

STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Aquarion Water Company of New Hampshire, Inc.

DOCKET NO. DW 20-184

NOTICE OF INTENT TO FILE RATE SCHEDULES

Petition for Temporary and Permanent Rates

Pursuant to RSA 378:27 and 378:28 and N.H. Code Admin. Rules PART Puc 1604 and Puc 203.06, Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”) hereby petitions for the Commission to fix and determine permanent rates to be effective for service rendered on and after February 1, 2021, as well as temporary rates to be effective on and after February 1, 2021, pending the Commission’s final determination on the Company’s request for a permanent rate increase, and for such other relief as requested. In support of this Petition, Aquarion states the following:

1. On November 18, 2020, Aquarion filed with the Commission its Notice of Intent to File Rate Schedules pursuant to N.H. Code Admin. Rules Puc 1604.05. Contemporaneous with this Petition for Permanent and Temporary Rates, the Company is filing proposed revised tariff pages, supporting testimony, and schedules requesting: changes to the Company’s permanent rates that are intended to yield an annual increase of \$1,373,351 in permanent distribution revenues to be effective February 1, 2021; and that temporary rates established at the same level as currently effective rates to be effective February 1, 2021.

2. The Company is filing this case consistent with the April 15, 2019 settlement in Docket Nos. DW 18-161 and DW 18-054 and approved in Order No. 26,245 (May 2, 2019). The settlement in those dockets requires a full rate proceeding to be filed no later than 2020, utilizing

the prior year as a test year. Further, under the rates currently in effect, and despite its thorough cost controls, Aquarion is unable to earn the rate of return authorized by the Commission in its last rate case, Docket No. DW 12-085. Accordingly, it is necessary and appropriate for the Commission to review and set new rates for Aquarion.

3. With respect to temporary rates, pursuant to RSA 378:27:

In any proceeding involving the rates of a public utility brought either upon motion of the commission or upon complaint, the commission may, after reasonable notice and hearing, if it be of the opinion that the public interest so requires, immediately fix, determine, and prescribe for the duration of said proceeding reasonable temporary rates; provided, however, that such temporary rates shall be sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such reports.

4. Included with this petition is the testimony and supporting information of Debra A. Szabo, the Company's Director-Rates and Regulations, supporting the Company's request to establish temporary rates at the level of current rates. More particularly, the Company is requesting to adjust its rates by moving the revenue attributable to the Water Infrastructure and Conservation Adjustment ("WICA") into the Company's base rates, but otherwise leaving the rate level unchanged. Making the requested adjustment will not result in any change in the current overall rates paid by customers, but will establish a point in time for the ultimate effective date of permanent rates approved by the Commission.

5. As described in Ms. Szabo's testimony, the Company earned 7.30 percent return on equity ("ROE") for the test year ending December 31, 2019, which is 230 basis points below the 9.6 percent ROE deemed appropriate in Aquarion's last distribution rate proceeding. *See* Order No. 25,123 (June 28, 2010) at 33-34. While the present level of recovery is below Aquarion's authorized level, in the interest of accommodating the more immediate needs of its customers,

Aquarion proposes to maintain the temporary rates at the level of current rates during the pendency of this proceeding. Aquarion believes that maintaining temporary rates consistent with current rates, subject to the adjustment for the WICA noted above, will be a sufficient rate level for this limited duration to provide a reasonable return on the investment used and useful in the public service.

6. The Commission's analysis of a temporary rate request need not be as exhaustive as a permanent rate request. *See, New England Telephone and Telegraph Co. v. State*, 95 N.H. 515 (1949); cited in *Appeal of the Office of the Consumer Advocate*, 134 N.H. 651, 660 (1991); cited in *Re Hanover Water Works' Company, Inc.*, 91 NH PUC 590, 592 (2006). Even if some questions may exist regarding figures in a temporary rate filing, such questions must be truly significant to deny the request for temporary rates. *Re Connecticut Valley Electric*, 81 NH PUC 724, 726 (1996). In this case, as the Company has requested to maintain the current rate levels, it would be appropriate to limit the Commission's inquiry in establishing temporary rates. Further, setting temporary rates at the current rate level should allow the temporary rates portion of the docket to conclude quickly and allow the parties to focus on the substantive matters presented in the permanent rate filing.

7. With respect to the Company's permanent rate filing, the Company's rate request is supported by the following testimony:

- Testimony of Donald Morrissey, Aquarion's President, discussing the Company's overall goals, policies, and objectives, and introducing other witnesses;
- Testimony of John P. Walsh, Aquarion's Vice President of Operations and Utility Innovation, discussing the Company's compliance with various Company commitments surrounding the evaluation and remediation of PFAS contamination, the Company's work

toward building a second tank to allow for the rehabilitation of the Exeter Road tank, and other issues;

- Testimony of Daniel R. Lawrence, Aquarion’s Vice President of Engineering and Real Estate, discussing Aquarion’s approach to capital investment, an overview of the available water in service in 2020 and improvements intended for future years to meet current and future water demands, a summary of the Company’s investments into the water distribution system since the last rate request, and related issues;

- Testimony of Carl R. McMorran, Aquarion’s Operations Manager, who discusses the Company’s water system operations and cost optimization efforts and similar matters;

- Testimony of Debra A. Szabo, the Company’s Director-Rates and Regulations, discussing the Company’s general financial status along with its billing analysis, revenue and expense adjustments, rate design and tariff changes, as well as the status of the WICA surcharge, the proposed step adjustments and rate adjustment mechanisms;

- Testimony of Dylan W. D’Ascendis, Director at ScottMadden, Inc., who presents evidence and provides a recommendation regarding the Company’s ROE and an assessment of the capital structure to be used for ratemaking purposes;

- Testimony of Ned W. Allis, Vice President of Gannett Fleming Valuation and Rate Consultants, LLC, presenting the depreciation study performed for Aquarion; and

- Testimony of John F. Guastella of Guastella Associates, Inc., providing testimony in support of the cost of service and rate design studies used by Aquarion in developing its proposed distribution rates and prepared consistent with the requirement in the Company’s last rate case. *See* Order No. 25,539 at 25.

8. As described through the above-identified testimony, and the accompanying attachments and other information, Aquarion's filing demonstrates that the present operating deficiency exists primarily due to the substantial amount of capital investment made as part of Aquarion's efforts to upgrade its system infrastructure over the past eight years along with commensurate increases in property tax expenses. Absent rate relief, the Company will not have a reasonable opportunity to earn a reasonable return on cost of its property that is used and useful in the public service, resulting in a confiscation of the Company's property.

9. The Company's overall request is for a permanent rate change of \$1,373,351 representing an adjustment of approximately 18.0 percent on a total bills basis. Such an increase would permit the Company a reasonable opportunity to earn a reasonable return in line with similarly situated companies. Specific bill impacts are set out in the accompanying testimony.

10. The reports on file with the Commission and the supporting documents filed with this Petition demonstrate that the Company is entitled to the increases in rates outlined above to have an opportunity to earn a reasonable rate of return as required by RSA 378:27 and :28. The rate adjustments requested by the Company result in rates that are just and reasonable and in the public interest and should, therefore, be approved.


WHEREFORE, Aquarion respectfully requests that the Commission:

- A. Grant the Company's request for a permanent rate increase of \$1,373,351 as described in the included testimony and supporting information;
- B. Establish temporary rates at the level of current rates during the pendency of this proceeding; and
- c. Order such further relief as may be just and equitable.

Respectfully submitted,

Aquarion Water Company of New Hampshire, Inc.
By Its Attorney


Dated: December 18, 2020

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CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, I caused the attached to be served pursuant to N.H. Code Admin. Rule Puc 203.11.

December 18, 2020
Date


Matthew J. Fossum