



General Assembly

***Substitute Bill No. 6777***

*January Session, 2025*



***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 adopted or amended after December
- 8       16, 2021, (B) has not been authorized by the authority for inclusion in a
- 9       water company's rate base, and (C) is not subject to the provisions of
- 10      section 16-262w of the general statutes;
- 11      (3) "Perfluoroalkyl and polyfluoroalkyl substances" or "PFAS" has the
- 12      same meaning as provided in section 22a-255h of the general statutes;
- 13      and
- 14      (4) "Water company" has the same meaning as provided in section 16-
- 15      1 of the general statutes.
- 16      (b) Upon the filing of a request for approval by a water company
- 17      pursuant to subsection (c) of this section, the authority may authorize
- 18      such water company to recover, on an annual basis, expenses incurred

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

25 (c) (1) Any water company seeking to impose a water quality and  
26 treatment surcharge pursuant to this section shall file a request for  
27 approval of such surcharge with the authority containing a water  
28 quality and treatment assessment report. Such report shall identify any  
29 proposed eligible project planned for completion by the water company  
30 not later than five years from the date of such filing that meets the  
31 requirements for an eligible project and adheres to the criteria set forth  
32 in subdivision (2) of this subsection.

33 (2) Criteria for any such project shall include, but not be limited to,  
34 (A) compliance with applicable state or federal drinking water quality  
35 standards or other standards met by such project; (B) the nature and  
36 extent of water treatment required to meet such water quality standards;  
37 and (C) water source development, system consolidation, treatment or  
38 other acceptable means necessary to comply with action levels  
39 determined by the Commissioner of Public Health or applicable state or  
40 federal water quality standards for PFAS, lead or other contaminants.

41 (d) The authority shall approve a water company's request for  
42 approval filed pursuant to subsection (c) of this section and such  
43 company's water quality and treatment assessment report upon a  
44 determination that such company has demonstrated (1) the  
45 infrastructure projects considered for renewal or replacement are  
46 eligible projects; (2) the projects considered for addition, upgrade,  
47 improvement or replacement provide public health benefits by  
48 improving water quality for customers; and (3) the projects adhere to  
49 the criteria specified in subsection (c) of this section for determining  
50 priority for eligible projects. The authority may hold a hearing to solicit  
51 input on a water company's water quality and treatment assessment

52 report, provided the authority's decision on the assessment is made not  
53 later than one hundred eighty days after the company files the water  
54 quality and treatment assessment report with the authority.

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

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

70 (f) (1) No proposed water quality and treatment surcharge shall  
71 become effective unless the authority has approved (A) the water  
72 quality and treatment assessment report concerning such proposed  
73 surcharge pursuant to subsection (d) of this section, and (B) the amount  
74 of such surcharge in an administrative proceeding. The administrative  
75 proceeding shall be completed and a decision shall be rendered by the  
76 authority not later than sixty days after a water company files an  
77 application to approve such surcharge.

78 (2) In connection with such administrative proceeding, the water  
79 company shall provide the authority with an updated water quality and  
80 treatment assessment report along with its filing for a water quality and  
81 treatment surcharge that details any significant changes in the extent of  
82 capital spending on water quality projects planned to be completed  
83 within the ten years following the date of such filing. The water

84 company shall also provide a detailed capital spending plan to the  
85 authority for each such eligible project for the three years following the  
86 date of such filing.

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

95 (g) The amount of any such water quality and treatment surcharge  
96 charged between general rate case filings shall not exceed fifteen per  
97 cent of the water company's annual retail water revenues approved in  
98 its most recent rate filing, and shall not exceed seven and one-half per  
99 cent of such revenues for any twelve-month period. The amount of the  
100 adjustment for any eligible project shall be included in new base rates  
101 and the surcharge shall be reset to zero as of the effective date of new  
102 base rates approved pursuant to section 16-19 or 16-19a of the general  
103 statutes. Following the reset of the surcharge in a general rate case, the  
104 company may continue to collect through the surcharge costs incurred  
105 for any eligible project, including additional costs in multiyear projects.  
106 If, after any adjustments pursuant to section 16-262y of the general  
107 statutes are made, the company exceeds the allowable rate of return for  
108 the rolling twelve-month period ending with the two most recent  
109 consecutive financial quarters, the authority shall allocate any excessive  
110 return in accordance with any earnings sharing mechanism applicable  
111 to the company's base rate revenues.

112 (h) On or before February twenty-eighth of each year, any such water  
113 company shall submit to the authority an annual reconciliation report  
114 for any water quality and treatment surcharge applied to customer rates  
115 through December thirty-first of the previous calendar year. Such  
116 reconciliation report shall identify the costs incurred on any eligible

117 project, demonstrate that the water quality and treatment surcharge is  
118 limited to eligible projects and include any other information required  
119 by the authority. In addition, the reconciliation report shall compare the  
120 water quality and treatment surcharge revenues actually collected to the  
121 applicable authorized water quality and treatment revenue  
122 requirement. If, upon completion of the review of the annual  
123 reconciliation report the authority determines that such water company  
124 overcollected or undercollected a water quality and treatment  
125 surcharge, the difference between the revenues actually collected and  
126 the applicable authorized water quality and treatment surcharge  
127 revenue requirement shall be recovered or refunded, as appropriate, as  
128 a reconciliation adjustment over a one-year period commencing on  
129 April first. Any such water company shall refund its customers with  
130 carrying costs calculated at the water company's authorized overall rate  
131 of return, as determined in its most recent general rate proceeding, for  
132 any such overcollection. No such water company shall recover any  
133 carrying costs for any undercollection.

134 (i) Each water company shall notify customers through a bill insert or  
135 other direct communication when a water quality and treatment  
136 surcharge is first applied. Such water quality and treatment surcharge  
137 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
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**Statement of Legislative Commissioners:**

In Subsec. (b), "Upon the filing of a request for approval by a water company pursuant to subsection (c) of this section," was added for clarity and internal consistency; Subsec. (c)(1) was rewritten for clarity; in Subsec. (d), "request for approval filed pursuant to subsection (c) of this section and such company's" was added for clarity; in Subsec. (e)(2), "approved by the authority" was added for accuracy and technical corrections were made throughout the section for adherence to standard drafting conventions.

***ET***      *Joint Favorable Subst.*