



OFFICE OF THE ATTORNEY GENERAL
CONNECTICUT

CAROLINE R. MCCORMACK
ASSISTANT ATTORNEY GENERAL

Phone: 860-808-5054
Fax: 860-827-2893

August 22, 2025

By Email

Mr. Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, Connecticut 06051

Re: Docket No. 25-04-03, *Joint Application of Aquarion Water Authority, South Central Connecticut Regional Water Authority and Eversource Energy for Approval of a Change of Control*

Dear Mr. Gaudiosi:

William Tong, Attorney General for the State of Connecticut (“Attorney General”), respectfully files this letter in lieu of a brief in the above-captioned proceeding concerning the April 4, 2025, application for a change of control (“Application”) filed by the Aquarion Water Authority (“AWA”), South Central Regional Water Authority (“RWA”), and Eversource Energy (“Eversource”) (jointly “Applicants”) with the Public Utilities Regulatory Authority (“PURA” or “Authority”). The Attorney General respectfully submits that PURA cannot reasonably approve the Application based on the record presented in this docket. The Applicants have failed to carry their burden under a Conn. Gen. Stat. § 16-47 review to demonstrate the approval of the Application will serve the public interest as the Application fails to provide critical protections for consumers.

Aquarion, including its subsidiaries, is by far the largest water company in the state.¹ It serves approximately 722,000 people in 62 municipalities across Connecticut.

First, the Application promises unaffordable year-over-year rate increases for all of the 722,000 Aquarion ratepayers in Connecticut. Beginning in 2027, the Applicants project rate increases between 6.5 and 8.35 percent annually until 2035, as well as additional rate increases anticipated every

¹ Aquarion Water Company of Connecticut (“AWC-CT”), an Aquarion subsidiary, serves as the public water supply and wastewater treatment company for approximately 685,000 people in 57 municipalities throughout Connecticut. Application, 3. Aquarion’s other subsidiary, Torrington Water Company (“TWC”), serves as the public water supply company for approximately 10,200 customers, or approximately 37,000 people in 5 Connecticut municipalities. *Id.* 4.

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five years thereafter. OCC-42 and OCC-81, Attachment 1.² Furthermore, the rate setting process for these projected rate increases is disconcerting. AWA requires the Representative Policy Board to accept or reject a rate application in its entirety, without allowing modifications. Hearing Tr. 7/24/25, 172. For the entire existence of the RWA, the RWA Representative Policy Board has never rejected a rate application. Hearing Tr. 7/24/25, 262.

Second, the proposed consumer advocate structure, the Office of Consumer Affairs (“OCA”), does not adequately protect Aquarion consumers. Unlike the Office of the Attorney General (“OAG”), the Office of Consumer Counsel (“OCC”), and PURA’s Office of Education Outreach and Enforcement (“EOE”), which act as independent consumer advocates in PURA proceedings, the OCA is fully dependent upon the RWA and will also be dependent upon the proposed AWA if this transaction is approved as proposed. Specifically, the AWA and RWA’s Representative Policy Board will have power over the appointment and removal of the consumer advocate, and the AWA and RWA’s Consumer Affairs Committee will be responsible for reviewing and approving the advocate’s monthly invoices.³ This structure not only lacks actual independence, but it also fails to inspire confidence in consumers that their voices can be heard.

Not only is this structure problematic, but the limited ability of the OCA to advocate on behalf of consumers raises additional concerns. For example, in rate setting proceedings, the OCA is unable to object to inappropriate expenditures or recommend specific adjustments because rate applications must be accepted or rejected in their entirety. Hearing Tr. 7/24/25, 172. Rather, the OCA’s role is limited to filing a memorandum with an opinion on the application *prior* to the hearing and providing testimony at the hearing. Late Filed Exhibit (“LFE”) Hearing Tr. 8/8/25, 905-906. Moreover, these pre-hearing memoranda are typically summary in nature and lack the depth of analysis⁴ conducted by the OAG, OCC, and EOE in rate cases. OCC-38. The OCA’s track record is further cause for concern. The current OCA has not rejected a rate application since it began in 2008. Hearing Tr. 7/24/25, 261-262; Hearing Tr. 7/28/25, 334. And while the prior OCA opposed rate applications in 1991, 1992, and 2000, those rate applications were still approved by the Representative Policy Board. Hearing Tr. 7/28/25, 334.

Third, if the Application is approved, Aquarion customers will lose the ongoing benefit of

² If the transaction is not approved, Aquarion indicated it will be seeking a rate increase of 28 percent for 2026. COG-9; Hearing Tr. 7/24/25, 237. However, Aquarion agreed during the hearings, “Aquarion’s desire for a rate increase of 28% is very different than PURA approving a rate increase of 28%.” Hearing Tr. 7/24/25, 237. If Aquarion needs to come in for rate increases, that process will be distinct from the structure proposed under this transaction.

³ The RWA representative policy board appoints the OCA, and if the policy board is not comfortable or wants to change out the OCA, the board can make the change at any time. Hearing Tr. 7/24/25, 166. In addition to the representative policy board’s role with the OCA, the Consumer Affairs Committee reviews and approves the OCA’s invoices on a monthly basis. Hearing Tr. 7/28/25, 567.

⁴ The OCA has not engaged expert consultants for any of the RWA’s rate applications since 2013, even though the budget accounts for engaging consultants. LFE Hearing Tr. 8/8/25, 862-865. When the OCA does not engage a consultant, the RWA under-runs the budget. *Id.*

PURA's independent oversight. Hearing Tr. 7/24/25, 246. Baldly, this Application proposes taking away all oversight and transparency from the largest water company in the state to make a super-utility that will make decisions impacting hundreds of thousands of consumers. As outlined above, Aquarion customers are facing large rate increases which, if history is a guide, will likely be approved wholesale without a consumer advocate providing meaningful critiques or a regulator scrutinizing each element of rates. And, this comes at a time when PURA was set to have enhanced oversight over PFAS surcharges. Recently passed Public Act 25-142 requires companies to apply to the Authority in order to add PFAS surcharges to ratepayer bills. If this transaction is approved, the PURA will not have any oversight concerning how these surcharges are distributed on Aquarion customers' bills. AG-06. Instead, these will be part of the AWA's capital plan and covered in base rates, without a separate rate increase and approval process. Hearing Tr. 7/24/25, 204.

The foregoing reasons provide ample basis for the PURA to reject the Application as proposed. If, however, the PURA considers approving the transaction, it should only do so if it addresses those issues and incorporates additional consumer protections. These include:

- **Prohibit recovery of acquisition premium or transaction costs from ratepayers, as a part of debt service or any financing structure.** Specifically, PURA should condition any approval on a clear order prohibiting Aquarion Water Authority, the Regional Water Authority, and/or Eversource from seeking recovery in rates of: (1) any acquisition premium or "goodwill" associated with the transaction; or (2) any transaction costs incurred in connection with the merger. The categories of transaction costs incurred in connection with consummation of the merger that will not be recovered from utility customers are: (a) consultant, investment banker, legal, and regulatory support fees, (b) change in control or retention payments, and if applicable, any executive severance payments, (c) costs associated with the shareholder meetings and a proxy statement related to the merger approval by Eversource/Aquarion shareholders, and (d) costs associated with the imposition of conditions or approval of settlement terms in other state jurisdictions.
- **Require that the process for future AWA rate increase requests will allow for line-item cross outs.**
- **Require the creation of a new, fully independent consumer advocate empowered to advocate fully for ratepayers.** Such an independent consumer advocate would not be chosen or able to be removed by the RWA and AWA board. The independent consumer advocate would have authority to provide briefs following rate application hearings and recommend specific numerical adjustments. The independent consumer advocate would also publish quarterly reports with information as to how much money the advocate saved consumers, concerns of the advocate, and other relevant updates to customers.
- **PFAS treatment costs** will be approved in separate proceedings from ordinary rate increases.

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- **Continued reporting of compensation** for officers and directors in the same manner as was requested by Docket 08-01-16.

The Attorney General thanks PURA for its careful attention to this matter.

Respectfully Submitted,

WILLIAM TONG
ATTORNEY GENERAL
STATE OF CONNECTICUT

BY: Caroline R. McCormack
Caroline R. McCormack
John S. Wright
Assistant Attorneys General
Attorney General's Office
10 Franklin Square
New Britain, Connecticut 06051
Caroline.McCormack@ct.gov
John.Wright@ct.gov

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Caroline R. McCormack
Caroline R. McCormack
Commissioner of the Superior Court