

Testimony
George S. Logan, Director-Environmental Management & Government Relations
Aquarion Water Company
Before the Energy & Technology Committee
March 1, 2016

RE: SB-103 - AN ACT CONCERNING THE RESPONSIBILITIES OF THE PROCUREMENT MANAGER OF THE PUBLIC UTILITIES REGULATORY AUTHORITY AND MINOR REVISIONS TO ENERGY-RELATED STATUTES

Aquarion Water Company supports Sections 1 and 2 of SB-103, with some revisions.

As a public water supply company serving more than 625,000 people in 51 cities and towns throughout Connecticut, we strive to act as a responsible steward of the environment, assist the communities we serve through fair, reasonable rates and promote environmentally sustainable practices. Aquarion Water Company is the largest investor-owned water utility in New England and among the seven largest in the U.S. We are based in Bridgeport, Connecticut.

Replacing aging infrastructure has always been an important part of our capital project work in order to assure continued safe, reliable water service to our customers. But, as recognized by the legislature, timelier rate recovery was needed. Accordingly, the Connecticut Legislature approved WICA (Water Infrastructure and Conservation Adjustment) in 2007 to facilitate replacement of water distribution system pipes and related infrastructure, such as old or problematic water mains, valves, fire hydrants, meters and leak detection equipment, that have either reached the end of their useful life, or are negatively affecting water quality or service reliability. Originally, the legislation limited the surcharge increase to 5% in any given year, and 7.5% between rate cases. As a result of the success of the WICA Program, the upper limit was subsequently increased from 7.5% to 10%. For increases beyond these amounts, water companies must submit full applications for a formal rate case.

The intent of Sections 1 and 2 of SB-103 will be helpful by clarifying the terminology used in the statutes which will help bring more consistency in administering these provisions as they pertain to the measurement of company earnings. Also, we respectfully request that this language be further modified to provide that a company's earnings are measured based on the rolling twelve month periods ending with the two most recent consecutive financial quarters.

In addition, Aquarion Water Company requests revising provisions in Section 2 of the bill that address instances when a company exceeds its authorized rate of return under WICA. Current law resets the WICA charge to zero if the company exceeds its allowed rate of return by more than one hundred basis points. We recommend this provision should be revised to reduce the WICA charge to customers by the

amount that will offset any excess earnings. The benefits of WICA to our customers includes smaller, timelier increases to their water bill while providing enhanced quality and reliability, because improving our infrastructure enables us to improve our service and delivery. Resetting WICA to zero undermines the intent of the program and will undermine the smoother rate path provided by WICA.

Similar to the process currently in place requiring an annual reconciliation and adjustment to the WICA charge to address over or under collection by the company, we recommend using the same process and timing to adjust the WICA charge to customers as appropriate. Currently, if the water company collects more WICA revenues than authorized in a given year, those excess revenues are refunded to customers via lower rates. Conversely, if the water company collects less WICA revenues than authorized, then those revenues are collected via higher rates. This same process could easily be utilized to address earnings in excess of one hundred basis points over the authorized equity return.

Again we urge your support of SB-103 with the suggested changes described above. If deemed necessary and when appropriate, Aquarion Water Company representatives are available to work with the Energy and Technology Committee, PURA and the Office of Consumer Counsel to help gain consensus and finalize the suggested revisions to the bill's language. Thank you.