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The Search for a New Regional Water Utility Order: The Managerial Politics of Tax Revenue Flows, Open Space, and the Urban-Suburban Conflict in South Central Connecticut

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THE SEARCH FOR A NEW REGIONAL WATER UTILITY ORDER:
THE MANAGERIAL POLITICS OF TAX REVENUE FLOWS,
OPEN SPACE, AND THE URBAN-SUBURBAN
CONFLICT IN SOUTH CENTRAL
CONNECTICUT
BY
MARGUS LAAN

A RESEARCH PROJECT IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF COMMUNITY PLANNING

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MASTER OF COMMUNITY PLANNING
RESEARCH PROJECT
OF
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CHAPTER I

INTRODUCTION AND BACKGROUND

Politics involves the control and distribution of resources. Water is the most vital of our resources--the supply of clean, fresh water is essential for human life and is an important element of our economic life. Land is another vital resource. The use of land and the distribution of land uses are major decisions which shape our environment and the economy. One institution which combines control over both, water and land resources, is a water utility. Such control has the potentiality to become a politically sensitive issue. This has happened in the south central region of Connecticut.

The water utility in question is the New Haven Water Company. In fact, there are two New Haven Water Companies. One is of the 1970s and the other of the 1980s. In many respects, they are the same. The buildings, the personnel, and the landholdings have not changed. The product is still water and New Haven Water is still the major supplier of water for the region. Yet, they are different. The company of the 1970s is the cause and center of a major political controversy. The company of the 1980s is the solution to the controversy. The controversy goes beyond issues of water quality and efficiency of operations to issues of revenue flows, autonomy and control and ownership of land.

The New Haven Water Company of the 1970s was an institution of the past. The Company was organized in May 1849 by a group of prominent New Haven businessmen, to deal with the problems of water supply and large scale fires, caused by New Haven's increasing industrialization, and urbanization.¹ The Company expanded to its present level of operations largely due to consolidations during the late 1800s and early 1900s with other water companies, such as Fair Haven Water Company, West Haven Water Company, Branford Water Company, North Branford Light and Power, Orange Water Company and Milford Water Company.²

This New Haven Water Company was a private, investors owned corporation, providing service to the general public. Because of economies of scale, the company was granted monopoly status. To protect the public of monopoly greed, the Company's revenues and expenditures, were regulated by the State of Connecticut, and to compensate the investors for regulation, a fair return was guaranteed, regardless. This New Haven Water Company came to an end on August 26, 1980, when the company was purchased by the South Central Connecticut Regional Water Authority.

The South Central Connecticut Regional Water Authority is a public corporation, and political subdivision of the State of Connecticut. New Haven Water Company still exists under the business name of the South Central Connecticut Regional Water Authority. The purpose is to provide high quality water as efficiently as possible, and to use the

"land resources in the best interests of the consumer and the public at large."³

At the present time, the South Central Connecticut Regional Water Authority serves approximately 375,000 people.⁴ This is an estimate. There are no exact figures, since the customer accounting is done by meters. The Regional Water Authority has 91,187 meters.⁵ This includes residential, institutional, commercial and industrial customers. The service area is twelve communities: Bethany, Branford, Cheshire, East Haven, Hamden, Milford, New Haven, North Branford, North Haven, Orange, West Haven and Woodbridge. New Haven has the largest number of meters, and Bethany has the least. The portion of each municipality served by the Regional Water Authority varies as well. Some communities receive all or almost all their water from the Regional Water Authority, while others receive much less. In addition, meters provide a misleading indicator of consumption, since meters apply to all customers, regardless of the amount of water consumed. For example, New Haven has about a quarter of the meters and 45% of the consumption, yet accounted for 37% of the revenues.⁶

The South Central Connecticut Regional Water Authority is the owner of a large portion of the region's land: 25,277 acres.⁷ Most of these lands are part of the water supply system. These are the lands around the reservoirs, around the wells, and part of the watershed. A watershed

is the land from which water drains. This water drains from higher to lower elevations either by natural, or man-made channels into a public drinking water supply intake, such as a reservoir.⁸ The land is located in all twelve of the communities, served by the Regional Water Authority, plus four more: Guilford, Madison, Killingworth, and Prospect. Both, Prospect and Killingworth, border the region, but are outside the New Haven area. More than 80% of this land lies in the outlying rural towns of Bethany, Woodbridge, Cheshire, Prospect, North Branford, Branford, Guilford, Madison and Killingworth.

This 25,277 acres is essentially undeveloped land although it does contain such water related facilities as storage tanks, pumping stations, and filtering plants. The rest is not developed. There is a reason for this lack of development, and it is to protect water quality. One way to protect water quality, is to surround the water supplies, such as wells and reservoirs with open space-land. This reduces the amount of contaminants entering the water supply and allows the natural filtering process to work. The State Plan for Conservation and Development in Connecticut recognizes this policy and states further: "Lands which are maintained in open space necessary for the protection of public water supply should be continued to be maintained in that state."⁹

These lands form a major portion of the open space in the South Central Region of Connecticut. According

MAP 1: DISTRIBUTION OF NEW HAVEN WATER LAND HOLDINGS

SCALE- 1 INCH: 30,770 FEET

SOURCE: NEW HAVEN WATER, 1982

to the 1978 Land Use in South Central Connecticut Policies and Principles, by the Regional Planning Agency of South Central Connecticut, the region has 70 square miles of open space--19% of the land area. Twenty square miles are publicly owned and fifty square miles are privately owned. The vast majority (75%) of the private open space is owned by the Regional Water Authority¹⁰ (in 1978, the Regional Water Authority was still the private New Haven Water Company). The importance of preserving this open space has been recognized since at least 1967 Open Space Plan¹¹ by the Regional Planning Agency, and the open space policy is also reflected in the land use plans of the Tri-State Regional Planning Commission.¹² Furthermore, the 1978 Land Use in South Central Connecticut Policies and Principles is not satisfied with the status quo in open space and foresees a need to expand the amount of open space in the region, to be a third of the region's land area.¹³ The reasons are for the preservation of the environment, the location of the land distance from present development, the difficult topography for development, and in general, a limitation on development, a third of the region's land area.¹⁴

There is a problem with these Water Company lands. Not all of the acres are considered to be needed. Some are considered to be surplus, because they lie outside of the watershed, and others not necessary anymore for the protection of the water supply. At present time, the

South Central Connecticut Regional Water Authority is taking an inventory of all the Authority's land and is developing a land utilization plan. This plan is mandated by the Regional Water Authority's enabling legislation. This act requires that a land utilization plan be developed and completed within two years of the acquisition date of the New Haven Water Company. The plan is due by August 26, 1982 and will determine whether: any land can be considered as surplus in regard to maintaining water quality; which land is suited for limited recreation or open space use; and whether any land is suitable for any other type of development.¹⁵ In addition, this act outlines the Authority's own complicated procedures for land disposal.¹⁶ These provisions are the result of the controversy involving the control and ownership of these lands by the private New Haven Water Company.

The issue of surplus lands was not a new idea. Over the years, the New Haven Water Company had considered some of their land holdings to be unnecessary and had sold parcels for development.¹⁷ The Company looked upon these lands as a potential source of revenues. New Haven Water Company had its reasons.

New Haven Water Company felt that time had changed the need to keep large amounts of acreage in order to assure water quality. Government land use controls, water pollution abatement laws, and new filtration technology were seen to eliminate the need for large amounts of land surrounding reservoirs.¹⁸

The New Haven Water Company found itself faced with major capital costs in the 1970s and 1980s. One set of costs were for the replacement and repair of existing capital equipment. The other major capital investments were mandated by new legislation and regulations from the Federal Government and the State of Connecticut. The 1974 federal Safe Drinking Water Act placed stricter water quality standards for the New Haven Water Company to meet. The Connecticut water regulations were even stricter. These requirements necessitated the construction of new filtering plants in order to comply with the water standards. This was expensive, and required large amounts of capital. The estimated combined ten-year capital costs ranged from \$110 million to \$132 million.¹⁹

The problem for the New Haven Water Company was, how to raise the significant amounts of needed capital. There were three sources of which two were equity and debt financing. Equity financing involved the issuing of new shares of stocks of the company. Debt financing involved the selling of bonds. Both of these methods had difficulties. New Haven Water Company was a stable, but not a lucrative investment. The Company did not offer a significant enough return, and therefore had difficulties attracting additional investment to raise the capital needed.²⁰ For example, in 1975 the company had tried to sell \$3.5 million in new shares of stocks, but was only able to sell \$2 million, even at a 12% dividend rate.²¹

Bonding presented difficulties as well. As a private corporation, New Haven Water Company's bonds were subject to the investors' income tax. To attract investors, the Company had to offer the bonds of a much higher rate of interest to compensate the tax status. This added to the cost of capital and the capital needed was significant. There existed doubts in financial circles whether the required capital could be raised.²² All of these costs, for dividend payments and the bonding interest costs, would have to be accounted in the water rates and paid by the water consumers. One source predicted that New Haven Water Company rates would have to increase by 122% from 1976 to 1986, without accounting for inflation and 212% in the same time period if the inflation rate of 6% was accounted for.²³

The third source of funding was the sale of land holdings. The New Haven Water Company could sell the surplus acres and use the revenues to finance the capital improvements. Ideally, the company wanted to sell the surplus lands to the local governments, the State of Connecticut, or to a land preservation trust. Under these owners, the land would most likely remain open space and keep the water quality high. The land could be sold to others as well. As early as in 1971, the New Haven Water Company announced a plan to dispose of more than 60% of its holding, --16,500 acres of surplus land.²⁴ The revenues from the land sale were also to benefit the investors, to make up for low earnings of their invest-

ments. In 1971, the Connecticut Public Utilities Commission adopted rules which required the revenues from land sales to go to rate-payers, and not toward capital improvements or to the investors.²⁵ In 1972 the New Haven Water Company unsuccessfully challenged this ruling, and continued to appeal the ruling throughout the 1970s.²⁶

These proposed land sales set off a reaction. The concern for water quality, and the potential sale of private utility land, was not limited to New Haven alone. It was a statewide concern, since 66,000 acres of land in Connecticut, was owned by private water utilities. This concern was strong enough that in 1975 the Connecticut General Assembly passed the Public Act 75-405. This law established the Connecticut Council on Water Company Lands and placed a two-year moratorium on land sales by private water companies.²⁷ The moratorium was expanded in 1976 to include land transfers or sales by the state or local governments. In 1977, the moratorium was extended to 1979, and in 1979, it was again extended for another year.²⁸ The moratorium ended on February 6, 1980, when the Commissioner of Health Services issued the final regulations on the disposal and use of water company lands.²⁹ The Connecticut Council on Water Company Lands was given the task of developing criteria for determining surplus lands, developing state policy for disposal of surplus land, and developing state policies and procedures for assisting municipalities in purchasing of those

surplus lands.

The reaction in the South Central Region was not limited to water quality only. While the issues of adequate amount of land and sufficiency of technology for water quality protection were discussed, other issues also arose. Communities began to determine whether to acquire lands, which lands to acquire, and how that could be accomplished. Several communities were worried about the changes in tax position. As a private company, New Haven Water Company, paid property taxes on their land holdings to the local governments. These lands provided tax revenues with little, or no service demands, for the communities. The sale of these properties could change the established arrangements. If the land was bought by a government for open space or other purposes, then the tax revenues would be lost. If the land was sold and developed, costly new service demands might result.

The City of New Haven was concerned, too, since the situation posed a threat. Under continued private ownership, the water supply could become very expensive. Higher water rates would affect New Haven the most, since the City accounted for the largest share of the market and consumption. New Haven started seriously considering the 1902 contract with the New Haven Water Company.³⁰ This contract gave the City the right to purchase the Company every twenty-five years and 1977 was the year of option come up again.

The possible ownership of the New Haven Water Company

by the City of New Haven started a central city-suburban controversy. The City's ownership of the water utility would entail not only the provision of water, but the ownership of the nearly 26,000 acres³¹ --all but 51 acres outside of the City of New Haven. This raised issues of autonomy, tax revenue flows and the question of ownership of the water utility. In the center of the controversy was the New Haven Water Company who actively promoted and preferred regional ownership.

This drama has more significance than at first appeared. The City of New Haven is not just any east coast city. It is an academic battleground on which the community power debate has been fought. Robert Dahl's Who Governs?³² argues the pluralist school. G. William Domhoff's Who Really Rules?³³ argues the power elite school. Dahl and the pluralists argue that there is no power elite, rather various leadership groups influential in different issue areas. Domhoff and the power elitists argue there is a dominant ruling class. This ruling class comes from the corporate, business, and Yale communities and their influence and policies dominate the arena. The significance for this study is that New Haven Water Company is one of the major corporations of the New Haven area. It is one of the corporations described by Domhoff as forming the central core of New Haven's corporate ruling class.³⁴

This paper will examine the controversy which changed the New Haven Water Company from a private to a regional

public utility. First there will be a history of the struggle. Second will come an economic analysis of the land situation. Finally will come an analysis of the situation. This will look at the issues of autonomy, revenue flows and ownership of the company, and relate this to the observations of Domhoff. From this will hopefully emerge a better understanding of the political workings of a region and the role major land development issues play.

CHAPTER II

HISTORY

The question of public or private ownership of the New Haven Water Company, was not a new debate. The debate began in the mid-1800s. While the New Haven Water Company was organized in 1849, it did not become operational until 1861. In-between, there was a debate on the operation and ownership of the water utility. It seemed that the original organizers' intention was to establish the venture and then give the charter to the City of New Haven. In June 1852, the City appointed a committee to study the ownership and water supply question, and by February 1853, a report was published on the issue. More than a year of debate and bickering followed. Finally, the issue was resolved at a town meeting on July 7, 1854 with a decisive vote against city ownership. The private investors went ahead and proceeded to build and operate the new water system.¹

The municipal ownership issue of the New Haven Water Company arose again twenty-seven years later. In 1881, a movement formed to have the City of New Haven, purchase the New Haven Water Company. A special ballot was held in November of 1881 and again the purchase was opposed: 5,062 against, and 3,198 in favor.²

The municipal ownership theme arose again in 1902, but this time in a different manner. The Company had grown

to a near monopoly in the region due to acquisitions. On February 20, 1902 the City of New Haven entered into a contract with the New Haven Water Company whereby within city limits, the Water Company would provide water services without cost to the City of New Haven for schools, fire protection and public municipal use.³ In 1934, the Connecticut Public Utilities Commission terminated this without cost benefit to the city.⁴

The more important aspect of this 1902 contract was a provision effective on every 25th anniversary of the contract. This provision stated that "if the City shall determine to purchase the property, assets, and franchises of the Company, the Company will then sell and convey the same to the City, upon the City paying just and fair compensation."⁵ The contract further stated that if the City and the Water Company could not agree on what constituted a just and fair compensation, then the Connecticut Superior Court would appoint a three person committee, who would decide the just and fair price. This option became active under two other conditions as well. These were whenever the Company divested itself of its property and franchises "to any other person or corporation,"⁶ or if the Company failed to provide safe and adequate water services.⁷

The first time the purchase option became active was in 1927. The second time was in 1952. In both times, the New Haven Board of Aldermen debated the option and voted against purchasing the Company. Conditions did not call

for such action. Purchase and continuing costs would supposedly only have increased consumer rates.⁸ The third time the option became active was in February 1977.

In the early 1970s, New Haven Water Company was facing major capital costs. These costs arose from three aspects of providing water service. The first aspect involved the distribution of the water supply with such equipment as transmission lines, pumps, and storage tanks. The second aspect was the treatment of water to meet water quality standards. The third aspect was replacement and additions to the water system, such as water mains, meters and hydrants. These costs were such that in 1973 the Company had a capital budget of \$12 million, and estimated five year (1973 to 1978) capital spending of \$75 million.⁹

The revenue of the Company came from the charges paid by the consumers of the utility's water and these charges were regulated by the State of Connecticut's Public Utility Commission (PUC). New Haven Water Company needed more revenues to cover the financing of the capital investments. To attract capital, an attractive rate of return was needed and a better rate of return required approval by the PUC. New Haven Water Company was not satisfied with its return rate. According to Charles Woods, president of the Company, the return was only 6.9% in 1971, and 7.0% in 1972.¹⁰ The March of 1973 rate increase by the PUC, did not satisfy the Company either. Given such a situation, the Company started to examine its assets for another

revenue source. One source was the Company's vast land holdings upon which the private Company paid property taxes.

From at least the 1950s, the New Haven Water Company had sold land for development. In fact, it was the proposal of the Water Company to sell a parcel on the shore of Hamden's Lake Whitney for high rise residential development in the later 1960s which began to raise public sensitivity to the Water Company's land disposal policies.¹¹

In 1971 the Company proposed the sale of 16,500 acres of its surplus lands. The revenue from the sale of these lands would serve two purposes. One was to help raise the needed capital for the new equipment, and construction costs.¹² Second was for the investors, as Charles Woods described, "a return which will make up for lost time in the past."¹³

A problem arose with this plan. The PUC changed some of their accounting rules in 1971. This change affected how the utility's operating income was determined and the operating income was the basis of the utility's rate charges. The PUC decided that any gain or loss on the sale or disposition of the property which had, at any time, been classified as utility plant, should be accounted for as a credit or debit to operating expenses and would be included in the determination of utility's operating income. Before this accounting change, the revenues from the sale of Company lands, would have gone to the investors, but

now, these profits would go to benefit the rate payers.¹⁴

This change in accounting rules was not viewed favorably by the New Haven Water Company. In 1972, the Company challenged the validity of the PUC decision and took the PUC to the Connecticut Superior Court, seeking a declaratory judgment on the decision's validity. With this, a public debate had begun on who was to benefit from any land sales, and was just one aspect of the land debate.

There had been continuing public concern over the possible sale of Water Company land, since 1971. The Town of North Branford, had their own discussions with officials of New Haven Water Company, concerning the land. There was concern on the state level on the general issue of private water company land holdings. There was even a bill before the Connecticut Legislature's Environmental Committee which required a water company to provide an impact statement on any proposed land sale and required final approval of such sale, by the State Commissioner of Environmental Protection.

In early January of 1974, the New Haven Water Company announced its intention to sell its surplus land holdings of 16,500 acres.¹⁶ This report mentioned only the amount of land that was surplus and could be sold. The report did not mention when these lands were to be sold. The reaction to this announcement occurred on three levels. One level was the general public of Connecticut. The environmental movement, it should be emphasized, was strong

at this time.¹⁷ The Environmental Protection Association of South Central Connecticut came out strongly opposing the Company's plans. Other groups were concerned as well. In Orange, a group formed in March to study the land issue and how best to approach the Company's sale plans. The groups consisted of representatives from four organizations: the Orange Conservation Commission, the Orange Conservation Land Trust, the Orange Garden Club, and the Orange League of Women Voters. This group was called the ad hoc committee to investigate the New Haven Water Company lands. One of the co-chairmen of this committee, was Howard Brooks, who would become the chairman of the South Central Connecticut Regional Water Authority eight years later.

Another level of reaction was municipal. Many towns were concerned. The Water Company planned to sell 746 of 1,767 acres in Woodbridge, 502 of 777 acres in Orange, and 2,300 of 2,896 acres in Bethany.¹⁸ Other towns had substantial acreage as well. Of the Company's 5,723 acres in North Branford, nearly 3,000 acres were considered surplus and salable.¹⁹ This was one sixth of the town's acres in Madison, 2,900 of 3,237 in Guilford, and 626 of 778 acres in Killingworth,²⁰ to be surplus and salable. For these communities, this proposal presented a problem. The lands were a major revenue source and the amount of land involved was large. This land accounted for a good portion of the open space, and the communities wanted it preserved. This presented communities with many questions for consideration,

such as how quickly the land would go on sale, how much would go on sale, which parcels to buy, at what price to buy, how to raise the money, the decision timing and whether town priorities were to spend money to buy the lands.

Officials in Bethany, Woodbridge and Orange were uncertain what to do. North Branford was weighing to study the proposals. Officials in the towns of Guilford, Madison and Killingworth were concerned about the timing of the sales and the amount. Phillip Costello, a State senator for the shoreline area, wrote to the president of the New Haven Water Company, seeking assurance from the Company, that neither substantial sales, nor transfers, would occur in the near future, and threatened legislative action.²¹

Reaction on the state level was not to New Haven Water Company, but to the general issue of private water utility lands in the state. The General Assembly's Environmental Committee was considering two bills in the January to June of 1974 session. One bill provided \$15,000 to the State Environmental Protection Department to aid communities on the land sale issue. The department would provide advice on which parcels either the town or the state should buy for open space. The other bill would lengthen the decision period from 60 to 90 days within which the state or town could decide whether and how to buy land a water company was to place on the market. The bill also provided the State PUC 90 days to approve or veto any land sale by a

water company from the date the land was placed originally on the market.

In late April of 1974, a solution was offered to the New Haven Water Company land problem. At a meeting of the Connecticut Forest and Park Association, president of New Haven Water Company, Charles Woods, suggested that "if the towns work together as a region, they could acquire the lands without too much of a financial strain, at costs of less than a mill a year."²² Mr. Woods explained that the Water Company preferred sales to public agencies with restrictions attached. In this way, the land would continue to protect the water supply. This would be the ideal solution, as far as the Company was concerned to the land disposition problem. Mr. Woods further explained that the revenues from the land sales should go to the investors, and not to the rate payers, since the rate payers were only renters and not owners of the land.²³

In August of 1974, Charles Woods suggested another solution to the land issue. His solution involved two options. One option was for the state to purchase the development rights of the lands. This would be the difference between the land's market value and the use value. The second option was for the state to purchase the land at fair market value and lease the water rights back to the New Haven Water Company. The suggested fair market price of the lands was estimated to be between \$1,000 and \$5,000

per acre. Both options would be good solutions. The open space would be preserved. The water supply would be protected and the Company would get needed revenue.²⁴

Meanwhile, New Haven Water Company was seeking an increase in revenues. The Company filed a rate hike request with the State PUC in early April of 1974. A public hearing for the request was set for June 4th. The Company asked the PUC a total increase of 28.7 percent with an interim increase of 10 percent. The 28.7 percent hike would increase revenues by \$3.78 million. This increase was defended as being necessary in order to undertake major capital commitments. Mr. Woods further explained that "without the financial strength to attract investors, building would have to be cut so drastically that its effect will reverberate throughout our system."²⁵ The possibility of refusing service to new customers, was raised as well.

The PUC did grant New Haven Water Company an interim increase in May of 1974, but only of 4 percent. In response the Company announced their plan to postpone \$12 million in construction. The New Haven Water Company warned of possible employee lay-offs and fire fighting problems in sections of New Haven, West Haven, East Haven, Orange and in all of Milford if the Water Company did not receive adequate financial relief from the PUC.

At the public hearing, opposition came for the proposed hike. Governor Thomas Meskill, opposed the hike in a written statement to the PUC. In July, 1974, Governor

Meskill filed a brief against the Company on the increase. He found the return of 8.32 percent to be reasonable and just and the Company's request of 9.0 percent too high. An economist on the Governor's Council of Economic Advisors argued against the increase as well.

The New Haven Water Company officials testified, too. The New Haven Water Company complained of the difficulties of financing interest payments. The Company treasurer explained the factors increasing running expenses: costs of chemicals, higher fuel adjustment costs, and rising municipal taxes. Mr. Woods warned of the fire fighting hazard, but was forced to admit that the Company had known of the problem since 1971.²⁶

In September, 1974, the PUC granted a 24 percent rate hike to the New Haven Water Company, but the hike had some conditions attached. This hike raised revenues by \$3.1 million. The Company had already received \$1.6 million from interim increase. The remaining \$1.5 million was dependent upon completion of a filtering plant and correction of the fire fighting problem. The Company responded that the increase would allow some, but not all of the Company's planned improvements.²⁷ The State Department of Environmental Protection (DEP) was studying the surplus land issue, too. Their study was not limited to only the New Haven Water Company, but included all the public and private water utilities in the state. DEP was studying

ways for the state to acquire the surplus lands the water utilities wanted to put on the sale. The department was compiling a list of locations and acres of salable lands owned by the water utilities. In August, 1974, the department did not know how much of the 133,000 acres owned by the water utilities was surplus. The leader of the study, Armando Carbonell felt that the crisis was not real yet, but was concerned about the short 60 day decision period.²⁸

A meeting on the surplus lands issue was held in late December of 1974, by the Regional Planning Agency of South Central Connecticut. Armando Carbonell of the Connecticut DEP met with twelve area town representatives and officials of the New Haven Water Company. Progress was made on the land issue. There was no sense of panic by the towns concerning the lands, and the New Haven Water Company had been very cooperative and non-adversary. The Company had agreed to a 90 day decision period for the town, or State, to decide whether to buy the surplus lands going on the market. The sales were to be long-term. The Company was more interested in selling the land and leasing the water rights, just as Mr. Woods had suggested in August. In contrast, the towns were more interested in buying development rights.

Future events were not to be so simple. Calls for a three year moratorium on water utility land sales were initially made in November of 1974. By December, a bill

had already been filed with the General Assembly, calling for a moratorium on land sales.

The calls for a moratorium of water company land sales reflected an increasing concern over the land issue, and question concerning its affect on water quality. It was not just the New Haven Water Company, but other utilities in the state as well. The New Haven Water Company was opposed to any state moratorium. The New Haven Water Company preferred a self-imposed ban on land sales. The Company feared that the moratorium would be extended for a longer time period, such as an additional two years.²⁹ The new Governor Ella Grasso was, however, willing to sign such a legislation. Finally, Public Act 75-450, was passed by the General Assembly in mid-1975.

Public Act 75-450 established the Council on Water Company Lands and placed a two-year moratorium on land sales by private water companies. Sales to the state or a municipality, were exempted. The Council was given the responsibility to develop criteria for determining surplus lands, developing state policy and procedure for assisting municipalities in the acquisition of surplus lands, and to make recommendation for a state policy on water company land disposal.³⁰

Meanwhile in 1975, the New Haven Water Company continued working with communities on the land question. In Killingworth, discussions were going on whether to sell a

parcel to the state for inclusion in the state forest system.

The town of North Branford formed a special committee to study the surplus land issue. For North Branford, it was a very important question, since the Company owned a third of the town's land area, and half of that was surplus.

More interesting developments were taking place at the New Haven Water Company. In April, 1975, Charles Woods announced a special study at the annual stockholders meeting. This study investigated the possibility of public ownership of the Water Company. It discussed two options: municipality ownership or regional. Municipal ownership meant ownership by the City of New Haven, but the regional concept was more interesting, since no authority existed in the region. The idea of selling the New Haven Water Company had been set.

Public ownership was not a new idea. In 1971 Charles Woods served on a Regional Planning Agency committee investigating regional ownership of the utility.³¹ In 1974, Joel Cohn, a major stockholder of the Company, presented the idea to the Board of Directors and in 1975 he presented his view of public ownership again at the stockholders' meeting. He was also the first member of the Board of Directors not to be renominated to the Board in 73 years, which he left in 1974.³²

Mr. Woods suggested that sale to the City of New Haven

was "academic"³³ due to the City's financial situation. He was far more interested in the possibility of a regional entity, and gave the example of the Metropolitan District Commission of the greater Hartford area.

The first indication of price was given also. The New Haven Water Company had a book value of \$21,648,000. Mr. Woods said that a mutually agreeable price would be much, much higher than this amount.³⁴

While the New Haven Water Company considered the sale to the City of New Haven to be an "academic question," the City of New Haven and Mayor Frank Logue appeared not to. In early 1976, the City of New Haven's Board of Aldermen had formed a special committee to start investigating the purchase of New Haven Water Company. Of more interest was the bill submitted to the Connecticut General Assembly in early 1976 by the City of New Haven. This bill requested authorization by the City to purchase or condemn the New Haven Water Company and operate a regional water system. According to the bill's chief lobbyist and the Corporation Counsel of the City, Thayer Baldwin, Jr., this bill was not necessary for the purchase of the Company by the City, since the 1902 contract had been ruled enforceable by his predecessor Roger Freschette. The purpose of the bill was to expand New Haven's options in purchasing the Water Company.³⁵

The bill contained several provisions designed to calm

fears of area towns. The bill provided that under City ownership the towns would receive payments in lieu of taxes on Water Company property equal to the amount of taxes the Water Company currently paid. Another provision required the City to gain approval of any proposed development of Company lands from the local town where the land was located.³⁶ The bill also noted that the City would operate the utility under State Statutes governing the operation of municipality owned water systems.

By mid-March, the bill was before the legislature's Regulated Activities Committee and was in trouble. The Committee was composed of representatives from both the Connecticut House and Senate. Only five of the Committee's 22 members had voted on the bill. The House side had approved it, but the Senate side rejected it. The Legislature's rules required approval from both House and Senate sides of the Committee. So a new vote was needed by the Senate members for the bill to go to the full House for consideration. The outlook was poor. The bill was in trouble and even the chairman of the Committee, Senator Paul Amenta of New Britain, was against the bill.³⁷

Most opposition could be heard at the State capitol. New Haven and Thayer Baldwin, Jr. lobbied for the bill. New Haven Water Company spoke out against it. Strangely, the New Haven area towns were quiet. North Branford's Town Council sent an angry letter of protest to the bill. They

were worried about losing the Water Company's near half million in annual taxes.

Strong opposition also came from the environmental groups. In late March, Peter Treffers, the lawyer for the Clean Water Group, submitted a substitute bill to the Regulated Activities Committee for the one by New Haven. They proposed to create a temporary south central regional water authority which would be composed of representatives from all affected communities. The temporary committee would develop a charter and then submit the charter for legislative action in 1977. Another environmental group supporting the regional concept was the Environmental Protection Association of South Central Connecticut (EPASCC). Eugene Seder of the EPASCC proposed the formation of a regional water authority to the North Haven Town Council in March as an alternative to action by the City of New Haven and urged North Haven's participation.

Despite the relative silence by the New Haven area towns at the State Capitol, they were concerned. One of the fears was that the City might use its ownership of the Company to its advantage and charge the surrounding towns higher rates. Public ownership by the City would end regulation of the utility by the Public Utility Control Authority (formerly the PUC), since the utility would be no longer private. Another fear was the possibility of New Haven owning land in their borders, what rights did

the City have as a municipal landowner, and how would the City use these lands. These fears persisted, despite the reports of the bill's poor chances. There was still the 1902 contract. The City tried to calm these fears by suggesting the possibility of regional control of the utility even if purchased by the City. Mr. Baldwin stated that avenue "ought to be thoroughly examined. There are obviously regional models that would be acceptable."³⁸ The fears of the local area officials became a matter of record on March 25th, 1976, when the Regulated Activities Committee held a public hearing on the New Haven's bill, in North Branford.

More than 80 people attended the public hearing at North Branford. There were officials from New Haven, Guilford, North Branford, Madison, Killingworth, North Haven, Woodbridge and Bethany as well as other groups. Representatives from the Environmental Protection Association of South Central Connecticut, the Clean Water Group, and the League of Women Voters for twelve communities, spoke in opposition to New Haven ownership. Eugene Seder of the Environmental Protection Association, and Peter Treffers of the Clean Water Group, both advocated the formation of a regional water authority. State House Minority leader, Gerald Stevens, of Milford, spoke in opposition to the bill as well, noting that private industry was more efficient. He also gave the State perspective that the state could lose \$1.3 million in tax revenue from public ownership.³⁹ In

general, consensus emerged. One was opposition to ownership by the City of New Haven, and the second was the right of small towns to control their own resources.

The response from the local officials was more interesting. While the towns had been concerned about the New Haven bill, they had not openly voiced opposition beyond the region, definitely not to the Regulated Activities Committee at the State Capitol. The impression also emerged that none of the communities had contacted New Haven on the proposal.⁴⁰ The chairman of the Regulated Activities Committee blasted the towns to get their act together, or else, face the consequences. The act started coming together. First Selectman, Russell Stoddard, of Woodbridge, said he would start working with the Regional Council of Elected Officials (RCEO) on plans to counter New Haven's bill. State representative Dorothy McCluskey of North Branford said she too would start working with the Regional Council of Elected Officials to develop a regional proposal for utility ownership. The mayor of North Branford was unsure about a regional public ownership. His was a concern over taxes and whether a public utility would compensate.

At the end of March, New Haven's bill was still alive. It had been placed on the General Assembly's calendar and could soon be acted upon. Meanwhile, the counter proposal by the suburban and rural towns was coming together.

On March 31, 1976, there was a Regional Council of Elected Officials meeting in New Haven. The major topic of the meeting was ownership of the New Haven Water Company. Mayor Logue explained New Haven's position. The City had decided to go ahead with its proposal, and the 1902 contract option. The purpose of the bill was to make the purchase easier. He said the City ownership would not mean loss of tax revenues. The City would pay all current property taxes. Mr. Logue was in favor of regional control, if it could be worked out. However, the opposition to the City's actions did not lessen. Russell Stoddard asked the Council to approve a resolution requesting the General Assembly to create a state study commission. This study commission would examine the feasibility of regional water district. The resolution was passed. It should be noted that the New Haven Water Company was not neutral in this debate. The Water Company was interested in public ownership if it was regional, but not ownership by the City of New Haven.⁴¹

The bill to establish a state commission to study the feasibility of a south central Connecticut regional water district moved rapidly. The bill was submitted in April, and by May, special Act Number 76-68, was passed by the General Assembly. State representative Dorothy McCluskey of North Branford guided the proposal through. In May, the appointments to the Commission were made by the chief

elected official in each of the seventeen municipalities involved. In total, there were seventeen Commission members and Howard Brooks of Orange, was the chairman. There was a problem, however. The legislation lacked funding. The Regional Planning Agency of South Central Connecticut provided administrative help, but there were other costs involved, such as consultants. An estimated \$20,000 was needed. Finally, the seventeen municipalities funded the study. Each community was charged based on the amount of Water Company customers and land in the community.

The Commission had a deadline. It was to have a report ready to be presented to the General Assembly in January 1977, one month before the City of New Haven's contract option came due. The Commission convened for the first time on May 26, 1976. In order to procede quickly, the Commission divided itself into three committees: financial feasibility, organizational structure and land use, and management. Both the Commission and its three committees met regularly, almost weekly. The Commission hired its own consultants, reviewed available reports and its own prepared reports, met with officials of New Haven Water Company, and met with staffs of other public water utilities.⁴² In addition, New Haven Water Company provided full use of the Company's own consultant Holt Wexler and Associates to the Commission at no cost. The Company had hired the firm in March 1976 to draft model legislation

for a regional authority independently.⁴³

New Haven Water Company did not remain silent while the Commission studied the regional option. In June, Company President, Charles Woods, explained the troubles of private water utilities to a New Haven Rotary Club meeting. He felt that "drastic and dramatic"⁴⁴ changes were needed in the way private water utilities were taxed and regulated. Private utilities must pay federal, state and local taxes. They must also offer higher interest rates and dividends, in order to compensate for their taxability. This made financing more expensive and difficult. He noted that public utilities were in a better position since they paid much lower interest on the same financing. Mr. Woods' conclusion was the most interesting. It was in the best interest of all, to have water service provided by a regional public agency much like the Hartford Metropolitan District.⁴⁵

New Haven Water Company offered a different solution to the Water Company lands problem in July. In a letter addressed to Ralph Love, of the Commission's Legal and Economic Committee, the secretary and vice-president of New Haven Water Company, John J. Crawford, presented three options. One option proposed the establishment of a 17-town conservation unit which would purchase all the surplus Water Company lands. It would be financed by the seventeen communities, and the cost would be only one mill rate

increase. Another option involved an incremental tax program on the Company ten-year construction program. The tax revenues which the communities would receive, would go to purchase the surplus lands. Both options required cooperation among all, or several, municipalities, which was the problem of both options. In the third option, several communities would buy the surplus lands in their communities through bonding and then use the incremental tax revenues from water company facilities to support the revenue bonds.⁴⁶

Meanwhile, the Commission continued with its investigation. Two of the issues in debate were land use and taxes. It had been agreed that payments in lieu of taxes (PILOT's) would be paid by the Regional Water Authority to the municipalities, but the question remained whether the PILOT's should be limited to current property or be adjusted in the future for improvements to the properties. Land use raised several questions. One involved local control of land use decisions. Questions existed as to who would decide on the future use of Company land holdings: local zoning boards, or the regional authority? Another question concerned opening up some land for possible recreational use, and what affect it might have on the character of an area?

The Commission issued its preliminary report in late September, 1976. The report concluded that regional owner-

ship of the entire system and its lands was feasible and regional operation could be just as efficient as private operation. The report noted that water rates would still increase under public ownership, but the increase would be less than under continued private ownership. In summary, the Commission's land use and management committee felt: "the interests of all 17 district towns in the proper use and protection of those lands, would be better served through a regional water district, than through continued ownership and operation by the New Haven Company, or through acquisition and operation by the City of New Haven."⁴⁷

The report gave the outlines of the future South Central Connecticut Regional Water Authority. The report advised that the regional water authority be created by Connecticut's Legislature, and not by individual municipal referendum. This would decrease the chances of individual municipal refusal. The regional water authority would provide payments in lieu of taxes equal to what the New Haven Water Company would pay. There was to be a Regional Policy Board composed of representatives from each community in the regional water authority. The voting was to be weighted based upon a formula incorporating each community's proportion of customers, water consumption, and the company's land holding. The formula had yet to be determined. The purpose of the Representative Policy Board was to give each

community a say in the disposition of lands. The Representative Policy Board would appoint a five member Regional Water Authority, which would oversee management, policy making and operation of the utility. Public hearings on these proposals were set for October 12, in North Branford, and October 14th in Hamden.

At the same time the Commission report was issued, a rumor concerning the potential purchase price circulated. The New Haven Register ran a story, which said that the regional water authority would pay \$150 million to the stockholders for the Company. This report was vehemently denied by Howard Brooks, Chairman of the Study Commission.⁴⁸

This was not the first mention of price. Mayor Frank Logue of New Haven had suggested last March 31, 1976, at the meeting of the Regional Council of Elected Officials, that the City would pay double the current stock price to the stockholders.⁴⁹

The Commission's report renewed debate on the regional versus City ownership. The Killingworth Conservation Commission issued its endorsement of the regional proposal. Their stated reason was very simple; it's better than ownership by the City of New Haven. The Town Council of North Branford, debated the proposal, as well. They voted not to endorse or comment upon the proposal officially. Instead, they decided for each council member to speak individually of the public hearing, since their vote had split on the

issue. One member was worried by the lack of local referendum. He felt that the only ones to benefit from the sale, were the stockholders and the close the door behind environmentalists. The major concern of the North Branford Council was land and taxes. They wanted assurances that the payments would be equal to private company taxes and they had a voice in land use decisions.⁵⁰

The public hearings came, with the first held in North Branford on the 12th of October. The hearing had speakers from mostly the east shore of the region: Killingworth, Madison, Guilford, Branford, North Branford, Wallingford and New Haven. Two speakers were from the Connecticut Council on Water Company Lands, and the Guilford League of Women Voters. The hearing in Hamden was two day later, on the 14th of October. This meeting had representatives from the northern and western areas of the region: Orange, West Haven, Woodbridge, Bethany, Hamden, North Haven, Cheshire, Wallingford, and New Haven. The Connecticut Clean Water Group and Environmental Association of South Central Connecticut representative spoke, also.⁵¹

Only two mayors spoke at the hearing. Mayor Lucien DiMeo of Hamden expressed his reservations and interest in the regional proposal. He was concerned about land use controls for open space preservation and what types of controls existed. He was also concerned about the tax question and the \$445,000 which the town received from the pri-

vate New Haven Water Company. Mayor William Johnson of West Haven spoke of his concern for clean and inexpensive water service. Orange's first selectman, Ralph Capecelatro, sent a personal letter expressing his opposition to New Haven's owning land in Orange through ownership of the Water Company.⁵³

State Senator Lawrence DeNardis, of Hamden, raised the position of alternative proposals to the regional concept. The Company did not have to be sold. The state could buy either the development rights, or buy the land and lease the water rights back to the Water Company.⁵⁴

The City of New Haven was represented by John McGuerty, the Development Administrator of the City. McGuerty read a letter from Mayor Logue, explaining the City's position. The City's major concern was the quality of water service, and a cost reduction in water service. If the regional water authority could not provide the service better than either the City's or private ownership, then the regional approach was the wrong approach to take. Logue said that the city would not surrender its contract rights for that reason. He went on to describe the three critical issues, which needed resolution before the regional proposal's relative benefits could be established. The first issue involved the land holdings and the need to preserve the lands for water quality. He mentioned that some lands were indeed surplus and could be sold. The second issue was

taxes. The City would provide payments in lieu of taxes equal to present tax levels. The third issue was cost. The reported price of \$150 million for the regional entity was too high. The combination of high purchase price and the required new capital costs would make the regional water supply expensive to consumers. Logue also asked how the regional water authority would acquire the New Haven Water Company.⁵⁵

The City of New Haven was also moving ahead with its contract option. New Haven had asked the Water Company for, and received a six month extension, of the City's purchase option. Now the deadline was no longer in February 1977, but in August. This was revealed at the hearing by McGuerty, upon questioning by the Commission. McGuerty added that New Haven's option was not as important as the City's participation in a regional water district.

Discussion of the Water Company lands was not limited to city versus regional ownership. On December 3, 1976 the Yale Task Force on Water Company Lands held an all day forum discussing the Water Company land and water quality in general. The conclusion of the conference was that no one knew how much land really was needed. Dr. Eric Mood, professor of Medicine of Yale, explained that present treatments worked well on bacteria, but only on a few viruses and did not remove chemicals. His conclusion was simple--prevention of communicable disease and chemical

contamination was important.⁵⁶

Meanwhile the Commission's work progressed. In December 1976, the Commission received a preliminary rough draft of the regional water district's legislation from Holt Wexler Associates. Much work was needed on the draft before the January deadline. One Commission member described the document as extremely rough.⁵⁷ It should be noted that the document did not meet the approval of Water Company President Charles Woods. He described the legislation as too restrictive to be efficient. Mr. Woods found the purchasing provisions (for supplies) inflexible and the consumer protection division unnecessary. He said that the land disposal provisions were unworkable⁵⁸--all eight pages. A consultant with Holt Wexler Associates, described them so: "It seems improbable that any proposed land sale could survive this required procedure."⁵⁹

Most interesting was Charles Woods' plea on behalf of the New Haven Water Company. He spoke of an alternative to public ownership. Instead, the Government should create a favorable fiscal climate which would allow the Company to operate at lower cost. This would include tax breaks and sale of large amounts of land. That would provide the needed capital, while maintaining reasonable rates.⁶⁰

On January 5, 1977, the Commission issued its final feasibility report. The conclusion was that a regional water authority would be both, feasible and in the public

interest. There would be a 17-member Representative Policy Board with one member appointed from each of the seventeen communities in the water district. This Representative Policy Board would review water rate, land use and disposition, and major capital improvement project decisions. The voting would be based on a formula determined by: the number of customers in the municipality as a proportion of the total number of customers in the district; and, the amount of utility land holdings of the district. The number of customers to amount of land was weighted 2 to 1 in the formula, because of the primary function of the utility to deliver water service. There would be a five member Regional Water Authority, appointed by the Representative Policy Board, which would be responsible for management and supervision of the utility. The actual operation of the utility would be the responsibility of the chief executive officer.⁶¹

A major aspect of the report was the tax issue. The Commission proposed payments in lieu of taxes (PILOTS). Under their PILOT proposal, each municipality would be able to gain tax revenues from the existing Authority property. The Authority would pay PILOTS equal to the amount the Company presently paid. These PILOTS could increase, because of mill rate and assessment charges, but the increase was limited to no more than five percent a year. No PILOTS would be paid on any future improvements to the

utility property. At the end of a five year period, the PILOTS would be frozen, and the Representative Policy Board would study the PILOT situation and determine the future PILOT policy.

In reality, the PILOT proposal was a compromise solution among the seventeen municipalities, but a satisfactory one. The City of New Haven agreed that in the short run no town should lose tax revenue, but was against an increase beyond the current amount. The suburban and rural towns were in favor of all authority property being taxed, especially the new construction and improvements in facilities. The compromise seemed to be the result of a threat by New Haven to use the 1902 contract for sole ownership of the utility by the City.⁶³

The PILOT debate had not been resolved and ensued once again. Three members of the Study Commission, threatened to issue a minority report to the Connecticut Legislature on the PILOT issue. These were the representatives from North Branford, West Haven, and Hamden. They wanted future improvements to property to be included in the PILOTS. The reason was simple. Only three communities did not have any proposed construction by the Water Company. North Branford, Hamden and West Haven were among those fourteen which did. They in fact, had the largest share; \$24 million in North Branford, \$18 million in Hamden, and \$14 million in West Haven.⁶⁴ Hamden still opposed the

regional proposal and wanted the Company to remain private because of tax revenue reasons.

A bill creating a regional water authority, was submitted to the Connecticut Legislature in early 1977. The bill went before the Government Regulated Activities Committee. It appeared that the bill was problem free and would pass, unless opposition developed. In February the Committee held two public hearings on the proposed regional water authority.

The first hearing was on the 14th of February in North Branford. The towns of Guilford and Orange supported the bill. North Branford and Hamden spoke in opposition to the PILOT provisions of the proposal. The City of New Haven found the bill acceptable and the City's Corporation Counsel, Thayer Baldwin, Jr., even testified that the City preferred the regional approach. Despite this, Mr. Baldwin said that the City wanted to pursue its own 1902 contract option.⁶⁵

The second hearing was held on the 25th of February at the State Capitol, and price was discussed. Chairman of the feasibility Study Commission, Howard Brooks, testified that the possible purchase price by the regional water authority for the Water Company, was estimated to range from \$75 million to \$125 million.⁶⁶ The Water Company hinted at a price, too. New Haven Water Vice-President John Crawford, suggested that the price should provide "a

return to our stockholders which is greater than they can anticipate under continued private ownership."⁶⁷

The municipal opposition was not limited to Hamden and North Branford. In later February, the Madison Board of Selectmen voted against the establishment of the regional water authority, despite the favorable recommendations from the Madison representative to the Feasibility Study Commission. The North Haven Board of Selectmen, came out in opposition to the proposal in mid-March. They desired continued private ownership for a simple reason: the potential revenue loss despite PILOTS.

At the mid-March meeting of the Regional Council of Elected Officials (RCEO), a decision to approve or disapprove the regional Water Company takeover plan was delayed one month. This delay gave the RCEO until April 15, 1977 to propose possible amendments to the bill before the Government Regulated Activities Committee.⁶⁸

Meanwhile, the City of New Haven, continued with its own option. The City had received an extension of the option, from February 20, 1977 to August 20, 1977, from New Haven Water. Mayor Logue appeared serious about the City's use of the option, and at the mid-March RCEO meeting, Thayer Baldwin announced that the City's Development Administrator had been instructed by Mayor Logue to begin talks with the Water Company and would ask the Board of Finance to spend \$45,000 for a consultant to study

City's purchase options.⁶⁹ A few days later Mayor Logue announced the selection of R. W. Beck and Associates for the study. Mayor Logue was not alone. He received support for the study from the Board of Aldermen Majority Leader, John Daniels.⁷⁰

At the annual New Haven Water Company stockholders meeting, in mid-April 1977, Charles Woods assured the stockholders that the Board of Directors was looking out for their interests. He also assured them about the future of the Company. He spoke of the need for the legislature to address "the inequity of our tax structures,"⁷¹ and of the fact that the Company could "still have a bright future, if regulators, legislators, and public officials"⁷² improve the economic climate. Things had improved for the Company. In January, the Connecticut Development Authority (CDA) agreed to issue \$57.5 million in tax free bonds for the Water Company,⁷³ and in May authorized another \$761,500.⁷⁴ These were Water Company bonds and the Water Company was responsible for payment of the bonds, not the CDA. The CDA was only a pass-through. The Company also requested a rate hike of 28%, mostly due to construction reasons.

Things would be looking up for the stockholders, even if the Company was sold. Mr. Woods suggested a return on sale of at least \$150 a share to be fair. This estimation was based on studies done for the Company. In

order to achieve such a return, the floor price for purchase negotiations to begin would be \$125 million. He claimed this was justifiable and not a "windfall profit."⁷⁵ Instead, it would be making up for past poor returns. He insisted that the previous returns did not accurately reflect the Company's assets.⁷⁶

By May, the bill was in the Appropriations Committee and headed into trouble. The Committee was determining priorities among the array of project spending proposals. The bill nearly died by a negative committee vote of 19 to 1⁷⁷ but was rescued by petitioning senators. After compromises on PILOTS, the municipal approval process and the initial start up funding,⁷⁸ the bill finally passed to the House and Senate by June. After debate, the bill passed the Senate and the House on the 8th of June. All that was needed, was the Governor's signature.

Then the unexpected happened. Governor Ella Grasso vetoed the bill in mid-July. The Governor's office had not been consulted on the bill,⁷⁹ and was not satisfied with the draft presented. Governor Grasso favored the regional concept, but saw three problems: the lack of state representation on the Representative Policy Board; the lack of a legislative or Public Utility Control Authority approval to expand the membership of the regional water district; and the loss of over one million in state tax revenue.⁸⁰

The regional supporters were very surprised by Grasso's move. At first, they believed, the regional option was dead for 1977. There was a legislative trailer session in late July, but the legislation could not be changed during the session, only the veto overridden, and the chances of override were slim.

The outlook changed. On July 20, a dozen area legislators and elected officials met with Governor Grasso to see what could be done and whether she would change her mind on the veto. She did not, but did hint that she would not actively oppose the veto override and would allow the legislature to make its own decision. In return, it seemed that an amendment to the bill would be submitted in the 1978 session, to eliminate the Governor's objections.⁸¹ A probable reason for the amendment agreement could be to gain political points with Grasso. Her support might be needed at another time for this or another issue.

Meanwhile, pressure came upon the supporters of the regional bill to override the veto from the City of New Haven. Mayor Logue urged the overriding of the Governor's veto, otherwise the City would pursue its own option. On July 21, 1977, one day following the meeting with Governor Grasso, Mayor Logue and Water Company president Charles Woods announced the establishment of discussions between the City and the Company. Mr. Woods emphasized that these were discussions and not negotiations. Mayor

Logue emphasized that the City had a November deadline and did not want to lose time. Mr. Woods added that the Company would not extend the option date beyond November, unless the City had agreed in principle to buy the Water Company.⁸²

Mayor Logue had appointed a three-person team for these discussions: the Development Administrator, and two people from R. W. Beck Associates. The Beck report would form the basis of the discussions, for the City. In addition, Mayor Logue announced the formation of an advisory group on the purchase. Its members were the City Corporation Counsel, his executive assistant, the Aldermanic president, the Aldermanic majority leader and the Aldermanic minority leader.

On July 25, 1977 the General Assembly held its "trailer" session. The outlook for the regional bill was brighter but fears still existed. Grasso had vetoed twenty-two bills and an override was attempted for only eight, of which the regional bill was one. The bill passed easily in both the House and the Senate. It was the only successful override of the "trailer" session.

On August 1st, the first meeting of the RCEO was held since the passage of the Regional Water Authority legislation, and this was supposed to be an organizational meeting for the Water Authority. The Regional plan did not appear too secure. Five communities had not appointed their

representatives: Woodbridge, Orange, Guilford, Killingworth, and New Haven.⁸³ More important was the announcement by Thayer Baldwin, Jr., for the City of New Haven. The City would still go ahead with its option since "public ownership is sufficiently important not to let our rights go by."⁸⁴

By late September, the Water Company was having parallel discussion with the City of New Haven, and with the Regional Water Authority. The discussion with the Authority had just begun. In contrast, the discussions with the City had been regular, although nothing definite had resulted yet. Mayor Logue wanted to pursue the City's option as a "back up in case the regional discussions fail."⁸⁵

The Logue Administration hoped to send a purchase proposal to the Water Company before November 20th. In order to give itself more time, the City once again requested an extension of its option to buy the utility from the New Haven Water Company. An extension was granted until February 20, 1978. Originally it was hoped that the Board of Aldermen would receive the purchase proposal in September, for debate and approval. Instead, the Board began to examine the proposal by the Logue Administration in November.

This proposal suggested a price of \$110 million, and suggested that if the Regional Water Authority "serves all

necessary permits and approvals to acquire the Company, the Board of Aldermen, should consider the assignment of the City's rights to purchase the Company to the Authority."⁸⁶ This was part of the report of the five-person advisory group. New problems started, however. The Aldermanic subcommittee studying the issue, split on its recommendations. Three members supported a price of \$110 million. The two others felt that \$95 million was appropriate, enough. Another alderman believed that only \$97 million should be offered, and anything above should be considered windfall profit.⁸⁷ Disagreement was not limited to price alone, but to whether to pursue the City's option to buy, alone or to take the regional approach.⁸⁸

The Board of Aldermen held public hearing on the issue in December. Many suburban officials testified and all opposed the purchase by the City. North Branford, Orange, Milford and Branford were all in opposition. West Haven Mayor, Robert Johnson, again threatened to sue the City if it purchased the Company.⁸⁹ Charles Woods testified that the Company preferred the regional approach, but would sell to the City, if the price was right. He warned the City that if they attempted to force the 1902 contract option with a price unacceptable to the Company, then the Company would challenge the viability of the contract in court.⁹⁰ The biggest surprise came from Howard Brooks,

chairman of the Regional Water Authority. He announced that the Authority would offer a purchase price for the Company by the end of the month.⁹¹

On December 29, 1977 the Regional Water Authority submitted its first purchase offer of \$100 million to the Company. This amounted to \$76 a share. The first reaction was from Mr. Woods, who found the offer disappointing.⁹² This was not surprising, since the Company found the suggested price of \$100 million by the City's Aldermanic reports last November, too low, as well. In mid-January, the New Haven Water Company Board of Directors formally rejected the offer, as too low. This offer by the Regional Water Authority triggered public hearings and the seventeen town municipal approval process. This approval process now became a mute point since the Company had rejected the offer.

The Regional offer was submitted for stockholders voting at the annual stockholders meeting in April. Charles Woods claimed that this stockholder vote was unnecessary and that the Board of Directors had done so to gain stockholder feelings on the issue.⁹³ Woods was apparently confident that the stockholders would support the Board's decision and therefore the required approval vote of two-thirds of all outstanding shares for sale was an unlikely occurrence. Both, the Water Company and the supporters of the Regional Water Authority campaigned for

stockholder support. One of the leaders for regional sale was Joel Cohn, who controlled 24,000 of 528,000 shares.⁹⁴ The vote was taken and the Regional offer was rejected by a margin of two to one.⁹⁵

The City of New Haven, meanwhile, went ahead with the pursuit of its 1902 option. The City received another extension of the deadline. The new deadline was July 20, 1978. In mid-June, the Special Aldermanic Committee for the acquisition of the New Haven Water Company, voted to recommend the transfer of the City's 1902 option purchase right to the South Central Connecticut Regional Water Authority. It had been agreed upon that ownership of the utility would be regional, regardless who purchased it. This was in agreement with Mayor Logue's policy statements all along. The Committee also recommended \$105 million as the maximum purchase price.⁹⁶

There had been three way negotiations going on between the City, the Regional Water Authority, and the Water Company.⁹⁷ Mr. Woods was satisfied with the progress achieved. An agreement had been worked out between the City and the Regional Water Authority. In mid-July, the Representative Policy Board approved a measure, which increased the City of New Haven's voting power in the Authority. The City was now to have 22 of 106 votes on the Representative Policy Board, while before the City had 17 of 106 votes. The City was also able to name a representative to major committees,

and one of the five Water Authority's members. This seemed to be in exchange for the transfer of the purchase option.

In late June, the New Haven Board of Aldermen acted upon the Water Company issue and approved a price of \$102 million. This was \$3 million less than what was proposed, and was the compromise solution. It passed by a one vote margin. This came to about \$79 a share. Objections were made to the high price of \$105 and the resulting amount was the compromise. Reportedly, this price was acceptable to the majority of the towns in the region.⁹⁸

At first, the Company had no comment, except they were disappointed in the \$3 million decrease. When they finally responded in September, they rejected it. The price was too low. According to their estimates, the price came to \$74 per share. They did propose a counter offer of \$105 million, with some \$12,144,000 of non-utility assets not included in the sale. The Water Company would keep \$4 million in cash and accounts receivable, and \$8 million in non-watershed land. These assets would be sold later to the benefit of the investors. This counter offer included a \$14 million provision for the City to pay the federal tax liability of the sale. This was not unusual since the City's offer contained the same \$14 million provision. The Company's counter offer would have resulted in \$107 per share.⁹⁹

By this time, the City's option had expired and the

City was acting on its own. The Special Aldermanic Committee for the Water Company purchase continued to study the situation and issued two reports since the Committee was split. One report called for another offer of \$107 million. This would be the highest and final offer from the City. The other report recommended to remain with the \$102 million offer. Debate began on whether the price was too high to pay, and on the size of the windfall profits the stockholders would receive. This debate raged on into November, and to the full Board of Aldermen. The Board was split on the issue, too. On November 21, the Board passed the last and highest purchase offer of \$107 million. The vote was close, 12 to 10. The Logue Administration had lobbied hard for it. In addition, doubts existed as to whether this new price was acceptable to the suburban towns.¹⁰⁰

At first, there was no comment from the Water Company. Then on the 13th of December, the word came that the sale was dead. The Board of Directors had rejected the proposal by an 3 to 3 vote. This time, however, the Board of Directors promised to submit the proposal for stockholders' vote, in April 1979. The City's offer had amounted to \$89 per share. (Actually, the figure was \$84.76 per share, but this figure was deflated. In October 1978, the Company had issued a 5% stock dividend.¹⁰¹ This was the result of an increase in the total number of shares and therefore the price per share decreased.) An angry Mayor

Logue responded that "no public agency is prepared to increase that offer by \$1."¹⁰² Mayor Logue was not alone with his feelings. In early January of 1979, the New Haven Board of Aldermen voted unanimously not to increase the November proposal, and declared the proposal to be the City's best and final offer.

It appeared as though the public ownership option was going into a period of dormancy. New Haven was out of the running. While the City's proposal was up for stockholder decision in April, the chances were unlikely that the stockholders would approve the offer, since they usually followed the Board of Director's lead. In February the Regional Water Authority issued a statement that the Water Company would remain private until the conditions provided a greater stimulus for regional ownership. The problem was the price, it was too high with \$107 million for the Company and additional \$14 million to cover taxes.¹⁰³

In late February 1979, a new twist came to the situation. A movement was started to change the Company's decision by changing the Company's directorship.¹⁰⁴ Betsy Henley-Cohn and Thayer Baldwin, Jr. lead a challenge to replace the current Board of Directors with a new one, who would be sympathetic to public ownership and accept the City's offer. Betsy Henley-Cohn and Baldwin were two of nine people, who registered with the Federal Securities

and Exchange Commission to lobby for the sale of the Water Company to the City of New Haven. These nine people became known as "the Group" and controlled more than 5% of the Company's stock. Betsy Henley-Cohn was the daughter of the late Joel Cohn and controlled most of this stock through trusteeships and management of various firms.¹⁰⁵ Baldwin was the former City of New Haven Corporation Counsel, one time member of the Water Company Board of Directors and owned no stocks.¹⁰⁶ The Group charged that the present Board of Directors had misled the stockholders on the value of the Company's stocks, and had not acted in the stockholders' best interest when they rejected the City's offer. The Group formed its own alternative Board of Directors in March, and placed them for the stockholders' vote. Two of the members on this alternative Board were Baldwin and James Tobin,¹⁰⁷ the Nobel Prize winning Yale economist. In mid-March, the Group received support from the Regional Water Authority. Howard Brooks sent a letter to the head of the alternative Board, in which the Authority offered to submit a bid of \$84.76 per share to the Water Company, if this alternative Board was elected.¹⁰⁸

The current Board of Directors fought back. They argued that the Company's stock was worth more, \$117 per share. This was based on a \$54 stock value for water operations, and an additional \$63 per share, for the value of the land non-essential to water operations.¹⁰⁹ What

ensued was a battle for the directorship of the Company, with both sides campaigning for the votes of the stockholders throughout March until the voting in late April. For the Group, this was an up-hill battle. To the present Board of Directors, the vote was to be an indicator of stockholder support for the Board's decision on the City's offer. In the proxy material, the Board explained its position. If the Board's decision on the New Haven offer was rejected by more than 66% of the stockholders vote, then the Board would re-open negotiations and sell the Company. If the Board received a disapproval vote, between 50% and 66%, then the Board would seriously reconsider the entire issue. If the Board received less than 50% disapproval vote on its decision, then the Board would consider the case closed.¹¹⁰

The stockholders vote was on April 24, 1979. The Group needed 50% plus one share of the stockholder voted shares to win the Board of Directors and two-thirds approval of the outstanding shares of common stocks for the sale of the Company.¹¹¹ When the vote was counted, the present Board won and the Group lost. On the question of the New Haven offer, the vote was 287,697 in favor of the Board's action, and 205,622 to accept the City's offer.¹¹² On the election of the Board of Directors, the current Board received 309,519, while the alternative slate received 169,356.¹¹³

During this time, New Haven Water's activities were not limited only to the stockholders battle. The Company was in need of additional revenue. In early March, the Company requested a rate hike of \$1.4 million, due to expenses associated with new construction and increased operating costs of newly completed facilities. Less than two weeks later, the Company requested an additional rate increase of \$400,000 for the same reasons.

The Company received a controversial provision from the PUCA. The PUCA voted to draft emergency regulations allowing water companies to pass along the costs associated with federally mandated construction. These costs could now be passed along upon the completion of each phase of a project, rather than at the completion of the entire project.¹¹⁴

In mid-May, the Connecticut Superior Court upheld the ruling by the Connecticut Public Utilities Control Authority which required the profits from the sale of water company assets to benefit the rate-payers, and not the investors. The Court ruled that the PUCA was within its authority, in making the accounting rule, and the rule was constitutional. This was not the ruling that the Water Company was banking on and it decided to appeal the decision to the Connecticut Supreme Court.¹¹⁵

Following the stockholders vote in late April, the New Haven Water Company began negotiating with the Regional

Water Authority for sale of the utility. It seemed that regional purchase had become in the stockholders best interest. Charles Woods brought Holt Wexler and Associates back into the picture. This time their task was to bring both sides into agreement, and develop a plan which would cost the Region less while giving the stockholders more.¹¹⁶ On July 3, 1979, Charles Woods announced the tentative agreement with the Regional Water Authority for purchase of the Water Company. This was to be a stock deal, and not an asset arrangement, as in previous proposals. The price was \$83 per share and the Company would retain ownership of the Lake Wintergreen property.¹¹⁷ Lake Wintergreen was situated in the West Rock Ridge State Park system, and could be described as a key element to that park system. In fact, the Company had received permission from the State Department of Health to change the Lake Wintergreen acreage from water supply watershed land (Class I and II) to non-water supply watershed land (Class III) in 1978. Lake Wintergreen was no longer used for water supply since the lake was unable to meet water quality standards with consistency and the lake's size made it economically unfeasible to treat and filter.¹¹⁸ The Company planned to sell the Lake Wintergreen property to the State and the profits from the sale would go to the stockholders. The Company's estimated price for the property ranged from \$6 to \$7 million, and was expected to earn the stockholders' an

additional \$10.80 to \$12.60 per share. The stockholders were also to receive proceeds from the previous land sale to the Town of Wallingford, tax refunds from the Town of Prospect's over-assessment and the unpaid, accrued dividends. The total cost was \$100 million, with \$46 million for the shares and the rest for outstanding debt.¹¹⁹

Further discussions were needed to complete the agreement as well as approvals from the Company's Board of Directors, the stockholders, the Water Authority's Representative Policy Board, and the municipalities. It was thought that the sale could be completed by the end of 1979, if all went smoothly.

The tentative agreement was not without problems. The reactions from the municipalities were not accolades. Three chief elected officials from Bethany, East Haven, and Hamden, opposed the sale, since the price was too high.¹²⁰ Other towns accepted the agreement, but were not enthusiastic. The Mayor of Milford described the price as a "rip-off."¹²¹ Another problem was the sale of the Wintergreen property to the State of Connecticut. The question, how much was the State willing to pay, remained.

Discussions on the tentative purchase continued and in September, the Board of Directors gave its final approval. This, however, was not the same agreement. The purchase price increased to \$85 per share and the Lake Wintergreen arrangement changed as well. Now the Regional Water Autho-

rity would buy the Lake Wintergreen property for \$3 million if after three years the State did not buy it. This would provide the stockholders a return of \$5.41 per share.¹²²

The Representative Policy Board voted in October to continue the process of acquiring the utility. The approval for this new agreement was not unanimous. The representatives from Woodbridge and East Haven voted against the proposal, objecting to the high price.¹²³

In early October of 1979 the New Haven Water Company and three other private water companies lost their appeal to the Connecticut Supreme Court of the PUCA decision on revenues from sale of assets. The Connecticut Supreme Court upheld the lower court's ruling and had no comment.¹²⁴ The next step was to appeal to the United States Supreme Court to over-turn the PUCA ruling. A decision came in March of 1980 with the Supreme Court refusing to review the case, since the case lacked any substantial federal questions.¹²⁵ That ended the appeal process and the PUCA ruling stood.

The Water Company was still in need of more revenues. In October, the Company requested a \$2 a year surcharge for costs associated with the West River Treatment plant construction, and this surcharge was granted in December.¹²⁶ In February, the moratorium on the sale of Class II water company lands was lifted by the Regulations Review Committee.

Negotiations continued between New Haven Water and

the Regional Water Authority through 1979 and into 1980. During these negotiations, tax difficulties had been discovered in the existing purchase agreement and in late February a new arrangement was announced. The stock purchase would cost \$51.6 million rather than the earlier \$47.1 million, and \$60 million for liquidation of liabilities and the funding for initial stages of capital improvements. The stock deal amounted to \$93 per share.¹²⁷

The final approval process began. On March 7, 1980 the Water Company's Board of Directors and the Authority's Representative Policy Board, signed the agreement. The Company scheduled the stockholders vote for May. The Representative Policy Board scheduled public hearings on the purchase for April. The deadline for interim financing had been set for April 2, 1980, and the Authority began looking for the needed financing. In late March the Authority had been unable to obtain the needed interim financing and requested an extension of the financing deadline to October 2, 1980.¹²⁸ After some consideration, the Board of Directors granted the extension.

The Water Company took precautions in case the purchase arrangement did not go through. In mid-March, the Company filed a letter of intent requesting a rate increase of \$3.3 million and the sale of \$6 million in preferred stocks at a 12% dividend rate. The Company had until mid-May to file its formal case.¹²⁹

The approval process proceeded. The public hearing was held in May. Little opposition was raised to the purchase. In June and July came the municipal approval process. Woodbridge was the first to vote. It rejected it. Next came North Haven who delayed their vote. Approvals came from North Branford, Guilford, West Haven, Wallingford, New Haven, Cheshire, Hamden, Milford, East Haven, Madison, Orange and Bethany. North Haven finally approved the agreement in July. Woodbridge voted again on the agreement, but still was against it. Prospect voted against it. Killingworth failed to vote on the agreement and therefore, according to the approval procedures, approved the agreement by default. On July 15, the stockholders voted their approval of the offer.

By August 1980, the Authority had received the needed financing and on August 26, 1980, the New Haven Water Company was bought by the South Central Connecticut Regional Water Authority. With this sale, all the operations and lands became publicly owned.

CHAPTER III

ECONOMIC ANALYSIS

While the creation of the Regional Water Authority and its land utilization plan mandate are political decisions, there are underlying economic issues to the situation. The amount of discussion during the controversy on future water rates, taxes and the Company's financial troubles testify to that. What this section will attempt to do, is to examine the controversy from an economic standpoint. This will be done by examining the Company land holdings as an open space externally. In part, the controversy can be seen as resulting from New Haven Water's dual role as a water supplier and a de-facto open space institution.

As a producer, it was expected that New Haven Water would provide services as efficiently as possible. The production process required such intensive capital facilities and equipment as storage tanks, pumping stations and filtering plants. Production also required the control of watersheds to assure water quality. This meant ownership of as much of the land inside a watershed as possible. But time had changed this factor of production. Therefore, owning large amounts of watershed land was no longer necessary to assure water quality, partly due to new land use controls and water pollution laws. The new filtering technology could be substituted for control of some lands.¹

As a result, some lands could be sold. Another reason encouraging the sale of unneeded lands was the cost of the new technology to meet the quality standards.

New Haven Water Company had acquired another role and that was the de-facto open space institution. To maintain water quality, New Haven Water Company had to hold large areas of open space land, and these lands became incorporated as part of the region's open space by public agencies and the general public.² In addition to water quality, the benefits received from these open space lands would be visual, psychological, and environmental. These benefits could be consumed by all on varying utility curves and at a marginal cost of zero. The benefits were non-excludable and non-rival. In sum, the Water Company's open space was a public good and the producer was the private New Haven Water Company. An externality existed whenever an individual's utility function or a firm's production function included a real variable not chosen by the individual, or firm.³ These open space lands could be described as positive externality.

The other characteristic of an externality was that the effect was not optimally priced. The true price should take into account all the costs, or benefits, including the social costs or benefits. In this situation, the true price of open space would equal the direct benefit to the water company of the open space or water quality, plus the

summation of the marginal benefits to society attributable to open space. Such an analysis would be difficult to do.

An argument could be raised that the utility controversy resulted from a conflict between the two roles of water supplier and open space institution. From the firm's viewpoint, selling the surplus land would be an appropriate action, if the land was no longer needed in the production process. The open space perspective would be quite different. The status quo was endangered. It was not open space alone which was threatened, but who received the benefits and who paid the costs. What follows is an examination of the open space externality.

The benefits of open space accrued to all the people in the region. In 1980, this amounted to nearly 490,000⁴ people in seventeen communities. Naturally, some benefitted more than others. The 375,000⁵ customers of New Haven Water, benefitted directly in terms of water quality. Those communities with more open space, received more of the benefits of open space: 85% of the Water Company land holdings were located in ten communities,⁶ yet these ten communities accounted for only 30 percent of the region's population.⁷ In terms of wealth, these towns were above the SMSA's Median family/individual income in 1970. The median income ranged from \$11,026 to \$17,956 while New Haven SMSA Median income was \$8.839⁸ (see map 2).

The costs of maintaining the company's open space

Distribution of Water Company Total Acreage
and 1970 Meidan Income

Source: U.S. Bureau of Commerce,
Bureau of the Census, 1970 Census
Characteristics of the Population
Tables 89, 107 and 118.
Report of the Yale Task Force on
Water Company Lands, P. 11.

lands were borne by the customers of New Haven Water. These lands formed part of the rate base, and the water charges accounted for whatever costs associated with the maintaining of these lands. The Company's customers were located in only twelve of the seventeen communities and the communities varied as to the percentage of the community served by New Haven Water. Even among these twelve, the population served, the revenues produced and the amount of open space land were not proportional (See Table 1).

In addition, the Water Company paid property taxes on all Company owned property to each municipality. This included taxes on the open space land, although generally the land was assessed in the lowest tax category, as forest land.⁹ Table 1 explains how much taxes were paid to each municipality on the Company land in 1975. This included taxes paid to those five towns, not served by New Haven Water. Four of these five towns were rural in character and two had a population under 7,000 people in 1980.

When the New Haven Water Company planned to sell 16,500 acres of land, the Company was acting upon its property rights. They owned the land, believed the land to be no longer necessary to safeguard water quality, and felt it could be disposed of. There were some restrictions on the Company's behavior watched by the State's Public Utilities Commission, determining that the revenues from any land sale be credited to the rate payers. This was

Table 1: The Distribution of Population and New Haven Water Customers, Revenues, Land and Municipal Taxes Paid

Town/City	1980 Population	% of Pop. Served	% of Revenues to Company	Water Company Land in Acres	Taxes on Land Paid to Town by Water Co. (1975)	Total Taxes Paid to Town by Water Co. (1975)	Water Company Taxes as % of Town Budget (1975)
Bethany	4,330	0*	0*	3,066	13,244	40,297	2.58
Brantford	23,363	90	6.4	1,415	8,194	121,290	1.6
Cheshire	21,780	71	4.1	131	2,160	133,420	1.7
East Haven	25,028	95	5.4	770	8,744	449,492	5.0
Guilford	17,375	0	0	3,237	12,525	45,871	0.8
Hamden	51,071	90	11.4	1,615	68,643	445,116	2.0
Killingworth	3,976	0	0	777	2,057	7,590	0.7
Madison	14,031	0	0	4,325	11,459	78,385	1.6
Milford	50,898	97	14.3	244	9,327	220,261	1.0
New Haven	126,109	100	35.6	44	6,059	403,593	0.8
North Branford	11,554	40	.9	5,723	76,045	628,277	14.7
North Haven	22,080	82	6.8	38	1,078	152,091	1.4
Orange	13,237	73	2.7	786	5,840	127,017	1.9
Prospect	6,807	0	0	828	13,374	23,262	1.6
Wallingford	37,274	0	0	753	3,658	3,658	0.03
West Haven	53,184	98	12.1	339	9,705	181,532	1.2
Woodbridge	7,761	18	.3	1,761	15,993	84,946	2.1

*Bethany has only 5 customers: revenues are negligible.

Sources: The population figures are from the 1980 U.S. Census Advance Report, Table 1. The percentage of population served and revenues to Company figures are from New Haven City Plan Commission Report Number 805-3, p. 8. All other figures are from the Yale Task Force on Water Company Lands, Connecticut Water Supply Lands, Yale University School of Forestry and Environmental Studies, New Haven, December 1976.

challenged in court from 1972 til 1980. The Connecticut Departments of Health and Environmental Protection had to approve a sale insuring that development would not have significant adverse impact on water quality.¹⁰ The Company was also required by law to offer the lands to the local governments first with sixty day decision period. If the town declined to buy, then the Company was free to sell.¹¹ The implications of the land sale plans were for development and the loss of open space. This did not happen. Instead, a moratorium on sales was in place. The Company did sell land to the Town of Wallingford, but this was not for development.

If it had been possible for the Company to sell the 16,500 acres of land of development, what could have been the nature of this development and its impact? The vast proportion of development would most likely have been for residential uses. Most of these lands were zoned for residential uses, and were far removed from any uses other than residential, recreational or other open space. Only in Milford, Cheshire and North Branford were some lands zoned for or near land zoned for industrial or commercial uses.

Potential development was estimated for seven towns since information was available on the amount of land the Company had planned to dispose of, and it was substantial. It amounted to 12,856 of the 16,500 acres. Three of the

seven towns were the wealthiest communities in the region: Bethany, Orange and Woodbridge. The three towns of Guilford, Killingworth and Madison, had the greatest growth rates in the region over the past decade in both, population and housing, ranging from 43.6% to 63.3%¹³ in population and from 49.4% to 71.2%¹⁴ in housing. North Branford was the town of which the Water Company owned a third of the total acreage. The analysis that follows was based on an estimation of potential development.

Impact was based on the Company announced amount of disposable acres, and the current zoning for the area. In all seven towns, it was single family housing. It was also assumed that all the disposable land would be developed, regardless of any land constraints. A 15% across the board allowance was made on all the acreage for roads¹⁵ and then the remaining acreage was divided by the minimum lot requirement. The result was the maximum number of lots and therefore houses. To this resulting figure, a persons per dwelling unit and a school age children multiplier was applied. The multipliers came from the 1970 U.S. Census, and were used by R. W. Burchell and D. Listokin in their Fiscal Impact Handbook. The result was the anticipated population increase and these results are recorded in Table 2.

Table 2 shows the effect the proposed land sale might have on the total population and the number of school age children in the seven towns. There would be other impacts

Table 2: Projected Potential Development in Selected Towns

Town	Acreage	Zoning	Lots*	Projected** Population From De- velopment	Projected School** Age Popu- lation from Development	1980 Population
Bethnay	2,300	SF 3a	652	2,543	789	4,330
Guilford	2,900	SF 4a	617	2,406	747	17,375
Killingworth	626	SF 2a	266	1,037	322	3,976
Madison	2,762	SF 2a	1,174	4,579	1,421	14,175
North Branford	2,951	SF 1a	836***	5,214	1,618	11,584
		SF 2a	418			
		SF 10a	83			
Orange	522	SF 1a	444	1,732	537	13,237
Woodbridge	746	SF 1½a	423	1,650	512	7,761
	12,807			19,161	5,946	72,438

NOTE: * The resulting lot amount assumes 15% of the land area is for infrastructure.

** The projections are based on the blended New England single family house (3.9) and school-age children (1.21) multiplier from the 1970 U.S. Census Public Use Sample as used in R. W. Burchell and D. Listokin's Fiscal Impact Handbook, Rutgers University Center for Urban Policy Research 1980, pages 34 and 35.

*** The resulting lot figures reflect the assumption that 836 acres applied for single family 1 acre, 836 acres applied for single family 2 acres, and 836 applied for single family 10 acres.

Sources: The surplus acreage figures are from New Haven Register articles of January 6, 1974 ("Tri-Town Purchase Of Land Uncertain If Water Co. Sells," page 88 and "Water Co. May Sell Nearly 3,000 Acres," page 10) and February 7, 1974 ("Time Asked In Sale of Watershed," page 46). Zoning requirements are from the Planning and Zoning offices in the towns of Bethany, Guilford, Killingworth, Madison, North Branford, Orange, and Woodbridge, April 1982.

than just population changes from such land development, and the impacts would not be limited to these seven towns. With a major change in a situation, there would also be a change in the costs and benefits, and a change in who benefits and who pays for it. It would, of course, be desired that a Pareto Improvement occurred, that someone was made better off, while making no one else any worse off than before.

The new home owners would benefit directly, but these would be private benefits. These people would have an attractive rural setting to live and raise their children. Who would these people be? The zoning requirements answered the question: large minimum lots, and single family houses. In addition, the median income in all the towns with substantial acreage was above the median income level of the New Haven SMSA in 1970.

The suburban-rural towns would benefit from increased taxes due to the increased value of the developed land. Unfortunately, new development would increase the service demands and costs, too. New development would mean more roads to service, and an increased number of children to educate. The character of the community would change. It would most likely still be pleasant, but not the same, as the character of pure open space. These would be costs borne by all the citizens in each community.

Other development costs would probably be borne by

the entire region. There would be the loss of the general benefits from open space land. Sprawl would be further increased and with it the energy costs would increase. Another regional issue would be water quality.

The New Haven Water Company appeared to have made a major assumption that the new water treatment technology, land use controls and new pollution abatement laws had actually eliminated the need to hold large amounts of open space, to assure water quality. It was agreed that some of the Company lands were indeed surplus, and could be sold with no harm to the water supply. Questions remained whether all 16,500 acres were surplus, and how much land was needed to assure water quality. At a Yale University Medical School conference on the Water Company lands, the answer to this question was that no one knew. The result of change was long term and unknown.¹⁶

New Haven Water Company would most likely benefit from a land sale for development. The Company would have received money which could be used for financing construction, improving the investor's return, or even reducing water rates.

It would be difficult to know whether the consumer would benefit. The Company needed new and replacement filtering equipment, regardless of the land sales. If the revenues from land sales went towards new construction or to lower water rates, then the consumer would save money.

If on the other hand, the open space lands were preserved then the consumers would pay more for water service and the new filtering technology would still be used. An argument could be made that perhaps the consumer was trading monetary savings for a possibly higher water quality risk due to the unknown answers of the water quality and watershed land debate. This land sale did not take place, and if it had, it probably would have been at a smaller scale. There were several reasons for this. First, it would be doubtful that New Haven Water actively wanted to sell all the land for development purposes. Their behavior suggested that the company wanted most of the land to remain undeveloped and have their water rights protected.¹⁷ What the Company appeared to want to do was shift the ownership of the open space to the State of Connecticut, the municipalities or to conservation trusts. Secondly, the Company probably would have sold the land over a long period of time and not all at once, one reason being to keep land prices up. Thirdly, a good portion of the land was not the most desirable for development. The lands contained wetlands, rocky soil and steep terrain. Lastly, there were other and better lands in the region to develop.

Despite this, the municipalities were faced with a Water Company land problem. New Haven Water planned to sell the lands with the implication of possible development. The towns did not want development, nor did they want to lose

their open space. Discussions ensued between the State of Connecticut, the local municipalities, and the New Haven Water officials, on the fate of the lands and how to resolve the situation. Over time, four public policy solutions presented themselves. The first solution involved public purchase of the Company's surplus open space land. The second option involved public purchase of the development rights of the open space land. The third option involved purchase by the City of New Haven of the New Haven Water Company and all its assets, including the land. The fourth option involved the purchase of the Water Company and its assets by a regional water entity.

Under the first option, the public would purchase the excess open space lands from the Water Company. This would involve purchase by the state, by the towns, or by both. While the state could be expected to buy some of these lands, the major purchaser would most likely have been the towns where the lands were located. In return, the New Haven Water Company could lease the water rights of these lands from the towns, who would own the property rights.¹⁸

The major benefits of this option were the preservation of open space and water quality. These were benefits due to all the people in the region. New Haven Water received needed money for financing construction. The customers of New Haven Water paid only for the water rights of these lands, and not the full cost of preservation. The

towns received the property rights to these lands, and assured open space. They now had to pay the costs of maintenance and purchase of the lands, while losing the revenue private ownership generated. There would also be the loss of housing opportunity from continued preservation. In economic terms, this option shifted the externality from the Water Company, whose direct benefits were minor, yet who paid the full costs of preservation, to the towns, who received the major proportion of the benefits from these lands, yet paid none of the costs.

The second option involved the public purchase of the development rights of the Company's surplus open space lands. Under this option, the purchaser would be either the state, or the local towns. The development right would be the difference between the fair market value and the use value of the land. The property would still be owned by the Water Company, but the right to develop the land would be owned and controlled by the public, most likely the town.

Who benefitted and who bore the cost? In this option, there was a partial shift in the distribution of the costs and benefits of the open space externality. All the people of the region would have benefitted from the preservation of open space, but those in the towns with the acreage would benefit more. The customers of New Haven Water would benefit directly from water quality. The Water

Company would receive needed money, while not as much as under option one. The affected towns would pay to prevent development through their purchase of the development right, yet still would receive some tax revenue from the Company for these lands. Here again would be the loss in housing opportunity.

The third option involved the purchase of the Water Company by the City of New Haven. A 1902 contract between the City and the Water Company, gave the City the right to purchase the Company every 25th anniversary of the contract. The option came due again in 1977 and the City had decided to pursue it. The situation was more complicated than mere purchase of the Company by the City. The City's announced plan was to purchase the Company, and if regional control could be worked out, would accept it.¹⁹ In fact, the area towns distrusted New Haven City, and its altruistic intentions.

City ownership would transform the Water Company into a municipal utility. As a public operation, it was expected that the water rates would be lower, because of the lack of dividend payments, lower financing costs and exemption from taxes.

In economic terms, the open space externality would shift in some towns. Those who received the benefits would now pay for some of the costs. In eleven communities, the City would not have to pay taxes on the Company

property. These towns would pay for the open space land through their absorption of the tax revenue loss. For the five towns of Killingworth, Madison, Guilford, Wallingford, and Prospect, this tax revenue loss would not happen. State law required the payment of taxes to a municipality if the municipality did not receive service from another municipally owned utility.²⁰ Here, the curve would not shift.

The City would benefit from ownership of and control of suburban and rural land. To the suburban and rural towns, this would be a severe cost.

The region would benefit from open space preservation. It was expected that the City would keep the majority of the open space. The City did intend to sell some land, but the impression was that only the truly surplus was to be sold.²¹ The Water customers would benefit from water quality and lower rates.

In reality, the curve might have shifted very little. There was a movement among the suburban and rural towns to have the State legislature pass a bill requiring the City to pay taxes on utility property. In fact, the City promised to pay the current level of property taxes to the towns. The reason was political, to make City ownership more attractive.

The fourth option called for the creation of a regional water authority. This authority would be a pub-

lic corporation under the supervision of a board composed of representatives from the seventeen communities affected by New Haven Water. This regional authority would purchase New Haven Water Company and all of its assets and operations.

One reason for the regional approach was economics. The water service would be less expensive because of savings due to federal and state tax exemptions, lower financing costs, and no dividend payments. This regional authority would, however, still pay property taxes. These were called payments in lieu of taxes, and would be paid on all existing real and personal property of New Haven Water in each municipality. The reason for this provision was not to deprive the communities of tax revenue they had earlier received. One concession was made to exempt any further improvement from the calculation of the payments.²² Most importantly, the ownership of the land holdings would be in the public arena, and changes in use subject to municipal approval. Open space and water quality would both be protected, and complicated procedures would be designed for disposing of any lands. The financing of this purchase and operations, would be borne by the region-wide rate payers.

In economic terms, the externality situation shifted very little. While the rate payers received only some of the benefits of the open space, they paid all of the costs. The rural towns still received most of the benefits and

paid little of the cost. Their share of the costs would increase due to the loss of tax revenues from future improvements to utility facilities. What really changed was the ownership question. Under the regional arrangement, each municipality would have some influence on the future of the lands.

In reality, this fourth option was adapted. On August 26, 1980 the private New Haven Water Company became the public South Central Connecticut Regional Water Authority. The institutional change was the switch to public ownership of the utility's resources. The Regional Water Authority was given a mandate to fulfill as well. The enabling legislation required the Authority to develop a land use plan on how "best" to utilize the Authority's land. This plan was to determine whether: any land could be considered as surplus in regard to maintaining water quality; which land could be suited for limited recreation, or open space; and whether any land could be suitable for development.²³

The significance of this plan mandate is the resource question. This question involves what the costs and benefits are, how will these costs and benefits be distributed, and to whom? This plan is being developed by a public agency which is supposed to "use land resources in the best interest of the consumer and the public at large."²⁴ It would have been interesting to see how the questions are

answered by the regional public agency. Unfortunately, the plan will not be finished until August.

CHAPTER IV
ANALYSIS
AND
CONCLUSIONS

The purpose of this section is to gain a better understanding of the managerial and political workings of a region and the role major land development issues play. A history of the political maneuverings and events by itself is not enough. It is necessary to understand how individual maneuverings, motivations and interests interact to form the dynamic workings of a regional management system. The following analysis will attempt to place the jigsaw puzzle together by examining each actor's motivation and actions. Understanding the situation is complicated by the lack of full knowledge of each actor's motivation. Finally, it is also important to point out that other factors related to the circumstances described in the case may have affected the results. While these questions may go unanswered at this time, there is still a need for an awareness of the issues.

New Haven Water Company became the center of a political controversy because of its control of two resources basic to the economic welfare of the region: water and land. Water service delivery became an issue in terms of the firm's ability to provide inexpensive, quality water. Land became an issue, because of the possible affects of the proposed land disposal on development patterns, tax revenues and municipal autonomy. These two factors provided the

impetus for action and reaction by the three major characters: New Haven Water, the City of New Haven and the suburban and rural towns of the region.

New Haven Water's role in the controversy was that of an actor who set the action and defined the issues. For the Company, the controversy began as the response to a technical question. The federal and state governments had passed laws and regulations requiring water utilities to provide cleaner, safer water. These new requirements meant the installation and construction of new filtering plants to meet the new standards. This changed the factors of production such that the holding of large amounts of watershed land was no longer necessary, and as a result, some of the land could be disposed of. In addition, there were lands outside of the watersheds which could also be disposed of.

The technical production factor affected the cost aspects of the equation as well. The new filtering technology required large amounts of money to install the newly needed equipment. In addition, there were normal equipment and facility replacement and repair costs. These two factors added up to very large capital expenditures for the Water Company to finance, and private financing was expensive. The result would be high costs and even higher water rates.

As a regulated utility, the Company needed approval

of the expected higher water rates from the state of Connecticut. While the rate question was one of the economics of the Water Company, the regulatory process was just as much a political game. It could be argued that the required high water rates would not be politically acceptable in the region and that therefore pressures would mount for public ownership of the Water Company. Public ownership would offer advantages, such as lower interest of financing, tax exemptions and no dividend payments to stockholders. The result would be water at a lower cost than a private utility could provide. If public ownership was inevitable it would be beneficial from the Company's standpoint to negotiate the ownership transfer when the Company was still in a position of strength. In the meantime, the Company could do its best to create conditions favorable to its economic situation.

An argument could be that it was the prospect of such a public ownership scenario which motivated the actions of the New Haven Water Company during the 1970s. During this decade the Company took parallel actions. One set of activities was aimed at improving the economic climate of the utility, to assure its survival. The other action was to establish the foundations for future ownership of the utility by a public regional entity.

To the Company, improvement of the economic climate involved ways of reducing operating costs, and therefore

lowering the water rates. To some extent, this involved tax breaks. The Company did make use of State laws allowing their land to be assessed by the towns as forest land,¹--an open space, thus with the lowest assessment value. In 1977, the Company benefitted from a law which the Company helped pass through the State General Assembly, in 1975, which allowed the Water Company to pass financing through the Connecticut Development Authority. This permitted the Company to use lower interest of bonding to finance the needed construction.

The major attempt of improving the Company's economic climate necessitated the sale of the surplus lands. What the Company wanted to do was to shift the financial burden of the open space land upon the state or the local governments by selling them these properties. The Company was not interested in the development of most of these lands, it wanted them kept as open space, and the Company would only have to lease or buy the water rights. In return for the land, the Company would have received a large amount of needed funds for financing the capital projects, and the money could also go to benefit the investors.

This idea could have originated from an incident in 1967. A strong citizens group emerged in 1967, looking to preserve the open space land of West Rock Ridge.² The Regional Planning Agency did a land owner survey of the properties in 1968. One of these land owners was the Water

Company. The movement became strong enough so that the state legislature passed a bill to purchase the lands for a state park. The movement died, however, when the governor vetoed it.

The Company set the stage in 1971 and 1974 for suburban and rural town action. By implying that the lands would be sold for development, the Company hoped to spark local action and purchase. The towns studied the issues and discussed the alternatives, but support was not strong enough for actual purchase. In seeking support, an action was mobilized for a state study and moratorium. What the Water Company accomplished was to increase municipal awareness of the tax benefits of Company property and the municipal vulnerability to Company land use decisions.

It could be argued that New Haven Water began to maneuver for potential regional ownership as early as 1971. In 1971, Charles Woods served in a committee of the Regional Planning Agency of South Central Connecticut, which investigated regional ownership for the area.³ While the Company laid the foundation for regional ownership it was the City of New Haven and the election of Frank Logue as mayor which made regional ownership a real issue. This made it possible for the Company to actively pursue two courses of action in regard to the Company's future.

The role of the City of New Haven was similar to the role of the Water Company. The City defined the issues and

shaped events as well. The City made its first public actions toward purchase of the Water Company when Frank Logue assumed the office of Mayor in January 1976. It would not be fair to say that the City's actions towards purchase of the Company were solely due to the election of Frank Logue in 1975. The City's purchase option and the Water Company's financial conditions would have been the same regardless who was mayor and the City would probably have made the same decision to pursue its option. It would be fair to say that Logue's election strengthened the effort of the City to buy the Company because of Logue's advocacy of public ownership since 1974 as an alderman.⁴

The City had a card, which no one else had. It had a 1902 agreement which gave the City the right to purchase the Water Company every twenty-five years, and 1977 was the next time the option came due. This provided the City with a deadline and a facade to spark suburban and rural action towards the formation of a regional water district. The reason for galling the 1977 deadline a facade was the existence of another clause in the contract which overrode the twenty-five year provision. This clause gave the City the right to purchase the Water Company whenever a majority of the Board of Directors lived outside of the City's boundaries. This clause had been in effect for the past twenty years.⁵ It would be inconcei-

vable that Mayor Logue and Mr. Baldwin were not aware of this before July 1978, when the existence of this clause was announced publically. This option did have a problem. An uncertainty existed as to whether the contract was perpetual. As a result there were doubts about the enforceability of the option in court.⁶ Despite that, the City was in a position to act as a catalyst for public ownership.

What the City of New Haven did was prompt suburban/rural action towards the creation of a regional water authority. It was the prospect of the City of New Haven owning land in the suburban-rural towns and the possibility that the City might build low income housing on these lands. which brought these towns together. There was a reaction. The City introduced legislation to purchase the Water Company and then the suburban towns established a Feasibility Study Commission. The formation and passage of the Regional Water Authority legislation was spurred on by the City pursuit of its option. The opening of purchase discussions between the City and the Company in later July, provided further motivation for the municipal effort to override Governor Grasso's veto of the Regional bill. The first offer by the Regional Authority to the Company was intended to beat the City's. The regional bid went dormant once the City's offer was dead, but came alive again in March 1979, when the alternative Board of Directors

promised to reopen negotiations with the City, if they won the election. Only the final agreement was not prompted by City's action. However, even there the Regional forces were not the initiators. It was the Water Company, since it appeared that no better way of settling its financial problems existed.

Throughout the controversy, the suburban and rural towns reacted to events rather than initiated actions. Their actions came as a consequence of actions by either the Water Company or the City of New Haven. The towns benefitted from the status quo and as a result lacked any motivation to change it. They received the tax revenues, the open space and the preservation of a rural character. Had the Company remained private and kept their land holdings, the towns would have received all the current benefits plus the additional tax revenues from new facilities. The first threat to the comfortable status quo came from the Water Company with the proposed surplus land sale. This raised the awareness of the municipalities for controlling the future of the company owned open space in their communities and the danger such concentrated ownership posed to them. The second threat to their autonomy was the prospect of the City of New Haven owning the Company and the land in their communities. While this threat alone motivated the town movement for regional ownership, it was not enough for the acceptance of the regional proposal.

The regional plan provided for collective municipal control over the future development of the utility land which the towns wanted most. The final acceptance of the regional plan revolved around tax revenue. From the town's perspective, it was essential that the tax benefits be preserved. The payments in lieu of taxes provisions of the Regional Water Authority guaranteed that. There was some price paid for this control, however, since revenues from future improvements were lost.

Public ownership consisted of two options: municipal and regional. Both the City of New Haven and the Water Company publicly preferred regional ownership. This was an interesting twist to the situation. It might well be expected that the City would want to own the utility. From the Water Company's perspective, it should not matter who bought the Company. What should matter, was who offered the best price.

During the controversy the Water Company officials expressed their preference for regional ownership on several occasions. It happened that the president of the Water Company, Charles Woods, was a regionalist.⁷ The Company even hired Holt Wexler and Associates to examine the regional approach. A logical argument for the regional approach could be made. The utility was a regional resource and if public ownership was inevitable then it would be logical for the control to be regional as well. The

regional approach would be more sensitive to the political feelings of all the municipalities, rather than just the City of New Haven. It should be noted that the Company seemed to be willing to sell to the City, if the price was very right.⁸

The City of New Haven also seemed to prefer the regional approach. This was its stated public position which Logue repeated on numerous occasions. Their public intention was to purchase the Company and transfer the ownership to a regional entity. The stated purpose of this move was to speed and insure public ownership. What the private motivation of the city was is unknown. It was known that Logue was a regionalist on the utility issue.⁹ Perhaps it was to lessen central city-suburban tensions. One possible reason could be to give the City the upper hand in the establishment of a regional entity. Or perhaps the City never wanted to transfer the utility to regional ownership. City ownership of the utility would have been beneficial to the City. One benefit would have been the leverage that the utility and its lands could have given the City in urban-suburban relations. In addition, the utility would have provided the City with a revenue producer.

Regardless of whether the utility was regionally or municipally owned, the City would benefit. The stated motivation by the City was to save the City and her resi-

dents money. Under private ownership, the water rates were expected to be very high. This would have affected the City of New Haven the hardest since the city accounted for the largest number of customers, water consumption and revenues. The City was totally dependent on the Company for its water supply. It also had the highest concentration of low income people in the region. Tax flow impact was another reason for the City to push for public ownership. The expected new construction would have all gone to the suburbs and rural towns. Because of the private status of the Company, the capital improvements would have increased the assessments and payments to these towns. The costs would largely be borne by the City of New Haven customers.

Another possible reason for City action could be economic development. The New Haven region already had one of the highest water rates in the State of Connecticut.¹⁰ With the expected large future costs, the water rates would be even higher. This could place the region, and especially the City at a relatively disadvantaged situation in attracting new industries. While this might not be a critical factor, it could not help the situation.

While the controversy began with a question of water quality, it transformed itself into one of taxes and utility land ownership. The significance of land ownership was not only one of who owned the land but also what might

they do with it. The Company's open space land helped to shape the development patterns and character of the communities. The future development or nondevelopment of the surplus lands would have affected more than water quality. Whether the surplus lands remained open space or not would have affected the development and value of other land and existing development in the suburban and rural communities. This would have affected the character of the towns. The Regional Water Authority's land use plan requirement could be seen as a way to preserve the character, limit development and protect the land values.

This raises a question as to the possible role that land development interests might have played in the creation of the Regional Water Authority and in influencing suburban and rural government action? The answer to this question must wait another study, but it is a point to be aware of.

What did the controversy reveal towards an understanding of community power structures? It neither confirmed nor denied Domhoff's contention.¹¹ Domhoff claimed that a power elite dominated New Haven, and this ruling elite was corporately based. One of the central corporations of this elite was the New Haven Water Company,¹² a consideration which gave this study added significance. However, this study was different from that of Domhoff. Domhoff reexamined central business district urban renewal

in the City of New Haven. This study examined a regional issue. This study focused on the actions of local elected officials and the executives of the Water Company. Unfortunately this study was unable to examine who influenced the elected officials and instead focused on actions between players.

What emerged was a pattern of curious connections. The Board of Directors consisted of eleven members with numerous connections. The major ones were: two to the Connecticut Savings Bank, one to Union Trust Bank, one to Colonial Bancorp, one to United Illuminating, one former connection to First National Bank of New Haven, and three to Yale University.¹³ An indicator of business involvement in government was the March 1976 Greater New Haven Chamber of Commerce resolution supporting the New Haven Water Company.¹⁴ The Chamber issued a resolution supporting continued private operation of the Company but this resolution remained neutral in its preference for City or regional public ownership. The Chamber's vote was not unanimous since several Chamber directors abstained due to direct or indirect ties to the City of the state government.

The more curious connections involved Charles Woods, Joel Cohn, and Thayer Baldwin, Jr. Water Company president Charles Woods once served as secretary of the Regional Planning Agency of South Central Connecticut. At one time Woods was on a Regional Planning Agency committee to study

regional water ownership.¹⁵ The Regional Planning Agency was the staff organization for the Regional Council of Elected Officials.

The Joel Cohn and Thayer Baldwin connection was even more interesting. Cohn was a very wealthy man and owned a very large share of Water Company stock. He had been a member of the Company's Board of Directors, but was not renominated to the Board because of policy differences. When that happened, Cohn was able to place Baldwin in his position on the Board. Baldwin and Cohn had become good friends as a result of the convergence of Cohn's view of stockholder rights and Baldwin's interest in consumer rights.¹⁶ When Logue was elected mayor, Logue rewarded Baldwin for his campaign work by appointing him Corporation Counsel. At which time Baldwin resigned from the Board and sold his stock in the Company. When Cohn died, Baldwin teamed with Cohn's daughter Betsy Henley-Cohn to lead the stockholder fight.

These connections do suggest some overlap between the business and governing groups. To determine the existence of a regional power elite would, though, require a more intensive investigation of the business and governing structures and who influenced whom in the process.

In summary, what started as a simple issue of water supply became a complex search for a new regional water utility order. The problem began as a technical question

of improving the quality of the water supply. This water quality issue threatened New Haven Water's financial condition and the Company's financial difficulties threatened the regional utility status quo. This status quo was very favorable to the suburban and rural towns, but dissatisfactory to the urban center. The old order had to change and as a result, the controversy over the shaping of the new order began. The fact that most of the debate concerned tax revenue flows and autonomy revealed the importance of these two issues to all the municipalities involved. The controversy also revealed the difficulty of achieving regional consensus and cooperation. The difficulty was not limited to cooperation between the urban center and suburban towns, but even among the suburbs, cooperation was difficult. It required a threat to gain consensus and motivate action. In the end, consensus was finally achieved and a new order emerged.

FOOTNOTES

Footnotes
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¹⁴Norris C. Andrews, Executive Director of the Regional Planning Agency of South Central Connecticut.

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²²Ibid., p. 15.

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²⁴Connecticut, General Assembly, Report of the Commission to Study the Feasibility of a South Central Connecticut Regional Water District, p. 16.

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²⁸L. Cannon, J. Helton, P. Witman and M. Zietlow, p. 5.

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³⁶"Water Co. Takeover Bill Unsettled In Assembly," New Haven Register, 12 March 1976, p. 14.

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