



STATE OF CONNECTICUT

**PUBLIC UTILITIES REGULATORY AUTHORITY
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051**

**DOCKET NO. 18-12-01 APPLICATION OF CONNECTICUT WATER SERVICE,
INC. AND HERITAGE VILLAGE WATER COMPANY FOR
SALE OF WATER SERVICES TO TOWANTIC ENERGY**

May 8, 2019

By the following Commissioners:

John W. Betkoski, III
Michael A. Caron

Lead Staff: R. Samuel
Legal Advisor: L. Levesque

DECISION

DECISION

I. INTRODUCTION

A. SUMMARY

In this Decision, the Public Utilities Regulatory Authority reviews the Water Supply Agreement between Heritage Village Water Company and CPV Towantic, LLC, which provides for the delivery and sale of water from Heritage Village Water Company to CPV Towantic, LLC. Such water will be used in the CPV Towantic, LLC dual-fuel combined cycle electric generating facility located in the Town of Oxford, Connecticut. To address seasonal river flow concerns, the Agreement contains a provision whereby during July 1 through October 31 annually, water use by Towantic will be offset by water transferred through HVWC's existing interconnection with The Connecticut Water Company (both wholly-owned operating subsidiaries of Connecticut Water Service, Inc.)

The Authority finds that the Agreement is consistent with approved rate schedules for HVWC and CWC; however, the Authority will reserve a determination regarding net incremental costs related to the Agreement until the next revenue adjustment mechanism filing. The Authority will order Heritage Village Water Company to revise and resubmit the company's Water Supply Plan that incorporates the Water Supply Agreement and an analysis of its impact.

B. BACKGROUND OF THE PROCEEDING

On November 7, 2018, Connecticut Water Service, Inc., (CWS or Connecticut Water) and the Heritage Village Water Company (HVWC or Heritage Village, together Applicants)¹ filed a correspondence with the Public Utilities Regulatory Authority (Authority or PURA) indicating that HVWC reached a water supply agreement (Agreement) with CPV Towantic, LLC (Towantic) related to the delivery and sale of water from HVWC to Towantic. The water is for use in Towantic's electric generating facility which is located in the Town of Oxford, Connecticut. Application, p. 1. The Authority will review the Agreement pursuant to §§ 16-19, 16-11, and 25-32d of the General Statutes of Connecticut (Conn. Gen. Stat.), and §§16-11-61(7) and 25-32d-5 of the Regulations of Connecticut State Agencies.

C. CONDUCT OF THE PROCEEDING

The Authority determined that a hearing was not required and none was held.

D. PARTIES AND INTERVENORS OR PARTICIPANTS

The Authority recognized the following as Parties to this proceeding: Connecticut Water Service, Inc., 93 West Main Street, Clinton, Connecticut 06413-1600, Heritage

¹ HVWC was acquired by CWS in accordance with the Decision dated December 5, 2016, in Docket No. 16-07-09, Application of Connecticut Water Services, Inc. and Heritage Village Water Company for Approval of Change of Control.

Village Water Company, 450 Heritage Road, Southbury, Connecticut 06488, CPV Towantic, LLC c/o Brown Rudnick LLP, City Place 1, 38th Floor, 185 Asylum Street, Hartford, Connecticut 06103, the Commissioner of the Department of Energy and Environmental Protection, 79 Elm Street, Hartford, Connecticut 06106-5127, and the Office of Consumer Counsel, Ten Franklin Square, New Britain, Connecticut 06051.

E. PUBLIC COMMENT

The Pomperaug River Watershed Coalition (PRWC) supports the Agreement and believes that the Agreement will benefit river flows. The period of July 1 through October 31 is historically one of low river flows and the provision to transfer water from an out-of-basin supply to relieve the groundwater demands on the Pomperaug Aquifer is seen as beneficial. PRWC, Letter dated December 14, 2018.

II. AUTHORITY ANALYSIS

A. THE AGREEMENT

HVWC and Towantic are entering into the Agreement to supply potable water to Towantic's 785 MW dual-fuel combined cycle electric generating facility located in the Town of Oxford. Application, Exhibit 2. Towantic filed an application for water service connection with HVWC, dated February 10, 2016, which contains a number of special conditions, including conditions related to water demand. Application, Exhibit 1, Attachment A. Key elements of the Agreement include:

1. HVWC agrees to provide Towantic up to either 150,000 gallons of water per day (gpd) or 218,000 gpd, depending on the time of year, and Towantic agrees to take or pay for a minimum 150,000 gpd (on a monthly average basis). The higher quantity is intended to address maximum water needs during oil-fired plant operation, in the event such operation is necessary.
2. During July 1 through October 31 annually, water use by Towantic will be offset by water transferred through HVWC's existing interconnection with The Connecticut Water Company (CWC) (both wholly-owned operating subsidiaries of Connecticut Water Service, Inc.) This transfer will eliminate additional stress on the Pomperaug River during seasonal low-flow periods.

The Agreement has a term of 20 years, with renewal provisions. Application, pp. 1 and 2, Exhibit 2.

HVWC is filing the Agreement in compliance with Order No. 2 in the Decision dated December 5, 2016, in Docket No. 16-07-09, Application of Connecticut Water Services, Inc. and Heritage Village Water Company for Approval of Change of Control (Order No 2). Order No. 2 requires that HVWC update its Water Supply Plan to include any agreed upon operational changes that strengthen protections for the water resources of the Pomperaug River. Heritage Village typically obtains most if not all of its public water supply from five wells located in the Pomperaug River stratified drift aquifer. Because low flows in the river typically occur during the summer and early fall months, the Agreement will utilize an existing interconnection with Connecticut Water to

source 100% of Towantic's daily water demand from outside the Pomperaug River basin during the period July 1 through October 31. Through this conjunctive use of supplies, potential impacts to the Pomperaug River will be mitigated, and operational changes reflecting conditions of the Agreement will be reflected in an update to HVWC's individual Water Supply Plan. Response to Interrogatory AC-1.

The Bureau of Water Protection and Land Reuse of the DEEP (DEEP) supports the proposed Agreement under consideration in this docket. DEEP considers this public water supply transfer as an appropriate interconnection between water service areas that will mitigate additional stress on a particularly sensitive watershed. Utilization of such interconnections feature prominently as a recommendation in the recently released Connecticut State Water Plan. DEEP April 30, 2019, Letter. The Authority finds that these provisions for augmenting the HVWC supply during peak periods is beneficial for the protection for the water resources of the Pomperaug River.

HVWC and CWC entered into an executed Water Supply Agreement (Executed Agreement), dated August 9, 2018, whereas Heritage Village reserves a quantity of water to offset Towantic's potential water use annually during the period of July 1 through October 31, which water would be transferred through the Judd Hill Road interconnection. Application, Exhibit 1, Attachment D; Response to Interrogatory AC-4.

B. RATES

The rate provisions under this Agreement fall into several categories and reflect the unique nature of this transaction which include an affiliate company water transfer and a take or pay provision. The following are the particular rates to be applied:

1. Water delivered to Towantic shall be charged at the approved HVWC General Service Usage Rate, as will reserved but undelivered water outside the July 1 through October 31 window.
2. Towantic will reimburse HVWC for water delivered through the interconnection during the July 1 through October 31 window, which water will be billed to HVWC by CWC at the approved CWC Middlebury non-system user rate. During that period, water reserved but undelivered shall be reimbursed at CWC's approved Industrial Commodity rate for the Western Regional Central System.

Regarding rate provision 1, the Applicants state that the Agreement is in accordance with approved rates in the Decision dated April 29, 2015, in Docket No. 14-11-07, Application of Heritage Village Water Company to Amend Rate Schedule. (Decision in Docket No. 14-11-07). Water delivered to Towantic shall be charged at the approved HVWC General Service Usage Rate (currently \$2.66 per thousand gallons). Application, p. 2. Regarding rate provision 2, the Applicants state that the contract establishing the CWC Middlebury non-system user rate was approved by PURA on August 8, 2001 in Docket No. 01-04-21. Further, the CWC Industrial rate was approved by PURA on August 15, 2018 in Docket No. 09-12-11RE04.

The Authority finds that the provisions in the Agreement are consistent with approved rate schedules for HVWC and CWC.

C. FINANCIAL IMPACT

HVWC and CWC state that the Agreement will have a slightly negative impact on the financial position of each company until it files its next general rate case. This impact results from the operation of the Revenue Adjustment Mechanism (RAM) and the companies' inability to recover the net incremental costs associated with providing water service to Towantic (e.g., any incremental pumping and chemical costs) until their next respective general rate cases. Response to Interrogatory AC-5.

Heritage Village believes that to avoid surrendering a substantial portion of the incremental Towantic revenues twice, it will need its allowed revenues for RAM purposes to include all amounts that it receives from Towantic that are attributable to payments that HVWC must make to CWC. Otherwise, Heritage Village would be essentially flowing back Towantic revenues to its customer's and paying that same amount to Connecticut Water. HVWC states that such double counting would be unfair and would have a serious adverse impact on Heritage Village. According to Heritage Village it will have to annually incur \$156,161 (\$98,162 + \$57,999) of purchased water expense that will be reimbursed by Towantic through the additional revenues. Attachment E, page 47 of 48 of Exhibit 1. This \$156,161 should be recognized as additional authorized revenues in the calculation of the RAM. Response to Interrogatory AC-5.

HVWC believes that even with this adjustment to allowed revenues, customers of both companies will benefit from the Agreement. The revenues Heritage Village will receive from selling water to Towantic, less the cost of purchasing water from Connecticut Water, will be passed back to Heritage Village Water Division ratepayers through the RAM. Response to Interrogatories AC-5 and AC-6.

The Authority will reserve its ruling on the financial impact of the net incremental costs associated with providing water service to Towantic through RAM upon a proper filing of a RAM application.

D. ENGINEERING

Towantic has operated the 785 megawatt gas-fired power plant since June 2018. It also operated on fuel oil for a limited duration and during the winter period (i.e., non-peak water system demand timeframe). Response to Interrogatory EN-3. Heritage Village is currently providing a water supply to Towantic. Response to Interrogatory AC-8. Towantic needs water primarily for evaporative cooling when the temperature is greater than 60 degrees Fahrenheit for quenching boiler blowdown, potable use and for makeup water for the heat recovery steam generator/boiler. Towantic's annual average water usage will be 66,900 gallons per day (gpd). However, from July 1 to October 31 its maximum daily water use will be 150,000 gpd, and from November 1 to June 30, its

maximum daily water will be 218,000 gpd. Heritage Village's² Oxford distribution system will supply water to Towantic. Responses to Interrogatories EN-1, Exhibit 1, p. 1 and EN-2.

Heritage Village's water system is supplied by five wells located in the Pomperaug River stratified drift aquifer. Pomperaug River has low flow during the period July 1 through October 31. In addition, HVWC has an interconnection with the Connecticut Water, Naugatuck Water Supply System. Through the interconnection, CWC can transfer up to 500,000 gpd to HVWC. Response to Interrogatory EN-7. The interconnection may relieve the Pomperaug River basin ground water demands. Responses to Interrogatories AC-1, EN-6 and EN-8. CWC is a subsidiary of CWS.

HVWC stated that for calendar year 2017, which predated the Towantic startup, its Margin of Safety (MOS) was 1.97 for Average Day, 1.41 for Maximum Month Average Day and 1.43 for Maximum Day. With Towantic Average Daily water demand of 66,900 gpd, the Average Daily MOS is 1.85. With Towantic water demand of 150,000 gpd, during summer months, the Maximum Monthly Average Daily MOS is 1.28 and Maximum Daily MOS is 1.32. With Towantic water demand of 218,000 gpd, during winter months, the Average Daily MOS is 2.01 and Maximum Daily MOS is 2.086. Responses to Interrogatories EN-4 and EN-5. The table below presents the calculated MOS for HVWC:

| Water usage | Margin of Safety | | |
|---|----------------------|------------------------------------|----------------------|
| | Average Daily Demand | Maximum Month Average Daily Demand | Maximum Daily Demand |
| Predated Towantic facility startup (2017) | 1.97 | 1.41 | 1.43 |
| With Towantic's 150,000 gpd usage | | 1.28 | 1.32 |
| With Towantic's 218,000 gpd usage | 2.01 | | 2.086* |

*CWS stated that the 2018 Maximum Daily Demand MOS was 2.086, which included water use by the Towantic facility in 2018. Response to Interrogatory EN-5.

Responses to Interrogatories EN-4 and EN-5.

The HVWC's Maximum Daily Demand MOS is above the 1.15 ratio. However, in HVWC's Water Supply Plan dated March 2016 (2016 WSP) submitted in Docket No. 16-03-52 PURA Review of Heritage Village Water Company Supply Plan 2016, the Maximum Daily Demand MOS was 1.17 for 5-year plan (2021) and 1.05 for 20-year plan (2036). Moreover, the 2016 WSP calculated MOS based on average Towantic water usage of only 67,000 gpd. WSP, Section 10-4, Tables No. 10 and 14. The 2016 WSP does not account for the 150,000 gpd or 218,000 gpd water potentially used by

² Heritage Village Water Company became a direct, wholly-owned subsidiary of Connecticut Water Service, Inc., in the Decision dated December 5, 2016, in Docket No. 16-07-09.

Towantic. Consequently, the Authority will direct HVWC to submit a revised Water Supply Plan that incorporates the 150,000 gpd and 218,000 gpd water demands.³

In addition, the Authority expects HVWC to revise the Emergency Contingency Plan (ECP) contained in Section 17 of the 2016 WSP. CWS stated that in the event of an emergency, Heritage Village will follow its Water Shortage Response Plan (WSRP), which will involve all customers, including Towantic. Response to Interrogatory EN-9. As a result, the ECP and WSRP should be revised to incorporate Towantic as a large water usage customer. The ECP shall contain restriction of water use by Towantic during drought and the impact of these restrictions on the Towantic operations. The WSRP should be comparable to the 2018 Connecticut Drought Preparedness and Response Plan. CWS should work directly with Towantic on operational changes as a result of updates to the ECP.

III. FINDINGS OF FACT

1. Heritage Village typically obtains most if not all of its public water supply from five wells located in the Pomperaug River stratified drift aquifer.
2. Low flows in the Pomperaug River typically occur during the summer and early fall months.
3. Towantic operates a 785 MW dual-fuel combined cycle electric generating facility located in the Town of Oxford.
4. Towantic's annual average water usage will be 66,900 gallons per day (gpd). However, from July 1 to October 31 its maximum daily water use will be 150,000 gpd, and from November 1 to June 30, its maximum daily water will be 218,000 gpd.
5. The Agreement will utilize an existing interconnection with Connecticut Water to source 100% of Towantic's daily water demand from outside the Pomperaug River basin during the period July 1 through October 31.
6. HVWC and CWC entered into an Executed Agreement, dated August 9, 2018.
7. The provisions in the Agreement are consistent with currently approved rate schedules for HVWC and CWC.
8. CWC can transfer up to 500,000 gpd to HVWC.

³ In its Decision dated June 29, 2016, in Docket No. 16-03-52, the Authority required revisions to the 2016 WSP before it could grant concurrence. To date, HVWC has not submitted a revised WSP addressing the Authority's comments.

IV. CONCLUSION AND ORDERS

A. CONCLUSION

The Authority finds that the Agreement is consistent with approved rate schedules for HVWC and CWC. The Authority will reserve a determination regarding net incremental costs related to the Agreement until the next revenue adjustment mechanism filing. In addition, the Authority will order HVWC to incorporate the Agreement and an analysis of its impact into the company's revised Water Supply Plan.

B. ORDERS

For the following Orders, the Company shall submit one original of the required documentation to the Executive Secretary, 10 Franklin Square, New Britain, Connecticut 06051 and file an electronic version through the Authority's website at www.ct.gov/pura. Submissions filed in compliance with the Authority's Orders must be identified by all three of the following: Docket Number, Title and Order Number. Compliance with orders shall commence and continue as indicated in each specific Order or until the Company requests and the Authority approves that the Company's compliance is no longer required after a certain date.

1. No later than December 31, 2020, HVWC shall provide a revised WSP that incorporates the Agreement into the MOS calculation and into the ECP.

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This Decision is adopted by the following Commissioners:

John W. Betkoski, III

Michael A. Caron

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority

May 8, 2019

Date