
OLR Bill Analysis

sSB 348

AN ACT CONCERNING WATER CONSERVATION.

SUMMARY:

This bill requires the Public Utilities Regulatory Authority (PURA) to authorize investor-owned water company rates that promote water conservation. It also requires PURA, under certain circumstances, to approve a water conservation and sustainability rate adjustment to allow the companies to meet their approved revenues regardless of customer water usage. The adjustment can be a charge or credit on the company's rates.

The law allows PURA to authorize a water infrastructure and conservation adjustment (WICA) to enable an investor-owned water company to recover the cost of certain infrastructure projects. The bill expands the types of projects for which PURA can grant a WICA to include (1) the purchase of energy efficient equipment or investments in renewable energy supplies and (2) capital improvements needed to comply with state stream flow regulations. It also increases the maximum amount of the adjustment from 7.5% to 10% of the water company's approved annual retail water revenues.

The bill also:

1. allows municipal legislative bodies to consider measures to promote water conservation when setting rates for municipal water companies;
2. requires the Water Planning Council to recommend water conservation measures and programs to PURA and the Department of Energy and Environmental Protection (DEEP); and
3. requires PURA to initiate a generic docket to identify water and

energy conservation programs for which a water company could recover implementation costs through rates, if the expenses are reasonable and prudent.

EFFECTIVE DATE: Upon passage

WATER CONSERVATION RATES

The bill requires PURA to authorize investor-owned water company rates that promote water conservation whenever a company applies for them. It allows these rates to include:

1. rate designs to promote conservation such as inclining block (higher rates for increased consumption), seasonal, peak period, and drought rates to reduce outside or other discretionary water usage;
2. measures to provide timely price signals;
3. multi-year plans;
4. measures to reduce system water loss; and
5. funds for consumer programs to promote conservation through education and incentives or rebates for water-efficient retrofits.

WATER CONSERVATION AND SUSTAINABILITY ADJUSTMENT

The bill requires PURA to authorize a water conservation and sustainability rate adjustment charge or credit whenever an investor-owned water company shows that, during the 12-month period subject to the adjustment, it did not (1) recover its allowed revenues and (2) exceed its allowed rate of return by more than 1% in any calendar year. (Presumably, these requirements would only apply when a company sought a rate adjustment charge, however the bill requires that they also be met for a rate adjustment credit.)

Under the bill, a water company must indicate that it is seeking such a charge or credit in its rate amendment application and PURA must decide on the application within 30 days. PURA must hold an uncontested administrative proceeding in which it can consider

comments from interested persons and the public. Its final determination cannot be appealed.

Although it specifies that no rate adjustment charge or credit can become effective until PURA approves it, the bill also allows a water company to begin applying an adjusted charge or credit if PURA has not issued its decision within the 30-day deadline, as long as the company refunds any additional collections that exceed the amount PURA eventually approves. The bill does not specify any conditions for rate adjustment credits.

The bill requires an approved rate adjustment charge or credit to be calculated as a percentage based on the difference between the actual revenues the company collected over the past 12 months and the revenues it was authorized to collect in its last general rate case. (The bill does not specify, but presumably if a company collected 98% of its approved revenues, it could apply a 2% rate adjustment charge. If it collected 102% of its approved revenues it would issue a 2% rate credit.)

Under the bill, the approved adjustment must also be:

1. applied to customer bills for the 12-month period following PURA approval;
2. applied on customer bills on or after the April 1st of the calendar year in which it was approved;
3. in effect at the rate authorized each year until PURA authorizes new base rates in a general rate case; and
4. applied to all customer classes, except public fire accounts.

(It is unclear if these time frames would be applied evenly, i.e., if PURA approved an adjustment in January it would apply for the next 12 months, but only be on customers' bills starting in April. However, if PURA approved an adjustment in June it would appear on customers' bills for the next 12 months.)

Under the bill, the adjustment ends when a water company's new base rates become effective. It requires the water company to incorporate any remaining amounts due from the adjustments into its new base rate. (By law, PURA, not the water company, sets rates.)

The adjustment also ends if the company exceeds its allowed rate of return by more than 1% in a calendar year. (This provision would end rate charges if the company was earning extra revenue, but it would also cause the company to stop issuing rate credits when it was earning this extra revenue.)

In calculating the adjustment, the bill also specifies that a company's authorized revenues cannot be adjusted to reflect customer growth unless it occurs because DEEP ordered the company to acquire another economically non-viable or statutorily non-compliant water company.

MUNICIPAL WATER COMPANIES

The bill allows municipal legislative bodies that set rates for municipal water systems to consider measures to promote water conservation that include (1) rate designs to promote conservation such as inclining block, seasonal, peak period, and drought rates; (2) measures to provide timely price signals; (3) multi-year plans; (4) measures to reduce system water loss; and (5) funds for consumer programs to promote conservation through education and incentives or rebates for water efficient retrofits.

WATER PLANNING COUNCIL RECOMMENDATIONS

The bill requires the Water Planning Council, by July 1, 2012, to recommend to PURA and DEEP's Energy Efficiency Board conservation measures and programs for PURA to consider in its generic docket that could also be included in DEEP's comprehensive conservation and load management plan. The council must consider the use of renewable energy supplies; meter equipment and technology designed to promote timely price signals; and consumer programs like monthly billing, water audits, leak detection, and rebates for water-efficient retrofits on fixtures and appliances.

BACKGROUND

Related Bill

sSB 415, favorably reported by the Energy and Technology Committee, also expands WICA eligibility to include (1) the purchase of energy efficient equipment or investments in renewable energy supplies and (2) capital improvements needed to comply with state stream flow regulations. It also increases the maximum amount of the adjustment from 7.5% to 10% of the water company's approved annual retail water revenues.

COMMITTEE ACTION

Environment Committee

Joint Favorable Substitute

Yea 22 Nay 6 (03/21/2012)