storms. The Petitioners further request that the Authority make clear it will fully address this issue in its other pending utility rate proceedings, Docket No. 13-02-20, *Application of the Aquarion Water Company of Connecticut to Amend its Rates*, and Docket No. 13-06-08, *Application of the Connecticut Gas Corporation to Increase its Rates and Charges*, as well as Docket No. 13-03-23, *Application of the Connecticut Light and Power Company to Recover its 2011-2012 Major Storm Costs*. The Petitioners note that Aquarion, for example, may not have fully considered the potential benefits the tax code changes could

provide for its customers.<sup>1</sup> The Petitioners therefore request that the Authority schedule additional hearings in the Aquarion rate proceeding to further investigate these issues.

**I. BACKGROUND**

In March 2012, the IRS issued Revenue Procedures 2012-2019 and 2012-2020. These new regulations allow businesses, including Connecticut's public service companies, to adopt an alternative method of determining how capital expenditures can be treated for federal tax purposes. The IRS now allows certain qualified capital spending associated with the repair and maintenance of utility plant to be deducted as an expense rather than capitalized for tax purposes. The regulations further allow the companies to "reach back" to the last two federal tax filings and also carry forward any remaining unused benefit to offset future federal tax liability. Additionally, the American Taxpayer Relief Act signed into law by President Obama on January 2, 2013 extended the 50% bonus depreciation for new property placed in-service before January 1, 2014. The potential tax savings for Connecticut's regulated utilities as a result of these changes is substantial, and those savings should benefit Connecticut utility customers.

**II. PETITION**

Connecticut's utilities make substantial annual investments in the repair and maintenance of their physical infrastructure, at ratepayer expense. This is especially true for the State's electric distribution companies, which have expended hundreds of millions of dollars in capital expenditures to repair the extensive system damage caused by Tropical Storm Irene, the October 2011 Nor'easter, and Tropical Storm Sandy in 2011

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<sup>1</sup> See Docket No. 13-02-20, Application of Aquarion Water Company of Connecticut for Amended Rates, Late Filed Exhibit 53, wherein the Company indicated it would not address this issue until its IRS filing in September 2015.

and 2012. The State's gas and water utilities also have substantial annual infrastructure repair and maintenance costs. The new federal tax guidelines may present an opportunity for substantial refunds of tax payments since 2010, and may substantially lower these companies' tax liabilities on a going forward basis. Utility ratepayers funded fully 100% of these tax payments, and they deserve to benefit from the potential tax refunds and lower future tax liabilities. The Petitioners therefore request that the Authority:

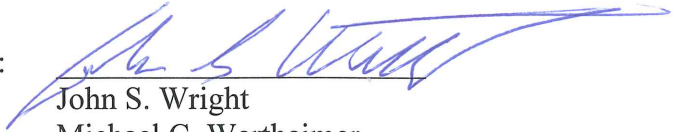
- (1) immediately open a generic investigation to examine the Connecticut public service companies' response to these tax regulation changes, to ensure the companies take appropriate and prudent actions to recover these costs and return them to ratepayers;
- (2) re-open the evidentiary record in the UI rate case to fully account for the new tax rules' impact on rates going forward, and on the utility's recovery of its major storm costs;
- (3) schedule additional hearings in Aquarion's rate proceeding to further investigate the impact of the tax rule changes; and
- (4) examine the impact of the tax rule changes on CL&P's request for recovery of its 2011-2012 major storm costs.

**WHEREFORE**, for the reasons stated herein, the Petitioners respectfully request that the Authority open an investigation as requested herein.

Respectfully submitted,

GEORGE JEPSEN  
ATTORNEY GENERAL

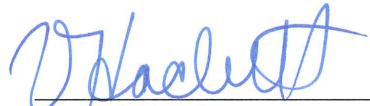
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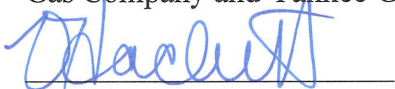
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I hereby certify that a copy of the foregoing has been mailed, electronically filed, and/or hand-delivered to all known parties and intervenors of record, this 1st day of July 2013. Additionally, service is hereby provided to Southern Connecticut Gas Company and Yankee Gas Company.



Victoria P. Hackett  
Staff Attorney 3  
Office of Consumer Counsel