



South Norwalk Electric and Water
A Municipal Utility System
Serving the Needs of the Community

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**Testimony
Of
John Hiscock, General Manager
South Norwalk Electric and Water
The Second Taxing District of the City of Norwalk
Before the Energy and Technology Committee
February 20, 2014**

SB-109: An Act Concerning Rates of Certain Water Systems

Senator Duff, Representative Reed, Senator Chapin and Representative Hoydick and members of the Energy and Technology Committee, I am John Hiscock, General Manager of South Norwalk Electric and Water (SNEW) and I wish to express SNEW's **opposition** to Senate Bill-109, An Act Concerning Rates of Certain Water Systems.

SNEW is a municipal utility wholly-owned by the Second Taxing District of the City of Norwalk, an independent municipal special District chartered by the Legislature by Special Act. SNEW's water system was established in 1875 to serve the City of South Norwalk with water supply, in a time in our history, when fire protection was the primary interest in the growing commercial districts of the urban areas of the time. When the water system serving South Norwalk was completed in the late 1870's communities outside the City of South Norwalk petitioned for water supply understanding the importance of a clean, safe water supply for both domestic use and fire protection. Because a significant number of, more rural at the time, communities surrounded South Norwalk it extended the water system at the request of those communities outside of South Norwalk. Today, South Norwalk Electric and Water serves water to about one-half of the City of Norwalk and a small section of the Town of Wilton. When the City of Norwalk was created out of three communities within the Town of Norwalk, the utility systems of the former cities of Norwalk, South Norwalk and the East Norwalk Fire District remained as assets of the newly created First, Second and Third

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Taxing Districts, independent from the City of Norwalk. South Norwalk Electric and Water has historically had a two-tiered rate structure in which the residents of the legal Second Taxing District (the old City of South Norwalk) pay a base rate and the customers outside of the legal Taxing District pay the base rate plus a surcharge. The surcharge is designed to compensate the tax payers of the District for the business risk they take in providing water service outside of their boundaries and to compensate the District for general obligation bond principle and interest risk. Both risks are the responsibility of the District tax payers of the District. Customers residing outside the legal Taxing District bear no responsibility for default payments on the general obligation bonds, which are used to finance expansion and improvements in the water system both inside and outside the District or any other business risk. The concept of a multi-tiered rate structure is not at all uncommon. It exists in a significant number of communities throughout Connecticut, New England and nationally. The multi-tiered rate structure has been supported legislatively and has been upheld repeatedly on appeal in the judicial system of the various States across the nation. Our opposition to this Bill is founded in the unreasonable risk that the residents of the Second Taxing District would bear, without appropriate compensation, if Senate Bill-109 passes and the rates charged are equalized both inside and outside of the District. Customers outside the District would receive the benefits of public water supply without any of the associated risks. Despite the higher rates charged to SNEW's outside the District customers, those customers still receive water service at a lower rate than in the surrounding communities. It is not an unfair burden for the outside of the District customers to pay the higher rate especially considering the higher cost of the same service in the surrounding communities. SNEW urges you to oppose Senate Bill-109.

I will be happy to answer any questions you might have with respect to the Bill's impact.