

# Energy and Technology Committee

## JOINT FAVORABLE REPORT

**Bill No.:** HB-6777

AN ACT CONCERNING WATER UTILITY SYSTEMS AND WATER QUALITY

**Title:** AND TREATMENT SURCHARGES

**Vote Date:**

**Vote Action:**

**PH Date:** 2/4/2025

**File No.:**

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### SPONSORS OF BILL:

Energy and Technology Committee

### REASONS FOR BILL:

This bill will 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. Water companies will submit an annual reconciliation report to the Public Utilities Regulatory Authority, who will determine if a water company over collected or under collected on such water quality and treatment surcharges. If they determine this, the difference of revenue will be collected. Regulations that are imposed often mandate infrastructure upgrades and expansions that can run large charges for water companies. As a result, a water company may be facing financial burdens to comply with regulations. This bill would provide a financial incentive for water companies to comply to state and federal law whilst ensuring the distribution and maintenance of safe and clean water for the residents of Connecticut.

### RESPONSE FROM ADMINISTRATION/AGENCY:

**Claire E. Coleman, the Office of Consumer Council (OCC):** The OCC will not support **HB-6777** unless modifications are made to address provisions that may result in harmful impacts on customers. The first provision is in **Section 1(b)** to adjust the language so it clarifies that a public water company isn't entitled to recover the entire of an incurred investment in one year, but the return of and on an investment will be recoverable over the course of their expected lives. The next provision is to **Section 1(c)(1)** to shorten the amount of time from the application of the proposed upgrades to the planned timeframe from ten years to five years. The next provision is to **Section 1(c)(2)** to eliminate subsection (D) that suggest that a retiring utility plan could be appropriate for certain criteria for the large cost of recovery treatment of a tracking mechanism that was used. The next provision is to **Section 1(d)(3)** to

eliminate the final sentence "Any such report not approved, rejected, or modified by the authority within such one-hundred-eighty-day period shall be deemed approved." The next provision is to **Section 1(f)(2)** that the capital spending on any water quality project planned to be completed be changed from ten years to five years. The next provision is to **Section 1(f)(4)** to eliminate the entire section, not supporting any provision that will allow a company's proposal to go into effect without PURA providing a ruling. OCC won't support this bill without the elimination of this section. The final provision is to **Section 1(g)** because of concerns on line 117, "the triggering criteria for an Earning Sharing Mechanism ("ESM").

#### **NATURE AND SOURCES OF SUPPORT:**

##### **Jonathan Avery, Senior Officer at Hazardville Water Company, and Water Jewett**

**Company:** The Hazardville Water Company and the Water Jewett Company support bill **HB-6777** because it allows private water utility companies to charge a water quality and treatment surcharge to customers. This bill will allow the recovery of past costs for capital projects that are required to act in compliance with both state and federal water regulations. As a representative of two small privately-owned water utilities, the utilities are committed to meeting both state and federal requirements to address the water quality concerns involving PFAS and other emerging contaminants that are becoming more common. This supports the implementation of lead service line replacement programs that act in compliance with the Lead & Copper Rule Revisions (LCRR) and provide upgrades and replace the aging infrastructure to improve efficiency and enhance climate resiliency and reliability. This bill will provide support to the obligations that water companies must provide safe, reliable drinking water to customers.

##### **Robert Sherwood, President of the Hazardville Water Company and the Jewett City**

**Water Company:** The Hazardville Water Company and the Jewett City Water Company support **HB-6777** because it supports both companies' mission to meeting both state and federal requirements to address the water quality concerns that involve PFAS and other increasing contaminants. It allows the companies to recover surcharges that are accrued when completing capital projects that fall into meeting compliance with both state and federal water regulations. The bill also supports the implementation of service line replacement programs that act in compliance with the Lead & Copper Rule Revisions (LCRR) and also simultaneously replace and upgrade aging infrastructure which improve efficiency and enhances climate resiliency and reliability. The bill would increase the companies' ability to meet obligations and provide safe, reliable drinking water to the resident of Connecticut.

##### **Sara Mendillo, Government Affairs of the Middlesex Chamber of Commerce:**

The Middlesex Chamber of Commerce supports **HB-6777** because public water systems are a reliable provider of water which meet the increasingly stringent public health standards that are essential for existing business to support the continued economic development in the state of Connecticut. The bill would allow water companies that are regulated the Public Utilities Regulatory Authority (PURA) to create and implement a water quality and a treatment surcharge to recover costs for capital projects that are required to comply with both federal and state regulations. Surcharges that are accrued would be subjected to review and approval by PURA to ensure that the conducted project is consistent with the criteria outlined in the bill while also providing public health benefits for the customers served by the water company. The regular incremental surcharges allow for timely investments and recovery into

projects while avoiding larger rate increases that would occur if utilizes were to be made wait and seek recovery for projects completed over multiple years in a singular rate case. The Middlesex Chamber of Commerce believe that HB-6777 will give the utilities the tools to make investments in infrastructure to support local communities while providing regulatory oversight and protections for consumers.

**Peter Myers, Senior Public Policy Associate of CBIA:** CBIA supports bill **HB-6777** because it will enable water companies to responsibly manage their own costs of necessary investments to comply with both state and federal mandates. The business community that CBIA supports recognizes the essential importance of ensuring that water infrastructure meets requirements. The bill provides a balanced approach and offers water utilities the necessary financial tools to make important infrastructure improvements while reducing the impact on ratepayers. The bill prevent drastic short-term rate increases that could propose a burden on both citizens and businesses, the Public Utility Regulatory Authority having the ability to spread costs over a continual timeframe. The bill increases access to clean and reliable drinking water which is critical for the health and well-being for the residents of Connecticut but also a critical foundation for the economic growth goals in Connecticut. It will help provide clean, safe, and affordable drinking water to residents and businesses of Connecticut.

**Daniel Lawrence, Vice President of Engineering and Real Estate at the Aquarion Water Company of Connecticut:** The Aquarion Water Company supports **HB-6777** because it will give the Public Utilities Regulatory Authority (PURA) the ability to regulate water utilizes with a mechanism that timely supports investment in essential infrastructure that is necessary to meeting new regulations. It acts in a similar way to the mechanism that was enacted in 1989 through the Surface Water Treatment Rule, creating regulation in water utilities that faced funding significant and critical investments in new treatments plants to act in compliance with new regulations. The water quality and treatment surcharge would also decrease the rate of impacts from PFAS-related investments that help reduce the potential for steeper rate increases, which in turn produces affordable customer rates that are mandated in water quality infrastructure investments. This bill help ensure that water utilities can deliver the highest quality of drinking water to the resident of Connecticut. Drinking water that meets or exceeds both state and federal regulations.

**Elizabeth Gara, Executive Director of the Connecticut Water Works Association:** The Connecticut Water Works Association supports **HB-6777** because it places the private water utilities in the state to create infrastructure investments that will meet water quality treatment requirements. This will be accomplished by building on the successful Water Infrastructure Conservation Adjustment (WICA) plan. This also helps reduce the amount that could be requested in the water utilities subsequent general rate case. The water utilities in Connecticut strive to ensure that water rates are reasonable for customers while also committed to assisting customers who face hardships with payment plans and assistance programs.

**Craig J. Patla P.E., President of the Connecticut Water Company:** The Connecticut Water Company supports **HB-6777** because it implements a mechanism on customers' bills that will primarily address the billions of dollars that water utilities need to properly invest on treatment

on Per- and Polyfluoroalkyl Substances (PFAS) in drinking water. This will produce positive health outcomes for customers. Removing PFAS from drinking water is something CWC is committed to doing and meeting regulations. Recommendations on the bill are a specific definition of eligible projects to reflect new regulatory requirements, a change for the 120 to 60 days for the length of administrative proceedings and remove lines 115-125 and 137-143.

**Robert Powelson, President, and CEO of the National Association of Water Companies**

**(NAWC):** NAWC supports **HB-6777** because it will benefit customers and the utilities, it will encourage essential investments in water infrastructure projects that are mandated by federal regulations, removing Polyfluorinated Substances (PFAS) water. The bill will smooth costs of installing important PFAS treatment facilities that are designed to protect public health, so the projects can be paid overtime. This will help ensure access to safe and reliable water at reasonable prices. This will mitigate costs of PFAS radiation which is essential to the health of Connecticut residents. It will help every community to have reliability on safe and affordable water.

**Perkin Simpson PhD., Chief Executive Officer of Operation Fuel Incorporation:**

Operation Fuel supports **HB-6777** because it will ensure safe drinking water that are free from harmful chemicals. It provides a full funding mechanism that will remove PFAs from the water supply with a staggered approach that won't hit customers with a large bill. It will help make certain that the necessary health and legal mandated are met with the proper investments while also mitigating the price shocks that will come to consumers. It will help those residents of Connecticut who are struggling qualifying customers who require direct bill assistance.

**Maureen Westbrook, Retiree of Connecticut Water Company:** Ms. Westbrook supports **HB-6777** because it would allow utilizes to recover costs for eligible capital projects through surcharges that are required to comply with stringent state and federal water quality standards. This is important because it allows investments in treatment to address the rising issues for PFAs chemicals. It will address water quality and infrastructure needs through regular and incremental surcharges, allowing for timely investments and recovery which helps avoid larger rate increases which would occur if utilities were to wait to receive recovery from multiple projects completed over years in a general rate case.

**NATURE AND SOURCES OF OPPOSITION:**

**John Erlingheuser, Senior Director of Advocacy for AARP Connecticut:** AARP opposes bill **HB-6777** because it allows water companies in Connecticut to impose a surcharge to recover costs that have been lost for past infrastructure projects that were met with unforeseen water regulations and costs. This is met with oversight and approval by the Public Utilities Regulatory Authority (PURA). Currently PURA can authorize the surcharges for projects that are deemed eligible, which are major upgrades or critical water infrastructure that are not previously included in the company's rate base. AARP opposes the inclusion of special surcharges that are outside of the general rate case. It gives companies the ability to fast track rate increases without enacting the necessary regulatory review that provides protection to consumers. This gives water utilities the freedom to file a rate case to recover costs as those that are outlined in the bill. This bill takes protection away from the consumers.

**Carolyn Kendall, Sewage:** Ms. Kendall opposes bill **HB-6777** because of the waste management companies stop sending sewage to towns. Beaches have been negatively affected by this because of the sending of sewage for three years. The waste companies do it because of the high electric rates they face, and this method reduces costs.

**Reported by: Ciara Smith and Abigail Lockwood    Date: 03/17/2025**