

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 12-085

DIRECT TESTIMONY
OF
HARRY C. HIBBARD

May 14, 2012

1 **I. INTRODUCTION AND OVERVIEW OF TESTIMONY**

2

3 **Q. Please state your name and business address.**

4 A. My name is Harry C. Hibbard and my business address is 900 Main Street,
5 Hingham, Massachusetts, 02043.

6

7 **Q. By whom are you employed and in what capacity?**

8 A. I am the Vice President in charge of operations for Aquarion Water Company of
9 New Hampshire, Inc. (“Company”) and Aquarion Water Company of
10 Massachusetts.

11

12 **Q. Please describe your educational background.**

13 A. I have a Bachelor of Science degree in Political Science from the University of
14 Massachusetts at Boston and a Juris Doctor degree from Northeastern University
15 School of Law.

16

17 **Q. Please describe your business and professional backgrounds.**

18 A. On March 1, 2009, I was appointed Vice President of both Aquarion Water
19 Company of Massachusetts and Aquarion Water Company of New Hampshire,
20 Inc. Prior to this appointment, I was the principal in the Law Office of Harry
21 Hibbard from August, 2004 to March 2009. Before that, I was a partner in the
22 firm of Sessa, Glick, Quiroga & Hibbard in Boston, MA from April, 1991 to
23 August, 2004. Prior to that, I was an associate at Pike & Pike in Brookline, MA
24 and Nigro, Pettipet & Lucas in Wakefield, MA.

25

26 **Q. Have you previously testified before the New Hampshire Public Utilities
27 Commission (the “Commission”) or any other regulatory commission?**

28 A. I have not testified before the New Hampshire Public Utilities Commission. I
29 have testified in Massachusetts before the Massachusetts Department of Public
30 Utilities in Aquarion Water Company of Massachusetts’s most recent general rate
31 case.

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Q. Are you familiar with the facilities, operations and capital investments of Aquarion Water Company of New Hampshire, Inc.?

A. Yes, I regularly review operational and financial reports prepared for internal use and for submission to regulatory agencies. My responsibilities include providing overall direction of the Company and daily assistance, as needed, to the Company’s Operations Manager, Mr. McMorrان. Maintaining regular contact with the Company’s local management team, including periodic site visits and regular communication, provides me close and continued familiarity with the Company’s operations.

Q. What is the purpose of your testimony?

A. My testimony will provide (i) a summary of the need for rate relief, the level of capital expenditures, and cost savings initiatives by the Company, (ii) the Company’s commitment to providing quality customer service, (iii) an update on issues identified in the settlement in the Company’s last general rate case, (iv) an overview of the Company’s community involvement, and (v) a discussion of ratemaking proposals being supported by the Company in this case.

Q. Please describe briefly the other testimony offered by witnesses for the Company in support of its requested rate increase.

A. In addition to my testimony, the Company is also submitting testimony from Carl McMorrان, the Company’s Operations Manager in New Hampshire. His testimony will provide an overview of the Company’s system and its operations, summarize major capital improvements to the system since the Company’s last general rate case, and discuss cost saving measures. Troy Dixon, the Company’s Director of Rates and Regulation, will provide testimony regarding the Company’s need for rate relief, pro forma financial schedules, discussion of the Water Infrastructure and Conservation Adjustment (“WICA”) program, and other ratemaking proposals.

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II. The Need For Rate Relief

Q. Please summarize the Company’s request for rate relief that is the subject of this proceeding.

A. The Company is seeking an increase in water revenues of \$1,113,931, or an overall 18.3% increase. Aquarion is seeking to increase its rates at this time in order to enable it to continue to meet its commitment to customers to provide high-quality water and water service in a cost-efficient manner. The request for rate relief is due to increased operations and maintenance expenses, dramatically increasing property taxes, and sustained reductions in revenues. The amount of rate relief being sought in this case is tempered by the Company’s efforts to control its operating costs and \$222,000 of previously approved WICA revenues.

As proposed, a typical residential customer’s bill using approximately 53,300 gallons of water annually would increase \$0.19 per day from \$1.00 to \$1.19, or an increase of approximately 18.7%. On an annual basis a typical residential customer’s water bill would increase from \$365.16 to \$433.33.

Q. What are the primary drivers behind the Company’s need for rate relief?

A. The rate relief requested is driven by increases in operations and maintenance expenses (62.0% of the request), reductions in revenues relative to those assumed in the Company’s last rate case (19.3%), increases in property and similar taxes (15.6%), and depreciation and return on investment (3.1%). Increases in maintenance activities, wages and benefits and the costs associated with the Company’s new leased facility for its offices and distribution shop constitute the majority of the operating expense increases since the Company’s last rate case in 2008.

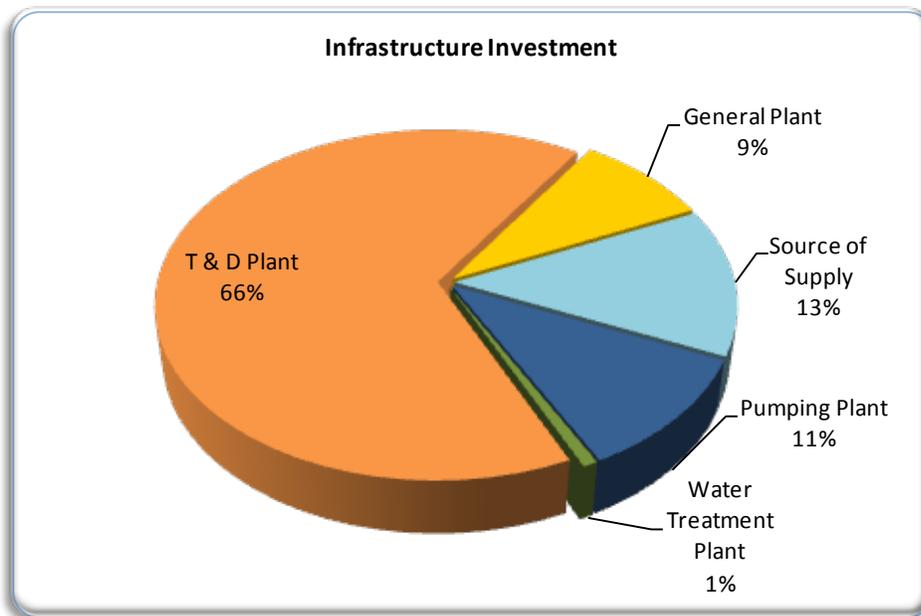
Although operating expenses have risen since 2008, as will be discussed in Mr. Dixon’s and Mr. McMorran’s testimonies, the Company has continued its efforts

1 to control operating and maintenance expenses. Since the last rate case the
2 Company has controlled costs by reducing the amount of compliance testing
3 required by DES, negotiating favorable electric rates, switching to a lower cost
4 chemical for pH management in its water treatment process, participating in a
5 statewide leak detection program, and aggressively managing contractor costs in
6 our cross connection program. In addition, we have eliminated the Company's
7 pension plan for new employees in an attempt to mitigate those rising costs.

8
9 **Q. What investments in plant has Aquarion made since the 2008 rate case?**

10 A. Since the Company's last rate increase in 2008, Aquarion has invested \$4.5
11 million in utility plant additions, of which \$1.7 million relates to capital
12 improvements approved and included in rates as part of the WICA program.

13
14 The \$4.5 million in gross utility plant additions are in the following categories:
15 \$619,000 in Source of Supply; \$486,000 in Pumping Plant; \$34,000 in Water
16 Treatment Plant; \$3,003,000 in Transmission and Distribution Plant (which
17 includes \$1,831,000 in mains, \$445,000 in services, and \$635,000 in meters), and
18 \$400,000 in General Plant. Set forth below is a pie chart showing the relative size
19 of these amounts.



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These additions to utility plant will be further discussed in Mr. McMorran’s testimony.

Q. Please summarize the reasons that the Company undertook these capital improvements.

A. The capital improvements undertaken by the Company since its last rate filing include both the replacement of existing infrastructure as well as new plant additions. With regard to transmission and distribution improvements, which includes main replacements, the projects were undertaken to improve fire flows, eliminate dead ends, and improve the Company’s ability to move water efficiently throughout the system. Capital dollars expended on supply have helped to ensure adequacy of supply, improve water supply reliability, and increase the Company’s ability to meet peak day demands. Treatment expenditures were designed to benefit customers through improved water quality and help ensure the Company’s ability to comply with ever-increasing State and Federal water quality regulations. The additions to general plant were undertaken to equip Company employees with technology needed to better monitor system reliability through SCADA and improve customer service and response time and increase overall operating efficiency.

III. Customer Service

Q. Has the Company performed any customer surveys to support and enhance its performance with customers?

A. Yes. We conduct customer surveys to ensure that we can objectively determine whether we are achieving positive results in delivering service to our customers as well as improving the customer experience. Our surveys are conducted by The Center for Research (CFR), a recognized national leader in developing and conducting customer service satisfaction surveys. The results provide a solid foundation by which the Company can numerically quantify the impact of its

1 efforts. Copies of the survey's Introduction, Methodology and Highlights for
2 2011 are submitted as Exhibit HCH-1.

3
4 The survey was designed by CFR to ensure that it yielded valid and reliable
5 results, and was conducted with 400 customers within our service territory.
6 Customers were asked a series of questions related to water quality, their
7 satisfaction with key business issues, customer service and field personnel, their
8 awareness of the community activities sponsored by the Company, and specific
9 questions related to customer expectations, public awareness, water conservation,
10 and energy issues.

11
12 The Customer Satisfaction Index (CSI) which excluded the "don't know"
13 responses, is an average of the overall customer satisfaction characteristics for
14 three distinct areas comprising the Company as a whole, the Company's office
15 personnel, and the Company's field personnel. The CSI for 2011 was measured
16 at 90.6%, a nominal change from the CSI of 92.0% reported in 2007. According
17 to CFR, most service companies strive to attain a CSI in the high eighties. While
18 the change from 92.0% to 90.6% since the last rate case is statistically negligible,
19 we intend to continue our ongoing efforts to promote customer service as a core
20 value within our organization to ensure that we continue to perform at the highest
21 level.

22
23 **Q. What factors do you attribute to the Company's success in maintaining a**
24 **high level of customer satisfaction?**

25 A. The most important factor is our willingness to listen and address customer
26 concerns and suggestions. We have made a concerted effort to listen to our
27 customers through our survey instruments and our interactions with them in
28 customer service. For example, based on customer feedback, we designed the
29 customer care section of our new website to provide a wealth of information for
30 customers, including frequently asked questions and conservation information. In
31 addition, we implemented an Interactive Voice Recognition telephone software

1 system four years ago, allowing customers the convenience of obtaining account
2 balances, scheduling appointments for periodic meter changes, and verifying
3 recent payments received by verbally responding to posed questions. Finally, our
4 first point of contact with our customers is the local New Hampshire customer
5 service representative. This provides significant value to our customers since the
6 representatives know the service territory and our operations intimately, and are
7 able to respond to any and all issues that may arise.

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9 **Q. Briefly discuss the Company's efforts to maintain communication with the**
10 **municipalities it serves.**

11 A. Company representatives meet regularly with the local officials including the
12 North Hampton Water Commission, town managers and public safety officials.
13 The Company also meets with its Customer Advisory Council and with the chiefs
14 of local fire departments. We have also hosted open houses at which many
15 conservation options are displayed. In addition, we offer discounted rain barrels
16 in partnership with the Hampton Conservation Commission and the North
17 Hampton Water Commission.

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19 **IV. Community Involvement**

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21 **Q. Please discuss Aquarion's involvement in the community.**

22 A. Aquarion is committed to being involved in the communities in which it operates.
23 We also believe that such involvement can be used to help communicate the
24 Company's water conservation and environmental protection message. In addition
25 to the to the interactions with the towns noted above, the Company is involved
26 with the communities in many other ways. We conduct open houses, participate
27 in the Hampton Chamber of Commerce, and support youth baseball, the Hampton
28 Beach Beautification Committee, the North Hampton Recreation Department, and
29 local high schools, firefighters and police. In addition the Company has made
30 presentations to the Chamber of Commerce, the Rotary and the Osher Lifelong
31 Learning Institute at Granite State College (a nonprofit, membership organization

1 that offers noncredit courses, trips and social activities to adults in New
2 Hampshire).

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4 **V. Other Ratemaking Mechanisms**

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6 **Q. Is the Company proposing any rate mechanisms in this case?**

7 A. Yes. The Company is proposing three separate rate mechanisms in this
8 application. The Company is proposing (1) to change the current WICA pilot
9 program to a permanent program, (2) to include the 2013 WICA surcharge (if
10 approved) as a step increase that would be included in base rates effective with
11 the new permanent rates approved in this case, and (3) to request deferral
12 treatment for the Town of Hampton's 2011 Right Of Way ("ROW") tax. All of
13 these items will be discussed in detail in Mr. Dixon's testimony.

14

15 **Q. Mr. Hibbard, does this conclude your testimony?**

16 A. Yes it does.