

**STATE OF NEW HAMPSHIRE**

**BEFORE THE**

**PUBLIC UTILITIES COMMISSION**

**AQUARION WATER COMPANY OF NEW HAMPSHIRE**

**DOCKET NO. DW 20-184**

**DIRECT TESTIMONY**

**OF**

**DONALD J. MORRISSEY**

**December 18, 2020**

Testimony of Donald J. Morrissey

1 **I. INTRODUCTION AND OVERVIEW OF TESTIMONY**

2

3 **Q. Please state your name and business address.**

4 A. My name is Donald J. Morrissey and my business address is 835 Main Street, Bridgeport,  
5 Connecticut 06604.

6

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

8

9 A. I am the President of Aquarion Water Company of Connecticut and an Officer of the  
10 same title for Aquarion Water Company of New Hampshire (“Aquarion”, the  
11 “Company”, or “AWC-NH”) and Aquarion Water Company of Massachusetts (AWC-  
12 MA).

13

14 **Q. Please describe your educational, business, and professional background.**

15 A. Please see Appendix A for a summary of my educational, business and professional  
16 background, including testimonies before other regulatory agencies.

17

18 **Q. Have you previously testified before the New Hampshire Public Utilities Commission**  
19 **(the “Commission”) or any other regulatory commission?**

20 A. I have testified before the Commission for the Eversource Energy (“Eversource”) change  
21 of control docket – Docket No. DW 17-114 - Joint Petition for Approval of the  
22 Acquisition of Aquarion Water Company of New Hampshire, Inc. by Eversource Energy  
23 and have testified on numerous occasions before the Connecticut’s Public Utilities  
24 Regulatory Authority on matters regarding Aquarion Water Company of Connecticut.

25

26 **Q. What is the purpose of your testimony in this proceeding?**

27 A. My testimony will address the following areas, including: (I) an overview of Aquarion,  
28 (II), an introduction to the other witnesses who are offering testimony in support of  
29 Aquarion’s application and describe generally the subject each will cover, (III) the  
30 Company’s current need for rate relief to continue to meet its obligations to supply water  
31 in a safe and reliable manner, (IV) the key drivers behind the case, (V) the synergies and

## Testimony of Donald J. Morrissey

1 other benefits resulting from our 2017 affiliation with Eversource, (VI) status of the Water  
2 Infrastructure Conservation Adjustment (“WICA”) mechanism, and (VII) the importance  
3 of the Company’s request for multiple step adjustments in this rate application.

4 Additionally, in sections (VIII) and (IX) I will discuss the Company’s response to the  
5 COVID pandemic and provide concluding remarks, respectively.

### 6 7 **I. DESCRIPTION OF THE COMPANY**

#### 8 9 **Q. Please provide an overview of Aquarion.**

10 A. Aquarion is the largest investor-owned water company in New Hampshire and, in  
11 combination with its affiliates, the largest investor-owned water company in New  
12 England. Aquarion Water Company of New Hampshire, Inc. was incorporated in 1889  
13 as Hampton Water Company, and first provided water service in July 1907. Aquarion  
14 serves a population of approximately 17,500 year round, increasing to approximately  
15 31,000 in the summer, in 4 towns in New Hampshire, and provides fire protection service  
16 to the majority of those communities. The collection, treatment and supply of clean  
17 potable water is a capital-intensive process that requires extensive plant, equipment and  
18 pipes with high levels of regulatory oversight to ensure that there is a reliable supply of  
19 safe, clean water to our customers.

20  
21 The Company currently has 11 employees who are supported by affiliates in other states  
22 for customer service, engineering services and back office operations. This support  
23 results in savings to the Company’s customers by not having to support the cost of these  
24 services on their own. For our fiscal year ending December 31, 2019, the Company had  
25 operating revenues of \$7.2 million and net utility plant of over \$35 million.

#### 26 27 **Q. Please describe Aquarion’s overall goals and objectives.**

28 A. Aquarion’s mission continues to be the water service provider, employer and investment  
29 of choice through our strong commitment to excellence. Aquarion is committed to  
30 continuing to provide New Hampshire customers with high quality water and water

## Testimony of Donald J. Morrissey

1 service at affordable rates through cost-efficient operations. We feel that we meet that  
2 commitment and continue to provide safe and reliable service to our customers,  
3 exemplary customer service and maintain efficient operations.

### 4 5 **II. TESTIMONY OF OTHER WITNESSES**

6  
7 **Q. Please describe briefly the other testimony offered by Aquarion in support of this**  
8 **application.**

9 A. In addition to my testimony, the Company also offers the testimony of the following  
10 individuals:

11  
12 **John P. Walsh**, Vice President of Operations and Utility Innovation, who discusses: (I)  
13 commitments to public officials in both Hampton and North Hampton that the Company  
14 would pursue several important initiatives in its effort to continue to provide reliable,  
15 high quality water to its customers; (II) evaluating and addressing the risk of PFAS  
16 contamination in the Company's wells; (III) building a second tank to allow for the  
17 rehabilitation of the Exeter Road tank; (IV) obtaining a permit to use Well 22; (V)  
18 providing regular hydrant maintenance reports to Town officials; and (VI) the  
19 Company's efforts to communicate with public officials and customers to keep them  
20 informed and facilitate feedback from them regarding Aquarion's performance.

21  
22 **Daniel R. Lawrence**, Vice President of Engineering and Real Estate, describes: (I) the  
23 Company's overall approach to capital investment; (II) an overview of the available  
24 water in service in 2020 and improvements that will occur in subsequent years to meet  
25 current and future water demands; (III) a summary of investments into the water  
26 distribution system since the last rate request and were recovered within the WICA  
27 program; (IV) a summary of infrastructure improvements completed in 2020 that are  
28 included within the rate case as pro forma adjustments; and (V) a summary of the major  
29 capital investments to be included in the proposed steps.

30

## Testimony of Donald J. Morrissey

1 **Carl McMorran**, Operations Manager, describes: (I) overview of the Company's water  
2 system operations; (II) the Company's cost optimization efforts; (III) rescinding the  
3 Eligible Well monitoring requirements from Docket No. DE 97-226; (IV) some of the  
4 major infrastructure improvements since the Company's last rate case (particularly the  
5 Mill Road Water Treatment Plant, Well 22 and the Little River Water Treatment Plant,  
6 and Fixed Base Leak Loggers); and (V) the Company's activities and plans related to  
7 PFAS.

8  
9 **Debra A. Szabo**, Director-Rates and Regulations, describes: (I) current financial  
10 condition and need for rate relief; (II) pro forma revenue and expense adjustments to the  
11 historical test year data; (III) balance sheet and pro forma rate base; (IV) pro forma  
12 capitalization and rate of return; (V) billing analysis, revenue adjustments, rate design  
13 and tariff changes; (VI) the WICA surcharge; (VII) proposed step increases in this rate  
14 case as a means of implementing capital investment outside the WICA rate adjustment;  
15 and (VIII) proposed rate adjustment mechanisms related to property taxes and revenue  
16 decoupling.

17  
18 **Dylan W. D'Ascendis**, Director at ScottMadden, Inc., presents expert evidence, analysis  
19 and a recommended range regarding the appropriate cost of equity and overall fair rate of  
20 return that the Authority should allow to permit Aquarion an opportunity to earn on its  
21 rate base devoted to public service.

22  
23 **Ned W. Allis**, Vice President at Gannett Fleming Valuation and Rate Consultants, LLC,  
24 provides expert testimony on the Company's recent depreciation study and explains its  
25 depreciation expense.

26  
27 **John F. Guastella**, of Guastella Associates, LLC, presents expert evidence on a cost of  
28 service and rate design study that established the Company's proposed rates, including  
29 support for the Company's proposed inclining block rate in this application.

30

1 **III. THE NEED FOR RATE RELIEF AND TIMING OF CURRENT RATE CASE**

2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

**Q. Please summarize the Company's need for rate relief.**

A. Aquarion is seeking to increase its rates at this time to enable it to continue to meet its public commitment to customers to provide high-quality water and water service in a cost-efficient manner. This commitment requires Aquarion to continually make prudent investments in new and replacement infrastructure.

**Q. Why is Aquarion requesting rate relief at this time?**

A. The Company submits this rate filing in accordance with Commission Order No. 26,245, dated May 2, 2019 in Docket Nos. DW 18-161 and DW 18-054 which requires a full rate proceeding to be filed no later than 2020, utilizing the prior year as its test year. The Company is cognizant of the financial hardships that the COVID pandemic has placed on its customers. In fact, the Company had recently pursued a delay of the filing in recognition of these hardships but was unsuccessful in its pursuit.

As this application demonstrates, Aquarion has continued to work very hard to improve the way we operate and serve our customers, maintain a lean workforce, and leverage technology and our affiliation with Eversource to achieve operating efficiencies throughout the Company. The Company, however, needs to continue to meet its service obligation by assuring our customers of a safe and adequate supply and a delivery system that our customers can continue to rely on

Ideally, the Company would always look to delay any potential increase in rates. However, it has been more than eight (8) years since the Company's last rate case application in Docket No. DW 12-085. Since that time, the Company has made approximately \$23 million of capital investments necessary to provide safe and reliable water customers to customers. These investments increased rate base \$12.8 million, or 55% since the last rate case, and \$8.1 million of which is not currently recovered in rates. These capital investments not only ensure safe and reliable service to customers, they also benefit the municipalities we serve by generating substantial property taxes that are

## Testimony of Donald J. Morrissey

1 also not currently recovered in rates. These capital investments and the associated  
2 increase to property taxes are the principle drivers behind the rate relief requested in this  
3 rate application.

4  
5 An additional driver behind the requested rate relief is the need for approval of the  
6 Company's water investment conservation adjustment ("WICA"), that will enable the  
7 Company to continue to make future capital investments at levels that are necessary to  
8 address our aging infrastructure, mitigate leaks, and continue to provide safe and reliable  
9 service for our customers.

10  
11 As the Commission is aware, this necessary investment in infrastructure also assists the  
12 New Hampshire economy by providing dependable and cost-effective service to New  
13 Hampshire's residents and businesses, providing significant property taxes paid to New  
14 Hampshire's municipalities, and also by providing jobs to our employees and to local  
15 contractors and vendors who support our local economy.

16  
17 Despite our recent successes in reducing and minimizing our costs wherever possible  
18 including the efficiencies we have realized through our affiliation with Eversource in  
19 2017, the continued need to invest in infrastructure and increasing costs of running a  
20 modern water utility have made this rate application necessary.

### 21 22 **IV. KEY DRIVERS OF THE RATE APPLICATION**

23  
24 **Q. Please explain in greater detail the key drivers of this rate application.**

25 **A** While Aquarion has been able to minimize the amount of the proposed rate increase by  
26 finding ways to reduce and contain costs where possible, there are three main drivers  
27 behind the need for rate relief.

28  
29 The Company will have invested over \$23 million in new utility plant and systems since  
30 the last general rate decision in 2013. These investments, which include certain proforma  
31 adjustments, are essential to maintaining Aquarion's safe and reliable water service. The

## Testimony of Donald J. Morrissey

1 pro forma adjustments include four large projects integral to the service reliability of the  
2 system. Those projects are discussed in more detail in Mr. Lawrence's testimony.  
3 Depreciation expense, driven by these investments, accounts for \$290 thousand, or 21.1  
4 percent, of the rate request.

5  
6 Second, operating expenses, many of which are outside the Company's control and have  
7 been mitigated by certain cost reductions and savings in other parts of the Company's  
8 business, have increased 10.0 percent, reflecting only a 1.2 percent compound annual  
9 growth rate, since the last rate case. These expenses account for \$316 thousand, or 23.1  
10 percent, of the rate request. Such costs include pumping, treatment and other costs to  
11 deliver water to our customers' homes and businesses; and increases in the cost of  
12 healthcare for employees over the past eight years.

13  
14 Third, a necessary byproduct of any public service company's capital investment  
15 program is increased municipal property taxes. The property taxes attributed to non  
16 WICA capital investments made and placed in-service since the last rate case in 2013  
17 account for \$189 thousand, or 13.8 percent, of the rate request. Absent an alternative  
18 means of cost recovery, these costs contribute to the need for frequent rate case filings,  
19 which is administratively inefficient and costly for customers. To address this, the  
20 Company proposes in this proceeding the creation of a Property Tax Reconciliation  
21 Adjustment Mechanism whereby each year the most recent municipal and state property  
22 tax bills are reconciled to the amount currently collected in rates. This is further discussed  
23 in the testimony of Ms. Szabo.

24  
25 **Q. Is the Company proposing any other rate mechanisms?**

26 **A.** Yes, the Company is proposing the creation of a revenue adjustment mechanism  
27 ("RAM") to decouple revenue. Specifically, the proposed decoupling mechanism will be  
28 based on a "total revenues" construct, and would reconcile the difference between the  
29 actual annual revenues and the revenues authorized by the Commission in the company's  
30 most recent general rate case.

31



## Testimony of Donald J. Morrissey

1 Implementing a RAM will ensure that the Company will recover only its authorized  
2 revenue requirement in a given year, and no more or no less. A symmetrical revenue  
3 decoupling mechanism will provide a measure of protection for customers in the event  
4 the proposed rate design, which includes an inclining block rate for the residential class  
5 (refer to the testimony of Mr. Guastella), generates revenue above authorized levels.  
6 Conversely, if revenues decline below authorized levels the RAM will enable the  
7 Company to recover its revenues, as approved by the Commission, for a given period.  
8

9 **Q. Does a RAM guarantee a company's earnings at a given level?**

10 A No. A RAM does not guarantee a company's earnings at a given level. Rather it gives a  
11 company the opportunity to earn its authorized return.  
12

13 **Q. What has the Company done specifically to assist customers facing economic  
14 challenges?**

15 A. The Company recognizes that many of our customers face economic challenges. We are  
16 sensitive to their plight and try to work with them to ensure that they are treated with  
17 respect and continue to receive water service. In January 2020, Aquarion introduced a  
18 Customer Assistance Program, which is a voucher system for low-income customers. A  
19 one-time voucher of up to \$50 will be granted to customers who are either homeowners  
20 in Aquarion's service territory or contractual renters, who pay a monthly water bill. In  
21 addition, the Company provides flexible payment arrangements, and will work with the  
22 customers who are having difficulty paying their bill to work out a reasonable payment  
23 program in order to avoid water shut offs. Also, Aquarion was a signatory to the  
24 agreement filed in September 2020 in Docket No. IR 20-089 among numerous parties,  
25 including nearly every public utility in New Hampshire, describing the accommodations  
26 Aquarion will make for its customers as result of the current economic difficulties.  
27

1 **V. BENEFITS RESULTING FROM THE 2017 EVERSOURCE TRANSACTION**

2

3 **Q. Please summarize the impact of the Company becoming an affiliate of Eversource in**  
4 **2017.**

5 A. In 2017, the Commission’s approval in Docket No. DW 17-114 enabled Aquarion to  
6 become an affiliate of Eversource. The 2017 transaction presented a unique opportunity  
7 to combine two companies that share a strong commitment to operational excellence and  
8 customer service.

9

10 The combination of Evesource and Aquarion has been a resounding success. For  
11 example, Aquarion’s customer service and investment in the infrastructure that is  
12 necessary to deliver safe and reliable water service have improved since the 2017  
13 transaction closed.

14

15 Additionally, the testimony of Ms. Szabo demonstrates that numerous efficiencies and  
16 cost savings have resulted from the combination, such as: the procurement of services  
17 and materials that leveraged the greater buying power of the combined entity to negotiate  
18 favorable pricing terms and conditions where there is vendor overlap; leveraging best  
19 practices among affiliates; and standardizing practices that help drive efficiencies. Ms.  
20 Szabo’s testimony also explains that the savings resulting from the 2017 transaction will  
21 exceed Eversource’s and Aquarion’s costs to achieve the transaction.

22

23 **VI. WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT (“WICA”)**

24

25 **Q. Please explain the benefits of the WICA program and why it should be a permanent**  
26 **program?**

27 A A WICA, or similar program, has been implemented in 22 states, and was intended to  
28 increase system reliability, improve service to the customer, and reduce water lost due to  
29 leakage. The WICA program has been implemented successfully thus far in New

## Testimony of Donald J. Morrissey

1 Hampshire. The greatest benefit arising from the implementation of the WICA program  
2 has been that it provides a fair and transparent regulatory framework that supports the  
3 increase in the level of capital investment required by the Company to address the  
4 problems associated with aging infrastructure. Investments made under the WICA  
5 program benefit customers by enhancing service reliability and quality and reducing lost  
6 water levels over time. The details of these benefits, and objectives of this program, will be  
7 further explained in the testimonies of Mr. Lawrence, Ms. Szabo and Mr. McMorran.  
8 Given the benefits of the WICA program, in Aquarion’s assessment, the program should  
9 become a permanent fixture in New Hampshire.

### 10 11 **VII. GOING FORWARD CAPITAL EXPENDITURES**

12  
13 **Q. What is the Company’s proposal with regard to going forward capital  
14 expenditures?**

15 A. As described previously, the Company is proposing a continuation of the WICA  
16 program to enable the Company to continue to make future capital investments at levels  
17 that are necessary to address our aging infrastructure, mitigate leaks, and continue to  
18 provide safe and reliable service for our customers. In addition to the WICA, the  
19 Company is currently planning and preparing for significant treatment-related  
20 investments in the coming years that are not eligible for recovery through the WICA  
21 program. These investments are necessary to address new water quality standards  
22 surrounding per- and polyfluoroalkyl (“PFAS”) and arsenic contaminants and to  
23 accommodate a higher production capacity with the development of Well 22. Please  
24 refer to the testimonies of Mr. McMorran and Mr. Lawrence for additional details of  
25 these future plant investments.

26  
27 To extend the time period in which a rate case would be required to address these  
28 necessary investments, the Company is proposing multiple step adjustments which will  
29 also serve to moderate bill impacts on customers by reflecting the impact of this rate  
30 application on customers through gradual annual step increases over a three year period.

31

## Testimony of Donald J. Morrissey

1 The Commission has regularly approved multiple step adjustments for New Hampshire's  
2 other utilities. For example, this year both Liberty Utilities and Aquarion's affiliate,  
3 Public Service of New Hampshire d/b/a Eversource Energy, received approval for  
4 multiple step increases in Docket Nos. DE 19-064 and DE 19-057, respectively, and in  
5 2017, the Commission approved step adjustments for Liberty Utilities and Unitil in  
6 Docket Nos. DE 16-383 and DE 16-384, respectively. As the Commission has noted, it  
7 has authorized "step adjustments to rates as a means of ensuring that a regulated utility  
8 retains its ability to earn a reasonable rate of return after implementing large capital  
9 projects that increase the utility's rate base after a test year." *Public Service Company of*  
10 *New Hampshire*, Order No. 25,123 (June 28, 2010) at 31; *see also Unitil Energy Systems,*  
11 *Inc.*, Order No. 25,214 (April 26, 2011) at 25. In that Aquarion will be implementing  
12 necessary large capital projects following test year, including step adjustments in this  
13 case to account for the addition of those projects to Aquarion's rate base is reasonable  
14 and appropriate and will help to avoid the need for more frequent rate cases which carry  
15 greater costs and administrative inefficiencies with them.

16  
17 The testimonies and exhibits of the Company's witnesses in this case demonstrate that  
18 the Company has successfully executed the capital plan from its last rate case. This  
19 proven track record—coupled with the Company's 2017 affiliation with Eversource  
20 which is committed to making the necessary infrastructure investments to ensure safe and  
21 reliable service—provides assurance that Aquarion will successfully execute the capital  
22 plan presented in this rate filing. As demonstrated in the testimony of Ms. Szabo, the  
23 elevated level of non-WICA capital expenditures is significant to that point that, on their  
24 own, the costs for which would necessitate multiple sequential rate cases. In order to  
25 avoid that potential, the Company is proposing to implement step adjustments to base  
26 rates, based on the actual plant investments placed in service in a given calendar year.  
27 The specifics of the mechanism are described in greater detail in Ms. Szabo's testimony.

28  
29 Implementing this regulatory framework will benefit customers in further delaying future  
30 rate cases and the costs associated with them. Due to the magnitude of some of these  
31 projects, if the step adjustments are not allowed, the Company will have no choice but to

## Testimony of Donald J. Morrissey

1 file a rate case for recovery of each capital investment as the investment is put into  
2 service, at which time the Company's rates would be updated to reflect changes in its full  
3 cost of service (capital and operating expenses) rather than just capital expenditures as  
4 proposed herein.

### 5 6 **VIII. COVID PANDEMIC**

#### 7 8 **Q. How has the Company responded to the COVID Pandemic?**

9 A. As noted briefly above, the Company has waived all late and reconnection fees, and is  
10 not disconnecting any customers regardless of their payment status. In 2020, prior to the  
11 COVID-19 pandemic, the Company implemented a Customer Assistance Program to  
12 provide a benefit to customers who may be struggling with cost of basic needs where a  
13 credit of \$50 is applied to a customer's bill when approved. In May 2020, the Company  
14 began offering a new program that provides a flexible, adaptable payment plan for any  
15 customer who requests it during the pandemic for up to 24 months. Residential and  
16 commercial customers can enroll in this program through March 31, 2021.

17 Specifically, the flexible payment plan:

- 18 • Is not based on financial need;
- 19 • Does not require an initial down payment;
- 20 • Does not charge fees or interest from time of pandemic to end of payment plan;
- 21 • Waives any fees or interest in the calculation of the monthly payment amount;
- 22 • Customers who identify as "hardship" can self certify, which provides a 60 day  
23 suspension from shutoffs until certification can be verified by our customer  
24 assistance program vendor, Wellspring.

25 Additionally, the Company is a signatory to an agreement that has been approved by the  
26 Commission to extend the waiver of late payment charges, and to provide particular  
27 protections for financial hardship customers, among other things.

28

1 **IX. CONCLUSION**

2  
3 **Q. Are there any final concluding remarks that you would like to make in your**  
4 **testimony?**

5 A. Yes. While no one likes to see rates increase, at times such increases are necessary to  
6 ensure the safe and reliable delivery of water service. We have delayed filing this rate  
7 application as long as reasonably possible, and it has been eight years since our last rate  
8 case. The testimony of the witnesses in this application demonstrates in great detail the  
9 various steps we have taken to manage our costs wherever possible through many cost  
10 containment initiatives, while still providing safe and reliable water service and excellent  
11 customer service. We continue to work hard at being efficient and to cut back where  
12 possible, bearing in mind that cutting back on safety, customer service or maintaining  
13 critical water infrastructure are not viable options.

14  
15 However, based on our continued investments in our infrastructure and despite our efforts  
16 to control costs, this rate application is necessary at this time to recover in rates the  
17 infrastructure investments we have made over the past eight years that have enabled us to  
18 provide safe and reliable water service to our customers. This rate application is also  
19 necessary so that we can begin to recover in rates the increased municipal property taxes  
20 that have resulted from our infrastructure investments since the last rate case.

21  
22 We hope that the Commission, as well as other interested parties, after carefully  
23 reviewing the rate application, will understand that a rate adjustment is necessary at this  
24 time to recover these past infrastructure investments and increased property taxes in rates.  
25 After carefully reviewing the facts of this case, the Commission, other parties to this  
26 proceeding and our customers should recognize that Aquarion delivers high quality water  
27 service and excellent customer service at rates, including the relief requested in this  
28 application, that are fair and reasonable.

29  
30 **Q. Does this conclude your testimony?**

31 A. Yes it does.