



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

**Connecticut Water Company  
Testimony Before the Energy & Technology Committee  
March 10, 2011**

**RE: RB 1140 *An Act Concerning the Department of Public Utility Control's Jurisdiction***

Connecticut Water Company is a private water company that serves nearly 90,000 customers or more than 225,000 people in 55 towns in Connecticut. We have 200 employees dedicated to providing our customers and the communities we serve with quality water and service. Like so many businesses in Connecticut, we are working hard to meet the needs of our customers and our employees, and remain financially stable in this economy. We have a long history of regulatory compliance and a reputation for world class customer service. We have approximately 5000 shareholders, many of whom are customers and individuals who reside in our service towns and rely on their investments in Connecticut Water to help fund their retirement or other financial needs.

Water utilities are regulated in Connecticut by the Department of Public Health with respect to the purity and adequacy of our supplies, the Department of Environmental Protection for environmental issues, and the Department of Public Utility Control (DPUC) for rates and quality of service. In addition, we are governed by the rules of the Securities and Exchange Commission (SEC) and federal financial reporting requirements. The existing regulatory structure, while complex, provides assurances that our customers' interests are protected and water companies provide for public health, safety and quality of service at fair and reasonable rates.

**The Connecticut Water Company has serious concerns about RB 1140 *An Act Concerning the Department of Public Utility Control's Jurisdiction* and asks that the Committee reject this proposal.** The current DPUC process provides the necessary considerations to ensure that any transfer of ownership of a regulated utility considers the impacts of such a transaction on rates and quality of service for the customers – which are certainly appropriate and necessary to protect the customers' interests. To extend the jurisdiction, as proposed, to include transactions of a holding company or specific activities regarding corporate governance and board positions goes beyond the bounds of appropriate utility regulation. It allows for an undue expansion of government oversight into matters of corporate governance and shareholder rights for publicly traded companies.

Under this proposal a modest change in our governance, the addition of 3 members to our existing 9 member Board, would trigger the need for approval by the DPUC. If that change was supported by our shareholders and members duly elected, it does not seem necessary or appropriate for government intervention. Further, to the extent our utility is publicly traded, and stock is traded each and every day, ownership interests in the company are constantly changing. Those changes do not affect the regulated entity providing utility service and should not be restricted by law, even if they should rise to 100% of the shares. If the changes affect rates, quality of service or result in excessive earnings, the DPUC already has authority to address that.

Connecticut Water has taken over a number of small struggling systems over the years in response to regulatory concerns and the need to ensure those customers have access to safe reliable water. We have also been involved in acquisitions with other smaller water companies where we believed there were opportunities to improve efficiencies or service with the benefit of our technical expertise and financial resources. Given the continued interest in consolidation of water systems in the state, it does not seem necessary or appropriate to adopt laws that could be seen as barriers to those efforts.

We are concerned that SB-1140 would create unnecessary barriers for utilities interested in merging, unduly regulate corporate governance, and unfairly impact shareholders rights. Because SB-1140 could make it more difficult for utilities to merge, and interfere with corporate governance, it could serve to diminish the value of the shares of the utility even if no merger was contemplated. This could negatively impact shareholders as well as ratepayers because by diminishing shareholder value, it becomes more expensive and more difficult to access capital and finance necessary investments in the utility system.

It seems that the proposed changes in RB 1140 are inconsistent with the message that "Connecticut is open for business." It is the wrong time to place additional regulatory hurdles on businesses that would potentially reduce shareholder value or impact shareholder rights. As such, we urge you to reject RB 1140.