WRITTEN TESTIMONY
SUSAN SUHANOVSKY
PRESIDENT
TORRINGTON WATER COMPANY
MARCH 16, 2102

RE: SUPPORT – SB-348, Water Conservation

My name is Susan M. Suhanovsky. I am the President of The Torrington Water Company, (the "Company"). My business address is 277 Norfolk Rd., Torrington, CT

The Torrington Water Company is a privately held, investor-owned, public service water company. The Company serves approximately 40,000 people in five towns.

The Torrington Water Company would like to thank the Environment Committee for raising SB-348 and urge your support of these important water conservation measures. This bill provides for regulatory policies and ratemaking tools that will enable water utilities to promote conservation. Without the ratemaking tools proposed, we are not in a position to promote conservation as we are not able to meet the established, approved revenue requirement, let alone encourage our customers to conserve.

The proposed regulatory tools can streamline the regulatory process, mitigate the need and frequency of larger general rate cases, and will ensure that we will be able to realize our allowed revenue while promoting conservation. Rate cases are expensive – with costs for my company easily exceeding $100,000 – and this is then passed on to customers.

This legislation has measures to ensure that the utility will receive sufficient revenues to meet the PURA approved revenue requirements to recover the authorized operating costs and maintain a level of investment necessary to sustain the system as demands are reduced when conservation is achieved.

The bill would require that PURA authorize rates for water companies that promote conservation that may include:

(1 implementation of measures to provide more timely price signals for consumers,
(2) multiyear rate plans, and
(3) measures to reduce system water losses.

The bill further directs the Department to authorize a water conservation and sustainability adjustment (WCSA) for a water company that has not recovered the allowed revenues approved by the Department; and has not exceeded their allowed rate of return. The bill details the process by which the WCSA would be authorized and includes a number of safeguards for the consumer, including that a credit would be issued to customers if the company's revenues exceeded the revenue requirement.

Current ratemaking practices create a significant disincentive for water utilities to promote conservation because revenues, except for the basic service charges, are directly tied to customer consumption. There are growing trends of declining use, which

are likely a result of a combination of various factors including changes in building codes and plumbing efficiency standards, availability of more efficient appliances, conscious efforts by consumers to adopt a conservation ethic, as well as population, household size, economic and demographic trends. Whatever the cause, the reality is that with traditional ratemaking and the assumptions now made during a rate case in Connecticut, there is a significant gap between operating costs and the revenues that are realized, making the utility financially vulnerable as soon as the case is complete.

By using a historic test year to determine operating costs and project demands, and relying on historic multiyear averages to project customer growth and water usage, it is almost guaranteed that neither the projected demands or revenues will be realized. As such, the utility is economically harmed if demand is reduced and it creates a real disincentive for the water utility to further promote conservation as it would only widen the revenue gap.

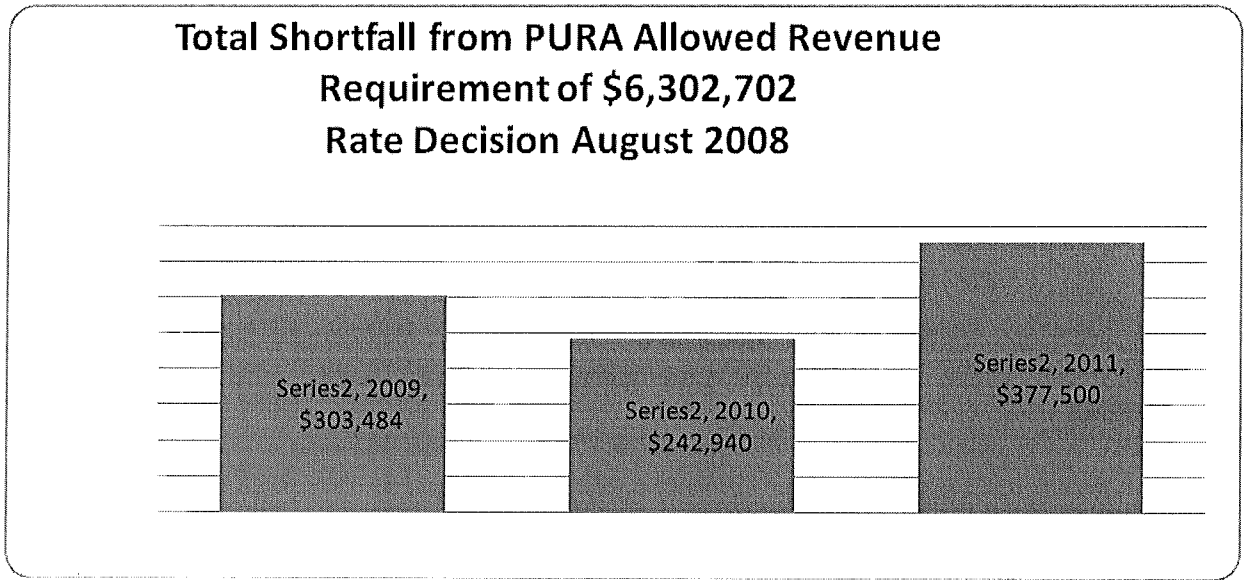
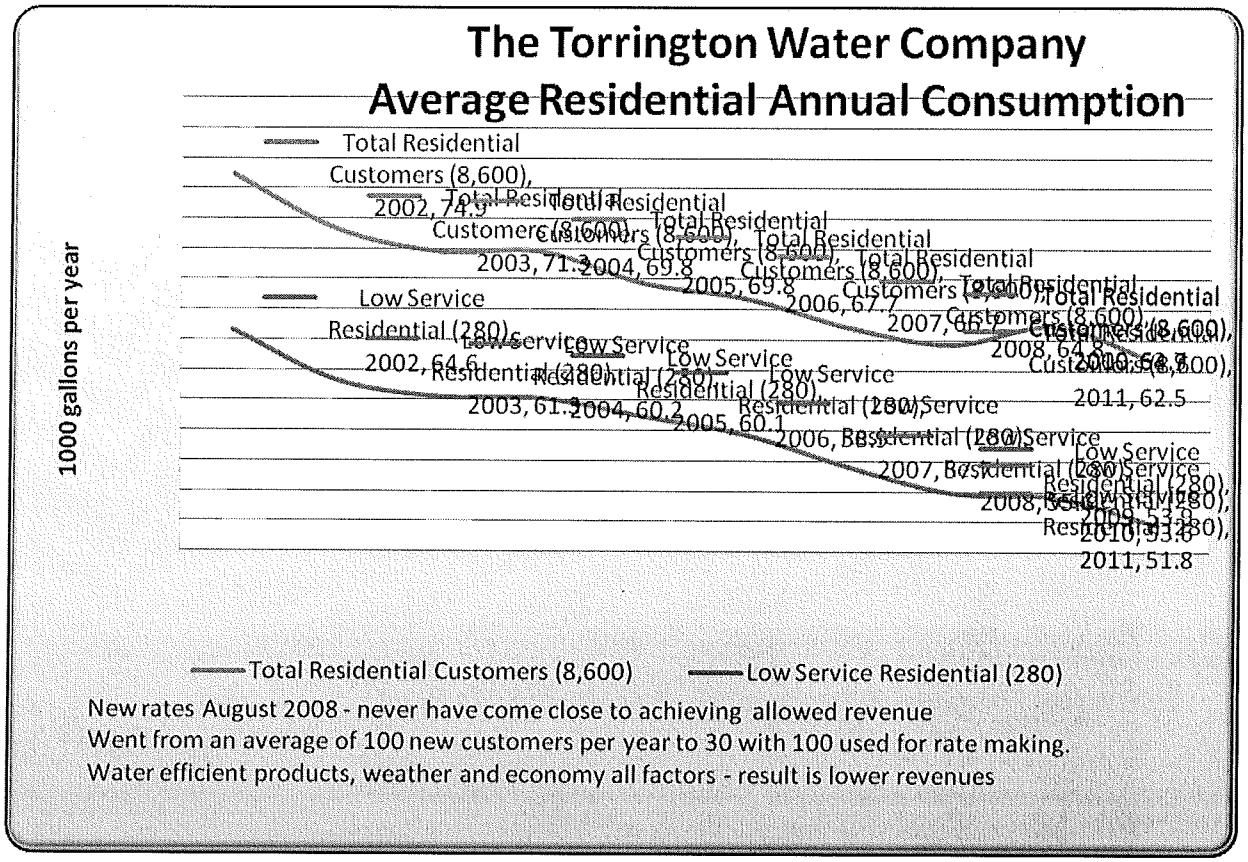
The charts in *Attachment A* demonstrate the impact of traditional ratemaking practices and conservation on our Company's revenues, showing a decline in revenues that is simply not sustainable. Had the projected demands/estimated revenues appropriately considered declining usage, the numbers would have been much closer. With such a gap, the utility is driven to apply for a general rate case sooner and for a larger amount. The result is that the customer and the Commission incur the time and expense of an additional rate case. Further, the request seems larger than necessary as it reflects costs that were previously approved, but not actually recovered in rates.

Finally, It includes provisions that expand WICA eligible projects to include the purchase of energy efficient equipment or investments in renewable energy supplies and capital improvements necessary to achieve compliance with stream flow regulations. WICA is an existing ratemaking tool authorized by the legislature in 2007 that allows for interim rate adjustments for PURA regulated companies for eligible projects that improve system reliability, water quality and reduce water loss through main breaks and leaks.

Since that legislation was adopted, the WICA program has been highly successful and achieved the intended goals of accelerating infrastructure replacement and creating jobs with minimal rate impacts on customers. After two years of accelerated main replacement our customers will have a 2.6% surcharge on their bills – with virtually no complaints.

We believe this bill provides a tremendous opportunity to formally establish policies for ratemaking in water that will further important objectives to reduce energy demands while at the same time, it will streamline the regulatory process, mitigate the need and frequency of larger general rate cases, reduce agency staff and resources required for general rate case proceedings, and ultimately serve the interests of the public and the customers. We thank you for raising these important concepts and urge the Committee's support.

Attachment A

Impacts of Existing Ratemaking Practices and Conservation on Water Utility Revenues

Torrington Water Company actual revenues compared to revenues approved by PURA