

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

RE: AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 08-098

**DIRECT TESTIMONY OF
FREDERICK W. WELCH**

Q. Please state your name and business address.

A. My name is Frederick W. Welch, and I am the Town Manager of the Town of Hampton. My business address is 100 Winnacunnet Road, Hampton, New Hampshire 03842.

Q. What is the nature of your involvement in this proceeding?

A. Since March of 2007, I have been the Town Manager of the Town of Hampton, which has been allowed by the Commission to intervene relative to Aquarion Water Company of New Hampshire, Inc.'s ("Aquarion" or the "Company") rate request to the Public Utilities Commission (the "Commission") in Docket No. DW 08-098.

Q. What are the major concerns the Town has with respect to Docket No. DW 08-098?

A. The Town of Hampton joins in the concerns articulated by the Town of North Hampton as to the impact of the requested rate increase by Aquarion, the prudence of Aquarion's water resource management, the charges for seasonal connection fees, public fire charges, billing practices, and the impact of several

novel rate concepts being proposed in the docket. These proposals include 1) the Water Infrastructure and Conservation Adjustment Surcharge (WICA), 2) the System Development Charge (SDC), and 3) Water Balance Plan (WBP).

Q. In addition to the concerns articulated by North Hampton's witnesses as to Aquarion's seasonal connection fees, billing practices, the public fee protection fee, the WICA, the SDC and the WBP, what concerns with the impact of the requested rate increase does the Town of Hampton have?

A. The Town is concerned about both the magnitude and frequency of Aquarion's requests for rate increases. On a permanent basis, Aquarion is now seeking a 21.08 percent increase in rates. This was filed for in August of 2008, only two years after another double digit rate increase was approved by the Commission by its Order dated July 18, 2006. That rate increase averaged 18.64 percent. It had been six years before then that the Commission in 2000 had approved an increase in Case Number DW 99-057, and eight years before then that the Commission in 1992 approved a rate increase in DR 91-023. Aquarion had been approved in 2006 to apply for a 4.85 percent step increase to reflect its investment improvement as part of the Hampton Beach Infrastructure Improvements Project but apparently did not need that increase enough to seek to implement it until now.

This is a period of extreme uncertainty for New Hampshire consumers and for the tourism industry upon which the seacoast region in general and Hampton Beach in particular depend. The kind of water rate increase now being sought can only add to the cost of living and vacationing in this State at a time when any detriment

can push consumers over the edge. The rate of return that Aquarion claims to be entitled to an overall rate of return of 8.81% on the basis of past orders has not been derived by the Commission, as opposed to by settlement, since its Order 23,412 in the year 2000. Consumers have lost upwards of 50 percent of their investments in the last year, and guaranteeing Aquarion a rate of return like this is simply unrealistic and unfair to struggling ratepayers. The Town of Hampton is concerned that issues such as executive compensation may be driving the increases now being sought.

By the rate increase it is seeking, Aquarion is seeking to recover its costs of capital improvements. Unfortunately, once those capital costs are recovered, there is no provision for Aquarion's reducing its rates. Consumers will continue to pay for them.