



AQUARION
Water Company

Stewards of the Environment

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Re: Testimony regarding SB-1020, An Act Concerning Water Resources and Economic Development

My name is George Logan and I am Director of Capital and Planning for Aquarion Water Company of Connecticut. Aquarion is the largest water company in the State, serving approximately 580,000 people in 39 cities and towns in Fairfield, New Haven, Litchfield, Hartford, Middlesex and New London Counties. We operate more than 20 reservoirs that will potentially be impacted by the stream flow regulations required to be developed by Section 26-141b of the General Statutes. First, I would like to say that we at Aquarion take pride in our stewardship of the environment and take our responsibility for conservation and natural resource management very seriously. We recognize that the reservoirs that we use to meet the public's water supply needs impact the quantity and variability of flow in the State's streams and that these impacts may affect the stream's ecology. Conversely, the thousands of watershed acres that we preserve and protect help maintain natural stream flow.

The General Statutes which require DEP to develop new stream flow regulations also require that the regulations provide for public health, public utilities and water supply. Our fundamental concern with the regulations proposed in response to the Statutes, and twice rejected by the legislature's Regulatory Review Committee, is that they did not adequately provide for public water supply. The proposed regulations would have significantly reduced the available public water supply in the State and resulted in more frequent water supply droughts and water use restrictions. In Aquarion's case more than nine million gallons per day of reservoir supply would have been lost, approximately 10% of our total reservoir supply. In Mystic, the estimated loss of reservoir supply was 20%. This impact was significantly reduced from that of the initially proposed regulations, but would still have resulted in inadequate supply to meet the needs of the communities we serve.

In addition to the loss of water available to serve residents, businesses and economic development throughout the State, the proposed regulations would have had real and significant impact on the cost of public water supply. Aquarion estimated that we would have needed to invest approximately \$100 million (equivalent to approximately 3 years of total capital spending) in the facilities necessary to comply with the previously proposed regulations. This would have meant that investment would be diverted from

other water quality and infrastructure improvement needs. If applied evenly across the board this investment would result in an incremental rate increase of approximately 10% at a time when personal and municipal budgets can least afford to pay for it.

SB-1020 seeks to strengthen the stream flow regulation enabling legislation to ensure that balance is achieved between public water supply and in-stream ecological needs by:

1. Requiring concurrence with the regulations from the State Departments of Public Health (the agency charged with providing the State with adequate public water supply), Public Utility Control, Economic and Community Development and Agriculture.
2. Limiting increased reservoir releases to those public water systems that can do so while still providing adequate supply to meet the public health, safety and economic development needs of the State.
3. Providing special conditions or exemptions for systems where development of new water supplies to replace lost capacity is not technically feasible or financially viable.
4. Establishing priorities for compliance with proposed stream flow regulations based on an analysis of the expected environmental benefits and impacts on economic development, ability to meet the current and future public water supply needs and water rates.

In addition, this Bill provides for the Department of Public Utility Control to develop a ratemaking mechanism that will allow private water companies to invest in the improvements necessary to comply with future stream flow regulations with reduced impact on other pressing infrastructure investment needs and reduced rate shock to its customers. This type of ratemaking mechanism has been successfully applied by the DPUC to mitigate the impact of large investments required for compliance with the Safe Drinking Water Act and for replacement of aging underground infrastructure.

We are aware that DEP has scheduled facilitated discussions for the purpose of finding consensus between the various stakeholder groups interested in stream flow regulation. Aquarion supports those discussions and is optimistic that they will be productive in improving the regulations that were rejected in 2010. SB-1020 would inform those discussions by providing a more clear direction regarding the need for regulations that protect the State's public water supply and economic development needs and that prioritize compliance where the cost/benefit is greatest.

In conclusion, Aquarion urges the Committee to support SB-1020, An Act Concerning Water Resources and Economic Development. We believe that this Act will help to address our fundamental concerns with the regulations that were proposed in response to CGS 26-141b by better providing for the needs of public water supply, reducing the

economic impact to the communities and customers that we serve, and prioritizing compliance where ecological benefits are most achievable.

Thank you for your time and consideration.