

PA13-78

SB0807

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**JOINT
STANDING
COMMITTEE
HEARINGS**

**ENERGY AND
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COMMITTEE

12:30 P.M.

CHAIRMEN: Senator Duff
Representative Reed

VICE CHAIRMEN: Senator LeBeau
Representative Steinberg

MEMBERS PRESENT:
SENATORS: Chapin

REPRESENTATIVES: Backer, Becker, Bowles,
Carter, Case, Davis,
Fawcett, Genga, Hoydick,
Megna, Miller, Morris,
Perone, Piscopo, Ritter,
Tong, Williams, Yaccarino

SENATOR DUFF: Good afternoon everybody. Welcome to our public hearing. What we're going to do is go back to a traditional way of -- of our hearings which is to the first hour for Legislators, state agency heads and chief elected municipal officials followed by those who -- members of the public who have signed up as well.

So first we're going to ask for Representative Mushinsky if she's here to come forward. And next is -- she's not here we'll -- we'll hold it for her, Richard Sobolewski from the Office of Consumer Counsel.

Welcome.

And we're also going to be holding everybody to the three minute limit so we can move ahead and make sure we get as many people heard as possible in the shortest amount of time. Thank you.

RICHARD SOBOLEWSKI: Good afternoon, Chairman Duff,
Chairwoman -- excuse me -- Chairwoman Reed,

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members of the Committee. My name is Richard Sobolewski. I'm the supervisor of financial analysis for the Office of Consumer Counsel. I'm happy to be presenting testimony today on Senate Bill 807.

The OCC supports a fair amount of the bill especially aspects surrounding Sections 8 through 11 which deal with water system acquisitions and unpaid water bills in multi-family dwellings. OCC was actively involved with putting together some of that testimony through the Water Planning Council. OCC does have concerns though with Section 2 of the bill regarding water conservation programs that water utility customers may be asked to pay for and linked through the Energy Conservation Board.

Our concerns are that -- that there's not a cross subsidization where customers of the investor-owned water companies are not paying for conservation measures that are offered to well owners or customers that are not on investor-owned systems. There are only 25 percent of state's residents are on investor-owned systems so we'd like to make sure that any programs that are designed are for those customers that they pay for.

And we also -- OCC is also opposed to Section 3 of the bill as proposed. The sales adjustment clause the way it is worded is a form of decoupling. If water coupling is to be implemented, it should be done so in a similar manner to the energy decoupling that is in -- in existence for water util -- excuse me -- the energy industry where that would be done through a rate proceeding. I know that's covered by the General Statute 16-19tt.

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That way it would be done during the rate proceedings so that all aspects of the company could be looked at. Sales levels would be set and a variance from that would be adjusted or deferred to the next rate case. But in that rate proceeding you look at all aspects of the company; the operating expenses, the rate base, the rate of return, all that's adj -- taken into consideration when you set the rates not where you come back a year or two or three years later after a rate case has been completed.

We'd like that setup in a rate proceeding and we think that's the way it's done with the energy utilities and that's the way it's best done. That protects ratepayers so that it's not single issue ratemaking or that it's not something called retroactive ratemaking where the companies would call all the shots of what items are looked at and what items are not looked at.

The bill, the way it's worded, does not contemplate our office, the AG or PURA calling any utility if the sales are over. Additionally the decoupling mechanism shouldn't be worked in place and charging ratepayers if the company is earning their allowed profit level.

So those are type -- the type of concerns we have. We'd be willing to work with stakeholders, the Committee and others to iron out some of these details.

Thank you very much.

SENATOR DUFF: Thank you for your testimony.

Any questions from members of the Committee?

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Thank you.

Did Representative Mushinsky come in? If not, we'll go to the public portion, Maureen Westbrook.

Good afternoon, Maureen.

MAUREEN WESTBROOK: Good afternoon, Mr. Chairman, members of the Committee. My name is Maureen Westbrook. I'm here on behalf of Connecticut Water Company to testify in support of Sections 1 to 11 of S.B. 807 and particularly those related to water infrastructure and conservation.

I've submitted written comments and -- but would just like to summarize some key points and answer any of your questions.

These provisions are particularly timely as part of DEEP's Legislative package. They're supported by various environmental groups and they provide ratemaking tools for the PURA regulated company that would promote conservation and further broader state goals regarding energy demands, protecting natural resources in the environment, enhancing stream flows which we all dealt with the last two sessions and providing for public health and safety.

Absent such ratemaking tools, water companies' revenues are really tied directly to the amount of water customers use. There's no incentive to promote conservation. On the contrary we're actually penalized if our customers use less water.

So this bill, through these mechanisms, would remove those barriers and help promote conservation. The first part being just an

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expectation that when water companies come in with proposed rates they would anticipate measures to promote conservation and PURA would approve those as they would any other rates going through the normal scrutiny of the -- your expenses and -- and your rate design.

The second -- the third part is the part that Rich referred to about the adjustment mechanism and that allows us to go back afterwards if our demands have been reduced considerably and get an adjustment that would really reflect the costs that were already approved by the Department in our rate case and adjust the unit charges of the rates accordingly.

And I know that questions come up does that end up in a customer's bill going up but in reality the customer's bill, if their usage dropped consistent with others, the overall rate of decline it would really be the same bill for any individual customer at the end of the day.

We strongly support the concept and -- and have already spoken to OCC and understand their reservations. We would suggest mechanisms in there and there was other language last year and at other points that had a provision that would limit it to only if you did not exceed your allowed rate of return, a revenue sharing mechanism if you did, things like that. We're happy to work with those folks on that.

SENATOR DUFF: Thank you, Maureen.

Any questions from members of the Committee?
Representative Hoydick.

REP. HOYDICK: Thank you, Mr. Chair.

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And thank you, Maureen, for testifying. You spoke very quickly. I know three minutes is really not --.

MAUREEN WESTBROOK: I have a habit of that, I apologize.

REP. HOYDICK: No, no don't apologize. You -- you presented in your allotted time. We appreciate that. I -- if I -- if you would just indulge me with a few questions.

MAUREEN WESTBROOK: Sure.

REP. HOYDICK: So Mr. Sobolewski, when he spoke about -- I'm going to call it a true-up or a decoupling process, so at -- after a certain point in time the water company would assess the usage. If they had charged too much to the consumer, there would be a credit or a debit based on the unit rate.

MAUREEN WESTBROOK: Correct, we wouldn't do anything.

REP. HOYDICK: If you were to go through a whole rate case hearing, I -- I'm not really familiar with how long those take, but what would -- what would be the pros or con -- well you probably would be opposed to that, but from your perspective what would the detraction from doing something like that?

MAUREEN WESTBROOK: The issue with doing it through a general rate case is those are very time-consuming and costly processes. Connecticut is among the leaders in the country that our process takes about six months, which is better than many states, but for a utility our size the rate for application and proceeding can cost six to eight hundred thousand dollars. For some of the smaller companies it's still a

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hundred, a hundred fifty thousand dollars and they may only be looking for a \$300,000 rate increase.

So, you know, the cost of that and the -- the level of effort to go through and -- and look at everything in one general proceeding we would rather streamline that process with some things in the interim similar to what the water infrastructure adjustment does and -- and this mechanism.

But we recognize it would have to look at, similar to the UI model, all your revenues and the consider -- the protections that -- if you went in in a good year and got, you know, got your rates increased, we'd have to go back the next time if you are over-earning and -- and give the customers the credit so --

REP. HOYDICK: Thank you. So if you went through the whole rate case proceeding, it's -- it's understand -- understood that it would probably take longer to credit or debit the customer back one way or another or --?

MAUREEN WESTBROOK: Well that would just set new base rates but it -- just it's a cost of doing that so you wouldn't do it as often. You would want to avoid that expense and obviously put those costs towards and -- and really benefit the customer more so than that process does.

REP. HOYDICK: So in the decoupling process about how long would it take for the water companies to assess what the new rate would be for the -- ?

MAUREEN WESTBROOK: What we would anticipate is doing like a once a year -- you know we wouldn't do it anymore frequently than once a year. If you went in and after you came out of

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your rate case and your demands were being reduced as a result of conservation, then you - you know you would go in and ask for that process. And again the details I think need to be worked out and try to mirror what the electric companies have come up with in -- in terms of, you know, the process with the agencies. OCC would obviously be expected to be at the table, the AGs, others would have input in the process and we'd have to define what would be expected to be demonstrated in that proceeding to prove it, yes in fact the demands went down but what happened to your revenues and all your revenues.

REP. HOYDICK: Thank you.

MAUREEN WESTBROOK: Thank you.

SENATOR DUFF: Thank you.

Thank you, Representative.

Any other questions or comments from members of the Committee?

If not, thank you, Maureen.

MAUREEN WESTBROOK: Thank you.

SENATOR DUFF: David Suther -- Sutherland, followed by Betsy Gara.

DAVID SUTHERLAND: Good afternoon. My name is David Sutherland. I'm here today representing The Nature Conservancy in Connecticut. We're a global organization with about 28,000 members here in Connecticut and about a million members around the world and we'd like to express our strong support for Sections 1 through 7 of this bill.

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We understand that there will be probably some modifications made to it but the general concept we think is very critical. There are many, many advantages to conserving water. Aside from the direct ecological benefits of leaving more water in our rivers and streams as a result of conservation which benefits fish and other organisms that depend -- depend on adequate water supplies, when we're using water more efficiently and using less of it we're spending a lot less money on treating that water before it comes into our house and then we're sending less water out into our wastewater systems as well and in all those cases we're using less energy.

So there are many, many advantages and -- and reasons why we need to use our water more efficiently and more wisely. But one of the things we discovered as we were working with the Legislature, particularly the Regulation Review Committee, and the water industry to pass -- to negotiate and pass the stream flow regulations that the Committee approved a year and a half ago, was that under our current ratemaking schemes water companies are penalized if they encourage or are able to implement -- implement conservation measures.

And as the Consumer Counsel's office suggested we -- we need to be looking at well -- well-supplied households as well but water companies are really pros at interacting with consumers of water and knowing how to best -- best conserve water and to encourage that so we want to do whatever we can to remove the disincentive they currently have.

Thank you.

SENATOR DUFF: Thank you, David.

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Any questions from members of the Committee?

Thank you.

DAVID SUTHERLAND: Thank you.

SENATOR DUFF: Betsy, followed by Bruce Silverstone.

ELIZABETH GARA: Thank you. I commend you on the speed of your meetings and hearings, it's quite refreshing.

My name is Elizabeth Gara. I'm the Executive Director of the Connecticut Water Works Association and the Connecticut Water Works Association is a trade association of municipal water departments, regional water authorities and private water utilities.

And we're here today to support many of the provisions in Senate Bill 807. Specifically I'd like to touch on Sections 1 through 3 which are designed to promote conservation. As David Sutherland mentioned this was an outgrowth of some of our discussions relative to stream flow requirements. I know Representative Davis is very familiar with those controversies that were involved.

The good part of those discussions that we ended up coming out with a balanced approach to addressing streamflow was that we did have some honest discussions about how we can promote water conservation as an industry and how can we address those barriers to promoting water conservation particularly in the face of declining revenue.

And we did come up with a mechanism that I think makes a lot of sense for customers, a lot sense for the environment and a lot of sense for water utilities. It will help us promote

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water conservation. It will also help us continue to focus on infrastructure replacement.

Another part of that proposal also expands the water infras -- the water conservation and infrastructure adjustment charge. That was something that was improved in 2007 to recognize that it's very difficult, very expensive for water companies to come in for full blown rate cases and that we need some mechanism to help support infrastructure replacement. The proposal would expand that and include some other equipment that would be subject to the water in -- infrastructure cut - - the water conservation infrastructure adjustment charge, I'll just call it WICA, and -- and also increases this by -- to 10 percent from the current 7 and a half percent.

It sounds like a big change but I will tell you I know on my water bill, a quarterly water bill, it's a 87 cent charge and I understand from the industry that no one has ever complained about this charge. I think they recognize, on the wastewater side, we have the Clean Water Fund that -- that significantly funds different wastewater projects but we really don't have a comparable program on the water side.

There are also a lot of proposals in here relative to multi-family dwellings and collecting unpaid debts, elimination of the municipal annual report and also a process to streamline acquisitions that we are supportive of.

Thank you.

SENATOR DUFF: Thank you, Betsy, and I know -- I know that some of this stuff has been around

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for a few years and that it's been supported by the Committee in the past so we're hoping that we can get something that people can work with and -- and we can get the full support of the General Assembly.

Thank you.

ELIZABETH GARA: Great, thank you.

SENATOR DUFF: Any questions from members of the Committee?

Yes, Representative Becker.

REP. BECKER: Thank you, Mr. Chairman.

Just one quick question. I notice you underlined the support for Section 5, the elimination of the municipal report. I'm just hoping you could share with the Committee how much it cost the towns to prepare that report on an annual basis.

ELIZABETH GARA: We actually did a quick survey of our municipal water departments to find out and, while it's hard to put a number on it, it certainly does tie up a lot of resources. Some were saying it takes staff, you know, a couple of weeks to put together.

This is a report that's probably between 70 and 100 pages and has all kinds of data in there that's just not applicable to the municipal environment. So again it's hard to put a dollar number on it but it -- it I think well thousands of dollars which, in this environment, is a -- a big number.

REP. BECKER: Great, thank you.

Thank you, Mr. Chair.

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SENATOR DUFF: Thank you, Representative.

Representative Reed.

REP. REED: Just one quick question. I remember the last time we were really discussing about WICA and -- and what it is designed to repair. There was a -- a scary number of how much water is lost because of faulty infrastructure and I was wondering if you could just sort of remind the Committee again.

ELIZABETH GARA: I don't know that I, you know, look to my colleague to my right but I'm not sure if I have an actual number but you -- there are certain companies that have had difficulty maintaining systems and the percentage of unaccounted for water has been a -- a problem.

I think most of our companies that are members of CWWA have infrastructure replacement practices and are trying to address that, but this will certainly help that because otherwise they're going in for full-blown rate cases and even a small water company like Hazardville or Avon Water Company has to spend in excess of \$100,000 on a rate case and that's money that's going to consultants and attorneys and not into pipes and infrastructure. So it is something that we need to address.

REP. REED: Thank you.

SENATOR DUFF: Thank you, Madam Chair.

Any other questions from members of the Committee?

Thank you, Betsy.

Bruce Silverstone followed by F Susco.

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BRUCE SILVERSTONE: Senator Duff, Representative Reed, members of the Committee, good afternoon. My name is Bruce Silverstone and I'm the vice president of corporate communications for the Aquarion Water Company.

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Connecticut has the dubious distinction of having hundreds of small water companies that are underfunded and understaffed. As they struggle to keep up with constant repair and replacing -- replacement of aging infrastructure, they cannot afford the cost of regulatory compliance. Some systems are managed by part-time volunteers or are family run companies that simply want to exit the business.

As a result the state has encouraged larger, more financially secure water companies to consolidate many of the systems and make the necessary investments to bring them up to standards. PURA and DPH have encouraged this much needed consolidation in approving Aquarion's acquisition of United Water in 2012 -- excuse me 2012. They recognize that the acquisition will provide the backbone for connecting systems in the Danbury region. They also found the acquisition will reduce cost to taxpayers.

In approving Aquarion's acquisition of Brookfield Water, the Departments found that Aquarion was best suited to solve 20 years of water quality and quantity problems in the region. They also recognized that this holistic approach could not have taken place without the willingness of smaller companies to sell their systems allowing Aquarion to recover the cost of acquisition including an acquisition premium.

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Without an acquisition premium adjustment, traditional ratemaking calls for the acquiring company to recover its cost based only on the acquired company's depreciated rate base which really discourages beneficial acquisition.

Because the value of a water system is often greater than its depreciated book value, a gap has existed between what sellers are willing to sell their assets for and what they're willing to pay.

Consolidated ownership and operations has already served customers well. For -- for example in many small systems, whether they were viable or troubled before being acquired, did not have the wherewithal to purchase emergency generators. When Aquarion purchased these systems it installed emergency generators and as the experience of Hurricane Sandy attests this has resulted in fewer and shorter duration outages on those systems.

Thank you very much.

SENATOR DUFF: Thank you. Thank you for summarizing your testimony, we appreciate that.

Representative Miller.

REP. MILLER: Thank you, Mr. Chairman.

Good afternoon.

BRUCE SILVERSTONE: Good afternoon.

REP. MILLER: Somebody brought up the fact that the infrastructure -- does Aquarion have a -- any kind of method for finding out how the piping system is -- if it's working, if it's -- is there leaks in the system?

BRUCE SILVERSTONE: In -- in a -- one of the -- in a small system that we purchase?

REP. MILLER: No in -- in your.

BRUCE SILVERSTONE: Oh in our system.

REP. MILLER: Yes.

BRUCE SILVERSTONE: Yes we have -- actually we have crews that go out on a regular basis to attempt to look for leaks almost daily. And to answer -- someone asked the question what amount of water, I believe Rep -- Representative Reed I believe you asked the question. I think it's close to 10 percent of the water that we sell is ac -- we lose that same amount in -- in water so it's -- it's really a fair amount.

Does that answer your question, sir?

REP. MILLER: Well just yeah. One -- one other.

BRUCE SILVERSTONE: Yes, sir.

REP. MILLER: And if the pipes are separated and groundwater gets in there, that affects that water pollution control facilities.

BRUCE SILVERSTONE: It absolutely does and -- and if we find that -- if -- if we find -- so there is a -- I'm getting into an area where I'm not an expert but if -- if groundwater gets into the system we have to flush those systems. We notify our -- the -- the -- those particular customers that there -- there may be -- they may have to boil their water for a short time period or not use it until we have the system back up to where it needs to be. So -- so yes that's very -- that doesn't hap -- that really doesn't happen very often.

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REP. MILLER: Thank you.

BRUCE SILVERSTONE: Yes sir.

SENATOR DUFF: Thank you.

Thank you, Bruce.

BRUCE SILVERSTONE: Thank you.

SENATOR DUFF: And you know just to follow up, I've heard some water companies lose 20/25 percent of their water through pipes and everything else. So it -- some could be 10, some could be 12, some could be 20/25 percent depending on the infrastructure and if they've maintained that infrastructure which makes legislation or concepts like this important for the Legislature to consider.

Thank you.

Next Vincent Susco followed by Bob Wesneski.

VINCENT F. SUSCO: Good afternoon. My name is Vincent Susco. I'm public utilities administrator with the Town of East Hampton. Today I come before you though as a municipal representative in the Connecticut Water Works Association and I'm pleased to provide testimony in support of Section 5 to Senate Bill 807 which eliminates the requirement that municipal water departments prepare and submit a detailed annual report to the Public Utilities Regulatory Authority.

This report, which is generally 75 to 100 pages long, serves no useful purpose and duplicates information that has already been submitted to the state in various other reports. The report requirement is burdasome -- burdensome because it requires data to be furnished by a certain

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date in a format that conflicts with the standard municipal accounting practices.

It also requires data and information to be provided that is simply irrelevant to a municipal water department. For example, the report requests information on capital stock, regulatory expenses associated with rate cases, both of which are not applicable to municipal water departments.

Other financial information required to be provided such as balance sheets and distribution of salaries and wages is unnecessary because PURA does not regulate municipal water rates. This reporting requirement ties up staff and resources which could be better allocated to other projects.

We therefore urge you to support Section 5 of this bill which will eliminate this unnecessary reporting burden.

Thank you.

SENATOR DUFF: Thank you. Thank you for your testimony. I think -- and -- and by the way thank you for being the first person that I get in under the bell. You get the gold medal for that.

Let me just ask you a general question because I'm -- I -- I don't think I disagree with your testimony but just I ask for the record. Is there any reason, in any way shape or form, that this particular report would show anything as a -- as an alarm or something that would be brought to the state that some of the reports don't do that, you know, if we -- if we repeal this section of the law and then something happens a long time ago and you say well this guy's repealed this section of the law; they

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should have never done that because, you know, we -- we -- it is critical in some way shape or form even though most of the time it probably goes in the system where and maybe nobody even looks at it.

So I'm asking just kind of a general overview, is there something in here that would -- that would cause us pause before we took the grand step to -- to get rid of a -- some sort of a mandate on a municipal level?

VINCENT F. SUSCO: Briefly stated not to my knowledge. However I would like to indicate that municipalities have standard accounting procedures. The Water Department reports to those standard accounting procedures that the municipality has to comply with. So that if there was anything -- anything above and beyond that, it would require the town to, in some way shape or form, bring that to the attention of the authorities.

So I -- I don't think there is. Because of the stringent requirements upon the towns because this is part of the towns, they all comply with the towns.

SENATOR DUFF: Okay very good. Thank you very much.

Any questions? Nope.

Thank you.

Bob, followed by Susan Shunorsky -- sorry I'm having a hard time reading the copy.

Bob, thank you.

ROBERT W. WESNESKI: Good afternoon, my name is Robert Wesneski. I'm president of the Avon Water Company and I just wanted to check to see

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if you have my letter in front of you. Okay because I have some numbers in there.

In our last rate case we were pretty much directed an -- by PURA to institute an inclining block rate which is basically the more you use the more you would have to pay for. A lot of systems have a declining block rate where the more you use the less you pay for.

So in -- in that process we instituted that and you can see we were approved for \$4,006,000 for total revenue that the company should earn and in 2010, which was a partial year when the rates were installed, we made less than what we we're allowed to -- to earn.

In 2011 we made even lesser -- a lesser amount. 2011 was a wetter year than '10 or '12; '12 and '10 were warmer drier years and in '12 we came close to what we were allowed but still not attaining that.

Some of this is due to fluctuations in weather but some of it is also due to conservation. If you carried this out further and you had an intensive conservation program, theoretically you could have less and less rates as you move forward without this adjustment mechanism that we're talking about.

So this is an example of how we could then true-up the rates and not have to spend another 150 thousand of ratepayers money to go back in and adjust them through the mechanism all over again. So this would be a way to -- to tweak it and move forward. OCC and PURA do an excellent job determining that level 2009 was approved at.

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The -- the second item is expansion of WICA to include more items such as radio read meters which can be read by driving by. You -- you get more data on a customer's activities. You can do it monthly. You can determine if the customer has a leak or has -- is wasting water; you can inform the customer. It's a -- it's a -- a great tool to -- to keep that customer informed on his consumption.

Be happy to answer any questions.

SENATOR DUFF: Thank you very much for your testimony.

Any questions from members of the Committee?

Thank you very much.

ROBERT W. WESNESKI: Thank you.

SENATOR DUFF: Susan --

SUSAN M. SUHANOVSKY: Good afternoon.

SENATOR DUFF: -- followed by David Radka.

SUSAN M. SUHANOVSKY: My name is -- good afternoon members of the Committee. My name is Susan Suhanovsky and I'm the president of the Torrington Water Company. We serve about 40,000 people in five towns.

I support the provisions in Senate Bill 807 which will assist water utilities in pursuing opportunities to promote water conservation. Under the current ratemaking structure, water companies are penalized for efforts to reduce water and energy consumption.

Just -- just as what Bob Wesneski was saying, in our last rate increase in 2008 we have yet

to achieve our allowed revenues. So it's very difficult for us to then promote conservation with our customers when we can't achieve the revenues that we were even allowed, so that's one part of it.

The bill also includes provisions that expand WICA, eligible projects to include the purchase of energy efficient equipment or investments in renewable energy supplies and capital improvements necessary to achieve compliance with stream flow regulations. WICA is an existing ratemaking tool that allows for interim rate adjustments for PURA regulated companies for eligible projects that include system liability -- viability, water quality and reduced water loss through main breaks and leaks.

We have had this program -- someone raised the question before about unaccounted for water. We've now had it in place for three years and we've seen our overall unaccounted for water fall from 16 percent to 13 percent and this is a system that has, in our downtown area, a lot of 100 year plus pipes and so we are changing those out and we're actually seeing a big difference which is great.

We believe these changes will help mitigate the need and frequency of the larger general rate cases and it will ensure that we're able to realize our allowed returns while promoting conservation.

Thank you.

SENATOR DUFF: Thank you.

Any questions from members of the Committee?

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David, followed by Jonathan Avery.

DAVID RADKA: Good afternoon, Senator Duff, Representative Reed, members of the Committee. My name is David Radka. I'm the director of water resources for Connecticut Water. I want to thank you for raising Bill 807 and I'm going to jump right to the water infrastructure section and share with you some of Connecticut Water's experience with that.

Others have spoken to -- to the benefits of the program but it's -- for Connecticut Water it's been highly successful. It's achieved its goal of accelerating infrastructure replacement, conserving water in natural resource and energy resources. There's really a nominal, non-existent impact to our customers. I'm going to share with you a few statistics.

Since we've implemented the program in 2009 we've been able to invest \$48 million in infrastructure replacement. We've replaced 57 miles of pipe that was outdated, undersized, worn. We've increased our replacement schedule up to the industry standard. Previously we are -- I hesitate to say this, we are at well over 200 year replacement cycle.

And in so doing we created more than 150 construction and related jobs in Connecticut. We've seen reductions in the frequency of -- and breaks and costs attended with repairing those and these are real quantifiable savings. As an example, in 2012 our cost to replace and repair main from breaks was 45 percent that which we had seen prior to implementing the program. This was a \$337,000 annual savings to the company and our customers.

We've also seen reductions in water losses. In some of our older acquired systems especially

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these can be such leak prone systems that we actually have to haul water tankers to them in the summertime especially.

Three of those that we targeted under this WICA program have seen 10,000 gallon a day reductions in their water demand. This is 3.6 million gallons a year in each of these small systems and we quantified the energy costs associated with that and it's been over \$5,000 a year in each of those systems.

So it's been a tremendously successful program for us and others throughout the state and we're really looking forward to being able to expand and continue the program and I'd happy to answer any questions.

SENATOR DUFF: Thank you. Do you have testimony?
I'm having a hard time finding it.

DAVID RADKA: I was piggybacking off of Maureen's testimony (inaudible).

SENATOR DUFF: Do you see it?

A VOICE: (Inaudible).

DAVID RADKA: Connecticut Water Company.

SENATOR DUFF: We'll find it, thank you.

A VOICE: Here we go, we got it.

SENATOR DUFF: (Inaudible) okay go it.

DAVID RADKA: Good, thank you.

SENATOR DUFF: Thank you.

Jonathan Avery followed by Marty Mador.

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JONATHAN AVERY: Yes hello. I'm Jonathan Avery. I'm the president of Hazardville and Jewett City Water Companies and I'm here to urge support for the provision S.B. 807 which I believe you've been hearing about which are aimed at promoting water conservation and encourages public utility or PURA to adopt rate structures that would send the appropriate right price signals and offer programs for consumers to promote water conservation.

At the same time these provisions provide financial protection to the water utilities by ensuring that rates charged when conservation is achieved meet the revenue requirements established by PURA to -- to cover -- to recover the utility's operating costs and maintain a level of investment necessary to sustain the system.

The -- the bill would also expand the eligibility of Water Infrastructure and Conservation Adjustment, commonly called RIC -- WICA and I support Section 6 of S.B. 807 which expands the definition of WICA eligible projects to include items that are important to achieving the state's energy and environmental policies. These include energy efficient equipment, capital improvements to assist complying with the state's stream flow regulations.

Section 7 of the bill expands the cap for WICA to 10 percent. It's currently at 7 1/2 percent. This would be -- this would allow us to lengthen the time between rate cases.

This is important to utilities such as Hazardville and Jewett City that spend thousands of dollars in every rate case making it difficult to support investment in

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conservation and infa -- infrastructure
replacement.

I'm prepared to take any questions.

SENATOR DUFF: Thank you. Thank you for your
testimony.

Any questions from members of the Committee?

Thank you.

Martin Mador.

MARTIN MADOR: Good afternoon members of the
Committee. I'm Martin Mador. I'm the
Legislative Chair for the Connecticut Sierra
Club. I'm also a director of Rivers Alliance
and this is heaven, an entire Legislative
public hearing based on water. Thank you for
this.

I'm not an expert on the economics of water but
I have quite a bit of knowledge of water and
people. In fact I've written a prospectus for
a museum all about water in human civilization.

Thank you for 807. Sierra Club is very much in
favor, specifically of Sections 1-4, 6 and 7.
We make no commentary on the rest of the bill.

Let me just say briefly that a few years ago,
in 2005, we passed stream flow regula -- a bill
about stream flow regulations. This was a sea
change in our thinking about our natural
resources. What this said was for the first
time we are recognizing that the rivers are
consumers of water the same way power plants
are and we need to make sure there's enough
water left in the river to make sure it's
ecologically viable, that the stuff that lives
in the river actually can live in the river.

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So promoting conservation is absolutely in our best interests even though we're a relatively water rich state. So -- so we see 807 as yet another step in addressing the issue of making sure we have enough water for all consumers including the river itself. We think this is thoroughly appropriate. It raises consumer awareness of the implications of their actions.

We need to make sure obviously the water companies stay economically solvent and, in a time when there are declining consumption of water, looking at the consequences of saying we're promoting conservation. What's that going to do to the water companies? We need -- we need to make sure they are protected here.

It is good public policy so we very much endorse these sections of 807 and we thank you for raising them and for the opportunity to come talk about this so easily -- so early in the session (inaudible).

SENATOR DUFF: Thank you, Martin.

Any -- Representative Steinberg.

REP. STEINBERG: Thank you, Mr. Chair.

Thank you for being here, Marty. You did talk a little bit about making sure we have adequate water supply for our future needs. How do we know if we have adequate water supply in the State of Connecticut?

MARTIN MADOR: Well partly the -- the effect of the stream flow regulations that -- that DEEP is now classifying rivers and streams across the state. Now of course this is only surface water because the word ground water was inadvertently left out of the 2005 legislation. We're only looking at surface water right now.

We have to go back and make sure we look at ground water as well because it's really a single system.

So we're now looking at this to make sure there's actually water left in the rivers and the streams. We didn't really do a very good job in the past of doing that so we -- we're now very much aware of the need to do this.

REP. STEINBERG: How do you measure ground water?

MARTIN MADOR: Well I would suggest the easiest way to do this was to talk to people who have wells and say have you needed to drill your well deeper because you're not getting any water that you used to get out of your well at the depths it used to be. So I mean I can -- I can give you a far more robust answer to that. I can't do it immediately on the spot here but -- but anecdotally that's the easy way to do it. Are you wells drying up?

REP. STEINBERG: Sounds like an interesting study. Thank you, sir.

SENATOR DUFF: Thank you, Representative.

Representative Miller.

REP. MILLER: Thank you, Mr. Chairman.

And I'm glad you're here, Marty. I was waiting for you all morning. You indicated that you weren't an -- weren't an expert on water but you knew a lot about it.

MARTIN MADOR: Well economic -- water economics is what I meant to say.

REP. MILLER: I took a ride down to -- down south that took two days and I stopped at every road

facility that we came across just to stretch my legs and also to use the facilities but I did go into each one of those facilities to find out if they are using waterless urinals.

MARTIN MADOR: Uh-huh.

REP. MILLER: And a -- a good number of the states have waterless urinals on their major highways and a waterless urinal will save approximately 20,000 gallons a year. The state has 3,000 buildings. If we took one urinal and made it waterless, we'd save a lot of water.

The Capitol has about 20 urinals.

REP. MILLER: Uh-huh.

REP. MILLER: That's a lot of savings in water. How come Sierra isn't doing something like that, recommending that kind of a -- a changeover? Because it's a very simple operation; it doesn't require a massive plumbing job.

MARTIN MADOR: Uh-huh. We're just sitting there waiting for you to raise the bill and we will be all over it to work on it. But I -- I applaud you for the suggestion. Several years ago the concept of waterless facilities would sort of promote the gag reflex thing. Are you kidding, are we really going to be stuck with these things? And they've been out there for awhile and they've proven themselves and they really do work. They're not a problem for the users or the facilities and it's in -- it's -- it's yet another effective way that conserves some water.

So maybe you and I could --

SENATOR DUFF: Marty, I'd like to stay on the bill please.

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Representative.

If we can keep it to the bill, I'd appreciate it. You can have a philosophical discussion outside in the hallway.

REP. MILLER: And not back the first week I was elected I was opposite the bathroom and my (inaudible) --

SENATOR DUFF: Is this on the -- is this on the bill?

REP. MILLER: My second suggestion is re-circulating hot water pumps. They sell for about \$200 at Home Depot.

MARTIN MADOR: Uh-huh.

REP. MILLER: And they're very easy to install. Is Sierra Club pushing that at all to save water?

MARTIN MADOR: No that's not on our radar. I -- I -
- I'm not having trouble keeping busy but it's yet another excellent suggestion that absolutely deserves some attention.

REP. MILLER: Are you writing these down?

MARTIN MADOR: Yeah it's up here, I've got it.

A VOICE: Thank you.

REP. MILLER: Because we have a -- not only would we save water but our water pollution control facilities which are always not up to speed with the amount of water that's coming down would help them to become more efficient by saving all that water not going to be treated. Just a suggestion and I'll talk to you later about that.

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Thank you, Mr. Chairman.

SENATOR DUFF: Thank you, Representative.

Thank you, Marty.

Frank DeFelice followed by Margaret Miner.

FRANK C. DEFELICE: Thank you.

Thank you for the opportunity to speak before you this afternoon. I'm going to speak in opposition to some of the sections in S.B. 807.

Senators and Representatives, my name is Frank C. DeFelice and I'm a planning and zoning commissioner and a certified inland wetlands commissioner in the Town of Durham, Connecticut and so I wanted to communicate my thoughts on this bill to you.

First of all this bill would surely result in increased water rates for those who are served by public water systems. The additional cost would be inequitably borne principally by the state's poorer and richer pop -- or poorer and younger pop -- residents because it is these groups who typically reside in areas of higher density which are served principally by municipal water systems as opposed to a private well.

There's already a large disparity in costs between someone who is on a private well and someone who is on city water and this would exacerbate the disparity.

Second the bill proposes to insert new language into Section 8-3i of the Connecticut General Statutes which would require that applicants to planning and zoning commissions and zoning boards of appeal provide notice to the local

water company and to PURA for any project on any site.

Thus an applicant who is appearing for a simple sign application, the placement of a small shed-type building a -- within a setback area, the construction of a residence or the -- even the desire to devote part of their time or their -- their apartment or their home to an in-law apartment would reasonably be required to fulfill the notice obligation and if so filed, they would not know if they were or were not in a defined watershed area unless they performed an A-2 survey. The notice process would also likely require that PURA add staff to manage the large inflow and processing of these notices which would result in a fiscal note to this bill.

Mostly importantly watersheds are orders of magnitude larger than aquifer protection areas. This change in language from aquifer protection area to watershed would impact many, many more persons. Remember that watershed areas can be extremely large, may cross municipal or even state borders.

Watersheds observe no particular property boundaries and are fluid, changing from year to year and abutting landowners have no means to - or recourse to address where those boundaries are drawn.

In closing I just want to say that, while I support conserving water, I think that it would be advisable to look at the models that you use for some of the water companies now where their business model is -- is premised on a ever-expanding service area.

As you build out those service areas, you consume more water not less water. As the line

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is extended through places like from Middletown to Durham or from Farmington -- Farmington River to the University of Connecticut all those properties along the way will be developed.

I thank you for your time and I'm happy to answer any questions if I can.

SENATOR DUFF: Thank you.

Any questions from members of the Committee?

Representative Steinberg.

REP. STEINBERG: Thank you, Mr. Chair.

Thank you for testifying today. In the -- you refreshingly criticized the aspects of this which I think we need to pay some attention to. Do you have any proposed remedies? Is it simply a matter of keeping the definition of aquifer protection zones? Does that solve any aspect of the problem?

FRANK C. DEFELICE: It -- it probably would. I think people are comfortable with the aquifer protection zones. If you look at a map of Connecticut and you look at watersheds versus aquifer protection zones, they're entirely different. I mean magnitudes of order different.

So people are comfortable with aquifer protection zones and they're principally located in small areas and they're small zones. Watersheds are enormous and -- and quite frankly it's very difficult to -- as you heard earlier it's very difficult to define where is this boundary of this watershed going to be. It could be across state lines.

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Then you're going to have someone come into planning and zoning that wants to put a shed on their property and they're going to have to communicate with, you know, maybe an out-of-state agency or maybe they'll have to communicate with a water company that's located in a town half way across the state.

REP. STEINBERG: Excuse me, do you have any other constructive suggestions that would remedy some of the things that you have issue with?

FRANK C. DEFELICE: Yeah I think one of the things that is important is to look at the diversity of supply for water security reasons. You know we concentrate our supplies now in say Middletown and they -- they are like the main source for water. But there are other places we can obtain water and do an interconnect where you actually have water coming from Durham and feeding Durham and coming from Middletown and feeding Durham and Middletown.

REP. STEINBERG: One last question if -- if I can indulge, Mr. Chair.

Your -- what you're talking about is greater regionalism in solving some of our solutions because the water sources and uses do not necessarily respect specific municipal borders. Under whose auspices and where would the resources come to accomplish some of this?

FRANK C. DEFELICE: Well I think that there -- there are towns, and I can use my own town as an example, Durham has its own water company. It has its own wells. It's currently looking at a line from Middletown. Well that's fine unless something happens to the supply in Middletown. If that should be impacted in any way, you have I think 46,000 customers in Middletown that are on that municipal system, that would impact

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those plus anybody in Durham plus anybody in Middlefield plus anywhere else where -- and I'm using that as an example, there are others.

You know if you look at obtaining your supplies from -- from different sources, different wells, locally and maybe centrally, I think you'd have a stronger infrastructure. And as far as reducing costs I think that might even reduce costs because you have local water that you can take advantage of, less pumping costs, perhaps lower infrastructure costs.

REP. STEINBERG: Thank you. It sounds like there's an opportunity for more of a comprehensive strategy particularly on a regional basis. I think it's a very interesting concept.

Thank you.

FRANK C. DEFELICE: Thank you very much for your time.

SENATOR DUFF: Thank you, sir.

Yes, Representative Becker.

REP. BECKER: Thank you, Mr. Chairman.

Just a follow up, sir, sir.

FRANK C. DEFELICE: My apologies.

REP. BECKER: Just a follow up to Representative Steinberg's questions. Are you speaking just well -- well water, towns with well water in -- in building that infrastructure to connect it to as opposed to public water and well?

FRANK C. DEFELICE: There's two parts to this. There's the cross-differential between well and -- and city water. If you raise the cost of

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city water, well water pretty much stays the same, right? The only thing it requires is electricity to produce. The electric costs go down, they're actually more favorable to go on well water.

Municipal water is expensive and while there's certainly good reasons to have it, and if --if conservation is what you're looking for, you should look at all aspects, not just raising the rate which will reduce the demand

REP. BECKER: I guess what I'm driving at is you were talking about a -- a regional type of system.

FRANK C. DEFELICE: Yes.

REP. BECKER: And are you talking regions that have just well water in them? Because on the other hand you were talking about, you know, the Farmington River water heading to Storrs and saying they're going to build and tap into this line all along. Presumably the same would be true if you interconnect these other areas too. But I'm just trying to understand the distinction you're trying to draw between those two (inaudible).

FRANK C. DEFELICE: But if you -- if you have a town that has water and you're going to transport it somewhere else, along that line is the service area. That service area may go through, you know, miles and miles of area that is unbuilt. It won't be unbuilt shortly thereafter because now you have an infrastructure, now you have city water.

REP. BECKER: Right but you seem -- maybe I'm missing the point but you seem to be advocating regionalizing the water in certain circumstances and then perhaps not in others

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and I'm trying to understand the distinction that you're drawing -- when it's appropriate and when it's not.

FRANK C. DEFELICE: For security reasons it's better off to have not all of your eggs in one basket.

REP. BECKER: And so you're saying you're just trying to tie well water with public water?

FRANK C. DEFELICE: Correct.

REP. BECKER: That's -- that's what you're saying.

FRANK C. DEFELICE: Yes you need a treatment facility. We -- you know it's -- it's not a simple thing but it can certainly be done where you're drawing water not only from local wells and treating it and using that as part of the system, but you're also using it from perhaps a main source, you know, a reservoir or -- or a main pumping station.

REP. BECKER: Thank you.

Thank you, Mr. Chairman.

SENATOR DUFF: Thank you.

Thank you for your testimony.

FRANK C. DEFELICE: Thank you very much.

SENATOR DUFF: Last is Margaret Miner.

MARGARET MINER: Good afternoon, Chairman Reed and Duff and members of the Committee. Thank you. I'm Margaret Miner with Rivers Alliance of Connecticut. We've worked on aspects of this bill in the Water Planning Council Advisory Group and with water utilities for about a year.

SB807

I submitted written testimony. You will see that the -- that we basically support Sections 1, 2 and Section 4 and 3. The -- some confusion I think in the persons speaking before the -- a watershed -- a drinking water watershed, a source water watershed, can be either for a well field or for a reservoir or surface water and the well field, although it may be under the aquifer protection -- well it's two different regulations.

So the recharge area of a well field certainly is a separate and a matter of great concern but both surface waters and I think ac -- well fields should be covered when they are projects going into a water -- source water area but the language might use some improvement.

The fairness of use, there's a vari -- the fairness of charges, there's a variety of ways of structuring rates. I'm sort of the rogue populist in the group. I always really do have my eyes on rates and what's fair and how -- how can one deal with a fairly small but significant portion of the population that neither has their own well, is on public water and really doesn't have the money to support an increase.

I think protections for that segment of the population can be built into the kind of rate structure that is provided for here. You'd have to keep an eye on how the docket was developed and so forth.

The -- there is a rather onerous reporting requirement for municipalities that's deleted here. I would rather see it made simple and less onerous. We simply don't have enough water data in general so I hate to see anything get lost on that. As I point out some of the

other language we had seen and said it doesn't
-- doesn't look bad as fixed.

Talking about data, and I just wanted to make
the one point, that there's one change I ask
for in -- when a company is being asked to
demonstrate that its -- its expenses for
certain programs were reasonable and deserve
reimbursement, I ask that you insert with
information and data available to the public.

Under the present water secrecy laws, the
public, even in some cases including
Legislators and federal officials, are having
trouble getting water data -- data here in
Connecticut because under Freedom of
Information law there is an exemption that
covers almost every aspect of water utility
operations. So I'm starting to ask that when
you're working on policy and planning please be
sure that the public will be able to follow the
debate and the arguments.

Thank you very much.

SENATOR DUFF: Thank you very much.

Any member -- questions from members of the
Committee?

Got a quick question.

REP. BECKER: Thank you, Mr. Chairman.

Can you speak to why the secrecy laws are in
place? Is it for public protection? Is there
some issues around --

MARGARET MINER: The pri -- the primary reason I
believe at the time was in the wake of 2001 and
the Legislature originally passed a anti-
sabotage law which we supported. Thereafter it

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passed two more laws that really extended secrecy uniquely for water companies, not for other utilities or -- or nuclear plants, uniquely for water companies in -- in a very rigid, very comprehensive and very inflexible system of laws.

There has been some effort to break through that and come up with something sensible but those efforts have not gone very far in five or six or seven years so I'm starting to complain more loudly.

REP. BECKER: Thank you.

SENATOR DUFF: Thank you very much.

Thank you for your testimony, appreciate it.

MARGARET MINER: Thank you.

SENATOR DUFF: Are there any other members of the public who would like to testify on Senate Bill 807?

Okay, seeing none, the public hearing is now adjourned and we will now reconvene our Committee meeting and we will adjourn the Committee meeting at 3:30 for -- to allow members to put in their attendance.

Thank you everybody.

The Energy and Technology Committee

Public Hearing, February 7, 2013

Office of Consumer Counsel

Elin Swanson Katz, Consumer Counsel

Testimony of Richard E. Sobolewski

S.B. 807

An Act Concerning Water Infrastructure and Conservation, the Department Of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings.

The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 807, An Act Concerning Water Infrastructure and Conservation, the Department Of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings. While OCC supports a number of aspects of this proposed legislation, it also has major concerns and questions about other parts of the bill.

The Office of Consumer Counsel has worked with members of the Water Planning Council Advisory Group on the proposed statutory language that appears in Sections 8 – 11 of this bill, relating to water system acquisitions and unpaid water utility bills in multi-family dwellings. OCC would be supportive of adoption of these sections. We note that encouraging water system acquisitions is often a positive in the long run for all customers involved, as more effective and well-financed utilities take over from struggling utilities.

OCC has some concerns with Section 2 of the Bill, which seeks to connect water conservation and the Energy Conservation Management Board. While OCC has a long-history of advocating for state policies, initiatives, and rate designs that encourage water and energy conservation, OCC questions the appropriateness and manner in which Connecticut's investor owned water companies would fund conservation programs through the Energy Conservation Management Board. For example, OCC has concerns about subsidizing purchase of low-flow water devices and fixtures. In advance of the federal government, over twenty years ago, Connecticut changed its

plumbing code whereby only low-flow water devices and fixtures are available to be purchased. Since low-flow equipment is the only type available for purchase, OCC questions the need and appropriateness of having water utility ratepayers being burdened with subsidizing such purchases absent a projected water supply shortage. We also have concerns about potential cross-subsidies. Only about one-quarter of the State's residents are customers of the investor owned water companies who are state-regulated, while the rest have private wells or are customers of municipal or regional systems. We are concerned that customers of investor-owned systems will be the only ones charged with funding the water conservation programs, with a share of the benefits going to residents on private wells or that are customers of municipal or regional water authorities who would not subject to such state-imposed charges.

Section 3 of SB-807 as proposed requires decoupling for water utilities in the form of a sales adjustment clause that would make water utilities whole between rate cases for any decreases in usage. While decoupling has been justified as a means to avoid a situation where utilities have an incentive to block conservation programs, a full sales adjustment clause makes the utility whole regardless of whether decreased usage was caused by weather or economic conditions rather than conservation. Indeed, this proposed legislation would give water utilities full decoupling regardless of whether the water utilities make any effort to promote conservation programs. It also would operate as a "heads I win, tails you lose" scenario in favor of water utilities and against customers, in that such utilities would not have to give back excess revenues if customer usage actually increases, and because implementation of decoupling outside of a PURA rate case would shift risk from company shareholders to ratepayers without allowing an appropriate adjustment to the company's return on equity to reflect its decreased risk. If the proposal was limited to lost revenues associated with conservation programs, efforts to reduce usage in supply-constrained systems, or similar efforts to reduce demand, OCC would be much more supportive. Respectfully, OCC maintains that the choice of the most appropriate form of decoupling, and to what extent the return on equity should be adjusted to reflect the company's lowered risk, should be done only in a PURA rate case, and that any decoupling requirement should be drafted in a way that gives PURA some flexibility. Allowing water companies to

implement a sales adjustment clause outside a PURA rate case and potentially years after a rate case is litigated violates long-standing policies such as the prohibitions against retroactive ratemaking and single-issue ratemaking.

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Testimony
Connecticut Water Works Association (CWWA)
Before the
Energy & Public Utilities Committee
February 7, 2013

RE: Section 17 of SB-807 - AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS

The Connecticut Water Works Association (CWWA) which is comprised of municipal, private and regional water utilities, **opposes Section 17 of SB-807** which eliminates the requirement to notify water companies regarding proposed projects with Aquifer Protection Areas. Water companies are vigilant about protecting the state's water resources and public water supplies. The requirement for applicants before Zoning, Planning & Zoning and Zoning Boards of Appeals to notify water companies regarding proposed activities helps us provide municipalities with information on whether a proposed land use activity may undermine the quality and protection of public water supplies and whether design and operational safeguards should be required to protect such supplies. This has been an important tool in the state's source water protection efforts.

The Connecticut Water Works Association, Inc. (CWWA) is an association of private, municipal and regional public water supply utilities serving more than 500,000 customers, or population of about 2½ million people, located throughout Connecticut.



- Require PURA to authorize rates and charges for water companies that promote water conservation through various mechanisms;
- Allow recovery in rates for the installation of meters and equipment to promote water conservation which will allow more timely price signals;
- Support programs at the utility level that offer customers incentives, rebates or retrofits for more water efficient fixtures and appliances; and

CWWA strongly supports these recommendations, which have been incorporated in SB-807.

The bottom line is that wasting water should not make economic sense. Working with lawmakers and public officials, Connecticut water companies have taken important steps in promoting water conservation. SB-807 allows us to build on those efforts to better preserve and protect Connecticut's public water supplies.

CWWA does, however, recommend that the provisions in Section 4 of the bill requiring municipal and regional water companies to consider various options for promoting water conservation be deleted. Water companies are already required to incorporate conservation practices in their water supply plans, which must be prepared and submitted to the state Department of Public Health (DPH) on a regular basis and these provisions are therefore unnecessary.

MUNICIPAL ANNUAL REPORTS (Section 5)

Section 5 of the bill is intended to eliminate the requirement that municipal water departments prepare and submit an annual report to PURA detailing certain financial information. CWWA supports the elimination of this requirement which imposes an unnecessary burden on municipal water departments and does not serve any particular purpose. Moreover, the format and financial information required to be submitted is not consistent with the format generally used by municipalities, thereby necessitating additional staff time to prepare. We urge your support for the elimination of this report.

WATER INFRASTRUCTURE CONSERVATION ADJUSTMENT (WICA) (Sections 6 and 7)

Sections 6 and 7 of the bill, which CWWA supports, expand the state's WICA program, which was established in 2007 to support interim rate adjustments for projects that improve water quality or the reliability of the system. The program, which is similar in several other states, has successfully addressed a critical need to promote the timely, proactive replacement of aging infrastructure. Section 6 expands the type of projects eligible under WICA to include the purchase of energy efficient equipment, capital improvements necessary to comply with stream flow regulations, and system improvements required for a water system acquisition approved by PURA. Section 7 of the bill increases the cap on WICA charges to 10% to support and encourage early compliance with stream flow regulations without compromising other funding needs, such



as infrastructure replacement. These provisions would further support important environmental goals of the state.

WATER SYSTEM ACQUISITIONS (Section 8)

Section 8 of the bill is aimed at addressing concerns with the current process for water system acquisitions. Many of these acquisitions involve very small community public water systems that do not have the financial or managerial capacity to upgrade treatment and distribution systems or comply with stringent water quality and other requirements.

Under current law, PURA and DPH may order the acquisition of a water company under certain circumstances. PURA and DPH also support efforts to facilitate the acquisition of these systems because they recognize that customers will be better served. However, under traditional ratemaking, the acquiring company may recover its costs based only on the acquired company's depreciated rate base or book value but the value of a water system is often greater than its depreciated book value. This discourages companies from acquiring such systems unless an above-book purchase price can be negotiated. To address this, CWWA supports Section 8 of the bill which modifies Conn. Gen. Stat. 16-262s to permit recovery of reasonable acquisition premiums on the purchase of viable systems and a premium rate of return to encourage the acquisition of troubled systems. This will help facilitate acquisitions and help ensure that customers will be served by companies in a position to provide safe, reliable supplies of water to meet their needs. This language was developed with input from stakeholders on the Water Planning Council Advisory Group and support of the Water Planning Council.

MULTIFAMILY DWELLINGS – DELINQUENCIES (Sections 9-11)

Increasingly, water utilities are facing difficulties collecting overdue accounts from residential multifamily property owners. This increases costs for customers who do pay their bills on time.

Under current law, water companies have very little recourse to recover unpaid bills from landlords because service cannot be terminated to master metered multifamily dwellings (Section 16-262e(a)(2)). Instead, water companies must petition the courts to have a receiver appointed to collect rents and pay the water bills, a process that is ineffective. CWWA therefore supports efforts to address this issue by providing the receiver with broader authority to enforce the landlord's obligation to pay the water bills. Specifically, Section 9-11 of the bill would authorize the receiver to collect rents, petition the court to attach wages and bank accounts as well as seek other statutory post-judgment remedies.

TRANSFER OF AUTHORITY FROM DPH TO PURA (Sections 12-84)

It is unclear what issues the bill is attempting to address by transferring authority for various water related functions from the state Department of Public Health to PURA. DPH has long been the



state's lead agency in all matters related to the purity and adequacy of drinking water and has been granted "primacy" status by the United States Environmental Protection Agency (EPA) to implement and enforce provisions of the Federal Safe Drinking Water Act (SDWA). We are concerned that transferring authority to PURA may create confusion or disrupt certain regulatory programs that are vital to ensuring a safe, quality supply of water for our customers. CWWA is available to meet with committee members to discuss these issues more fully and to work with you if there are specific areas you want to address.

WATER PLANNING COUNCIL REPORT (Section 86)

We support repeal of Section 25-33p, which is redundant inasmuch as the Water Planning Council is required to develop and submit a final report under Section 25-33o.

The Connecticut Water Works Association, Inc. (CWWA) is an association of private, municipal and regional public water supply utilities serving more than 500,000 customers, or population of about 2½ million people, located throughout Connecticut

CWWA
1245 Farmington Ave., 103
West Hartford, CT 06107
Tel. 860-841-7350
www.cwwa.org

3.



55 Church Street
New Haven, Connecticut 06510
203-568-6297

Testimony of David Sutherland – Director of Government Relations
Before the Energy and Technology Committee – February 7, 2013

In Support of Sections 1 - 7 of Bill 807

On behalf of The Nature Conservancy, I would like to express our support for Sections 1 - 7 of Bill 807, with minor changes being submitted by the industry, which would remove existing disincentives for water companies to encourage water conservation.

Connecticut has rich and diverse freshwater systems. The water provided by these rivers and wetlands are fundamental to the health of our communities and our environment – providing water for our most basic needs, sustaining our economy, and providing crucial wildlife habitat and recreation opportunities. The quantity of water in streams can have as much effect as water quality on fish populations and other riverine wildlife, and our water utilities have a significant impact on the amount of water in many of our important river systems.

Using water efficiently is critical to ensuring we have adequate water for our communities and streams. The use of water conservation, drought management, and other water saving techniques benefits water users and the environment. By providing the same services – such as drinking supply, fire protection, and facility cooling - with less water, we reduce treatment, energy, and wastewater costs and enhance the health of our rivers. Changes in plumbing codes, improved leak detection and repair, and more efficient appliances have all helped to achieve a steady and continuing decline in many residential and commercial water uses.

Under current ratemaking practices, however, water companies are penalized financially with reduced revenues if they encourage less water use by their customers. Sections 1 - 7 of Bill 807 would permit more timely and effective rate adjustments to ensure that utilities can play a central role in facilitating water conservation and efficiency and still maintain their financial health.

These provisions would be an important complement to the streamflow regulations that were approved by the Regulations Review Committee in December 2011. We urge your support.

4.



Testimony
Elizabeth Gara
Executive Director
Connecticut Water Works Association (CWWA)
Before the Energy & Public Utilities Committee
February 7, 2013

RE: SB-807 - AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS

■ **WATER CONSERVATION (Sections 1 – 4)**

CWWA *strongly supports* Section 1 -3 of SB-807, which will assist water companies in promoting water conservation. The provisions were part of DEEP's legislative package and such measures have been endorsed by environmental groups and the Water Planning Council.

As stewards of the state's water resources, CWWA member utilities recognize the importance of promoting conservation to preserve and protect water supplies to meet the future public health and safety needs of the state. Discussions regarding how to more aggressively promote water conservation were a natural outgrowth of our efforts to collaborate with state agencies and environmental and watershed organizations to develop balanced stream flow regulations.

Concerns about the adequacy of water supplies in some communities; difficulties in developing new sources of supply; efforts to require water companies to release significant quantities of water into rivers and stream; and public support for reducing energy and water consumption have put a sharp focus on the need to promote greater water conservation.

Under the current rate structure, however, there is some tension between promoting water conservation and addressing concerns about declining revenues. As more efficient plumbing fixtures and appliances and conservation and demand management measures are implemented, water demands decline and water utilities experience an associated decline in revenues. At the same time, capital costs for facilities and infrastructure replacement remain high and costs associated with water distribution and treatment are increasing.

To address how rates could be structured to encourage, rather than penalize, water companies whose customers conserve and succeed in reducing water consumption, a work group of the Water Planning Council was charged with developing recommendations. The work group, comprised of environmental, business and water utility representatives, recommended the following:

**Testimony to the Energy & Technology Committee
on behalf of Aquarion Water Company of Connecticut
February 7, 2013**

**RE: *SB 807 AAC Water Infrastructure & Conservation,
the Department of Public Health, Municipal Reporting Requirements and
Unpaid Utility Accounts at Multi-Family Dwellings***

Aquarion Water Company of Connecticut appreciates the opportunity to be here today and thanks the Energy and Technology Committee for addressing some very important issues facing Connecticut's water industry. Aquarion supports the provisions of SB 807, particularly those related to water infrastructure and conservation, as well as issues designed to address the need to encourage consolidation of the hundreds of small water companies throughout our state and the need to address overdue accounts and bad debt write-offs associated with residential multi-family dwelling customers.

Aquarion has provided water to Connecticut residents for over 150 years. The Company operates 79 systems throughout the state and serves an estimated population of 625,000 in 47 Connecticut cities and towns. Aquarion's customer service is unsurpassed, having the top rating for any Connecticut Utility for the past six years based on the PURA utility scorecard. Aquarion prides itself on being a steward of the environment and works hard to ensure that water resources are protected and water operations are sustainable.

We too concur with the comments submitted by the Connecticut Water Works Association and our industry colleagues on SB 807. Our testimony today focuses on Section 8 of the bill regarding consolidation of the industry and Section 10 regarding overdue accounts associated with multi-family dwellings.

Section 8 of SB 807: Legislative Changes to Facilitate the Acquisition of Water Systems

Background:

Connecticut has the dubious distinction of having hundreds of small water companies throughout the state. It is widely recognized that too many of these are small systems that are underfunded and under-staffed. Many of these companies are struggling and cannot keep up with the constant need to repair and replace aging infrastructure, much less upgrade inadequate facilities. Making matters worse, they cannot afford the cost of regulatory compliance or of filing a rate case to even request the level of revenues needed to do what needs to be done. Other systems are managed by part-time volunteers or are family-run companies that simply want to get out of the business. Economically, it is challenging at best for these small companies to survive the rigors of increasing costs and regulation with a small customer base. Recognizing this, the state has encouraged consolidation in the industry and the state's larger, more financially secure water companies have helped to consolidate many of these systems and have made the necessary investments to bring them up to standards.

Consolidation is not limited to small systems. Earlier this year, PURA and DPH approved Aquarion's acquisition of United Water Connecticut, a 7,000 customer system. In approving the transaction, the agencies found that the acquisition will provide the backbone for connecting systems in the Metro-Danbury region and supports consolidation and elimination of smaller systems in the area. They also found that the acquisition will provide opportunities to reduce costs through operating efficiencies, which will benefit all customers and is in the best interest of ratepayers.

Under current law, Conn. Gen. Stat. 16-262n and 16-262o empower PURA and DPH to order a viable water company to acquire a troubled water company and allow recovery of the costs of acquisition and any necessary improvements. In the case of a voluntary acquisition of a troubled water company, under Conn. Gen. Stat. 16-262s the acquiring company may be allowed to recover the costs of acquisition and needed improvements. *Current law, however, does not provide encouragement for larger region-wide water companies to acquire smaller viable water companies even where consolidation would benefit the customers and the region as a whole.*

As PURA and DPH have recognized, without an acquisition adjustment, traditional ratemaking calls for the acquiring company to recover its costs based only on the acquired company's depreciated rate base, which discourages beneficial acquisitions.

Because the value of a water system is often greater than its depreciated book value, there has been a gap between what sellers are willing to sell their assets for and what buyers are willing to pay for those assets. An above-book purchase price is often necessary to consummate a transaction. It represents a negotiated purchase price between parties, and is necessary to ensure that a long term, comprehensive solution of providing safe and reliable quantities of water to customers can be realized. After all, it is unlikely that smaller stand-alone water companies have the inclination, much less the wherewithal, to accomplish regional objectives. This is a reality that has been recognized by regulators to facilitate the state's goal of consolidating these hundreds of small water companies. Where a transaction calls for a reasonable acquisition premium to effectuate the transaction and the transition of customers from a small company to a larger well-run company with the wherewithal to make needed investment and provide superior service, the acquiring company should have a reasonable and realistic opportunity to earn a return on its entire cost of the investment.

Fortunately, PURA and DPH have recognized this in recent acquisition cases and have allowed recovery of reasonable acquisition premiums. For example, PURA and DPH noted the value of an acquisition premium as a necessary incentive to the acquisition of a viable small water company in the recent Brookfield Water acquisition case:

The Departments acknowledge water quality and quantity problems in this region of Connecticut that stretch back upwards of 20 years. Up until now, these problems seemed incapable of resolution due to the piecemeal approaches that were taken to deal with these issues. The Departments believe that Aquarion, with its resources and industry expertise, is suited to move this region's water situation in a positive direction with a more comprehensive and long term plan for water service. This holistic solution could not, of course, have taken place without the acquiescence of the smaller water companies

to sell their systems. As such, in determining which costs of this acquisition the Departments should allow, in this instance, requires a look beyond the dollar amounts to the results achieved. (Brookfield, Docket No. 11-06-17, December 14, 2011)

Proposed Modification of Subsection (a)(2) of Section 8 of Raised Bill No. 807:

Section 8 of Raised Bill No. 807 provides an incentive for viable water companies to acquire smaller troubled water companies. However, it could be interpreted as failing to provide the necessary comfort to incent the acquisition of smaller companies before they go over the precipice of viability, due to among other things the need to meet ever increasing, yet important, regulatory requirements.

Specifically, Subsection (a)(1) of Section 8 provides for the recovery of a reasonable acquisition premium in the case of the acquisition of a non-viable system. Subsection (a)(2) of Section 8 provides: "The Public Utilities Regulatory Authority may allow the recovery of *such* reasonable acquisition premium when it is demonstrated that *such* proposed acquisition will provide benefits to customers by (A) enhancing system viability, (B) avoiding capital costs or saving in operating costs, or (C) as otherwise determined by the authority." [Emphasis added.] A simple modification to this sentence, by changing the words "such" to "a" would remove this uncertainty with respect to the ability of an acquiring company to recover the cost of an acquisition premium provided that the Authority determines that the "acquisition will provide benefits to customers". Accordingly, we urge that the beginning of the first sentence of Subsection (a)(2) of Section 8 be modified to read as "The Public Utilities Regulatory Authority may allow the recovery of *a* reasonable acquisition premium when it is demonstrated that *a* proposed acquisition will provide benefits to customers ..."

Consolidated ownership and operation of these smaller systems has already served customers well. For example, many of these systems, whether they were viable or troubled before being acquired, did not have the wherewithal to purchase and install emergency generators in order to ensure the supply of clean potable water during storms like those recently experienced in Connecticut. In one particular case, prior to the acquisition of the United Water Company and Rural Water by Aquarion, storm Alfred hit Connecticut on October 31, 2011. In the aftermath of the storm, over 1,137 Rural Water and United Water customers were issued boil water notices due to the systems not having backup power facilities available to ensure continuous supply of water. Some of these customers went multiple days without water. This was despite Aquarion lending approximately 11 generators to Rural Water Company before and after the storm. Aquarion took ownership of these systems in 2012 and experienced similar widespread power outages in these areas as a result of Hurricane Sandy. As a result of Aquarion's responsiveness and preparedness planning, including the installation of emergency generators, only 388 customers were without water and, as soon as trees were cleared and access provided, service to these customers was immediately restored. There were no outages in any of the other newly acquired systems as a result of Aquarion's planning and operation during the storms.

Modifying Subsection (a)(2) of Section 8 to explicitly provide for the recovery of reasonable acquisition premiums on the purchase of viable smaller systems and a premium rate of return to encourage the acquisition of troubled systems will codify current practice and will facilitate acquisitions whereby customers will benefit from acquisitions by becoming customers of

larger organizations with more extensive management and economic resources available to ensure reliable quality water service.

Section 10 of SB 807: Measures to Address Rising Bad Debt on Multi-Family Dwelling Utility Accounts

Overdue accounts and bad debt write-offs associated with Residential Multi-Family Dwelling customers is an increasing problem. For Aquarion Water Company of Connecticut, Residential Multi-Family accounts represent roughly 15.6% of all accounts but constitute 45.7% of Accounts Receivable over 90 days and 57.5% of bad debt write-offs. In fact, the percentage of receivables greater than 90 days has risen from roughly 32% in 2008 to over 57% in 2012.

The disproportionate levels of receivables and bad debt is due in large part to landlords taking advantage of lax laws designed to deal with utility bills for tenant-occupied dwellings. This problem affects not only the utilities, but the utilities' customers who pay their bills and must also pick up the tab for the under-recovery of costs due to bad debt write-offs.

Currently, water companies have very little recourse to recover unpaid bills from landlords. Unlike their rights to enforce obligations against single family dwellings who fail to pay their bills, water companies cannot terminate service to master metered multi-family dwellings. (Conn. Gen. Stat. 16-262e(a)(2)) Rather, they are limited to petitioning the courts to have a receiver appointed to collect rents and pay the water bills. (Conn. Gen. Stat. 16-262f and 16-262t) Despite pursuing this course of action, for 2012, Aquarion alone has experienced over \$900,000 in Accounts Receivable over 90 Days due to Residential Multi-Family Dwelling accounts and projects over \$600,000 in bad-debt write-offs. In other words, current law is ineffective and virtually unenforceable against unscrupulous landlords and results in significant costs to the water companies and their customers.

Section 10 of Raised Bill No. 807 would grant the receiver broader authority to enforce the landlord's obligation to pay for utility services by adding to the current authority to collect rents, the receiver's ability to petition the court to attach an unscrupulous landlord's wages and bank account as well as seek other statutory post-judgment remedies. As such, Section 10 of Raised Bill No. 807 provides a potential solution to this mounting problem by providing a mechanism to enforce payment of utility bills by unscrupulous landlords.

Conclusion

Aquarion thanks the Committee for addressing these important issues and asks for your support of SB 807. We stand ready to work with the members of the Committee, our water industry colleagues, and other stakeholders to revise the language, as appropriate to accomplish the desired goals of the legislation. If you have questions please contact Bruce Silverstone at (203) 336-7658 or bsilverstone@aquarionwater.com.

(16.)

**Testimony
Vincent Susco
Public Utilities Administrator
East Hampton
Before the
Energy & Public Utilities Committee
February 7, 2013**

Thank you for the opportunity to comment in **support of Section 5 of SB-807** which eliminates the requirement that municipal water departments prepare and submit a detailed annual report to the Public Utilities Regulatory Authority (PURA).

This report, which is generally 75-100 pages long, serves no useful purpose and duplicates information that is already submitted to the state in various other reports. The reporting requirement is burdensome because it requires data to be furnished by a certain date and in a format that conflicts with standards municipal accounting practices. It also requires data and information to be provided that is simply irrelevant to a municipal water department. For example, the report requests information on capital stock and regulatory expenses associated with rate cases which are not applicable to municipal water departments. Other financial information required to be provided, such as balance sheets and distribution of salaries and wages, is unnecessary because PURA does not regulate municipal water rates. This ties up staff and resources which could be better allocated to other projects.

We therefore urge you to support Section 5 of this bill, which will eliminate this unnecessary reporting burden.

7

February 6, 2013

Email: et.testimony@cga.ct.gov

Energy & Technology Committee
Room 3900, Legislative Office Building
Hartford, CT 06106

Re: Proposed Revised Bill No. 807

Dear Committee Members:

My name is Robert W. Wesneski, President of the Avon Water Company. Our Company is an investor owned public utility servicing 4,700 customers or about 16,000 people in Avon and a small portion of Farmington and Simsbury. I am here in support of Raised Bill No. 807.

With regards to conservation, Avon Water has instituted an inclining Residential water rate as directed by PURA in an attempt to encourage customers to conserve water. The rates were developed, only after PURA approved the expenses and capital costs of the company and set a 'revenue requirement'. Once that was determined rates were developed to meet that approved revenue requirement. In our case, we moved to a rate design that was intended to promote conservation with higher unit costs for those who use more water. This new structure, along with seasonal fluctuation in water usage, however, has prevented Avon Water Company from reaching its PURA approved total revenues as shown below:

<u>2009</u> <u>APPROVED</u>	<u>2010</u> <u>8 MO. NEW RATES</u>	<u>2011</u> <u>FULL RATES</u>	<u>2012</u> <u>FULL RATES</u>
\$ 4,006,042	\$ 3,928,214	\$ 3,844,689	\$ 4,000,826

The Company could reapply for a rate increase at a cost of \$150,000, but this would only result in a new approved, and yet still unattainable revenue level. Under the current ratemaking structure, water companies are penalized for efforts to reduce water and energy consumption. SB-807 will address this by ensuring that the rates charged when conservation is achieved meet the established revenue requirements to recover our operating costs and maintain system viability.

The second area of this bill, which the Company supports, is the expansion of the WICA Program to a higher percentage level and inclusion of additional items such as radio read meters. WICA is an existing ratemaking tool authorized by the legislature in 2007 that allows for interim rate adjustments for PURA regulated companies for eligible projects that improve system reliability, water quality and reduce water loss through main breaks and leaks. It has been very successful and this modest change will only improve the opportunities

Thank you for your time and please approve this Bill.

Respectfully submitted,
THE AVON WATER COMPANY

(8.)

TESTIMONY
SUSAN SUHANOVSKY
PRESIDENT
TORRINGTON WATER COMPANY
FEBRUARY 7, 2013

RE: SUPPORT – SB-807, Water Conservation

My name is Susan M. Suhanovsky. I am the President of The Torrington Water Company, (the "Company"). My business address is 277 Norfolk Rd., Torrington, CT

The Torrington Water Company is a privately held, investor-owned, public service water company. The Company serves approximately 40,000 people in five towns.

I support the provisions in SB-807 which will assist water utilities in pursuing opportunities to promote water conservation measures. Under the current ratemaking structure, water companies are penalized for efforts to reduce water and energy consumption. The provisions in SB-807 will address this by ensuring that the rates charged when conservation is achieved meet the established revenue requirements to recover our operating costs and maintain system viability.

These rates may include rate designs that promote conservation such as inclining block rates, seasonal, peak period or drought rates, multiyear rate plans, measures to reduce system water losses, and funds for consumer programs to promote conservation through education and incentives or rebates for retrofits with water efficient fixtures and appliances.

The bill also includes provisions that expand WICA eligible projects to include the purchase of energy efficient equipment or investments in renewable energy supplies and capital improvements necessary to achieve compliance with stream flow regulations. WICA is an existing ratemaking tool authorized by the legislature in 2007 that allows for interim rate adjustments for PURA regulated companies for eligible projects that improve system reliability, water quality and reduce water loss through main breaks and leaks. We have had this program in place for three years and have seen our overall "unaccounted for" water percentage drop as we replace small old (over 100 years old) mains.

We believe these changes will help mitigate the need and frequency of larger general rate cases and will ensure that we will be able to realize our allowed revenue while promoting conservation

9.



93 West Main Street
Clinton, CT 06413
1-800-428-3985

Testimony to the Energy & Technology Committee
February 7, 2013
RE: **SB 807 AAC Water Infrastructure & Conservation,**
*the Department of Public Health, Municipal Reporting Requirements and
Unpaid Utility Accounts at Multi-Family Dwellings*

Connecticut Water thanks the Energy and Technology Committee for raising SB 807 and supports the provisions in Sections 1 to 11 of the bill pertaining to water companies, particularly those related to water infrastructure and conservation.

As a public water utility that serves nearly 90,000 customers or approximately 300,000 people in 56 towns in Connecticut, we have long been stewards of the environment and strive to ensure that water resources are protected and water operations are sustainable.

We concur with the comments submitted by the Connecticut Water Works Association and our industry colleagues on SB 807. We will focus our testimony on the sections of the bill regarding water infrastructure and conservation. **The provisions are timely, as they will further the state's goals to reduce energy demands, protect natural resources and the environment, enhance streamflows, and provide for public health and safety.**

The legislation is consistent with recommendations in the Governor's draft *Comprehensive Energy Strategy*. The water conservation concepts are in DEEP's legislative package and have been broadly supported by highly respected environmental organizations across the State.

The Water Planning Council, which includes top officials of the Office of Policy and Management, Department of Public Health, Public Utility Regulatory Authority (PURA), and Department of Energy and Environmental Protection, formally supported similar provisions in 2012 proposed legislation, recognizing they would further the goals of the State. Their testimony quoted a 2012 WPC report ".... *There are numerous economic and environmental benefits to promoting water conservation. Clearly, achieving meaningful reductions in water demand can enhance utility and environmental sustainability, protect our state's water resources and advance the state's energy conservation goals.*"

Key provisions of SB 807 that would promote conservation and further these important State goals include:

WATER CONSERVATION RATES AND MEASURES

Section 1 - Water companies would be expected to **propose rates for PURA's approval designed to promote comprehensive water conservation.** The bill identifies specific measures that should be considered in establishing such rates to promote conservation.

Absent such ratemaking tools, water companies' revenues are tied to the amount of water customers use, so there is no incentive for the companies to promote conservation.

Instead, water companies are penalized financially if demands are reduced through conservation or other measures. Removing that barrier will help promote conservation.

Section 2 – A docket would be initiated to identify water and energy conservation programs that would be eligible for recovery by a water company in rates. Through this docket, the Authority would provide direction to utilities regarding what conservation programs would be authorized in rates, as well as what measures might be appropriate to incorporate into the existing conservation programs performed through the Energy Conservation & Management Board under the Conservation and Load Management Plan.

Section 3 - PURA would continue to have a transparent public process and scrutinize all of a water company's expenses to determine the appropriate level of revenues required to maintain the Company's operations and necessary level of capital investment. Rates per unit are then established based on the projected demands in the case.

The proposal provides a mechanism for the Company to request a PURA review to reconcile actual demands with the demands projected in the last general rate case and adjust rates as necessary to recover the PURA authorized revenues. Rather than a separate line item on the bill as proposed last year, the adjustment would be folded into base rates, avoiding the concern that people who conserve are 'punished' with a surcharge.

We strongly support this concept and are prepared to work with the Committee and other stakeholders on any necessary language changes to further define the process and ensure the appropriate safeguards are in place for customers, including prohibiting an adjustment if the company exceeded their allowed rate of return and requiring a credit be issued to customers if the company's revenues exceeded the PURA approved revenue requirement.

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT

Sections 7 and 8 of the bill would expand the eligibility for Water Infrastructure and Conservation Adjustment (WICA) charges as authorized under Section 16-262v of the CGS. WICA is an existing ratemaking tool that allows for interim rate adjustments, as approved by PURA, for regulated water companies for eligible projects that improve system reliability, water quality and reduce water losses through main breaks and leaks. These investments are otherwise eligible for recovery in rates, but the WICA mechanism provides a more streamline, timely approval process to recover the costs between general rate cases.

By reducing water loss, these infrastructure replacements lower system production and the associated energy and chemical costs to treat and deliver that water. This provides for additional releases to streams, and in some cases may delay or avoid the need to develop additional sources of supply to meet customers' needs in the future.

To encourage the additional conservation related investments, without compromising continued investments in replacement of aging infrastructure, SB 807 would expand the cap for WICA to 10% between rate cases. For a typical water utility customer, that would be less than \$5 per month, even at the maximum level.

The definition of WICA eligible projects would be expanded to include additional items that are key to achieving the state's energy and environmental policies including the (1) purchase of energy efficient equipment for water company operations; and (2) capital

improvements necessary to achieve compliance with stream flow regulations adopted pursuant to section 25-141b.

The WICA program has been highly successful and achieved the goals of accelerating infrastructure replacement and conserving water resources, with minimal impacts on customers' rates. Since implementing our WICA program, Connecticut Water has:

- invested nearly \$48 Million,
- replaced 57 miles of main,
- increased our pipe replacement schedule to the industry recommended rate,
- created more than 150 construction and related jobs in Connecticut,
- seen reductions in the frequency and costs of main breaks in our system, providing real savings in water resources, energy and chemicals,
- realized savings in labor and capital costs for main break repairs with the costs incurred for main breaks in 2012 nearly 45% less (\$337,000 savings) than 2008,
- seen reductions in water system losses, particularly in some of the older, smaller systems that regularly relied on tanker water deliveries to meet customers' needs. Three such small systems *each* had reductions of about 10,000 gallons per month, or over 3.6 million gallons per year with an associated annual energy savings of approximately \$5000 each.

The current cumulative total of WICA charges for our customers is 5.64% or approximately \$2.61 per month on the average residential customer's bill - with significant environmental and customer benefits and virtually no customer complaints.

SUMMARY

SB 807 is a tremendous opportunity to formally establish policies for ratemaking in water that will ensure that individual rate case decisions support important state objectives to reduce energy demands, improve and protect natural resources and the environment, and enhance streamflows. At the same time, it will streamline the regulatory process, mitigate the need and frequency of larger general rate cases, reduce agency staff and resources required for general rate case proceedings, and ultimately serve the interests of the public and the customers.

Rate cases are problematic for everyone – the company, regulators, state and local officials, and customers – yet utilities must have rates that provide sufficient revenues to meet operating costs and attract capital to invest in infrastructure. Rate cases are costly proceedings – with a small water company easily incurring \$150,000 and larger companies faced with \$600,000 to \$800,000 for a case. These costs are all passed on to customers in rates. Regulatory practices that streamline the process and/or reduce the frequency of rate cases should be encouraged.

We thank the Committee for raising these important concepts and ask for your support of those provisions in SB 807. We stand ready to work with the members of the Committee, our water industry colleagues, and other stakeholders to revise the language, as appropriate to accomplish the desired goals of the legislation. If you have questions please contact Maureen Westbrook at 1-860-664-6055 or mwestbrook@ctwater.com.

10.

Jonathan Avery
President
Hazardville Water Company
Jewett City Water Company
Before the
Energy & Public Utilities Committee
February 7, 2013

Re: SB-807 - AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS

I urge support for the provisions in SB-807 which are aimed at promoting water conservation. Sections 1-3 of SB-807 encourages the Public Utilities Regulatory Authority (PURA) to adopt rate structures that would send appropriate price signals and offer programs for consumers to promote water conservation. At the same time, these provisions provide financial protection to the water utility by ensuring the rates charged when conservation is achieved meet the revenue requirements established by PURA to recover the utility's operating costs and maintain a level of investment necessary to sustain the system.

The bill would also expand the eligibility for Water Infrastructure and Conservation Adjustment (WICA) charges authorized under Section 16-262v of the CGS. I support Section 6 of SB-807 which expands the definition of WICA eligible projects to include items that are important to achieving the state's energy and environmental policies. These include energy efficient equipment and capital improvements to assist in complying with the state's stream flow regulations.

Section 7 of the bill expands the cap for WICA to 10% between rates cases which allows investments to be made to encourage additional conservation without compromising continued investments in replacing aging infrastructure. This is important to utilities such as Hazardville and Jewett City Water that spend thousands of dollars in rate cases, making it difficult to support investment in conservation and infrastructure replacement. I therefore urge support for Section 7 of SB-807.

11.



Connecticut Chapter
645 Farmington Ave.
Hartford, Connecticut 06105
www.connecticut.sierraclub.org
Martin Mador, Legislative Chair

Energy and Technology Committee
February 7, 2013

Testimony In Support of
SB 807, Sections 1-4, 6-7
An Act Concerning Water Infrastructure and Conservation,
The Department of Public Health, Municipal Reporting Requirements
And Unpaid Utility Accounts at Multi-family Dwellings

I am Martin Mador, 130 Highland Ave., Hamden, CT 06518. I am the volunteer Legislative Chair for the Connecticut Chapter of the Sierra Club. I hold a Masters of Environmental Management degree from the Yale School of Forestry and Environmental Studies. I am also a Director of Rivers Alliance of Connecticut.

The existing rate structure for water companies prevents them from promoting water conservation, as their income is tied directly to quantity sold. Although Connecticut is a relatively water rich state, with about 45" of rain annually, it is nevertheless important to conserve water. Demand can sometimes overrun supply, and occasional droughts can significantly deplete resources. We now have streamflow regulations to ensure that our rivers and streams have sufficient water to remain ecologically viable. For the first time, we legally recognize them as an important class of water consumers, and must take steps to ensure water availability for this newly recognized need.

The concept of rate structures which financially allow the water companies to promote conservation practices to their customers was introduced several times in legislation in the 2012 session, but none of them reached the finish line.

Sections 1, 2 and 3 of SB 807 call for PURA to design and implement these water conservation rates. Section 4 provides for conservation opportunities for municipal and public utilities. Sections 6 and 7 expand the opportunities for conservation and minimization of distribution losses under the Water Infrastructure and Conservation Adjustment program.

The Sierra Club strongly endorses these sections of the bill. We make no comment on the remaining sections.

Frank C. DeFelice
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fcdefelice@aol.com



Energy and Technology Committee
Room 3900, Legislative Office Building
Hartford, CT 06106

February 7, 2013

Opposition to SB-807: An Act Concerning Water Infrastructure and Conservation, The Department Of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings

Dear Senators and Representatives,

My name is Frank C. DeFelice, and I am a Planning & Zoning Commissioner and Certified Inland Wetland & Watercourses Commissioner in the Town of Durham, Connecticut and so wanted to communicate my thoughts on the aforementioned bill to you.

First, this bill will surely result in increased water prices, for those who are served by Public Water Systems. The additional cost would be inequitably borne by our state's poorer and younger residents; because it is these groups who typically reside in areas of higher population density (e.g.: cities), which are served by Public Water Systems (as opposed to Private Wells). Already, a large cost disparity exists for those who receive their water from public water systems as opposed to private wells; and this bill is certain to exacerbate this disparity.

Second, this bill proposes to insert new language into Section 8-3i of the Connecticut General Statutes which would require that applicants to Planning and Zoning Commissions or Zoning Boards of Appeal provide notice to the Local Water Company and to the Public Utilities Regulatory Authority (PURA) for "any project on any site". Thus, an applicant who is appearing for a simple sign application, the placement of a small shed-type building within a setback area, the construction of a residence, or the desire to devote part of their existing residence to an in-law apartment, would reasonably be required to fulfill this notice obligation; since the average applicant would not know whether a map of the watershed area had or had not been filed; and so filed, would not know if they were or were not within the Defined Watershed Area without performing an A-2 survey. The Notice Process would likely require that PURA add staff to manage the large inflow and processing of these notices (requiring a Fiscal Note).

Third, and most importantly, "watersheds" are orders-of-magnitude larger than are "aquifer protection areas". This change in language (from "aquifer protection area" to "watershed") would impact many, many more persons. Remember that a watershed area can be extremely large, and may cross municipal or even state borders. Watersheds observe no particular property boundaries, and are fluid; changing from year to year. And abutting landowners have no mean to say; or means of recourse to address, where a water company chooses to define the boundaries of its watershed.

If your goal is to conserve water, I would suggest that you look instead at revising the current business models of Connecticut's Public Water Companies. These business models are predicated on developing an ever-increasing customer base through continued expansion of their distribution systems. This business model is a poor one; and will surely impact our environment in a negative way; because it encourages development along these new lines; resulting in a net increase in water consumption. Extending public water lines, as is currently proposed from Middletown to Durham or from the Farmington River to the University of Connecticut, simply reduces our state's diversity-of-supply, resulting in security concerns; and ultimately leading to increased water consumption.

I respectfully urge you to oppose this bill.

Frank C. DeFelice



Rivers Alliance of Connecticut

13.

BOARD

TESTIMONY FOR THE ENERGY & TECHNOLOGY COMMITTEE
PUBLIC HEARING, FEBRUARY 7, 2013

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To: The Chairmen: Sen. Bob Duff and Rep. Lonnie Reed
And to the Members of the Committee

**RE: RB 807 AAC WATER INFRASTRUCTURE AND CONSERVATION,
THE DEPARTMENT OF HEALTH,
MUNICIPAL REPORTING REQUIREMENTS,
AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS**

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Rivers Alliance of Connecticut is the statewide, non-profit coalition of river organizations, individuals, and businesses formed to protect and enhance Connecticut's waters by promoting sound water policies, uniting and strengthening the state's many river groups, and educating the public about the importance of water stewardship. Our 450 members include almost all of the state's river and watershed conservation groups, representing many thousand Connecticut residents.

Section 1, 2, and 3 of this bill provide mechanisms for encouraging private water companies to invest in conservation and infrastructure improvements. The concept is similar to de-coupling in the energy sector. If a utility's revenue is tightly linked to quantities of water sold, then there is no reward for conservation; plus as revenues shrink, capital investment declines, and infrastructure deteriorates. The language and the mechanisms in these sections are very similar to a bill offered last year, which almost made it into law. They propose flexibility in rate designs and other operational rules to stabilize revenue and encourage infrastructure investment. As we fix old, leaky pipes and inefficient pumps, more water and higher quality water becomes reliably available. Rivers Alliance of Connecticut supports this effort, and would be pleased to discuss or help with any improvements that you lawmakers may desire.

The one change we request is that in Section 2, line 3-4, the following insert (shown in bold face) be made: "... provided such company demonstrates **with information and data available to the public** that the expenses for such programs were reasonable." As you may know, almost all vital data regarding water utilities is presently not available due to water secrecy laws passed 2011. This secrecy is a major barrier to informed water planning and management. (More information available at the slightest hint of interest.)

A tax-exempt
organization under
501 (c) (3) of the
Internal Revenue
Code

Section 4 encourages similar goals for municipal and other public utilities. We believe that in general water suppliers should have the same rules and standards, whether they are privately or publicly owned. Therefore, we support this section.

Section 5 eliminates a water reporting requirement for municipalities. The requirement is reportedly onerous, but we would much prefer to see it made easier than to see it eliminated. (On the other hand, if the information is going immediately to be thrust into the pit of secrecy, they might as well not report it.)

Section 6 expands the list of eligible projects for reimbursement under WICA (Water Infrastructure and Conservation Adjustment), while Section 7 raises the ceiling on WICA applications from 7.5% to 10%. We support this.

Sections 8 through 11 incorporate changes in financial arrangements sought by private water companies. This language was presented to the Water Planning Council Advisory Group. Some changes were made, and we do not object to current language.

I understand that the rest of the bill is partially a drafting error. It made for exciting reading. We hope to have a chance to comment on the amended language.

Thank you. Best wishes for this demanding session.



Margaret Miner
Executive Director



Town of Wallingford, Connecticut

ROGER M. DANN
GENERAL MANAGER



DEPARTMENT OF PUBLIC UTILITIES
WATER & SEWER DIVISIONS
377 SOUTH CHERRY STREET
WALLINGFORD, CONNECTICUT 06492
TELEPHONE (203) 949-2666

**Testimony of the Town of Wallingford
Before the Energy and Technology Committee
February 7, 2013**

**SB-807, AN ACT CONCERNING WATER INFRASTRUCTURE AND
CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL
REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT
MULTI-FAMILY DWELLINGS**

The Town of Wallingford supports Section 5 of SB-807 which eliminates an unnecessary and burdensome reporting requirement for municipal water departments.

Under current law, municipal water departments are required to file an annual report with the Public Utilities Regulatory Authority (PURA) detailing certain financial information. This 71-page report requires information to be submitted in a format that is not consistent with standard municipal accounting practices. As a result, staff must spend considerable time completing the report and furnishing the information to PURA. Moreover, the report serves no legitimate purpose because PURA does not regulate municipal water departments.

Eliminating the reporting requirement will save municipal water departments from unnecessary expenditure of time and resources which can be devoted to other activities needed to properly maintain and operate municipal water systems.

Thank you for your consideration of this matter.

Sincerely,

Roger M. Dann
General Manager
Water and Sewer Divisions

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South Central Connecticut Regional Water Authority
 90 Sargent Drive, New Haven, Connecticut 06511-5966 203-562-4020
<http://www.rwater.com>

Testimony to the Energy and Technology Committee

February 7, 2013

SB-807 - AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS.

The South Central Connecticut Regional Water Authority (SCCRWA) is a non-profit, public corporation and political subdivision of the state. Our mission is to provide our customers with high quality water at a reasonable cost while promoting the preservation of watershed land and aquifers. We provide approximately 48 million gallons of water per day to almost 500,000 consumers in our region. The source of this water is a system of watershed and aquifer areas that cover about 120 square miles within 24 municipalities. Much of our 27,000 acres of land is managed for watershed protection, timber resource conservation, wildlife habitat, open space, education, and research. This includes commercial sawtimber harvests and a firewood cutting program. The vast majority of our land and these activities occur within the New Haven County emerald ash borer (EAB) quarantine zone.

The South Central Connecticut Regional Water Authority appreciates the opportunity to provide comments to the Energy and Technology Committee regarding **Raised Bill 807, An Act Concerning Water Infrastructure and Conservation, The Department of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings.**

We are **strongly opposed** to the proposed changes throughout SB 807 which replaces the Department of Public Health, with the Public Utilities Regulatory Authority. Those changes would remove regulatory control from a department of an agency whose mission it the protection of public water drinking supplies, and has a long history of successfully doing so, to the an agency whose mission, and expertise, is not in the protection of water supplies. "The Department of Public Health Drinking Water Section is responsible for the administration of state and federal drinking water regulations and is dedicated to assuring the quality and adequacy of the state's public drinking water sources". Whereas, Public Utilities Regulatory Authority is responsible for rate making, conservation and customer service oversight of private water companies.

We **support the proposed changes in Section 10, Measures to Address Rising Bad Debt on Multi-Family Dwelling Utility Accounts,** as it would help the industry, overall. For example, multi-family dwelling customers comprise approximately 13% of the South Central Connecticut Regional Water Authority's (SCCRWA) customer accounts, yet comprise 46% of our receivables that are over 60 days past due.

The water bill for multi-family accounts remains the responsibility of a landlord to keep the account current. Unfortunately, landlords who understand that a water company may not terminate water service to a multi-family account take advantage of the system and let their

unpaid water bill continue to increase. The remedies available to water companies to collect multi-family account balances that remain unpaid by the landlord are inadequate. We are limited to filing in the courts to have a receiver appointed to collect rents to pay outstanding water bills. Once a receiver is appointed, the collection agency must then physically attempt to collect rents. While the SCCRWA has been granted receivership action on \$954,000 in overdue multi-family receivables, in the last four months alone, we collected less than 1% due each month. The current remedy and process are completely ineffective

When any water utility customer allows their water bill to become past due for an extended time, the other customers in effect subsidize that customer. This is not only unfair and inequitable, but means the utility may have to reduce operating costs to make up for the lost revenues which could potentially jeopardize the integrity of the public water system in providing drinking water for the consumers and appropriate fire protection for emergency responders.

Section 10 of Raised Bill No. 807 provides the receiver with an opportunity to enforce the mechanism provided in the law by allowing the attachment of wages and bank accounts of the landlord, and other statutory post-judgment remedies. This remedy will benefit customers by having all customers pay their fair share.

We are opposed to the proposed changes to Section 8-3i of the general statutes (Sec.17), as it eliminates the requirement for zoning, P&Z, and ZBA applicants to notify water companies concerning proposed projects within Aquifer Protection Areas. This requirement has been a vital tool for protecting the quality of groundwater used for public drinking water by ensuring that water companies receive adequate notice of proposed land use activities within Aquifer Protection Areas. This provides an opportunity for water utilities to carefully review such proposals and provide recommendations on appropriate design and operational safeguards to protect groundwater quality.



ENERGY & TECHNOLOGY COMMITTEE

February 7, 2013

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

CCM supports House Bill 807 "An Act Concerning Water Infrastructure and Conservation, The Department Of Public Health, Municipal Reporting Requirements And Unpaid Utility Accounts at Multi-Family Dwellings"

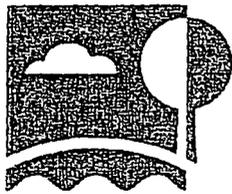
The bill will, among other things, provide mandate relief in eliminating the requirement that a municipality providing water service file an annual report.

The current municipal reporting requirements are often cumbersome and inapplicable in the municipal water service. Relieving local officials from completing these annual reports will save administrative costs and time.

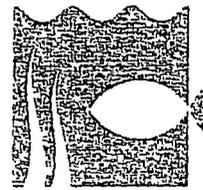
CCM encourages the committee to support SB 807.

★ ★ ★ ★ ★

If you have any questions, please contact Mike Muszynski, Legislative Associate of CCM via email mmuszynski@ccm-ct.org or via phone (203) 500-7556.



Connecticut Fund
for the Environment



Save the Sound

**Testimony of Connecticut Fund for the Environment
Before the Committee on Energy and Technology**

In support of SB 807, AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS.

Submitted by Lauren Savidge
Legal Fellow
February 7, 2013

Connecticut Fund for the Environment works to protect and improve the land, air and water of Connecticut. We use legal and scientific expertise and bring people together to achieve results that benefit our environment for current and future generations.

Dear Senator Duff, Representative Reed, and members of the Committee on Energy and Technology,

Connecticut Fund for the Environment submits this testimony in support of Sections 1-4 of Proposed SB 807, An Act Concerning Water Infrastructure and Conservation, The Department of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings. If passed, these sections of this legislation would promote water conservation by disassociating water use from water company profits in setting rates.

While Connecticut is fortunate to have a sufficient water supply to meet its current needs, it is important to ensure this valuable and necessary resource is protected and conserved for future use. Our state water supply source is finite. We need to ensure that our state has clean, reliable, and sufficient drinking water to meet current and future human needs and to keep our inland waterways healthy.

Water conservation is one way to effectively safeguard our state water supply for future use and avoid the need for costly infrastructure for a new water supply source. Through this legislation, water companies would no longer be incentivized to increase water sales to maximize profits because the rate of return would be based on demand projections that consider the effects of conservation and not just the sale of water.

While we support the proposed legislation, we request that the information used in initiating the dockets and ultimately setting the rates be available to the public to improve water-supply education and the policy development process.

Thank you for your time and consideration.

*Connecticut Fund for the Environment and Save the Sound
142 Temple Street • New Haven, Connecticut 06510 • (203) 787-0646
www.ctenvironment.org • www.savethesound.org*

Sincerely,

Lauren Savidge, Legal Fellow
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lsavidge@ctenvironment.org



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY SUBMITTED TO THE
ENERGY AND TECHNOLOGY COMMITTEE
February 7, 2013

*Benjamin Barnes, Secretary
Office of Policy and Management (OPM)*

Concerning Proposed Raised Bill No. 807 (LCO No. 2712)

***AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE
DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS
AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS.***

Senator Duff, Representative Reed and distinguished members of the Energy and Technology Committee, I thank you for the opportunity to submit written testimony concerning Sec. 86 of Raised Bill 807.

Section 86 of the proposed bill seeks to repeal Section 25-33p of the general statutes, which originated in a 2007 budget implementer. Section 25-33p requires OPM to study the state's Water Planning Council (WPC) and other state water planning efforts, and to submit an annual report to the General Assembly. OPM considers this reporting requirement to be redundant because the WPC is required to separately prepare a report on its activities and the state's water planning efforts.

The WPC's reporting obligations originate in Section 25-33o of the general statutes and OPM staff has responsibility for the preparation of that report as well. The WPC report is a compilation of each year's efforts by the WPC and its advisory group, which includes representatives of water utilities, agricultural interests, electric power generation interests, business and industry interests, environmental interests and others. Those efforts address the topics identified in Section 25-33p and lead to recommendations for legislative revisions. Therefore, OPM believes that attention is better focused on the WPC report prepared under Section 25-33o.

Thank you for the opportunity to share the thoughts that OPM has on Raised Bill No. 807. As always, my staff and I are available to meet with you to discuss any questions you may have regarding this subject.



**TESTIMONY
CONNECTICUT COUNCIL OF SMALL TOWNS
BEFORE THE
ENERGY & PUBLIC UTILITIES COMMITTEE
FEBRUARY 7, 2013**

Given the ongoing budgetary pressures on the state and municipalities, Connecticut must act now to relieve some of the burden on our small towns and cities. Unfortunately, efforts to control municipal costs are often frustrated by state mandates that make it almost impossible to reduce budgets or negotiate savings in health care, pension and wage costs.

The Connecticut Council of Small Towns (COST) urges support for Section 5 of SB-807 which eliminates the requirement that municipal water departments file an annual report with the Public Utilities Regulatory Authority (PURA). This report is required to be filed in a format that is inconsistent with municipal accounting practices, requiring staff to spend time and resources to reformat data. In addition, the report is required to be filed each year before a town has the audited financial data needed to complete the report. This is an unnecessary paperwork requirement that should be repealed.

Connecticut Council of Small Towns
1245 Farmington Avenue, 101 West Hartford, CT 06107



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

**TESTIMONY PRESENTED BEFORE THE ENERGY AND TECHNOLOGY
COMMITTEE
FEBRUARY 7, 2013**

Ellen Blaschinski, Branch Chief, Regulatory Services Branch, 860-509-8171

***Senate Bill 807 - An Act Concerning Water Infrastructure and Conservation, The
Department of Public Health, Municipal Reporting Requirements and Unpaid
Utility Accounts at Multi-Family Dwellings.***

The Department of Public Health (DPH) opposes Senate Bill 807.

Sections 12 through 84 eliminate DPH's authority over public water systems, water companies and public drinking water sources, including assuring purity and adequacy of public drinking water. On a daily basis, DPH provides direct oversight of and regulatory authority over Connecticut's 2,551 public water systems. There are appropriately 551 community public water systems and 2,000 non-community public water systems which serve 80 percent of the state's population. DPH currently maintains primacy of the federal Safe Drinking Water Act as well as oversight over a number of state laws.

Oversight of public drinking water systems and sources is a fundamental public health protection program. Public drinking water systems produce a consumable product. If this product is not appropriately regulated, the public can be negatively affected by contamination, illness or disease. It is the human health focus that has protected the consumers of public drinking water from illness for over a century under the guidance and oversight of Connecticut's Department of Public Health.

Waterborne disease outbreaks in Connecticut due to consumption of public drinking water are rare. This is due to a variety of public health laws that assure our state's drinking water is pure and taken from the highest quality raw water. It is with the utilization of high quality sources that DPH works to reduce reliance upon chemical treatment to assure drinking water quality at the consumers tap.

DPH welcomes the opportunity to discuss with the Committee further legislation to address rate setting, conservation, and acquisitions of water systems. DPH concurs that rates should appropriately be set in order to address sanitary deficiencies.

Thank you for your consideration of the Department's views on this bill.

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410 Capitol Avenue - MS # 13GRE
P O Box 340308 Hartford, CT 06134
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Testimony of Rep. Mary Mushinsky (85th) in Support of SB 807, AAC Water Infrastructure and Conservation, The Department of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings.

Before the Energy and Technology Committee
Thursday, February 7, 2013 12:30 p.m. in Room 2D

The water conservation sections of this bill are long overdue, and I thank the Committee for raising this critical bill. A similar measure recently passed the House but was not taken up in the Senate. The bill is the logical next step in what has been a lengthy process of creating sustainable water resources here in Connecticut. As Program Review & Investigations Committee has reported, the state has sufficient annual rainfall but faces potential water shortages because of insufficient planning and management.

In 1997, Connecticut towns sued each other in competing demands over the waters of the Shepaug River, which sometimes vanished completely, leaving dry stones on the river bottom. The court decided that the state could only regulate stocked rivers, but the legislature was free to address the regulation of other rivers in the future. In 1982, the legislature created the Water Resources Task Force to coordinate inter-agency planning for the state's water. The legislature also established a system of diversion permits in 1982, but grandfathered existing diversions before the introduction of accurate scientific measurement made clear the waters of the state were in some cases over-allocated. This is certainly true in my densely populated district of south central Connecticut's Quinnipiac River basin. It also appears that UConn's water resources are strained, and the shortage is driving that fast-growing institution to seek water from the Farmington River basin on the other side of the state.

In 1996, the Water Allocation Task Force at DEEP looked at the need for accurate data. The legislature in 1998 had the CT DEEP catalogue existing water diversions. In 2001 we created the multi-agency, multi-stakeholder Water Planning Council to craft a more sustainable system. The Program Review and Investigations Committee reported on the historic failure of the state's long range planning for water in their 2003 Streamflow report, and triggered a 5-year effort to pass a Connecticut Streamflow law and adopt final regulations for sharing water in all streams, whether stocked or not, to ensure the survival of rivers and streams that were over allocated. All these actions sought to create a sustainable system to protect the state's water resources for generations to come.

The water conservation sections of this bill, supported by the Department of Energy and Environmental Protection and included in their legislative package this year, will help us invest in water management which will be necessary under the new streamflow regulations to achieve conservation of the state's water resources. The concepts in the bill were reflected in the recent report "*Water Rates and Incentives to Promote Water Conservation*" approved by the State's Water Planning Council.

Under current law, water utilities are punished if they promote efficiency and conservation. But under this proposed legislation, we provide for regulatory policies and ratemaking tools

to encourage water conservation. It encourages adoption of rate structures that would send price signals and offer programs for consumers to promote water conservation while, at the same time, provide financial protection to the water utility by ensuring the rates charged when conservation is achieved meet the established revenue requirements to recover the utility's operating costs.

Contrast this proposed reform with the current system, which encourages continuous water consumption in the hottest, driest part of the year, at the very moment when the recreational public and aquatic life most need water in the state's rivers. Consider that water reserves, skilled water utility staff and equipment must be supported year round even if a temporary rainy period means that customers are not purchasing water for their lawns. Basing rates on water sales alone is inefficient to the operation of a modern utility and destructive to the water resources of the state. It is more proactive to have our utilities invest in the most efficient technology, resource planning and water storage to get us through tough times and provide water for all users: municipalities, businesses, farming, fish & wildlife, and families seeking relief in water recreation on a hot day in August.

Scientists say that climate change, already underway, will continue to increase summer temperatures and cause more erratic precipitation for our Northeast region of the country. Building resilience into our water system now by incorporating efficiency, storage and conservation into the rate structure will benefit all competing users of the system and help us adapt to these significant challenges. Thank you for your leadership on this issue.

- *Water is a finite resource worth preserving and is essential to public health, welfare, and safety.*
- *A goal of water management is to equitably balance competing and conflicting demands on water resources.*
- *Preservation and protection of watercourses is emphasized for the health and benefit of the state's citizens, fish, wildlife, and other aquatic organisms.*
- *An adequate supply of water for domestic, industrial, and recreational use, and for fish and wildlife, is essential.*

--PRI Committee 2003

**JOINT
STANDING
COMMITTEE
HEARINGS**

**ENVIRONMENT
PART 8
2352 - 2684**

2013



State of Connecticut
HOUSE OF REPRESENTATIVES
 STATE CAPITOL
 HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE MARY M. MUSHINSKY
 EIGHTY-FIFTH ASSEMBLY DISTRICT

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CO-CHAIR
 PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

MEMBER
 ENVIRONMENT COMMITTEE
 FINANCE REVENUE AND BONDING COMMITTEE

SB807

**Testimony of Rep. Mary Mushinsky (85th) in Support of HB 6537, An Act
 Concerning Water Quality and the University of Connecticut**

**Before the Environment Committee
 March 15, 2013**

In 2003, the Program Review and Investigations Committee issued a Streamflow Report which found that the state failed to plan for sustainable, long term water management although required to do so by 1967 law. The report recommended that the state strengthen the Connecticut Water Planning Council and create a statewide water supply planning process. There is a water utility coordinating (WUCC) process but it is limited to the water controlled by each individual utility, where such utility exists. There is no planning where a utility does not exist, in the UConn region of the state.

In 1996, the Water Allocation Task Force at DEEP looked at the need for accurate water resource data. The legislature in 1998 had the CT DEEP catalogue existing water diversions. In 2001 the legislature created the Water Planning Council to craft a more sustainable system. Then in 2003, the Program Review and Investigations Committee generated their report on the failure of the state's long range water planning, triggering a multi-year effort to pass a Connecticut Streamflow law and adopt regulations to ensure the survival of rivers and streams. All these actions sought to create a sustainable system to protect water for generations to come.

The DEEP has just begun the lengthy process of preparing basin plans (i.e. "water budgets") for each major river basin, starting from eastern Connecticut and working westward. This science-based water budgeting does not yet include groundwater

(subsurface water supplies) and will need to include this resource in the future to create accurate basin plans.

Also pending this year is a bill to change the way water is priced to promote conservation. Energy and Technology Committee has endorsed SB 807 which will change water rates in such a way as to encourage water efficiency technology and reduce waste. If passed, this bill will enhance sustainable use of water in Connecticut and go a long way to stretch our water resources.

In Eastern Connecticut, growth in and around UConn appears to be happening faster than water planning. The campus is the equivalent of a fast-growing city in a rural area. UConn has outstripped local water supplies and must seek water from elsewhere to develop its technology park. In the absence of a regional water company and incomplete state water planning, we should require some entity--the university?--to plan in compliance with state water company laws and scientifically assess their water resources and transfers.

Ten years after the PRI Committee report, a statewide water plan is still not in place. The science, in the form of basin plans, has just started. Considering this regulatory gap, I support a water management and stewardship structure for the fast-growing UConn area such as the one suggested in HB 6537. If the Environment Committee waits until the technology park is developed, it will be too late.

H – 1166

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2013**

**VOL.56
PART 17
5545 – 5881**

hac/gbr
HOUSE OF REPRESENTATIVES

253
May 22, 2013

Thank you, Mr. Clerk.

Representative LeGeyt, for what purpose do you
rise, sir?

REP. LEGEYT (17th):

Madam Speaker, I beg the indulgence of the Chair
and ask that my vote be cast in the affirmative.

DEPUTY SPEAKER ORANGE:

The transcript will certainly note.

REP. LEGEYT (17th):

Thank you so much.

DEPUTY SPEAKER ORANGE:

You're welcome, sir.

Will the Clerk please call Calendar Number 444?

THE CLERK:

On Page 19, Calendar -- House Calendar 444,
Favorable Report of the Joint Standing Committee on
ENERGY AND TECHNOLOGY, Substitute Senate Bill 807, AN
ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION,
MUNICIPAL REPORTING REQUIREMENTS, AND UNPAID UTILITY
ACCOUNTS AT MULTIFAMILY DWELLINGS.

DEPUTY SPEAKER ORANGE:

Representative Reed.

REP. REED (102nd):

Madam Speaker, good evening.

hac/gbr
HOUSE OF REPRESENTATIVES

254
May 22, 2013

DEPUTY SPEAKER ORANGE:

Good evening.

REP. REED (102nd):

Nice to see you up there.

DEPUTY SPEAKER ORANGE:

Thank you.

REP. REED (102nd):

Madam Speaker, I move for acceptance of the Joint Committee's favorable report and passage of the bill, in concurrence with the Senate.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is acceptance of the Joint Committee's favorable report and passage of the bill, in concurrence with the Senate.

Representative Reed.

REP. REED (102nd):

Madam Speaker, this bill directs PURA, the Public Utilities Regulatory Authority, to set water company rates that encourage more conservation and infrastructure repair.

The Clerk has in his possession LCO 5651, which has been designated Senate Amendment "A". I respectfully request that you ask him to call it and that I be permitted to summarize.

hac/gbr
HOUSE OF REPRESENTATIVES

255
May 22, 2013

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO Number 5651, which is Senate Amendment Schedule "A".

THE CLERK:

Senate Amendment Schedule "A", LCO 5651,
introduced by Senator Duff and Reed.

DEPUTY SPEAKER ORANGE:

The Representative seeks leave of the Chamber to summarize.

Objection? Objection?

Hearing none, Representative Reed.

REP. REED (102nd):

Thank you, Madam Speaker.

We have had an ongoing issue with losing as much as 30 percent of our water as it courses through various pipes and other delivery systems and fractured and leaky pipes and leaky cup links, due to aging infrastructure, some of it more than 100 years old.

We have discovered that this bill is needed and this amendment is needed, including provisions that are designed to encourage water companies to repair and modernize those systems.

And I move adoption.

DEPUTY SPEAKER ORANGE:

hac/gbr
HOUSE OF REPRESENTATIVES

256
May 22, 2013

The question before the Chamber is on adoption of Senate "A".

Will you remark further on Senate "A"?

Representative Hoydick, you have the floor,
madam.

REP. HOYDICK (120th):

Thank you Madam Speaker.

Good evening.

DEPUTY SPEAKER ORANGE:

Good evening.

REP. HOYDICK (120th):

Madam Speaker, the intent of this bill is laudable. It conserves water, is environmentally friendly. It limits audit requirements from municipalities. And theoretically you would think that it would save consumers money. However, Madam Chair, what concerns me is -- and concerned Members of my Caucus -- is that the intent of the bill was not as clear as we would have liked it. And in -- as -- as an adverse effect, it would have cost consumers more money with the conservation rate tier.

And in that vein, there is an amendment on the system, which would clarify the intent process and PURA's conservation rate-based structure. However, in

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conferring with the Chair of the Committee, she had reached out to PURA, the Commissioners, to talk about the intent of how they would set this rate structure.

And through you, Madam Speaker, I would like to ask Representative Reed some questions on that matter.

DEPUTY SPEAKER ORANGE:

Please proceed, madam.

REP. HOYDICK (120th):

Through you, Madam Speaker, to Representative Reed.

You spoke with some PURA or conversed with some PURA Commissioners regarding how they would set the tiered-rate structure for conservation and I would greatly appreciate if you would share it with the members of the Chamber.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Reed.

REP. REED (102nd):

Yes. And thank you for bringing that up. That's actually one of the many things that we've been glad to be working with the fine Representative from Stratford on and her team is really taking care of people who are already conserving water and there's a

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huge concern that as we upgrade the system that people who are already conserving might end up paying bigger rates.

The PURA Commissioners or Directors, as they are now, soon to be Commissioners potentially, have told us that they will indeed take that into account when setting rates and that their intent is to also protect those people who are already conserving and to have a better idea of what the demand is before they set rates.

So sort of understanding what the demands going to be and what the obligations are before those rates are established, so those people are not penalized.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Hoydick.

REP. HOYDICK (120th):

Thank you, Madam Speaker.

I thank the kind gentlewoman from Branford for her answers. And am very happy that we have such amenable Chairs to work with on the Committee.

I will be supporting this bill and I encourage my colleagues to do so.

DEPUTY SPEAKER ORANGE:

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Thank you, madam.

Will you care to remark further on Senate
Amendment "A"? Will you care to remark further on
Senate Amendment "A"?

If not, let me try your minds. All those in
favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ORANGE:

All those opposed, nay.

REPRESENTATIVES:

Nay.

DEPUTY SPEAKER ORANGE:

The ayes have it.

The amendment is adopted.

Will you care to remark further on the bill as
amended? Further on the bill as amended?

If not, staff and guests please come to the Well
of the House. Members take your seats. The machine
will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will
Members please return to the Chamber immediately?

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DEPUTY SPEAKER ORANGE:

Have all members voted? Have all members voted?

If all the members have voted, the machine will be locked, and the Clerk will take a tally.

And will the Clerk please announce the tally?

THE CLERK:

In concurrence with the Senate, Senate Substitute Bill 807, as Amended by Senate "A".

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	141
Those voting Nay	2
Absent and not voting	7

DEPUTY SPEAKER ORANGE:

Thank you, Mr. Clerk.

The bill, as amended, passes, in concurrence with the Senate.

Will the Clerk please call Calendar Number 577?

THE CLERK:

On Page 30, House Calendar 577, Favorable Report of the Joint Standing Committee on JUDICIARY, Senate Bill 828, AN ACT CONCERNING SEXUAL OFFENDER REGISTRATION REQUIREMENTS FOR CERTAIN PERSONS GRANTED

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Is that 60, Calendar 60, sir; 859 as a next go-item?
I didn't --

SENATOR LOONEY:

Page -- yes, Madam President, Calendar Page 8.

THE CHAIR:

Okay, sir.

SENATOR LOONEY:

Calendar --

THE CLERK:

Calendar --.

SENATOR LOONEY:

Calendar 140, on Calendar Page 8, at the top,
Substitute for Senate Bill Number 807.

THE CHAIR:

Thank you, sir.

Mr. Clerk.

THE CLERK:

On Page 8, Calendar 140, Substitute for Senate Bill
Number 807, AN ACT CONCERNING WATER INFRASTRUCTURE AND
CONSERVATION, MUNICIPAL REPORTING REQUIREMENTS, AND
UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS,
Favorable Report of the Committee on Energy and
Technology, and there's an amendment.

THE CHAIR:

Good afternoon, Senator Duff.

SENATOR DUFF:

Good afternoon, Madam President.

I move acceptance of the joint committee's Favorable Report and passage of the bill.

THE CHAIR:

The motion is on acceptance and passage. Will you remark, sir?

SENATOR DUFF:

Yes. Thank you, Madam President.

Madam President, I have an amendment that the Clerk will please call, LCO Number 5651.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO Number 5651, Senate Amendment Schedule "A," offered by Senator Duff and Representative Reed.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President.

Madam President, I move adoption.

THE CHAIR:

The motion is on adoption. Will you remark?

SENATOR DUFF:

Thank you, Madam President.

Madam President, this -- this bill has been around for a -- a number of years, and I'm glad to finally get this through. It is a priority of many of those in the Environment Committee, and of those who are

concerned about our water infrastructure use and water use.

This amendment becomes the bill, as a strike-all bill. The goal here is to invest so that we can protect our natural resources and the environment, enhance our stream flows, and it's been supported by the Rivers Alliance of Connecticut, the Sierra Club, Connecticut Fund for the Environment, the Nature Conservancy, and it's a priority of many other organizations.

What this bill does is it -- it sets to decouple some of our water -- water rates for consumers. It enhances our investments into the WICA Fund from seven-and-a-half to ten percent. It allows for water utilities to not have to do a certain report that they are doing now, which will save them quite a bit and allows, again, for more investment in our infrastructure.

One of the most, more interesting things we heard from our public hearing is the fact that we have some water companies that on -- on average lose sometimes about up to 21 percent of their water through their pipes, and this bill hopefully will encourage more infrastructure work so that we're not losing as much water. It'll encourage digging less new reservoirs and, in general, hopefully will save consumers some money and I think, also, on balance, will help the environment. So I urge passage.

And Madam President, when the vote is taken, it be taken by roll call.

THE CHAIR:

There, the vote will be taken by roll call.

Senator Chapin.

SENATOR CHAPIN:

Thank you, Madam Speaker -- or Madam President.

Madam President, a couple of questions to the proponent, through you, please.

THE CHAIR:

Please proceed, sir.

SENATOR CHAPIN:

Thank you, Madam President.

As I understood your explanation as well as my interpretation of the bill, this allows an individual -- this allows water companies to be able to recover some of these costs. Can the gentleman tell me the effect that that may have on the per-gallon price of water?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President.

Madam President, the -- the per-gallon water cost could increase over time; however, if people are using less, they would not be expected to pay more. So, in essence, what we're looking to do is decouple those rates. PURA will have to true-up some of those costs, and ultimately, again, for the per-gallon cost, it could rise. But, again, if people are using less, they would be paying less and -- and paying less over the long term for infrastructure costs.

Through you, Madam President.

THE CHAIR:

Senator Chapin.

SENATOR CHAPIN:

Thank you, Madam President.

And, again, through you, the term "decouple," I'm exactly familiar with the definition. Could the

gentleman explain what he means when he says decouple those rates?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President.

Basically what we're doing is we're -- we're not tying rates to usage, so right now people are using less water, which is a good thing. However, they're, by using less water, they're actually paying more because water companies can only tie into their investments through how much water people use. We want to cut back on that and really go in a direction that says we want people to use less but we want water companies to actually invest more in their infrastructure, because of the fact that some of this stuff has not been done over the years. So we think, in the end, that will be a -- a good way for consumers to save money and the -- and for water companies not to waste as much water and -- and ultimately have a better effect on the environment.

Through you, Madam President.

THE CHAIR:

Senator Chapin.

SENATOR CHAPIN:

Thank you, Madam President.

And, again, through you, I also heard the term "true-up," and I'm not really familiar. Is there a -- a legal definition of true-up or is it a -- a term that's generally used in the industry, and could you explain what it means?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

That's a great question. I believe that that is a definition used through PURA, meaning that if there is, if there is an excess amount that's -- money will be returned back to the ratepayers and that PURA will have to look at what is being, what is being used and what has been already through the, through the process that PURA has, if the water companies have -- have too much money for their infrastructure, that some of that money will be used, given back to consumers or the other way around. But that -- that process does go through PURA so that consumers are protected.

Through you, Madam President.

THE CHAIR:

Senator Chapin.

SENATOR CHAPIN:

Thank you, Madam President.

And, again, through you, so I certainly would agree that water conservation is important. Certainly the cost of doing business through leaky pipes and leaky infrastructure and trying to remedy that situation is -- is a laudable goal.

What happens in the case of somebody, let's take a homeowner who already has taken all the necessary and appropriate steps to conserve water? I guess my sense is they have less area to conserve if they've already taken those steps. Are they somehow, is there remedy in this legislation that somehow recognizes the fact that they've already been doing the right thing or, in essence, are they penalized under this?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President.

Again, if you go back to what I said earlier, which is in some water districts, up to 21 percent or up to 20 percent of water could be already lost before it even gets to somebody's home, in essence the -- the customer is already paying for that lost water.

Secondly, if somebody is doing the right thing, and I would imagine many people are doing the right thing, but from the fact that we -- we may at some point, if we're not conserving more water, we may have to build new sources or facilities that will need to be built. So I think if you look at the long-game, ultimately this would save money, rather than if we just look at the short-game and to say somebody is fixing all their -- their shower heads or they're getting more energy efficient toilets or other types of things. And that's all good stuff; we want to continue to have people do that. We want to look at more of the long-game, so that we're not building new facilities which -- which would end up really costing consumers a lot of money.

Through you, Madam President.

THE CHAIR:

Senator Chapin.

SENATOR CHAPIN:

Thank you, Madam President.

I thank the gentleman for his answers.

THE CHAIR:

Thank you, sir.

Will you remark further?

Senator Boucher -- sorry.

SENATOR BOUCHER:

Thank you. Thank you, Madam President.

Madam President, this conversation around water is a very important one. Many in this country and throughout the world feel that water will become a commodity, much like oil, that is scarce resource and is limited in supply. So it is very important that this conversation be had, and certainly like our power grid, a lot of our water grid needs updating and replacement as well.

When the conversation, though, was surrounding the actual cost and protection of costs for the consumer, my concern was that, like our electric bills, oftentimes there's an assessment or a fee that may not pertain to electric conservation and/or even improvement of infrastructure and oftentimes is used as a way to balance the state budget. Is there any protection in this particular bill to preclude some of these increase in fees from going into the state budget for deficit mitigation?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you.

I don't think that there's any way, shape or form that any of those fees could go into the state budget.

Through you, Madam President.

THE CHAIR:

Senator Boucher.

SENATOR BOUCHER:

Thank you, Madam President.

It's great to have that on the record that we are going to protect at least our water customers from the practice, unfortunate practice that we've had in getting into someone's electric bill and using it for purposes other than electricity.

Thank you, Madam President.

THE CHAIR:

Thank you.

Senator Kissel.

SENATOR KISSEL:

Thank you, very much, Madam President.

A question, through you, to the proponent of the bill.

THE CHAIR:

Please proceed, sir.

SENATOR KISSEL:

Thank you, very much.

I just -- I'm a little confused. On the board we have an amendment, and I know that you moved adoption of the amendment. Through you, Madam President, are we voting on the amendment or the underlying bill or does the amendment become the bill?

Through you, Madam President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President.

As I explained earlier, the -- the amendment becomes the bill, Senator.

Through you, Madam President.

THE CHAIR:

Senator Kissel.

SENATOR KISSEL:

Thank you, very much.

I -- I stand in strong opposition to this. While I acknowledge there are water companies that support this, and while I acknowledge there are environmental groups that support this, essentially what this will do, at the end of the day, will be to allow rates to increase on my constituents and your constituents and folks throughout the State of Connecticut.

Water may be a precious commodity if not used wisely, but it is something essential to people's lives. They can't live without it. We can't ask people not to take showers or clean their dishes or do other things within their homes. If there is 21 percent of water leaking through pipes, I would expect that in rate hearings before the Public Utilities Regulatory Authority that they would address infrastructure maintenance. That is the purview of the water companies, themselves; take care of your infrastructure.

Apparently, that hasn't been done, so where has the profits gone? I don't know. I don't think that we would allow 21 percent of natural gas to dissipate through the natural gas pipelines throughout the United States, but apparently whoever is running the water companies don't care enough to protect our resource, that belongs to all of us, this water.

Decoupling, cutting loose one thing from another; I am not surprised that I have been contacted by certain water companies in my district saying, oh, support this bill, this is the greatest thing since sliced bread, because at the end of the day, they're going to make more money. We hope they use it for laudable goals. We hope they use it for infrastructure, but why do I believe that not all of it will go to those

laudable ends? There's money to be made, yet another commodity, another precious resource, and there's money to be made off the backs of the constituents.

The people of Connecticut are not an endless resource. I don't agree with the philosophy behind this bill, by jacking up the price, people are going to be forced to use less, just like I don't agree with that philosophy when it's put out there regarding gasoline. And we've heard it on national scale. Oh, greenhouse gases; we got to cut back, and you have these folks in Washington, DC, say, add a dollar or two dollars to the price of gasoline.

Look at Europe. Compare the price of gasoline in England or France or Germany to what we pay here. Oh, our citizens are just, they've got it so easy. They don't know the value of these products and they should pay more. And that way, we're going to change their behavior, social engineering by making things more expensive for our constituents that are scraping to get by.

I don't know about your districts, but the people come up to me in my district and they say we are having a hard time just paying our bills. They don't know how to send their kids to college. They're worried in a two-income family if one person's job might be wiped out by the vicissitudes of corporate behavior, demanding more to exact more for the shareholders on Wall Street.

I don't know who's running the economy right now, but we have not rebounded from the Great Recession of 2008. The housing market is limping along, seeing a little bit of growth. But if you talk to your neighbors and your friends and your constituents, you'll hear from them, as I have, that they're still nervous about the future. They're still nervous about the course of the State of Connecticut and the United States of America.

And even those economists that say we need to do whatever it takes to make corporate America work, they're nervous about Europe still, runs on banks, forcing Germany to shore up nations because they overextended themselves through loans, people's

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savings accounts in various European countries being just taken. I don't want to live in a world like that.

I understand the laudable goals of this bill and this amendment that becomes the bill, but I do not subscribe to the philosophy that we take those things that are near and dear to our constituents' hearts and try to change their behavior by jacking up the price or allowing private interest to jack up the price. I think that's a terrible precedent. There's got to be a better way.

And I would hate to see that this policy go forward and then a week from now or a month from now or a year from now somebody say, you know what? Remember what we did with water, we want to do it with gasoline. We want to lead the nation, combat greenhouse gases, make ourselves less dependant, urge people to utilize that busway from New Britain to Hartford. And how do we do that? We make it so expensive to fill up your tank that you will be constrained and compelled and urged to use mass transportation. And at the same time, our quality of life in this state continues to go downhill.

I got to tell you, my constituents, I utilize the term "old-fashioned Yankees," in that New England sense, having nothing to do with ethnicity or national origin but just the way we look at the world in North-Central Connecticut. People are already economizing as much as they can just to make ends meet, and I cannot stand here this afternoon and support another proposal that'll just add to the burden of just living in Connecticut each and every day. And for those reasons, Madam -- Mr. President, I cannot support the bill this afternoon; thank you -- or the amendment.

(Senator Coleman in the Chair.)

THE CHAIR:

Thank you, Senator.

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The item before the Chamber is Senate Amendment
Schedule "A."

Will you remark further, concerning this item?

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Mr. President.

If I might, through you, Mr. President, I just would like to ask the proponent of the bill is there any difference between how this law would apply to municipal water companies as opposed to private water companies?

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

Mr. President, that's a great question from the Senator. On Line 121 and 122, it talks about the legislative body shall consider measures and don't force them to adopt what we've adopted. These are for private companies, not municipal water companies.

I'll also just say that this, the language here has been vetted by the Office of Consumer Counsel and the Attorney General, and they're, seem to be okay with the safeguards that we have in place. So I do believe that we have taken in consideration the -- the views of consumers, the views of, again, the long-game of not spending money that we don't need to spend on infrastructure improvements over the long term, and that we have found the -- the correct balance between our environmental needs and our water needs. And especially going forward, as we have more and more people using water, we're trying to use less of that water, build out less of an infrastructure, repair the infrastructure that we have, and ultimately that will be the policy that will help the consumers and the ratepayers in the State of Connecticut.

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Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Welch.

SENATOR WELCH:

Thank you, Mr. President.

Through you, if I may, a few questions to the
proponent of the amendment.

THE CHAIR:

Please proceed.

SENATOR WELCH:

And my first question is if you could please
articulate for me the differences between the
amendment and the underlying bill; what -- what
changes do the amendment make?

THE CHAIR:

Senator Duff, if you care to respond.

SENATOR DUFF:

Thank you, Mr. President.

Well, I would say that the original bill was the bill
that we had heard in committee. I believe that one of
the pieces that was out was -- that's in this strike-
all is a study by the Department of Public Health that
we decided when we J.F.'d the bill that was going to
be taken out. That's --

THE CHAIR:

Senator --

SENATOR DUFF:

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-- the major change.

THE CHAIR:

Senator Welch.

SENATOR WELCH:

Thank you, Mr. President.

Did the definition of revenues change at all?

Through you, Mr. President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

I don't remember.

SENATOR WELCH:

Okay, and that's --

THE CHAIR:

Senator Welch.

SENATOR WELCH:

-- fair.

All right. And I guess the last question I have has to do with something Senator Duff said when we brought the amendment out, and I've just, if I could ask for some clarity as to what we meant by that. And the statement, I believe, was along the lines of people who use less water will not pay more. Is that accurate?

Through -- through you --

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Senator Duff.

SENATOR WELCH:

-- Mr. President?

SENATOR DUFF:

Yeah. And as I had mentioned earlier in the -- in the -- there's a short term and a long term on this, and we believe, through this legislation, in the long term ratepayers will not endure a higher water cost because there will not be additional infrastructure cost, whether it's for new sources of water or various facilities to clean water, if we are helping to conserve water and use less and also invest in the infrastructure that we currently have. So I believe in -- in that long-term goal would be to help consumers from spending even additional money in their water bills.

Through you, Mr. President.

SENATOR WELCH:

Thank you, Mr. --

THE CHAIR:

Senator Welch.

SENATOR WELCH:

-- President. Thank you.

But -- but then it would be possible that at least in the short term that a ratepayer who may even reduce consumption could actually wind up paying more in the short term, is it?

Through you, Mr. President.

THE CHAIR:

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Senator Duff.

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SENATOR DUFF:

Certainly that's possible.

SENATOR WELCH:

Okay. Thank you.

THE CHAIR:

Senator Welch.

SENATOR WELCH:

That's all I have.

Thank you, Mr. President.

THE CHAIR:

Will you remark further on Senate "A?"

Senator Kane.

SENATOR KANE:

Oh, and you have to change the microphone.

Thank you, Mr. President.

Through you, I have a couple questions to the proponent of the bill.

THE CHAIR:

Please frame your question.

SENATOR KANE:

Thank you, Mr. President.

In listening to Senator Chapin initially ask some questions, and then of course Senator Kissel and -- and Senator Welch, in the time that it took creating the bill and having the public hearing and -- and the

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testimony, were consumers aware of the potential of rising rates due to this piece of legislation?

Through you, Mr. President.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

When the good Senator says "consumers," who is he speaking of, a group as a whole, like every consumer in the state or a particular entity who may represent consumers?

THE CHAIR:

Senator -- I'm sorry -- Senator Kane.

SENATOR KANE:

Well, thank you, Mr. President.

I guess what I mean by that is in looking at the public hearing testimony, I see that there were environmental groups who I could understand want water conservation. I saw there was some water companies and/or water districts who are thinking about raising rates if -- if people are conserving. I see the Commissioner and I see people on, let's say one side of the equation of this particular piece of legislation, rather than an actual consumer who may say, oh, wait a minute, you're going to raise my rates; maybe a consumer advocate, maybe a consumer group, maybe just Joe Smith down the street who says, you know, I had no idea. My point of -- of that question is only to understand if the water-buying public, if you will, for lack of a better term, is aware that this piece of legislation can impact their rates.

Through you.

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Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

Well, I am a consumer and I represent about a hundred thousand people, and I think that I'm taking those concerns into question as we move forward on this legislation. We've had testimony from various groups considering -- including the Connecticut Council of Small Towns, who supported the bill or at least a piece of the bill, and others. We also have the Office of Consumer Counsel, who, they're charged legislatively to be the consumers' advocate, ratepayer advocate, support the bill. The Attorney General's Office seems to be okay with the legislation as well. And I believe if you -- you add up those, too, that pretty much covers the entire state.

Through you, Mr. President.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Mr. President.

And, you know, and I hate to oversimplify things, but if -- if you'll indulge me, am I correct in the assumption and in what other people have -- have, may have stated is that if I go get, you know, the correct shower head and I do everything in my home to reduce waste, I try to conserve water, I'm doing all the right things, I'm almost, I guess, being penalized for -- for taking the correct steps, because the water company on the other end says wait a minute, because you're using less, I have to charge more. Is -- am I correct in that assumption or am I incorrect, based on just trying to simplify the measures as much as I can for the viewing public?

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Through you.

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THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

To the good Senator, through you, as you know, any energy and technology issue, there's never a yes-or-no answer; it's a depends.

THE CHAIR:

Senator Kane.

SENATOR KANE:

I'm sorry. Did -- did Senator Duff say there's no yes-or-no answer to -- to my question?

Through you.

THE CHAIR:

I believe that was the gist of his response.

SENATOR KANE:

Okay. So then we cannot simplify this piece of legislation down to a simple yes-or-no question?

Through you.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

I believe I answered the question but I'll try again. There are, hopefully we're going to avoid at some point in the future, because of the legislation, we're going to, water companies will not have to come in front of PURA and we'll avoid some rate cases, which

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would save consumers about 500 to 800,000 dollars per rate case, right now.

We also are eliminating a requirement from the municipal water departments that they prepare and submit an annual report to PURA that is unread and unnecessary, that has been proposed and championed by a member of our caucus. So I think when we talked about whether it will or won't, that it is a fair answer to say it depends. But we're, I think, in the long-game, as I had said, that in the long term it will help reduce rates tremendously for ratepayers.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Mr. President.

And one last question. So if I'm not a person who conserves and I don't do all the right things and I tend to waste, would my rates go up, through you, or is it just the people that are conserving, because the water company is then getting less volume from those customers?

Through you.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

Well, we're already saying, generally, that usage is going down, but the investment in infrastructure has not been what we would like it to be. And then we also are saying that we have, right now, we have, we do have water issues, even in a state as plentiful of water as Connecticut. So if there is somebody who is wasting water, they are going to have higher usage, and they continue to waste water, yes, their water

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rates, because of per-gallon usage, will go up. And I think that everybody would agree that's appropriate.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Mr. President.

I thank the good Senator for answering my questions.

I tend to agree with Senator Kissel and Senator Welch in their delivery that, you know, all -- many times in this building what we do is we think, well, let's not have people use plastic bags, so we're going to tax them on the plastic bags. Let's not have people smoke, so we're going to raise the cost of cigarettes. Let's not have people drive their car, so we raise the price of gasoline.

So rather than the market decide if a customer wish -- and supply and demand -- if a customer wishes to use more water or not use less water, use their cars, do this, don't do -- do that, we try to get involved in the -- the mix, if you will, of the issue that's taking place. And we try to regulate and/or steer the market, based on what we want. And all we're doing then is literally hurting the consumer of that very product, because we're raising the cost for that individual.

So I -- I think it's also a bit hypocritical that we also like the revenue and we're saying, well, we want you to conserve, we want you to use less water, but when you do that, we're going to charge you more, because we're losing money because you're conserving. It's -- it's amazing. It's absolutely amazing to me. So rather than let the free market bear it, we choose to manipulate it in such a way.

So I, too, will be voting against this measure and -- and I really believe that you're actually hurting the very people you think you're helping.

THE CHAIR:

mhr/gbr
SENATE

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Thank you, Senator.

Will you remark further, concerning Senate "A?" Will you remark further? If not, there has been a request for a roll call on Senate Amendment Schedule "A."

The Chair would ask the Clerk to announce the roll call in progress, and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call has been ordered in the Senate.

THE CHAIR:

Would all Senators please check the roll call board to make sure that your vote is properly cast. And if all Senators have voted, the machine will be closed.

And would the Clerk please take a tally.

THE CLERK:

Senate Amendment Schedule "A."

Total Number Voting	34
Those voting Yea	29
Those voting Nay	5
Absent and not voting	2

THE CHAIR:

Senate "A" is adopted.

Will you remark further on the bill as amended?

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President.

Since the amendment has now become the bill, I hope that we can now vote on the bill.

mhr/gbr
SENATE
Thank you.

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THE CHAIR:

Will you remark further on the bill as amended? Will you remark further?

If not, the Chair would ask the Clerk to announce that a roll call vote is in progress, and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call, ordered in the Senate.

THE CHAIR:

Have all members voted and are the votes properly recorded? If all members have voted, the machine will be locked.

The Clerk may take a tally.

THE CLERK:

Senate Bill 807, as amended by Senate "A."

Total Number Voting	34
Those voting Yea	30
Those voting Nay	4
Absent, not voting	2

THE CHAIR:

The bill as amended is passed.

SENATOR LOONEY:

Mr. President?

THE CHAIR:

Senator Looney.

SENATOR LOONEY: