



General Assembly

Raised Bill No. 5346

February Session, 2018

LCO No. 1958



Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:
(ET)

**AN ACT CONCERNING THE SALE OF MUNICIPAL WATER SUPPLY
AND WASTEWATER UTILITY ASSETS.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2018*) (a) For purposes of this
2 section:

3 (1) "Municipal" or "municipality" means any unit of government,
4 including a town, city, borough, consolidated town and city,
5 consolidated town and borough, district taxing district, public agency
6 or authority established by the general statutes, a special act or a local
7 law, ordinance or charter, or any other subdivision of government;

8 (2) "Municipal water supply system" means a water system owned
9 by a municipality, including a municipal waterworks system
10 established by the general statutes, a special act or a local law,
11 ordinance or charter, or any other subdivision of government;

12 (3) "Municipal wastewater system" means a sewage or wastewater
13 system owned by a municipality or otherwise established by the
14 general statutes, a special act or a local law, ordinance or charter, or
15 any other subdivision of government;

16 (4) "Average fair market value" means the numerical average of the
17 fair market values of two utility valuation expert appraisals conducted
18 pursuant to subsection (c) of this section;

19 (5) "Ratemaking rate base" means the dollar value of the municipal
20 water supply system or municipal wastewater system;

21 (6) "Water company" has the same meaning as provided in section
22 16-1 of the general statutes; and

23 (7) "Utility valuation expert" means an experienced appraiser.

24 (b) A municipality may negotiate with a water company for the sale
25 of a municipal water supply system or municipal wastewater system
26 to such water company. The municipality and the water company shall
27 negotiate a sale price. After such sale price is negotiated and agreed
28 upon, such municipality and water company shall determine the
29 average fair market value of such municipal water supply system or
30 municipal wastewater system pursuant to subsection (c) of this section.

31 (c) To determine the average fair market value of a municipal water
32 supply system or municipal wastewater system, after a municipality
33 and a water company have negotiated and agreed upon a sale price
34 pursuant to subsection (b) of this section, (1) the municipality and the
35 water company shall jointly engage the services of a licensed engineer
36 to conduct an assessment of the tangible assets of such municipal
37 water supply system or municipal wastewater system, (2) the
38 municipality and the water company shall each engage a utility
39 valuation expert, (3) each utility valuation expert, using the assessment
40 conducted pursuant to subdivision (1) of this subsection, shall perform
41 an appraisal of such municipal water supply system or municipal
42 wastewater system, which shall include a determination of the fair
43 market value of such municipal water supply system or municipal
44 wastewater system pursuant to the Uniform Standards of Professional
45 Appraisal Practice, and (4) each utility valuation expert shall provide
46 such utility valuation expert's appraisal to the municipality and the

47 water company within ninety days of engagement pursuant to
48 subdivision (2) of this subsection.

49 (d) After the completion of the appraisals pursuant to subsection (c)
50 of this section, the municipality and the water company shall jointly
51 submit an application for approval for the sale of such municipal water
52 supply system or municipal wastewater system to the Public Utilities
53 Regulatory Authority. The authority may approve such application,
54 provided the authority shall approve or deny such application not
55 later than six months after the date on which the application was filed.

56 (e) If the authority approves such application, the authority shall (1)
57 determine the ratemaking rate base as the lesser of (A) the sale price
58 negotiated by the municipality and the water company pursuant to
59 subsection (b) of this section, and (B) the average fair market value of
60 such municipal water supply system or municipal wastewater system
61 as determined by subsection (c) of this section, (2) approve rates and
62 any applicable surcharges for customers of such municipal water
63 supply system or municipal wastewater system, (3) permit such water
64 company to include the ratemaking rate base in such water company's
65 rate base for ratemaking purposes in its next general rate case, and (4)
66 permit such water company to include in its rate base the costs
67 associated with the acquisition of such municipal water supply system
68 or municipal wastewater system, including (A) transaction and closing
69 costs, and (B) fees paid to the engineer conducting the assessment of
70 the assets and the utility valuation experts, provided appraisal fees
71 that do not exceed five per cent of the fair market value of the
72 municipal water supply system or municipal wastewater system shall
73 be presumed to be reasonable.

74 (f) Nothing in this section shall be construed to supersede any
75 provisions of the general statutes or municipal charters regarding the
76 sale or disposition of municipal assets or any provisions of the general
77 statutes regarding the acquisition of a water company.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	New section

ET *Joint Favorable*