



General Assembly

February Session, 2022

Raised Bill No. 276

LCO No. 1940



Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:
(ET)

AN ACT CONCERNING THE REGULATION OF WATER COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 16-43 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (b) (1) A public service company shall obtain the approval of the
5 Public Utilities Regulatory Authority to [(1)] (A) issue any notes, bonds
6 or other evidences of indebtedness or securities of any nature, [(2)] (B)
7 lend or borrow any moneys for a period of more than one year for any
8 purpose other than paying the expenses, including taxes, of conducting
9 its business or for the payment of dividends, or [(3)] (C) amend any
10 provision of an indenture or similar financial instrument if such
11 amendment would affect the issuance or terms of any such notes, bonds
12 or other evidences of indebtedness or securities. The authority shall
13 approve or disapprove each such issue or amendment within sixty days
14 after the filing of a written application for such approval unless the
15 applicant agrees to an extension of time. If not disapproved within said
16 sixty days or within such extension, such issue shall be deemed to be
17 approved. The authority shall not require a company to issue its

18 common stock under terms or conditions not required by the general
19 statutes. The provisions of this subsection shall apply to a community
20 antenna television company only with regard to any noncable
21 communications services which the company may provide.

22 (2) The provisions of this subsection shall not apply to any loan
23 administered by a state agency and entered into by a water company, as
24 defined in section 25-32a, provided the amount of the loan or
25 combination of such loans in a calendar year does not exceed five per
26 cent of the long-term debt of the company. The water company shall file
27 the following with the authority not later than thirty days after the
28 issuance of the loan: (A) The total loan amount borrowed by the water
29 company, (B) the interest rate of the loan, (C) estimated loan issuance
30 costs, (D) the overall impact to the weighted average cost of the water
31 company's long-term debt, and (E) a copy of the portion of the loan
32 application detailing the need for the loan.

33 Sec. 2. Subsection (f) of section 22a-479 of the general statutes is
34 repealed and the following is substituted in lieu thereof (*Effective from*
35 *passage*):

36 (f) Any recipient which is not a municipality shall execute and deliver
37 project loan obligations and interim financing obligations in accordance
38 with applicable law and in such form and with such requirements as
39 may be determined by the commissioner or by the Commissioner of
40 Public Health if the project is an eligible drinking water project. The
41 Commissioner of Public Health and the Public Utilities Regulatory
42 Authority as required by section 16-19e shall review and approve all
43 costs that are necessary and reasonable prior to the award of the project
44 funding agreement with respect to an eligible drinking water project.
45 The Public Utilities Regulatory Authority, where appropriate, shall
46 include these costs in the recipient's rate structure in accordance with
47 section 16-19e. The provisions of this subsection shall not apply to
48 subsection (b) of section 16-43, as amended by this act.

49 Sec. 3. Subsections (a) and (b) of section 16-19 of the 2022 supplement

50 to the general statutes are repealed and the following is substituted in
51 lieu thereof (*Effective from passage*):

52 (a) No public service company may charge rates in excess of those
53 previously approved by the Public Utilities Control Authority or the
54 Public Utilities Regulatory Authority, except that any rate approved by
55 the Public Utilities Commission, the Public Utilities Control Authority
56 or the Public Utilities Regulatory Authority shall be permitted until
57 amended by the Public Utilities Regulatory Authority, that rates not
58 approved by the Public Utilities Regulatory Authority may be charged
59 pursuant to subsection (b) of this section, and that the hearing
60 requirements with respect to adjustment clauses are as set forth in
61 section 16-19b. For water companies, existing rates shall include the
62 amount of any adjustments approved pursuant to section 16-262w, as
63 amended by this act, since the company's most recent general rate case,
64 provided any adjustment amount shall be separately identified in any
65 customer bill. Each public service company shall file any proposed
66 amendment of its existing rates with the authority in such form and in
67 accordance with such reasonable regulations as the authority may
68 prescribe. Each electric distribution, gas or telephone company filing a
69 proposed amendment shall also file with the authority an estimate of
70 the effects of the amendment, for various levels of consumption, on the
71 household budgets of high and moderate income customers and
72 customers having household incomes not more than one hundred fifty
73 per cent of the federal poverty level. Each electric distribution company
74 shall also file such an estimate for space heating customers. Each water
75 company, except a water company that provides water to its customers
76 less than six consecutive months in a calendar year, filing a proposed
77 amendment, shall also file with the authority a plan for promoting water
78 conservation by customers in such form and in accordance with a
79 memorandum of understanding entered into by the authority pursuant
80 to section 4-67e. Each public service company shall notify each customer
81 who would be affected by the proposed amendment, by mail, at least
82 one week prior to the first public hearing thereon, but not earlier than
83 six weeks prior to such first public hearing, that an amendment has been

84 or will be requested. Such notice shall also indicate (1) the date, time and
85 location of any scheduled public hearing, (2) a statement that customers
86 may provide written comments regarding the proposed amendment to
87 the Public Utilities Regulatory Authority or appear in person at any
88 scheduled public hearing, (3) the Public Utilities Regulatory Authority
89 telephone number for obtaining information concerning the schedule
90 for public hearings on the proposed amendment, and (4) whether the
91 proposed amendment would, in the company's best estimate, increase
92 any rate or charge by twenty per cent or more, and, if so, describe in
93 general terms any such rate or charge and the amount of the proposed
94 increase, provided no such company shall be required to provide more
95 than one form of the notice to each class of its customers. In the case of
96 a proposed amendment to the rates of any public service company, the
97 authority shall hold one or more public hearings thereon, except as
98 permitted with respect to interim rate amendments by subsections (d)
99 and (g) of this section, and shall make such investigation of such
100 proposed amendment of rates as is necessary to determine whether such
101 rates conform to the principles and guidelines set forth in section 16-19e,
102 or are unreasonably discriminatory or more or less than just, reasonable
103 and adequate, or that the service furnished by such company is
104 inadequate to or in excess of public necessity and convenience, provided
105 the authority may (A) evaluate the reasonableness and adequacy of the
106 performance or service of the public service company using any
107 applicable metrics or standards adopted by the authority pursuant to
108 section 16-244aa, and (B) determine the reasonableness of the allowed
109 rate of return of the public service company based on such performance
110 evaluation. The authority, if in its opinion such action appears necessary
111 or suitable in the public interest may, and, upon written petition or
112 complaint of the state, under direction of the Governor, shall, make the
113 aforesaid investigation of any such proposed amendment which does
114 not involve an alteration in rates. If the authority finds any proposed
115 amendment of rates to not conform to the principles and guidelines set
116 forth in section 16-19e, or to be unreasonably discriminatory or more or
117 less than just, reasonable and adequate to enable such company to
118 provide properly for the public convenience, necessity and welfare, or

119 the service to be inadequate or excessive, it shall determine and
120 prescribe, as appropriate, an adequate service to be furnished or just and
121 reasonable maximum rates and charges to be made by such company.
122 In the case of a proposed amendment filed by an electric distribution,
123 gas or telephone company, the authority shall also adjust the estimate
124 filed under this subsection of the effects of the amendment on the
125 household budgets of the company's customers, in accordance with the
126 rates and charges approved by the authority. The authority shall issue a
127 final decision on each electric distribution, [or] gas or water company
128 rate filing within three hundred fifty days from the proposed effective
129 date thereof. The authority shall issue a final decision on all public
130 service company rate filings, except electric distribution, [or] gas or
131 water company rate filings, within two hundred days from the
132 proposed effective date thereof.

133 (b) If the authority has not made its finding respecting an amendment
134 of any electric distribution, [or] gas or water company rate within three
135 hundred fifty days from the proposed effective date of such amendment
136 thereof, or if the authority has not made its finding respecting an
137 amendment of any public service company rate, except an electric
138 distribution, [or a] gas or water company rate, within two hundred days
139 from the proposed effective date of such amendment thereof, such
140 amendment may become effective pending the authority's finding with
141 respect to such amendment upon the filing by the company with the
142 authority of assurance satisfactory to the authority, which may include
143 a bond with surety, of the company's ability and willingness to refund
144 to its customers with interest such amounts as the company may collect
145 from them in excess of the rates fixed by the authority in its finding or
146 fixed at the conclusion of any appeal taken as a result of a finding by the
147 authority.

148 Sec. 4. Subsection (i) of section 16-262w of the general statutes is
149 repealed and the following is substituted in lieu thereof (*Effective from*
150 *passage*):

151 (i) The amount of the WICA charged between general rate case filings

152 shall not exceed ten per cent of the water company's annual retail water
153 revenues approved in its most recent rate filing, and shall not exceed
154 five per cent of such revenues for any twelve-month period. The amount
155 of the adjustment shall be reset to zero as of the effective date of new
156 base rates approved pursuant to section 16-19, as amended by this act.
157 If, after any adjustments pursuant to section 16-262y, as amended by
158 this act, are made, the company exceeds the allowable rate of return by
159 more than [one hundred] fifty basis points for the rolling twelve-month
160 period ending with the two most recent consecutive financial quarters,
161 the authority shall establish an earnings sharing mechanism that
162 provides for any earnings that are more than [one hundred] fifty basis
163 points in excess of the allowed return on equity to be shared [equally]
164 between ratepayers and shareholders, with not less than eighty per cent
165 of such overearnings credited to ratepayers.

166 Sec. 5. Subsection (f) of section 16-262y of the general statutes is
167 repealed and the following is substituted in lieu thereof (*Effective from*
168 *passage*):

169 (f) Concurrent with implementation of a revenue adjustment
170 mechanism pursuant to subsection (b), (c) or (d) of this section, the
171 authority shall establish an earnings sharing mechanism that provides
172 for any earnings in excess of the allowed return on equity to be shared
173 [equally] between ratepayers and shareholders, with not less than
174 eighty per cent of such overearnings credited to ratepayers.

175 Sec. 6. Subdivision (1) of subsection (a) of section 16-19a of the general
176 statutes is repealed and the following is substituted in lieu thereof
177 (*Effective from passage*):

178 (a) (1) The Public Utilities Regulatory Authority shall, at intervals of
179 not more than four years from the last previous general rate hearing of
180 each gas, [and] electric distribution and water company having more
181 than seventy-five thousand customers, conduct a complete review and
182 investigation of the financial and operating records of each such
183 company and hold a public hearing to determine whether the rates of

184 each such company are unreasonably discriminatory or more or less
 185 than just, reasonable and adequate, or that the service furnished by such
 186 company is inadequate to or in excess of public necessity and
 187 convenience or that the rates do not conform to the principles and
 188 guidelines set forth in section 16-19e. In making such determination, the
 189 authority shall consider the gross and net earnings of such company
 190 since its last previous general rate hearing, its retained earnings, its
 191 actual and proposed capital expenditures, its advertising expenses, the
 192 dividends paid to its stockholders, the rate of return paid on its
 193 preferred stock, bonds, debentures and other obligations, its credit
 194 rating, and such other financial and operating information as the
 195 authority may deem pertinent.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-43(b)
Sec. 2	<i>from passage</i>	22a-479(f)
Sec. 3	<i>from passage</i>	16-19(a) and (b)
Sec. 4	<i>from passage</i>	16-262w(i)
Sec. 5	<i>from passage</i>	16-262y(f)
Sec. 6	<i>from passage</i>	16-19a(a)(1)

Statement of Purpose:

To: (1) Exempt loans that do not exceed five per cent of a water company's long-term debt from the formal Public Utilities Regulatory Authority review process, (2) increase the length of a rate case for water companies, (3) adjust cost-sharing mechanisms for water company overearnings, and (4) require rate cases every four years for large water companies.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]