



**Testimony
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Before the Energy & Public Utilities Committee
February 7, 2013**

RE: SB-807 - AN ACT CONCERNING WATER INFRASTRUCTURE AND CONSERVATION, THE DEPARTMENT OF PUBLIC HEALTH, MUNICIPAL REPORTING REQUIREMENTS AND UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS

■ WATER CONSERVATION (Sections 1 – 4)

CWVA *strongly supports* Section 1 -3 of SB-807, which will assist water companies in promoting water conservation. The provisions were part of DEEP’s legislative package and such measures have been endorsed by environmental groups and the Water Planning Council.

As stewards of the state’s water resources, CWVA member utilities recognize the importance of promoting conservation to preserve and protect water supplies to meet the future public health and safety needs of the state. Discussions regarding how to more aggressively promote water conservation were a natural outgrowth of our efforts to collaborate with state agencies and environmental and watershed organizations to develop balanced stream flow regulations.

Concerns about the adequacy of water supplies in some communities; difficulties in developing new sources of supply; efforts to require water companies to release significant quantities of water into rivers and stream; and public support for reducing energy and water consumption have put a sharp focus on the need to promote greater water conservation.

Under the current rate structure, however, there is some tension between promoting water conservation and addressing concerns about declining revenues. As more efficient plumbing fixtures and appliances and conservation and demand management measures are implemented, water demands decline and water utilities experience an associated decline in revenues. At the same time, capital costs for facilities and infrastructure replacement remain high and costs associated with water distribution and treatment are increasing.

To address how rates could be structured to encourage, rather than penalize, water companies whose customers conserve and succeed in reducing water consumption, a work group of the Water Planning Council was charged with developing recommendations. The work group, comprised of environmental, business and water utility representatives, recommended the following:



- Require PURA to authorize rates and charges for water companies that promote water conservation through various mechanisms;
- Allow recovery in rates for the installation of meters and equipment to promote water conservation which will allow more timely price signals;
- Support programs at the utility level that offer customers incentives, rebates or retrofits for more water efficient fixtures and appliances; and

CWWA strongly supports these recommendations, which have been incorporated in SB-807.

The bottom line is that wasting water should not make economic sense. Working with lawmakers and public officials, Connecticut water companies have taken important steps in promoting water conservation. SB-807 allows us to build on those efforts to better preserve and protect Connecticut's public water supplies.

CWWA does, however, recommend that the provisions in Section 4 of the bill requiring municipal and regional water companies to consider various options for promoting water conservation be deleted. Water companies are already required to incorporate conservation practices in their water supply plans, which must be prepared and submitted to the state Department of Public Health (DPH) on a regular basis and these provisions are therefore unnecessary.

MUNICIPAL ANNUAL REPORTS (Section 5)

Section 5 of the bill is intended to eliminate the requirement that municipal water departments prepare and submit an annual report to PURA detailing certain financial information. CWWA supports the elimination of this requirement which imposes an unnecessary burden on municipal water departments and does not serve any particular purpose. Moreover, the format and financial information required to be submitted is not consistent with the format generally used by municipalities, thereby necessitating additional staff time to prepare. We urge your support for the elimination of this report.

WATER INFRASTRUCTURE CONSERVATION ADJUSTMENT (WICA) (Sections 6 and 7)

Sections 6 and 7 of the bill, which CWWA supports, expand the state's WICA program, which was established in 2007 to support interim rate adjustments for projects that improve water quality or the reliability of the system. The program, which is similar in several other states, has successfully addressed a critical need to promote the timely, proactive replacement of aging infrastructure. Section 6 expands the type of projects eligible under WICA to include the purchase of energy efficient equipment, capital improvements necessary to comply with stream flow regulations, and system improvements required for a water system acquisition approved by PURA. Section 7 of the bill increases the cap on WICA charges to 10% to support and encourage early compliance with stream flow regulations without compromising other funding needs, such



as infrastructure replacement. These provisions would further support important environmental goals of the state.

WATER SYSTEM ACQUISITIONS (Section 8)

Section 8 of the bill is aimed at addressing concerns with the current process for water system acquisitions. Many of these acquisitions involve very small community public water systems that do not have the financial or managerial capacity to upgrade treatment and distribution systems or comply with stringent water quality and other requirements.

Under current law, PURA and DPH may order the acquisition of a water company under certain circumstances. PURA and DPH also support efforts to facilitate the acquisition of these systems because they recognize that customers will be better served. However, under traditional ratemaking, the acquiring company may recover its costs based only on the acquired company's depreciated rate base or book value but the value of a water system is often greater than its depreciated book value. This discourages companies from acquiring such systems unless an above-book purchase price can be negotiated. To address this, CWNA supports Section 8 of the bill which modifies Conn. Gen. Stat. 16-262s to permit recovery of reasonable acquisition premiums on the purchase of viable systems and a premium rate of return to encourage the acquisition of troubled systems. This will help facilitate acquisitions and help ensure that customers will be served by companies in a position to provide safe, reliable supplies of water to meet their needs. This language was developed with input from stakeholders on the Water Planning Council Advisory Group and support of the Water Planning Council.

MULTIFAMILY DWELLINGS – DELINQUENCIES (Sections 9-11)

Increasingly, water utilities are facing difficulties collecting overdue accounts from residential multifamily property owners. This increases costs for customers who do pay their bills on time.

Under current law, water companies have very little recourse to recover unpaid bills from landlords because service cannot be terminated to master metered multifamily dwellings (Section 16-262e(a)(2)). Instead, water companies must petition the courts to have a receiver appointed to collect rents and pay the water bills, a process that is ineffective. CWNA therefore supports efforts to address this issue by providing the receiver with broader authority to enforce the landlord's obligation to pay the water bills. Specifically, Section 9-11 of the bill would authorize the receiver to collect rents, petition the court to attach wages and bank accounts as well as seek other statutory post-judgment remedies.

TRANSFER OF AUTHORITY FROM DPH TO PURA (Sections 12-84)

It is unclear what issues the bill is attempting to address by transferring authority for various water related functions from the state Department of Public Health to PURA. DPH has long been the



state's lead agency in all matters related to the purity and adequacy of drinking water and has been granted "primacy" status by the United States Environmental Protection Agency (EPA) to implement and enforce provisions of the Federal Safe Drinking Water Act (SDWA). We are concerned that transferring authority to PURA may create confusion or disrupt certain regulatory programs that are vital to ensuring a safe, quality supply of water for our customers. CWVA is available to meet with committee members to discuss these issues more fully and to work with you if there are specific areas you want to address.

WATER PLANNING COUNCIL REPORT (Section 86)

We support repeal of Section 25-33p, which is redundant inasmuch as the Water Planning Council is required to develop and submit a final report under Section 25-33o.

The Connecticut Water Works Association, Inc. (CWVA) is an association of private, municipal and regional public water supply utilities serving more than 500,000 customers, or population of about 2½ million people, located throughout Connecticut.

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