



General Assembly

January Session, 2025

Raised Bill No. 6777

LCO No. 3741



Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:

(ET)

AN ACT CONCERNING WATER UTILITY SYSTEMS AND WATER QUALITY AND TREATMENT SURCHARGES.

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

- 1 Section 1. (NEW) (*Effective July 1, 2025*) (a) As used in this section:
- 2 (1) "Authority" means the Public Utilities Regulatory Authority;
- 3 (2) "Eligible project" means a water company project, whether
- 4 completed in a single year or a multiyear project, that (A) the authority
- 5 determines is a major addition, upgrade, improvement or replacement
- 6 of a critical element of water infrastructure necessary to meet state or
- 7 federal drinking water regulations, provided such state or federal
- 8 mandated drinking water regulations were not foreseeable, as
- 9 determined by the authority, during the pendency of a water company's
- 10 most recent general rate case pursuant to section 16-19 or 16-19a of the
- 11 general statutes, (B) has not been authorized by the authority for
- 12 inclusion in a water company's rate base, and (C) is not subject to the
- 13 provisions of section 16-262w of the general statutes;
- 14 (3) "Perfluoroalkyl and polyfluoroalkyl substances" or "PFAS" has the

15 same meaning as provided in section 22a-255h of the general statutes;
16 and

17 (4) "Water company" has the same meaning as provided in section 16-
18 1 of the general statutes.

19 (b) The authority may authorize a water company to recover, on an
20 annual basis, costs incurred to date for any water company project
21 determined to be an eligible project. Notwithstanding the provisions of
22 section 16-19 of the general statutes, the water company may charge
23 such costs as a water quality and treatment surcharge in addition to such
24 water company's existing authorized rates and charges at the time of
25 filing such request with the authority.

26 (c) (1) Before implementing a water quality and treatment surcharge
27 pursuant to this section, the water company shall file for approval by
28 the authority a water quality and treatment assessment report that
29 identifies any proposed water infrastructure additions, upgrades,
30 improvements or replacements of a water system or any component of
31 such system planned for completion not later than ten years from the
32 date of such filing that meet the requirements for an eligible project and
33 adhere to the criteria set forth in subdivision (2) of this subsection.

34 (2) Criteria for any such project shall include, but not be limited to,
35 (A) compliance with applicable state or federal drinking water quality
36 standards or other standards met by such project; (B) the nature and
37 extent of water treatment required to meet such water quality standards;
38 (C) water source development or treatment necessary to comply with
39 action levels determined by the Commissioner of Public Health or
40 applicable state or federal water quality standards for PFAS, lead or
41 other contaminants; and (D) system components determined to be past
42 their useful life based on generally accepted engineering standards.

43 (d) The authority shall approve a water company's water quality and
44 treatment assessment report upon determining that the company has
45 demonstrated (1) the infrastructure projects considered for renewal or

46 replacement are eligible projects; (2) the projects considered for
47 addition, upgrade, improvement or replacement provide public health
48 benefits by improving water quality for customers; and (3) the projects
49 adhere to the criteria specified in subsection (c) of this section for
50 determining priority for eligible projects. The authority may hold a
51 hearing to solicit input on a water company's water quality and
52 treatment assessment report, provided the authority's decision on the
53 assessment is made not later than one hundred eighty days after the
54 company files the water quality and treatment assessment report with
55 the authority. Any such report not approved, rejected or modified by
56 the authority within such one-hundred-eighty-day period shall be
57 deemed approved.

58 (e) (1) The water quality and treatment surcharge shall be calculated
59 as a percentage based on the actual cost of an eligible project as
60 authorized by the authority multiplied by the applicable rate of return
61 as approved in the water company's most recent general rate case
62 proceeding, plus associated income tax, depreciation and property tax
63 expenses related to eligible projects and any reconciliation adjustment
64 calculated pursuant to subsection (h) of this section as a percentage of
65 the retail water revenues approved in the water company's most recent
66 general rate case proceeding pursuant to section 16-19 or 16-19a of the
67 general statutes.

68 (2) A water company may apply the water quality and treatment
69 surcharge for an eligible project as a charge on customer bills at intervals
70 of not less than twelve months, commencing on either January first,
71 April first, July first or October first in any year.

72 (f) (1) No proposed water quality and treatment surcharge shall
73 become effective unless the authority has approved (A) the water
74 quality and treatment assessment report concerning such proposed
75 surcharge pursuant to subsection (d) of this section, and (B) the amount
76 of such surcharge in an administrative proceeding. The administrative
77 proceeding shall be completed and a decision shall be rendered by the

78 authority not later than one hundred twenty days after a water company
79 files an application to approve such surcharge.

80 (2) In connection with the administrative proceeding, the company
81 shall provide the authority with an updated water quality and treatment
82 assessment report with its filing for a water quality and treatment
83 surcharge that details any significant changes in the extent of capital
84 spending on water quality projects planned to be completed within the
85 ten years following the date of such filing. The company shall also
86 provide a detailed capital spending plan for each such eligible project
87 for the three years following the date of such filing.

88 (3) The authority shall receive and consider comments of interested
89 persons and members of the public at the administrative proceeding,
90 which shall not be considered a contested case for purposes of chapter
91 54 of the general statutes, this section or any regulation. Any approval
92 or denial of the authority pursuant to this subsection shall not be
93 deemed an order, authorization or decision of the authority for
94 purposes of section 16-35 of the general statutes.

95 (4) Notwithstanding the provisions of this section, if the authority has
96 not rendered a decision concerning any such application for a proposed
97 water quality and treatment surcharge within the time frame
98 established under subdivision (1) of this subsection, the proposed
99 surcharge shall become effective at the option of the water company
100 pending the authority's decision. If a water company elects to impose
101 such surcharge in accordance with the terms of this subdivision before
102 the authority renders a decision concerning such surcharge, the water
103 company shall refund its customers any such amounts collected from
104 such customers in excess of the surcharge approved by the authority in
105 its decision.

106 (g) The amount of water quality and treatment surcharge charged
107 between general rate case filings shall not exceed fifteen per cent of the
108 water company's annual retail water revenues approved in its most

109 recent rate filing, and shall not exceed seven and a one-half per cent of
110 such revenues for any twelve-month period. The amount of the
111 adjustment for any eligible project shall be included in new base rates
112 and the surcharge shall be reset to zero as of the effective date of new
113 base rates approved pursuant to section 16-19 or 16-19a of the general
114 statutes. Following the reset of the surcharge in a general rate case, the
115 company may continue to collect through the surcharge costs incurred
116 for any eligible project, including additional costs in multiyear projects.
117 If, after any adjustments pursuant to section 16-262y of the general
118 statutes are made, the company exceeds the allowable rate of return by
119 more than one hundred basis points for the rolling twelve-month period
120 ending with the two most recent consecutive financial quarters, the
121 authority shall establish an earnings sharing mechanism that provides
122 for any earnings in excess of the allowed return on equity to be shared
123 equally between ratepayers and shareholders.

124 (h) On or before February twenty-eighth of each year, a water
125 company shall submit to the authority an annual reconciliation report
126 for any water quality and treatment surcharge applied to customer rates
127 through December thirty-first of the previous calendar year. Such
128 reconciliation report shall identify the costs incurred on any eligible
129 project, demonstrate that the water quality and treatment surcharge is
130 limited to eligible projects and include any other information required
131 by the authority. In addition, the reconciliation report shall compare the
132 water quality and treatment surcharge revenues actually collected to the
133 applicable authorized water quality and treatment revenue
134 requirement. If, upon completion of the review of the annual
135 reconciliation report the authority determines that a water company
136 overcollected or undercollected a water quality and treatment
137 surcharge, the difference between the revenues actually collected and
138 the applicable authorized water quality and treatment surcharge
139 revenue requirement shall be recovered or refunded, as appropriate, as
140 a reconciliation adjustment over a one-year period commencing on
141 April first. The water company shall refund its customers with carrying

142 costs calculated at the water company's authorized overall rate of return
143 as determined in its most recent general rate proceeding for any
144 overcollection, but the water company shall not be eligible to recover
145 any carrying costs for any undercollection.

146 (i) A water company shall notify customers through a bill insert or
147 other direct communication when a water quality and treatment
148 surcharge is first applied, and the water quality and treatment surcharge
149 shall appear as a separate item on customer bills.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2025	New section

Statement of Purpose:

To allow water companies to charge a water quality and treatment surcharge to recover costs for capital projects required to comply with state and federal water regulations.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]