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Testimony of Connecticut Water Company
Energy & Technology Committee
March 17, 2015

HB 6984 AAC Revenue Adjustment Charges for Water Companies.

Connecticut Water Company supports *HB 6984 AAC Revenue Adjustment Charges for Water Companies*. We thank the committee for raising HB 6984 and concur with the comments submitted in support of the bill by our professional association, Connecticut Water Works Association.

As a public water utility that serves over 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 have found that the Water Revenue Adjustment (WRA), authorized by PA 13-78, has been an important tool to support efforts to promote water conservation and sustain water systems with minimal rate impacts on our customers. The WRA ensures that water utilities do not over-collect or under-collect the revenues approved by the Public Utilities Regulatory Authority (PURA) at the time of the company's last general rate proceeding. It may be a charge or credit on customers' bills based on actual water revenues collected in the prior year.

There is a regulatory process in place to approve and implement the adjustment on customers' bills which requires an annual review and adjustment by PURA once the actual revenues collected in the prior year are confirmed. The proposed changes in the bill would not fundamentally change the basis for the adjustment or the conditions for its use but would modify and further streamline the approval process.

As the utilities and the agencies now have some experience with the implementation of the WRA, it was agreed in discussions with the Office of Consumer Counsel (OCC) and PURA that some minor modifications to the law could streamline the regulatory process and still protect the customers' interests.

Current law requires that once requested, the company must continue the WRA annually thereafter but limits the duration for which the company may use the WRA to a period of six years following the last general rate case. The proposed changes in HB 6984 would allow that six year limit to be based on other PURA actions such as a rate reopener or settlement agreement, which are generally accepted as 'new rates' even though they are not the result of a full rate case proceeding.

In 2013 PURA approved a limited reopener for our Company to adopt a settlement agreement that we proposed to the OCC and the Attorney General to return to our customers a refund of federal taxes that we received as a result of new IRS rules. The agreement provided our customers a credit on their bills over a 2 year period and, at the same time, allowed us to roll the Water Infrastructure and Conservation Adjustment (WICA) charge authorized under section 16-262w in effect at that time into base rates. In essence, new rates were approved by PURA but not through a general rate case.

The proposed change in HB 6984 would clarify that the company would have use of the WRA for the full 6 years following that PURA approved reopener and not be unnecessarily driven to file for a general rate case simply because of the 6 year statutory time limit for the WRA following a general rate case in the current law.

The bill would also allow PURA the opportunity, upon request from the company, to extend the duration of the adjustment for an additional three year period, with the required annual review and reconciliation. PURA will have the discretion to consider the specifics in those cases and decide whether to extend the duration of the WRA or to have the company in for a general rate case filing.

We urge your support of the bill, as it provides an opportunity to streamline the regulatory processes and still protect the interests of customers.

We thank you for the opportunity to comment in support of HB-6984 and ask that you act favorably on the proposal.

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