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Testimony to the Energy & Technology Committee
March 20, 2012
RE: HB 5542 AAC *Consumer Protections for Utility Consumers*

Connecticut Water Company opposes HB 5542 AAC *Consumer Protections for Utility Consumers*. Connecticut Water is a private water company that serves nearly 90,000 customers or approximately 300,000 people in 55 towns in Connecticut. We have 200 employees dedicated to providing service to our customers and communities and are proud of our long record of customer service, regulatory compliance and environmental stewardship.

Utility operations are complex and highly regulated and it is important to be able to attract and retain qualified individuals to lead those organizations. The market dictates what is necessary to attract employees in a particular field and arbitrarily limiting utility executive compensation ignores that important force. Setting a fixed statutory limit on executive compensation does not adequately consider the number of officers on the team, the scope of executives' responsibility, or the needs or performance of the utility. Imposing a statutory limit is problematic and simply not in the best interest of the company or customers. Further, establishing a fixed dollar amount in statutes does not even allow for reasonable inflationary adjustments over time.

The Public Utility Regulatory Authority (PURA) has vast powers in the rate setting process to determine what should be authorized in rates and what will be disallowed. Through that process compensation and benefits for all employees, including officers, is carefully examined. Through the extensive rate case proceedings, PURA determines what are prudent, reasonably incurred costs to provide service, and eligible to be recovered in rates.

To suggest that the additional compensation costs would be borne by shareholder funds may seem like a solution, but it is not appropriate, particularly when you consider the profile of the typical shareholder that would be impacted by such a provision. The majority of Connecticut Water shareholders are individuals who live in Connecticut, have relatively small ownership levels, have held their stock for years, and count on the dividends in their retirement.

Shareholders provide the company access to capital so we can invest in our systems, create jobs, maintain our infrastructure, and deliver quality service. Shareholders should not be expected to incur costs for salaries that are reasonable and appropriate to meet the needs of our customers and the communities we serve.

We respectfully request that the Committee reject RB 5542 and allow PURA to use the rate setting process and rely on the preponderance of evidence in each case to determine what costs should be recovered in customers' rates and what should be borne by shareholders.

*For additional information or questions on our testimony please contact:
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