

Energy and Technology Committee JOINT FAVORABLE REPORT

Bill No.: HB-5346

AN ACT CONCERNING THE SALE OF MUNICIPAL WATER SUPPLY AND

Title: WASTEWATER UTILITY ASSETS.

Vote Date: 3/29/2018

Vote Action: Joint Favorable

PH Date: 3/8/2018

File No.:

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SPONSORS OF BILL:

Raised by the Energy and Technology Committee

REASONS FOR BILL:

This bill seeks to create a process for determining sale prices of municipal water supply and wastewater utility assets in order to make it easier and more orderly for municipalities to sell these types of assets and for water companies to purchase them. Oftentimes, municipalities struggle to afford operating and maintenance costs associated with running water and wastewater systems themselves, and this legislation would establish a process to make it easier for these municipalities to sell these systems to water companies that specialize in their operation and upkeep.

RESPONSE FROM ADMINISTRATION/AGENCY:

Public Utilities Regulatory Authority (PURA) and the Office of Consumer Counsel (OCC):
PURA and the OCC offered joint testimony in opposition to H.B. No. 5346. They argued that the fair market value approach outlined in this bill is contrary to long-standing regulatory practices and precedents in Connecticut. They believe that this approach could lead to the over-valuation of municipal water systems, which would lead to water companies overpaying for these systems. This would likely result in ratepayers having to subsidize these purchases and the maintenance/improvements that these systems will need through higher rates. This bill also prevents PURA from adjusting the sale price of a municipal water system if PURA believes the price is inappropriate, which could lead to further over-valuation. PURA and the OCC believe that this bill would negatively impact ratepayers, and therefore stand in opposition to its passage.

NATURE AND SOURCES OF SUPPORT:

Elizabeth Gara, Connecticut Water Works Association: The CWWA offered testimony in support of HB. No. 5346. Elizabeth Gara believes that this bill would give municipalities who can no longer afford to fund ongoing maintenance or upgrades to their water systems a quick and efficient method for finding a water company who can take ownership of those systems. According to Gara, the fair market value system, determined by averaging the price appraisals given by two professionals of a water system, is a fair and adequate method of determining the price of a specific water system. PURA has oversight in that it approves the sale and any rates and surcharges that customers of the acquired system will have to pay. Gara points to six other states that have adopted similar processes and the benefits to municipalities, water companies, and consumers have seen as a result of this method of price determination.

NATURE AND SOURCES OF OPPOSITION:

No additional testimony was offered in opposition of this bill.

Reported by: Spencer Ward

Date: 4/2/2018