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**Testimony of Maureen Westbrook
Energy and Technology Committee
February 3, 2009**

**RB 6303 *An Act Concerning Compensation of Utility Officers,
Directors and Employees***

Connecticut Water Service is Connecticut's largest domestically based, investor owned water utility, serving a population of approximately 300,000 in 54 towns throughout Connecticut. We employ approximately 225 people and are proud of our long record of customer service, regulatory compliance and environmental stewardship.

We continually strive to meet the needs of our customers, our employees, and our shareholders. We believe their interests are not mutually exclusive, but are predicated on common goals of operating efficiently, meeting public health and safety needs of our service communities, and providing high quality service to our customers.

Utility operations are complex and highly regulated and it is important to be able to attract and retain qualified executives to lead those organizations. Setting a fixed statutory limit on executive compensation does not adequately consider the size of the utility, the scope of an executive's responsibility, or the performance of the utility. While we recognize there is considerable attention on executive compensation these days, water utility executive compensation, which is subject to the scrutiny of regulators, has long been conservative particularly as compared to the executives of the large firms that have been in the headlines. We do not believe it is in the best interest of the state or water utility customers to legislatively limit the amount of compensation for utility CEOs.

The market dictates what is necessary to attract employees in a particular field and arbitrarily limiting utility executive compensation ignores that important force. Whether it is competing for talent among water utilities in Connecticut, such as the MDC or Regional Water Authority, that are not regulated by the DPUC, or with water utilities across the country, putting such limitations on Connecticut's DPUC regulated companies will put them at a disadvantage.

The DPUC has vast powers in the rate setting process to determine what should be considered in rates and what will be disallowed. A utility is allowed by law to recover reasonably incurred costs to provide service and the Department determines, through the rate case process, what costs are reasonable and prudent.

The DPUC rate setting process is run as a formal court proceeding, and requires that evidence be provided on the record to support the rate request. The Office of Consumer Council serves an advocate for customers in the process and there are typically interveners, such as the Attorney General, who have the opportunity to request information and participate fully in the proceeding. The Department can request third party market studies or other information to substantiate compensation requests.

The Department will have additional information to assist in their decision-making with the new requirements for disclosure of utility executive and officer compensation as a result of a 2008 DPUC docket. This provides standardized reporting of the compensation information, including an indication of what portion of the executives' salary is charged to Connecticut ratepayers. No such charges will be reflected on customers' bills, however, until reviewed and authorized by the Department.

There is no basis to establish a standard compensation amount that would be allowed in rates or to suggest that anything over a certain established dollar threshold should be disallowed and incurred by the company's shareholders. To suggest that the additional costs would be borne by shareholder funds may seem like a solution, until you consider the profile of the typical shareholder that would be impacted by such a provision.

The vast majority of the registered shareholders for Connecticut Water Company, if not all Connecticut utilities, are individuals who live right here in Connecticut. Sixty-five percent of our registered shareholders own 250 shares or less and receive annual dividend payments of less than \$225. They are not big Wall Street executives, but individuals or families, many of whom have held their stock for years, who count on the dividends in their retirement. They are the one hundred plus people who come to our annual meeting each year to meet the management team and learn more about the company and our plans for the future.

Our shareholders ensure we have access to capital so we can invest in our systems, maintain our infrastructure, and deliver quality service. Those shareholders should not be expected to disproportionately incur costs for salaries that are reasonable and necessary to meet the needs of our customers and the communities we serve.

We respectfully request that the Committee reject RB 6303 and allow the DPUC to use the rate setting process and rely on the preponderance of evidence in each case to determine what costs should be recovered in customers' rates and what should be borne by shareholders.