

**Aquarion Water Company of CT  
Docket No. 22-07-01**

**Rate Case Overview**

September 8, 2022





# Rate Case Team

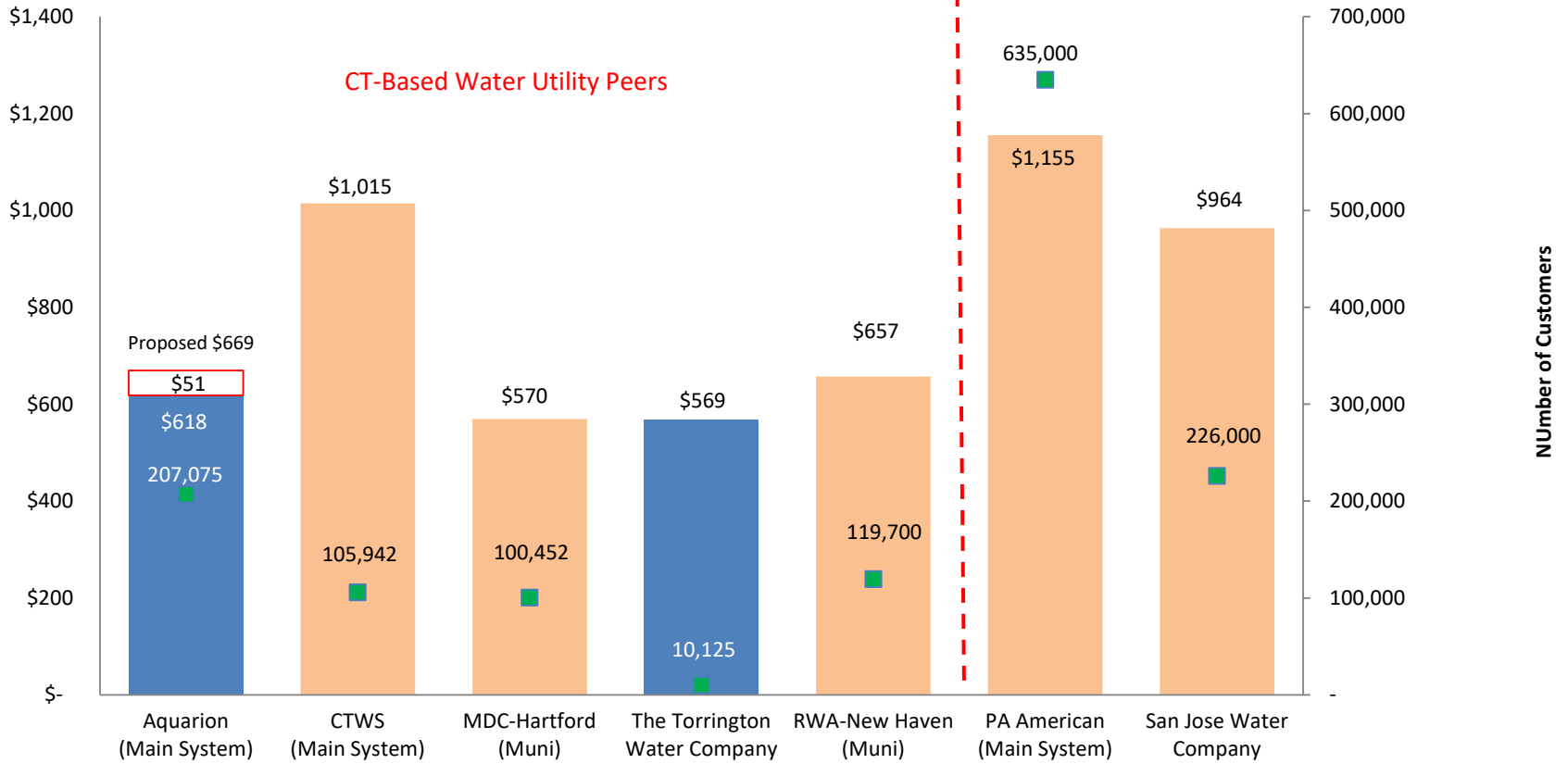
## *Witnesses contributing to key aspects of Rate Case*

<b>Internal Witnesses</b>	<b>Title</b>	<b>Area of focus</b>
Donald Morrissey	President	Overview
Lucy Teixeira	VP, Customer & Administrative Services	Customer Service, Human Resources, Information Technology
Debra Szabo	Director of Rates & Regulation	Revenue Requirement & Rate Proposals
Daniel Lawrence	VP of Engineering & Real Estate	Capital Program
Robert (Jeff) Ulrich	VP of CT Operations	Operations
Joshua Unger	Manager of Rates & Regulation	Revenue Requirement & Rate Proposals
<b>External Witnesses</b>		
Joshua Nowak	AVP with Concentric, Inc.	Cost of Capital
Ned Allis	VP of Gannett Fleming Valuation & Rate Consultants	Depreciation
John Guastella	Guastella Associates, Inc.	Cost of Service and Rate Design



*Aquarion rates have remained stable for over 9 years and will remain among the most affordable in the industry even with rates as proposed*

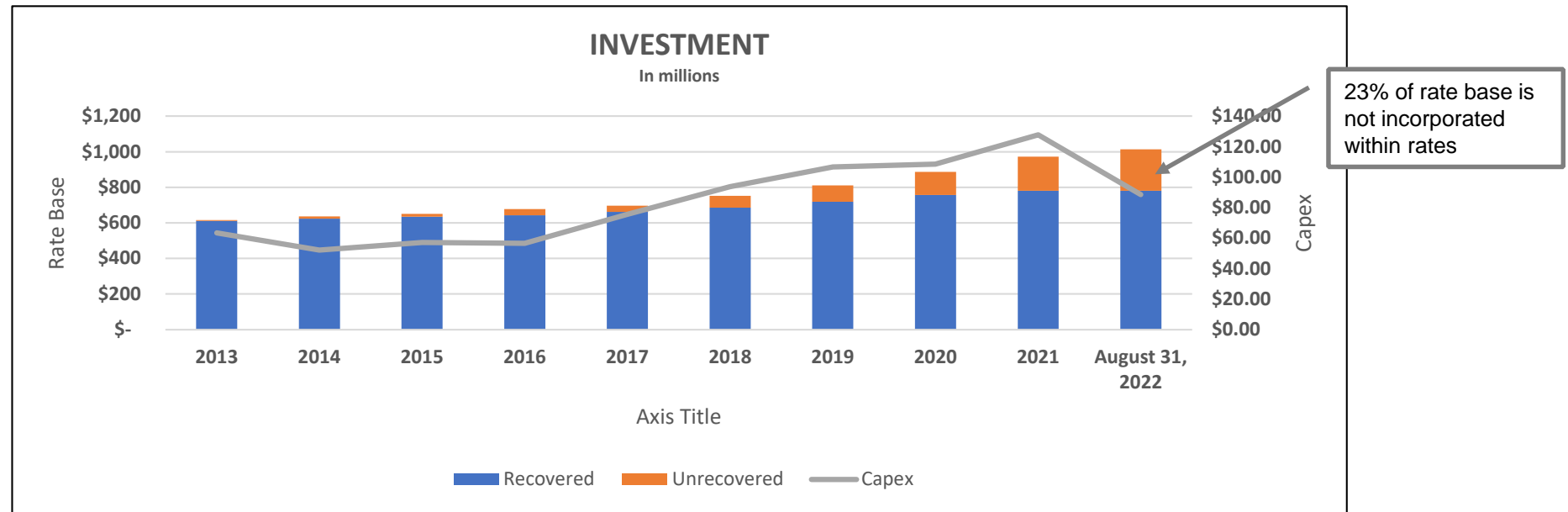
**Annual Average Water Bill Cost**



Based on July 2022 billing info using residential consumption of 72 kgal/yr

# Capital Investment to Support a Sound Water System

*Approximately \$229 million of investment not yet incorporated in rates arising from consistent investment to assure reliability and quality of service*



## Initiatives to control costs of capital projects include:

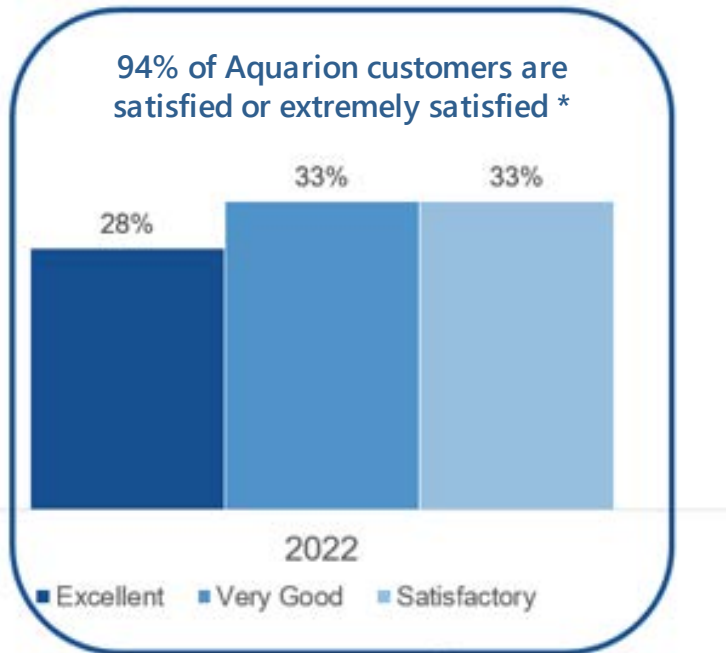
- Competitive bidding process
- Paving coordination with local communities and CDOT has generated over \$18M in savings over the last 10 years.
- Pursuit of funding and principal loan forgiveness through State Revolving Fund Programs



# Customer Experience

Continuous improvement and investment in the customer experience

Strong and consistent customer satisfaction ratings



\* PCG 2022 CX survey

Consistently strong JD Power ratings

Excellent community partner

- ❖ Over 1/3rd of employees volunteer in over 140 organizations
- ❖ Received the 2020 CT AWWA Diversity & Inclusion Award

Continued focus on maintaining a low level of PURA complaints

2021 Top CT Workplace by Hearst Media



2020 Sitefinity of the Year Award awarded to new website



# Key Case Elements

	Key Revenue Requirement Factors
Test Year (12 Months Ended)	December 31, 2021
Rates Effective	March 15, 2023
Revenue Deficiency	\$27.5M
Overall Impact	13.9%
Return on Equity	10.35%
Capital Structure	53.06% Equity
Rate Year 2 – 2022/2023 Rate Base Roll-In March 2024 (\$90M)	\$13.6M ; 6.0%
Rate Year 3 - 2024 Rate Base Roll-In March 2025 (\$55M)	\$8.8M ; 3.7%

**Notice of Intent:**  
July 1, 2022

**Filing Date:**  
August 29, 2022

**Rates Effective:**  
March 15, 2023

The overall increase reflects the Company's move towards rate equalization across its 13 existing rate structures. As a result, the specific customer bill impacts will vary as compared to the overall increase.



# Key Case Elements

*Current rates are insufficient to recover the cost of providing safe and reliable service to customers, compelling the need for a base rate filing.*

- \$27.5M (13.9% increase in base revenues)
- Revenue deficiency is a function of:
  - Infrastructure investment to assure safe, reliable and high-quality water service
  - Operating & Maintenance Expense increases, due to passage of time
  - Offset by lower corporate taxes
- Multi-Year Rate Plan Option
  - Supports the increasing capital requirements of the systems
  - Provides rate stability through a predictable rate path
- Introduction of Inclining Block Rates
  - Addresses affordability, equity, and conservation needs
  - Results in smaller increases for efficient/average use customers whereas inefficient/high use customers would see a larger increase
- Low-income Rate Assistance Program
- Fee Free Credit/Debit Card Transactions
- Lead Service Line Replacement Proposal





# Rate Impact by Division & Class

Rate Class	Residential - Single	Residential - Multi	Commerical	Industrial	Public Authority	Public Fire	Private Fire	Resale	Total	
									%	Millions
Eastern	12.3%	12.5%	9.2%	23.2%	7.8%	4.1%	0.4%	N/A	10.7%	\$ 12.0
Western	32.4%	42.6%	28.1%	11.5%	15.9%	4.6%	0.2%	N/A	27.7%	\$ 8.6
Southern-Greenwich	18.9%	3.6%	-0.6%	-7.0%	1.3%	9.0%	35.0%	41.6%	17.7%	\$ 5.8
Northern	32.3%	24.1%	34.7%	9.9%	28.7%	26.6%	30.2%	N/A	31.3%	\$ 1.1
Southern-Mystic	8.2%	4.9%	0.4%	-27.0%	-5.2%	6.9%	21.5%	N/A	5.7%	\$ 0.2
Eastern-Rural	10.4%	3.1%	-8.3%	N/A	-12.5%	-38.8%	30.0%	N/A	4.8%	\$ 0.1
Eastern (Olmstead, Tyler - Woodrich, Circle Drive & Chestnut Tree Hill)	15.6%	15.2%	0.1%	N/A	N/A	N/A	N/A	N/A	13.1%	\$ 0.0
Eastern-(Tyler-Clearview, Tyler-Indian Spring)	34.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	34.6%	\$ 0.0
Eastern-(Tyler - Lake Water & Judea)	8.2%	2.6%	-7.8%	N/A	-6.9%	N/A	N/A	N/A	6.7%	\$ 0.0
Eastern-Topstone	-23.6%	N/A	N/A	N/A	-35.8%	277.5%	N/A	N/A	-15.6%	\$ (0.0)
Eastern-Brookfield	9.5%	2.5%	-50.1%	N/A	N/A	N/A	35.0%	N/A	-15.5%	\$ (0.0)
Eastern-United	1.0%	-5.5%	-8.8%	-27.9%	-7.9%	11.5%	11.5%	N/A	-2.8%	\$ (0.2)
Valley Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	\$ -
<b>Total</b>	<b>15.7%</b>	<b>16.9%</b>	<b>11.8%</b>	<b>11.8%</b>	<b>8.4%</b>	<b>5.0%</b>	<b>6.1%</b>	<b>41.6%</b>	<b>13.9%</b>	<b>\$ 27.5</b>
<b>Rate request (in millions)</b>	<b>\$17.0</b>	<b>\$3.2</b>	<b>\$3.5</b>	<b>\$0.4</b>	<b>\$0.5</b>	<b>\$0.9</b>	<b>\$0.4</b>	<b>\$1.6</b>	<b>\$27.5</b>	

# Rate Design

*Rate Design gives consideration to the rate impact across customer classes*

- Multiple PURA orders require that we make further advancements in equalizing rates
  - Goal is to achieve non-discrimination within classes of customers
  - Excluding public and private fire, the proposed rate design reflects rate equalization across all but three divisions
  - Public Fire
    - Uniform hydrant rates
    - Common inch feet charges for 25 of the 34 towns subject to public fire
  - Private Fire
    - Metered rates equalized across all but 3 divisions
    - Hydrants equalized across all but 1 division
  
- Single Family residential inclining block
  - Addresses affordability, equity, and conservation needs
  - Results in smaller increases for efficient/average use customers whereas inefficient/high use customers would see a larger increase

**The Result? A more simplified tariff reduced from 13 divisions to 3**



# Single Family Residential Rate Design

## Introduction of inclining block rate structure

		per CCF	
<b>Tier 1</b>	First 5 CCF	\$	4.999
<b>Tier 2</b>	Over 5, up to 9 CCF	\$	5.499
<b>Tier 3</b>	Over 9, up to 20 CCF	\$	6.049
<b>Tier 4</b>	Over 20 CCF	\$	7.247

		Consumption CCF	
<b>Tier 1</b>		8,068,419	49%
<b>Tier 2</b>		3,142,444	19%
<b>Tier 3</b>		2,912,098	18%
<b>Tier 4</b>		2,217,503	14%
		16,340,464	

Average annual bill impact for a family of 4 using 200 gallons/day

Rate Class	Current Bill w WICA	Proposed Bill	Annual \$ Impact	Increase %
Eastern	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Western	\$ 526.02	\$ 669.48	\$ 143.46	27.3%
Southern-Greenwich	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Northern	\$ 429.35	\$ 548.52	\$ 119.17	27.8%
Southern-Mystic	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Eastern-Rural	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Eastern (Olmstead, Tyler - Woodrich, Circle Drive & Chestnut Tree Hill)	\$ 565.72	\$ 669.48	\$ 103.75	18.3%
Eastern-(Tyler-Clearview, Tyler-Indian Spring)	\$ 404.57	\$ 584.06	\$ 179.49	44.4%
Eastern-(Tyler-Lake Water & Judea)	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Eastern-Topstone	\$ 897.56	\$ 669.48	\$ (228.08)	-25.4%
Eastern-Brookfield	\$ 618.45	\$ 669.48	\$ 51.02	8.2%
Eastern-United	\$ 666.31	\$ 669.48	\$ 3.16	0.5%
Valley	\$ 475.71	\$ 475.71	\$ -	0.0%

# Rate Design

## Average Bill Impact

### Single Family Residential

An average family of four uses approximately 200 gallons of water a day, or 6,000 gallons per month, equivalent to 8 CCF, the metric usage is measured in.

	Current Rates		Proposed Rates		Impact
Service charge	\$ 12.89		\$ 14.18		
Usage Charge:					
First 5 CCF	\$ 4.234	\$ 21.17	\$ 4.999	\$ 25.00	
Next 4 CCF	\$ 4.234	\$ 12.70	\$ 5.499	\$ 16.50	
	\$ 46.76		\$ 55.67		
WICA	10%	\$ 4.68	0%	\$ -	
<b>Total Bill</b>	<b>\$ 51.44</b>		<b>\$ 55.67</b>		<b>\$ 4.23</b> <b>8.2%</b>

Equal to \$1.83 per day, less than one penny per gallon— an entire day’s worth of water for about the cost of a bottle of water

**Commercial** – average monthly increase of \$17.57, or 9.2%<sup>(1)</sup>

**Industrial** – average monthly increase of \$395.45, or 23.2%<sup>(1)</sup>

<sup>(1)</sup> Based on Eastern Division Rates representing approx. 60% of single residential customers