

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184
Aquarion Water Company of New Hampshire, Inc.
Request for Change in Rates

Direct Testimony

of

Anthony J. Leone
Utility Analyst - Regulatory Support Division, Water Group
New Hampshire Department of Energy

March 2, 2022

1 **Q. Please state your full name.**

2 A. My name is Anthony J. Leone.

3

4 **Q. Please state your employer and business address.**

5 A. I am employed by the New Hampshire Department of Energy (Department) and my
6 business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire.

7

8 **Q. What is your position at the New Hampshire Department of Energy?**

9 A. I am a Utility Analyst in the Department's Regulatory Support Division – Water Group.

10

11 **Q. Please describe your position and responsibilities at the Department.**

12 A. I am responsible for the examination, evaluation, and analysis of rate and financing
13 filings, including the recommendation of changes in revenue levels that conform to
14 regulatory methodologies and/or proposals for economical, accounting and operational
15 changes affecting regulated utility revenue requirements. I represent the Department in
16 meetings with company officials, outside attorneys and accountants relative to rate case
17 and financing matters.

18

19 **Q. Would you please describe your educational background?**

20 A. I received a Bachelor of Science Degree in Accounting from Elmira College in 2001. In
21 2016, I attended the NARUC Annual Regulatory Studies Program. In 2017, I attended
22 NARUC's Intermediate Regulatory Studies Program, and in 2019, I attended the
23 NARUC Utility Rate School in San Diego, California.

1 **Q. Please describe your work experience.**

2 A. Since 2006, I have worked in various roles in the financial and customer service
3 industries. Such roles included Bank Examiner at the State of NH Banking Department;
4 Staff Accountant at Aero Energy; and a customer-facing team member responsible for
5 education of clients and performing error free financial transactions at Fidelity
6 Investments. In 2014, I was hired as a Utility Examiner in the Audit Division of the NH
7 Public Utilities Commission (Commission). In that role, I participated in off-site and on-
8 site audits of the books and records of regulated utilities in the electric, water, sewer and
9 gas industries. I examined reports and filings submitted to the Commission by regulated
10 utilities and performed rate of return analyses. I also authored Audit Reports on various
11 regulated programs administered by the regulated utilities. In 2018, I was promoted to the
12 position of Utility Analyst in the Gas and Water Division of the Commission. When the
13 Department was created in July 2021, my position transitioned to the Department's
14 Regulatory Support Division.

15
16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to provide the Department's position regarding three
18 proposals presented by Aquarion Water Company of New Hampshire, Inc. (Aquarion or
19 Company) in its rate proceeding, DW 20-184. First, I will discuss Aquarion's proposed
20 inclining block rates. Next, I will discuss Aquarion's proposed Revenue Adjustment
21 Mechanism (RAM). Last, I will discuss the proposed revenue requirement rates of
22 Aquarion's New Hampshire Customer Assistance Program (NH CAP).

23

1 **Q. Please provide a brief summary of Aquarion’s proposal for inclining block rates.**

2 A. The Company proposed implementation of inclining block rates for both seasonal and
3 non-seasonal, single-family residential customers. Specifically, the Company requested
4 to increase the current volumetric rate for its non-seasonal, single-family residential
5 customers from \$4.056 to \$5.810 for the first 6 hundred cubic feet (ccf) of usage per
6 month, with any usage above 6 ccf charged at the rate of \$7.263 per ccf per month.
7 Relative to seasonal, single-family residential customers, the Company proposed to
8 increase their current volumetric rate from \$5.025 per ccf to \$7.358 per ccf per month for
9 the first 6 ccf of usage, with any usage above 6 ccf charged at the rate of \$9.199 per ccf
10 per month.¹

11
12 **Q. Did the Company indicate why it proposed inclining block rates?**

13 A. Yes. According to the Company, inclining block rates have been requested by the Towns
14 in which it serves. Therefore, in light of Aquarion’s cost of service study presented as
15 part of this rate proceeding, the Company asked its cost of service expert to also
16 investigate the appropriateness of inclining block rates.²

17
18 **Q. Did the Company provide an explanation supporting the appropriateness of**
19 **inclining block rates?**

20 A. While the Company’s cost of service expert, Mr. John F. Guastella, discussed various
21 technical aspects of the proposed inclining block rate design and the associated revenue,

¹ Attachments of Mr. Guastella, Bates Page 523.

² See Testimony of Ms. Szabo, Bates 187, line 19.

1 the Company did not support the proposal with detailed analysis or testimony explaining
2 the need or appropriateness of inclining block rates.³

3

4 **Q. Does the department support the implementation of inclining block rates as**
5 **proposed in this proceeding?**

6 A. No. The Department does not support the implementation of inclining block rates as
7 proposed by Aquarion in this proceeding.

8

9 **Q. Please further explain the Department's position.**

10 A. As stated above, the Company requested the implementation of inclining block rates, at
11 least in part, at the request of the municipalities in which it serves. As a result, a rate
12 design was prepared which reflected the implementation of inclining block rates for only
13 seasonal and non-seasonal single-family residential customers. The Company, however,
14 did not submit detailed analysis or testimony, that first, adequately demonstrated why its
15 request is reasonable and appropriate for only the two customer classes specifically
16 identified, and, second, how the implementation of such rates would be beneficial to the
17 Company and its ratepayers. While Mr. Guastella's testimony did explain that, normally,
18 as a result of the implementation of inclining block rates, a signal encouraging water
19 conservation would be sent to the ratepayers, he also indicated, that the Company is not
20 certain that the inclining blocks rates as proposed will actually result in a reduction of
21 water use.⁴

22

³ See Testimony of Mr. Guastella, Bates 483, line 17; and Energy TS 2-9, and TS 2-10.

⁴ See Testimony of Mr. Guastella, Bates 484, line 3.

1 Further, the Company did not indicate, nor did they provide, any other reasons why
2 encouraging water conservation through the implementation of inclining block rates was
3 the most appropriate method. The Company also failed to indicate the level of water
4 conservation it is aiming to achieve by the implementation of such rates. If the
5 Company's goal of water conservation is to address water supply concerns, it does not
6 appear the Company has adequately expressed that those concerns are significant enough
7 to warrant, or be adequately addressed by, the water use reduction that may or may not
8 result from the implementation of the inclining block rates as proposed. Aquarion,
9 furthermore, failed to adequately explain why the implementation of inclining block rates
10 are the preferred method to address water supply concerns, or how conserving water may
11 or may not result in immediate cost savings or potential avoided future capital costs.⁵

12

13 As presented, the water conservation benefits from the proposed inclining block rates are
14 neither certain nor adequately defined as significant or non-significant, and are, as
15 proposed, a result of, rather than a cause for, the implementation of inclining block rates.
16 It is for these reasons, the Department cannot support the implementation of inclining
17 block rates proposed by Aquarion in this proceeding.

18

19 **Q. Please provide a brief summary of the requested Revenue Adjustment Mechanism.**

20 A. The Revenue Adjustment Mechanism (RAM) as proposed by the Company would be an
21 annual adjustment appearing on customer bills, as an additional charge, or credit.

⁵ See Testimony of Mr. Guastella, Bates 483, line 17; and Energy TS 2-9,

1 It would be determined based on a comparison of the Company's total annual actual
2 revenues to the annual revenues authorized by the Commission in the Company's most
3 recent general rate proceeding, with the difference between the two becoming the annual
4 adjustment amount.⁶ The decoupling period proposed by Aquarion is a calendar year,
5 January 1 through December 31. The Company proposed that the annual reconciliation
6 filing would then be made by March 1 of the following year, with implementation of the
7 reconciliation charge, or credit, appearing on customer bills beginning just one month
8 later on April 1. Aquarion proposed that the first such filing be submitted no later than
9 March 1, 2023.⁷

10

11 **Q. Did the Company indicate why a RAM was proposed?**

12 A. Yes. The Company stated that the intent of the proposed RAM was to mitigate potential
13 earnings volatility potentially caused by its proposed inclining block rates, thereby
14 attempting to ensure the Company recovers only its authorized revenue requirement in a
15 given year, no more and no less.⁸

16

17 **Q. Does the department support the implementation of a RAM in this proceeding?**

18 A. No. The Department does not support the implementation of a RAM as requested in this
19 proceeding.

20

21

⁶ See Testimony of Ms. Szabo, Bates 195 – 196.

⁷ *Id.*

⁸ Testimony of Mr. Morrissey, Bates Page 032 - 33.

1 **Q. Please explain the Department's position further.**

2 The RAM was proposed to coincide with the Company's inclining block rates proposal in
3 order to mitigate potential earnings volatility associated with that proposed rate structure.
4 However, as previously discussed, the Department does not support Aquarion's inclining
5 block rate proposal. Therefore, the Department does not support the implementation of a
6 RAM.

7
8 The Department notes, furthermore, that the burden is upon the utility to demonstrate that
9 its requested relief is reasonable and in the public interest. The Company provided no
10 such analysis or support to meet this standard. Aquarion has not demonstrated why this
11 rate recovery mechanism is necessary or how customers benefit from the design of this
12 cost recovery.

13
14 **Q. Please provide a brief summary of the requested Customer Assistance Program.**

15 In January 2020, Aquarion introduced a Customer Assistance Program for its NH
16 customers (program or NH CAP). The NH CAP is a voucher system for low-income
17 customers, whereby a one-time voucher of up to \$50 will be granted to eligible customers
18 who are either homeowners in Aquarion's service territory or contractual renters, who
19 pay a monthly water bill. The Company proposed to distribute to eligible customers, and
20 recover through customer rates, an annual amount of \$10,000 per year. At which time,
21 the Company would cease issuing such vouchers until the next calendar year.⁹

22

⁹ See Testimony of Mr. Morrissey, Bates 033 and Testimony of Ms. Szabo, Bates 176 - 177.

1 **Q. Did the Company indicate why a CAP was proposed at this time?**

2 Yes. The Company indicated they recognize that many of their customers face economic
3 challenges, to which they are sensitive. Thus, the Company is attempting to assist these
4 customers to ensure that they continue to receive water service.¹⁰

5
6 **Q. Does the Department support the implementation of a CAP in this proceeding?**

7 A. As explained below, while the Department supports the NH CAP as a matter of practice,
8 it does not support the Company's proposal for the recovery of an expense of \$10,000 per
9 year, through customer rates, to fund the program. Relative to this specific request, the
10 Company should continue its customer assistance efforts in New Hampshire, without
11 recovery, until such time as the requested amount of recovery better reflects the actual
12 expense incurred.

13
14 **Q. Please further explain the Department's position.**

15 The Department acknowledges that Aquarion has been able to offer the CAP to its New
16 Hampshire customers without recovery through rates for the past 2 years. The
17 Department, furthermore, appreciates the Company's efforts to assist its New Hampshire
18 customers through such programs as the NH CAP and encourages the Company to
19 continue to find ways to meet all of their New Hampshire customers' needs.
20 During this proceeding, the Company provided additional information regarding the NH
21 CAP, including the number of customers actually assisted and the amount of assistance
22 provided. That information indicated that during the nearly two years the program has

¹⁰ See Testimony of Mr. Morrissey, Bates 033.

1 been available, a total of 28 customers have received vouchers totaling \$1,350.
2 Specifically, 22 customers received \$1,050 in 2020, and 6 customers received \$300 in
3 2021.¹¹ In total, during that two year period, the Company has distributed only 6.75% of
4 the allotted NH CAP funds.¹² Additionally, the Company did not provide further
5 information with regard to how, or if, it intends to modify the program to distribute even
6 a significant portion of the NH CAP budget to additional NH customers.

7
8 As the Company has shown that it is not distributing the \$10,000 of budgeted program
9 funds, it is not actually incurring that expense. Thus, Aquarion's revenue requirement,
10 and the resulting customer rates, should not reflect that amount. As stated earlier,
11 however, the Department supports the position that the Company continue its customer
12 assistance efforts in NH so as to provide the necessary results for future consideration of
13 recovery of actual program costs through the Company's revenue requirement, and
14 resulting customer rates.

15
16 **Q. Does this conclude your direct testimony?**

17 A. Yes.

¹¹ See Data Response TS 3-19 (Attachment AJL-1).

¹² $\$1,350 / \$20,000 = .0675 * 100 = 6.75\%$