

The State of New Hampshire

Public Utilities Commission

DW 16-123

Re: Aquarion Water Company of New Hampshire, Inc.

**TOWN OF HAMPTON'S STATEMENTS OF POSITION IN OPPOSITION TO
PETITION FOR MONTHLY BILLING**

NOW COMES the Town of Hampton in the above entitled matter and sets forth the following by way of positions in opposition to the Petition for Monthly Billing filed with the Commission on January 25, 2016 by Aquarion Water Company of New Hampshire, Inc. (hereinafter, "Aquarion" or the "Company"):

1. This Petition for Monthly billing was filed with the Commission on January 25, 2016, and to date, only limited data requests have been propounded by the PUC Staff, which are not yet part of the public record.
2. The Board of Selectmen conducted a public hearing on this Petition at its meeting on February 22, 2016, at which three Aquarion officials, including the interim Director of Rates and Regulations whose testimony had been filed in support of the Petition, appeared and attempted to explain the Petition and answer questions from the Board and the general public.
3. The public hearing (transcript attached) raised more questions than it answered, including as to the following matters:
 - a. Operations Manager Carl McMorran could not say what the costs would be in going from quarter billing in advance to monthly billing in arrears (Transcript on page 7);
 - b. None of the Aquarion officials were able to indicate when the next rate case is likely to be filed, despite past indications have been that it will be on a five-year cycle and therefore is expected in 2017. (Transcript at 4). So, the requested deferral of the "return on the working capital variance" for consideration in the "revenue

requirement established in the Company's next rate case" (petition, paragraph 8) cannot be put in context.

- c. No particulars were provided by these officials as to how the deferred variance would be sought to be recovered by the Company in the future rate case (for example, as a onetime adjustment or as an amount amortized over time), which makes a big difference to the Town of Hampton, which has opposed the pancaking effect of how annual WICA charges are being added to the Company's rates for the next 80 + years. (Transcript at 7).
4. Further discovery by way of data requests need to be propounded in order to fully understand what is going on with this Petition, but the Town of Hampton has not yet been granted intervenor status as its Motion to Intervene has not yet been acted upon.
5. One position the Town can articulate at this time has to do opposing going to "in arrears" billing for public fire as this would postpone billing for approximately \$250,000 worth of such service in 2016 until 2017, which would mess up the budgeting cycle of appropriations through taxation that the Town of Hampton utilizes, which are conducted on a calendar year basis. For 2016, the Town will have taxed its property owners about \$250,000 more than is needed to pay for private fire.
6. Another point of opposition has to do with the requested deferral of the return on the working capital variance in the amount of \$23,169, as the Town believes this amount will inevitably end up being sought by the Company to be paid for indefinitely as part of a rate increase just as is the case with WICA surcharges, which the Town of Hampton has consistently opposed. Indeed, the Company's answer to Staff 1-1 indicates that it considers working capital to be a "rate base component."
7. So far, the Company's indication that it will not be assessing a late charge until 30 days have passed after a bill is rendered, even though the bill is going to be due 25 days after it is billed, is only expressed in its responses to data requests, which are not public.
8. The Town of Hampton opposes the request of the Company that the Commission act on a "nisi" basis, and requests instead that the Commission itself hold a public hearing before proceeding to act on the Company's Petition, after both the Town and the Office of the

Consumer Advocate are provided sufficient time to propound such data requests as they deem appropriate.

WHEREFORE, the Town of Hampton requests that the Commission:

- a. Not act upon the Petition for Monthly Billing on a "Nisi" basis or approve the Petition for monthly billing on an expedited basis as requested by Aquarion;
- b. Conduct a public hearing before acting upon the Petition;
- c. Allow sufficient time for data requests to be propounded by the Town and any other party before scheduling the public hearing; and
- d. Grant such other and further relief as may be just.

Respectfully submitted
Town of Hampton

By its Town Attorney



Dated: March 2, 2016

Mark S. Gearreald, Esq.
Hampton Town Attorney
100 Winnacunnet Road
Hampton, NH 03842
Phone: (603) 929-5816
Fax: (603) 929-5817
e-mail: mgearreald@town.hampton.nh.us
N.H. Bar I.D. #913

Certificate of Service

I hereby certify that I have this on this 2nd day of March, 2016 e-mailed the foregoing Petition to Intervene to the Petitioner's Counsel in this matter, Marcia A. Brown, to Jamie A. Breen of the Office of the Consumer Advocate, and to those on the service list.



Mark S. Gearreald, Esq.

Selectmen's Meeting – February 22, 2016

Public Hearing

Present: Rick Griffin, Chairman
Rusty Bridle, Vice Chairman
Philip Bean, Selectman
James Waddell, Selectman
Absent: Mary-Louis Woolsey
Present: Town Manager, Frederick Welch
Town Attorney, Mark Gearreald

Chairman Griffin announced the Public Hearing on the Impacts and Secondary effects of Aquarion Water Company's Petition for Monthly Billing for Water.

Introduction of Aquarion Representatives:

Carl McMorran, Operations Manager, Aquarion Water Company of New Hampshire
Debra Kirven, Director of Rates and Regulation, Aquarion Water Company of New Hampshire
McKinley Rowe, Rates and Regulations Department, Aquarion Water Company of New Hampshire.

Mr. McMorran: I appreciate this opportunity to speak to the Aquarion Proposal to switch customers who are currently billed quarterly to monthly for fire service and all of the other residential metered customers.

Everyone will go to monthly billing except public fire protection customers. The current quarterly billing cycle is a relic from the good old days, so to speak, when it was not cost effective to get meter readings on a monthly basis, or to send them out. Actually we are the last hold over of utilities that do not bill on monthly basis. Actually, a fraction of our customers are already billed monthly including larger commercial and seasonal customers. We think monthly will provide benefits to all our customers as well as to the company.

For individual customers it will allow them to make a better comparison of water utilities, such as they do with other monthly services like cable and other household expenses. We think it will give better predictability in their household budgets. One of the biggest benefits is better control over leaks right now with quarterly billing someone could have a leaking toilet that could run for months they would have a big shock when they get the large bill. It will cut that shock and reduce loss of unused water and leak adjustment that sometimes goes along with that. Also it is hoped that smaller, more frequent bills will make it easier for customers to stay current and cut down on the number of past due invoices that occur.

Plus, as a Water Company, it is going to provide for better operating accounting for the water because we can synchronize meter consumption lines with other production calculations; it will help promote conservation with more usage data; and, send a price signal to the customers. This

will also provide more detailed information to our customer service staff so when a customer calls there is better information.

There will be some cost increases due to more printing and postage, but I think this will be offset because of the advantages that technology gives us to read meters with less amount of labor and will save if we can get customers to move to e-billing program which will eliminate postage

I will turn this over to Deb to speak to the accounting.

Debra Kirven: Questions on items:

Past due bills. The company is requesting bills be paid within 25 days because of the monthly cycle, we don't want customers to get their next bill with a past due amount so if they pay within 25 days the system can get it all paid off before next bill comes out it will be zero carry over balance. We won't be charging late charges until 30 days, but are requesting customers to pay within the 25 days.

5% Late Fee: I believe there was a question if it is going to be compounded, the answer is "no" the charge is on the current month. With quarterly, if you have a \$45.00 quarterly bill and you are late will get a 5% charge - \$2.25. With the monthly bill if you have three consecutive months' bills of \$15.00 that's \$45.00 dollars. The first month you'll have \$15.00 outstanding, if you are late it is 5% so is 75 cents; the next bill is \$15.00 and third month, same thing. If late on a \$15.00 a current bill it is 75 cents. It is not cumulative and does not compound.

Working Capital: Will try to explain. Right now billing customers in advance for service charges and want to change to in arrears. Will not be charging customers until after the usage. Right now 90 days in a quarter and charging for July, August, and September service charges on July 1st. Switching so not charging for July until August 1st. Will be less cash in the door for working capital. Missing out on cash coming in and have to make up for cash not coming in with lead lag study and an adjustment that goes through with rate case. Right now deferring adjustment for the lead lag in working capital. We will defer for next rate case to ask Commission to handle that.

Mr. McMorran: A target date has been put in for May 1st to go forward with monthly billing with the Commission's approval. Want to get in place before get into the summer peak time and will be useful for people to try and manage water consumption to optimize bill. When date confirmed, will mail a letter to every customer, even those on monthly cycle, as well as publicize through other media. These changes are part of efforts to provide delivery of safe and reliable water to all of our customers and all receive 24/7 delivery of all their water needs at their fingertips which is substantially less than a penny a gallon. Thank you for your time.

Mr. Welch: Thanks for coming. I'm confused with opening letter to the Public Utilities because the letter said that the public fire charge (fire hydrants) billing was not going to change.

Ms. Kirven: Correct.

Mr. Welch: The Rate proposal said there will be no changes now I read a notice today and it changes again. What will the frequency be and when will charges for 2016 be billed?

Ms. Kirven: Frequency is six months then will go from in advance to in arrears. Now will not charge you until after the fact with January 1, 2017 bill. Now paid to July 1st, will not charge you in arrears for August through December and will not be billed until January 1. Won't get bill until January 1, 2017.

Mr. Welch: I have a problem with that. The Town has just appropriate half a million dollars that has to be raised from taxes and although you are not going to send a bill for a whole year, will be billed in 2017. And, the citizens in this town are responsible for half a million dollars which they don't need to pay, and I have no choice not to tax even though you are not going to bill. This is an objection to be filed with the Public Utilities Commission. Your first letter said no change and we relied on that. You didn't tell us you were going to do these changes until after the final due date for appropriations. The half a million dollars means a lot to the citizens of this town and something that should not be on tax rate at this point. That is for your observation and information and will cause a problem with someone.

Mr. Welch: The next concern in reading the letter, I understand about due dates changing from 30 to 25, but I did not see anything in there said you are not going to charge until 30 days, just said charging after the due date. You need to amend your filing. You can say that, but can change it after. Your claim isn't there in the documents we received. You need to put that in your PUC document itself so there is no misunderstanding. Understand there is no compounding. And understand that if late will receive one 5% - month standalone charge. Is that correct?

Ms. Kirven: Compound is correct. We didn't know. It is not on record yet. We answered data requests from PUC on February 9 which is not on the record yet. DPU requested that it says payable within 25 days. Will be part of the record. We are specifically asking for payment in 25 days and penalty not charged until 30th day.

Mr. Welch: Needs to be within rate structure. If not stated in rate, you are free to charge interest on 25th day. Nothing DPU can do about it once rate is approved. Suggest you need to put a clarifier in there.

Ms. Kirven: It is on the adjusted tariff page it says: A penalty of 5% will be added to the bill if not paid in 30 days. Tried to figure out how to get a part of the record. Was corrected, but not part of the record and tried to figure out how to get in record.

Mr. Welch: It is just not in the record and I want to make sure it is in there. This is our request.

Ms. Kirven: Okay.

Mr. Waddell: Fred asked questions I had, but want to know if people will be notified before or after the DPU approval. Will people have an opportunity to have input prior to approval?

Ms. Kirven: If approval on March 1st, we will have time to do IT rescheduling. After it is approved, public will be notified.

Mr. McMorran: It is a bit of a challenge to do that. If not approved by the PUC, we don't want to let them know until it is reasonably official or people will get confused. Getting close in the process now.

Mr. Welch: Citizens don't have an opportunity to comment to the PUC if not told until after the approval is done. There should be a hearing and, if there is one, people should be notified so can bring testimony forward. This board will decide if there should be a hearing.

Mr. McMorran: We are trying to get information out to the public such as this meeting

Mr. Gearreald: Regarding your rate and effect on rates the Petition on page 3, paragraphs 7 and 8 of the Petition itself in one sense it indicates that going from quarterly to monthly reducing the working capital percentage by 113 basis points on the other hand changing the service charges from in advance to in arrears increases the working numbers by 883 basis points. Can you explain what this means?

Ms. Kirven: I explained in the opening comments about the working capital and percentage of going from in advance to in arrears.

Mr. Gearreald: That reduces your working capital, is that what you are saying?

Ms. Kirven: We need to get recovery with the working capital and.....

Mr. Rowe: The whole point of the working capital is to fund operations and need to get money back and get a return. Two things are happening – switching from quarterly to monthly and to assess how this affects working capital by getting cash flow sooner. In essence that's where you see working capital reducing. Switching from advance to arrears, we have to provide services and incur costs to capture resources from the rate payers and drive the working capital up. Getting working capital up switching from advance to arrears. Working capital is not having an impact on this petition and is part of what doing to make whole. Asking PUC to consider in the Petition to defer costs for a later date.

Mr. Gearreald: Talking about a limited period of so called time – lead to lag time, using that the period of time seeing to recover the loss of working capital?

Mr. Rowe: If the process is in effect during rate case, the capital would be 14 % we are asking for now instead 8%. Not changing rates. Asking for deferral for our next rate case. Whether PUC approves or not is up for discussion on next rate case.

Mr. Gearreald: The quantification amounts to of \$23,169? Is that correct? That's the amount you are asking the PUC to allow to raise the rate for that amount so will recover what was lost?

Mr. Rowe: It will be considered in next rate case. Yes, asking PUC to defer funds for consideration in the future.

Mr. Gearreald: Is the next rate case scheduled?

Ms. Kirven: It is not scheduled and do not have an anticipated date.

Mr. Gearreald: Monthly going to quarterly customers and private fire. Seasonal and regular?

Ms. Kirven: Seasonal is already monthly .

Mr. Gearreald: Seasonal will go to arrears also?

Ms. Kirven: They will not go in arrears they are charged one time at the beginning of the season. They will not go in arrears.

Mr. Gearreald: In one rate case, your Company had inclining blocks of service where some blocks may be charged differently than others, and the company does inclining blocks in other states. Is this correct?

Ms. Kirven: Do not know about this.

Mr. McMorran: Do not know about this.

Mr. Bridle: Thanks for coming in. No questions, but this should get out in public and let people know.

Mr. Bean: Fred and I went to testify at a PUC Hearing and there were a bunch of your young lawyers and we found it annoying that after travelling to Concord in the USA and from this Town and your Company stands up and the lawyers did not allow us to speak. Your Company won't let an elected representative from Hampton to speak.

Mr. McMorran: I have no answer to that but will take back to corporate people and will try to accommodate your concerns in future rate cases.

Mr. Bean: As a Hampton resident, you can come in and talk whenever you want to. I like your Company a lot, but not the evolution in Concord. We are big boys and will get over it.

Mr. Bean: On page 3, #13 it says "will not result in your Company collecting more revenues". Is that correct?

Mr. McMorran: That is correct.

Mr. Bean: It says "promotes conservation resulting from more frequent price signals going from quarterly to monthly". What does that mean?

Mr. McMorran: Using higher prices for high volume to encourage conservation. This was brought up in previous rate cases because quarterly bills don't send the message.

Mr. Bean: Higher rates will not result?

Mr. McMorran: No.

Mr. Bean: Collect more revenue from customers?

Mr. McMorran. No.

Mr. Bean: Allows to monitor uses more closely

Mr. McMorran: Follow up on those.

Mr. Bean: You do a good job on that. More information for customer inquiries?

Mr. McMorran: Yes.

Mr. Bean: allows Company to allow for unaccounted water?

Mr. McMorran: We don't use the word "unaccounted", we use the word "lost water", what is measured through the meters. No water system is perfectly tight which means lost water. There are certain standards used for lost water. Three quarters of volume is metered and the estimated production numbers don't align when doing quarterly billing. Doing monthly billing can get a closer alignment and better insight.

Mr. Bean: Provides greater predictability and budgeting control to customers because bills will be more numerous and they will be smaller and easier for customers to plan for. What does this mean? How many houses actually have control of water?

Mr. McMorran: Personally, my wife handles the monthly bills. Quarterly is more work and doesn't line up with monthly bill. Comparing apples to apples as to benefit of bills on a monthly basis.

Mr. Bean: How many other towns do you serve?

Mr. McMorran: North Hampton and part of Rye.

Mr. Bean: Mark (Gearreald) said North Hampton was enthusiastic about monthly billing?

Mr. McMorran: Yes.

Mr. Bean: Would compel you when Hampton elected officials, as a matter of custom and grace that they would be allowed to speak. Would appreciate a call from Chuck.

Mr. Griffin: Where would I have a leak that I don't know about?

Mr. McMorran: Water going through a meter and getting away through outside faucets, leaky faucets, irrigation systems. People are not aware. We had 60 incidents where we have offered adjustments. If you were a person who went on vacation and something is running and have a \$500 water bill, it is a waste of water and rate-payers money. Can control better.

Mr. Griffin: I don't like the 5% late charge and prefer it just the way it is now, billed every three months.

Mr. Bridle: The Church had a leak last year. You talked about e-bill payers. Do you have a fee if someone is using an e-check or credit card? It costs \$2.50 in another community.

Ms. Kirven: It is the bank who charges. The e-billing is a bill going out so going to account. The payment back is done through a separate company. Those are people who charge fees, not the water company.

Mr. McMorran: Depends on service you are using.

Mr. Griffin: If pay over the phone is there an extra charge?

Ms. Kirven: Don't know charges but can find out.

Mr. Griffin: There is no charge with the electric company. This is important for people to know.

Mr. Waddell: I agree with monthly billing. Had a bad experience with a leak. I wish the public had an opportunity to weigh in before it goes to the Commission. The public needs the information. Aquarion is the only water available in town and would like to have information before happening.

Mr. Griffin: Need to know how much charged when call to pay by phone. If charge every month would be more of a charge.

Mr. Welch: On working capital, is that \$23,169 a one-time adjustment or goes into the rate base?

Mr. Welch: Are there any costs associated with the switch from quarterly to monthly?

Mr. McMorran: I can't say at this time.

Mr. Rowe: This is annual and amortized over a certain time period. Does not continue on. Has a shelf life.

Mr. Welch: The rate is structured and will be billed forever. Some provisions need to be in the rate saying collecting \$23,169. Is this an ongoing charge forever or a one-time make up? Should be in the rate base so not charged more than year one.

Mr. Rowe: Cannot answer right now. Don't know how treated. Now deferred on annual basis.

Mr. Welch: Deferred until next rate case? Annual expense in rate base to equalize the rate?

Mr. Rowe: Can be amortized over time which is reflected in rate base.

Mr. Welch: Concerned going to treat like the WICA charge which goes on forever. Will see what happens when filed.

Mr. Gearreald: By going from in advance to in arrears will show bills which will then show knowledge of leaks? How does this work with seasonal customers?

Mr. McMorran: Service charges go out once a year regardless. As long as a meter is active it is billed a service charge.

Mr. Gearreald: Service charge vs volumetric?

Mr. McMorran: Service charge is based on the size of meter and is fixed, and volumetric is based on actual consumption.

Mr. Gearreald: Change from quarterly to monthly only affects the service charge portion?

Mr. McMorran: One third of quarterly bill is service charge. In theory, one-third of the quarterly bill will be getting once a month.

Mr. Gearreald: Seasonal customer can monitor usage?

Mr. McMorran: Yes – implemented a few years back for seasonal customers.

Mr. Rowe: Service charge on usage whether billed quarterly or monthly. Usage being billed in arrears.

Mr. Gearreald: True for all customers – volumetric in arrears?

Mr. Rowe: Yes, we do bill volumetric in arrears. Fire Private is not billed on usage.

Mr. Gearreald: Will there be a change in how private fire is billed?

Mr. Rowe: Private fire will be billed similar to metered customers from in advance to in arrears.

Mr. Griffin opened the Public Hearing to comments from the public:

COMMENTS from the Public:

Bob Landman – Co-chair of the North Hampton Water Commission stated that the Commission is unanimously in favor of the proposal and have been urging this for years because of the savings. The cost won't be greater. He spoke of the Lane Library having a \$200 water bill because of a bad toilet. The other reason is for conservation. There is water in Hampton that cannot be drawn and trying to conserve water. There is concern for the quality of the water. He also said that Aquarion is doing a better job than the other company and automatic meter reading is far better. He visited the Aquarion facility and they do a good job.

Regina Barnes, 4 President's Circle, believes the switch from quarterly to monthly is a good idea that will benefit the Town. She said there are questions that need to be addressed in that it is confusing to residents. She said it is not fair for the only water company in Town to make changes before notification. The public should be informed and need a chance to speak.

Helena Barthell, 33 Dover Avenue said she has several first hand experiences with the company and customer service is doing an good job. She is concerned about her bills going up. She is against the switch to monthly billing and in arrears but there are several advantages to monthly billing including finding leaks sooner, although monthly billing is a pain. There is documentation on the Hampton WebSite that says rates won't go up. Rates are rates until the next rate case. Rates will go up in the next rate case because of this. Working capital is a 7.7% increase and pretax return is 10.5%. She asked if the Company will be recovering the \$23,169 or the \$228,000. She also said that costs will increase with sending of monthly bills. Don't feel this translates to lower rates for the users. Not clear how rates will increase for the average customers. Not sure how much rates will be until next rate case.

Brian Lapham – I Street, asked if a hydrology test was done.

Mr. McMorran: Am not sure what you are referring to.

Mr. Lapham: How much working capital?

Mr. McMorran: \$200,000

Mr. Lapham: Is there a cost with the switch?

Mr. McMorran: Some costs will be incurred.

Mr. Lapham: Is finding leaks the reason to do the switch?

Mr. McMorran: More monthly bills allow people to be current with bills and no need for past due notices. It takes less effort on Aquarion's and part and is easier for customers to keep track of bills.

Mr. Lapham: More frequent price signals and monthly billing for summer usage. He doesn't understand this.

Mr. McMorran: People get more frequent information on how much they are using and this is mainly to help residents save costs and make better use of resources.

Mr. Griffin stated that he agrees with Mrs. Barthell's comments.

Mr. Bridle encourages dialogue with the public and people who use the service have a right to voice their opinions. He wants to see water west of I95.

Mr. Bean: Thank you for coming in this evening.

Mr. Gearreald reported that he notified the PUC that there would be a Public Hearing at the Board's Meeting this evening and asked the Commission to delay their ruling until after the public comment period.

Mr. Gearreald: Suggest that the Commission may have a public comment period in advance of their decision. The Board will further discuss the Aquarion Petition at their meeting on February 29, 2016.

The Public Hearing was closed at 7:58 pm

Transcribed by:

Anne Marchand