



***Substitute House Bill No. 6777***

***Public Act No. 25-142***

***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:

Section 1. (NEW) (*Effective July 1, 2025*) (a) As used in this section:

(1) "Authority" means the Public Utilities Regulatory Authority;

(2) "Eligible project" means a water company project, whether completed in a single year or a multiyear project, that (A) the authority determines is a major addition, upgrade, improvement or replacement of a critical element of water infrastructure necessary to meet state or federal drinking water regulations adopted or amended after December 16, 2021, (B) has not been authorized by the authority for inclusion in a water company's rate base, and (C) is not subject to the provisions of section 16-262w of the general statutes;

(3) "Perfluoroalkyl and polyfluoroalkyl substances" or "PFAS" has the same meaning as provided in section 22a-255h of the general statutes; and

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

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(b) Upon the filing of a request for approval by a water company pursuant to subsection (c) of this section, the authority may authorize such water company to recover expenses incurred to date for any water company project determined to be an eligible project. Notwithstanding the provisions of section 16-19 of the general statutes, the water company may charge such costs as a water quality and treatment surcharge in addition to such water company's existing authorized rates and charges at the time of filing such request with the authority.

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

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

(d) The authority shall approve a water company's request for approval filed pursuant to subsection (c) of this section and such company's water quality and treatment assessment report upon a determination that such company has demonstrated (1) the infrastructure projects considered for renewal or replacement are eligible projects; (2) the projects considered for addition, upgrade, improvement or replacement provide public health benefits by

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improving water quality for customers; and (3) the projects adhere to the criteria specified in subsection (c) of this section for determining priority for eligible projects. The authority may hold a hearing to solicit input on a water company's water quality and treatment assessment report, provided the authority's decision on the assessment is made not later than one hundred eighty days after the company files the water quality and treatment assessment report with the authority.

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

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

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

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

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

(g) The amount of any such water quality and treatment surcharge charged between general rate case filings shall not exceed fifteen per cent of the water company's annual retail water revenues approved in its most recent rate filing, and shall not exceed seven and one-half per cent of such revenues for any twelve-month period. The amount of the adjustment for any eligible project shall be included in new base rates and the surcharge shall be reset to zero as of the effective date of new base rates approved pursuant to section 16-19 or 16-19a of the general statutes. If, after any adjustments pursuant to section 16-262y of the general statutes are made, the company exceeds the allowable rate of return for the rolling twelve-month period ending with the two most recent consecutive financial quarters, the authority shall allocate any excessive return in accordance with any earnings sharing mechanism applicable to the company's base rate revenues.

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(h) On or before February twenty-eighth of each year, any such water company shall submit to the authority an annual reconciliation report for any water quality and treatment surcharge applied to customer rates through December thirty-first of the previous calendar year. Such reconciliation report shall identify the costs incurred on any eligible project, demonstrate that the water quality and treatment surcharge is limited to eligible projects and include any other information required by the authority. In addition, the reconciliation report shall compare the water quality and treatment surcharge revenues actually collected to the applicable authorized water quality and treatment revenue requirement. If, upon completion of the review of the annual reconciliation report the authority determines that such water company overcollected or undercollected a water quality and treatment surcharge, the difference between the revenues actually collected and the applicable authorized water quality and treatment surcharge revenue requirement shall be recovered or refunded, as appropriate, as a reconciliation adjustment over a one-year period commencing on April first. Any such water company shall refund its customers with carrying costs calculated at the water company's authorized overall rate of return, as determined in its most recent general rate proceeding, for any such overcollection. No such water company shall recover any carrying costs for any undercollection.

(i) Each water company shall notify customers through a bill insert or other direct communication when a water quality and treatment surcharge is first applied. Such water quality and treatment surcharge shall appear as a separate item on customer bills.

Governor's Action:  
Approved July 1, 2025