



**THE PUBLIC UTILITIES REGULATORY AUTHORITY AND  
THE DEPARTMENT OF PUBLIC HEALTH'S  
JOINT REPORT ON STREAMLINING THE TAKEOVER  
PROCESS**

August 28, 2018

## **FINAL REPORT**

### **I. INTRODUCTION**

The Public Utility Regulatory Authority (Authority) and the Department of Public Health (DPH) (jointly, the Departments) are issuing this report in order to develop a more efficient process for the takeover of water companies pursuant to Conn. Gen. Stats. §§16-46 and 16-262n through 16-262q.

On March 23, 2016, the Departments issued a Notice of Request for Comments and Notice of Technical Meeting in which the Departments announced they would hold a technical meeting on May 5, 2016 and requested that water companies with experience with the takeover process provide responses to five stated questions on or before April 12, 2016. The Departments held that technical meeting. By Notice of Technical Meetings dated May 23 and August 17, 2016, respectively, the Departments held Technical Meetings on June 27, 2016 and September 9, 2016, respectively. Water companies and others with experience with the takeover process filed comments both prior to the Technical Meetings and subsequently.

#### **A. SUMMARY**

The water companies and other entities with experience with the Departments' takeover process had the opportunity to participate in a working group, attend Technical Sessions and file written comments. The DPH and the Authority, in collaboration with the Office of Consumer Counsel (OCC), various water companies and other entities have identified several key ways the process can be completed more efficiently while not sacrificing the thoroughness of the review.

#### **B. WATER COMPANIES AND OTHER ENTITIES THAT PROVIDED COMMENTS**

The following entities provided both written and oral comments to the Departments: Frederick Lee Klein, Esq., Pullman and Comley, LLC on behalf of the Aquarion Water Company of Connecticut (Aquarion), The Connecticut Water Company (CWC), the Office of Consumer Counsel (OCC), and Ted Backer, Esq.

#### **C. DPH'S ROLE WITH RESPECT TO THE REGULATION OF PUBLIC DRINKING WATER AND WATER COMPANIES**

The DPH, through its Drinking Water Section, oversees and regulates over 2,500 public water systems, which use or rely upon approximately 4,400 high quality public drinking water sources and serve over 2.9 million residents in Connecticut. The DPH's Drinking Water Section on a daily basis assures safe

drinking water compliance with federal and state laws. Compliance is assured by the work of the engineering and analyst staff within the Drinking Water Section.

The DPH's Drinking Water Section conducts inspections of at least 600 public water systems annually, processes over 500,000 drinking water quality tests results annually, oversees and regulates certified operators, reviews and approves engineering plans for water treatment plants, storage tanks and other public water system infrastructure, provides technical assistance to public water systems, town leaders and customers served by such public water systems, administers Connecticut's Drinking Water State Revolving Fund ("DWSRF") program, enforces drinking water quality standards, oversees statewide water supply planning, and protects sources of public drinking water to ensure safe drinking water to consumers of public water systems.

The majority of small public water systems, unlike Authority-regulated water systems, serve less than 500 people, sometimes as few as 25 people, and are often managed by a group of volunteers. As such, it is difficult for these public water systems to ensure the physical and financial condition of their systems. The DPH's Drinking Water Section works closely with small public water systems to ensure they have the financial, managerial and technical capacity to own and operate their systems. Specifically, as outlined in the DPH's Three Storm Strategy document, see Attachment 1, the DPH's Drinking Water Section:

- a. Amended § 19-13-B102 of the Regulations of Connecticut State Agencies, which is the DPH's water purity and adequacy regulation, to require small community public water systems to have emergency generators and to require such systems to develop an emergency plan;
- b. Provides for subsidized DWSRF loans to such small community public water systems to assist them in purchasing generators;
- c. Required small community public water systems to develop an emergency plan, and provided workshops the DPH's Drinking Water Section developed to assist such systems in developing emergency plans;
- d. Works with state's power companies and the water industry to promote critical facility priority-power restoration;
- e. Developed, and provides updates to, a master list of all critical facilities with priority-power restoration;
- f. Works with public water systems to assess system vulnerabilities and build resiliency;
- g. Is revising and updating certified operator regulations to address what it means to have the direct responsible charge of a public water system;
- h. Developed a Capacity Assessment Tool (CAT) for small community public water systems so that the DPH's Drinking Water Section can fully understand a public water system's technical, managerial and financial capacity and provide assistance to such system as needed;
- i. Is working with a contractor, the U.S. Environmental Protection Agency's (EPA) technical assistance providers and Resources for Communities and People (RCAP), to provide asset management planning, emergency planning and fiscal planning assistance to small community public water systems;

- j. Developed a subsidized small community public water systems DWSRF loan program;
- k. Contracted with the Connecticut Institute for Resilience and Climate Adaptation (CIRCA) to develop regional vulnerability assessments and resiliency plans using a \$600,000 grant the DPH received from the U.S. Department of Housing and Urban Development through the Connecticut Department of Housing;
- l. Works with EPA Region 1 and Headquarters staff concerning small public system sustainability; and
- m. Commenced the Water Utility Coordinating Committee (WUCC) planning process.

#### **D. Department of Public Health's Legislation that Passed in 2018**

Legislation recently passed that requires water companies, other than water companies that submit water supply plans to the DPH pursuant to Conn. Gen. Stat. § 25-32d, are state agencies or are regulated by the Authority, to prepare a fiscal and asset management plan for all of the capital assets that comprise each of the water company's community public water systems that serve 1,000 or fewer residents. The fiscal and asset management plan is required to include, at a minimum, a list of all of the capital assets of the community public water system, the useful life of such capital assets, and the water company's plan for the reconditioning, refurbishment, or replacement of such capital assets.

Many community public water systems are aging and in need of a systematic review to determine if certain assets should be replaced, which is why certain water companies are now required to produce a fiscal and asset management plan. Both the DPH and the EPA consider fiscal and asset management planning to be critical to ensuring public water systems are managed properly and are in compliance with federal and state laws and regulations regarding public drinking water. A water company's use of aging infrastructure can result in water system failure, purity and adequacy concerns, and costly repairs. Receipt of the fiscal and asset management plan, which is required to be updated annually by the water company, will enable the DPH to evaluate both the financial and physical needs of community public water systems.

In addition, legislation recently passed that amended Conn. Gen. Stat. § 25-32e, which is the statute that provides the DPH with the authority to issue civil penalties. Rather than requiring the DPH to amend its civil penalty regulations each time the DPH amends its regulations regarding safe drinking water, Conn. Gen. Stat. § 25-32e, as amended, requires the Commissioner of the DPH to publish on the DPH's website a schedule of civil penalties imposed under the safe drinking water statutes, after notifying the public and holding a public hearing.

#### **D. COMMENTS RECEIVED FROM ENTITIES WITH EXPERIENCE WITH THE TAKEOVER PROCESS**

## CWC

CWC filed initial comments on April 12, 2016, and post-Technical Session Comments on December 15, 2016. CWC supports DPH's use of the scorecard which it believes objectively evaluates the system operators' technical, managerial and financial capacity based on information documenting past performance. CWC also supports DPH's plan to require an Annual Statement from small systems operators that would provide additional information on their operations and financial viability. CWC Comments, 12/15/16, p. 1. CWC contends that the scorecard that DPH has developed can be utilized, even without formal adoption by statute or regulation, by the DPH Commissioner as a consideration in its broad discretion to protect public health. CWC believes that this is a method to identify troubled systems to be referred for rate review under Conn. Gen. Stat. § 16-20 or to be considered nonviable and subject to involuntary takeover under Section 16-262n. CWC Comments, 12/15/16, p. 2.

CWC also advocates that there should be consideration of dedicated funds through the existing DPH Drinking Water programs for small systems. CWC states that these funds should also be available for systems that have been acquired by larger systems. Further, CWC states that there should be a streamlined process for accessing these funds to maintain the systems and equitably distribute the costs when necessary. CWC believes that these funds should only be authorized if there is an asset management plan for a system as well as appropriate governance and rate structures to maintain the system operations and viability. CWC Comments, 12/15/16, p. 2.

CWC also advocated for a reasonable time period to be granted at the time of acquisition to allow the acquiring company adequate time to address any outstanding violations or orders of compliance. CWC believes the acquiring entity should not be immediately faced with notices of violation or enforcement orders. As a condition of approval, CWC believes that the acquiring company should be required to develop a plan and schedule for any necessary system improvements with DPH's approval and any formal enforcement actions would be waived provided the agreed upon schedule is met. CWC Comments, 12/15/16, p. 2.

CWC commented on the rate impacts of acquisitions and stated that efforts should be made to ensure that small systems are charging adequate rates to meet current operating expenses and have adequate reserves to maintain their systems and contend that the provisions of Section 16-20 are a valuable tool to make this happen. In the event a small system is acquired, CWC believes that acquisition surcharges should be utilized to avoid shifting cost burdens to the broader customer base of the acquiring company. CWC states that without the use of surcharges, the rates of the acquiring company, which is most often a private water company, are increased. CWC also contends that this results in an unfair perception of the rates and operating efficiency of the acquirer in subsequent rate proceedings and with their existing customers. CWC Comments, 12/15/16, pp. 2 & 3.

CWC noted that there was lengthy discussion of the need for communication between small water systems and their customers to ensure transparency. To that end, CWC recommended that disclosure requirements regarding the size, ownership, and compliance status of water systems serving less than 1,000 customers be stated on real

estate documents and/or condominium disclosures where applicable. In addition, CWC stated that it is crucial for all information regarding sanitary survey results, violations and enforcement actions be shared with all customers rather than just the designated contact for the owner or operator. CWC Comments, 12/15/16, p. 3.

Lastly, CWC commented about streamlining the regulatory process in an effort to reduce the administrative and legal costs associated with these acquisitions. Specifically, CWC recommended that there should be a mechanism to prequalify entities who have demonstrated their technical, financial and managerial capacity. CWC suggested an annual verification of this prequalification standard. It was suggested that some of the criteria which must be satisfied would include, serving more than 10,000 customers, having an approved Water Supply Plan on file with DPH and that the system to be acquired has less than 1,000 customers. CWC also advocated combining the regulatory process where appropriate. CWC advocated combining the reviews required under Sections 25-32(b), 25-32d and 25-33I, land and source of supply proceedings with those under Sections 16-46 and 16-262n, asset transfer proceeding so the Departments could approve the transfer of water company lands in the same proceeding as the approval of the asset transfer. CWC also contends that timely reviews can be facilitated by having standard information required by the system being acquired at the time of the application and its supports the list developed as part of this proceeding. CWC also recommended the use of Technical Meetings at the outset of the process as well as a mechanism to waive hearings under certain circumstances to minimize both the time and cost of such proceedings. CWC Comments, 12/15/16, p. 4.

## **Aquarion**

Aquarion noted that the recommendations detailed in its comments were generally endorsed by all or most of the participants and also stressed that they can all be accomplished under the existing statutory framework without the need for legislative change. Aquarion Comments, 10/31/16, p. 1.

Aquarion stated that the process for voluntary acquisitions has typically taken 6-8 months from the date the application is filed until the Departments' approval. The proceedings have been thorough and considered the unique circumstances of each case and allowed for some innovative solutions to best serve the customers of the acquired systems. Aquarion believes it is important to note that in addition to PURA, DPH and the OCC, these proceedings have only included the seller and the purchaser which has resulted in more efficient proceedings within a shorter period of time. Aquarion also contends that with the implementation of the recommendations from this proceeding, these voluntary proceedings can be further streamlined. Aquarion Comments, 10/31/16, p. 2.

Aquarion commented that the majority of problems with the current takeover process relate to the involuntary takeover proceedings. Aquarion noted that the involuntary proceedings often involve systems that no one wants to run and which may have public health and safety concerns. It is critical, Aquarion notes, to handle these cases expeditiously to reduce the risk of more significant health and safety issues. Aquarion concurs with OCC's assessment that the applications filed by the owners and operators of small water systems that are requesting to cease operations, fail to provide

detailed operational, financial and source of supply information. Aquarion states that this lack of information causes significant delays in the review by the Departments and other parties to the docket and delays any system review that must be performed by potential acquiring entities. Aquarion Comments, 10/31/16, p. 2.

Aquarion also cites the lack of a clear overall rate policy for small system acquisitions. Aquarion contends that the determination of who must pay and how much causes significant delays in these proceedings. Aquarion notes that since all the parties agreed that consolidation will benefit the state as a whole, the rate issue appears to lend itself to resolution through Technical Hearings or settlement discussions. Aquarion believes these should be encouraged as a means to streamlining the process. Aquarion Comments, 10/31/16, pp. 2-3.

Aquarion agreed with the other participants that the use of the standard interrogatories as initial data would greatly streamline the process. Aquarion noted that the working group participants developed this standard set of interrogatories and it was agreed that they would be issued to systems seeking to be acquired. Responses would be required before the Departments would proceed with technical meetings, hearings or inspections. Aquarion believes the information submitted in response to these data requests will provide all participants with complete information on a small system's assets, operational and physical condition and its financial condition. Aquarion Comments, 10/31/16, p.3.

Aquarion noted that the current process for the acquisition of a water company or the transfer of water company land or sources of supply to another water company requires DPH to review and issue permits that are substantially designed for the change of use or abandonment of such land or sources of supply by another water company. Aquarion concurs with CWC and recommends combining CGS Sections 25-32(b), 25-32d, and 25-33/ land and source of supply proceedings whereby the Departments could approve the transfer of water company lands in the same proceeding as approval of the asset transfer. Aquarion Comments, 10/31/16, p. 3.

It was also suggested that the parties to the proceeding be limited. Aquarion stated that often the acquisition proceedings include numerous participants, many of whom have no interest in, or are unable, due to statutory limitations, to acquire troubled systems. This has led to significant delays in obtaining interrogatory responses and scheduling hearings. Thus, Aquarion believes that unwilling parties should not be required to participate in these proceedings. Aquarion concurs with CWC that potential acquirers should be pre-approved based on past performance or alternatively, be issued a standard questionnaire regarding their ability to safely and economically operate a small system being acquired. In addition, Aquarion agrees with CWC that a standard set of interrogatories should be issued upon receipt of an application for takeover to obtain complete information. A Technical Session should then be held to identify issues and potential collaborative solutions. Hearings would be held following a Technical Session only if needed and, in cases that are uncontested, with a willing buyer and seller being identified, an alternative "paper" hearing utilizing Briefs and Reply Briefs could be employed. Finally, Aquarion agrees that the parties should be encouraged to seek negotiated settlements whenever possible. Aquarion Comments, 10/31/16, pp.3-4.

## **Office of Consumer Counsel**

OCC states that voluntary acquisitions have generally run much more smoothly than involuntary proceedings. OCC notes that in voluntary proceedings, the acquiring entity has done some level of due diligence of the operational and financial condition of the small water system. OCC contends that this preliminary investigation done prior to the filing of an application makes voluntary acquisitions proceed more expeditiously than involuntary proceedings. Thus, OCC recommends modifications to the involuntary transfer proceedings. OCC recommends the implementation of a standard list of necessary operational, financial and water quality data necessary to process an application. OCC believes that PURA's list of standard interrogatories is a good starting point. In addition, OCC contends that this list of data requests should be used similarly to a Standard Filing Requirement in a rate case and recommends that PURA add this to its Rules and Regulations for these types of proceedings.

OCC noted its concern over the impact of the costs of acquiring and rehabilitating troubled water systems on the revenue requirements of the acquiring company. OCC states that small system owners and customers should no longer expect that the acquiring company will bear the cost of necessary capital improvements, particularly when a smaller system has not funded necessary upgrades or charged appropriate rates. Thus, OCC does not believe that capping the surcharge at a maximum monthly amount is appropriate in all water system acquisitions. OCC Comments, 4/22/2016, Response to Questions 1-3.

OCC also advocated limiting the number of participants. It noted that in many involuntary transfer proceedings, small non-investor owned water systems and municipalities are asked to participate and perform an evaluation of potential acquisition of the applicant. Once the proceeding has begun, the OCC believes that the Departments should be allowed to issue a preliminary ruling that grants the ability to excuse small non-investor owned systems (municipal, tax districts and homeowners associations) of the requirement and costs for continued participation in a transfer proceeding. OCC states that as soon as it is determined that an entity is: (1) not the ESA holder; (2) not allowed by their charter or state statute to expand their service territory to serve a new system outside their franchise area; and (3) expresses an unwillingness to acquire or serve the additional water system through a wholesale water sales contract/sale of excess water agreement, the organization should be released from further participation in the subject proceeding. OCC Comments, 4/22/16, Response to Question 4.

## **Attorney Ted Backer of Cramer & Anderson LLP**

The Departments received comments from Attorney Ted Backer of Cramer & Anderson LLP. Attorney Backer filed comments as a private citizen who has experience concerning the small system acquisition process and not as comments concerning any present or future client. Attorney Backer states that the DPH Score Card may be useful in heightening public awareness that small water system infrastructure must be maintained. He asserts that in order to be useful, the Score Card information must be current and accurate. Attorney Backer also contends that the Score Card could play an important role in educating banks and mortgage companies about the value of a particular property, similar to the way radon is commonly tested for today.

Attorney Backer also recommended educating the customers of small systems, whether condominium owners or homeowners, on the financial viability of their systems as well as its physical condition. In addition, he recommends a public education program regarding long-term capital planning for small water companies with a sound capital reserve structure. He states that this education program should be framed with one question, "Is your small water company an asset for homeowners or condominium association or is it a liability?"

He also supported the consolidation of the DPH permit process with the joint PURA/DPH acquisition proceeding. Lastly, Attorney Backer advocated for the licensing of system operators and the submission of a certified title search as part of the Standard Interrogatory filing. Cramer & Anderson Comments, 5/25/16, pp. 1-4 and Technical Meeting 9/8/16.

## **II. CONCLUSION**

Significant progress has been made and the Departments are confident that the changes to the takeover process discussed in this report, once employed, will significantly streamline the process for both voluntary and involuntary water company acquisitions. The Departments will immediately implement the following changes to the takeover process:

1. The Departments will require the water company that requests to cease operations as a water company pursuant to Conn. Gen. Stat. § 16-46 to provide with such request, responses to a set of standard interrogatories and document request in future acquisition proceedings (Standard Interrogatories and Document Request). See Attachment 2. The person or persons that provides the responses to the interrogatories will be required to sign an affidavit attesting to the veracity of the information provided. If the Departments do not receive the completed Standard Interrogatories and Document Request within a specified amount of time, the Departments will not act on the request, i.e., they will not open a docket, schedule a hearing, etc.
2. The Departments will immediately implement the use of a preliminary Technical Meeting, which the Departments will schedule subsequent to the filing of the completed Standard Interrogatories and Document Request form. Topics of discussion at the technical meeting will include what information the Departments need from both the water company seeking to cease operations and the entities identified as potential suitable entities to take over the water company to render a decision, how the rates of the water company may go up if such water company is taken over, the benefit of entering into a settlement agreement since both the water company and the entity ordered to take it over have potential financial exposure in the case, and what other options the water company has other than being taken over.

3. At the technical meeting, the Departments will permit the entities identified by the Departments as potential suitable entities an opportunity to provide legal or other reasons for which such entity is or may be prohibited or disqualified from acquiring the water company. If a potential suitable entity provides a reason for such prohibition or disqualification, the Departments will provide the entity ten days within which to submit to the Departments a written justification with appropriate evidence thereof. If the Departments determine the submission supports such prohibition or disqualification, the Departments will dismiss the potential suitable entity from the proceeding.
4. At or subsequent to the Technical Meeting, the Departments will encourage the water company seeking to be taken over and the entities identified as potential suitable entities to take over the water company to enter into informal discussions with each other in the hopes of reaching a negotiated settlement.
5. The DPH will incorporate the Conn. Gen. Stat. § 25-32 water company land permit review and requirements into the Departments' takeover decision for both voluntary and involuntary takeover cases. As such, a separate water company land permit will not be required in a takeover case.

Within 45 days of the issuance of this Report, the Departments will reconvene to finalize the Standard Interrogatories and Document Request form and determine if the Departments should request any additional information on such form. The Departments will also establish a timeframe by which a requestor must provide the information and documents requested in the Standard Interrogatories and Document Request form in order for the Departments to act on the cessation of operations request. In the event the water company requesting to cease operations does not submit to the Departments the information and documents requested in such form within the established timeframe, the Departments will not act on the request. In addition, the Departments will discuss how they determine which entities are potential suitable entities, and therefore made parties to a proceeding, and whether statutory changes are required to make such determination.

In addition, the Departments will consider the following issues as well as any others brought forth:

1. Should a maximum cap be applied to the surcharge that can be assessed to customers of the acquired system?
2. DPH will continue to implement its initiatives in the Three Storm Strategy document, including continuing to contract with RCAP to provide asset management planning, emergency planning and fiscal planning assistance to small community public water systems, as well as a number of other initiatives that work to enhance small system capacity.
3. Should a certified title search be part of an acquisition docket and filed as part of the initial Standard Interrogatories and Document Request?

## ATTACHMENT 1

### **DPH Drinking Water Section Strategy to Address the Effects of Storms Irene, Alfred and Sandy on Connecticut's Community Public Water Systems** *Original draft December 2011, last update July 2016)*

Following the three storms that impacted Connecticut in 2011 and 2012, the Department of Public Health Drinking Water Section developed a strategy to address emergency preparedness for the state's community public water systems (CPWS). This public health strategy was developed in order to assure a safe and adequate water supply to the 2.9 million Connecticut residents served by CPWS. The strategy has the following objectives that address vulnerabilities, preparedness, resiliency and system capacity:

1. Assure sustained water supply for all CPWS,
2. Provide current and accurate large system status shared across WebEOC,
3. Work to develop mechanisms to prioritize restoration of street power to CPWS and priority facilities, and
4. Assure that small community public water systems are well prepared to proactively address emergency situations.
5. Assure system capacity
6. Assure adequate certified operator oversight
7. Assure adequate review and oversight of public water systems
8. Work toward more resilient CPWS through enhanced water supply planning

Storms Irene, Alfred and Sandy brought different challenges, however affected small satellite CPWS (systems that serve under 1,000 people) in a similar way due to lengthy power outages that impacted large regions of Connecticut. Further, while large CPWS (systems that serve over 1,000 people) were able to sustain water supply and system pressure, some experienced lack of priority to regain street power with multiple large scale pump stations and surface water treatment plants on generators for more than 7 days.

On average for all three storms, over 100 small CPWSs were on boil water advisory due to loss of system pressure caused by loss of street power. These systems represent a significant percentage of Connecticut's 450 small CPWS. Many small CPWS were ill prepared, lacked planning, and lacked adequate technical, managerial and financial capacity to address loss of street power for an extended period of time. Below is a summary of the effects of the three storms on the state's public water systems:

- Storm Irene (tropical storm on August 29, 2011) –
  - 137 small cpws on Boil Water Advisory (30% of small cpws), these systems are shown in red on the attached map
  - 16,624 CT residents served by these 137 small cpws (19% of population served by small cpws)

- Majority of small cpws that were on Boil Water Advisory were due to loss of system pressure caused by power outage (on average it was 5 to 6 days until power restoration)
  - Majority of sources and systems were not affected by flooding due to requirements to locate wells outside flood zone.
  - Majority of large cpws on shoreline area lost street power, however operations were not affected due to their emergency generator capacity, street power restored to these systems within a few days
  - 2.688 million CT residents retained their safe public drinking water (99% of CT residents served by cpws)
  - 51 small cpws (6,300 population served) affected by both storms shown in purple on map
- Storm Alfred (early season snow storm on October 29, 2011) –
    - 121 small cpws on Boil Water Advisory (26% of small cpws), these systems are shown in blue on the attached map
    - 20,212 CT residents served by these 121 small cpws (23% of population served by small cpws)
    - Majority of small cpws that were on Boil Water Advisory was due to loss of system pressure caused by power outage
    - Majority of large cpws along and north of the I-84 corridor lost street power, however operations were not affected due to their emergency generator capacity, street power restored slowly to these systems with some generators operating 8 to 9 days straight
    - 2.674 million CT residents retained their safe public drinking water (98% of CT residents served by cpws)
  - Storm Sandy (hurricane category 1 on October 30, 2012) –
    - 100 small cpws on Boil Water Advisory, these system are shown in green on the presentations map
    - Majority of small cpws that were on Boil Water Advisory was due to loss of system pressure caused by power outage
    - Many large cpws lost street power, however operations were not affected due to their emergency generator capacity, street power restored very slowly to these systems with some generators operating 8 to 9 days
    - 2.7 million CT residents retained safe public drinking water

CTDPH believes that it is important for all community public water systems to have the capacity to sustain their system's water supply throughout extended loss of street power and therefore avoid the need to issue a boil water advisory to their customers. Public water systems that have emergency power capacity will avoid potential negative impacts to water quality, lengthy boil water advisories and unnecessary increased risk to public health due to potentially impacted drinking water quality. Currently in CT, small CPWS have no requirements that address the need for emergency planning or to have back-up power capacity.

The State's large CPWS had the capacity to supply water and sustain system pressures even with loss of street power due to their existing emergency power capacity. This capacity included emergency power generators not only in place for sources of supply and treatment systems, but also in place for pump stations in remote areas of their system. One challenge and vulnerability following each storm for the large CPWS included the need to capture the attention and understanding of local and state emergency managers to prioritize restoration of street power to large CPWS components including surface water treatment plants. Adding a system status component for these large CPWS to WebEOC will directly assist to meet this challenge as well as develop information to share with power companies to address street power restoration to critical public water facilities and critical public health facilities.

Based upon the above storm related effects and system vulnerabilities, the following DPH action items were developed in November 2011 and then updated following Storm Sandy to meet the above objectives:

#### DPH Action Items:

1. require small CPWS to have emergency power capacity
2. develop and provide for subsidized DWSRF loans to assist in purchasing generators
3. require small CPWS to develop an emergency plan
4. develop and provide workshops to assist to develop an emergency plan
5. add large CPWS status to WebEOC similar to hospitals
6. work with large CPWS to develop WebEOC templates
7. work with state's power companies and the water industry to promote critical facility priority power restoration
8. work with the state's public water systems to assess system vulnerabilities and build resiliency
9. revise and update certified operator regulations to address direct responsibility including emergency response
10. develop a scorecard as a Capacity Assessment Tool (CAT) for small CPWS to fully understand system capacity and initiate change as needed
11. work with a contractor and EPA TA providers and RCAP to provide for asset management planning, emergency planning and fiscal planning
12. develop a subsidized small system DWSRF loan program
13. work to develop regional vulnerability assessments and resiliency plans through utilization of \$600,000 in HUD funding via DOH
14. work with EPA Region 1 and Headquarters staff concerning small system sustainability
15. move forward the WUCC process in order to assure large system involvement with understanding small CPWS issues and vulnerabilities
16. move forward with Asset Management legislation in order to require plan development
17. work with PURA to redevelop the CPCN and Takeover processes and legislation if needed

This document will be updated on an ongoing basis as projects move forward and issues evolve over time.

## ATTACHMENT 2

### Proposed Framework for Small Water System Acquisition

#### RESPONSE TO INTERROGATORIES AND DOCUMENT REQUEST

1. Please describe the water company's organizational structure. Please also provide the name and title of the person(s) who has the authority to enter into binding agreements on behalf of the water company and the document that provides such authority.
2. Provide a copy of the notice the water company sent to its water system customers regarding its plan to cease operations as a water company.
3. Provide the last 3 sanitary survey reports issued to the water company by the Department of Public Health and the water company's responses thereto including the actions the water company took to correct significant deficiencies or violations of the Regulations of Connecticut State Agencies, if any, identified in the sanitary survey reports.
4. Provide a copy of all if the water company's water quality tests and results for the last five years.
5. Provide a description of all of the water company's property, whether real or personal, including, but not limited to land, equipment, buildings, active, inactive and emergency sources of supply, treatment systems, storage facilities, pumping facilities, and distribution system. Include in such description the date on which the property was placed in service, its location, the material and diameter of such property hydraulic capabilities, including, but not limited to flow, pressure, capacity, size, length, and safe yield. Additionally, provide details on water system performance including pressure, quality non-revenue water and main break frequency.
6. Provide the annual capital spending for the last 10 years? Provide a description of additions/improvements by year.
7. Provide the estimated cost of short term capital improvements (up to five years).
8. Provide the estimated cost of long term capital improvements (beyond five years).
9. Does the water company have a distribution system map? If yes, provide a copy. If not, is the company in the process of mapping its distribution system. Explain.
10. Provide maps of water company's property, including maps containing the water company's Class 1, 2 and 3 water company land, land held for future potential sources of supply, and active, inactive and emergency sources of supply, if any.

11. Provide information regarding the water company's real property (Class 1, 2 or 3 water company land) that the water company is not proposing to transfer, if any.
12. Has the water company complied with Conn. Gen. Stat. § 25-33? If yes, please provide the notification provided to the Commissioner of DPH, as well as the notifications provided and the responses received.
13. Indicate if there is any water system land held that is not held for water company use. If so, provide the land's dimensions and location and any appraisals that may have been done on this land. Provide town tax assessment records to place a value on the land.
14. Are there any water system assets located on private property? Provide any legal issues this will present under a potential transfer of assets. How is the water system currently addressing these issues?
15. List all assets held by the water company. Provide the latest town tax assessment records which value the assets of the water system.
16. Provide documentation for promissory notes or other documents for outstanding short- and long-term debts, or non-equity obligations in relation to the water system.
17. Does the water company have a line of credit available to it for water system improvements?
18. Provide the last 5 years of financial statements, including bank statements, separated by water and non-water activities. Provide detailed O&M support.
19. Provide an aging of accounts receivable as well as customer receivables written off in last 5 years. Explain if the water company has any accounts payable that are overdue. If so, provide an aging of the water company's accounts payable, as well as, collections against the water system in the last five years.
20. Identify and provide the distance to the nearest interconnection point with closest water utility.
21. Discuss if the water company has made contact with neighboring or adjacent water authority, tax district or other entity in the water business to obtain water service or other services. If yes, provide correspondence including quoted cost of interconnection, where applicable. If not, why has contact not been made?
22. Is the water production metered? If yes, provide the data regarding the water company's water production and consumption in gallons per day for the past two years.
23. Provide a copy of the DPH approval of abandonment of any source of supply not currently being utilized by the water company, if any

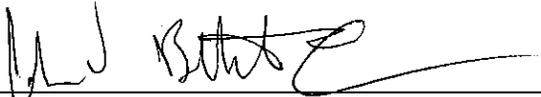
- 24.** Provide copies of diversion permits issued by the Department of Energy and Environmental Protection (DEEP), formerly the Department of Environmental Protection, if any, for the water company's water system.
- 25.** Provide a summary of all formal and informal enforcement actions, e.g., orders, consent orders, civil penalties, and violation letters, issued to the water company by the DPH and the DEEP in the past fifteen years. Provide a summary of the status of the water company's compliance with such actions, including an explanation regarding how the water company will resolve any outstanding items.
- 26.** How many customers does the water system serve? Provide a breakdown and count of the type of customers it serves by metered and unmetered customers.
- 27.** Provide the water company's asset management plan, operation and maintenance plan, emergency plan, and any other water supply plan the water company may have to assure the proper operation and maintenance of the water system.
- 28.** Provide the name of the exclusive service area (ESA) provider for the geographic area in which the water company's water system is located.
- 29.** Does the water company have a reserve fund for any unanticipated repairs or upgrades to the water system? If not, why not? How does it plan to pay for and budget for its annual costs to operate and make necessary repairs, provide water treatment and testing, pay for pumping, chemicals and electricity?
- 30.** Provide a copy of the water company's rates, miscellaneous service charges and rules and regulations that apply to its water customers for the last 10 years. If water service is billed through an association fee, provide the association fee data for the last 10 years. Provide details on special assessments billed to customers, in the last 10 years, specific to water system operations.
- 31.** Provide information regarding the operation of the water company's water system, including the name or names of the certified operator or operators that have operated the system for the past five years, the name of the employer or employers of such certified operator or operators, a copy of the operator agreement or agreements, and the amount or amounts paid to such certified operator or operators for operating the system for the past five years.
- 32.** Provide information regarding how the water company's water system is managed, including information regarding the specific duties and responsibilities of the manager of the water system and any employees of such manager.

**DOCKET NO. 15-11-33 PURA AND DPH JOINT REVIEW OF THE REGULATORY  
PROCESS FOR VOLUNTARY AND INVOLUNTARY  
WATER SYSTEM ACQUISITIONS**

This Report is adopted by:

For the Public Utilities Regulatory Authority:

For the Department of Public Health:



John W. Betkoski III  
Commissioner



Raul Pino, MD, MPH  
Commissioner