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**Testimony**  
**John J. Herlihy, VP Water Quality & Environmental Management**  
**Aquarion Water Company**  
**Before the Finance Committee**  
**February 23, 2017**

**RE: SB-273 - AN ACT ELIMINATING THE SALES TAX PAID BY CUSTOMERS OF PRIVATE WATER COMPANIES**

Aquarion Water Company strongly supports SB-273 which restores the exemption from the sales tax for private water companies which was repealed in 2015.

As a public water supply company based in Bridgeport, Connecticut, we serve more than 625,000 people in 51 cities and towns throughout Connecticut. Aquarion Water Company is the largest investor-owned water utility in New England and among the seven largest in the U.S. 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.

The state budget and tax package adopted in 2015 eliminated the sales tax exemption for private water companies, creating further disparities in the costs private water companies have to pay as compared to municipal and regional water utilities, which translates into higher rates paid by water customers throughout Connecticut. Assessing a sales tax on purchases made by private water companies imposes an additional unfair burden on the private water companies and the customers and communities we serve.

Aquarion Water Company serves communities in urban, suburban and rural communities throughout Connecticut. It is difficult to rationalize the imposition of a sales tax on the expenses paid by water companies serving some Connecticut residents and not on others. Current law has created disparities between rates by private water customers and customers of municipalities or regional water utilities. For example, urban area water customers in Bridgeport and Stamford must pay the sales tax imposed on their water company, while customers in the Hartford area, New Haven area, New London, Waterbury and most of Danbury do not pay this tax.

Based on our latest estimated use tax calculation, coupled with the sales tax we paid our vendors, the projected annual amount of sales tax for Aquarion Water Company is approximately \$3.2 million. This tax burden will be passed on directly to customers.

A 1993 study on water company regulation lead by the Legislature's Program Review & Investigations Committee concluded that private water companies already have additional costs that public suppliers do not. Private water companies already pay local, state, and federal taxes not paid by our municipal counterparts and are subject to various legal and operational requirements that drive up costs and thus increase customer rates. To help address the disparity and burden placed on customers of private water companies, in 1994 the legislature exempted private water companies from the sales tax on goods and services we purchase.

The sales tax on private water companies creates an added burden that results in additional costs that are passed along to water customers in some of the most economically stressed communities within our state.

Again we urge your support of SB-273 to remedy this inequity by restoring the sales tax exemption for private water companies. Thank you.