



SECTION 5: THE WATER SECTOR

1.1 M CUSTOMERS | 16 2022 DOCKETS

Connecticut's water is an essential natural resource that must be carefully maintained and distributed in order to ensure long-term, safe, and affordable availability. Within the state's boundaries are over 6,000 miles of rivers and streams, at least 2,000 lakes and reservoirs, and groundwater resources that supply Connecticut residents with water.[1] These public water systems and resources are jointly regulated by PURA, DEEP, and the Department of Public Health (DPH). DEEP is responsible for administering the Aquifer Protection Area Program, establishing land use regulations and standards, and monitoring, assessing, and reporting water quality. The DPH oversees the safe and adequate supply of drinking water for Connecticut's population by regulating the purity of all public water systems, while PURA regulates the costs, rates, infrastructure, conservation mechanisms, and business operations of the ten investor-owned water utilities.

Together, PURA, DEEP, and DPH coordinate their roles in protecting Connecticut's water resources through their membership on the Connecticut Water Planning Council (WPC). The WPC was founded in 2001 through Public Act 01-177, [An Act Establishing a Water Planning Council](#), with the purpose of "address[ing] issues involving the water companies, water resources, and state policies regarding the future of the state's drinking water supply." The WPC jointly prepared the State Water Plan in 2018 with a goal of balancing public water supply needs, economic development, recreation, and ecological health. The WPC is now used to guide Connecticut's water strategy, policies, and actions.

KEY WATER TOPICS IN 2022

Drought & Water Conservation

Despite typically receiving plentiful precipitation, Connecticut

is not exempt from experiencing drought conditions. In July of 2022, Governor Lamont declared [Stage 2 Drought conditions](#) in all eight Connecticut counties due to a combination of precipitation shortfalls and higher than normal temperatures. Distinct from the other four stages of drought conditions, Stage 2 is used to identify an emerging drought event and warns citizens about potential impacts to water supplies. In 2022, when Governor Lamont declared a Stage 2 Drought, residents and businesses were asked to voluntarily take measures to conserve water.

In addition to participating on the WPC, PURA also participates in the Interagency Drought Workgroup (IDW), which is a subcommittee of the WPC. The IDW is responsible for developing and administering the [Connecticut Drought Preparedness and Response Plan](#) (Drought Plan). The WPC adopted the IDW's updated Drought Plan on September 6, 2022. The Drought Plan provides guidance and recommendations for a coordinated approach to drought response and determines the level of concern warranted for a drought event.[2] Additionally, the Drought Plan identifies the powers provided by existing statutes and regulations that can be called upon by Connecticut's state agencies to manage water shortages and societal hazards caused by droughts.

Water Infrastructure Conservation Adjustments (WICA)

Among its responsibilities in regulating the water companies, PURA is charged with ensuring utility rate designs that encourage conservation and responsible water use, particularly through a regulatory tool called the Water Infrastructure Conservation Adjustment (WICA) surcharge adjustment mechanism. The WICA process enables the Authority to administer a rate adjustment mechanism for the purpose of funding eligible water infrastructure improvement projects completed by PURA-regulated water companies between rate cases. Under the WICA program, ratepayers pay the rate-case-approved rates, plus an additional WICA surcharge to recover the costs of approved improvements. This enables water companies to accelerate the replacement and/or rehabilitation of aging water system infrastructure and promotes conservation measures without needing to wait for another rate case.[3] Pursuant to Conn. Gen. Stat. § 16-262w(i), the amount of WICA charged between general rate case filings cannot exceed ten percent (10%) of the water company's approved annual revenue requirement.

When companies propose new WICA projects, the Authority analyzes the proposals against the following criteria:

1. It is eligible for WICA Program treatment under Conn. Gen. Stat. § 16-262v(1).

Specifically, the project is eligible if it:

a. Improves or protects the quality and reliability of service to customers including (A) renewal or replacement of existing infrastructure ... [that has] either reached the end of its useful life, are worn out, are in deteriorated condition, are or will be contributing to unacceptable levels of unaccounted for water, or are negatively impacting water quality or reliability of service if not replaced; (B) covers main cleaning and relining projects; (C) relocation of facilities as a result of government actions, the capital costs of which are not otherwise eligible for reimbursement; [and] (D) purchase of leak detection equipment or installation of production meters, and pressure reducing valves;

2. Benefits customers by improving water quality, system integrity, or service reliability;

3. Adheres to the criteria established for determining priority of infrastructure projects;

4. There is a sufficient level of investment in infrastructure.

In 2022, PURA issued WICA decisions for the Aquarion Water Company of Connecticut (Aquarion) (Docket Nos. 13-02-20RE06 and 13-02-20WI23), Connecticut Water Company (Docket No. 20-12-30WI03), Jewett City Water Company (Docket No. 13-12-28WI07,) and Hazardville Water Company (Docket Nos. 12-07-07WI16 and 12-07-07WI17). The majority of these decisions addressed over- or under-collections for previous years' WICA approvals, allowing the companies to either collect necessary additional revenues through a temporary surcharge, or directing them to apply a temporary credit on customer bills to return overcollections. A summary of these decisions is in Table 7 below:

Table 7: 2022 WICA Decisions by Docket

Docket No.	Company	Decision Date	Reconciliation Amount	Duration
13-12-28WI07	Jewett City Water Company	3/30/2022	\$12,313 over-collection; 0.58% rate credit	4/1/2022- 3/31/2023
13-02-20WI23	Aquarion Water Company	3/9/2022	\$54,806 under-collection; 0.03% rate surcharge	4/1/2022- 3/31/2023
12-07-07WI16	Hazardville Water Company	3/30/2022	\$10,573 under-collection; 0.28% rate surcharge	4/1/2022- 3/31/2023

20-12-30WI03	Connecticut Water Company	6/22/2022	\$3,448,523 under-collection; 3.26% rate surcharge	7/1/2022-6/30/2023
12-07-07WI17	Hazardville Water Company	12/21/2022	\$1,321,466 incremental costs; 4.32% rate surcharge	1/1/2023

Water Conservation Related Resources

- [Connecticut Drought Preparedness and Response Plan](#)
- [Connecticut Water Planning Council Webpage](#)
- [PURA Water Sector Webpage](#)

Water Industry Consolidation

As noted earlier in this Annual Report, one of the Authority’s responsibilities in regulating public service companies is to carefully review any mergers or acquisitions. Specifically, pursuant to Conn. Gen. Stat. § 16-19e(a), the Authority “shall examine and regulate the transfer of existing assets and franchises,” including “that the public service company shall be fully competent to provide efficient and adequate service to the public in that such company is technically, financially, and managerially expert and efficient” and “that the authority and all public service companies shall perform all of their respective public responsibilities with economy, efficiency and care for public safety and energy security, and so as to promote economic development within the state.” In other words, the companies must demonstrate to PURA that the transfer of ownership of one company to another is in the best interest of the public and the customers of both companies.

In 2022, the trend of consolidation of Connecticut’s water sector continued, requiring PURA to evaluate two applications for voluntary acquisitions. First, on December 6, 2021, Miami Beach Water Company (MBWC) and Connecticut Water Company (CWC) jointly filed an application to PURA in Docket No. 21-12-07, [Joint Application of the Connecticut Water Company and the Miami Beach Water Company for the Acquisition and Dissolution of the Miami Beach Water Company, Inc.](#), requesting approval for CWC’s voluntary acquisition of MBWC. At the time of the application, CWC served over 105,000 customers statewide and was comprised of over 60 small water systems that it had acquired since 1986. MBWC on the other hand, is a small water company that owned a

system serving just 118 residences in the Miami Beach Association district in Old Lyme, Connecticut. Similarly, on April 1, 2022, Aquarion and Torrington Water Company (TWC) filed a joint application with PURA in Docket No. 22-04-01, [Application of Aquarion Company, Aquarion Merger Company II, LLC and The Torrington Water Company for Approval of Change in Control](#), requesting approval of a change in control in which Aquarion would acquire the common stock of TWC and TWC would become a subsidiary of Aquarion. At the time of the application, Aquarion served over 226,000 customers in Connecticut, Massachusetts, and New Hampshire, while TWC served approximately 10,200.

There are several state statutes that address the consolidation of small water systems in Connecticut, particularly those that are otherwise not economically viable.[4] Often, small water companies have aged infrastructure, and given that their operations and maintenance costs are spread across only a small number of customers, large investments in system upgrades can end up being cost-prohibitive for the customer base to finance. Comparatively, larger water companies have greater numbers of customers across which to socialize costs and can have more affordable operations costs on a per customer basis due to economies of scale. Generally speaking, and depending on the circumstances, this means that the acquisition of a smaller water company by a larger one can benefit both the smaller company's customers through reduced costs and the larger company's customers through increased rate base and revenues.

The Authority found this to be true in the case of Aquarion's acquisition of TWC. The TWC system is adjacent to Aquarion's existing operations in Litchfield, Goshen, Norfolk, Cornwall, Canaan, North Canaan, Salisbury, Simsbury, Granby, East Granby, and Suffield. Aquarion stated that TWC's geographic proximity would result in nearly \$500 thousand in operating efficiencies for TWC by the end of 2023. Additionally, Aquarion stated that if the merger was approved, it would implement its conservation and lead service line replacement programs in the TWC territory, both of which are in the public's best interest. Thus, in its [September 28, 2022 Decision](#) approving the change in control, the Authority found that the proposed merger was in the public interest and that it would not have an adverse impact on either TWC's or Aquarion's current ratepayers.

However, in situations where the smaller water company is not economically viable, an acquisition may conflict with the prudence standard to which the Authority holds utility cost recovery. Asking the customers of large water companies to bear the costs of acquiring a smaller company that is not economically viable must be balanced with efforts to minimize any negative impact on those ratepayers. For example, in Docket No. 21-12-07, though the agreed purchase price of MBWC was just \$1.00, PURA found that CWC would also become responsible for approximately \$1.6 million in capital improvements. In order to balance the burden of the CWC ratepayers bearing the cost of

acquiring MBWC, PURA approved a \$92.00 monthly surcharge on former MBWC customers' rates, which will be applied to the cost of the capital improvements on the MBWC water system. The Authority's calculations found that the \$92.00 surcharge represented a sufficient rate to cover half of the capital improvements needed to the former MBWC system. Ultimately, the Authority approved the acquisition of MBWC by CWC through its [Decision on June 8, 2022](#), finding that CWC had the necessary financial, managerial, and technical abilities to operate the MBWC water system in a reliable and efficient manner and that a fair and appropriate level of subsidization had been established to not unduly impact former MBWC or CWC customers.

Water Industry Consolidation Related Resources

- [PURA Approval of Aquarion's Acquisition of Torrington Water](#)
- [PURA Approval of Connecticut Water Acquisition of Miami Beach Water Company](#)

[1] See DEEP, Connecticut's Water Resources, <https://portal.ct.gov/DEEP/Water/Connecticuts-Water-Resources>

[2] Connecticut Drought Preparedness and Response Plan, September 6, 2022, https://portal.ct.gov/-/media/Water/Drought/CT_State_Drought_Plan_2022-09-06.pdf

[3] Unlike gas and electric distribution companies, water companies are not required by statute to have periodic rate reviews. See Conn. Gen. Stat. § 16-19a(a)(1).

[4] See, e.g., Conn. Gen. Stat. §§ 16-262o(c), which allows rate surcharges.

2022 WATER SECTOR DECISIONS

Docket Number	Title	Decision Date
21-08-40	PURA Review of the Connecticut Water Company's Request for Approval of a Drinking Water State Revolving Fund Loan Agreement to Fund a Water Main Extension Project in Naugatuck, CT	1/12/2022
10-05-01WI23	Application of The Torrington Water Company for its Annual Reconciliation of its Water Infrastructure Conservation Adjustment	3/2/2022
13-02-20WI23	Annual WICA Surcharge Reconciliation	3/9/2022
20-12-30WI02	Application of The Connecticut Water Company for its Annual Reconciliation of its Water Infrastructure and Conservation Adjustment 2021	3/16/2022
13-02-20RE06	Application of Aquarion Water Company of Connecticut to Amend Its Rates - WICA Reset Settlement	3/16/2022
10-05-01WI24	January 2022 Application for Water Infrastructure and Conservation Adjustment and Semi Annual Filing Report	3/23/2022
13-12-28WI07	Application of the Jewett City Water Company for Annual Reconciliation of WICA	3/30/2022
12-07-07WI16	Application of Hazardville Water Company for Annual Reconciliation of WICA	3/30/2022

Docket Number	Title	Decision Date
21-12-07	Joint Application of the Connecticut Water Company and the Miami Beach Water Company for the Acquisition and Dissolution of the Miami Beach Water Company, Inc.	6/8/2022
22-04-29	Application of Aquarion Water Company of Connecticut for Approval of the Issuance of Unsecured Notes in the Principal Amount of up to \$120,000,000	6/15/2022
20-12-30WI03	Application of The Connecticut Water Company for a Water Infrastructure Conservation Adjustment Semi Annual Filing Report	6/22/2022
22-06-13	Application of The Connecticut Water Company for Approval of the Issuance of up to \$25,000,000 of Unsecured Notes	8/10/2022
22-06-04	Application of the Connecticut Water Company to Dispose of Approximately 2.2 Acres of Unimproved Land Located at 121 Torrington Avenue, Canton, Connecticut	9/14/2022
22-04-01	Application of Aquarion Company, Aquarion Merger Company II, LLC and The Torrington Water Company for Approval of Change in Control	9/28/2022
22-08-18	Application of Aquarion Water Company to Dispose of 4.69 Acres of Unimproved Real Property Located at 5 Old Turnpike Road, Bethel, Connecticut	11/23/2022
12-07-07WI17	Application of Hazardville Water Company for a Water Infrastructure Conservation Adjustment Semi Annual Filing Report	12/21/2022

A comprehensive list of PURA 2022 decisions is available in Appendix 2, attached to this Report.