



Connecticut Department of
**ENERGY &
ENVIRONMENTAL
PROTECTION**

**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION**

Public Hearing – March 16, 2012
Environment Committee

Testimony Submitted by Commissioner Daniel Esty
Presented by Jessie Stratton

Senate Bill No. 348 (RAISED) AN ACT CONCERNING WATER CONSERVATION

Thank you for the opportunity to present testimony regarding Raised Senate Bill No. 348 which would direct PURA to establish a docket and to set rates for water companies regulated by Title 16. The basic construct of this bill originates from a report of the Water Planning Council – a body that includes representatives from DEEP, the Department of Public Health, the Office of Policy and Management, and the Public Utilities Regulatory Authority. The proposed bill seeks to conform DEEP’s recent adoption of stream flow regulations with a regulatory structure that currently financially penalizes regulated water utilities for reduced consumption. The proposal includes provisions that would encourage companies to implement water conservation programs and to include water conservation measures, and infrastructure improvements that are needed to comply with stream flow regulations, in the water infrastructure conservation adjustment mechanism (WICA) framework previously approved by this legislature. Specifically, the bill requires PURA to establish rates that would ensure that the revenue needs required for system maintenance are satisfied, regardless of sales volumes, so that companies will not be penalized for promoting water conservation programs that are consistent with the Department’s stream flow regulations. The provision also proposes increasing the WICA amount from 7.5 per cent to 10 per cent.

The specific rate design mechanisms used to promote water conservation could include, among others, inclining block rates, seasonal rates, peak period rates, and/or drought rates. While regulated water companies currently have the option of proposing such rate structures to PURA during rate case proceedings, prior state policy goals have not prioritized water conservation in a way that resulted in rate decisions supporting such proposals. While the specifics outlined in these sections of the raised bill frame the parameters within which the Department believes such rate structures should be established, discussions are ongoing with stakeholders, internal DEEP energy and environmental quality staff, and PURA. Given both the environmental impacts and significant energy use related to water purification, pumping, and distribution, the Department believes that it is important to better align state rate making regulations with our water and energy conservation goals. The Committee should be aware of the fact that existing – and presumed new rate structures if the provisions in the raised bill are implemented – would continue to differentiate between different customer classes.

Raised Senate Bill No. 348 also amends section 7-239 of the General Statutes to encourage non-regulated water utilities to similarly align their water rates with conservation goals. This provision of the proposed bill would require the unregulated, non-investor-owned water utilities to consider rate designs and other measures that would promote conservation in a manner similar to the rate design mechanisms the Department proposes for investor owned companies in the preceding sections of the proposed bill.

We appreciate the Committee's raising of this bill and look forward to working with the Environment Committee and the Energy and Technology Committee to ensure that Connecticut's environmental goals are appropriately aligned with its regulatory structures.

Thank you for the opportunity to present the Department's views on this proposal. If you should require any additional information, please contact the Department's legislative liaison, Robert LaFrance, at (860) 424-3401 or Robert.LaFrance@CT.gov.