

Innovative approaches to rate design

As you are most likely aware, Connecticut Water has applied to the Department of Public Utility Control (DPUC) for new rates that will become effective in July 2010. The filing includes innovative approaches that provide assistance to those faced with economic hardships; promote water conservation; and allow the company to meet its obligations to water quality and service.



The accompanying article provides more details about how we developed a three-year rate phase in and an approach which avoids any impact to town fire protection charges in year one, and limits them going forward.

In addition to this approach to rate mitigation, you may recall we have taken a number of steps in recent months to help our customers during the economic downturn. Connecticut Water issued a temporary \$600,000 rate reduction that was effective from July through December 2009, and we delayed our rate application filing by six months.

Members of our local management team have been in contact with you and will continue to keep an open dialogue with you throughout the rate process. As always, if you have any questions or concerns, please feel free to call a member of the management team at your local Connecticut Water office, or you can call me at 1-800-286-5700 or e-mail info@ctwater.com.

Regards,



Eric W. Thornburg
President and CEO

Rate application seeks to minimize impacts to towns

Municipal leaders across the state gave us feedback about their serious budget concerns and urged us to do what we could to minimize the impacts of our proposed rate application on their communities. We heard those concerns and, as a result, included some innovative provisions in our January 6th rate filing with the Department of Public Utility Control (DPUC) that will help minimize the impact on our customers and the communities we serve.

The rate application, that most likely will become effective in July 2010, includes the following elements:

1. An alternate rate design that would phase in the rate increase over three years.
2. No increase in municipal fire rates in 2010 and a cap in the proposed general fire charge to a 2% increase in the subsequent years of the proposed phase in. The current Water Infrastructure and Conservation Adjustment (WICA) charge of 2.1% would be folded into the general rates when the case is concluded, but there would be no other increase in municipal fire charges proposed in this case for the 2010–2011 fiscal year. Towns would be subject to any future WICA charges, as would all other customers, but those have typically been just over 2% per year.
3. The funding of the first program in the state by a water utility to promote water conservation. It includes a rate design that would allow the promotion of water conservation and the authorization of a new program to provide \$100,000 a year in grants or incentives for schools, municipal buildings and hardship customers to retrofit with water saving fixtures or devices.

In addition, the application seeks to expand the company's *H2O Help to Our Customers* hardship assistance program, which was offered in five service towns on a pilot basis in 2009. The program is based on federal and state income guidelines and has a provision for individuals with special circumstances or financial hardships that make it difficult for them to meet their obligations on a one-time basis. It will help those customers who are most impacted by the economic downturn.

The latest information about the rate filing, as well as public hearing dates, is available at www.ctwater.com. In the meantime, town officials with questions about the rate application or about water service in their town can call or e-mail their Connecticut Water local regional contact, listed below, or e-mail, publicaffairs@ctwater.com.

Jack Keefe, Manager Service Delivery, Northeast Region	jkeefe@ctwater.com 800-428-3985, ext. 3335
Craig Patla, Manager Service Delivery, Southwest Region	cpatla@ctwater.com 800-428-3985, ext. 3140
Randy Kempain Killingly Operations Superintendent	rkempain@ctwater.com 800-428-3985, ext. 3405
Pat Corbett Naugatuck Operations Superintendent	pcorbett@ctwater.com 800-428-3985, ext. 3206
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Survey shows 85 percent positive rating among public opinion leaders

Results from Connecticut Water’s annual Public Opinion Leader survey conducted by The Center for Research and Public Policy, an affiliate of Sacred Heart University, show an overall positive rating of nearly 85 percent. The overall rating measured how public opinion leaders rate Connecticut Water on 20 key characteristics. The 84.8 percent rating is an 7.8 percent increase over last year’s overall score of 77 percent, and a 3.1 percent increase over 2007’s rating of 81.7 percent.

Last fall, 100 survey participants composed of elected town officials, public works personnel, planning and zoning members, state lawmakers, health directors, fire chiefs, developers and chambers of commerce from all regions of the company participated in the confidential phone survey. Among the areas receiving the highest ratings were:

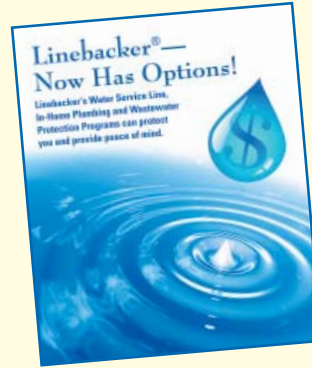
Maintaining water quality	95.5%
Responsiveness in emergencies	95.4%
Protecting land and reservoirs	93.3%
Responsive to your inquiries	91.0%
Having qualified and capable employees	91.0%
Providing reliable service	89.4%

Respondents were most aware that the company continually invests in infrastructure to maintain water quality (82%), is publicly traded (77%) and the company reviews land use projects as part of its role in water source protection (77%).

“We appreciate that 100 representatives from our service towns took the time to participate in the survey,” said Maureen P. Westbrook, vice president, Customer and Regulatory Affairs. “The results give us the ability to measure if public opinion leaders have confidence in our ability to provide them and the communities they represent safe, reliable water service, as well as respond to their needs.”



Linebacker® Service Line Protection Program expanded



Connecticut Water’s Linebacker® Water Service Line Protection Program has been expanded to include coverage for wastewater lines and in-home plumbing, or combinations of all three for eligible single-family residential customers. More than 20,000 Connecticut Water customers throughout the state are currently enrolled in the

Linebacker Water Service Line Protection program, which has been in existence for more than a decade.

“Over the years, our customers have asked us for coverage for other types of repairs,” said Chris Bogucki, manager of Special Services. “We are now able to provide those optional programs that can fit our customers’ needs and budgets.”

The new Linebacker programs range in price from \$70 to \$170 a year (or 19 to 46 cents per day), allowing customers to select the plan that meets their needs and budget. Customers have the option of paying by check, money order, credit card, or can elect to have the charges added to their monthly or quarterly water bill. Under the Linebacker plans, Connecticut Water takes care of broken or leaking water service lines, broken or clogged wastewater lines and leaks or breaks on in-home plumbing systems, depending on which of the following Linebacker Protection plans is selected:

- **Linebacker – Water:** Water service line repairs.
- **Linebacker – Wastewater:** Repair or replacement of clogged/blocked or broken wastewater lines inside the house, or from the exterior foundation to the property line, or septic tank.
- **Linebacker – Water & Wastewater:** Combines the protection of both Linebacker Water and Linebacker-Wastewater plans.
- **Linebacker – In-Home Plumbing & Wastewater:** Covers leaking in-home water supply system, as well as the protection provided by the Linebacker-Wastewater plan.
- **Linebacker – All Inclusive (Water, Wastewater & In-Home Plumbing):** Includes coverage provided by all of the Linebacker plans.

Customers can find out more information or enroll by calling 1-800-205-1073, or visiting www.linebacker-plan.com.

DEP's proposed streamflow regulations miss the mark



The Connecticut state legislature, through Public Act 05-142, directed the state Department of Environmental Protection (DEP) to adopt new streamflow regulations that would apply to all rivers and streams, and protect aquatic life while providing for public water supply and public health and safety.

Maureen Westbrook, vice president, Customer and Regulatory Affairs, and David Radka, director of Water Resources, both testified at a recent

DEP public hearing that Connecticut Water supports the adoption of streamflow regulations, *provided* they are consistent with the legislative mandate and provide the appropriate balance between environmental goals and other public health and safety needs. Connecticut Water is part of a coalition of stakeholders who oppose the regulations as drafted. Members of the coalition include other water utilities, as well as the Connecticut Business & Industry Association, the Connecticut Council of Small Towns, Connecticut Farm Bureau Association, Home Builders Association of Connecticut, Manufacturing Alliance of Connecticut, Mechanical Contractors Association of Connecticut and the National Federation of Independent Business in Connecticut. "The proposed regulations are improperly expanded to include groundwater which has extensive impacts statewide with significant repercussions on water providers such as Connecticut Water, that rely, even in part, on groundwater sources," said Westbrook.

For example, if the regulations were adopted as proposed, Connecticut Water's Guilford system would go from having sufficient supplies to meet customers' needs to having a supply deficit for peak days and maximum month demands. This is even with an additional one million gallons a day available through an interconnection with our neighboring utility. The magnitudes of impacts are expected to be similar in other Connecticut Water systems where surface and groundwater supplies are similarly mixed.

Initial estimates of the costs for system modifications, new release structures, and new supplies to replace lost capacity are estimated for Connecticut Water's systems to be between \$40 and \$70 million. These costs would ultimately be borne by customers in the form of higher rates, and the costs would compete with other critical utility needs such as infrastructure replacement programs and water treatment projects.

The proposed regulations undermine economic recovery and job growth – impacting existing businesses and limiting growth and economic development in communities.

"Although we support efforts to protect the state's aquatic life, we are concerned that the regulations, as currently drafted, do not adequately reflect the more critical need of ensuring that there are sufficient water supplies to meet the public health, safety and economic development needs of our community," testified Susan Bransfield, Portland's First Selectman and Chair of Connecticut Council of Small Towns.

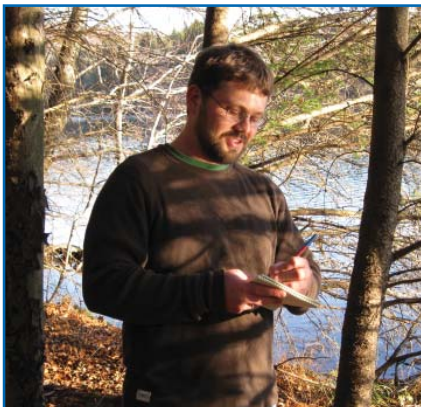
In addition to municipal elected officials, Connecticut Water thanks town officials and other stakeholders who voiced their concerns about the draft regulations including representatives from local chambers of commerce, home builders, farmers, golf courses and a ski resort.

"Connecticut Water recognizes the value of water and knows we have a responsibility to be good stewards in all facets of our operations and business practices," said Radka. "Water is an essential resource and we have a commitment to water's protection, preservation and efficiency of use to ensure its sustainability and availability for future generations."

The company is continuing to monitor the development of streamflow regulations and will update stakeholders throughout the process.

Wildlife management plan under way in Prospect

John Farrell, a University of Connecticut Wildlife Management and Techniques student from Naugatuck, has spent countless hours observing wildlife species and noting the types and quantity of vegetation present on one of our watershed properties in Prospect. His work is part of a wildlife analysis and management plan he's creating that is a requirement for a class project.



The work he's doing not only earns him course credits, but allows Connecticut Water to put his recommendations to good use. The property, which borders our Moody Reservoir in Prospect, is scheduled for a commercial timber sale in 2010. "Our plan is to try and incorporate John's wildlife management recommendations to enhance wildlife habitat when marking the trees for the timber sale," said Cindy Gaudino, manager Source Protection and Real Estate.

Connecticut Water actively manages its land for water quality, and when trees are marked, we work with a forester to incorporate forest management practices that will benefit wildlife. "We leave certain tree species such as white oak and hickory for food sources, pile cut tree tops to create dens for animals and leave dead trees standing for bird nesting dens," said Gaudino.

"I'm working to incorporate ideas in the wildlife management plan that will improve wildlife habitat on the property," said Farrell. "It's truly a balancing act to manage the needs of wildlife with the sustainability of the forest for water quality, forest health and wood products."

Meet David Radka

Director of Water Resources



David Radka joined Connecticut Water in 1988 as an assistant engineer in our Supply and Treatment group, and has since held the positions of senior scientist and of manager of Water Resources & Planning before serving as the director of Water Resources where he oversees the development of the company's water supply resources and permitting and compliance for environmental programs.

David has participated on numerous committees and forums with other stakeholders and policy makers to develop regulations, legislation and water management policy. He currently leads Connecticut Water's Corporate Responsibility Committee, a team of employees examining the policies, practices and procedures of the company in areas having broad social, community, and environmental significance. The team recently partnered with our Information Technology group to install video-conferencing equipment in our East Windsor, Naugatuck and Clinton offices to greatly reduce miles driven among our office locations for meetings and training. Among other things, the committee is currently looking at ways to improve our overall fleet efficiency and reduce energy consumption at our offices and facilities.

His work has led him to be very involved in water supply issues on the state level. David serves as chair of the Connecticut Section of the American Water Works Associations' Water Resources Committee and is the immediate past president of the Connecticut Water Works Association.

He also has served as co-chair of the Water Planning Council Advisory Group and is an advisory board member of the Connecticut Institute of Water Resources at UConn. In 2009, David was elected to the board of the Rivers Alliance, a non-profit organization dedicated to protecting and enhancing Connecticut's rivers, streams and watersheds.

David is involved with his local community as well, and serves as chair of the Inland Wetlands Commission in Clinton, where he lives with his wife and son.

