



Connecticut Department of
**ENERGY &
ENVIRONMENTAL
PROTECTION**

**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION**

Public Hearing – February 7, 2013
Energy and Technology Committee

Testimony Submitted by Commissioner Daniel Esty

Raised Senate Bill No. 807 AN ACT CONCERNING Water Infrastructure and Conservation, the Department of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings

Thank you for the opportunity to present testimony regarding Raised Senate Bill No. 807 - AAC Concerning Water Infrastructure and Conservation, the Department of Public Health, Municipal Reporting Requirements and Unpaid Utility Accounts at Multi-Family Dwellings. The Department of Energy and Environmental Protection's (DEEP's) comments primarily relate to sections 1, 2, 34, 6 and 7 of the raised bill which would direct PURA to set rates for water companies regulated by Title 16 in a manner that encourages the conservation of water resources. The basic premise of these sections originates with a report by the Water Planning Council – a body that includes representatives from DEEP, the Department of Public Health, the Office of Policy and Management, and the Public Utilities Regulatory Authority.

The DEEP has jurisdiction over two of the three major categories of regulation relating to water resources and shares jurisdiction over a third with the Department of Public Health. Specifically DEEP regulates the quality and quantity of the water resource itself in order to protect public health and aquatic habitat as well as coastal and inland wetlands. The DEEP, through its separate Public Utilities Regulatory Authority, also establishes customer rates and assigns other responsibilities to the regulated investor owned water utilities. The proposed legislation seeks to establish framework that harmonizes our multiple responsibilities through regulations that support the State's broad goals as well as those of each division within the agency. While recognizing that competing needs usually require balance among them, this proposal seeks to rectify the fact that the State's current water policies can drive contradictory actions.

Specifically, the Stream Flow Regulations recently adopted by DEEP, require water utilities to balance withdrawals with ecological releases, which may reduce water available to meet customer demand. At the same time the economic realities of maintaining a water utility and meeting its fiduciary responsibility to its shareholders is tied to the rates that PURA allows them to recover from their customers. Those rates are largely established on a per gallon basis which means that working to help customers conserve in order lessen water withdrawals from the environmental resource the Stream

Flow Regulations seek to protect, lowers the water utility's sales and hence the revenues used to sustain the business.

The raised bill directs the Public Utilities Regulatory Authority to initiate a docket to identify water conservation and energy conservation programs related to water, that would be eligible for recovery by a company. The Water Planning Council, and we would suggest the Energy Efficiency Board, would develop recommendations for the authority to consider -- some of which might be implemented by a water company itself and others which could be included in the Conservation and Load Management Plan developed by the Energy Efficiency Board. We would ask that the committee amend the date by which these recommendations are made to January 1, 2014 rather than October 1 of this year.

In addition, Section 7 of the bill would build upon the success of the water infrastructure conservation adjustment mechanism (WICA) framework previously approved by this legislature by increasing the WICA amount from 7.5 per cent to 10 per cent. The Water Infrastructure Conservation Adjustment (WICA) incentives for utilities to repair and replace an aging water infrastructure that is increasingly prone to failure. In the past few months alone, news of water main breaks has been an almost weekly occurrence. These events result in service disruption for customers, often create traffic problems and, increase utility costs for one or more of the following digging under streets and then repaving, overtime wages and frequently providing potable water to customers during the disruption. Many of the state's water pipes are over 100 years old and in 2007 it was estimated that the average time frame for complete replacement was in the order of 240 years. The WICA provision has enabled increased infrastructure investment, and should be increased as recommended in order to prevent costly and dangerous main breaks.

Given both the environmental impacts and significant energy use related to water purification, pumping and distribution, the DEEP believes that it is important to better align state rate making regulations with our water and energy conservation goals. The committee should be aware of the fact that existing -- and presumed new rate structures if the provisions in the raised bill are implemented -- would continue to differentiate between different customer classes.

Section 4 of Raised Senate Bill No. 807 also amends section 7-239 of the General Statutes to encourage non-regulated water utilities to similarly align their water rates with conservation goals. This provision would only require that the unregulated, non-investor-owned water utilities consider rate designs and other measures that would promote conservation in a manner similar to the rate design mechanisms proposed for investor owned companies in other sections of the raised bill.

Our understanding is that many of the other provisions in this bill are not likely to move forward, hence rather than addressing concerns at this time, we look forward to working with the committee and others to ensure that our residents have quality water service and that Connecticut's environmental goals are appropriately aligned with its regulatory structures.

Thank you for the opportunity to present the DEEP's views on this proposal. If you should require any additional information, please contact the DEEP's legislative liaison, Robert LaFrance, at (860) 424-3401 or Robert.LaFrance@CT.gov.