



**State of Connecticut  
General Assembly  
Committee Bill No. 5258**

**Statement of City of Groton Department of Utilities, d/b/a Groton Utilities**

The City of Groton Department of Utilities, which does business as Groton Utilities (GU), is appreciative of the opportunity to provide written comment on the above proposed legislation, which purports to protect certain residential water customers from paying higher rates.

We congratulate the bill's sponsors for their desire to continue to protect residential consumers from perceived inequities in the pricing of water service provided across municipal boundaries. However, the laudable intent of the proposed legislation is greatly overshadowed by three major and uncorrectable flaws:

1. The bill ignores the existing structures and mechanisms already in place to protect consumer interests in the setting of municipal water rates.
2. The bill would prevent municipalities from entering into contracts which are beneficial to both set of customers and are thus in the public interest, simply because the selling utility's customer pay less than the proposed contract price.
3. The bill requires discriminatory ratemaking, in that it attempts to protect one class of customers to the detriment of others.

We will briefly elaborate on each point below.

**1. The bill ignores the existing structures and mechanisms already in place to protect consumer interests in the setting of municipal water rates.**

The process of setting municipal utility rates is well-established, and involves a structured process of public notice, hearings (including expert presentation by utility staff and/or consultants), public input, and decision-making by representatives of the public. The process provides ample opportunity to inform the public, explore alternatives, litigate areas of conflict, and resolve differences in a public forum. The process is

designed to assure the appropriate attribution of utility costs to customer classes based upon the characteristics of their usage.

The proposed legislation would invalidate that process by carving out a class of customer and determining, without benefit of any information, that said class should pay no more than a certain other class.

The fundamental question is who is better positioned to protect the interests of all utility customers: legislators in Hartford who have no direct knowledge of the costs incurred to serve municipal utility customers, or local utility commissioners and city councils/selectmen who hear the testimony, cross-examine experts, listen to public input, weigh the evidence, and set rates based on the facts? We believe it is the latter.

**2. The bill would prevent municipalities from entering into contracts which are beneficial to both set of customers and are thus in the public interest, simply because the selling utility's customer pay less than the proposed contract price.**

Consider a case in which Town A has a surplus of water, while Town B has a severe shortage, and there is no pipe connecting the two towns. Town A is willing to sell water to Town B's customers, but it must build the interconnection between the two towns. In order to be made whole, Town A's resulting price for water must recover the incremental costs of supplying the water plus the costs associated with building the interconnection between them. If Town A's resulting price is higher than Town B's current price, then Town A would be prevented from recovering its costs and the pipeline would not be built. Town A would lose whatever economic benefit it would have seen, and Town B customers would still have to endure water rationing.

The Act would thereby have a chilling effect on transactions which benefit consumers on both sides of the deal, which would otherwise be in the public interest. In addition, the Act would obviously interfere with economic trade, in that it would place unreasonable barriers between towns which would otherwise be capable of striking a fair, arms-length bargain. Simply put, beneficial deals would not get done.

**3. The Act encourages discriminatory ratemaking, in that it attempts to protect one class of customers to the detriment of others.**

The bill is fundamentally flawed because it is designed to provide "protection" for a class of utility customers to the exclusion of all others.

Utility ratemaking is governed by a number of widely-held principles, including that rates should be based on costs to provide service and should be fair and non-discriminatory. (See, for example, Bonbright's well-respected volume, Principles of Public Utility Rates).

In place of well-reasoned criteria for treating all customers equally under the process, the bill attempts solely to protect residential customers, potentially at the expense of commercial and industrial users. In addition, the end result would appear to run counter to current State efforts to revitalize the economy and provide an appropriate climate for firms to do business.

The bill would also appear to require that municipalities charge rates which do not reflect the costs to service a particular geographic area, but which are arbitrarily set at levels irrespective of the costs of service.

In the end, the bill, while well-intentioned, should be rejected.

Respectfully,

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City of Groton

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