

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 20-184

SUPPLEMENTAL TESTIMONY

OF

DEBRA A. SZABO

AND

DANIEL R. LAWRENCE

Step Adjustment

June 15, 2022

1 **I. INTRODUCTION**

2 **Q. Ms. Szabo, please state your name and business address.**

3 A. My name is Debra A. Szabo and my business address is 600 Lindley Street,
4 Bridgeport, Connecticut 06606.

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

6 A. I am employed by Aquarion Water Company of Connecticut (“Aquarion CT”) as
7 Director of Rates and Regulation.

8 **Q. Did you previously sponsor testimony in this docket that contains additional**
9 **information on your professional experience and educational background?**

10 A. Yes. I previously submitted direct testimony as part of the Company’s temporary
11 and permanent rate request filed on December 18, 2020.

12 **Q. Mr. Lawrence, please state your name and business address.**

13 A. My name is Daniel R. Lawrence and my business address is 600 Lindley Street,
14 Bridgeport CT 06606.

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

16 A. I am the Vice President of Engineering and Real Estate for Aquarion Water
17 Company of New Hampshire, Inc. (“Aquarion” or the “Company”), Aquarion
18 Water Company of Massachusetts, and Aquarion CT. I am employed by Aquarion
19 CT.

20 **Q. Did you previously sponsor testimony in this docket that contains additional**
21 **information on your professional experience and educational background?**

22 A. Yes. I previously submitted direct testimony as part of the Company’s temporary
23 and permanent rate request filed on December 18, 2020.

1 **Q. Are you familiar with the facilities and capital investments of Aquarion?**

2 A. Yes, I am responsible for the development of the capital investment planning and
3 execution for the Company, working with our Company’s Operations Manager,
4 Mr. McMorran. Maintaining regular contact with the Company’s local
5 management team, including periodic site visits and regular communication,
6 provides me with a familiarity with the Company’s infrastructure.

7 **Q. Ms. Szabo and Mr. Lawrence, what is the purpose of your testimony?**

8 A. The purpose of this testimony is to support the Company’s petition for an increase
9 in distribution rates for a step adjustment pertaining to plant additions placed in
10 service during calendar years 2020 and 2021 along with actual wage, salary and
11 benefit increases for 2021, as described in Section 4 of the Settlement Agreement
12 dated June 1, 2022 (“Settlement Agreement”) by and between the Company, the
13 Department of Energy (“DOE”) Staff, the Office of the Consumer Advocate and
14 the Towns of Hampton and North Hampton. The Settlement Agreement was filed
15 in this docket on June 1, 2022 and resubmitted on June 15, 2022 as Exhibit No. 22
16 for purposes of the Commission’s hearing on June 22, 2022, and is pending review
17 by the Commission. Our testimony addresses project documentation and the
18 revenue requirement calculation for the step adjustment.

19 **Q. Are you presenting any attachments with your testimony?**

20 A. Yes. In addition to this testimony, the following attachments are presented:

21

Attachment	Description
Attachment DAS/DRL-1	Revenue Requirement Calculation
Attachment DAS/DRL-2	Continuing Property Records 2020–2021
Attachment DAS/DRL-3	Asset Additions 2020-2021
Attachment DAS/DRL-4	Project Documentation CONFIDENTIAL

1 **Q. How is your testimony organized?**

2 A. Following this introduction, Section II discusses the Settlement Agreement
3 requirements; Section III explains the revenue requirement calculation; and Section
4 IV describes the project documentation.

5 **II. SETTLEMENT AGREEMENT REQUIREMENTS**

6 **Q. Please describe the Settlement Agreement requirements relative to the step**
7 **adjustment.**

8 A. Section 4 of the Settlement Agreement provides for one step adjustment to recover
9 the costs associated with non-revenue producing projects closed to plant in 2020
10 and 2021, which are placed in service, and used and useful,
11 net of a pending grant and accumulated depreciation, and the 2021 known and
12 measurable wages, salaries, and benefits increase. In accordance with Section
13 4.2(f) of the Settlement Agreement, the step adjustment is capped at \$1,561,436 in
14 allowed revenue requirement.

15 **Q. Does the Settlement Agreement specify a revenue requirement calculation to**
16 **be used for this step adjustment?**

17 A. Yes. Section 4.1(b) through (f) of the Settlement Agreement provides that local
18 property taxes shall not be included in the calculation; state utility property taxes
19 shall be included and calculated using the statutory tax rate in RSA 83-F:2; and
20 depreciation expense should be calculated using the whole-life methodology.
21 Consistent with these requirements, the revenue requirement calculation in
22 Attachment DAS/DRL-1 excluded local property taxes; included state utility
23 property taxes using the statutory tax rate in RSA 83-F:2; and calculated

1 depreciation expense using the whole-life methodology, in accordance with the
2 terms of the Settlement Agreement.

3 **Q. Have there been any revisions to the net plant additions of \$12,094,580**
4 **previously reported on row 6 of page 1 in Appendix 4 to the Settlement**
5 **Agreement?**

6 A. Yes. Net plant additions reflect a reduction of \$3,090 to the accumulated
7 depreciation reported on row 5 of Attachment DAS/DRL-1 page 1 when compared
8 to the accumulated depreciation reported on row 4 of page 1 in Appendix 4¹ to the
9 Settlement Agreement. The reduction reflects a correction to incorporate the
10 impact of meter retirements as show on row 16 of Attachment DAS/DRL-1 page 3,
11 which had not yet been recorded by the Company as of December 31, 2021 and
12 were not previously reported in Appendix 4 to the Settlement Agreement.

13 Additionally, certain adjustments previously reported within the Total Capital
14 Costs in column D of page 3 of Appendix 4 to the Settlement Agreement are now
15 reported separately in column F on page 3 of Attachment DAS/DRL-1. The net
16 plant additions have been increased by \$2,000 to correct an error in the amount
17 previously reported in the Settlement Agreement.

18 Net plant additions reported on row 7 of Attachment DAS/DRL-1 page 1 reflect an
19 increase of \$1,090 as a result of the above changes when compared to the net plant
20 additions reported in Appendix 4 to the Settlement Agreement.

¹ Appendix 4 of the Settlement Agreement appears on Bates 53 – 56 of Exhibit No. 22.

1 **Q. Have the net plant additions been reduced for any grants that are known but**
2 **not yet received by the Company?**

3 A. Yes. The Company has received approval of a \$428,250 grant from the New
4 Hampshire Drinking Water and Groundwater Trust (“DWGT”) related to a portion
5 of the Well 6 PFAS treatment project costs reported on row 11 of Attachment
6 DAS/DRL-1, page 3, and is awaiting reimbursement of costs incurred. Because
7 the grant proceeds have not yet been received, the associated capital costs incurred
8 by the Company are included in the plant additions reported on row 2 of Attachment
9 DAS/DRL-1, page 1, with the pending grant proceeds reported as an adjustment on
10 row 3 of Attachment DAS/DRL-1, page 1.

11 **Q. Are there other potential grants the Company has not reflected?**

12 A. Yes. The Company applied for a low interest loan through the New Hampshire
13 PFAS Remediation Loan Fund to fund the Well 6 PFAS treatment projects costs
14 remaining after consideration of the \$428,250 DWGT grant. The New Hampshire
15 Department of Environmental Services (“NH DES”) has instead conditionally
16 awarded the Company a grant from the PFAS Remediation Loan Fund in the
17 amount of \$1,284,750. The grant is subject to final authorization by the New
18 Hampshire’s Governor’s Council. The NH DES has informed the Company they
19 anticipate presenting the application to the New Hampshire Governor’s Council
20 within the next 30 days. The Company will update its revenue requirement
21 calculation if the grant receives final authorization.

22 **Q. Have there been any other revisions to the Step Adjustment calculation**
23 **provided in Appendix 4 to the Settlement Agreement?**

24 A. No.

1 **Q. Does the Settlement Agreement call for a particular rate design to be used for**
2 **the step?**

3 A. No.

4 **Q. Please describe the methodology the Company proposes to employ to allocate**
5 **the step increase among customer classes.**

6 A. The step increase as a percentage of authorized revenue excluding miscellaneous
7 fees will be applied to each authorized rate, except for small rounding differences
8 in amounts. Specifically, the parties to the Settlement Agreement agreed that the
9 revenue increase would be allocated among classes based on their respective
10 distribution revenue, which is equivalent to each class receiving an equal
11 percentage allocation of such increase.

12 **Q. Has the Company provided revised tariff pages reflecting the new rates after**
13 **consideration of the Step Adjustment?**

14 A. Not at this time. For administrative efficiency, the Company intends to file revised
15 tariff pages once an order approving permanent rates is issued.

16 **III. REVENUE REQUIREMENT CALCULATION**

17 **Q. Please explain how the revenue requirement for the projects for which the**
18 **Company is seeking recovery is calculated in this step adjustment.**

19 A. As shown in Attachment DAS/DRL-1, page 1, the revenue requirement for the step
20 adjustment was calculated by first computing the change in plant between the year
21 ending December 31, 2019 and the year ending December 31, 2021, as shown on
22 line 2. Plant additions are then reduced to exclude any pending grants the Company
23 has been approved for but not yet received, as shown on line 3. Adjustments to
24 reflect the receipt of contributions in aid of construction and a correction to exclude
25 a project closed in error in 2021 further reduce the plant additions, as shown on line

1 4. Finally, plant is reduced by accumulated depreciation as of December 31, 2021
2 representing 1.5 years and a half year for the 2020 and 2021 plant additions,
3 respectively, as shown on line 5, to arrive at eligible net plant additions, as shown
4 on line 7.

5 The return on net plant additions was then calculated as shown on line 9 using the
6 rate of return approved in the Settlement Agreement. The gross revenue conversion
7 factor determined on row 22 is applied to the net plant additions, as shown on row
8 27. Depreciation and state property taxes were added on rows 29 and 31,
9 respectively. The 2021 known and measurable wages, salaries, and benefits
10 increase as per the Settlement Agreement were added on row 34, resulting in a total
11 revenue requirement of \$1,550,182, as shown on row 36.

12 Page 2 of Attachment DAS/DRL-1 provides more detail on the plant placed in
13 service during the calendar year 2020. The detail of the plant placed in service is
14 provided in Attachments DAS/DRL-2 and DAS/DRL-3.

15 Page 3 of Attachment DAS/DRL-1 provides more detail on the plant placed in
16 service during the calendar year 2021. The detail of the plant placed in service is
17 provided in Attachments DAS/DRL-2 and DAS/DRL-3.

18 Page 4 of Attachment DAS/DRL-1 provides more detail on the 2021 known and
19 measurable wages, salaries, and benefits increase agreed to in Section 4.1(a) of the
20 Settlement Agreement. The supporting details for these values are derived from
21 Appendix 5 in the Settlement Agreement.²

² Appendix 5 of the Settlement Agreement appears on Bates 57 - 52 of Exhibit No. 22.

1 **Q. Does the revenue requirement exceed the Step Adjustment not-to-exceed**
2 **threshold?**

3 A. No. The revenue requirement of \$1,550,182 does not exceed the capped threshold
4 of \$1,561,436 in allowed revenue requirement as defined in Section 4.2(f) of the
5 Settlement Agreement.

6 **IV. PROJECT DOCUMENTATION**

7 **Q. Please explain the project documentation in support of implementation of the**
8 **step adjustment.**

9 A. The Company seeks approval to commence cost recovery for the non-revenue
10 generating capital additions in 2020 and 2021, all of which are used and useful and
11 were placed in service on or before December 31, 2021. Attachment DAS/DRL-2
12 provides the Company's continuing property records as of December 31, 2020 and
13 2021. Attachment DAS/DRL-3 provides additional plant details regarding gross
14 plant additions, including a cross-reference to the project documentation provided
15 as Attachment DAS/DRL-4.

16 **Q. Has any of this documentation previously been provided to the Commission or**
17 **DOE audit staff?**

18 A. Yes. Attachment DAS/DRL-1 was previously provided as Appendix 4 to the
19 Settlement Agreement, with the exception of certain adjustments and corrections
20 as described earlier in this testimony.

21 In addition, the following documentation was previously provided to DOE Audit
22 Staff on April 4, 2022:

- 23 • Attachment DAS/DRL-2 as Audit Request #1 Attachment 1.
- 24 • Attachment DAS/DRL-3 as Audit Request # 1 Attachment 2, with the
25 exception of certain formatting and explanatory footnotes.
- 26 • Attachment DAS/DRL-4 as Audit Request # 2 Attachment 1.

1 **Q. Has the Company identified any adjustments that are reflected in the Step**
2 **Adjustment in Attachment DAS/DRL-1 but are not reflected in the continuing**
3 **property records in Attachment DAS/DRL-2?**

4 A. Yes. The Company identified \$161,995 of meter retirements that should have been
5 reported as of December 31, 2021 but are not reflected in the continuing property
6 records. Additionally, the Company included an adjustment in the step adjustment
7 calculation to reduce the net plant additions as reported in the continuing property
8 records for pending grant proceeds of \$428,250 related to several assets in the Well
9 6 PFAS treatment project XC230-2020-003, a contribution in aid of construction
10 of \$247,465 related to asset no. 1010003835, and \$18,657 related to asset no.
11 1010003467, which was closed in error in 2021.

12 **Q. Has the Company identified any adjustments that are reflected in the Step**
13 **Adjustment in Attachment DAS/DRL-1 but are not reflected in the asset**
14 **additions in Attachment DAS/DRL-3?**

15 A. Yes. The Company included an adjustment in the step adjustment calculation to
16 reduce the asset additions reported in Attachment DAS/DRL-3 for pending grant
17 proceeds of \$428,250 related to several assets in the Well 6 PFAS treatment project
18 XC230-2020-003, a contribution in aid of construction of \$247,465 related to asset
19 no. 1010003835 and \$18,657 related to asset no. 1010003467 which was closed in
20 error in 2021.

21 **Q. Is the WICA impacted by the step adjustment?**

22 A. The step adjustment will not impact the WICA surcharge. The WICA surcharge
23 will be reset to zero as part of the Settlement Agreement and a new WICA surcharge
24 will not be implemented until the Company's next WICA request filing, expected

Testimony of Debra A. Szabo and Daniel R. Lawrence for Step Increase

1 to be around February 2023 for WICA plant additions placed in service during
2 2022.

3 **Q. Ms. Szabo and Mr. Lawrence, does this conclude your testimony?**

4 **A.** Yes, it does.