

# WHAT???

## A 23% Increase in Water Rates?

## And a 36% Increase in Electric Distribution Rates?

<b>The Problem</b>	Fairfield residents received a notice recently from <b>Aquarion Water Company</b> informing us that it has requested approval from the Connecticut Public Utilities Regulatory Authority (“PURA”) for an <b>18.3%</b> increase in water rates effective in September this year, plus further increases of <b>1.8%</b> and <b>1.9%</b> in the following two years, resulting in a total requested increase of <b>22.7%</b> .	Meanwhile, <b>The United Illuminating Company</b> has requested approval from PURA for a <b>36%</b> increase in its electric distribution rates over the next two years, which would result in a <b>12%</b> increase in our electric bills, effective in July or August this year, assuming no change in the cost of power generation. Stand by for further updates on this subject as we do more research.
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Fairfield Taxpayer is not an expert on water companies or electric utilities, but we want to alert everyone to these proposed substantial increases in the cost of our water and power, **which are essentially another tax we must pay**. If approved, their combined effect on the average taxpayer in Fairfield would be **equivalent to a 1%-2% increase in property taxes**.

<b>How You Can Help</b>	<ol style="list-style-type: none"><li><b>1</b> Please use our Aquarion "1-Click" Email system at <a href="http://FairfieldTaxpayer.com">FairfieldTaxpayer.com</a> to send your message to the Public Utilities Regulatory Authority, to our State Senator and Representatives, and to others who can influence the decision makers in this matter. With one click, your email will go to ALL of them.</li><li><b>2</b> Please attend the public meeting with representatives from Aquarion on Tuesday, June 18th at 6:30 pm in the First Floor Conference Room of Independence Hall (725 Old Post Road), Fairfield CT.</li><li><b>3</b> Please contribute your comments to the forum on this subject at <a href="http://www.FairfieldTaxpayer.com">www.FairfieldTaxpayer.com</a>; if you have expertise on utilities and their regulation and are willing to help, please email us at <a href="mailto:FairfieldTaxpayer@gmail.com">FairfieldTaxpayer@gmail.com</a>.</li></ol>
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### Some of the key questions we would like answered at the June 18th meeting are as follows:

<b>Questions We Need Answered</b>	<p><b>Why is it necessary to raise water rates so much?</b></p> <ul style="list-style-type: none"><li>➤ According to the Company’s Web site, it needs this huge rate increase: (a) to recover its investment of more than \$143 million in infrastructure improvements over the last three years (water mains, storage tanks, treatment plants, dams and pump stations); (b) to offset what it calls “cost increases outside its control”; and (c) to offset the effect of significant past and projected future declines in consumption.</li><li>➤ However, the rates that public utilities are allowed to charge their customers are not based solely on the amount of money they spend on capital improvements; instead rates are based on the rate of return the regulators feel it is reasonable for them to earn on the money the owners invest in the business.</li><li>➤ So we need to know what Aquarion’s return on equity (i.e., the owners’ investment) has been, and what it will be after the proposed rate increases.</li><li>➤ If anything, Aquarion’s return on equity should have benefited in recent years from low inflation in costs in general, and from much lower interest costs on the money it borrows.</li></ul> <p><b>How do water rates compare in different towns in CT and other states, and how are any material differences explained?</b></p> <p><b>How do Aquarion's costs compare to those of other water utilities, including executive compensation?</b></p> <ul style="list-style-type: none"><li>➤ For example, why were Administrative and General Salaries up over 17% in 2012?</li><li>➤ Why were Employee Pensions and Benefits up almost 29%?</li></ul> <p><b>Is there any adverse effect on customers from the fact that 55% of Aquarion is owned by an Australian banking group (Macquarie) in one of its private equity funds, and the other 45% by British Columbia Investment Management?</b></p> <ul style="list-style-type: none"><li>➤ For example, what extra fees are paid by Aquarion’s customers to the holding companies, and does Aquarion pay higher interest or dividends to the holding companies than it would pay if it borrowed the money directly and issued its own preferred stock?</li><li>➤ Also, does it make sense for the regulators to allow Aquarion to earn, say, a 10% return on the ~50% of its total capital that is equity at the operating company level when its holding company may have borrowed 80% or more of the capital it has invested in Aquarion, thereby forcing its water customers to pay the cost of higher interest rates on all of the Company’s debt?</li></ul> <p><b>Is there any adverse effect on Fairfield customers from the need to invest in capital improvements in other towns served by Aquarion in Connecticut, Massachusetts and New Hampshire, particularly any that Aquarion has chosen to acquire in recent years that may not have properly managed, maintained and replaced their aging water infrastructures?</b></p> <p><b>What about the Water Infrastructure and Conservation Adjustment (WICA) surcharge that Aquarion customers have been paying since April 2009 to fund the timely replacement of water distribution pipes and other infrastructure?</b></p> <p><b>Why does Aquarion already have a much higher authorized return on equity of 9.95% than United Illuminating at 8.75%, and why is it requesting an even higher ROE of 10.6%?</b></p> <ul style="list-style-type: none"><li>➤ Under the new accounting rules, private equity firms must mark their investments to market on a quarterly basis, and it would be helpful to know what has happened to the Aquarion’s value since its acquisition by Macquarie in 2007 for \$860 million in order to assess whether the current authorized rate of return should be changed.</li></ul>
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**PLEASE---SIGN UP, BE HEARD, MAKE A DIFFERENCE!**