

History of Water Company Rate Increases

<u>Year</u>	<u>Docket No.</u>	<u>Order</u>	<u>Percentages</u>
1992	DR 91-023		
2000	DW 99-057		
2006	DW 05-119	7/18/06 (No. 24,691)	18.64%
2009	DW 08-098	9/25/09 (No. 25,019)	17.44% 9.9% (public fire)
WICA 2011	DW 10-293	12/22/10 (No. 25,186)	1.5715%
WICA 2012	DW 11-238	12/30/11 (No. 25,311)	3.7269%
WICA 2013	DW 12-325	1/17/13 (No. 25,455)	5.273%
2012	DW 12-085	6/28/13 (No. 25,539)	15.20%
WICA 2014	DW 13-314	5/23/14 (No. 25,668)	1.3657%
WICA 2015	DW 14-300	1/12/15 (No. 25,751)	2.5386%
WICA 2016	DW 15-476	1/7/16 (No. 25,857)	3.99%

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #1

Date Request Received: March 21, 2016
Request No.: Hampton 1-1

Date of Response: April 1, 2016
Witness: Debra Kirven

REQUEST: Please provide an itemized (by type and amount) list of all costs that the Company expects to incur in order to shift from quarterly billing in arrears to monthly billing in advance.

RESPONSE: The postage and bill processing cost is directly incurred by Aquarion Water Company of New Hampshire for transitioning from quarterly billing to monthly billing. The 2016 cost for postage and bill processing is budgeted at \$85,000 compared to \$38,000 expensed in 2015. The information technology costs and capital expenditures relating to SAP software systems and licenses are incurred at the Connecticut subsidiary and are allocated to the Massachusetts and New Hampshire water subsidiaries based on the number of customers in the previous year.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #2

Date Request Received: April 1, 2016
Request No.: Hampton 2-1
Page 1 of 2

Date of Response: April 6, 2016
Witness: Debra Kirven

REQUEST: In reviewing the response to Hampton 1-1, I see that there is an unquantified share that will be allocated to Aquarion Water Company of New Hampshire of the "information technology costs and capital expenditures relating to SAP software systems and licenses incurred at the Connecticut subsidiary." I would appreciate being provided the quantified amount of this share prior to the April 7, 2016 prehearing conference, even if the amount is only an estimate. The number of customers in the previous year for the Connecticut, Massachusetts, and New Hampshire subsidiaries is surely known by now for this expense in 2016, and I would appreciate the calculation being set forth with all its inputs.

RESPONSE: There are numerous factors which will determine any amounts that would be passed to AWC-NH ratepayers associated with expenditures related to the System Analysis and Program Development (SAP) system.

1. Any amounts to be allocated to AWCNH or AWCMA are set at the time of an AWCCT rate proceeding. At this point, based on an existing settlement agreement with the CT PURA, new rates would not be effective in CT until October 2017 at the earliest although we hope to refrain from filing a rate case in CT for an even longer period.
2. Subsequent to a rate proceeding altering the fixed cost and depreciation allocations in CT, no costs are passed on to AWCNH ratepayers until the completion of a rate proceeding in AWCNH. As has been stated, no rate case is currently planned.
3. In addition to the above two factors it is important to NOT look at the identified monthly billing costs enhancements in isolation.
 - a. Refer to Schedule 1T from the rate case filing in Docket No. DW 12-085. The schedule details out \$1.3M and \$1.7M of SAP costs to be allocated for the SAP investment. Further, Attachment B to Aquarion's response to OCA 2-31 in that rate case, delineates the detail of these cost components.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #2

Date Request Received: April 1, 2016

Date of Response: April 6, 2016

Request No.: Hampton 2-1

Witness: Debra Kirven

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- b. Given the relatively high depreciation rate, absent any truly significant investment in the overall SAP systems, it would be logical to expect that the rate base value of SAP, and the corresponding revenue requirement, would decrease, perhaps dramatically by the time of AWCCT's next rate proceeding.
 - c. The capital expenditures associated with AWCNH monthly billing are almost immaterial in the context of the overall SAP asset base and the natural rate base movements arising out of the regular depreciation.
4. Given the facts in 3 (above) it is equally likely if not more likely that there would be a decline in cost to AWCNH customers at the time of and as of yet undetermined AWCNH rate case.

Barring the facts presented above and all other things being unchanged or constant, the incremental SAP investment for monthly billing may result in an additional cost allocation to AWCNH ratepayers of approximately \$800 that would be embedded into the overall revenue requirement spread across more than 9,300 customers.

Shared IT Costs - Estimated Incremental IT Allocation for Monthly Billing

SAP Investment	(a) \$	85,000	
Rate of Return	(b)	7.50%	Rate of Return approved by CT PURA in Docket 13-02-20.
Tax Gross-up	(c)	1.701	
Pre-tax Return		10,844	$=(a)*(b)*(c)$
Depreciation		8,908	SAP Investment * 10.48% Depr. Rate.
Revenue Requirement		19,752	
AWCNH % Share of Costs		4.15%	
Incremental Shared IT Costs	\$	819	
AWC Customer Count as of 12/31/2015			
		CT	195,613 87.19%
		MA	19,442 8.67%
		NH	9,305 4.15%
			224,360 100.00%

SHARED TECHNOLOGY COSTS

Aquarion Water Company of New Hampshire, Inc.
Case No. DW 12-085

Test Year: Twelve Months Ended 12/31/11
Schedule No. 1T
Page 1 of 1

Line
No.

1		
2		
3	SAP-Return on Investment Allocated per CT Docket 10-02-13	\$ 1,307,983
4	SAP-Depreciation Allocated per CT Docket 10-02-13	1,707,342
5	906204 IT - SAP Software Maintenance	436,649
6	906001 IT Labor (including a 3% increase effective 4/1/2012)	744,788
7	906203 IT - SAP License Fees	443,461
8	906215 IT Outside Services	268,687
9	906202 IT - Software Maint	242,644
10	906201 IT - Hardware Maint	91,744
11	906XXX IT - Miscellaneous Expenses	111,148
12		
13	Total Annual Costs	\$ 5,354,447
14		
15	AWC-NH % Share of Costs	4.29%
16		
17	AWC-NH % Share of Costs	\$ 229,463
18		
19	Test year Expense	229,970
20		
21	Pro Forma Adjustment	\$ (507)
22		
23		

AWC Customers-12/31/2011		
AWC-MA	18,960	8.93%
AWC-NH	9,100	4.29%
AWC-CT	184,286	86.79%
Total AWC	212,346	100.00%

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #1

Date Request Received: March 21, 2016
Request No.: Hampton 1-4

Date of Response: April 1, 2016
Witness: Debra Kirven

REQUEST: Please explain whether the working capital variance in the amount of \$23,169 that appears in paragraph 8 of the Petition for Monthly Billing is going to recur annually as opposed to a one-time event and if so, for how many years that variance will run and be claimed for recoupment by the Company.

RESPONSE: The working capital variance of \$23,169 would be an annual deferral until the next general rate proceeding. For example, if the Company files a petition to increase rates in 3 years, the deferred balance at the time of the rate case could be approximately \$69,507 ($\$23,169 \times 3$ years). The deferred balance would be imbedded into the Company's revenue requirement and Aquarion would request the deferred balance to be incorporated as an amortization expense as part of the rates in the next rate proceeding. The Company would recommend a proposed amortization period at the time of the filing based on factors such as the size of the deferral balance. The Commission would determine if the Company is allowed to amortize the balance over the proposed period. Additionally, the Town of Hampton will have the opportunity to address the merits of the deferral and if and how it should be recovered in rates.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #3

Date Request Received: April 21, 2016
Request No.: Hampton 3-8

Date of Response: April 28, 2016
Witness: Troy Dixon

REQUEST: To the extent that the difference of 770 basis points between the decrease to the working capital allowance of 113 basis points and the increase to the working capital allowance of 883 basis points is based upon a change in revenue stream, is there any loss of use of capital that is being factored into the working capital variance figure, and if so, what percentage is that loss based upon?

RESPONSE: To clarify, the net increase in the working capital allowance of 770 basis points is due to the difference in funding operating costs and the frequency with which revenues are collected. There is no change in the Company's revenue as well as there is no loss of use of capital.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Staff Data Requests – Set #2

Date Request Received: April 21, 2016
Request No.: Staff 2-2

Date of Response: April 28, 2016
Witness: Troy Dixon

REQUEST: RE: Hampton 1-3, Attachment A:

Please provide detail to the calculation of "Average Days" shown as (5.43), (9.48), and 22.31.

RESPONSE: The "Average Days" is calculated by dividing (Lead)/Lag Dollar-Days by Revenue. Aquarion has revised Hampton 1-3 Attachment A and is providing the revised version as Staff 2-2 Attachment A.

The revised version updates Phase 1 Average Days from (9.48) to (9.14) and Phase 2 Average Days from 22.31 to 21.50. The revised Average Days results in a 22 basis points reduction to the Proposed Working Capital Allowance Percentage from 14.53% to 14.31%. Additionally, the Original Working Capital Average Days of (5.43) was adjudicated in the Company's rate case docket 12-098 and was not updated for this data request. However, the Company notes that a revised Average Days for the Original Working Capital Percentage would lead to a 5 basis points increase in the Working Capital Allowance percentage. Presented below is an updated calculation for the deferred return on working capital:

	(A)	(B)	(A) * (B)
	13 Mo Avg. O & M ⁽¹⁾	Working Capital %	Working Capital \$
Original ⁽²⁾	\$ 2,962,808	6.83%	\$ 202,213
Revised ⁽³⁾	\$ 2,962,808	14.31%	\$ 423,886
	Working Capital Difference		\$ 221,672
	Pre-tax Return on Rate Base % ⁽⁴⁾		10.15%
	Deferred Return on Working Capital		\$ 22,500

⁽¹⁾ 13 Month Average O&M filed per DW 12-085 Data Request Staff 3-11 Attachment A at 52.

⁽²⁾ Refer to DK Exhibit 1, originally filed in DW 12-085 Filing Requirements PUC 1604.01 - Section 28.

⁽³⁾ Refer to Staff 2-2 Attachment A, revised Filing Requirement PUC 1604.01 Section 28.

⁽⁴⁾ Pre-tax Return on Rate Base % calculation: 3.91% (Weighted Cost of Equity)
* 1.68 (Gross-up)=6.57% (Pre-tax Equity)+ 3.58% (Weighted Cost of Debt)

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests –Tech Session Set #1

Date Request Received: May 6, 2016
Request No.: Hampton Tech Session 1-1

Date of Response: May 13, 2016
Witness: Troy Dixon

REQUEST: Does the 22 basis points reduction to the Proposed Working Capital Allowance that is referred to in the Company's Response to Staff 2-2, mean that the projected increase in the working capital allowance percentage of 883 basis points is now down to 861 basis points?

RESPONSE: No. The working capital percentages in Phase 1 and Phase 2 changed as a result of Staff 2-2. Refer to Staff 2-2 Attachment A. Phase 1 changed from a decrease of 113 basis points to a decrease of 109 basis points from the original working capital percentage. And Phase 2 changed from an increase of 883 basis points to an increase of 851 basis points from Phase 1 of the working capital percentage.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests –Tech Session Set #1

Date Request Received: May 6, 2016
Request No.: Hampton Tech Session 1-2

Date of Response: May 13, 2016
Witness: Troy Dixon

REQUEST: Does the difference of 758 basis points between the new projected increase in the working capital allowance percentage of 861 basis points and the reduction in the working capital allowance percentage of 113 basis points correspond to the new figure of \$22,500 for the Company's proposed Deferred Return on Working Capital set forth in the Company's Response to Staff 2-2? If so, does each basis point therefore equate to \$29.68?

RESPONSE: To clarify, the correct difference in the original working percentage and the revised working capital percentage is 742 basis points (Phase 1 of (1.09%) plus Phase 2 of 8.51%, net change of 7.42%). Mathematically, the dollar value for each basis point change is \$30.32.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #1

Date Request Received: March 21, 2016
Request No.: Hampton 1-6

Date of Response: April 1, 2016
Witness: Debra Kirven

REQUEST: Please set forth whether the Company anticipates in the next rate case that it will be seeking to recoup the "annual deferral of the return on the working capital variance in the amount of \$23,169" in the same manner as it does a WICA surcharge (i.e. as part of the rate) as opposed to a one-time charge?

RESPONSE: If the Commission authorizes the Company to defer the annual working capital variance of \$23,169 until the next general rate proceeding, the deferred balance at the time of the rate case would be imbedded into the revenue requirement. There wouldn't be a separate surcharge relating to the deferred working capital balance.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #3

Date Request Received: April 21, 2016
Request No.: Hampton 3-12

Date of Response: April 28, 2016
Witness: Troy Dixon

REQUEST: Please quantify how much of the 883 basis points increase in working capital allowance would be attributable to shifting the customers identified in response to Hampton 2-11 from in advance to in arrears.

RESPONSE: Transitioning public fire from in-advance to in-arrears accounts for 626 basis points of the 883 basis points change. Although public fire attributes nearly 71 percent of the basis points change, it is caused by the longer lag days to receive payment for these services.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests –Tech Session Set #1

Date Request Received: May 6, 2016
Request No.: Hampton Tech Session 1-4

Date of Response: May 13, 2016
Witness: Troy Dixon

REQUEST: If transitioning public fire from in-advance to in-arrears still accounts for 626 basis points worth of the change, does that mean this public fire transition aspect accounts for \$18,579.68 of the \$22,500 figure set forth in Staff 2-2? If transitioning public fire from in advance to in arrears accounts for a different basis points figure, what is the corresponding dollar figure share of the \$22,500 figure set forth in Staff 2-2?

RESPONSE: The basis points for transitioning public fire from in-advance to in-arrears accounts for 603 basis points of the 851 basis points change in Phase 2, based on the revised working capital calculation presented in Staff 2-2. Mathematically, transitioning public fire from in-advance to in-arrears results in \$18,283 of the \$22,500 deferral.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #3Date Request Received: April 21, 2016
Request No.: Hampton 3-11Date of Response: April 28, 2016
Witness: Troy Dixon

REQUEST: Please set forth how many, and the names of, those customers that the Company currently bills for public fire and indicate what the amount of the bills have been for the past three billing periods of each of those customers.

RESPONSE: The Company bills public fire to the Town of Hampton, the Town of North Hampton, Rye Beach Precinct, and Jenness Beach Precinct. The amounts for the prior three billing periods are presented in the table below:

Billing Period	Town of Hampton	Town of North Hampton	Rye Beach Precinct	Jenness Beach Precinct
January 2016	\$ 237,542.21	\$ 129,647.59	\$ 20,882.83	\$ 36,544.96
July 2015	\$ 234,094.18	\$ 126,908.21	\$ 20,579.70	\$ 36,014.49
January 2015	\$ 236,666.64	\$ 127,765.69	\$ 20,579.70	\$ 36,014.49

BILL ANALYSIS - PUBLIC FIRE SERVICE

Aquarion Water Company of New Hampshire, Inc.
Case No. DW 12-085

Test Year: Twelve Months Ended 12/31/11
Schedule No. 5G
Page 1 of 1

Line No.	Location	Number of Hydrants	Pro Forma - Present Rates		Pro Forma Proposed Rates		Dollar Change	Total Revenue % Change
			Annual Rates	Revenue	Annual Rates	Revenue		
1								
2	Public Fire Service							
3								
4	Town of Hampton	268	1,427.84	\$ 382,661	1,749.20	\$ 468,786	\$ 86,124	22.51%
5								
6	Town of Hampton - WICA Test Year		1.5715%	6,013.52		-	(6,014)	
7								
8	Town of Hampton - WICA Pro Forma 2012		2.1554%	8,247.88		-	(8,248)	
9								
10	Town of Hampton - Subtotal			\$ 396,923		\$ 468,786	\$ 71,863	
11								
12	Town of North Hampton	147	1,427.84	209,892	1,749.20	257,132	47,240	22.51%
13								
14	Town of North Hampton - WICA Test Year		1.5715%	3,298.46		-	(3,298)	
15								
16	Town of North Hampton - WICA Pro Forma 2012		2.1554%	4,524.02		-	(4,524)	
17								
18	Town of North Hampton - Subtotal			\$ 217,715		\$ 257,132	\$ 39,417	
19								
20	Rye Beach Precinct	24	1,427.84	34,268	1,749.20	41,981	7,713	22.51%
21								
22	Rye Beach Precinct - WICA Test Year		1.5715%	538.52		-	(539)	
23								
24	Rye Beach Precinct - WICA Pro Forma 2012		2.1554%	738.62		-	(739)	
25								
26	Rye Beach Precinct - Subtotal			\$ 35,545		\$ 41,981	\$ 6,435	
27								
28	Jenness Beach Precinct	42	1,427.84	59,969	1,749.20	73,466	13,497	22.51%
29								
30	Jenness Beach Precinct - WICA Test Year		1.5715%	942.42		-	(942)	
31								
32	Jenness Beach Precinct - WICA Pro Forma 2012		2.1554%	1,292.58		-	(1,293)	
33								
34	Jenness Beach Precinct - Subtotal			\$ 62,204		\$ 73,466	\$ 11,262	
35								
36	Total Public Fire	481		\$ 712,387		\$ 841,365	\$ 128,978	18.11%
37								
38								
39								
40								

28

EXHIBIT M

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests – Set #1

Date Request Received: March 21, 2016
Request No.: Hampton 1-8

Date of Response: April 1, 2016
Witness: Debra Kirven

REQUEST: If the change in billing practice for Public Fire will not have an impact on the revenues recorded on the Company's income statement, why can't the Company simply leave the current practice in place for Public Fire if making the change would disrupt a municipality's appropriation and tax rate cycle?

RESPONSE: The change in billing practice is to be consistent with Aquarion's regulated operations in Connecticut and Massachusetts. However, based on a discussion with the Town of Hampton's legal counsel and Town Manager on Wednesday March 30th, the Company is looking into the feasibility of the Town's request.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 16-123

Aquarion Water Company's Responses to
Hampton's Data Requests -Tech Session Set #1

Date Request Received: May 10, 2016
Request No.: Hampton Tech Session 1-5

Date of Response: May 13, 2016
Witness: Troy Dixon

REQUEST: Provide, as far back as possible, the number of high bills and leak concessions.

RESPONSE: For the years 2013 through 2015, there were 197 high bills investigations. The customer service group in Connecticut reviews meter reads for high values, and sends letters to customers with higher than usual bills. Those customers that respond to the letters, or call on their own initiative regarding a high bill, trigger a high bill investigation.

During this same three-year period, there were 62 leak concessions. These were all the result of the high bill investigations. The total value of the leak concessions was over \$46,000 ranging from \$45 to \$11,000. It should be pointed out that leak concessions reflect a credit of 50% of the volumetric portion of the bill, with the customer paying the other half.