

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 20-184

DIRECT PREFILED TESTIMONY

OF

DEBRA A. SZABO

In Support of Temporary Rates

December 18, 2020

Testimony of Debra A. Szabo for Temp Rates

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

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

4
5 **Q. By whom are you employed?**

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

8
9 **Q. Please describe your educational background.**

10 A. I have a Bachelor’s Degree in Accounting from The University of Connecticut. I
11 am also a Certified Public Accountant in the state of Connecticut.

12
13 **Q. Please describe your business/professional experience.**

14 A. I was hired by Aquarion CT in March 2015 as Accounting Manager. Prior to that,
15 I was Director of Financial Reporting at Hubbell Inc. In March 2018, I was
16 promoted to Director of Rates and Regulation for Aquarion CT where I am
17 responsible for the preparation and presentation of rate case and other regulatory
18 filings for Aquarion CT and our regulated water affiliates, including Aquarion
19 Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”).

20
21 **Q. Have you previously testified or submitted written testimony before
22 regulatory agencies?**

23 A. Yes, I have testified on behalf of Aquarion and its regulated water utility affiliates
24 in its Water Infrastructure and Conservation Adjustment (“WICA”) filings and
25 other regulatory proceedings in Connecticut and New Hampshire.

26
27 **Q. What is the purpose of your testimony?**

28 A. My testimony is intended to support the Company’s request for temporary rates.
29 For purposes of setting temporary rates in this proceeding, the Company is
30 requesting to roll the 7.50% WICA surcharge currently in place into base rates to
31 be effective with bills rendered on or after February 1, 2021. The WICA will then

Testimony of Debra A. Szabo for Temp Rates

1 be reset to 0%. This request of rolling the WICA rate into base rates, without any
2 further changes or adjustments to rates, will result in \$0 revenue increase and
3 hence no bill impact to customers.
4

5 **Q. Please explain the Company's rationale and approach in determining the**
6 **level of temporary rates it is requesting.**

7 A. Schedule A from the Company's permanent rate filing summarizes the
8 computation of the total revenue deficiency and the proposed revenue increase
9 after pro forma adjustments. It shows that the Company is experiencing an
10 overall revenue shortfall of \$1,373,351 on a pro forma basis, resulting in the need
11 for an 18.0% increase to pro forma revenues based on the existing rates and
12 WICA surcharge.
13

14 The Company is seeking \$0 revenue increase in this temporary rate request rather
15 than requesting temporary rates at 50% to 70% of the permanent rate relief, as
16 was the Company's request in its previous rate proceeding. The Company is
17 cognizant of the financial hardships that the COVID pandemic has placed on its
18 customers. In fact, the Company had recently pursued a delay of the filing in
19 recognition of these hardships but was unsuccessful in its pursuit. In that the
20 Company must move forward on this rate proceeding, holding the temporary rates
21 at \$0 bill impact will delay the impact of the rate increase to customers while still
22 providing a necessary milestone for future reconciliation. Secondly, by requesting
23 \$0 increase to total revenue, the Company hopes that Staff, the Company and
24 other interested parties can move beyond temporary rates quickly and thus focus
25 resources on the substance of this proceeding, i.e. the review and resolution of the
26 permanent rates.
27

28 **Q. RSA 378:27 provides for the Commission to set temporary rates at a level**
29 **that is "sufficient to yield not less than a reasonable return on the cost of the**
30 **property of the utility used and useful in the public service less accrued**
31 **depreciation, as shown by the reports of the utility filed with the**

Testimony of Debra A. Szabo for Temp Rates

1 **Commission...” Referring to the Company’s reports on file with the**
2 **Commission, how does the return being earned by the Company compare to**
3 **its last allowed return?**

4 A. Using the rate base calculated based on test year-end utility plant and expense
5 levels in the Company’s most recently filed annual report, the Company’s overall
6 rate of return is 6.60% and its return on equity is 7.30%, as compared to its last
7 allowed overall rate of return of 7.49% and return on equity of 9.60%. In the
8 Company’s judgment, though it is currently earning below its authorized rate of
9 return, holding the present rate level in place as temporary rates will provide a
10 sufficient return during the pendency of this proceeding to satisfy the standard in
11 the law and would otherwise be just and reasonable.

12

13 **Q. How does the Company’s authorized return compare to the requested return**
14 **in this docket?**

15 A. As explained in my written testimony relating to the Company’s request for
16 permanent rates, the Company is requesting a return on equity of 10.25% and an
17 overall rate of return on investment of 8.15%. This compares to the currently
18 authorized return on equity of 9.60% and an overall authorized return on
19 investment of 7.49%.

20

21 **Q. Has the Company provided schedules in support of the Company’s request?**

22 A. Yes. The Company’s request for rolling in the 7.50% WICA charge into base
23 rates is supported by the calculations presented in Schedule 5 and the Report of
24 Proposed Rate Changes – Temporary Rates. These schedules show a \$0 impact to
25 total revenues with this temporary rate request. Because this request does not
26 involve adjustments to operating expenses, rate base or capital structure,
27 Schedules A and 1 through 4 are not included as part of this petition.

28

29 **Q. Please describe the methodology for allocating temporary rates among**
30 **customer classes.**

Testimony of Debra A. Szabo for Temp Rates

1 A. The effective increase to all affected areas is 0% except for small rounding
2 differences in amounts. Because the WICA surcharge is applied to all bills except
3 for miscellaneous charges, the WICA rate of 7.50% is applied across the board to
4 all rates.

5

6 **Q. How is WICA impacted by temporary rates?**

7 A. The WICA charge will be reset to zero after the current WICA rate is rolled into
8 the base rates. Along with the Company's request for revenue increase in this
9 docket, the Company is also requesting the Commission's approval to make the
10 WICA program permanent. Please refer to the pre-filed testimonies of Carl
11 McMorran and Dan Lawrence for more detailed discussions.

12

13 **Q. Ms. Szabo, does this conclude your testimony?**

14 A. Yes, with regard to the subject of temporary rates, it does.