



**Testimony**  
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**Connecticut Water Works Association (CWWA)**  
**Before the**  
**Government Administration & Elections Committee**  
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The Connecticut Water Works Association (CWWA) *strongly supports* SB-654, **AN ACT CONCERNING FISCAL NOTES FOR STATE AGENCY REGULATIONS**, which requires state agencies to consider the long-term fiscal impact of regulations prior to adoption.

Water companies are subject to numerous, complex state regulations, many of which include a longer compliance timeframe due to the nature of the requirements, which may require considerable investment and planning. Under current law, however, state agencies are only required to determine the fiscal impact for the first three years following adoption of the regulation. This is inadequate from a budgeting standpoint because it does not reflect costs associated with compliance beyond the first three years.

For example, the state Department of Environmental Protection is currently in the process of revising its proposed stream flow regulations, which have been rejected on two separate occasions by the legislature's Regulations Review Committee. One of the concerns raised by lawmakers and stakeholders regarding the regulations was relative to the fiscal impact on the state and municipalities, particularly in light of the state's current fiscal crisis.

In order to comply with the regulations and make the required reservoir releases, water utilities, including municipal water departments, will have to modify dams and upgrade their infrastructure, including installing release valves to modulate flow volume and additional pipes sized to release the range of flows required under the regulations. Companies may also have to construct new pumping and gaging stations and purchase and install flow monitoring equipment. When Waterbury Bureau of Water was required to modify its dam and distribution system to make reservoir releases as a condition of a flow management plan, it cost close to \$4 million.

In addition, because releasing water from reservoirs into rivers and streams may result in insufficient water supplies to meet the public health, safety, economic development and agricultural needs of the communities they serve, some water companies, including municipal water departments, will have to develop new water supply sources, if feasible, build new storage capacity or construct interconnections with other systems. These costs are estimated to be in the range of hundreds of millions of dollars, based on projections by engineering consultants.

However, the fiscal note, attached, downplayed the impact on municipalities, even though municipal water utilities serve almost 45% of the public water supply customers in the state. Part of the reason the fiscal note did not accurately capture these costs is because the regulations have a longer compliance timeframe and the most significant costs are not incurred in the first three years following adoption of the regulations.

In addition, the fiscal note indicated that the fiscal impact to the various state agencies involved in the regulation of water was expected to be minimal. However, the regulations will impose significant costs on state agencies because DEP, the state Departments of Public Health and Public Utility Control will have to review and process permits or applications for dam modifications, new diversions, interconnections, rate requests - all of which involve lengthy and intensive administrative reviews that may include field inspections, site visits, public hearings, and other activities that these agencies cannot perform without additional staff and resources. These costs are not reflected in the fiscal note and therefore lawmakers cannot fully consider the long-term fiscal impact of the regulations in determining whether to support adoption.

As states across the country struggle to address huge budget deficits, many are realizing the importance of accurate fiscal notes that consider both short and long-term costs. Several states already require agency regulations and/or legislation to consider long-term fiscal impacts in order to make informed decisions about whether to proceed with new laws and regulations.

Given the complexity and long compliance timeframes for many agency regulations, we believe that SB-654 is a responsible, prudent piece of legislation and urge your support.

*The Connecticut Water Works Association, Inc. (CWWA) is an association of public water supply utilities serving more than 500,000 customers, or population of about 2½ million people, located throughout Connecticut. Membership in the Association is open to all Connecticut water utilities: investor-owned, municipal and regional authorities. CWWA is committed to working with the state to develop policies that will ensure that Connecticut has a safe, ample supply of water to meet present and future needs.*