



CITY OF NEW BRITAIN
NEW BRITAIN, CONNECTICUT
WATER DEPARTMENT



STATEMENT OF POSITION
CITY OF NEW BRITAIN BOARD OF WATER COMMISSIONERS
HOUSE BILL #5258—AN ACT CONCERNING MUNICIPAL WATER COMPANIES

January 27, 2011

The Honorable Steve Cassano
The Honorable Linda Gentile
Co-Chairs, Planning & Development Committee
Legislative Office Building
Hartford, CT 06106

On behalf of Mayor Timothy T. Stewart, the City of New Britain Board of Water Commissioners would like to present its opposition to House Bill #5258- An Act Concerning Municipal Water Companies, whose Statement of Purpose is to “prohibit municipal water companies from charging higher rates to neighboring town’s residents when such residents have no choice but to purchase water from another town”.

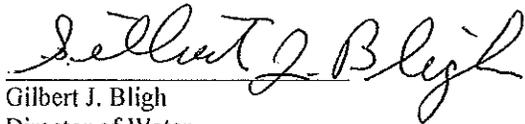
The City of New Britain Board of Water Commissioners provide water through direct service, or wholesale service, to five neighboring municipalities. A 70% surcharge is currently added to all out of town sales unless the service is provided under the conditions of a long term contract calling for minimum purchases (guaranteed sales) from the neighboring municipalities. Approximately 15% of the revenue of the City of New Britain Water Department comes from out of town sales. Any limit on our out of town surcharge would significantly impact the operating budget of the City of New Britain Board of Water Commissioners, a regional municipal water utility.

Rate surcharges can be an effective means of financially protecting a utility during periods of drought, unanticipated expenses, and by providing funding to finance much needed capital assets. The City of New Britain has had an out of town surcharge as a part of its rate structure for several decades. This out of town surcharge has provided an equitable means of applying the indirect costs associated with operating a major regional water utility to the member municipalities. An arbitrary legislative restriction would force a change to an effective and fair means of raising the necessary revenue to support the operations of the City of New Britain Board of Water Commissioners. The following listed items illustrate the potential impact this proposed legislation may have on the City of New Britain Board of Water Commissioners and any other regional municipal water provider:

1. House Bill #5258 would restrict the supply of revenue a municipality can raise to deal with significant one time financial burdens such as a natural disaster, an emergency infrastructure repair or significant new long term expenses such as added security measures, transmission and distribution main infrastructure replacements, new pump stations and water storage tanks, a new filtration plant or other water facilities.
2. House Bill #5258 would not allow a municipal water utility to apply a surcharge commensurate with the additional costs directly related to the service to another municipality.

3. House Bill #5258 could place a burden on depressed municipalities, such as New Britain, who supply affluent suburbs with water because it would limit the ability to recover the cost of major infrastructure improvements, such as our recent \$57,000,000 water filtration plant replacement program, without long term agreements.
4. House Bill #5258 would not allow for the equitable distribution of costs related to the acquisition of emergency water supplies in drought situations.
5. House Bill #5258 does not allow a host municipality to receive adequate compensation for accepting debt liability for major infrastructure projects. For example, all of the debt applicable to our \$57,000,000 water filtration plant replacement program is on the books of the City of New Britain. Because of this, our ability to borrow for other needed capital improvements in the City of New Britain is limited. None of the towns we serve absorb any of this debt limitation and the subsequent restrictions this debt limitation imposes on our other municipal operations.
6. Jeopardizes the status of existing agreements and rate structures already in place.
7. Arbitrary prohibitions on surcharges may limit the opportunities for service to municipalities in need of supply from other water providers. If a municipal utility is not allowed to apply appropriate surcharges it may not consider requests from neighboring municipalities for additional service. It may result in the withdrawal of existing service to neighboring municipalities that do not have long term agreements.

The City of New Britain Board of Water Commissioners urges the Planning and Development Committee to eliminate the proposed change to prohibit municipal water companies from charging higher rates to neighboring town's residents when such residents have no choice but to purchase water from another town, as contained in House Bill #5258- An Act Concerning Municipal Water Companies. Thank you for your consideration of this important matter.



Gilbert J. Bligh
Director of Water
City of New Britain

Cc: Mayor Timothy T. Stewart
Board of Water Commissioners