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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

November 28, 2012 - 7:03 p.m.  
Hampton Office Building  
Selectmen's Meeting Room  
100 Winnacunnet Road  
Hampton, New Hampshire

NHPUC JAN22'13 AM 9:48

RE: DW 12-085  
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.:  
Notice of Intent to File Rate Schedules.  
*(Hearing to Receive Public Statements)*

PRESENT: Commissioner Michael D. Harrington, Presiding  
Commissioner Robert R. Scott

APPEARANCES: (No appearances taken)

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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**P R O C E E D I N G**

1  
2 CMSR. HARRINGTON: All right. Good  
3 evening, everybody. Just a little bit of a background.  
4 Tonight we're going to -- we're to hold a public statement  
5 hearing on Docket DW 12-085, the Aquarion Water Company of  
6 New Hampshire rate request. On July 18th of this year,  
7 the Town of Hampton requested that a public statement  
8 hearing be held on this rate case in the Town of Hampton  
9 sometime in early December. On September 24th of this  
10 year, the Commission, via a letter from its Executive  
11 Director, granted that request and scheduled the hearing  
12 to be held in the Selectmen's meeting room in the Town of  
13 Hampton Office Building at 100 Winnacunnet Road, at 7:00  
14 p.m, on November 28th, 2012, hence why we're all here  
15 tonight.

16 In the way of a little background,  
17 Aquarion Water Company of New Hampshire provides water  
18 service to approximately 9,100 customers in the towns of  
19 Hampton, North Hampton, and Rye. On April 4th, 2012,  
20 Aquarion filed a notice of intent to increase its rates  
21 and filed the rate increase schedules. On May 14th, 2012,  
22 Aquarion filed schedules, testimony, and supporting  
23 material for a permanent increase in its revenue  
24 requirement of \$1,113,931. Aquarion also filed a petition

1 for temporary rates to increase its revenue requirement by  
2 \$732,078 pending the review of its proposed permanent  
3 rates.

4 On August 17th of this year, a  
5 settlement agreement was reached by the Company, the  
6 Office of Consumer Advocate, and the Commission Staff.  
7 Though, the Town of Hampton was not a signatory, it did  
8 not oppose the proposed temporary rates that were included  
9 in the Settlement Agreement. On September 18th, the  
10 Commission, in Order 25,412, approved the Settlement  
11 Agreement and included the 8. -- that included the 8.8  
12 percent temporary rate increase effective July 1st, 2012.

13 And, just to sort of let people now how  
14 we're going to run things tonight, this is not going to be  
15 as formal as we get -- have our hearings when we have them  
16 in Concord. No one is going to be sworn under oath here.  
17 But we, obviously, want everyone to maintain decorum and  
18 try to address the questions to Bob and myself. And, if  
19 the Company or somebody else is the appropriate people to  
20 ask, we'll let that come in. Try not to interrupt each  
21 other and just normal rules of that.

22 If you wish to speak, there's forms that  
23 we have, or you can submit written comments. You just --  
24 Mark Naylor has the forms over there. And, the hearing

1 will be recorded by the court reporter, as you can see  
2 Steve going at it right now. So, and this is for his  
3 benefit, and I have to follow these rules probably more  
4 than anybody else, except for the loud part, but please  
5 speak loud, clear, and not too fast, so that he can take  
6 that down.

7 And, just to introduce a few of the  
8 people here tonight. From the Office of Consumer  
9 Advocate, Susan Chairman is here.

10 MS. CHAMBERLIN: Hello.

11 CMSR. HARRINGTON: And, as I just  
12 presented, that's Mark Naylor, who is the Director of PUC  
13 Gas & Water Division. Sitting up here with me is Bob  
14 Scott, who is a Commissioner with the Public Utilities  
15 Commission. And, I'm Michael Harrington, and I'm also a  
16 Commissioner. Chairman Amy Ignatius is not able to make  
17 it tonight, because she's working on a wind case as part  
18 of her duties as a member of the Site Evaluation  
19 Committee.

20 So, my plan was to have the Company  
21 first make a brief presentation. We don't want to make  
22 this too long, maybe ten, fifteen minutes, I'm hoping?

23 MR. WALSH: Shorter than that?

24 CMSR. HARRINGTON: Then, the Town of

1 Hampton can speak. And, then, anybody else from the  
2 public who wants to speak. The main function of this  
3 meeting is for the public to present information to the  
4 Commission. And, that's the way we'll try to run things  
5 here. It's not for us to be giving you guidance or  
6 anything like that. This is for us to get information  
7 from you. And, if you have questions on the process or  
8 something like that, we'll try to be able to answer those  
9 as well.

10 So, having said that, is there anything  
11 someone wants to bring up before we get going?

12 (No verbal response)

13 CMSR. HARRINGTON: Okay. Then,  
14 Aquarion, you can --

15 MR. WALSH: Well, thank you for having  
16 us here this evening. And, good evening, everyone. We  
17 appreciate that you've all come out here tonight. I'm  
18 John Walsh. I am the Vice President of Operations for the  
19 Company's Massachusetts and New Hampshire operations.  
20 And, I'm going to just do a brief presentation tonight, a  
21 little bit about the Company, and about the rate  
22 application. And, then, I'm going to turn it over --  
23 we're going to turn it over to get your perspective.

24 So, a little bit about the Company here

1 in New Hampshire. We serve about 7,700 customers in  
2 Hampton, North Hampton, and Rye. And, we serve both  
3 domestic service to both businesses and homes, and also  
4 fire protection services, so, supporting fire hydrants and  
5 also sprinkler systems. And, we provide about  
6 2.4 million gallons a day, on average, to the three towns.  
7 And, on a max day in the summer, it's about 5 million  
8 gallons a day. So, there's a lot of infrastructure that's  
9 in place to be able to provide that water service 24/7.  
10 And, I have a schematic up here that shows that, the  
11 primary components of that infrastructure.

12 So, we've got 18 wells throughout the  
13 three towns. And, the water from those wells is treated  
14 at eight different treatment facilities, where we add  
15 chlorine for disinfection, and we also add chemicals for  
16 corrosion control. The water is pumped into -- from the  
17 wells into the distribution system. And, there's  
18 137 miles of pipe across the three towns. And, within the  
19 distribution system, we've got four large tanks. There's  
20 about 2.75 million gallons of storage amongst those four  
21 tanks. We also have two booster pump stations in the  
22 system as well. So, there's a fair amount of costs that  
23 goes into building that infrastructure, operating it,  
24 maintaining it, and replacing it as it ages.

1           And, our costs have been rising over the  
2           last several years, since our last rate case. And, what  
3           we are requesting is about \$1.1 million to cover those  
4           rising costs. And, I've got a pie chart up here that  
5           shows some of the areas or the primary areas of those  
6           rising costs. One -- I'll point out a couple of them. In  
7           the "other taxes" arena, we've got -- that's about  
8           15 percent of this rate request. And, that's increasing  
9           property taxes, as well as a new right-of-way tax from the  
10          Town of Hampton. Our maintenance costs have gone up.  
11          We're doing a lot more proactive maintenance to ensure  
12          that we're providing safe water, that means all the  
13          federal and state guidelines, 24/7. Our wages, down there  
14          in blue there, those have gone up over -- since the last  
15          rate case about 10 percent. So, it's been about four  
16          years since the last rate case, so about two and a half  
17          percent a year increase in the wages.

18                 And, like many towns and businesses, our  
19          pension costs have increased. And, we've combated that by  
20          cutting off our pension. New employees are no longer able  
21          to be in our pension. We also combat our costs, we're  
22          pretty consistently looking at how to reduce our costs,  
23          because we're very mindful of the impact of the rate  
24          increases on the communities that we serve.

1                   In the last couple years, we've gotten  
2                   -- achieved savings in power costs. We went out to a  
3                   third party supplier for power and reduced our costs by  
4                   about \$18,000 a year. Our water quality testing, we  
5                   negotiated with the State to reduce testing for a couple  
6                   of contaminants, to the tune of about \$16,000 a year of  
7                   savings. We changed the chemicals that we use for pH  
8                   control to a less expensive chemical. So, we saved about  
9                   \$14,000 there. With leak detection, we got a State grant  
10                  to search for leaks and to retain a contractor that we  
11                  typically are paying. And, then, for some of our  
12                  contractors, we've changed how we do our cross-connection  
13                  inspection that's a component of our system, and that  
14                  amounts to about \$5,000 a year of savings. So, our folks  
15                  are constantly looking at ways to control and reduce  
16                  costs.

17                   The impact of the rate request on the  
18                   average customer, so, the average customer uses about  
19                   53,000 gallons per year, and the impact on them, on a  
20                   daily basis, about 22 cents a day, and, on a monthly  
21                   basis, it's a little less than \$7.00 a month from where  
22                   we're at right now to the rate -- the increase that we're  
23                   requesting.

24                   And, we are requesting that this

1 increase be applied, the same percentage, for all of our  
2 customers, and including our fire protection charges.  
3 And, we have met with the North Hampton Water Commission,  
4 and we've heard from those folks, some of the concerns  
5 that they have about the fire protection charges. And,  
6 we're glad that you're willing to share and be so candid  
7 with us. So, we appreciate that.

8           The fire protection charges, they cover  
9 the costs for fire protection throughout the system, all  
10 the hydrants and the sprinkler systems that are installed  
11 in buildings, and that service is there 24/7. I know one  
12 of our folks said that fire down in at the beach area last  
13 -- last year?

14           FROM THE FLOOR: 2010.

15           MR. WALSH: -- 2010, we put -- they put  
16 about 2 million gallons of water from our system onto that  
17 fire. And, throughout all that, we were still maintaining  
18 service to all our other customers.

19           So, the fire protection charges or the  
20 fire system capacity saves lives, saves properties, and it  
21 reduces insurance rates. And, the cost of the charges  
22 reflect the need for, over the years, the system has been  
23 built with larger pumps, larger pipes, and larger tanks,  
24 to support the fire service, as opposed to just supporting

1 domestic service.

2 In spite of the rate request that we  
3 have before you, I wanted to show this graph that  
4 indicates or shows that -- it's a graph of the monthly  
5 cost for utilities, across a variety of utilities, that's  
6 prepared by the EPA. And, what it shows here, it's got  
7 gas, cellphone, electric, cable bill, all of those costs  
8 are notably higher than what you pay for water. And,  
9 water happens to be the only one of those utilities that  
10 you ingest.

11 To sum up or to wrap up, we are  
12 committed to serving the three communities here. And,  
13 we're committed to providing safe drinking water 24/7,  
14 both for domestic use and fire protection. And, we're  
15 committed to providing the service at the lowest  
16 reasonable cost that we can provide it at. Now, our costs  
17 are rising, and what we're proposing or what we're  
18 requesting here is an increase in our rates to reflect  
19 those rising costs.

20 And, again, I appreciate you coming out.  
21 We are interested in your perspective and your feedback.  
22 There's a number of folks here from the Company. And,  
23 after this all wraps up, we are available for questions  
24 and answers. I just want to point to the folks again, I'm

1 John Walsh. And, the other folks here are Carl McMorran,  
2 and Carl runs our system on a day-to-day basis here; Pam  
3 Knowlton is our Customer Service leader; Troy Dixon is our  
4 Rates and -- Director of Rates & Regulation; Josh Unger,  
5 works for Troy, he's a Senior Regulatory Compliance  
6 Specialist; and McKinley Rowe, McKinley Rowe right next to  
7 him.

8 So, all of us are available after for  
9 Q&A. Thank you very much.

10 CMSR. HARRINGTON: There is just one  
11 other kind of housekeeping matter I did want to mention, I  
12 should have mentioned it earlier. The complete record of  
13 this is going to be found in the docket, that's how we do  
14 things at the PUC. And, if you go to the PUC website,  
15 which you can just put in "New Hampshire PUC" and you'll  
16 get the website there, on the left-hand side you'll see  
17 something called "Docketbook" on that webpage. And, if  
18 you look at -- you punch, you know, click on that, and  
19 then it will come up for the years, put in the year, 2012.  
20 And, if you put in this number, excuse me, "DW 12-085",  
21 scroll down the list till you get there, open that up, and  
22 you'll have a list of all the information that's been  
23 filed on this. That includes all the testimony that the  
24 Company's filed, any rulings that the Commission has made

1 on that already, or future ones will be there as well. If  
2 people submit testimony, all that stuff is going to be  
3 there. The schedules of when future hearings will be,  
4 *etcetera*. So, that's a good thing just to remember.

5 So, it's pretty easy. Just go to the  
6 New Hampshire PUC website, get on the home page, you can  
7 go to "Docketbook" on the left-hand side, click on that,  
8 and then go in under "DW 12-085", and you'll have all this  
9 information that's pertinent to the case. It's getting  
10 thick, so you really don't want to carry it around all the  
11 time. But it's all there, so you can read it at your  
12 pleasure.

13 CMSR. SCOTT: That's **puc.nh.gov**.

14 CMSR. HARRINGTON: Okay. Next, the Town  
15 of Hampton.

16 MR. GEARREALD: Thank you,  
17 Commissioners, for coming to Hampton. My name is Mark  
18 Gearreald. I'm the Town Attorney for the Town of Hampton.  
19 I won't speak very long, because I think this is a time  
20 for the public to speak. And, in particular, I have  
21 several selectmen here who are from Hampton who would like  
22 to speak. So, I would simply like to say for the record,  
23 as you've heard me say before you at hearings in Concord,  
24 that the Town of Hampton vigorously opposes the

1 18.3 percent rate increase that is being sought here, of  
2 an increase in revenue in excess of a million dollars.

3 There are a number of issues involved  
4 that are significant in this case. A significant portion  
5 of the revenue increase being sought can be accounted for  
6 in decreased consumption of water. That is, consumers  
7 have conserved water and nevertheless are now being asked  
8 to make up for the loss in revenue from that conservation  
9 effort.

10 The second point is that the Company is  
11 seeking an increase in its rate of equity return, from  
12 9.75 percent to 10.25 percent, in this climate, in which  
13 one can borrow money at a significantly lesser rate, and  
14 in which consumers themselves can't make anywhere near  
15 that on their investments.

16 Third major points to make is that the  
17 Company in this case is seeking to make permanent a WICA  
18 charge, Water Infrastructure & Conservation Adjustment.  
19 This is a surcharge that's been added for the last two  
20 years and is sought to be added again this year. And, one  
21 -- two of the purposes of that WICA charge were to  
22 decrease the frequency of coming before you for rate  
23 increases and to lessen rate shock. And, I don't think  
24 either of those purposes are being served.

1                   So, these are major issues to be played  
2 out in the merits of this case, which are at the moment  
3 scheduled for March coming. But we appreciate your coming  
4 here to receive the public's point of view.

5                   I know, Mr. Chairman, you mentioned that  
6 the PUC granted a temporary rate increase effective  
7 July 1. That was a rate increase of 8.8 percent. The  
8 Company had sought 12.3 percent on a temporary basis.  
9 And, so, the 8.8 percent was something that was  
10 recommended by the Company, in conjunction with the PUC  
11 Staff and the Office of Consumer Advocate. The important  
12 thing for the public to realize is that is a rate that is  
13 without prejudice. That is, the Commission could decide  
14 in March to not give that much of an increase, in which  
15 case consumers would get a refund, or it could decide to  
16 add -- to grant more of an increase, in which case there  
17 would be an additional charge. So, the 8.8 percent was  
18 without prejudice to future proceedings in the case.

19                   Thank you so much. And, my selectmen  
20 are here to speak.

21                   MR. GRIFFIN: Hi. I'm Rick Griffin, the  
22 Chairman of the Board of Selectmen. Some of the points I  
23 would like to make is that Aquarion is seeking an overall  
24 rate increase of 18.3 percent. Of the increase in

1 revenues, \$1,113,931 that Aquarion is seeking permission  
2 from the PUC to earn, 19.21 percent of that increase, or  
3 214,000, is being sought to make up for the loss of  
4 revenues due to the decline in water consumption, water  
5 conservation by our customers. In other words, customers  
6 are being penalized for saving water. And, that's one of  
7 the things that people in Hampton seem to be most outraged  
8 by.

9 At recent hearings, some of the PUC  
10 Commissioners have expressed that they are troubled by the  
11 fact of consumers being penalized for having conserved  
12 water. This is a downward cycle, and some new thinking  
13 outside of the box is needed at the Commission to get us  
14 out of the same old, same old pattern of charging  
15 customers for all expenses, even those incurred from lower  
16 water usage.

17 One component of the rate increase is to  
18 increase by 22.51 percent the annual charge for fire  
19 hydrants, of which Hampton has 268 of the 481 public fire  
20 service hydrants that Aquarion takes care of and provides  
21 water to. This increase would hit the taxpayers of  
22 Hampton with \$71,863 more than in 2011 for having access  
23 to water for hydrants, which are charged a flat fee, as  
24 opposed to being charged for water usage basis. The towns

1 are pretty much captive to these charges. Unlike in 2009,  
2 when the towns were hit with lower rate increases for  
3 hydrants of 9.9 percent than other consumers, who were hit  
4 with a 17.44 percent rate increase. This year, the  
5 Company is seeking to hit the public hydrant users at the  
6 same high rate of increase. In particular, sitting hear  
7 listening to the presentation, feel that I'm sorry to hear  
8 that you are stopping the pensions or whatever is being  
9 provided to the people that work here locally, because,  
10 you know, it seems like, I'm a regular reader of the Wall  
11 Street Journal, and I understand that the Macquarie Group  
12 that owns Aquarion Water is one of the most lucrative  
13 places to work for pensions for people up at the top.  
14 And, I feel it's pretty disappointing that people that  
15 might work and live here in Hampton and work for Aquarion  
16 aren't provided with the same benefits.

17 Other things that I think are -- I would  
18 like to see the PUC step up and side with the consumer for  
19 a chance -- for a change. Because the nine years I've  
20 been here at the Board of Selectmen, I haven't seen a lot  
21 of help coming from the PUC. And, I hope that you'll be  
22 able to be on the side of the consumers this time. Thank  
23 you.

24 CMSR. HARRINGTON: Thank you very much.

1                   MR. PIERCE: Good evening. I'm Mike  
2                   Pierce. I'm a ratepayer, taxpayer, and a Selectman of the  
3                   Board of Hampton -- of the Town of Hampton. This is my  
4                   first time talking to PUC. I went up to one of your  
5                   meetings earlier last spring, and I did make one remark  
6                   that was probably inappropriate in the audience, but  
7                   that's beside the point. I'm always making remarks that  
8                   are inappropriate. But I will say this about the water  
9                   company, since I've lived here, since 1968, and had the  
10                  water service from your company, or your predecessors, I  
11                  never had a problem with the water service, okay? I  
12                  remember back, for all you in the audience, when Jane  
13                  Kelley was the Town Clerk, there was a rate increase of  
14                  some huge magnitude of about 50 percent, and she  
15                  complained to all of us that nobody went up and complained  
16                  about it, nobody said anything to you folks at all about  
17                  it. That was a few years back. So, this time, I made it  
18                  a point to come up and see you fellows and your ladies  
19                  that are on the Commission, and it was a different  
20                  experience for me.

21                         But let me put it this way, as a retired  
22                         person living in Hampton, my Social Security increase is  
23                         usually not by my Medicare increase. So, therefore, I  
24                         come out about even on that every year. My pension is a

1 flat pension. It doesn't go up at all any years. So,  
2 looking at it from my point of view, okay, this is another  
3 squeezing of my ability to live anywhere in Hampton, okay?  
4 That's the way I look at it.

5 So, now, I'm just going to make a couple  
6 remarks that we prepared -- that was prepared earlier in  
7 relation to your rate increase. The frequency of rate  
8 increase petitions are increasing. You granted one in  
9 1992, 2000, 2006, 2009, and now one in 2013. So, one  
10 could argue on that point alone that, if we're saving  
11 money in operation of delivering water, that we should be  
12 able to benefit, rather than just having a continuous  
13 round of increases, is my point.

14 Since I've been retired, back to that  
15 point, my increase of income has not changed hardly at  
16 all. And, I'm sure there's a lot of people in Hampton,  
17 during this financial crisis, have gone through the same  
18 issue. We've had quite a few foreclosed houses in  
19 Hampton. And, there's still quite a few houses for sale  
20 in Hampton for the same reasons. So, looking at alone,  
21 the financial crisis did not help us at all.

22 So, when your -- the water company wants  
23 an 18 percent increase, and they want this huge return on  
24 their money, which I think is wonderful, if it was a risky

1 business, but selling water is about the safest thing you  
2 can invest your money in right now. I don't have any  
3 bonds or anything in my portfolio of 50 cents that has any  
4 risk as safe as this is on a good day. Most of it's  
5 risky. In fact, one of the bonds I had in my portfolio  
6 went to zero, it was called "Freddie Mac". Okay? That's  
7 pretty -- normally, it would be considered pretty safe.  
8 But a water company is much -- it's about like gold in  
9 your hand in relation to having a high risk. So, that's  
10 another thing I think we have to look at, this high return  
11 they expect or are asking for.

12           And, back to the WICA thing, I think  
13 that the attorney said it pretty close that, if we're  
14 going to have the WICA charges on one hand, to try to  
15 spread out some of the cost of operating the -- adding new  
16 things and fixing things in their facility, then why do  
17 they need these huge rate increases to go with it? This  
18 is a significant rate increase. You said it was only 20  
19 some dollars a quarter, well, that's 80 some dollars a  
20 year added on to the bill we have now.

21           And, I'll be honest with you, when my  
22 income is flat, guess what? \$80 has to come out of  
23 someplace else. That's my problem. And, being as I get  
24 paid so much as a selectman every year in Hampton, I can

1 hardly afford to do it on that salary alone, that's for  
2 sure. So, I think, I'm not trying to be silly about it,  
3 but sometimes a little frivolity is good. But, in  
4 reality, I think we're asking too much here. I mean,  
5 that's the bottom line.

6 I can't think of anything else that's  
7 gone up that much in my whole life. I can remember  
8 gasoline being 25 cents a gallon in 1950, okay? It's gone  
9 up. But that was 1950. Nothing has gone up 18 percent  
10 that much every year for -- that I can think of, nothing  
11 has, nothing in our whole economy. So, I don't think we  
12 can possibly say "well, look at this, look at that." I  
13 mean, some things will hit us once in while, like the  
14 price of cigarettes. They really whacked us a few times,  
15 as the bad habit that I have, that really hit me pretty  
16 hard, I'll admit. But I reduced my smoking a little bit,  
17 because that's probably good for my health. But how can I  
18 reduce my water very easily. We have to drink to live, we  
19 like to wash our clothes. I don't waste water at my  
20 house. I used to water my grass. I stopped doing that.  
21 Not because I was trying to be conservative and be a good  
22 doobie, I said, "That's a waste of time, because it's  
23 probably going to be dry anyway, and it will turn brown  
24 besides what I do for it. So, what difference does it

1 make?"

2 But I'm just saying that, back to this,  
3 and I think I speak for most people in Hampton, maybe not  
4 all, I think this is just way over the -- way over the  
5 edge. And, that's really all I have to say. And, I can  
6 give you a hard copy of these notes when we're all  
7 finished, if you'd like.

8 CMSR. HARRINGTON: Certainly.

9 MR. MOORE: Good evening. Thank you for  
10 coming to Hampton for this public hearing. My name is Ben  
11 Moore. I live on Ocean Boulevard, in Hampton, and I am  
12 also a Selectman. And, I don't want the audience to get  
13 the idea that these remarks are limited to selectmen. So,  
14 we're coming up to get you in the right spirit, but  
15 please, please join us.

16 I just wanted to focus on the rate  
17 application as it pertains to the rate of capital return.  
18 I believe that the numbers are that they wish to increase  
19 their allowable rate of return on capital from nine and  
20 three-quarters percent to ten and a quarter percent.  
21 Today's rate for risk-free Treasuries, ten years, is 1.64.  
22 So, they're asking for six times the rate that a risk-free  
23 investment would allow. The rate on a fixed 30-year  
24 mortgage, at least as reported in the papers, average, I

1       suppose, for the country is 3.48 percent. So, they're  
2       asking for three times the rate of return that a 30-year  
3       mortgage would allow. Their cost of debt capital is just  
4       over 6 percent. And, apparently, if I understand some of  
5       the documents that have been filed, they have very little  
6       control, because they sold effectively a non-callable  
7       bond, so that they can't have much wherewithal to change  
8       their cost of debt. But I don't think there's anything in  
9       the calculations that prohibit a rate of capital return  
10      being less than the weighted cost of debt capital that is  
11      already on the Company's books. If the market conditions  
12      have changed sufficiently, as far as risk-free investment  
13      returns are concerned, then, the mathematics could yield a  
14      cost of capital less than, certainly, what a company's  
15      existing return on debt or payments on debt capital are.

16                        So, that's the -- if you could focus on  
17      that particular part of this, I'm sure you'll be focusing  
18      on all of it, but I would really appreciate you looking at  
19      that. 10.25 percent, as several other speakers have  
20      already said, is a fantastic return in today's market, in  
21      a business that's relatively risk-free. You don't see too  
22      many bad debts in a water company. I think as you  
23      gentlemen look at gas and electric companies, you might  
24      see the bad debt exposure is higher, because there's

1 tenants out there who will sometimes skip. Water is on  
2 the landlord, in other parts of the state, water charges  
3 are usually paid for by the landlord. So, the companies  
4 who are providing water have a safer way of collecting  
5 their fees versus other utilities.

6 So, I think you've got a fairly  
7 risk-free business, and you've got a rate that's being  
8 requested for capital, return on capital, that, to me, is  
9 just a bit too high, given the other rates that are out  
10 there. So, thank you, gentlemen.

11 CMSR. HARRINGTON: Thank you.

12 MR. BEAN: Good evening, Commission  
13 members. My name is Phil Bean, Hampton resident, excuse  
14 me, and selectmember of the Board of Selectmen. A little  
15 background. Water utilities were among the first publicly  
16 traded equities in this country. The Manhattan Company,  
17 which later became Chase Manhattan, operated the first  
18 water system in New York City. And, I echo the comments  
19 of the Chairman on the parent corporation for Aquarion,  
20 and vigorously -- vigorously support the comments and the  
21 requests of the Town Attorney for the Commission to  
22 intercede seed on this extraordinary involuntary transfer  
23 of wealth, for a community whose median income per  
24 household and per capita is not very wealthy, and has

1 struggled in the last five years during this recession.

2           There's case law with *Bluefield*, Supreme  
3 Court, with water utilities, as I'm sure you're well  
4 aware, that companies are allowed to charge an allowed  
5 rate of return that is sufficient to attract capital at  
6 reasonable rates. A company is not guaranteed any return,  
7 whether it earns an allowed return, it depends how  
8 efficiently that company is run.

9           It appears from testimony tonight that  
10 that's being founded on the back of stripping pensions and  
11 increasing customers that conserve water and natural  
12 resources. If this continues, there is no regulatory  
13 guarantee that a poorly run company will earn its allowed  
14 rate of return. The rate request tonight, in effect,  
15 allows a corporation that has a monopoly in this town to  
16 subsidize its other expenditures, to include real estate  
17 and acquisitions.

18           A review of the Aquarion website this  
19 afternoon, in a break from work, in a discussion with the  
20 Town Attorney, Aquarion touts itself as the seventh  
21 largest utility, private investor utility, in the United  
22 States of America. It has been on a prolific spree of  
23 acquisitions in the State of Connecticut. And, if I may  
24 read on one of their acquisition reports from Bruce

1 Silverstone, Vice President of Corporate Communications,  
2 and this is February 23rd, 2012, they were purchasing  
3 water systems in Connecticut virtually every other month  
4 in 2011. Selectman Moore speaks of the risk. If there's  
5 so much risk, then why the extensive acquisition spree in  
6 Connecticut?

7 "With this pending acquisition, this  
8 Company will now provide water service to more than  
9 610,000 people in 47 cities and towns throughout this  
10 state." Here's what I found interesting, "in addition to  
11 its service territories in Massachusetts and New  
12 Hampshire." As though we in Hampton and we in New  
13 Hampshire, stewards of your leadership, gentlemen, are a  
14 service territory and an afterthought. "The purchase of  
15 United Water's Connecticut operations is consistent with  
16 our strategy of growth through acquisition."

17 "Last year, Aquarion purchased and  
18 integrated more than 27 new water systems in Connecticut,  
19 adding over 10,000 customers. With the purchase of United  
20 Water Systems, the Company continues to strengthen its  
21 portfolio, and improve the availability and quality of  
22 water in communities throughout Connecticut. Aquarion has  
23 been following its strategy of growth through acquisition  
24 by purchasing water companies throughout Connecticut with

1 the goal of creating, wherever possible, an integrated and  
2 unified system. The acquisition of United fills a major  
3 portion of the remaining gaps in infrastructure that have  
4 long prevented people in western Connecticut from enjoying  
5 the services, reliability, and efficiencies of a regional  
6 water supply."

7 There's no mention of Hampton, there's  
8 no mention of New Hampshire, there's no mention of  
9 ratepayers, in a very hardworking, entrepreneurial small  
10 business community.

11 In addition, Aquarion has the resources,  
12 these are their words "Aquarion has the resources needed  
13 to address the significant infrastructure investment  
14 requirements of the region."

15 If I may continue, and I'll wrap up,  
16 because I know there's a lot of good, hardworking people  
17 who do want to speak here tonight, a little stock  
18 information. And, it's very hard to get financial data on  
19 Aquarion from their website. There is virtually none.  
20 So, people cannot educate themselves. But, in terms of  
21 return on equity, and there are some really bright people  
22 that are going to speak after me and have spoken before  
23 me, return on equity, the top eight companies in the  
24 industry, in water utilities, start with 37 percent return

1 on equity, 21 percent return on equity, 18 percent,  
2 19 percent. And, that industry is so lucrative, as Chase  
3 Manhattan's founders could tell you, that the laggards of  
4 that industry are earning 6 percent, 7 percent, and  
5 8 percent.

6 So, again, I would say to you, on behalf  
7 of the Selectmen, the Town Attorney, and the people in  
8 this town, we ask that you intercede on this extraordinary  
9 involuntary transfer of hardworking people's money in this  
10 Town. Thank you, gentlemen.

11 CMSR. HARRINGTON: Before he leaves, if  
12 he -- just I wondered, if he has written comments, you  
13 might want to submit them. And, if you have -- I don't  
14 know if you had something written that's --

15 MR. BEAN: Thank you very much, sir.

16 CMSR. HARRINGTON: Okay. And, that goes  
17 for anybody that has anything, whether it be tonight or as  
18 a follow-up, you can submit those, and they will be posted  
19 on that docket, as I mentioned earlier.

20 There's no particular order to these,  
21 I'm just going to read the names off. And, I'll apologize  
22 in advance if I mispronounce any of them, and we'll just  
23 -- the people who say they wish to speak. Helena  
24 Barthell, is that correct?

1 MS. BARTHELL: Should I go first, you  
2 mean?

3 CMSR. HARRINGTON: Yes, by all means.

4 MS. BARTHELL: Well, I didn't want to go  
5 first, but I'm Helena --

6 CMSR. HARRINGTON: It's the luck of the  
7 draw, that's all it come down to.

8 MS. BARTHELL: I'm Helena Barthell, 33  
9 Dover Avenue, in Hampton. I actually used to work as a --  
10 I'm a chemical engineer, with a Master's in Accounting, I  
11 used to work for Citizens Utilities, in Stamford,  
12 Connecticut, a water utility. I was a project manager at  
13 various times, part of the time for their West Coast  
14 project manager and East Coast project manager, a company,  
15 a smaller version of what Aquarion is. They have since  
16 divested their water utility. In fact, I think it was  
17 acquired by Aquarion. And, so, I've been on the other  
18 side. And, let me tell you, it's just wrong. They have a  
19 monopoly. There's no exception. They just want to --  
20 they have no incentive to keep their rates down, to keep  
21 their costs down, because every cost that they have is  
22 just pushed through as an expense to the Public Utilities  
23 Commission. They're guaranteed a big fat rate of return  
24 from the Public Utilities Commissions. And, it's all just

1 a big party when they get their rates. It's an obscene  
2 amount of rate that they're asking for in today's current  
3 economic environment with the cost of money being so low.

4 And, to add insult to injury, I'll just  
5 go on record as saying I don't like the test of my water.  
6 I have to buy bottled water. Sometimes when I'm running  
7 water to make tea in the morning, I smell bleach coming  
8 from the tap, and it just tastes nasty. So, I'm not happy  
9 with the product. It's -- I have had a problem with the  
10 service, because I have two units on my property; one is a  
11 rental, as is very common down in the Hampton Beach area,  
12 for one lot to have two buildings, and I don't -- while I  
13 don't winterize, I don't use very much water in the rental  
14 property. And, so, Aquarion always sends me notices  
15 saying, you know, "your meter's faulty, you're not using  
16 enough water", and then they want to bill me, have a new  
17 meter put in. I have had a new meter put in, and, even  
18 after that, they still send me these letters every winter  
19 saying I'm not using enough money, my meter must be  
20 faulty, and they want to charge me like, you know, \$130  
21 for the quarter, where I've had almost no water over  
22 there.

23 So, it's -- there's just no -- there's  
24 just no reason. It's wrong. Their costs are too high.

1       What they're getting for the capital improvements, that's  
2       good. We want the capital structure, the infrastructure  
3       to be good. But the actual cost of the water itself that  
4       they're delivering, that charge has gone up over 10  
5       percent. And, I'm a little confused by the numbers. Is  
6       this like, when they're asking for a rate increase, is  
7       this on top of what was passed in September? And, it  
8       really annoyed me that it was approved September 28 retro  
9       -- or, September 11th, retro active to July 1. I mean,  
10      that's just -- you shouldn't be able to retroactively  
11      charge people for a product that they consumed, thinking  
12      it's going to be at one price, and then three months later  
13      you find out it's at another price.

14                        So, I just would really hope that the  
15      Public Utilities Commission would represent the people of  
16      the State of New Hampshire, and especially the people here  
17      in Hampton, and not just give them a big rate increase,  
18      that they have a lot of cash in their coffers to go out  
19      and acquire companies and grow. Thank you.

20                        CMSR. HARRINGTON: Just so I can clarify  
21      one thing that you mentioned, just so you're clear. The  
22      way the thing on the temporary rates works is, those go  
23      into effect. And, as the -- I can't remember his name, I  
24      think he was the lawyer for the Town stated correctly,

1 that if, just to make figures simple, if a 5 percent  
2 temporary rate is granted, and, during the rate hearing  
3 process, say six months goes by, then, at the end of that  
4 time, a 4 percent final rate is granted, then the rates  
5 would be reconciled down. If a 6 percent rate was --  
6 permanent rate was granted, then they would be reconciled  
7 up. The function of the temporary rates is to try to  
8 avoid as much rate shock. So, you bring in temporary  
9 rates, are somewhere in the range that people believe will  
10 be reasonable, and then that's before all the details are  
11 looked at. There's a specific statute that allows us to  
12 not use as much scrutiny for granting temporary rates  
13 because of that exact reason. So, they're not on top of,  
14 they will be reconciled with whatever the permanent rates  
15 are.

16 MS. BARTHELL: So, in essence, they have  
17 gotten a rate increase before they have had to justify  
18 that rate increase, because they haven't come before you  
19 yet. That's happening in January.

20 CMSR. HARRINGTON: Well, no, there was a  
21 Settlement Agreement between the OCA, the Staff, and the  
22 Company, which was approved by the Commission granting the  
23 8.8 percent. The standard that they have to meet to get  
24 temporary rate increase is lower by statute than a

1 permanent rate increase. But, if, for example, on a  
2 particular case, the Commission were to say "on closer  
3 scrutiny, we think the temporary rates are too high", then  
4 that money would have to be returned from the Company to  
5 the customers. Just like, if they're too low, then they  
6 get reconciled up. It's a way of trying to smooth out the  
7 potential rate bump one way or the other. But they're not  
8 on top of each other. I just wanted to make sure you --  
9 everyone understood that.

10 MS. BARTHELL: I appreciate that. Thank  
11 you for the clarification.

12 CMSR. HARRINGTON: Okay. Next lucky  
13 person, this one I'm going to need some help from, how  
14 about Joseph, from High Street, because I don't want to  
15 even attempt, because I'll screw it up bad.

16 MR. PIERZYNSKI: I good Irish name.

17 CMSR. HARRINGTON: Yes. I could see you  
18 were Irish, yes. Remind me of my family, yes. How do you  
19 pronounce that? Pierzynski? How is it pronounced, sir?

20 MR. PIERZYNSKI: "Pierzynski".

21 CMSR. HARRINGTON: "Pierzynski". All  
22 right.

23 MR. PIERZYNSKI: I just want to hit on  
24 that rate shock. When you go to the gas pump and you get,

1 you know, they start charging you \$3.50, and then they  
2 start charging you 3.75, it doesn't hurt as much. I mean,  
3 we're getting hit with this rate, you know, right up  
4 front.

5 My main concern is, I own a condo. And,  
6 it's three levels. And, we're required to have fire  
7 protection. And, we get the rate increase on both sides  
8 of that. I pay a water bill, I figured out my water bill  
9 for this year was \$425 this year so far. My sprinkler  
10 bill was \$383. So, I'm getting taxed twice or I'm getting  
11 hit twice with this burden of this increase. And, that's  
12 a big kick. Like a lot of these people say, we're not  
13 rich here in Hampton. You know, we're medium income  
14 people that live here in Hampton. And, my water usage is  
15 a lot, compared to probably most, because I live near the  
16 ocean, I have a lot of guests that come. And, for our  
17 sprinkler bill to be that high, you know, to pay for a  
18 service, normally -- people don't realize on a sprinkler,  
19 we're very happy to have that service, but to pay that  
20 type of money is astronomical. A sprinkler system saves  
21 water. If there's a fire in your house, the normal  
22 gallons used for a sprinkler head is 385 gallons. Instead  
23 of hooking up a fire hose and having a fire department  
24 come in, put out a fire that, you know, that engulfs the

1 whole property.

2 Normally, what happens in a house, it's  
3 a lead -- piece of lead, the sprinkler head sprinkles out,  
4 puts the fire out. The fire department comes in with  
5 their fire extinguisher and puts out the fire. So, it  
6 saves not only property value, you know, the property  
7 itself, but it saves on water consumption. And, we're  
8 paying an astronomical amount of money for just having  
9 this service. And, that's why I would like you to look at  
10 it. That's one of my notes that was on your sheet there,  
11 but I'm not going to go in any depth. But that's pretty  
12 much it. Thank you.

13 CMSR. HARRINGTON: Thank you. I think I  
14 can handle this one. Nancy Stiles.

15 SEN. STILES: Good evening, gentlemen.  
16 And, thank you for coming to Hampton. I am Senator Nancy  
17 Stiles. I'm responsible for Hampton, North Hampton, and  
18 Rye. So, I cover all three communities. I think you got  
19 the communication from my office at the beginning of this  
20 process.

21 CMSR. HARRINGTON: Uh-huh.

22 SEN. STILES: You've heard from the  
23 Selectmen this evening of all of the details of the  
24 increases. And, now, you'll hear from our residents, on

1 their personal issues. This is not the time to raise  
2 rates. We have been working very hard in the Legislature  
3 to keep our costs down. I would ask that you allow our  
4 people to save some of their money, instead of a 9 percent  
5 increase. An 18 percent increase is outrageous.

6 I look forward to meeting with you in  
7 Concord, when you have your next hearing. And, I look  
8 forward to you respecting the wishes of the individual  
9 citizens in this community. Thank you.

10 CMSR. HARRINGTON: Thank you, Senator.  
11 Doug DeSilva.

12 MR. DeSILVA: Yes. My name is Doug  
13 DeSilva. And, I'm a resident of Hampton, 18 years. And,  
14 I appreciate the opportunity to be here. And, I  
15 recognize, in dealing with any large company, the  
16 individual consumer often has little leverage. Since  
17 we're dealing here with a private company, providing a  
18 public utility, operating as a monopoly, I would say that  
19 it's imperative that we need the state to represent us.

20 I think what bothers me most about this  
21 increase is the -- what I didn't hear tonight is the 18  
22 plus percent increase, percent, on top of what we've been  
23 through the last couple of years, in terms of rate  
24 increases. And, the fact that's been stated here that

1 consumption will go down, and that this thing, I don't see  
2 where anybody's got their hands around it.

3 So, I don't know what the problem is,  
4 I'm not in that business. But you leave me, as a  
5 resident, wondering if the problem is in Concord or the  
6 problem is with the Company and its ability to manage that  
7 resource, or its need to answer to a higher authority  
8 outside the country. It's probably a combination of  
9 those, from the uninitiated.

10 So, I guess what I'd like to see, is I'd  
11 like to see a little more effort put into developing some  
12 measures of performance that you and the Company can come  
13 to terms with that take into account consumer  
14 satisfaction.

15 One thing the speaker said was that this  
16 is a utility, "the only one we ingest". It's also the  
17 only one we don't have a competitor for. And, right now,  
18 there's no viability for anything else.

19 But they're doing pretty well. And, I  
20 will just ask the State to take a hard look at where this  
21 is headed. Thank you.

22 CMSR. HARRINGTON: Representative Rice.

23 REP. RICE: Thank you very much. My  
24 name is Fred Rice. I'm a resident and ratepayer in

1 Hampton, and I'm a State Representative representing the  
2 Town of Hampton.

3 One of the biggest things that struck me  
4 was the size of the increase. And, the reaction I had to  
5 it was that there's not enough long-term planning in here  
6 to be able to see what the costs are going to be way down  
7 the line and avoid these huge jumps. A number of years  
8 ago, when I served on the Board of Selectmen here in  
9 Hampton, we had a hearing similar to this for another rate  
10 increase. And, I'm glad to see management here tonight, I  
11 really am. Because the last time, there was an attorney  
12 here, that was it. There was an attorney, and he stood  
13 up, and every question was -- his response to virtually  
14 every question was "we are authorized by law to be able to  
15 do such and such and such and such." He hid in the legal  
16 language of virtually everything. There was absolutely no  
17 satisfaction whatsoever, and there was no way to go back  
18 and plead for a better circumstance.

19 We got a couple of things here that tell  
20 me, again, I'll echo what the other individuals said here  
21 about not having their arms around it, the fire protection  
22 is static. Once the pipe is in, and it's filled with  
23 water, if there isn't a fire, there shouldn't be any cost  
24 in there. Once that's in, it is a static load that's

1       there. The same as the wood that makes up this building,  
2       you can't re -- keep charging for the wood in this  
3       building, if it doesn't burn down and have to be built up  
4       again. And, similarly, you shouldn't be charging on a --  
5       they're seeking an ongoing tax to cover the cost of fire  
6       protection. Once it's in, there is no ongoing cost. The  
7       delivery system is entirely in place. This is the same  
8       delivery system for the most, or certainly it's grown, but  
9       this is -- a good bit of this is the same delivery system  
10      that was here when it was called the "Hampton Water  
11      Works", and their symbol was a little faucet with a little  
12      drop coming out of it. And, it kind of reflected the  
13      scope of the water supply in this town.

14                        Again, they said that the rates are  
15      going up, because the costs are going up. Well, then,  
16      they promote water conservation and all these other  
17      things, and everything seems to be a self-imposed penalty.  
18      It reminds of the classic story of the kid who killed his  
19      parents, and then threw himself on the mercy of the court  
20      because he was an orphan. And, that's exactly what  
21      they're doing here. They're raising the price, and then  
22      they're saying -- they're promoting water conservation,  
23      putting in new stuff, and then saying "Gosh, that costs an  
24      awful lot of money. Somebody else has got to pay us."

1 They're not. There's no incentive there.

2 As long as they can come to the PUC and  
3 say "Hey, the law says we can just incorporate this in our  
4 rate, and we can get paid while we're working." That's a  
5 free loan to them. That is a free loan. When you allow  
6 them to have the 4 percent, the example that you just  
7 gave, sir, and they can use that while they're in the  
8 propose of determining what the final thing is going to  
9 be, they have got a free loan.

10 I serve on the Board of the Local  
11 Coastal Economic Development Corporation here, and we  
12 don't give money for free. We charge an interest rate on  
13 it. And, if they are getting that money for free, they  
14 ought to pay an interest rate back to the Town for having  
15 had the use of the ratepayers' money while they were in  
16 the process of figuring out what they were going to end up  
17 paying. They shouldn't have free use of that money.

18 CMSR. HARRINGTON: Sir, if I could  
19 interrupt just for one second?

20 REP. RICE: Sure.

21 CMSR. HARRINGTON: That's a very cogent  
22 point you brought up.

23 REP. RICE: Please.

24 CMSR. HARRINGTON: And, in fact, that is

1 part of the reconciliation process. The interest is  
2 considered. So, if the temporary rates were higher than  
3 the permanent rates, the reconciliation would not only get  
4 the money back, but it would also get it back with  
5 interest.

6 REP. RICE: Okay. It is with interest,  
7 okay. Because that wasn't clear in what it was, it just  
8 said that that was the rate they're seeking.

9 CMSR. HARRINGTON: Fair enough. It's a  
10 complicated process. I'm still trying to figure it out  
11 sometimes.

12 REP. RICE: One of the things that we  
13 have in town here is the CIP, which is supposed to stop  
14 these spikes. We're still seeing these spikes. One  
15 individual listed several of the increases they've had. I  
16 think that there needs to really be some attention paid to  
17 that.

18 Our costs are going up. Our  
19 infrastructure, we're improving it. We're in one of the  
20 worst economies that we've ever seen in this country.  
21 We've got, as Selectmen Bean said, that they're getting  
22 their rate increases and their return on the backs of  
23 pensioners by cutting out the pensions. I can see  
24 trimming back on the pensions, but I can't see doing away

1 with them totally. That's something a lot of people rely  
2 on.

3 But, then, in the middle of all of this,  
4 just yesterday, I had -- I had to make an appointment, and  
5 I had a worker come from Aquarion to replace my meter.  
6 Now, several years ago, they came in, and instead of the  
7 old mechanical meter that the guy came in and looked at  
8 all the time, they replaced that, and they took that meter  
9 out and they put one in where the guy goes by in the  
10 truck, and he just clicks a button or points the thing at  
11 my house and it reads it. Well, he came in and he clipped  
12 the wires on that. Went inside my house, took out the  
13 water meter, and put one in that they can read  
14 automatically now, and it can tell me drop-by-drop how  
15 much water I'm using. And, I hope that gets me away from  
16 that dreaded "estimated volume" that I get on my bill  
17 every now and then, which is -- drives me crazy sometimes.

18 But, if they could just drive -- is  
19 there so much saving by putting in a brand-new meter, that  
20 probably costs several hundred, if not a thousand dollars  
21 a piece, because totally automated and computerized and so  
22 forth, is there so much saving by one guy in a truck not  
23 driving around town each week that it's worth doing that,  
24 and asking for an increase in their rate of return, while

1 we're in a terrible economy? Seems to me there's a lot of  
2 stuff here that they are being -- they are enabled to do  
3 right now that maybe there ought to be a little more of a  
4 check and balance on what they are doing.

5 And, you know, recently, up until  
6 recently, we thought that the State Liquor Commission was  
7 doing a good job. And, I think everybody has read in the  
8 paper that they have lost a couple hundred thousand  
9 dollars worth of booze, they have had all kinds of stuff  
10 go wrong up there. And, they formed a special commission,  
11 special committee to look into their dealings. And, there  
12 have been a number of serious recommendations in there as  
13 to how the Liquor Commission's operation should change.

14 I also served recently, in this past  
15 term, on a committee that reviewed the fees by the  
16 agencies, everything from DRED to DES and so forth, and  
17 the fees that they charge and how they do that. And, the  
18 sentiment there was that more of these things should be  
19 put into statute, and should be given more oversight, so  
20 that the representatives of the people, the elected  
21 representatives, can look over their shoulder and see that  
22 what they're doing is correct and that the people aren't  
23 getting screwed by it.

24 And, I will say right now that I stand

1 ready to do the same thing right now and submit  
2 legislation, I don't think it's going to happen this year,  
3 the deadline is too short. But I would be more than  
4 willing to work with the Town Manager, the Selectmen, the  
5 Town Attorney here, to draft a good piece of legislation  
6 that would represent the people's position on this, and  
7 that would perhaps call for looking at how the PUC goes  
8 about reviewing such cases as this, so that these things  
9 don't happen again. We've got to do something that  
10 protects the people, holds down the costs of the people,  
11 not raises the rate on return of a huge company that's  
12 based in Connecticut.

13 So, I stand ready to do that. And, it  
14 came up with some very good results in two other  
15 commissions so far this year, in this last term, and I  
16 think we can do the same thing again.

17 So, I hope that you will take a hard  
18 look at these, and not be so willing to go to the limits  
19 of what they can do, and make them justify what they want  
20 to do. Thank you.

21 CMSR. HARRINGTON: Douglas Reed.

22 MR. REED: Hi. My name is Doug Reed. I  
23 live at 546 High Street, here in Hampton. I was also  
24 amazed at the amount of the increase that was being

1 proposed. But, like one of my neighbors who already  
2 spoke, you know, I'm also very concerned about the, you  
3 know, the fire protection system that goes into the condo  
4 that I live in. You know, the system, we're really just  
5 being charged for the privilege of having the system.  
6 They do no maintenance to the system. From the isolation  
7 valve in is really our responsibility. So, it's really  
8 simply for the privilege. And, much, much like the  
9 system, the consumable water that goes into the house, you  
10 know, if there's a rupture or something on our side of the  
11 value, then we're responsible to fix that.

12           So, you know, just last winter, we had a  
13 rupture in the main that runs right outside of the units.  
14 And, we had a representative from Aquarion come down and  
15 he, you know, essentially argued with, there was like six  
16 or eight of us standing around wondering how we're going  
17 to get water running back, and he was adamant that it  
18 wasn't his responsibility, that wasn't -- that wasn't his  
19 main, that wasn't his leak.

20           And, we were this close [indicating],  
21 really, to having a guy come down, at our own expense, to  
22 dig a big hole and fix this main. Luckily, one of the --  
23 there was a couple that live towards the end of our row of  
24 homes, the man actually built some of these units, and his

1 wife went in and called the attorney. And, he actually  
2 had some papers and some diagrams and whatever that said  
3 "No, this is where the main runs, and this is your  
4 responsibility." Kind of a, you know, an off-track story  
5 there, but, you know, they didn't even realize that this  
6 problem was theirs.

7                   So, you know, the whole fire protection  
8 thing, I don't want to just make a comment on it. We've  
9 been talking about this for, I've been there for five  
10 years, we've been talking about it for all of that. And,  
11 we'd actually like to try to get rid of that, because it's  
12 -- it's just it's ridiculous. I mean, some of the people  
13 that live there actually pay more for a fire protection  
14 system that doesn't use any water than they pay for the  
15 actual water that they use.

16                   FROM THE FLOOR: Right.

17                   MR. REED: So, you know, I just wanted  
18 to -- I wanted to bring that up. And, you know, that's  
19 something that I think really needs to get resolved.

20                   CMSR. HARRINGTON: Beth Ann French.

21                   MS. FRENCH: Good evening. And, thank  
22 you for coming to Hampton to hear our response to this  
23 rate hike. I live on Juniper Lane, which is off of  
24 Huckleberry, or off 1A, on the North Hampton line. We are

1 basically, in my community or our streets, are retired  
2 people, on a set income, who -- and most of them are very  
3 aware of trying to make their budget work. As a matter of  
4 fact, some of my neighbors have rain barrels. They have  
5 stopped watering their lawns. I have a sump pump -- I  
6 mean, a dehumidifier in my basement. I empty that every  
7 day in the summer and water my garden with it. And, it  
8 seems to me like we're being penalized for conserving  
9 water. Because, obviously, they're not getting as much  
10 money from the households that do that, so they have to  
11 make it up somewhere else. And, I don't think they should  
12 be doing it to the residents of Hampton. Thank you.

13 CMSR. HARRINGTON: Michael Pierce?

14 MR. PIERCE: I've already spoken. Thank  
15 you.

16 CMSR. HARRINGTON: Okay. Oh, I'm sorry.  
17 You're with the Selectmen. I'm sorry.

18 MR. PIERCE: Yes.

19 CMSR. HARRINGTON: You had two forms.  
20 Okay. Mary-Louise Woolsey? Do I have that right?

21 MS. WOOLSEY: Good evening, gentlemen.  
22 Mary-Louise Woolsey, 148 Little River Road, in Hampton.  
23 Thank you for your courtesy in coming to hear us. Before  
24 I begin my remarks, we do indeed have another monopoly in

1 Hampton, and it's called "Comcast". And, I pay a heck of  
2 a lot more for cable than I pay for water.

3 With regard to the proposed rate  
4 increase, consumers in Hampton are very fortunate to have  
5 an excellent private company, which provides a safe water  
6 supply in compliance with state and federal regulations.  
7 As a town, a "non-profit" we are continually in arrears  
8 regarding infrastructure improvements, and struggle each  
9 year to provide adequate sewer, drainage, and road  
10 construction.

11 Since their purchase of Hampton Water  
12 Works in 2002, this Company has invested in major  
13 improvements to the system, including: Replacing the  
14 1950s degraded water line on Little River Road; replacing  
15 the water storage tank on Mill Road with a larger capacity  
16 tank, which provides increased fire suppression  
17 capability; invested one and a half million dollars  
18 replacing the water lines at Hampton Beach, the highest  
19 fire risk area of town; and, per the major capital  
20 projects list attached, spent \$5,238,523 in the three  
21 towns for the years 2008 to 2011.

22 Any water volume from our hydrants  
23 related to fire suppression is not metered to Hampton.  
24 And, all property owners, with access to hydrants, pay

1 reduced premiums on their property insurance. The A  
2 Street fire alone was metered at about 2 million gallons.  
3 As former Hampton Moderator John Walker frequently  
4 observed, "there is no free lunch."

5 I have served in a volunteer capacity on  
6 the Hampton Water Works Advisory Council, and serve  
7 currently on the Aquarion Customer Advisory Council, along  
8 with other volunteers from Hampton, North Hampton, and  
9 Rye. We have the opportunity to make suggestions, ask  
10 questions, view the physical premises, including equipment  
11 monitoring the wells, and interact with Mr. McMorran and  
12 his outstanding staff. None of us who serve in this  
13 unofficial advisory capacity are compensated in any way.  
14 We pay our water bills like everyone else.

15 Unfortunately, in recent years, as  
16 consumers, we are paying more for home heating oil, gas,  
17 food, utilities, *etcetera*. Why should we expect that our  
18 water costs would remain the same? If Aquarion was just  
19 "treading water" and not investing in improvements, that  
20 would be a different circumstance. They have also worked  
21 successfully to encourage consumer and student awareness  
22 of the need for water conservation. Should they be  
23 punished for that? I no longer water my lawn, and I have  
24 installed water-efficient shower and toilet facilities in

1 my home substantially lowering my annual use.

2 This same Board of Selectmen, which is  
3 challenging the validity of the proposed rate increase, is  
4 presided over a crumbling infrastructure of roads, sewers  
5 and drainage, with inadequate staffing of our emergency  
6 service departments. I am grateful every day that a  
7 private company, which has been responsible and  
8 responsive, is providing us with a clean, reliable water  
9 supply.

10 Aquarion's management team used good  
11 business judgment this year in refinancing to lower the  
12 interest on their \$4 million of outstanding debt, while  
13 acquiring an additional 1 million at the same low rate to  
14 continue improvements to the system. Infrastructure  
15 needs, construction and reconstruction, will never go  
16 away. This company is in business to provide a service  
17 and gain a profit. As a taxpayer, I rely on you to  
18 determine what rate percentages are valid to protect all  
19 of our interests. And, I do not oppose a rate increase if  
20 you judge it to be appropriate.

21 And, one more -- I have two additions to  
22 my remarks that I have stapled and given to the reporter.  
23 And, the one that I want to share with you very briefly is  
24 from the November/December issue of Town and City, which

1 is published for local officials by the New Hampshire  
2 Municipal Association. And, the title of the article says  
3 "Municipalities: Stewards of New Hampshire's Water  
4 Infrastructure". It refers to public water supplies, but  
5 it is likewise applicable to what we're discussing this  
6 evening.

7 And, it says: "Full Cost of Service Rate  
8 Setting: Water rates should reflect the full cost of  
9 service, including infrastructure renewal. The United  
10 States has one of the lowest water and wastewater rates in  
11 the world, and New Hampshire has rates that are far lower  
12 than what one would pay for cable TV or internet services  
13 on a monthly basis. Municipalities should set rates that  
14 cover operational and maintenance costs, and the  
15 anticipated long-term capital needs of the system. There  
16 is no need for municipalities to apologize to ratepayers  
17 for pricing the service at its true cost. The public is  
18 best served when the true cost of providing the  
19 infrastructure services is reflected in the rates they  
20 pay. Over the past 50 years, rates have been generally  
21 lower than the true cost of the service, because system  
22 depreciation has not generally been built into the rates.  
23 This historic undercharging for these services has  
24 resulted in shifting past system depreciation costs to

1 today and future generations. Sustainability requires  
2 funding system depreciation to avoid just "kicking the can  
3 down the road" and placing a bigger burden on future  
4 generations."

5 Thank you very much, gentlemen.

6 CMSR. HARRINGTON: You're welcome. Ben  
7 Moore?

8 MR. GRIFFIN: He's already spoken.

9 CMSR. HARRINGTON: Oh. I'm sorry.  
10 Okay. And, Philip Bean?

11 MR. GRIFFIN: He spoke also.

12 CMSR. HARRINGTON: Okay. Bob Landam  
13 [Landman?].

14 MR. LANDMAN: Good evening, gentlemen.  
15 Thank you for coming here. I am the Co-Chairman of the  
16 North Hampton Water Commission. And, I just came from  
17 Concord this morning, where I was at the technical session  
18 with your Staff. We're very concerned about these  
19 increases. And, unlike Ms. Woolsey, I understand that  
20 there's another component to this. Besides the costs,  
21 which you're asking to cover, is the rate increase profit.  
22 As one of the Selectmen said, 12 percent. I can borrow  
23 money currently on my business at 2.75 percent. It's very  
24 cheap. My interest rate on my bank account, well, it's a

1 few cents, literally. This is a very risk-free operation.  
2 My business is the electric utility industry. I've been  
3 in it for 27 years. And, I've traveled around, and  
4 besides electric utilities, also municipalities that do  
5 water, gas, and so forth. I understand the business.

6 And, before I start some of my prepared  
7 remarks, I would just comment on one thing about the fire  
8 protection. I've had a continual argument with the  
9 Commission about how fire rates are measured, how they're  
10 -- how they're expensed. The water, most of the water in  
11 this system comes from North Hampton. To get to Hampton,  
12 it has to go through pipes, which are transmission lines.  
13 The fire hydrants are connected to them around the town.  
14 You couldn't have water here if there weren't pipes. The  
15 size of the pipes has to be slightly larger to accommodate  
16 water flows at 3,500 gallons per minute for three hours.  
17 And, they had a rate case, and they have had a rate expert  
18 talking about the cost. It's nothing like what we pay,  
19 what the people pay for sprinklers, and what we pay, as  
20 towns, that the taxpayers have to pay. It is a lot more.

21 The infrastructure is here to provide  
22 water to people to drink, to bathe, to water their  
23 gardens, if they want. Fire protection, we have one  
24 structure fire a year one. One. We have 147 hydrants.

1 I'll get down to my prepared testimony.  
2 Aquarion's proposed hydrant fee for North Hampton fire  
3 hydrants is inequitable and excessive. In 2004, the  
4 hydrant fee was \$1,701 per hydrant, per year, at a time  
5 when Exeter was charging \$40 and Portsmouth was charging  
6 \$100. That's the difference between a municipal system  
7 and a private equity system. There's something wrong  
8 here. Portsmouth, I know that the Department of Public  
9 Works Manager. You can't -- and, Greenland, by the way,  
10 also gets the same water rates, because they're connected  
11 to the Portsmouth system. If they can service hydrants,  
12 and they have a lot more of them than we do here, and  
13 provide the service, and charge the Town of Greenland and  
14 Portsmouth 100 bucks a year, what are we doing paying  
15 \$1,701, and then being asked to pay 18 percent more, up to  
16 21 percent, which turns out, for our small town, over  
17 \$44,000 increase, in the hundreds of thousands of dollars  
18 we pay a year for hydrants we don't use?

19 Incidentally, I asked at the Commission,  
20 "what would happen if we got rid of half of the hydrants?"  
21 The Company said, "well, we'd have to charge you twice as  
22 much, because, of course, we've got this fixed cost."  
23 "Well, what if we get rid of all the hydrants?" We  
24 actually asked that today, one of my commissioners, Mr.

1 Fuller. "Would you still charge us?" That's a good  
2 question, isn't it? I mean, the system's there. What if  
3 we just leave? And, we go to another pumper truck. He  
4 have a tanker, we have one. What if we buy another?  
5 Would we still get a bill? You get bills when you don't  
6 use water. Why shouldn't we get bills if we tear out the  
7 -- if we cap the hydrants? The hydrants are also used for  
8 flushing the system. You can't clean the pipes without  
9 opening them. And, if you've been around here long  
10 enough, you see them running down the streets as they go  
11 annually. So, there's another reason to have those  
12 hydrants there. And, the pipes would be there regardless.  
13 Yes, the water tanks are larger. But they have to serve a  
14 summer load of twice as much as the average annual load of  
15 2 million gallons. That's not for fire protection; that's  
16 to serve the Beach. Let's be realistic about this, and  
17 let's get some engineering sense up there at the  
18 Commission, gentlemen. That can look at this as a system  
19 like an electric system. Where you've got distribution  
20 charges, transmission charges, and usage charges, and  
21 they're separated. And, you measure the components, you  
22 calculate them, your Staff looks at them, and proportions  
23 it accordingly. What's the usage rate of a fire hydrant?  
24 It's zero. We got one -- we used one. That's it.

1                   In 2012, the North Hampton hydrant fee  
2 is proposed to be 1,757 per hydrant, from 1,701, an  
3 increase of over 23 percent over existing rates. The bill  
4 for North Hampton's 147 hydrants is sent to the Board of  
5 Selectmen and is passed along to all North Hampton  
6 property owners in their property tax bills.

7                   Approximately half of North Hampton  
8 residents are not water customers. One of my fellow  
9 commissioners, Mr. Harned, is here. He lives on the west  
10 part of town, he's got a well. But, you know what, his  
11 tax bill is funding for water hydrants that he can't get  
12 to. He has no fire protection served by this company. He  
13 never will. They will never extend the system. Parts of  
14 the eastern portion of our town, Mill Road, Woodland Road,  
15 have no water. They have wells. But they're paying  
16 taxes, and very high ones.

17                   So, those without water service have no  
18 benefit from the hydrant charge, though, they pay for the  
19 hydrant expense in their property tax bills. This is  
20 unfair to these property owners. The hydrant expense  
21 should be allocated to those that receive hydrant service.

22                   The proposed water rate increase is  
23 simply too large by any measure, as many have said here  
24 tonight. Homeowners and taxpayers cannot afford to pay

1 this enormous proposed increase. It is not realistic.  
2 The Company is making money, it's covering its expenses  
3 with the rate increase it's asking for, a modest one. We  
4 certainly are not saying "don't stop repairing the system,  
5 don't stop paying for necessary replacement. We have a  
6 pipe being replaced built in 1907, of course, you're going  
7 to replace it, and hydrants occasionally need to be  
8 replaced.

9                   We're talking about profit. This is a  
10 risk-free business. Yes, it's not a guaranteed rate of  
11 return. But there's a minimum rate of return, and it's  
12 nice. I wish I could get the minimum rate of return in my  
13 business. And, there are probably some other business  
14 people in this building that wish that somebody -- that  
15 somehow they could magically wave a wand and you could get  
16 guaranteed money, kind of like Comcast.

17                   The Company can borrow money at  
18 historically low short-term and long-term interest rates.  
19 By the way, today they testified that they loan money to  
20 themselves from the parent company at 3 percent. If they  
21 can get money from themselves at 3 percent, why can't they  
22 get it everywhere else? And, if that's all it costs, why  
23 are they asking for 10. something percent profit? It  
24 doesn't make sense. This low interest rate environment

1 does not support such a rate increase period.

2 The proposed rate increase is far above  
3 the rate of inflation, as some have said, and it's far  
4 greater than wage growth, what wage growth, and the cost  
5 of living increases that retirees receive, as Mike has  
6 said.

7 Rate structure: A two-tier rate  
8 structure should be considered to encourage conservation  
9 and require large water users to pay higher rates.  
10 They're putting in, we've been asking for years for the  
11 radio remote reads, for two reasons, and I'll explain it  
12 to everyone. Yes, Fred, it's cheaper, I mean, you can go  
13 by and read the meters. But the leakage rate in this  
14 system is about 15 percent, and that loss they get to  
15 charge us for. It's built in. It's lost money. They're  
16 pumping the water, energy is being used. It's leaking out  
17 of bad pipes. Having the meters being able to be read  
18 24/7/365, means that, when everybody is asleep, most of us  
19 are anyway, they can look at the loss, they can look at  
20 the rate of the water flow, and they can figure out where  
21 the pipes are leaking. Companies have done this and  
22 gotten rates as -- leakage rates as low as 10 percent.  
23 And, that ought to be a goal of the Commission, to reduce  
24 the waste that the Company has by reducing their leak

1 rate.

2 The Vice President mentioned that he has  
3 done something about water leaks, and there's -- I think  
4 they said something about a grant, there should be more  
5 done on that. There is still leakage that needs to be  
6 covered.

7 There exists little incentive to use  
8 more water under existing rates. In fact, at the  
9 Selectmen's meeting one night, and I was talking about  
10 this proposed rate increase and asking for the permission  
11 to go up to Concord. And, I said, "you know, what they're  
12 basically tell us is, "go home and leave your taps on."  
13 The more you use the cheaper it will be." The converse of  
14 the opposite, when you use less, you pay more, right? I  
15 mean, the math just doesn't -- it doesn't work.

16 The new meters allow for monthly meter  
17 reading, when it's 100 percent in the system, and the  
18 billing should be supported by a two-tier rate that  
19 charges a higher price for large water users. This will  
20 encourage conservation, more conservation, and shift more  
21 of the cost to large water users. If somebody wants to  
22 water their lawn all day long, why should everybody else  
23 have to pay for it and have that capacity in the system?  
24 It's very, very bizarre.

1                   But, yes, the Company is doing a better  
2                   job, Carl McMorran is doing a very good job, the people  
3                   are competent. But this rate of increase is not  
4                   justified. There's no valid reason, in this 21st century,  
5                   in this economic doldrum, which is second only to the  
6                   Great Depression, that they get ten percent. It's  
7                   outrageous, and you should reject it. Thank you,  
8                   gentlemen.

9                   CMSR. HARRINGTON: Bob Landam?

10                  MR. LANDMAN: Landman, L-a-n-d-m-a-n.

11                  CMSR. HARRINGTON: "Landman", sorry.

12                  And, --

13                  MR. LANDMAN: Oh, excuse me,  
14                  Commissioners, I forgot one point.

15                  CMSR. HARRINGTON: And, Mr. Landman, you  
16                  submitted --

17                  MR. LANDMAN: Yes. It is not in there,  
18                  it's not submitted.

19                  CMSR. HARRINGTON: Okay.

20                  MR. LANDMAN: Which is that we have  
21                  asked, the last time there was a rate increase, the rate  
22                  for hydrants was half the rate for users. This time, they  
23                  want parity, as the counsel has said. We disagree. At  
24                  the bare minimum, we should be at half, because there's no

1 usage. So, if there has to be an increase, I think you  
2 should continue that practice. And, we'd like to see that  
3 rolled back more, because the cost of fire service is  
4 ridiculously high. Thank you.

5 CMSR. HARRINGTON: Art Gopalan?

6 MR. GOPALAN: Gopalan.

7 CMSR. HARRINGTON: "Gopalan".

8 MR. GOPALAN: Yes. Thank you. Thank  
9 you, Commissioners, for coming here and hearing the tale,  
10 tale of woe. I was here, it was not here, but it was in  
11 Winnacunnet High School, back in 2009, and the rate  
12 increase was proposed was 22 percent or so.

13 By the way, I submitted a letter to you  
14 back in July of 2012, when I learned about the water  
15 increases that the Aquarion Company filed with you. And,  
16 in that letter, and I'm going to repeat that letter,  
17 because I have never heard a response. That's one of the  
18 characteristics that I found out about Public Utility  
19 Commission is that you never get a response.

20 So, I'm going to begin my letter. Some  
21 of it is going to overlap with the comments that others  
22 have made previously, but, nevertheless, it should be  
23 instructive to go through them.

24 "Dear Commissioners of NHPUC. I'm a

1 ratepayer, also known as "customer", in Hampton, New  
2 Hampshire, and a taxpayer. I'm lodging my protest against  
3 the subject filing by Aquarion Water Company calling for a  
4 rate increase of 18 percent with a call for an immediate  
5 temporary increase of 12 percent." And, since then, you  
6 have awarded 8.8 percent.

7 "Just in 2009, the NHPUC granted a 22  
8 percent increase, while lowering that number, still an  
9 increase, as some people have talked about, the fire  
10 hydrant discharge." That's all well and good. But,  
11 ultimately, the total operating cost increase is going to  
12 be made up, which means that the ratepayers are going to  
13 pay for it. "That increase was approved based on an  
14 overall rate of return of Aquarion of 7.72 percent. In  
15 its current filing, part of the reason cited by Aquarion  
16 was the realization of lower return than what was  
17 calculated in 2009 Settlement. It also cites increases in  
18 operating expenses and declining water sales for the  
19 current rate increase filing. With regards to the latter  
20 reason," that is reduced water consumption, "Aquarion  
21 promoted strongly water use conservation", there's really  
22 nothing wrong with that, I think it's great, "during its  
23 campaign for a rate increase in 2009. Now, it says that  
24 declining water sales is causing them to ask for a rate

1       increase."   Great.

2                        "If the calculated rate of return was  
3       not realized, that would be Aquarion's responsibility.  
4       They were the ones that calculated the figures and asked  
5       for the rate increase to justify the return.   Why should  
6       the ratepayers be asked to shore up their shortcomings in  
7       the management of the Company?"

8                        So, I posed three simple questions.   I  
9       did it back in 2009, and I'm going to do it again.

10       "Please answer me the following simple questions:   Why on  
11       earth should we be asked to guarantee an eye-popping rate  
12       of return of 9 percent on capital?"   And, I guess they are  
13       going for ten and a quarter, to make sure they get it.

14       "And an overall rate of return of 7 percent?"   As somebody  
15       previously mentioned, "The 10-year Treasury is running  
16       about one and a half percent."   People are not getting  
17       that kind of pay raises or Social Security increases and  
18       so forth.

19                        Second, "what is Aquarion risking to be  
20       asking for those kinds of returns?   Nothing, as far as I  
21       can see.   They even have the ratepayers pay for the filing  
22       costs."   As a matter of fact, I would, if I were an  
23       investor, I would encourage Aquarion to engage in more  
24       activity, because I can be making 9 percent on that

1 activity whether I need it or not.

2 "In 2009, Aquarion cited replacement of  
3 water tank in Mill Road as an investment that they needed  
4 to recoup through water rate increase. If the ratepayers  
5 pay for that, they needed" -- "pay for that identified  
6 asset developed by Aquarion with a very attractive rate of  
7 return, at the end why doesn't the rate get adjusted  
8 downward once it is done? Why wouldn't the ratepayers as  
9 an entity own that asset from that point on?"

10 I used to be familiar with DOD  
11 contracts, and on cost-less contracts, the government, and  
12 sometimes foreign governments, they own all the equipment,  
13 tooling, and so on and so forth. So, if we are paying --  
14 asked to pay for investment that the Company makes, at the  
15 end, and it is recouped with 9 percent rate of return, why  
16 doesn't the title to that piece of equipment belong to the  
17 ratepayers?

18 "Aquarion is a water distribution  
19 company. It should not be holding titles to the assets  
20 that the ratepayers have specifically paid for. It is  
21 time that we decentralize water, just as energy production  
22 and distribution had been."

23 I think Representative Rice mentioned  
24 that he is willing to file legislation. I think he could

1 be of help here, because we need to get to the bottom of  
2 the mechanism involved here. Because I'm not accusing  
3 Aquarion of anything, because they are operating within  
4 the law set up by the government.

5 "The towns involved must be able to bid  
6 the water distribution job, what Aquarion is doing, on a  
7 three-year contract basis. The companies entrusted in  
8 that business must be asked to bid on it every three  
9 years. We need competition. Perpetuation of government  
10 sanctioned monopoly will always hold the customers at its  
11 mercy. We have a clear example of it here. Utility  
12 monopoly model belonged in 1930s, but it is no longer  
13 relevant today."

14 I think the electric utilities are being  
15 decentralized to a large extent. Distribution and  
16 production are two different entities. So, I urge you to  
17 look at this, and perhaps make recommendations to the  
18 legislators to remove water distribution and production,  
19 as two separate entities, and make some fundamental  
20 changes, because, otherwise, we will be here again in two  
21 years looking to or protesting another rate increase.  
22 Thank you.

23 CMSR. HARRINGTON: Thank you very much.  
24 And, just so you're clear, sir, we do have a copy of your

1 letter right here. And, to just to let you know the way  
2 that works. You come in and you make comments on a  
3 particular case, we don't respond to the letter. I  
4 suppose, maybe we could proactively get back and tell  
5 people we received it, but, beyond telling you we received  
6 it, we're really not at liberty to comment on, until we've  
7 gone through this whole process and come up with an actual  
8 ruling on the rate. We're just -- we're not allowed to  
9 come back and say "we think this is a good idea or a bad  
10 idea" at this time.

11 But we do have the letter, and they will  
12 be read by all the Commissioners, and they're in the  
13 official record, as part of the things we consider during  
14 the deliberations on this particular issue.

15 MR. GOPALAN: Thank you.

16 CMSR. HARRINGTON: And, I think there  
17 was one more. Robert, is it "Cushing", maybe? The person  
18 who gave me this one [indicating]? I just can't quite get  
19 the last name.

20 MR. CUSHING: Sure. Cushing.

21 CMSR. HARRINGTON: "Cushing"? Thank  
22 you.

23 MR. CUSHING: Thank you, Commissioners.  
24 I'm Robert Renny Cushing. I live on 395 Winnacunnet Road,

1 and I'm an Aquarion customer. And, I'm also -- I will be  
2 a State Representative in about a week, I was elected.  
3 And, I just have a few comments. I really want to thank  
4 you for coming down here. I want to thank the Board of  
5 Selectmen for acting on behalf of the Town and having an  
6 intervention in this case.

7 The word that comes to mind is a  
8 firefighter. Because the amount of money that's being  
9 requested for the increase for the cost of the fire  
10 hydrants in the Town of Hampton is the equivalent of a  
11 firefighter's position. And, the Town ought not to be put  
12 in that situation. Where, you know, we're asked to have  
13 to choose between, you know, paying additional costs for  
14 fire hydrants and maintaining a person who actually does  
15 the job.

16 I'm concerned about this being the path  
17 of least resistance here in New Hampshire. You know,  
18 Aquarion sees its New Hampshire operations as kind of a  
19 small, little operation. And, in the context of the State  
20 of New Hampshire, these three towns don't add up to very  
21 much. We don't have a lot of political influence, and  
22 it's not like it's a larger, you know, utility monopoly  
23 that's going to come before the Commission.

24 But I would ask you to exercise your

1 responsibility to be sensitive to the needs of the people  
2 of Hampton and to reject the rate increase. I couldn't  
3 help but notice, as I was doing some research on Aquarion,  
4 that earlier this year the Massachusetts Department of  
5 Public Utilities rejected an 18 percent rate increase that  
6 had been acted -- asked for Aquarion in some of its  
7 Massachusetts subsidiaries. And, it rejected it, the DPU  
8 cut that rate increase in half. I think you can go beyond  
9 that. I think what's being asked is really, you know,  
10 it's pretty -- it's really high.

11 I'm concerned about Aquarion churning  
12 assets, or, more specifically, the parent company of  
13 Aquarion, you know, Macquarie, Limited, of Sydney,  
14 Australia, through its subsidiaries, churning the assets  
15 of the Company. We've seen the ownership in the past  
16 decade of what used to be our Hampton Water Works, what  
17 then was the American Water Works Company, get bought out  
18 by Kelda Corporation, in, you know, in the United Kingdom,  
19 and then, subsequent to that, it gets bought out by  
20 Macquarie Bank, which changes its name to "Macquarie,  
21 Limited". And, through the whole process, what we see are  
22 decisions that are being made that affect the people in  
23 this community aren't being made here. They're not even  
24 being made really in Concord, they not even really being

1 made in Connecticut. They're being made in Sydney,  
2 Australia.

3 And, you have to be the force on behalf  
4 of the people in this community that says "no" to this  
5 rate increase, as, you know, it's just way too much. And,  
6 I ask you not to be the path of least resistance. And,  
7 thank you.

8 CMSR. HARRINGTON: Is there anyone else  
9 that would like to speak or submit anything written? I  
10 see a hand back there. If you could just state your name  
11 clearly and your address for the reporter, so we'll have a  
12 record of it please.

13 MS. SANPHY: Sure. Diandra Sanphy.

14 MR. PATNAUDE: Could you spell that.

15 MS. SANPHY: D-i-a-n-d-r-a S-a-n-p-h-y.

16 MR. PATNAUDE: Thank you.

17 MS. SANPHY: It's easy.

18 MR. PATNAUDE: Yes. Just like it  
19 sounds.

20 MS. SANPHY: I'm a taxpayer and resident  
21 here in Hampton. I don't believe this is anything more to  
22 do than mismanagement by your parent company, Macquarie.  
23 An 18.5 percent rate increase is absurd to cover costs  
24 associated with pension increases for your upper

1 management. You need to clean up your act, and not take  
2 it out on the people, who are doing the job to conserve,  
3 as you promote on your webpage, as well as in your  
4 quarterly bills.

5 The fire department takes care of -- I  
6 also have a hydrant in front of my home, the fire  
7 department takes care of plowing out our hydrant. So  
8 that, if there is a fire, we are going to be safe. If our  
9 fire department is overburdened, then my neighbors and  
10 myself take care of it. Aquarion does not.

11 I've lived there for ten years. It has  
12 been painted once. They have come out on several  
13 occasions to flush the pipes through the hydrant. One  
14 time, in particular, an Aquarion service member wanted to  
15 show the kids in the neighborhood, who had gathered around  
16 to watch, opening up it larger, tearing into a large maple  
17 tree we had in front of our house, which is on our  
18 property, and not the 10 feet that Aquarion owns in front  
19 of our house. When I called Aquarion to complain about  
20 this, I was told that it actually was the Town of Hampton  
21 that was responsible, and not Aquarion themselves. And,  
22 in fact, I find out that it actually is your  
23 responsibility.

24 I personally am opposed to this percent

1 rate -- this rate increase. I think it absolutely is not  
2 going to help with improving anything. I don't we use, as  
3 many people have already said, we don't use our hydrants  
4 every single day, month, it's once a year I think we have  
5 a major fire. And, I'm just very upset seeing that at  
6 18.5 percent. And, the many years that you have asked for  
7 the rate increases, that you've been given them. And,  
8 that you continue to do that and continue to put this on  
9 the backs of people who, themselves, are not receiving  
10 18.5 percent raises in their pay every year, and even  
11 every other year, or every five years.

12 So, I'm opposed to this, and am just  
13 absolutely disgusted that this Company would ask again for  
14 another rate increase and put it on the backs of people  
15 who are having been hit the hardest in the economy, and  
16 that is your local taxpayers. Thank you.

17 CMSR. HARRINGTON: Someone else in the  
18 back, do you want to speak? Yes, if you just pass that up  
19 to me please. Thank you, sir.

20 MR. ZNOJ: Right. Yes. My name is  
21 Jerry Znoj, here a resident, 16 Presidential Circle, in  
22 Hampton. It is a monopoly, there's no question about  
23 that. We can't go down and change, you know, companies.  
24 We're locked in, we're wired in, we're piped in. So,

1 we're captive.

2                   What bothers me most, I know the rate  
3 increase is preposterous. But there are two things that  
4 bug me that really haven't been brought up tonight. One  
5 is, we don't participate in the planning. We don't know  
6 what's going to go in next year or the year after or the  
7 year after that. I mean, it's -- these are decisions made  
8 by Aquarion, based on what they perceive as their needs.  
9 I don't know if it's mandatory maintenance, or things that  
10 really should be done or nice to be done, or must be done.  
11 We have no insight into that. Perhaps, if we did, we'd  
12 empathize more. I don't know. I'd certainly like to here  
13 it, ask questions about it, push back. I don't think  
14 that's going on.

15                   And, number two, the other side of it,  
16 are cost controls. Their budgets, we don't see their  
17 budgets. We don't get an opportunity to scrutinize them,  
18 analyze them, push back, squeeze, push. Grill them. We  
19 don't have any chance on that.

20                   So, we're captive, because it's a  
21 monopoly. We don't understand what their planning's all  
22 about, we don't have any insight into that. They could  
23 come and say "we think we should replace the water tower  
24 at Hampton Beach, on Church Street, because of" -- because

1 of, we can't question, we can't push back, we don't  
2 understand, no proactivity on our part. And, we have no  
3 real good squeeze control over their budgets. And, here  
4 we are, there with a rate increase. So, we are being  
5 victimized as a result of it.

6 So, no planning that we have the insight  
7 for, and no squeeze on the cost controls. And, so, here  
8 it is, and you're at the end of the line now with an 18 or  
9 20 percent increase, we're at the end of the line now.  
10 It's kind of late, in my opinion. More proactive work has  
11 got to be done by Aquarion with their customers, the three  
12 towns.

13 Give them the chance to participate in  
14 the planning. Tell them what they're planning on doing.  
15 Let the pushback occur. They might change their mind,  
16 they may change their decisions. And, also, lay their  
17 budget out there. I could guarantee you that, I'd love to  
18 see line item by line on every one of their expenses. If  
19 revenues are falling, any manpower cuts have been made?  
20 When commercial industry or military industry undergo a  
21 loss of sales, the doors open up and people walk out.  
22 They reduce the manpower. There are adjustments made.

23 Since 1989 and 1990 time frame, industry  
24 has gone through a catharsis of change as a result of

1 competitiveness and cost controls. We changed the way we  
2 purchase, we change the way we inspect. They have merged  
3 departments, and we gain synergy as a result of it.  
4 Really, a lot of learning has gone on, training has  
5 occurred, since 1990, over 20 years.

6 And, some outfits, like Aquarion, I  
7 wonder about, or any of these monopoly-type companies.  
8 You know, is there any incentive for them to do these  
9 things? Lean thinking. You know, lean, lean out the  
10 people. Compressing of the organization, so we don't have  
11 managers reporting to directors, who report to VPs, who  
12 report to, you know, presidents, and so on, and layers of  
13 salaries has been compressed.

14 I don't know. I don't know if that's  
15 going on with Aquarion. I'd like to be convinced that it  
16 is. But I heard some cost reductions today, and I'd like  
17 to push on them, get a chance to squeeze them. I don't  
18 know if they're real.

19 But, anyway, that's kind of where I'm  
20 coming from. Thank you.

21 CMSR. HARRINGTON: Anybody else who  
22 would like to speak?

23 MR. WELCH: Mr. Chairman, Frederick  
24 Welch, Town Manager of the Town of Hampton. We've all

1 heard enough about the -- or, at least you've heard enough  
2 probably about the 18.3 percent rate increase. I want to  
3 talk a little bit about the hydrant increase of  
4 22.51 percent. These type of increases go back to a case  
5 in the Town of Pittsfield in the 1990s where I represented  
6 the Town. In that case, the rate increase for the Town,  
7 because it was -- the system was sold, and they were  
8 forced to build a brand new treatment plant for very few  
9 questions, was in excess of 200 percent of the rate. The  
10 Commission decided that was too high. So, they dropped  
11 the rate to 150 percent, and put all the remaining money  
12 on the hydrants. They then adopted, at that very meeting,  
13 a position by the Commission, you may have changed it  
14 since then, that, in situations where large rate increases  
15 are anticipated, that a certain share of that increase  
16 would be put upon the hydrant systems over and above the  
17 increase for the regular customers of the town. That's  
18 inappropriate. Where is a town the same customer as the  
19 individual homeowners that take water service.

20 Now, we pay a healthy fee for that  
21 service. It's time that the rates be equalized, and that  
22 the town not be paid a penalty or be paying a penalty for  
23 water service for hydrant systems.

24 My other concern is the fact that

1 there's no consideration here for the economy. My office  
2 oversees the welfare costs for the Town of Hampton. And,  
3 I can tell you, they're not decreasing. They are  
4 increasing, because we have more and more people who are  
5 in financial situations that require that assistance.  
6 Many of them have been forced out of their homes and are  
7 now in a rental property, but they can't afford the water  
8 costs either. The landlords are being forced to pay for  
9 them, and, in many cases, they're coming to the Town for  
10 help and assistance in paying that. These rate increases  
11 aren't going to help that.

12 What we're looking at here is a  
13 three-year cycle, it appears to us. We don't know what's  
14 going to happen in the next three years. But, if you  
15 approve the WICA charges for the next two, it appears, at  
16 the end of that two-year period, you'll have another  
17 petition for two years' worth of WICA charges and another  
18 petition for a rate increase. You can't keep on doing  
19 that every three years. There has to be some valve, some  
20 relief, some place where that pressure can go.

21 Now, the only chance the Town has to,  
22 once those increases get really large, is to purchase out  
23 the utility, just plain take it. It's been done before.  
24 In Pittsfield, I worked upon the Pennichuck acquisition,

1 because the Town was part of the Pennichuck system. I  
2 spent 21 years in municipal water, sewer, and electric  
3 light systems in Massachusetts. And, I can tell you that  
4 your position, with regards to rates, is considerably  
5 different from that of the Commonwealth and the Department  
6 of Public Utilities. I think you should take a hard look  
7 at some of the things that they have done, I think you  
8 should take a hard look at the rate increases that they  
9 just went through and the analysis they went through on  
10 the Aquarion increases down in Massachusetts. There must  
11 have been a reason why they found it was necessary to cut  
12 the size of that increase. And, that could be because of  
13 the simple cash reserves.

14 But you need to know that before you can  
15 make a decision, a sound decision on what Aquarion has  
16 asked for here. If these are justified, then you're going  
17 to approve it. If they're not justified, because of other  
18 financial considerations and matters that are currently  
19 not in evidence, you need to have that knowledge. And, in  
20 getting that knowledge, you need to help the taxpayers of  
21 this town. Thank you.

22 CMSR. HARRINGTON: Is there anyone else  
23 who would like to speak?

24 (No verbal response)

1 CMSR. HARRINGTON: Going once? Twice?

2 (No verbal response)

3 CMSR. HARRINGTON: So, that's the end.

4 Just one last comment I would like to make, because there  
5 were a number of people that brought up about various  
6 issues having to do with service. And, if you do have a  
7 problem with that, you, obviously, can contact the  
8 Company, but just be aware that the Public Utilities  
9 Commission does have a Consumer Bureau, where you can  
10 contact. And, there's a bunch of people there that I feel  
11 are pretty effective at resolving concerns that different  
12 ratepayers bring up. And, that's not to limit it,  
13 obviously, to water utilities, but to any utilities at  
14 all. And, there's also Susan's Office, the Office of  
15 Consumer Affairs. So, those are two other things that you  
16 could look at, if you have specific things, with --  
17 whether it's -- whatever the utility is, if you have  
18 something to do with a service-related issue. That's just  
19 another resource that's available for you.

20 So, seeing no one else that wants to  
21 comment, we're going to close the public statement hearing  
22 on Docket DW 12-085. Thank you very much for coming.  
23 We'll take -- all your comments will be taken under  
24 consideration by the Commission. And, the transcript will

1 be part of the public record.

2 (Whereupon the hearing ended at 8:50

3 p.m.)

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