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Testimony of Connecticut Water Company  
Planning & Development Committee  
March 11, 2016

*RB 422 An Act Concerning Residential Water Rates,  
Public Drinking Water Supply Emergencies and Sellers of Bottled Water*

Connecticut Water Company joins with our water industry colleagues in opposing *RB 422 An Act Concerning Residential Water Rates, Public Drinking Water Supply Emergencies and Sellers of Bottled Water*. We are concerned that the bill, as drafted, sets new state policy which could have implications for all water utilities in Connecticut and considerable unintended consequences for the customers and communities we serve.

Connecticut Water is committed to maintaining safe and adequate supplies of water to meet the needs of our customers and communities. As a public service company providing an essential service, we have an obligation to serve all customers in our service area and a responsibility to plan and design our systems to meet those customers' current and future needs. We are not in the position to judge the merits of a particular customer or their needs, but have a statutory obligation to have adequate supplies and be able to serve whenever there is a request. We meet those obligations while honoring a host of environmental regulations which balance public water supply and environmental needs.

**Section 1** of the bill, which would legislatively mandate how water users would be prioritized in the event of a public drinking water supply emergency, is in direct conflict with existing, approved water utility Emergency Contingency Plans. Such plans, developed under the Water Supply Plan regulations, and provided to both the Department of Public Health and the Public Utilities Regulatory Authority (PURA), so that in extreme, emergency cases where supplies are constrained, the Company would continue to meet the needs of critical customers, such as hospitals and nursing homes, while still providing for the domestic and public health needs of our remaining customers. The customers deemed to be critical water users within a given community, which may well be classified as commercial accounts, are identified and prioritized considering factors in the regulations and the needs of customers and communities in a specific system. At the same time, all customers, including residential customers, should and would be expected to reduce their discretionary outdoor uses, such as lawn watering.

Attempting to otherwise prioritize one customer's needs ahead of another is not consistent with our public service obligation. It is problematic to think that the needs of all commercial customers, which could include grocery stores, restaurants, offices, manufacturers, day care centers, and many other businesses, would automatically be secondary to residential uses. Those commercial customers are essential to the public health, safety and economic vitality in many of the communities we serve.

It seems that the intent of **Section 2** is to limit the rate structures for those serving licensed bottled water businesses, but as currently drafted, it is limited only to the holder of the bottled water license. We are concerned, however, that this provision is intended to dictate the rate treatment for particular water users.

Water utilities across the country typically have rate structures that differ for groups of customers in a designated rate class - residential, commercial, industrial, or public authority. The rates are developed based on cost of service studies and universally accepted rate design principals. The studies, generally presented in rate proceedings by highly specialized experts, support different rates for categories of users based on the needs and costs such users create on the water system design and operation. Those long standing rate setting principals provide for an appropriate and equitable distribution of costs and design of rates for a water system. Connecticut Water Company's rates are developed based on those principals and implemented only after being approved by PURA, with review and comment by the Office of Consumer Counsel, and a process that allows for input from customers, community leaders, and the public at large.

Water utilities can and do have economic development rates as a tool to help support economic development in the communities served. They are considered tools, like other incentives offered in partnership with state and local leaders, to attract businesses, induce economic development and create jobs in Connecticut. If used, these rates are typically structured to cover the incremental costs to serve the new customer, but may phase in their contribution to the utilities' fixed costs over time.

As a private water company, regulated under Section 16 of the CGS, we are fortunate to be able to use the Water Revenue Adjustment mechanism (authorized under Section 16-262y of the CGS) as a means to promote water conservation. The leadership of PURA, OCC and the Connecticut legislature to adopt such a mechanism has provided a valuable ratemaking tool for private water companies and allowed us to focus on water service not water sales. Using this ratemaking tool, we are no longer dependent on traditional rate design where revenues are directly linked and entirely dependent on the volumes of water sold. However, for other utilities whose revenues continue to be tied directly to customer usage, additional customers and greater demands can help distribute the high fixed costs of water utility operations and reduce pressure on rates of existing customers.

We would ask that the Committee reject RB 422 as proposed. We stand ready to participate in any further discussions on the concepts in the proposed bill to ensure that it does not result in unintended consequences on water utilities or the customers and communities we serve.

*Connecticut Water serves approximate 90,000 customers or 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 our water utility operations are sustainable.*