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Testimony to the Energy & Technology Committee  
February 7, 2013  
RE: **SB 807 AAC Water Infrastructure & Conservation,**  
*the Department of Public Health, Municipal Reporting Requirements and  
Unpaid Utility Accounts at Multi-Family Dwellings*

**Connecticut Water** thanks the Energy and Technology Committee for raising SB 807 and **supports the provisions in Sections 1 to 11 of the bill** pertaining to water companies, particularly those related to water infrastructure and conservation.

As a public water utility that serves nearly 90,000 customers or approximately 300,000 people in 56 towns in Connecticut, we have long been stewards of the environment and strive to ensure that water resources are protected and water operations are sustainable.

We concur with the comments submitted by the Connecticut Water Works Association and our industry colleagues on SB 807. We will focus our testimony on the sections of the bill regarding water infrastructure and conservation. **The provisions are timely, as they will further the state's goals to reduce energy demands, protect natural resources and the environment, enhance streamflows, and provide for public health and safety.**

The legislation is consistent with recommendations in the Governor's draft *Comprehensive Energy Strategy*. The water conservation concepts are in DEEP's legislative package and have been broadly supported by highly respected environmental organizations across the State.

The Water Planning Council, which includes top officials of the Office of Policy and Management, Department of Public Health, Public Utility Regulatory Authority (PURA), and Department of Energy and Environmental Protection, formally supported similar provisions in 2012 proposed legislation, recognizing they would further the goals of the State. Their testimony quoted a 2012 WPC report "*.... There are numerous economic and environmental benefits to promoting water conservation. Clearly, achieving meaningful reductions in water demand can enhance utility and environmental sustainability, protect our state's water resources and advance the state's energy conservation goals.*"

Key provisions of SB 807 that would promote conservation and further these important State goals include:

#### **WATER CONSERVATION RATES AND MEASURES**

Section 1 - Water companies would be expected to **propose rates for PURA's approval designed to promote comprehensive water conservation**. The bill identifies specific measures that should be considered in establishing such rates to promote conservation.

Absent such ratemaking tools, water companies' revenues are tied to the amount of water customers use, so there is no incentive for the companies to promote conservation.

Instead, water companies are penalized financially if demands are reduced through conservation or other measures. Removing that barrier will help promote conservation.

**Section 2** – A docket would be initiated to identify water and energy conservation programs that would be eligible for recovery by a water company in rates. Through this docket, the Authority would provide direction to utilities regarding what conservation programs would be authorized in rates, as well as what measures might be appropriate to incorporate into the existing conservation programs performed through the Energy Conservation & Management Board under the Conservation and Load Management Plan.

**Section 3** - PURA would continue to have a transparent public process and scrutinize all of a water company's expenses to determine the appropriate level of revenues required to maintain the Company's operations and necessary level of capital investment. Rates per unit are then established based on the projected demands in the case.

The proposal provides a mechanism for the Company to request a PURA review to reconcile actual demands with the demands projected in the last general rate case and adjust rates as necessary to recover the PURA authorized revenues. Rather than a separate line item on the bill as proposed last year, the adjustment would be folded into base rates, avoiding the concern that people who conserve are 'punished' with a surcharge.

We strongly support this concept and are prepared to work with the Committee and other stakeholders on any necessary language changes to further define the process and ensure the appropriate safeguards are in place for customers, including prohibiting an adjustment if the company exceeded their allowed rate of return and requiring a credit be issued to customers if the company's revenues exceeded the PURA approved revenue requirement.

## **WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT**

**Sections 7 and 8** of the bill would expand the eligibility for Water Infrastructure and Conservation Adjustment (WICA) charges as authorized under Section 16-262v of the CGS. WICA is an existing ratemaking tool that allows for interim rate adjustments, as approved by PURA, for regulated water companies for eligible projects that improve system reliability, water quality and reduce water losses through main breaks and leaks. These investments are otherwise eligible for recovery in rates, but the WICA mechanism provides a more streamline, timely approval process to recover the costs between general rate cases.

By reducing water loss, these infrastructure replacements lower system production and the associated energy and chemical costs to treat and deliver that water. This provides for additional releases to streams, and in some cases may delay or avoid the need to develop additional sources of supply to meet customers' needs in the future.

To encourage the additional conservation related investments, without compromising continued investments in replacement of aging infrastructure, SB 807 would expand the cap for WICA to 10% between rate cases. For a typical water utility customer, that would be less than \$5 per month, even at the maximum level.

The definition of WICA eligible projects would be expanded to include additional items that are key to achieving the state's energy and environmental policies including the (1) purchase of energy efficient equipment for water company operations; and (2) capital

improvements necessary to achieve compliance with stream flow regulations adopted pursuant to section 25-141b.

The WICA program has been highly successful and achieved the goals of accelerating infrastructure replacement and conserving water resources, with minimal impacts on customers' rates. Since implementing our WICA program, Connecticut Water has:

- invested nearly \$48 Million,
- replaced 57 miles of main,
- increased our pipe replacement schedule to the industry recommended rate,
- created more than 150 construction and related jobs in Connecticut,
- seen reductions in the frequency and costs of main breaks in our system, providing real savings in water resources, energy and chemicals,
- realized savings in labor and capital costs for main break repairs with the costs incurred for main breaks in 2012 nearly 45% less (\$337,000 savings) than 2008,
- seen reductions in water system losses, particularly in some of the older, smaller systems that regularly relied on tanker water deliveries to meet customers' needs. Three such small systems **each** had reductions of about 10,000 gallons per month, or over 3.6 million gallons per year with an associated annual energy savings of approximately \$5000 each.

The current cumulative total of WICA charges for our customers is 5.64% or approximately \$2.61 per month on the average residential customer's bill - with significant environmental and customer benefits and virtually no customer complaints.

## SUMMARY

**SB 807 is a tremendous opportunity to formally establish policies for ratemaking in water that will ensure that individual rate case decisions support important state objectives to reduce energy demands, improve and protect natural resources and the environment, and enhance streamflows.** 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.**

Rate cases are problematic for everyone – the company, regulators, state and local officials, and customers – yet utilities must have rates that provide sufficient revenues to meet operating costs and attract capital to invest in infrastructure. Rate cases are costly proceedings – with a small water company easily incurring \$150,000 and larger companies faced with \$600,000 to \$800,000 for a case. These costs are all passed on to customers in rates. Regulatory practices that streamline the process and/or reduce the frequency of rate cases should be encouraged.

**We thank the Committee for raising these important concepts and ask for your support of those provisions in SB 807. We stand ready to work with the members of the Committee, our water industry colleagues, and other stakeholders to revise the language, as appropriate to accomplish the desired goals of the legislation.** If you have questions please contact Maureen Westbrook at 1-860-664-6055 or [mwestbrook@ctwater.com](mailto:mwestbrook@ctwater.com).