

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Response to PUC Record Request

Request Issued: June 22, 2022

Date of Response: June 24, 2022

Request No.: RR 1-1

Witness: D. Szabo

REQUEST: Reference the weighted cost of capital computation on Bates page 6 of Exhibit 22 filed on June 15, 2022. Solve for the common equity cost assuming a 50/50 capital structure using the long term debt cost of 5.68% and weighted cost of capital of 7.54%.

RESPONSE:

The Company calculated the cost of common equity that would result from the hypothetical capital structure posed by Chairman Goldner at the June 22, 2022 evidentiary hearing. In this hypothetical, the cost of common equity rate would increase from 9.10 percent as contained in the Settlement Agreement (Exhibit 22 at Bates 6), to 9.40 percent. As instructed, this calculation assumes a 50/50 capital structure, long term debt cost of 5.68% and a weighted cost of capital of 7.54%, as shown in following table:

	Percentage	Cost	Weighted Cost
Long-Term Debt	50.00%	5.68%	2.84%
Preferred Equity	0.00%	6.00%	0.00%
Common Equity	50.00%	9.40%	4.70%
WACC	100.00%		7.54%

In comparison, the Settlement Agreement is based on the following capital structure, as shown in Exhibit 22 at Bates 6:

Weighted Cost of Capital Computation

	Percentage	Cost	Weighted Cost
Long-Term Debt	45.57%	5.68%	2.59%
Preferred Equity	0.01%	6.00%	0.00%
Common Equity	54.42%	9.10%	4.95%
WACC			7.54%

The capital structure, long term debt cost, cost of common equity, and the overall weighted cost of capital contained in the Settlement Agreement were negotiated terms among the settling parties and fundamental to the balance of consideration achieved in the Settlement Agreement.