

**Aquarion Water Company of Connecticut  
Testimony Regarding SB 348**

**AN ACT CONCERNING WATER CONSERVATION**

**Environment Committee  
March 16, 2012**

My name is Don Morrissey, EVP and CFO of Aquarion Water Company of Connecticut. I am here to provide comment on Senate Bill 348. Aquarion is the largest investor-owned water utility in New England, and currently serves over 600,000 people in 45 cities and towns in six of the eight counties across the State. With investments of over a billion dollars in Connecticut's water infrastructure, we operate 20 reservoirs and more than 75 well fields throughout our service area and produce over 30 billion gallons of water annually. I will provide a brief overview of Aquarion's comments regarding the proposed legislation today, and we will also submit written testimony to the Committee.

First, I would like to say that we at Aquarion take very seriously our responsibility for the safety and reliability of water supplied to Connecticut's citizens for consumption and fire protection. We also take pride in our stewardship of the environment and take our responsibility for conservation and natural resource management very seriously, as well. We recognize that water conservation plays an important role in achieving environmental goals and avoiding unnecessary capital expenditures and water supply projects. In its Water Supply Plan, Aquarion has identified numerous water supply development projects needed to satisfy current projected demands. If the conservation goals envisioned in this legislation are achieved, the capital expenditure profile for Aquarion would be significantly impacted in a positive way. Promoting conservation helps to lessen the need to develop additional supplies and reduces energy and chemical usage. For these reasons, Aquarion supports SB 348 and its underlying principles.

Aquarion has an active Conservation Program with a goal to foster conservation throughout our service territory. We support legislation such as Senate Bill 348 that encourages and promotes conservation while maintaining revenue levels that are necessary to operate, repair, replace and maintain our systems. Authorizing rates for water companies that promote conservation, support investments in infrastructure and “decouple” authorized revenues from sales volume is a preferred approach to the existing model which results in insufficient revenues and is a disincentive to promote conservation.

Aquarion has well documented the decline in customer consumption. Based on our analysis, Aquarion consumption has dropped over 9% over the past 8 years. This declining consumption coupled with the current rate setting process has prevented Aquarion from achieving its allowed revenues. This in turn makes it more difficult to invest in needed infrastructure. Significant parts of Connecticut’s water system are very old and in need of repair, replacement and upgrade. Investment in these projects requires that the Company be allowed to earn its allowed revenues. The decoupling envisioned by Senate Bill 348 will facilitate the Company’s ability to make this needed investment.

In summary, we are a fixed cost business relying on variable revenues. Conservation, while laudable, contributes to lower revenues which makes it more difficult to support needed investment. Senate Bill 348 will help to support needed revenue levels and help support the health of Connecticut’s water companies.

I look forward to your questions.

Thank you.