

Affordability Is Becoming a Financing Covenant for Utility Investment

A U.S. Northeast perspective on New York, Maine,
and Connecticut for the 2026–2030 investment
cycle

Across New York, Maine, and Connecticut, engineering need alone is no longer enough to secure the timing, scale, and recovery of multi-year utility investment. For the 2026–2030 investment cycle, utilities increasingly need to connect asset need, capital expenditure, revenue requirements, customer bill impacts, performance commitments, and regulatory evidence in one defensible investment case. Affordability is increasingly becoming a measurable regulatory constraint, not simply a political concern.



At a glance

Signal

ISO New England projects a 9% increase in annual electric energy use between 2026 and 2035. [1]

New York approved a three-year Con Edison rate plan that reduced first-year electric delivery revenues by more than \$1.37 billion, an 87% decrease from the initial request, while retaining approximately \$11.7 billion of electric and \$2.8 billion of gas capital investment. [2]

Maine closed a five-year CMP proposal after identifying concerns about investment pace, the absence of an integrated grid plan, ratepayer impact, and insufficient evidentiary support. [6]

Connecticut initially approved UI revenue 8% below the proposal and applied ROE penalties in October 2025; a March 2026 reconsideration subsequently increased the authorized revenue requirement and removed previously issued ROE penalties. [10] [24]

New York's affordability policy targets household energy burden at or below 6% for eligible customers and expanded the policy in 2025, with enrollment beginning in 2026. [4]

Why it matters

The investment requirement is not disappearing. Electrification makes the sequencing and affordability of grid investment more consequential.

Capital need and revenue recovery are separable: a program can remain strategically necessary while its recovery path is reshaped.

Necessity is not enough. Planning coherence and proof determine whether a commission can evaluate a multi-year plan.

Regulatory economics can change through the review and reconsideration process, making evidence, performance and decision lineage financially material.

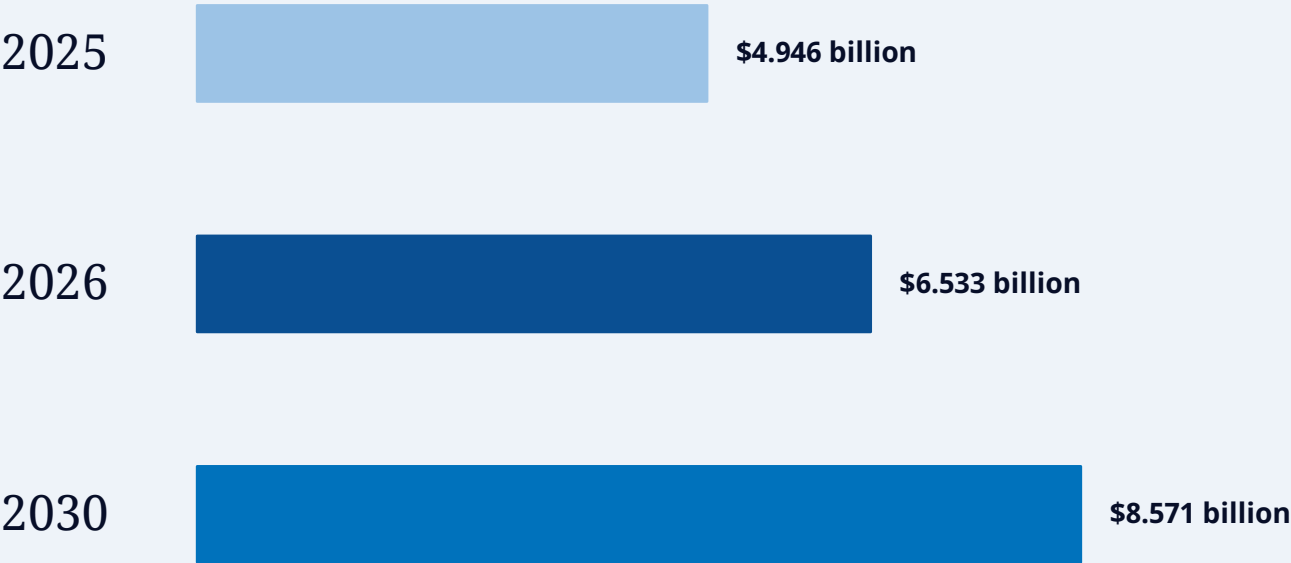
Affordability is becoming a measured program constraint, not only a political narrative.

A. What the evidence says

The investment need is rising while tolerance for unexplained bill impact is falling

The Northeast does not face a simple choice between investment and affordability. Electrification and changing demand patterns are increasing the need for grid investment just as scrutiny of customer bill impacts is intensifying. ISO New England projects 9% growth in annual electric energy use between 2026 and 2035, while Con Edison forecasts its utility delivery-system investment rising from \$4.946 billion in 2025 to \$6.533 billion in 2026 and \$8.571 billion by 2030. [\[1\]](#)[\[5\]](#)

The financing consequence is direct: asset need, regulatory recovery, customer revenues and capital funding cannot be treated as separate decisions. “Financing covenant” is therefore an analytical metaphor, not a legal term. The covenant-like effect is that weak affordability, planning or performance evidence can reshape program timing, revenue recovery or allowed economics even when the underlying investment need remains.



[\[5\]](#)

New York: recovery was reshaped, not simply accepted or rejected

In January 2026, the New York Public Service Commission adopted a three-year Con Edison rate plan that reduced first-year electric delivery revenues by more than \$1.37 billion, 87% from the initial request, while retaining approximately \$11.7 billion of electric and \$2.8 billion of gas capital investment and authorizing a 9.4% ROE. [2]

The customer translation was equally explicit. For a New York City residential customer using 280 kWh per month, the approved 2026 increase was \$4.00, compared with the company's original requested delivery-bill increase of \$14.13; for a Westchester customer using 425 kWh, the approved increase was \$5.27 versus \$19.78 requested. [3] The decision therefore demonstrates how a material capital program can remain while the revenue and customer-impact path is substantially reshaped.

The decision sits inside New York's broader affordability framework. The state's Energy Affordability Policy targets energy burdens of 6% or less for eligible households, and the Enhanced Energy Affordability Policy adopted in 2025 extended income-based bill relief to additional households. [4][21] For utility leaders, the implication is not that affordability programs solve capital pressure; it is that rate design, customer protection, investment timing and recovery increasingly have to be evaluated together.



Maine: necessary investment without a reviewable chain is still vulnerable



Maine shows that necessary investment can still be regulatorily premature. In 2025, the Maine Public Utilities Commission dismissed Central Maine Power's proposed five-year rate plan, citing concerns about the pace of investment, the absence of a long-term integrated grid plan and potential ratepayer impacts. The Commission made clear that dismissal did not mean the investments themselves were unnecessary; the filing lacked the planning and evidentiary basis required for full evaluation. [\[6\]](#)

The policy environment has since become more explicit. Maine Public Law 2025, Chapter 588 requires the Commission, while ensuring system reliability, to consider residential affordability in its regulatory functions and to develop an affordability metric for investor-owned transmission and distribution utilities. [\[7\]](#)[\[22\]](#) Affordability and finance are therefore increasingly concurrent regulatory considerations rather than separate debates.

CMP returned with a new distribution rate case on 17 April 2026. The Office of the Public Advocate estimated an average monthly bill increase of about \$18, while the MPUC proceeding continued through public hearings, technical conferences and discovery during summer 2026. [\[8\]](#)[\[9\]](#)[\[23\]](#) The sequence reinforces the need for a rate case to remain traceable and refreshable as assumptions, evidence and regulatory positions change.

Connecticut: regulatory economics can change as the record evolves

Connecticut illustrates a different mechanism. In October 2025, PURA approved a \$450.789 million revenue requirement for United Illuminating, 8% below the company's proposal, and initially applied an aggregate 20-basis-point ROE reduction related to performance and management issues. The proceeding involved more than 2,000 interrogatories, seven days of hearings and 92 late-filed exhibits. [10]

The economics did not stop with that decision. In March 2026, PURA reconsidered the case, increased UI's authorized revenue requirement by approximately \$2 million and removed previously issued ROE penalties. [24] The sequence is more useful than either decision in isolation: rate-case outcomes can evolve through reconsideration, making the traceability of evidence, calculations and management assertions material throughout the process.

Connecticut's broader performance-based regulation framework points in the same direction without yet constituting a settled model. PURA's Phase 2 work has examined multi-year rate plans and related revenue mechanisms, with proceedings paused during commissioner onboarding and completion anticipated in 2026. [11][12] Meanwhile, Eversource has publicly attributed reductions in projected Connecticut distribution investment to its view of the state's regulatory policies and recovery environment. [13] That is the issuer's assessment, not an independent regulatory finding, but it demonstrates how regulatory outcomes feed into capital-allocation narratives.



The regional pattern is a test of proof, not a single regulatory doctrine

FIGURE 1 THREE STATES, THREE MECHANISMS, ONE PATTERN

New York	Maine	Connecticut
Revenue shaping and an adopted multi-year plan	Planning coherence and evidentiary sufficiency	Decision, reconsideration and allowed economics
Capital retained; first-year revenue and bill path materially reduced	Five-year proposal closed; new expectations and a new case followed	Revenue and ROE treatment changed through reconsideration

Sources: [2], [6], [10], [11].

The three states are not converging on one regulatory formula. The common pattern is narrower: investment recovery increasingly depends on a reviewable chain connecting need, evidence, cost, bill impact, customer protection and performance.

A rate case draws on asset registers, engineering studies, project estimates, financial models, load forecasts, customer data, testimony, workpapers, discovery responses and prior orders, usually across different teams and repositories. The principal risk is no longer only that a number is wrong; it is that the organization cannot quickly show where the number came from, what changed, who approved it and which bill-impact scenario it supports.

The practical result is a new executive control question. Before asking whether the filing is complete, leadership should ask whether every material investment claim can survive the Recoverability Chain.

From capital need to customer bill — and back again

New York illustrates the mechanism most clearly: the Commission materially reduced Con Edison's first-year revenue path while preserving a large multi-year capital program and substantially reducing the approved residential delivery-bill impact versus the company's original request. [2][3] The investment case therefore had to survive changes in revenue recovery without collapsing the underlying program.

That is why an affordability test cannot live only in a final spreadsheet. When the allowable bill envelope changes, the utility needs to trace the impact backwards: which revenue requirement assumptions move; which project timing, financing, depreciation, or cost-recovery mechanisms are affected; which performance commitments become material; and what evidence supports the revised case. The same chain must also run forward again to confirm that the amended program still meets reliability, safety, and policy requirements.



B. Implications for investment governance

The Recoverability Chain is a qualitative decision model for testing whether a material investment remains defensible from system need through regulatory proof. A material investment should pass six linked tests:

FIGURE 2 THE RECOVERABILITY CHAIN



Reading: a break between asset need and customer impact creates recoverability risk even when the investment remains technically necessary. Source: NTT DATA analysis based on the regulatory evidence reviewed in this report.

Breaking any link does not prove that the investment is unnecessary. It creates a recoverability risk because the decision-maker cannot evaluate the complete proposition.

Three strategic postures

Filing factory

Operating model

Teams assemble testimony and workpapers near filing milestones. Evidence is reconciled through manual review.

Strength

Familiar and locally optimized.

Exposure

High rework, weak lineage, slow discovery response, and limited ability to rerun bill and portfolio scenarios.

Digital evidence room

Operating model

Sources are centralized and searchable, with some common metadata and workflow.

Strength

Faster retrieval and fewer document-control failures.

Exposure

A repository can still leave CAPEX, bill impact, performance, and approval logic disconnected.

Rate-plan assurance capability

Operating model

The Recoverability Chain is governed end to end, with source control, calculation lineage, review gates, SME sign-off, exception handling, and scheduled refresh.

Strength

Makes proof repeatable across planning, filing, discovery, order implementation, and the next case.

Exposure

Requires cross-functional ownership, disciplined data semantics, access controls, and explicit limits on automation.

The third posture treats assurance as an end-to-end operating capability rather than a filing-stage activity. It does not automate regulatory judgment or guarantee recovery; it makes the investment proposition more inspectable, challengeable and refreshable.

C. NTT DATA point of view

NTT DATA sees a stronger chain of proof, not a larger filing, as an increasingly important source of rate-plan advantage. Affordability, capital planning and regulatory evidence should therefore be governed as one cross-functional capability spanning Regulatory, Finance, Asset Management, Engineering, Customer and Data.

The challenge is not primarily technological. Asset and project identifiers differ across systems; engineering need does not map automatically to finance authorization; customer models change with class and usage assumptions; and regulatory interpretation remains expert judgment. A small change in load, cost, timing or program eligibility can propagate through testimony, workpapers, bill exhibits and management decisions.

Governance should therefore begin with named ownership, controlled sources, calculation lineage, scenario identification, approval state and refresh triggers. AI can support extraction, classification, cross-reference and change detection, while qualified SMEs retain responsibility for regulatory interpretation, prudence, legal compliance and sign-off.



NTT DATA's public Utilities portfolio [14] already contains relevant components: regulatory requirement-to-evidence traceability, asset-investment prioritization, lifecycle visibility and value-based transformation governance. [15][16][18][20][19] These are not a pre-existing product called “rate-plan assurance”; they are building blocks from which the proposed capability can be composed.

The strongest public proof point is NTT DATA's CBRM Asset Health, Criticality & Risk Management case, where a transmission and distribution operator created a repeatable decision layer connecting condition evidence, criticality, risk calculations, maintenance, investment planning and regulatory reporting. [17] It does not demonstrate rate-case or bill-impact outcomes, but it does demonstrate governed evidence-to-decision traceability in a regulated network context.

The proposed rate-plan assurance capability would extend that logic across five connected workstreams:

Evidence control	authoritative sources, versions, reuse rights, access controls, and change history.
Investment lineage	system need to asset, alternative, project, program, cost, and schedule.
Financial and bill translation	revenue requirement, financing assumptions, class allocation, usage profiles, discounts, and multi-year scenarios.
Assurance workflow	review gates, exceptions, reconciliations, SME sign-off, discovery response, and decision logs.
Refresh governance	triggers for new forecasts, project changes, commission orders, policy changes, and actual-versus-plan performance.

The business case should be measured through observable operating improvements: less reconciliation and duplicate review, faster source-linked discovery response, fewer unsupported claims, faster scenario refresh and lower exposure to avoidable proof-related deferral or disallowance. Numerical benefits should be claimed only after client-specific baselines are established.

The outcome is not a more polished dossier. It is a repeatable control system for the investment promise: why the work is needed, what it costs, where it lands on the bill, what performance customers receive, and what evidence allows the regulator to rely on the answer.

D. What leaders should do

1	Set the affordability envelope before portfolio lock.	Define the customer-class and household-burden measures that will constrain the program, including base, stress, and mitigation scenarios.
2	Make the Recoverability Chain a portfolio control.	Require every material program to connect need, asset intervention, cost, bill impact, performance, and regulatory proof before it enters the filing baseline.
3	Name cross-functional evidence owners.	Assign accountable leaders for source data, financial logic, customer impacts, testimony, and refresh decisions; do not leave ownership with the document-production team.
4	Rehearse regulatory challenge before filing.	Run structured challenge sessions against likely discovery questions, alternative assumptions, prior-order commitments, and performance evidence well before filing.
5	Build the capability for the full rate-plan cycle.	Preserve lineage through settlement, order, implementation, performance reporting, and the next case so that assurance becomes cumulative rather than episodic.

Boardroom questions

- 1 Which ten assumptions have the greatest effect on the bill path, allowed return, or program timing, and can management trace each one to current evidence?
- 2 If the acceptable bill envelope tightened tomorrow, could we identify the affected projects, financing assumptions, and reliability consequences within days rather than weeks?
- 3 Where does human regulatory judgment enter the evidence chain, and is the accountable SME's sign-off visible and current?
- 4 What portion of our next filing can be reproduced from governed sources, calculations, and decisions without rebuilding the logic manually?

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