

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

Robyn J. Descoteau
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 Robyn J. Descoteau.

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 Water Group of the Regulatory Support Division.

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 earned an Associate of Science degree in Business Administration from Bay Path Junior
21 College. I earned a Bachelor of Science degree in Business Management with a minor in
22 Finance and a Master of Business Administration degree in Applied Management from
23 Daniel Webster College. In 1996, I completed the NEWWA Water Utility Ratemaking

1 course. I attended the Institute of Public Utilities at Michigan State University's 2006
2 Advanced Regulatory Studies Program. In 2014, I attended NARUC's Utility Rate
3 School.

4

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

6 A. I have been analyzing utility related financial information for 35 years. For the first 18
7 years, I worked in the accounting department of a large New Hampshire water company.
8 I have spent the past 17 years working for the State of New Hampshire; 16 of which were
9 for the Public Utilities Commission (Commission). When the Department was created in
10 July 2021, my position was transferred to its Regulatory Support Division continuing my
11 role as a Utility Analyst.

12

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to provide the Department's positions regarding
15 Aquarion Water Company of New Hampshire, Inc.'s (Aquarion) Property Tax
16 Adjustment Mechanism, proposed Step Adjustments, changes to the Water Infrastructure
17 Conservation Adjustment (WICA) mechanism, and Aquarion's request to discontinue the
18 Eligible Well Monitoring Program.

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1 **Property Tax Adjustment Mechanism**

2 **Q. Please provide a brief summary of RSA 72:8-d and -e, the statutory basis of**
3 **Aquarion’s proposed Property Tax Reconciliation Mechanism.**

4 A. RSA 72:8-d and -e established a new methodology for valuing utility distribution assets
5 for local property tax purposes and requires the Commission to establish a rate recovery
6 mechanism for any public utility owning property that meets the definition of “utility
7 company assets.” RSA 72:8-d also has a five-year phase-in period to transition to the new
8 methodology. The mechanism will “adjust annually to recover all property taxes paid by
9 each such utility on such utility company assets” or “be established in an alternative
10 manner acceptable to both the utility and the public utility commission.” RSA 72:8-e.

11
12 **Q. Has the Commission approved a methodology for recovery of property taxes**
13 **pursuant to RSA 72:8-d and -e?**

14 A. Yes. In Docket DE 21-069, Unitil Energy Systems, Inc (Unitil) proposed a property tax
15 mechanism and recovery of the increase in property taxes associated with the change in
16 law. Unitil proposed annual recovery of all *local* property taxes (local building and utility
17 plant assets) and to exclude changes in *state-related* property taxes consistent with the
18 language of the statute. **Recovery of the *state portion* of property taxes would continue**
19 **to occur as part of the normal rate case process.** The Commission found the
20 Company’s petition to be consistent with the requirements of RSA 72:8–e and found the
21 incorporation and reconciliation of the state property tax expense through the rate case
22 process to be acceptable.¹

¹ Docket No. DE 21-069, Order No. 26,500 (July 29, 2021), page 6.

1 **Q. Please provide a brief summary of Aquarion’s proposed Property Tax**
2 **Reconciliation Mechanism.**

3 A. Aquarion proposes a property tax reconciliation mechanism that will allow for the
4 recovery of *all* property taxes paid in excess of those authorized in rates. The Company
5 proposes a *full* property tax reconciliation adjustment mechanism that each year
6 compares the most recent municipal *and state* property tax bills to the amount currently
7 collected in rates.²

8
9 **Q. Is Aquarion’s proposal consistent with what the Commission approved in Docket**
10 **No. DE 21-069?**

11 A. No. Aquarion proposes to include a property tax amount of \$861,297, which includes
12 State of NH property taxes totaling \$273,946. State of NH property taxes were
13 specifically *excluded* from the Property Tax Reconciliation Mechanism approved in
14 Docket No. DE 21-069.

15
16 **Q. Please explain Supporting schedule RJD-1 (Attachment RJD-1).**

17 A. Supporting schedule RJD-1 (Attachment RJD-1) sets the base property tax recovery at
18 \$587,351. The Company Proposed Total Property Taxes of \$861,297. The Department
19 recommends removing State of NH property taxes of (\$273,946). The adjusted amount
20 recommended for recovery is \$587,351 (\$861,297 – \$273,946).

21

² Docket No. DW 20-184, Petition for Change in Rates, Direct Testimony of Debra A. Szabo (December 18, 2020), page 194.

1 **Q. Does the Department agree with Aquarion’s proposed Property Tax Reconciliation**
2 **Mechanism?**

3 A. No. The statute specifically addresses locally assessed assets and does not address assets
4 taxed by the State of NH. The Department recommends that the State of NH property
5 taxes be excluded. The Department recommends recovery of \$587,351. Going forward, it
6 is recommended that Aquarion file the previous year’s reconciliation no later than June of
7 the current year.

8

9 **Step Adjustment**

10 **Q. Please provide a brief summary of the step adjustment proposed by Aquarion in the**
11 **original filing.**

12 A. Aquarion’s original filing proposes three step adjustments to recover the revenue
13 requirements (depreciation expense, property taxes and a return on rate base) associated
14 with capital investments planned to be placed in service during 2020, 2021, 2022, and
15 2023. Proposed Step 1 consists of capital investments and operating expenses associated
16 with new PFAS treatment requirements, 2020 and 2021 WICA investments, and non-
17 WICA related investments. Proposed Step adjustments 2 and 3 relate to the installation
18 of chemical treatment equipment and non-WICA related investments to be expected to be
19 installed in 2022 and 2023.³

20

21

³ Docket No. DW 20-184, Petition for Change in Rates, Direct Testimony of Debra A. Szabo (December 18, 2020), pages 192-194.

1 **Q. Do the Company’s Step Adjustments as proposed in the filing adhere to New**
2 **Hampshire statutes and Puc rules?**

3 A. No. The Company’s Step Adjustments as proposed in the filing include costs related to
4 future construction “which has not been first been found by the commission to be
5 prudent, used, and useful.” In accordance with RSA 378:28; Permanent Rates, the
6 Commission “shall not include in permanent rates any return on any plant, equipment, or
7 capital improvement which has not first been found by the commission to be prudent,
8 used, and useful. Similarly, RSA 378:30-a Public Utility Rate Base; Exclusions states,
9 “[p]ublic utility rates or charges shall not in any manner be based on the cost of
10 construction work in progress. At no time shall any rates or charges be based upon any
11 costs associated with construction work if said construction work is not completed. All
12 costs of construction work in progress, including, but not limited to, any costs associated
13 with constructing, owning, maintaining or financing construction work in progress, shall
14 not be included in a utility's rate base nor be allowed as an expense for rate making
15 purposes until, and not before, said construction project is actually providing service to
16 consumers.”

17 Additionally, the Company’s Step Adjustments as proposed in the filing contain
18 estimated costs and therefore, do not adhere to Puc 1604.09 (c) which states, a “utility
19 shall make adjustments in projections to reflect what the utility reasonably anticipates for
20 the following (1) All items of unusual magnitude which occurred during the test year, but
21 which are not expected to recur beyond the test year; and (2) All items which are fixed,
22 determinable, and likely to occur in the future, but which did not occur in the test year.”

23

1 **Q. Does the Department support the Company's Step Adjustments as proposed in the**
2 **filing?**

3 A. No. The Department does not support the proposed Step Adjustments as proposed in the
4 Company's filing.

5
6 **Q. Please explain how the timeline of this proceeding affected the Department's**
7 **support of the proposed one single step adjustment.**

8 A. In forming its position on the single step adjustment, the Department considered and
9 recognized that the instant docket was filed on December 18, 2020, is based on a 2019
10 test year, and will be litigated in 2022. Once an Order is issued in this docket, some of the
11 test-year data will be over two years old and could be considered stale as it may no longer
12 accurately reflect the current position of the utility.

13
14 **Q. Please provide a summary of the proposed one single step increase.**

15 A. The proposed one single step increase aligns somewhat with the Company's proposed
16 step 1 adjustment and eliminates the proposed Step 2 and Step 3, as the plant requested in
17 the second and third step would be placed in service as used and useful approximately
18 three and four years beyond the test year, respectively, and more than a year beyond the
19 litigation of this instant filing. The Department contends the proposed Step 2 and Step 3
20 is too far removed from the test-year.

21 The proposed one single step adjustment is reflective of non-revenue producing
22 plant additions through the end of 2021 and should reflect the Commission-approved rate
23 of return and depreciation accrual rates as determined in this proceeding.

1 The proposed one single step adjustment will not be subject to the recoupment of
2 the difference between temporary and permanent rates.

3 WICA related costs through 2021 are included in the one single step adjustment,
4 therefore, the Company will not make a WICA surcharge filing in 2022. The WICA
5 filing, requesting a surcharge related to 2022 plant additions would be filed in Spring of
6 2023.

7 As for the timing of the one single step adjustment, it should be filed after the
8 determination of permanent rates in this proceeding. Once filed, the Department's Audit
9 division will require at least a 90-day period to review the filing prior to the Regulatory
10 division's review and formalization of the Department's position.

11 To address concerns of rapid, consecutive rate increases, the Department proposes
12 that the step adjustment be approved no earlier than the final quarter of 2022.

13

14 **Q. Please compare the Department's support of one single step adjustment to the**
15 **Company's request for three step adjustments.**

16 **A.** Aquarion's filing requests three step adjustments: Step 1 consists of capital investments
17 and operating expenses associated with new PFAS treatment requirements, 2020 and
18 2021 WICA investments, and non-WICA related investments; Steps 2 and 3 relate to the
19 installation of chemical treatment equipment and non-WICA related investments to be
20 installed in 2022 and 2023.⁴

⁴ Docket No. DW 20-184, Petition for Change in Rates, Direct Testimony of Debra A. Szabo (December 18, 2020) pages 192-194.

1 The single step adjustment supported by the Department is based on the
2 Company's proposed Step 1 which reflects both 2020 and 2021, adjusted to reflect only
3 non-revenue producing plant additions through 2021.

4 The single step adjustment eliminates, however, the Company's proposed Step 2
5 and Step 3, based on additions planned for 2022, three years beyond the test year, and
6 2023, four years beyond the test year, respectively.

7
8 **Water Infrastructure and Conservation Adjustment (WICA) mechanism**

9 **Q. Please provide a brief summary of Aquarion's WICA mechanism.**

10 A. The WICA mechanism was authorized as a pilot program in DW 08-098 by Order No.
11 25,019, September 25, 2009, as a mechanism that would allow recovery of significant
12 ongoing costs of replacing aging infrastructure.⁵ In DW 12-085, the WICA mechanism
13 was modified slightly and was continued as a pilot program pending a fuller evaluation of
14 its merits in the next full rate case.⁶ This instant docket represents the next full rate case
15 as identified in DW 12-085.

16
17 **Q. Please summarize Aquarion's WICA request in this petition.**

18 A. Mr. Morrissey, Aquarion's President, discusses the need for approval of the Company's
19 WICA to enable the Company to continue to make future capital investments at levels
20 necessary to address aging infrastructure, mitigate leaks, and continue to provide safe and
21 reliable service for its customers.⁷ The testimony of Debra Szabo, Aquarion's Director-

⁵ Docket No. DW 08-098, Order No. 25,019 (September 25, 2009), page 15.

⁶ Docket No. DW 12-085, Order No. 25,539 (June 28, 2013), page 26.

⁷ Docket No. DW 20-184, Petition for Change in Rates, page 31, line 5.

1 Rates and Regulations, states, “[t]he WICA program is meeting the primary goals of
2 accelerating needed infrastructure replacement, and striking a reasonable balance
3 between reducing rate shock to customers at the time of each rate case, and as such
4 should be continued as a permanent program.”⁸

5
6 **Q. Please summarize the Department’s position regarding the WICA Adjustment**
7 **requested in this case.**

8 A. The Department generally supports the permanency of the WICA program. The
9 testimony of Mr. Douglas W. Brogan, the Department’s Engineering consultant, provides
10 criteria and statistics supporting the Company’s statement that the primary goals of
11 accelerating infrastructure replacement have been achieved. The validity of reducing rate
12 shock to customers is generally supported by the length of time between rate cases. The
13 Department does, however, suggest a few changes to the WICA filing process if
14 permanency is approved:

- 15 • As a means of limiting recovery of reactive versus planned replacements, the program
16 currently excludes the first \$50,000 of costs each year. Due to the increase in
17 construction cost indices, this amount should be increased to \$70,000. *See* Mr.
18 Brogan’s Testimony at 3.
- 19 • The time period for WICA additions should be modified from the existing October 1
20 through the following September 30, to a calendar year period, January 1 to
21 December 31. This is beneficial because it is in line with the recommended step

⁸ Docket No. DW 20-184, Petition for Change in Rates, page 189, line 20.

1 adjustment which takes the Company through the end of 2021 for plant additions and
2 avoids overlap or truncated WICA timeframes.

- 3 • The property tax component of the WICA should be adjusted to include only state
4 taxes on new plant additions. This reconciles the WICA mechanism with the property
5 tax adjustment mechanism recommendation which includes local taxes and excludes
6 state taxes.
- 7 • To adhere to WICA mechanism conditions approved in DW 08-098 by Order 25,019,
8 dated September 25, 2009, which approved the settlement agreement mandating
9 budget approval, the interim budget filing related to plant additions planned for 2022
10 must be filed for Commission approval. If the WICA is approved and modified as
11 suggested above, Aquarion's interim budget filing to be approximately October 1,
12 2022, providing for ample time for Commission to rule upon the budget filing.
- 13 • To correspond with the time period modification to a yearly period matching the
14 calendar year, January 1 to December 31, the WICA filing, requesting surcharge
15 related to 2022 plant additions should be filed in Spring of 2023.

16
17 **Discontinuation of Eligible Well Monitoring Program**

18 **Q. Please provide a brief summary of the Eligible Well Monitoring Program.**

19 A. The Eligible Well Monitoring Program is a component of the Well Owner's Response
20 Policy (section 2.1) implemented through the approval of the Settlement Agreement in
21 DE 97-226, Order No. 23,114 (January 26, 1999).⁹ The program was intended to provide

⁹ Docket No. DW 20-184, Direct Testimony of Carl McMorran (December 18, 2020) Attachment CM-2, page 98.

1 private well owners some assurance against possible adverse impacts to their wells from
2 pumping at the Company's production wells.¹⁰

3

4 **Q. Does the Department support Aquarion's petition to end the Eligible Well**
5 **Monitoring Program, described in Section 2.1. of the Well Owner's Response Policy**
6 **approved in DE 97-226 by Order No. 23,114?**

7 A. Yes, the Department supports Aquarion's petition to end the Eligible Well Monitoring
8 Program portion, identified as Section 2.1. of the Well Owner's Response Policy. Carl
9 McMorran's testimony, Attachment CM-3¹¹, provides a comprehensive summary of the
10 Eligible Well Monitoring. Monitoring is conducted by an outside contractor at an annual
11 cost to Aquarion in excess of \$10,000 annually. Mr. McMorran states, "Twenty-three
12 years of data show no statistically significant relationships in water levels between
13 production wells and private wells." Given results showing Aquarion's years of
14 monitoring show no statistically significant relationship in water levels between
15 production and private wells, the Department supports discontinuation the Eligible Well
16 Monitoring Program which will, in turn, reduce operating costs.

17

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

¹⁰ Docket No. DW 20-184, Direct Testimony of Carl McMorran (December 18, 2020), page 77.

¹¹ Docket No. DW 20-184, Direct Testimony of Carl McMorran (December 18, 2020) Attachment CM-3, pages 110-161.

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184
Schedule RJD-1
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Aquarion Water Company of New Hampshire, Inc.
HB700 Property Tax Recovery-Base

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Hampton			
2	Town Area	\$ 309,793		\$ 309,793
3	Precinct Area	91,347		91,347
4	Education Fund	3,034	(3,034)	-
5	North Hampton			
6	Town Area	153,735		153,735
7	Education Fund	834	(834)	-
8	Rye	15,307		15,307
9	Stratham	17,169		17,169
10	State of NH	270,078	\$ (270,078)	-
11	Total Property Taxes	<u>\$ 861,297</u>	<u>\$ (273,946)</u>	<u>\$ 587,351</u>

Notes and Sources

Lines 1-11: AWC Schedule No. 1T, Modified in 11/30/21 Update
Lines 4 and 7: DOE 3-25 Supplemental - nonutility property