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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 22, 2022 - 9:09 a.m.

[Hybrid hearing conducted via Webex]

RE: DW 20-184
AQUARION WATER COMPANY OF N.H., INC.
Request for Change in Rates
(Hearing)

PRESENT:

Chairman Daniel C. Goldner, Presiding
Commissioner Carleton B. Simpson

Tracey Russo, Clerk/Webex Host

APPEARANCES:

Reptg. Aquarion Company:
Daniel P. Venora, Esq. (Keegan Werlin)
Jessica Chiavara, Esq. (Eversource)

Reptg. Town of Hampton:
Susan A. Lowry, Esq.

Reptg. Town of North Hampton:
Justin C. Richardson, Esq.

Reptg. Residential Ratepayers:
Julianne M. Desmet, Esq.
Office of the Consumer Advocate

Reptg. Department of Energy:
Christopher R. Tuomala, Esq.

Court Reporter: Susan J. Robidas, NH LCR No. 44

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3 WITNESS PANEL: DEBRA A. SZABO
4 JOSIE A.M. GAGE
5 JAYSON P. LAFLAMME

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10		at 50/50, the cost of long-term	
11		debt at 5.68% and the weighted	
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1 P R O C E E D I N G S

2 CHAIRMAN GOLDNER: Okay. Good
3 morning, everyone. I'm Commissioner Goldner.
4 I'm joined today by Commissioner Simpson.
5 We're here today for a hearing in Docket
6 20-184 regarding Aquarion Water Company's
7 request for change in rates.

8 Let's take appearances, beginning
9 with Aquarion.

10 MR. VENORA: Good morning, Chairman
11 Goldner and Commissioner Simpson. Dan Venora
12 from the law firm Keegan Werlin, joined
13 virtually by Jessica Chiavara of Aquarion.

14 CHAIRMAN GOLDNER: Okay. Thank
15 you.

16 And we'll move to the Town of
17 Hampton.

18 MS. LOWRY: Good morning. Attorney
19 Susan Lowry here for the Town of Hampton.

20 CHAIRMAN GOLDNER: Thank you.
21 And the Town of North Hampton.

22 MR. RICHARDSON: Good morning, Mr.
23 Chairman, Commissioner Simpson. Justin
24 Richardson here for the Town of North

1 Hampton.

2 CHAIRMAN GOLDNER: And moving to
3 the Office of Consumer Advocate.

4 MS. DESMET: Good morning,
5 Commissioners. Julianne Desmet here with the
6 Office of Consumer Advocate on behalf of
7 residential ratepayers. And also on the
8 witness panel today for the OCA is Josie
9 Gage, the director of economics and finance.

10 CHAIRMAN GOLDNER: Very good.

11 And finally the New Hampshire
12 Department of Energy.

13 MR. TUOMALA: Good morning,
14 Commissioners. Chris Tuomala for the New
15 Hampshire Department of Energy. With me, in
16 the witness box, is Jayson Laflamme. He's
17 the assistant director of the water group
18 within the Regulatory Support Division at the
19 Department of Energy. And joining me at
20 counsel table is Anthony Leone and Robyn
21 Descoteaux, both analysts within that
22 division who worked on this docket.

23 CHAIRMAN GOLDNER: Very good.

24 And moving on to preliminary

1 matters, it looks like from the seating
2 arrangement that everyone is comfortable with
3 the three witnesses serving as a panel today?

4 MR. VENORA: Yes, sir. And I
5 should note for the record, we have Deb Szabo
6 from Aquarion as the Company's witness on the
7 panel.

8 CHAIRMAN GOLDNER: Very good, very
9 good. Everyone's comfortable with that
10 model? Okay. Very good.

11 MR. VENORA: Yes.

12 CHAIRMAN GOLDNER: So Exhibits 6
13 through 22 have been prefiled and premarked
14 for identification. Any material identified
15 as confidential in the filings will be
16 treated as confidential during the hearing.

17 Is there anything else that we need
18 to cover regarding exhibits?

19 MR. VENORA: No.

20 CHAIRMAN GOLDNER: Thank you.

21 Are there any other preliminary
22 matters before we have the witnesses sworn
23 in?

24 [No verbal response]

1 CHAIRMAN GOLDNER: No? Seeing

2 none --

3 MR. TUOMALA: No.

4 CHAIRMAN GOLDNER: Thank you.

5 So let's proceed with the

6 witnesses.

7 Ms. Robidas, could you please swear
8 in the panel.

9 (WHEREUPON, DEBRA A. SZABO, JOSIE A.M.
10 GAGE and JAYSON P. LAFLAMME were duly
11 sworn and cautioned by the Court
12 Reporter.)

13 CHAIRMAN GOLDNER: All right. And
14 Mr. Venora, would you like to begin?

15 MR. VENORA: Yes. Thank you.

16 DIRECT EXAMINATION

17 BY MR. VENORA:

18 Q. Ms. Szabo, would you please state your full
19 name title and business address.

20 A. (Szabo) Sure. Debra Szabo. I'm the director
21 of rates and regulation for Aquarion Water
22 Company of Connecticut, located at 600
23 Lindley Street in Bridgeport, Connecticut.

24 Q. And did you previously submit prefiled direct

1 testimony and corresponding attachments as
2 part of the Company's initial filing in this
3 docket on December 18th, 2020, which are
4 marked on the joint exhibit list as
5 Exhibit No. 7?

6 A. (Szabo) Yes, I did.

7 Q. And were the testimony and the exhibits
8 prepared by you or under your direction and
9 control?

10 A. (Szabo) Yes.

11 Q. And do you have any changes or corrections to
12 make to Exhibit No. 7 at this time?

13 A. (Szabo) No, I do not.

14 Q. And do you adopt that exhibit as part of your
15 sworn testimony today?

16 A. (Szabo) Yes.

17 Q. Are you also familiar with the prefiled
18 direct testimony and corresponding
19 attachments sponsored by the other company
20 witnesses as part of Aquarion's initial
21 filing in this docket that are marked as
22 Exhibit numbers 6 and 8 through 13 of the
23 joint exhibit list?

24 A. (Szabo) Yes.

1 Q. And would you please verify for the record
2 that the copies of those exhibits so marked
3 in advance of today's hearing are accurate
4 copies of the materials filed by Aquarion in
5 its initial filing on December 18th, 2020?

6 A. (Szabo) Yes, they are.

7 Q. Thank you. And lastly, are you familiar with
8 the Settlement Agreement in this docket by
9 and between the Company, the Department of
10 Energy, the Office of Consumer Advocate, and
11 the Towns of Hampton and North Hampton that
12 was executed and filed with the Commission on
13 June 1, 2022?

14 A. (Szabo) Yes.

15 Q. And is the document marked as Exhibit 22 on
16 the joint exhibit list an accurate copy of
17 the Settlement Agreement?

18 A. (Szabo) Yes, it is.

19 Q. Just generally, Ms. Szabo, can you comment on
20 whether the Company is satisfied with the
21 terms of the Settlement Agreement, in that
22 they provide a reasonable outcome of its
23 petition in this docket?

24 A. (Szabo) Yes, for several reasons. From the

1 Company's perspective, the Settlement
2 Agreement strikes a reasonable balance in
3 addressing Aquarion's issues in this docket
4 and its need for rate relief. The Company
5 listened very carefully to the concerns
6 raised by the other parties at the tech
7 sessions and in testimony and worked very
8 hard to find common ground for a Settlement.
9 The Settlement Agreement came about through
10 many hours of intensive negotiations among
11 the parties, which included compromises from
12 the Company's initial positions that we
13 believe were reasonable to achieve a
14 comprehensive Settlement as shown in the
15 final agreement. On balance, the Settlement
16 Agreement represents a reasonable outcome
17 based on the give and take of that process.
18 We are especially pleased to be able to
19 present to the Commission a Settlement that
20 includes all of the parties, which resolves
21 all issues on the Company's petition for new
22 permanent rates.

23 Q. Lastly, Ms. Szabo, does the Company support
24 the Settlement Agreement and recommend its

1 approval by the Commission as just,
2 reasonable and in the public interest?

3 A. (Szabo) Yes.

4 MR. VENORA: Chairman Goldner,
5 that's all we have in the way of direct.

6 CHAIRMAN GOLDNER: Thank you.
7 Attorney Desmet.

8 MS. DESMET: Yes, thank you.

9 DIRECT EXAMINATION

10 BY MS. DESMET:

11 Q. Good morning, Ms. Gage. Can you please state
12 your name and employer and your position.

13 A. (Gage) My name is Josie Gage. I'm employed
14 by the Office of the Consumer Advocate, and
15 my position is director of economics and
16 finance.

17 Q. And can you please describe your
18 responsibilities in that position?

19 A. (Gage) In that position I serve the interests
20 of residential ratepayers. I provide
21 economic and financial analysis on rate cases
22 and other filings submitted to the
23 Commission.

24 Q. Okay. And have you previously testified

1 before this Commission?

2 A. (Gage) Yes.

3 Q. And referring to Exhibit 19 and your
4 testimony contained therein, do you submit --
5 or I'm sorry.

6 Did you submit prefiled testimony in
7 this case?

8 A. (Gage) Yes.

9 Q. And is Exhibit 19 in fact your prefiled
10 testimony?

11 A. (Gage) It is.

12 Q. And was that prepared by you or under your
13 direction?

14 A. (Gage) Yes, it was.

15 Q. And do you have any corrections to your
16 testimony you wish to make today?

17 A. (Gage) Not today.

18 Q. And today do you adopt that as part of your
19 sworn testimony?

20 A. (Gage) I do.

21 Q. And the OCA is a party to this Settlement
22 before the Commission. Why did the OCA join
23 this Settlement?

24 A. (Gage) The OCA believes that the revenue

1 requirement that we're settling on represents
2 a compromise that is advantageous to
3 ratepayers and that the rate base is prudent,
4 used and useful in this case. We believe
5 that the overall weighted average cost of
6 capital of 7.54 percent, with a return on
7 equity of 9.1 percent, is fair to both the
8 Company and residential ratepayers.

9 We also found three particular settling
10 points in this case to be important to
11 residential ratepayers: One, that the ROE
12 was a negotiated, settled figure; and
13 another, that the short-term debt was removed
14 from the capital structure of the Company;
15 and also that the Company was willing to
16 continue monitoring wells at a much lower
17 cost to customers.

18 Q. And if I could just -- I know you just said
19 that the ROE is a negotiated Settlement term.
20 So with regard to the last two, the
21 short-term debt and well monitoring, if you
22 could describe why that was important to the
23 OCA.

24 A. (Gage) The short-term debt removal was

1 important to the OCA because of the fact that
2 the Commission doesn't regulate short-term
3 debt rates. So it's not really appropriate
4 ratemaking treatment to have it included in a
5 capital structure that the Commission is
6 deciding upon, where they didn't decide upon
7 that short-term debt rate. In the past, in
8 other jurisdictions, I've seen companies use
9 their AFUDC rate instead of having the
10 short-term debt in capital structure. So it
11 might be a two-step process for New Hampshire
12 to follow in that vein. But, you know, even
13 if it weren't to, it still doesn't make sense
14 to really have short-term debt included. So
15 it's nice to see that pulled out.

16 And with regard to well monitoring,
17 those programs, once they're gone, are hard
18 to reinstate. And this one, for a very low,
19 minimal cost, is able to stay in place and,
20 you know, continue to protect residential
21 ratepayers.

22 This Commission just reviewed a case
23 where another water company destroyed some
24 local wells by over-pumping. And so well

1 monitoring programs I think is pretty
2 important to continue to operate in this
3 jurisdiction. So it's important to us for
4 that to stay somewhat in place as a check and
5 balance. Also, it adds to the Company's case
6 that they aren't mismanaging their wells.

7 Q. And as far as this Settlement Agreement, do
8 you feel or believe that the Commission
9 should approve the Settlement Agreement as
10 presented?

11 A. (Gage) Yes.

12 MS. DESMET: I have no additional
13 questions.

14 CHAIRMAN GOLDNER: Okay. We'll
15 move to Attorney Tuomala.

16 MR. TUOMALA: Thank you, Mr.
17 Chairman.

18 DIRECT EXAMINATION

19 BY MR. TUOMALA:

20 Q. Mr. Laflamme, could you please state your
21 full name for the record.

22 A. (Laflamme) Jayson Laflamme.

23 Q. By whom are you employed?

24 A. (Laflamme) I'm employed by the New Hampshire

1 Department of Energy.

2 Q. And what's your position at the Department?

3 A. (Laflamme) I'm the assistant director of the
4 water group within the Regulatory Support
5 Division.

6 Q. Could you please describe for the record your
7 previous work experience at the Public
8 Utilities Commission and then the Department
9 of Energy.

10 A. (Laflamme) Yes. I joined the Public
11 Utilities Commission in 1997 as a utility
12 examiner in the Commission's Audit Division.
13 In 2021 I joined the Commission's Gas and
14 Water Division as a utility analyst and was
15 eventually promoted to senior utility
16 analyst. In 2018 I became assistant director
17 of the Commission's Gas and Water Division.
18 And in July of last year my position was
19 transferred to the newly-created Department
20 of Energy.

21 Q. And could you briefly describe your
22 responsibilities in this new position.

23 A. (Laflamme) I directly supervise the Water
24 staff of the Regulatory Support Division and

1 primarily oversee the course of examination
2 for water and wastewater dockets that are
3 filed with the Commission. I also directly
4 examine select water and wastewater dockets
5 that come before the Commission.

6 Q. Mr. Laflamme, have you previously testified
7 here at the Public Utilities?

8 A. (Laflamme) Yes, I have.

9 Q. Mr. Laflamme, could you further describe the
10 specific involvement which you had within
11 this docket.

12 A. (Laflamme) Yes. I oversaw the examination of
13 the Company's rate filing by the DOE's water
14 group and consultants. This included a
15 discovery process relative to formulating
16 data requests and reviewing data responses.
17 In addition, I participated in a number of
18 technical sessions. Further, I also
19 participated in the drafting of the
20 Settlement Agreement that is being presented
21 today. I have also materially participated
22 in a number of previous dockets involving
23 Aquarion, including its last general rate
24 case, DW 12-085; its intervening WICA

1 filings, including its most recent, DW
2 18-161; and its income tax investigation
3 filing, DW 18-054.

4 Q. If you would please turn your attention to
5 the exhibit marked for identification as
6 Exhibit No. 22. Do you have that document in
7 front of you, Mr. Laflamme?

8 A. (Laflamme) Yes, I have.

9 Q. And can you please identify this document for
10 the record?

11 A. (Laflamme) Yes. This is the Settlement
12 Agreement reached by all parties in this
13 proceeding.

14 Q. I believe you previously stated this. But
15 did you assist in the preparation of this
16 document?

17 A. (Laflamme) Yes, I did.

18 Q. Do you wish to make any corrections or
19 revisions to Exhibit No. 22?

20 A. (Laflamme) No, I do not.

21 Q. And is the information contained in Exhibit
22 No. 22 true and accurate to the best of your
23 knowledge?

24 A. (Laflamme) Yes, it is.

1 Q. Do you believe that the permanent rates and
2 the proposed step adjustment contained in the
3 Settlement Agreement are just and reasonable
4 and serves the public interest, Mr. Laflamme?

5 A. (Laflamme) Yes. The Department believes that
6 the Settlement Agreement presented today will
7 produce just and reasonable rates that result
8 in a fair balancing of the interests between
9 Aquarion and its customers.

10 First, this is a global Settlement
11 agreement amongst all the parties that
12 participated in this rate proceeding,
13 including the DOE, the OCA, the Towns of
14 Hampton and North Hampton, along with the
15 Company itself. As such, it represents a
16 compromise that effectively satisfies the
17 wide array of positions established by those
18 parties in this proceeding.

19 From the DOE's point of view, the
20 revenue requirements proposed in the
21 Settlement Agreement are significantly less
22 than those originally requested by the
23 Company. The Company's original filing
24 proposed an initial revenue increase of

1 approximately \$1.4 million, or 18 percent.
2 The Company also proposed three step
3 increases, totaling an additional \$2.1
4 million, or 27.8 percent. The Company's
5 combined proposal would have resulted in an
6 increase of approximately \$3.5 million, or
7 45.8 percent; by comparison, the Settlement
8 Agreement proposes an initial revenue
9 decrease of approximately \$305,000, or
10 negative 4 percent. That will result in a
11 credit back to customers. This will
12 ultimately be combined with only one step
13 adjustment not to exceed \$1.56 million, or
14 20.5 percent. The resulting net increase in
15 revenues proposed by the Settlement Agreement
16 will be approximately \$1.26 million, or
17 16-1/2 percent.

18 Additionally, the DOE feels that the
19 proposal contained in the Settlement
20 Agreement to make the WICA a permanent rate
21 mechanism will achieve positive results for
22 the Company and its customers. It
23 incentivizes the Company to make the
24 necessary infrastructure replacements and a

1 system to maintain and improve reliability.
2 It will also mitigate rate shock to its
3 customers relative to future general rate
4 proceedings. Further, the DOE anticipates
5 that Aquarion's general rate proceedings will
6 be less frequent than under a scenario in
7 which there's no WICA adjustment.

8 Overall, the DOE believes that the
9 Settlement Agreement will provide the Company
10 with the revenues it needs to maintain
11 viability and effectively provides safe and
12 adequate water service to its customers
13 through rates and other charges that are not
14 unduly burdensome to those it serves.

15 Q. So Mr. Laflamme, to sum it up, do you
16 recommend that the Commission approve the
17 Settlement Agreement for permanent rates and
18 the step adjustment, and that approval will
19 set just and reasonable rates for its
20 customers?

21 A. (Laflamme) Yes.

22 Q. Does the Department of Energy support
23 approval of the Settlement Agreement by the
24 Commission, as it is just and reasonable and

1 serves the public interest?

2 A. (Laflamme) Yes.

3 Q. Does this conclude your testimony?

4 A. (Laflamme) Yes, it does.

5 Q. Thank you.

6 MR. TUOMALA: No further questions.

7 CHAIRMAN GOLDNER: Thank you.

8 And we'll move to Commissioner
9 Simpson.

10 COMMISSIONER SIMPSON: Thank you.

11 INTERROGATORIES BY COMMISSIONERS:

12 BY COMMISSIONER SIMPSON:

13 Q. So I'll start with a few questions from the
14 Company.

15 When should we anticipate the Company's
16 filing of an interim budget for WICA-eligible
17 planned additions through the end of this
18 year, December 31st, 2022?

19 A. (Szabo) We can provide that, you know, within
20 days of requesting it. We can take it as a
21 late-filed request as well if that's
22 something that you're interested in.

23 Q. I'm really interested in just your approach.
24 What's your strategy at this time?

1 A. (Szabo) So typically our WICA filings have
2 been annual submissions. For 2022, I believe
3 there's only one WICA project that is in the
4 works for this year. So our intent was to
5 actually do a filing in February of 2023,
6 which would have the completed 2022 project
7 and then a budget for 2023 future WICA
8 investments.

9 Q. Okay. And can you explain to us in your own
10 words how the WICA mechanism works and why
11 it's so important to the Company?

12 A. (Szabo) Sure. So the WICA mechanism allows
13 us to get recovery in between base rate
14 proceedings for eligible investment. So it
15 decreases some of the regulatory lag allowing
16 for that recovery. It's a portion of our
17 capital spend. So it's, you know, not all of
18 the capital that we're implementing, it's
19 just one component of it. But as Jayson had
20 mentioned, it also allows for smaller,
21 incremental rate increases. Historically
22 we've seen those annual surcharges be around
23 one percent, one to two percent, based on the
24 size of the project. So we feel that it's,

1 you know, beneficial both for the Company and
2 for the customers to have gradual increases
3 as opposed to waiting for base rate cases to
4 incorporate that plan.

5 Q. And is it fair to say that your goal as
6 outlined in the Settlement Agreement is to
7 make the WICA adjustment a permanent aspect
8 of your rates?

9 A. (Szabo) Yes, that is true.

10 Q. So in Section 5 of the Settlement, on Bates
11 Page 8, it states that the WICA was approved
12 as a pilot program but would now continue in
13 effect on a permanent basis. So today, in
14 your view, the WICA remains a pilot; correct?

15 A. (Szabo) That's correct.

16 Q. Continuing on, on the bottom of Page 9, top
17 of Page 10, the Settlement refers to the
18 Company filing an interim budget as mentioned
19 before, and that the next WICA surcharge
20 filing will be submitted to the Commission.

21 Will the interim budget be part of that
22 next WICA surcharge, or will the settling
23 parties anticipate two separate filings for
24 these items?

1 A. (Szabo) Well, I was anticipating that it
2 would be one filing. It would be a filing
3 with the completed 2022 project and then a
4 budget for future investments.

5 Q. And can you provide us an overview of those
6 future investments at this time?

7 A. (Szabo) I cannot. I know that there's either
8 one or two streets proposed. I do not have
9 those details with me today.

10 Q. Okay. Section 7 of the Settlement addresses
11 well monitoring obligations. Does well
12 monitoring fall within the Department of
13 Environmental Services' oversight authority?

14 A. (Szabo) I believe so. This was well
15 monitoring that was put in place many years
16 ago to look at obviously people who are not
17 Aquarion customers to make sure that our
18 pumping and use of water was not negatively
19 impacting their wells. And throughout the
20 years, a number of those customers are no
21 longer on wells. I don't know the exact
22 number, but it's a very small number that are
23 still under this well monitoring program.
24 And we haven't had any negative results

1 during the course of that monitoring.

2 Q. Can you speak to the nature and the
3 requirements within that well monitoring
4 program as prescribed by the Department of
5 Environmental Services? What's involved?

6 A. (Szabo) I cannot. I'm sorry.

7 Q. Okay. And can you speak to the Department of
8 Environmental Services' audit or review of
9 test results?

10 A. (Szabo) I'm sorry, no. That's covered by our
11 director of operations, who's not here today.

12 Q. Okay. So then let's talk about the loan that
13 the Company's applied for under the State's
14 PFAS Remediation Loan Fund and its impact on
15 the Company's revenue requirement.

16 Have you calculated liabilities
17 associated with PFAS remediation and what
18 those liabilities might be?

19 A. (Szabo) We have not calculated quantified
20 financial liabilities as a result of PFAS,
21 no.

22 Q. And can you provide an overview of the
23 process in order to seek Governor and Council
24 approval of the PFAS Remediation Loan Fund?

1 A. (Szabo) Sure. So this is with regards to the
2 PFAS project affecting our Well 6, which the
3 total cost of that project is approximately
4 1.7 million. And we had applied for two
5 components of funding: One was initially a
6 grant that was approved for 428,000, and the
7 remainder was to be provided through the PFAS
8 Remediation Loan Fund. After that
9 application, we were informed that the DES
10 had decided to provide that as a grant as
11 well, and there's another step of approval
12 that has to go to the Governor and Council to
13 get the grant fully approved. So we are
14 awaiting that decision. It has -- last
15 time -- the last update I received, which was
16 just this week, it was looking to be put on
17 the agenda for the end of June; and if not,
18 it would be on the July agenda.

19 Q. So the Company has been in touch with the
20 Council with respect to this issue?

21 A. (Szabo) We have been in touch with DES going
22 through that process, and then they bring it
23 forward to the Council.

24 Q. Okay. In Section 5.1 of the Settlement, it

1 states, "There shall be an increase in the
2 costs related to the emergency reactive
3 replacement of services, valves and hydrants
4 from \$50,000 to \$75,000." Can you explain
5 how you based -- or what you based that cost
6 increase on, how it was calculated?

7 A. (Szabo) It was a negotiated value. That's an
8 amount that is looked at in the WICA filing.
9 So any costs incurred up to that value are
10 not requested for recovery in the WICA
11 program. The \$50,000 had been set at the
12 onset when WICA was first established, so,
13 you know, many years have transpired since
14 then. And through Settlement, it was just
15 agreed to the increase to 75,000.

16 Q. Okay. Thank you.

17 I'd like to ask you a little bit about
18 depreciation and the corresponding step
19 adjustment the Company filed in Docket
20 DW 22-037 as it related to this case. Are
21 you familiar with that?

22 A. (Szabo) Yes. I just want to get to the file
23 first.

24 (Pause)

1 A. (Szabo) Okay.

2 Q. So can you confirm that the Company adjusted
3 these depreciations and expenses from what
4 was presented in the Settlement Agreement to
5 reflect a correction with respect to meter
6 replacements?

7 A. (Szabo) Yes.

8 Q. And it appears that the Company's using PUC
9 account codes to track what qualifies for
10 growth and non-growth plant additions. So
11 can you discuss what process the Company uses
12 to determine such classifications for these
13 expenses?

14 A. (Szabo) I'm sorry. Can you repeat the
15 question?

16 Q. So it appears that you're using PUC account
17 codes to track what qualifies as growth and
18 non-growth.

19 A. Okay. In terms of the main replacements?

20 Q. Yes. So can you just describe how you
21 determine the classification of those
22 expenses with respect to those codes?

23 A. (Szabo) I actually am not involved with the
24 determination of that. I mean, it starts in

1 our engineering and planning group. So any
2 of the main replacement projects, when
3 they're set up in our system, there's, you
4 know, a process within that group where the
5 nature of the costs are defined, and the
6 project is set up, you know, to point to the
7 corresponding PUC code.

8 Q. Okay.

9 CHAIRMAN GOLDNER: Commissioner
10 Simpson, a question. I don't -- are you okay
11 with proceeding? It seems like we have a
12 panel of witnesses that can't necessarily
13 address the questions that you have. Would
14 you like to proceed with the hearing, or
15 would you suggest that we reschedule the
16 hearing?

17 COMMISSIONER SIMPSON: I have a few
18 more questions I'd like to go through, and
19 maybe when we take a break we can see where
20 we're at then.

21 CHAIRMAN GOLDNER: Very good.
22 Please proceed.

23 BY COMMISSIONER SIMPSON:

24 Q. So with respect to the calculation of

1 accumulated depreciation, are you able to
2 walk through how that's performed for us?

3 A. (Szabo) Sure.

4 Q. So I'm looking at the -- comparing what was
5 in the Settlement Agreement, Schedule 5, and
6 with what the Company filed in 22-037. And
7 it appears that the 2020 through 2021
8 accumulated depreciation expenses include the
9 2020 expenses, but is simply a sum of 2020
10 and 2021. So can you explain whether these
11 2020 depreciation expenses are accounted for
12 in 2021?

13 A. (Szabo) Yes. So in the step adjustment, what
14 we were quantifying there is both the 2020
15 additions and the 2021 additions. And so
16 what we were doing was rolling forward the
17 balance as of December to bring it to
18 December of 2021. So for the 2020 additions,
19 we had a year and a half worth of
20 depreciation in that calculation; for the
21 2021 additions, we just had the half-year
22 depreciation.

23 Q. And why are you not accounting for total rate
24 base and accumulated depreciation on the rate

1 base as well? You're just looking at what's
2 in the step adjustment.

3 A. (Szabo) That is correct. That is the --
4 under the terms of the Settlement, we had
5 agreed that we would be requesting recovery
6 in the step for going forward of new plant
7 addition only.

8 Q. So can you speak to how much the Company
9 collected for depreciation on existing assets
10 between 2020 and 2021?

11 A. (Szabo) I don't have that in front of me
12 right now, but I can certainly get that.

13 Q. Okay. I don't know if maybe Mr. Laflamme or
14 Ms. Gage might be able to jump in and speak
15 to depreciation and how it was calculated.

16 A. (Laflamme) As we just received that filing
17 last week I think, we haven't completed our
18 analysis on that yet.

19 Q. Okay.

20 A. (Gage) Yeah, the OCA has the same response.

21 Q. Okay. Can you describe the methodology as
22 applied in the Settlement whole life
23 depreciation?

24 A. (Szabo) The whole life depreciation is

1 consistent with the methodology that the
2 Company currently had employed. It was -- we
3 had a depreciation expert who prepared that
4 testimony and those calculations. So I'm not
5 certain, depending on what your -- if you
6 have specific questions, if I'll be able to
7 answer that or not.

8 Q. Perhaps you could describe how that
9 calculation under a whole life methodology
10 is -- how it's supposed to work.

11 A. (Szabo) I'm sorry. I can't.

12 Q. Okay. And Ms. Gage, in the Settlement it was
13 noted that the OCA reserves the right to
14 leverage a different methodology in the
15 future; is that correct?

16 A. (Gage) That's correct.

17 Q. Can you elaborate on that?

18 A. (Gage) Yeah, I can elaborate on that, but
19 only at a high level at this point in time.

20 Q. Yeah, not specific to any negotiated terms in
21 the Settlement, just the OCA's perspective on
22 varying approaches to depreciation.

23 A. (Gage) So at this point in time, the OCA is
24 expending resources toward researching why

1 New Hampshire has chosen to revert to whole
2 life depreciation methods, where most other
3 jurisdictions in the United States, and in
4 fact around the globe, use remaining life
5 methods of depreciation. And so where this
6 is such a striking, unusual mark for New
7 Hampshire to be doing this, it's curious as
8 to why New Hampshire would strike out and if
9 that strike out away from the mainstream is
10 innovative or more regressive. And that's
11 currently something that the OCA is
12 investigating. Does that help?

13 Q. That is helpful. Thank you.

14 So then just some general questions for
15 both the Department and OCA. Just looking
16 for confirmation on these questions.

17 Both agencies have reviewed the
18 projected sales and demand of the Company's
19 cost of service study; is that correct?

20 A. (Laflamme) Yes.

21 A. (Gage) Yes.

22 Q. And you agree that -- or you agree with the
23 Company's position, that the proposed revenue
24 requirement will produce rates that are

1 necessary to maintain safe and adequate
2 service?

3 A. (Laflamme) Yes.

4 A. (Gage) Yes.

5 Q. Okay. Thank you.

6 COMMISSIONER SIMPSON: I'd like,
7 irrespective of the witnesses, I'd like to
8 ask the municipalities here whether they have
9 anything they'd like to offer at this time.
10 Is that appropriate?

11 CHAIRMAN GOLDNER: Please proceed.

12 COMMISSIONER SIMPSON: So for the
13 Towns of North Hampton and Hampton, is there
14 anything at this time that you'd like to add
15 with respect to the Settlement Agreement?

16 MR. RICHARDSON: Thank you,
17 Commissioners. If I may, I was debating
18 whether to say no questions or to ask
19 questions about the WICA program. I may be
20 able, because we were involved in that, to
21 ask a couple questions to the panel that
22 might respond to some of the Commissioners'
23 concerns, if appropriate at this time. I
24 think that would be helpful.

1 COMMISSIONER SIMPSON: Any
2 objections from any of the parties in the
3 room to that approach?

4 MR. TUOMALA: I don't have an
5 objection.

6 MS. DESMET: The OCA does not as
7 well.

8 MR. VENORA: The Company does not
9 either.

10 COMMISSIONER SIMPSON: Okay. Thank
11 you.

12 Attorney Richardson, please.

13 CROSS-EXAMINATION

14 BY MR. RICHARDSON:

15 Q. I'll address these questions to the whole
16 panel, and I'll let you decide who the best
17 responding person is, or if you want to
18 elaborate on it. And I apologize for the
19 noise behind me.

20 COMMISSIONER SIMPSON: It's
21 certainly not your fault.

22 BY MR. RICHARDSON:

23 Q. To help us understand the Settlement
24 Agreement and how that relates to the WICA

1 program, I want to start with the concept
2 that the current WICA program is embodied in
3 the Company's tariff. And I believe it's a
4 Third Revised Page 18; is that correct?

5 A. (Szabo) Yes.

6 Q. And so the WICA program is becoming
7 permanent, which will result in, following
8 the approval of the Settlement Agreement, the
9 Company will update the tariff to reflect the
10 changes in the Settlement Agreement. Is that
11 the process that will occur?

12 A. (Szabo) Yes.

13 Q. Okay. And I understand on the Third Revised
14 Page 18 there are a couple of safeguards in
15 Roman Paragraph III, and one of them is a
16 7.5 percent cap on WICA adjustments that I
17 believe will continue to be in place. Is
18 that the parties' understanding?

19 A. (Szabo) Yes.

20 Q. And I'll ask for the OCA and the Department
21 to chime in on that as well if they don't
22 mind, please.

23 A. (Laflamme) Yes.

24 A. (Gage) Yes.

1 Q. I understand there's a new provision where
2 the Company may defer, under the Settlement
3 Agreement in the WICA filing, if it is
4 earning at 50 basis points or higher in the
5 prior year. And I was wondering if you could
6 explain to the Commissioners how that will
7 operate.

8 A. (Szabo) Yes. So what I envisioned is as part
9 of the annual WICA filing, we will include in
10 that application testimony and support of a
11 actual return for the prior calendar year
12 that will be measured against the authorized
13 return. If it exceeds 50 basis points, we
14 will not request -- will be ineligible for
15 requesting recovery of projects at that time
16 until the subsequent year when we'll perform
17 the same process. If it's determined at that
18 point that we have not exceeded that
19 threshold, we'll submit a WICA filing that
20 would include any projects that have yet to
21 be recovered at that point.

22 Q. Thank you.

23 And this question may be best for the
24 Department and OCA because of your roles.

1 But there was a question earlier about
2 whether the Company used its chart of
3 accounts to track whether assets were
4 revenue-producing or non-revenue-producing, I
5 believe. Do you recall those questions?

6 A. (Laflamme) I recall the question, yes.

7 Q. When the Company makes a WICA filing, is it
8 correct that that's an issue that the
9 Department would then consider in its review,
10 to look at whether main replacements would
11 serve new customers and therefore
12 revenue-producing, or whether it was a
13 replacement main that was not producing new
14 revenues?

15 A. (Laflamme) It would be the Department's --
16 yeah, that would be a Department concern.
17 The WICA program is meant to encompass main
18 replacements and not new mains.

19 Q. And it's my understanding that in maybe
20 not -- I don't know whether it's the majority
21 of cases, but in a great number of cases, if
22 there are new mains serving new customers,
23 those would typically be looked at as
24 Contributions in Aid of Construction; so they

1 wouldn't appear in a WICA surcharge because
2 they'd be paid for by the customers.

3 Does the Company or the Department or
4 OCA have any comment on that concept?

5 A. (Szabo) I would agree with that as well. And
6 to that point, if there are contributing
7 mains, they wouldn't even be submitted as
8 part of a WICA filing. So we would only look
9 to include mains that are eligible for the
10 program, which would indeed be replacements.

11 Q. Okay. Thank you.

12 MR. RICHARDSON: That's all the
13 questions that I have.

14 COMMISSIONER SIMPSON: Thank you.
15 Anything from the Town of Hampton?
16 No?

17 MS. LOWRY: No, thank you.

18 BY COMMISSIONER SIMPSON:

19 Q. Okay. So as a general matter, WICA is
20 intended to help the Company true-up expenses
21 and avoid some regulatory lag between rate
22 cases; is that correct?

23 A. (Szabo) I just want to be cautious. When we
24 say "expenses," it's just the capital

1 investments. We're not looking for inclusion
2 of expenses other than those associated with
3 the capital; so depreciation expense would be
4 in there.

5 One of the changes we're looking for in
6 the program with the introduction of a
7 property tax reconciliation mechanism, the
8 WICA program would no longer include those
9 local property taxes in that filing; it would
10 just be restricted to state taxes.

11 Q. Pursuant to recent statutory changes from the
12 New Hampshire Legislature; correct?

13 A. (Szabo) That's correct.

14 Q. I didn't see a stayout provision in the
15 Settlement Agreement. Did I miss that?

16 A. (Szabo) No, you did not.

17 Q. So can you speak to the Company's future
18 intent? I mean, does the Company intend to
19 file a rate case within the next year or two?

20 A. (Szabo) I do not believe that is our intent.
21 There's other activity that has gone on with
22 our recent acquisition of the Abenaki Water
23 System in New Hampshire, where there is, you
24 know, a focus on what our next steps are with

1 that system and at what point we would look
2 to potentially consolidate that with our
3 Aquarion Water Company of New Hampshire. Of
4 course, there's a lot of analysis, you know,
5 in terms of rate impact for all parties that
6 would need to be considered. And that will
7 certainly influence the timing of our next
8 rate case.

9 COMMISSIONER SIMPSON: Okay. I
10 don't think I have any more questions at this
11 time for the witnesses. Thank you.

12 CHAIRMAN GOLDNER: Thank you. Just
13 a few questions.

14 BY CHAIRMAN GOLDNER:

15 Q. I'll begin with OCA and Ms. Gage.

16 Exhibit 19, Bates 25, Ms. Gage, you show
17 seven companies in your comparisons on
18 Bates 25, and you share your criteria. Were
19 there only seven companies in the United
20 States that met your criteria, or is that a
21 sub-selection of a larger group?

22 A. (Gage) So while the proxy group did meet all
23 of the requirements that I listed, it's
24 significant to note two things about this

1 proxy group, in that it is -- it matches with
2 Value Line's proxy group for water companies,
3 or for the water utility industry, and it
4 matches with the Company's proxy group.

5 [Court Reporter interrupts.]

6 A. (Gage) So it made for easy comparison, and it
7 did pass all of the hurdles. So it made
8 sense to select that group. Does that help
9 with your question?

10 Q. It does, it does.

11 CHAIRMAN GOLDNER: And I'd just
12 like to ask the hearing room. It seems like
13 we're making 21 South Fruit Street super
14 clean today. Do people need a break? Is
15 that bothersome? Or would you like to
16 continue?

17 WITNESS GAGE: I will say that I'm
18 having a lot of trouble trying to focus on
19 these questions while that's going on. So we
20 might want to stop the weed whacking for a
21 while.

22 CHAIRMAN GOLDNER: Yeah, let's give
23 it a second and see if that works. Maybe we
24 stopped it somehow. We'll give it a minute

1 here. We'll just pause for a moment and wait
2 to see if it stops.

3 (Pause in proceedings)

4 CHAIRMAN GOLDNER: If it comes back
5 on, we'll maybe take a break so everyone can
6 concentrate. I was finding it bothersome as
7 well.

8 BY CHAIRMAN GOLDNER:

9 Q. Okay. So I think I understand your selection
10 of the seven companies. And you were
11 satisfied that that provided a statistically
12 valid sample size and that your results were
13 sort of statistically meaningful?

14 A. (Gage) With my background in statistics, I
15 always wish for a larger sample set.
16 However, this is the best sample set
17 available to someone analyzing the water
18 utility industry at this scale, I would say.

19 Q. And then I noticed -- I think I noticed a
20 number of the companies were from outside New
21 England. There might have been one or two
22 from New England. But did that dispersion of
23 companies bother you at all in your analysis?

24 A. (Gage) No, because Aquarion -- you know,

1 we're looking to the marketplace, right, to
2 create a mirror for Aquarion's return and
3 weighted average cost of capital.

4 Q. Okay. Very good. On Bates 12 of your
5 testimony, you highlighted that the Company
6 has three issuances, with interest rates of
7 7.71, 6.47, and 4.70 percent, and that these
8 rates were not reflective of a company with
9 Aquarion's credit rating. Can you maybe
10 speak to how this was addressed in the
11 Settlement? I'm just noting it was settled
12 at 5.68 percent for long-term debt. And you
13 highlighted in your testimony, Ms. Gage, that
14 you had some concerns and I think recommended
15 that the Company refinance their long-term
16 debts. So I'm just looking for some color on
17 where the OCA is at today on that debt
18 analysis.

19 A. (Gage) I think there was one particular loan,
20 and we did address this issue in our
21 negotiations in the Settlement. And I'm
22 going to -- maybe Debra can speak to
23 specifically their plans with regard to that
24 one loan, which is the one that was most

1 concerning.

2 A. (Szabo) So within the Settlement there were
3 actually two pieces of debt that are coming
4 up for maturity. The total long-term debt is
5 \$13.9 million, and there's a \$5 million
6 tranche that's coming to maturity in July of
7 2022, and there's another piece coming to
8 maturity in November of 2023, \$3 million.
9 The corresponding rates that are in place
10 right now for both of those, the one maturing
11 in 2023 was commenced in 1993 at a rate of
12 7.71 percent, and the \$5 million, which
13 commenced in 2012, was at a rate of
14 4.45 percent. The pricing that we had talked
15 about during Settlement in the April 2022
16 time frame for 10-year financing for the
17 Company was being priced at around 4.8 to
18 4.9 percent.

19 Q. Okay. Yeah, sadly it didn't come due a year
20 earlier. But that's not your doing.

21 So it looks like, if I can call it the
22 "worst problem," the 7.71 percent will be
23 refinanced in July, \$5 million. And you're
24 expecting, I think you said, a rate of

1 about -- did I hear you say that it was about
2 4.8 percent?

3 A. (Szabo) Just to correct, the 7.71 percent
4 rate pertains to the November 2023 maturity
5 of \$3 million.

6 Q. Okay.

7 A. (Szabo) The July 2022 maturity of \$5 million
8 is currently at a rate of 4.45, and the
9 pricing we're seeing is in between 4.8 and
10 4.9.

11 Q. So it actually gets worse in the short term.

12 A. (Szabo) A little bit, yes.

13 Q. Okay. I'm just trying to sort through the
14 math. The Settlement of 5.68, can you share
15 how -- is that the mathematical average of
16 the expected refinancing and existing debt,
17 or is that some other settled number? I
18 guess is it algebraic or not algebraic?

19 A. (Szabo) You can compute that as the weighted
20 average of those three tranches. There's an
21 assumption that there's costs, you know,
22 closing costs in addition to the financing
23 rate of 4.89, an additional 20 basis points.

24 Q. Okay. I understand. Okay. Very good.

1 And Ms. Gage, I wanted to follow up a
2 little bit on your concerns with short-term
3 debt. You've clearly given this a lot of
4 thought.

5 Normally I would have expected OCA to
6 encourage short-term debt because the rate
7 is, of course, lower than the rest of the
8 debt; yet, the OCA went the other direction.
9 And I do understand, I think, your point
10 about not knowing what the -- the Commission
11 doesn't control or regulate that rate. But
12 it's still a known rate. At least we can
13 look at the Company's books and understand
14 what that rate is, what is known and
15 measurable, even if it's not regulated. So I
16 was hoping you could just add some color into
17 your thought process for removing short-term
18 debt from the weighted average cost of
19 capital calculation.

20 A. (Gage) A couple of things come to mind about
21 that. I would say that that short-term debt
22 rate is known in the short term. And also
23 some of what my research at the OCA is
24 showing is that ratemaking treatment is as

1 important as removing a small amount from the
2 Company's cost of capital that shifts the
3 balance toward the Company's increased
4 weighted average cost of capital. But it's a
5 small amount in exchange for ratemaking
6 treatment that's more clear and concise and
7 able to be regulated directly by the
8 Commission.

9 Q. Very good. Thank you. That's helpful.

10 And then my final question in your
11 testimony was -- it's actually in the
12 Settlement -- and it goes to Commissioner
13 Simpson's question on whole life
14 depreciation, et cetera, would you -- I just
15 want to follow up on that question.

16 Would you say that the OCA has a
17 preferred method of depreciation for New
18 Hampshire, independent of the Settlement
19 here?

20 A. (Gage) Completely independent of this case,
21 at this point in time, if the OCA had to
22 strike out and choose, we would choose
23 remaining life.

24 Q. Okay. Thank you.

1 Okay. So I'll turn to the Settlement
2 itself now. And my first question was on the
3 Settlement at Page 5. There's discussion of
4 amortization of the Eversource acquisition
5 costs of Aquarion, and there's a discussion
6 of numbers being amortized over 20 years.
7 What is the dollar amount that's being
8 amortized over 20 years?

9 A. (Szabo) It's a total of 5.7 million and
10 change. I don't have the number in front of
11 me right now.

12 Q. Okay. And what composes those costs? Are
13 those sort of costs of management expenses,
14 administrative expenses? What is that 5.7
15 composed of?

16 A. (Szabo) They're mostly external fees. And
17 I'm going to call up a schedule right now
18 that I'll be able to give you further
19 breakdown on that.

20 Q. Okay. Yeah, take your time.

21 (Pause)

22 A. (Szabo) So the total is \$5,706,744. And the
23 components of that, the first one is
24 investment banking fees of approximately

1 3 million; external legal services of
2 approximately 1.5 million; other outside
3 consulting fees noted here,
4 PricewaterhouseCoopers, Deloitte and other
5 consulting of approximately 970,000. There's
6 Federal Trade Commission allocation fee of
7 125,000; and then a handful of other fees,
8 some of them related to printing. I don't
9 have a further breakdown on the smaller
10 group.

11 Q. You covered most of it. Can you share your,
12 the Company's logic on why that is a
13 ratepayer expense and not a shareholder
14 expense?

15 A. (Szabo) I don't know that we're looking at it
16 in that regard. But what we were looking to
17 seek recovery of is really if there's
18 increment -- if a transaction resulted in
19 incremental savings to allow the Company to
20 recover some of those expenses. So in our
21 mind, it really is neutral to the customer.

22 If we quantify the 5.7 million and
23 amortize that over 20 years, that
24 amortization expense is still below what we

1 are seeing in annual savings as a result of
2 the transaction. So there's a net benefit to
3 the customer as a result of the transaction,
4 but still allowing the Company to recoup some
5 of those expenses.

6 Q. Okay. Thank you. That's helpful.

7 Okay. So let's move to Bates Page 5, I
8 think. Well, it starts on Page 5, but it's
9 really Page 6 of the Settlement. And there's
10 discussion on that cost of debt with a 5.68
11 cap. And "cap" is an unusual term for a
12 Settlement agreement because it's either --
13 in my mind, it's either fixed or it's not
14 fixed for the term of the Settlement.

15 Is there intention that that 5.68 cost
16 of debt floats or somehow changes? I don't
17 understand the use of the word "cap."

18 Ms. Gage, you can take that if you'd
19 like.

20 A. (Gage) It's my understanding that it does not
21 float at all. It's just the word "cap" was
22 selected as the meaning for fixed.

23 Would you concur?

24 A. (Szabo) Yes. And I do believe it was also

1 intended to take into the fact that we
2 haven't performed that refinance yet. So if
3 we were to refinance, and the costs -- you
4 know, if it wound up being greater than that,
5 that the Company is not able to come back and
6 ask for that.

7 Q. Okay. In this rate case?

8 A. (Szabo) Correct.

9 Q. Okay. Very good.

10 One bafflement that I had when reviewing
11 the Settlement was that, you know, in the
12 current debt environment, even today, we're
13 at historically lower rates of debt. And
14 certainly during the course of this rate case
15 it was, you know, even lower. I think a year
16 or two ago it was, you know, a couple points
17 lower. And I think the Commission has
18 signaled in other rate cases that sort of a
19 50/50 split is normal. And so I'm struggling
20 with the percentage of the cost of equity at
21 54 percent, cost of debt at only 46. I'm
22 taking into account Ms. Gage's conversation
23 before on short-term debt. But I'm
24 struggling to understand the reasonableness

1 of this debt-to-equity ratio. If anyone
2 would care to comment on that.

3 A. (Gage) And you just were using some terms
4 there, 54 --

5 Q. Yeah. I'm just looking at the weighted
6 average cost of capital on Page 6, Bates
7 Page 6 of the Settlement. It's 54.42 percent
8 equity and 46 -- 45.57 percent long-term
9 debt, with a little bit of preferred equity
10 in there to arrive at the weighted average
11 cost of capital of 7.54. And I think we
12 normally see more like 50/50 splits, and
13 certainly we've been moving in that
14 direction.

15 A. (Szabo) I will just add that it is based on
16 the test-year capital. So stripping out the
17 short-term debt and the remaining long term,
18 it was just a mathematical determination. It
19 wasn't a settled amount. It was based on a
20 test year.

21 Q. And I'm not sure, and maybe Ms. Gage could
22 comment on other states.

23 In New Hampshire, the weighed average
24 cost of capital computation is not

1 necessarily tied to the actual debt. So it
2 can float. It can be different than the
3 actual debt. These are just sort of
4 processes for determining the weighted
5 average cost of capital. So I think a good
6 place to start is the actual cost of debt.
7 But I'm sort of, you know, still baffled by
8 the rate of percentages. Maybe someone can
9 just give some color?

10 A. (Gage) Yeah, so it would seem that you're
11 looking toward my background with this. And
12 so I would say that to me this doesn't feel
13 very imbalanced. Certainly not enough to ask
14 the Company to settle on, for example, a
15 hypothetical capital structure where we
16 impute a 50/50, for example. We didn't see
17 that imbalance in this instance. I have had
18 cases in the past in other jurisdictions
19 litigated with regard to imputing a
20 hypothetical capital structure. But the
21 preferred method is to use the actual numbers
22 that reflect the actual ratios of equity to
23 debt and so on.

24 Q. So if the OCA is -- has in mind a future rate

1 case and is thinking towards the next rate
2 case, does the OCA have any thoughts on the
3 debt-to-equity ratio that they would look for
4 in future rate cases?

5 A. (Gage) Do you mean a specific number that
6 would say a red flag and imbalance?

7 Q. Well, when you're looking at other
8 monopolies, as you did in some of your
9 competitive analysis, and you look at what
10 other monopolies are doing across the
11 country, I think that the 50/50 split is more
12 typical. So if the idea was that for
13 Aquarion's next rate case you wanted to see
14 them at a 50/50 split, you would start to
15 move in that direction or signal that
16 direction now.

17 A. (Gage) So I do know that other jurisdictions
18 do move toward or migrate toward, again,
19 hypothetical capital structures. But my
20 experience is very much seated as close to
21 actual capital structure as possible. And in
22 the past I've seen that that works to the
23 ratepayers' benefit more often than not. So
24 my leanings are toward the actual capital

1 structure of the company as much as possible,
2 again with short-term debt removed, because
3 using an AFUDC rate for short-term debt kind
4 of mirrors the type of capital and allows the
5 Commission to regulate the rate.

6 Q. Okay. Very good.

7 And the place I'm going to is it would
8 only be fair to the Company if in the next
9 rate case they were asked to go to a 50/50
10 ratio, given the cost and the time it takes
11 and the effort to change the debt structure.
12 It would only be fair to communicate that up
13 front so that the Company had time to react
14 and do things in an efficient way.

15 So it sounds like from the OCA's
16 perspective, you're satisfied with the 46/54
17 split.

18 A. (Gage) I am, yes.

19 Q. In this case and future cases?

20 A. (Gage) And future cases. And yeah, I
21 wouldn't... if I were in your seat, I
22 wouldn't try to instruct a company to
23 rearrange their capital structure to fit a
24 hypothetical to actual matching scenario, for

1 example. Is that what your question was
2 asking?

3 Q. That's a fair answer. No, I appreciate it.
4 I just wanted to get your perspective. That
5 makes sense.

6 And Mr. Laflamme, do you have an opinion
7 on this?

8 A. (Laflamme) Yes. I would have to say that the
9 Department's position mirrors that of the
10 Commission, that optimally the Department
11 would want to see a debt/equity structure as
12 close to 50/50 as possible. In this
13 particular case, we did specifically examine
14 the Company's capital structure. And I'll
15 preface what I say by the fact that I'm not a
16 cost of capital expert. But in discussions
17 with individuals within the Department that
18 are more knowledgeable than I am relative to
19 capital structure, I would say that the
20 Department is comfortable with the capital
21 structure that is being presented in the
22 Settlement Agreement.

23 A. (Gage) If I could add, I also concur with the
24 preference toward 50/50. But in my view,

1 again, the companies are savvy with regard to
2 their capital structure. So, I mean, forcing
3 a capital structure on a company could be
4 disadvantageous to ratepayers. So I concur
5 that one hopes for as close to 50/50 as
6 possible, but to get overly instructive to
7 companies regarding that disregards their
8 expertise for lowering their own cost of
9 capital.

10 Q. So I think if we were looking at
11 Aquarion/Eversource, I think it's fair to say
12 that it's one of the safer water utilities in
13 New Hampshire from a risk perspective, right.
14 So just to stay within the current
15 hypothetical and not reach outside this rate
16 case, if Eversource and Aquarion's debt
17 rating were to drop significantly, it would
18 become less safe, how would you -- how would
19 the weighted average cost change in that
20 scenario?

21 A. (Gage) My guess is it would increase.

22 Q. Correct. Now, would you -- now keeping in
23 mind that they have long-term debt, right.
24 So as we were talking about earlier, you have

1 debt that's been on the books. It might be a
2 20, it might be a 30-year note. So the cost
3 itself isn't going to change because that
4 debt is locked, right, for some time period;
5 I mean in our case a long time period here.
6 So if the weighted average cost of capital
7 changes, how would it change if the debt was
8 fixed -- in other words, the tranches of debt
9 were fixed? The tranches of debt aren't
10 changing, right. They're already out in the
11 market. It's whatever the rate is.

12 So if the risk of Aquarion goes -- if
13 the risk increases, would you see any change
14 in the cost of capital? I think you answered
15 yes, and then I think now you're answering
16 maybe not.

17 A. (Gage) Well, no, no, no. I believe then you
18 would see the return on equity increase. Is
19 that what you're asking?

20 Q. Yeah, I'm asking for your opinion of how the
21 weighted average cost of capital would change
22 if either Aquarion were to become more risky,
23 or we were talking about a different water
24 utility in New Hampshire that's not as safe

1 as Aquarion and Eversource.

2 A. (Gage) In the first instance, where Aquarion
3 becomes more risky, their actual return on
4 equity would supposedly increase, and then
5 they may come to the Commission and they may
6 be allowed a higher return on equity. And
7 that's "may be." So those do not have to
8 exactly match.

9 And in the second instance, with a
10 Company that's more risky than Aquarion, they
11 might see a higher return on equity, actual
12 return on equity, excuse me, and then the
13 Commission may allow them a higher return on
14 equity.

15 Q. Okay. Thank you.

16 Mr. Laflamme, any additional comments on
17 that?

18 A. (Laflamme) I don't have anything additional.

19 Q. Okay. Very good. Okay.

20 A. (Gage) I actually have an additional comment
21 on that.

22 Q. Sure.

23 A. (Gage) So in this instance we negotiated a
24 9.1 percent ROE. And the Company is up for

1 reissuance or renegotiating some of its debt
2 as we just discussed. So in the case of
3 Aquarion, it could be harmful to not just the
4 Company but also the ratepayers to push their
5 return on equity down enough that the
6 psychological optics of their return on
7 equity damages their credit rating. So that
8 could be damaging to residential ratepayers.
9 So it's a careful balance to negotiate.

10 Q. Yes. And I'll just add one more
11 comment/question before we move on, and that
12 is -- and I'll make this a record request for
13 the Company.

14 But to your point, Ms. Gage, if we hold
15 the weighted average cost of capital constant
16 at 7.54 percent, hold the long-term debt
17 constant at 5.68, make long-term debt 50 and
18 common equity 50, what would the return on
19 equity be? I think it'll be about
20 9.4 percent. And the reason I'm going to
21 this place is that would solve the problem
22 and in effect improve the problem that you're
23 suggesting, that return on equity would be
24 very favorable to shareholders and be very

1 interesting from, you know, both an equity
2 and a debt perspective. So I'd like to make
3 that a record request just to understand how
4 it would change if that were to occur.

5 I would like to move on to the step
6 adjustment as the next topic. So I was glad
7 to see that the number of steps was reduced
8 from three to one. So that's a very positive
9 development. I did have some questions.

10 It includes 2020 and 2021 plant in
11 service. And then it included known and
12 measurable wages, salaries and benefits,
13 which was a negative number. But I've never
14 seen that included in a step adjustment
15 before, and I was hoping someone could
16 comment on known and measurable wages,
17 salaries and benefits in the step.

18 A. (Szabo) I can start with that. So in the
19 step we have an adjustment for \$44,442. It's
20 additive to the revenue requirement in the
21 step. It was an item that came about through
22 our Settlement discussions. These are
23 related to known wage increases that
24 occurred, effective in April of 2021. So we

1 had -- the Company had initially included
2 those in their initial application for a base
3 rate proceeding. And it was agreed upon
4 through Settlement to exclude those from the
5 known and measurable changes and agreed to
6 move them here to the step adjustment.

7 Q. Okay. And those reduce the revenue
8 requirement or increase the revenue
9 requirement?

10 A. (Szabo) They are increasing the revenue
11 requirement in the step adjustment, and they
12 decreased -- it was a negative adjustment to
13 our initial rate application.

14 Q. Okay. So it's just a one-for-one. It's a
15 timing thing.

16 A. (Szabo) Correct.

17 Q. Okay, okay. Very good.

18 I think we have a couple of choices with
19 the step calculation. We've done this in
20 other dockets. If the Commission doesn't
21 have a super good understanding of the step
22 calculation, we can defer a ruling on the
23 step calculation itself until a future
24 docket, or we can walk through the step here

1 and at least try to get through that hurdle.
2 Maybe just a couple of questions to make sure
3 that we understand.

4 So in the 2020 and 2021 years, you're
5 adding non-growth assets; correct? So that's
6 Step No. 1.

7 A. (Szabo) Yes.

8 Q. Okay. And is there any contribution,
9 positive or negative, from the test year? So
10 are you bifurcating; so the test year is out
11 of the calculation altogether and you're just
12 looking at non-growth assets in 2020 and
13 2021?

14 A. (Szabo) That's correct.

15 Q. Okay. And then you calculate the
16 depreciation on those non-growth assets. And
17 that's -- forgetting about the wages and
18 salaries piece, that's the amount that you're
19 seeking recovery on.

20 A. (Szabo) Yes.

21 Q. Okay. All right. And then the final
22 section, back to Section 5, Bates Page 8, the
23 WICA. So as Commissioner Simpson was
24 highlighting, it was approved as a pilot,

1 looks like back in '08 and then again in 2012
2 and continuing on a permanent basis. So I'm
3 questioning why the position of moving from a
4 pilot to permanent was -- what's the logic or
5 the benefit of that?

6 A. (Szabo) I'll speak from the Company's
7 perspective.

8 Having the program designated as a pilot
9 with each annual filing, it's unknown until
10 you start the proceeding whether, you know, a
11 decision could be made to just say, you know,
12 we're not interested in your WICA filing or
13 reviewing this. When we looked to move it to
14 what we're calling "permanent," it doesn't
15 remove any of the due diligence surrounding
16 the application and the review of the
17 request. It just notifies -- it allows the
18 Company to know that the program, you know,
19 the investments that we're making are going
20 to be eligible for recovery, that it's not a
21 question each time we go to do the filing,
22 which is obviously always after the
23 investment's already been put in place.

24 Q. Okay. Very good.

1 And what is the estimated dollar amount
2 of the proposed WICA surcharge in February of
3 2023? Commissioner Simpson might have asked
4 that question, and I might have missed it.
5 Is there a dollar amount that you have
6 already estimated?

7 A. (Szabo) So my estimate is based on capital
8 projections that might be a little stale
9 today. But just to give some reference,
10 there was one main replacement project
11 contemplated in our 2022 budget. That budget
12 was prepared a couple months ago, so I can
13 certainly get an update on that. But that
14 was estimated to be, I think, approximately
15 \$300,000. So if we look at the weighted
16 average cost of capital that's currently in
17 the Settlement and gross that up, I would
18 estimate about 10 percent on that 300,000, so
19 about a \$30,000 incremental revenue. The
20 revenues that we're looking for in this
21 Settlement are just north of \$7.3 million.
22 I'm not doing the math that well in my head
23 right now, but it'll be less than
24 one percent.

1 Q. It's small.

2 A. (Szabo) Yeah.

3 Q. And that really, you know, sort of -- and I
4 know this knife has two edges. But there's a
5 lot of conversation, a lot of discussion, a
6 lot of effort put towards WICA, its 30K
7 issue. You know, why not just improve
8 this -- include it in the step or do it in
9 some other, more simple way than having this
10 WICA issue hanging out there?

11 A. (Szabo) I think we had not considered putting
12 it in the step just because there are other
13 safeguards around the WICA program really to
14 address some of the concerns that, you know,
15 other parties have raised with the program.
16 Keeping it within the WICA program then has
17 it assessed cumulatively against the
18 7.5 percent cap. So that was some of the
19 reasons why we decided to keep it separate.

20 Q. Yeah. And it just seems like it would be
21 easier, if you're making a capital
22 investment, whether you call it a step or you
23 call it WICA, you mentioned safeguards, and
24 maybe I don't fully appreciate what those

1 safeguards are, but it just seems like it's
2 all capital investment. It's capital
3 investment that the Company needs to make.
4 It's capital investment that all parties
5 agreed to. So it sort of seems like all this
6 could be captured in a simpler way than it
7 is. So I'd just like to give you the
8 opportunity to comment on that.

9 A. (Szabo) I would say that the Company is not
10 opposed to that approach. I don't really
11 have anything more to add other than that.
12 The format that we tried to do in terms of
13 the presentation of this step, we tried to
14 model it off of the WICA filings, such that,
15 you know, it would be -- lend itself to an
16 easier review for parties. But, you know, if
17 there's a willingness to combine the two, we
18 wouldn't object to that.

19 Q. Okay. Mr. Laflamme, Ms. Gage, do you have
20 any comments on that?

21 A. (Laflamme) I would say that we're in favor of
22 the WICA program and that it sets parameters
23 relative to the annual increases because
24 we're sensitive to single-issue ratemaking.

1 We believe that a company's rate should be
2 tied to an historical test year. I think the
3 problem with instituting several step
4 adjustments is that it really clouds the
5 historical test year scenario that this
6 Commission has historically set general rates
7 under. And so we're just being careful. And
8 we believe that the WICA program as
9 currently -- as it's currently operating, as
10 proposed in the Settlement Agreement, insures
11 the sanctity of an historical test-year
12 ratemaking and avoids the issue of
13 single-issue ratemaking.

14 Q. And I'm just trying to understand a little
15 bit better. You like the WICA because it's
16 sort of this annual adjustment that keeps
17 things trued up. It's easy to get your hands
18 around. It's sort of methodical and
19 something that's easy to monitor. Is that a
20 fair -- am I capturing that right?

21 A. (Laflamme) Yes. You know, the advantages are
22 that it incentivizes the Company to make
23 necessary main replacements in order to
24 maintain reliability, system reliability.

1 And then for the customers, rather than being
2 hit with a large rate increase, you know,
3 every three to four years, it helps to
4 mitigate rate shock, from that perspective.

5 Q. And maybe walk through the DOE's position
6 on -- I understand your position on WICA, but
7 then I'm having trouble understanding why
8 that's different than a step. So why would
9 you then not support a step every year for
10 the same reason?

11 A. (Laflamme) Step adjustment, I mean, it's
12 really -- it would -- this amounts to an
13 annual step adjustment --

14 Q. Right.

15 A. (Laflamme) -- really. But we're comfortable
16 with the parameters that have been set with
17 regards to the limitation on the amount of
18 the annual increase, the amount of the
19 cumulative increase, the fact that the WICA
20 program as it's created allows input not only
21 by the DOE and the OCA, but also invites
22 input from the affected communities as well.
23 So that's -- I think realistically we are in
24 favor of the WICA program because of the

1 safeguards that have been implemented so that
2 annual rate increases don't get too out of
3 control or too separated from the last
4 historical test year.

5 Q. And I just want to make sure I understand the
6 word "safeguard." When you say "safeguard,"
7 can you just please define that term? I just
8 want to make sure I'm understanding what
9 you're saying. What is the "safeguard"?

10 A. (Laflamme) The percentage, I think -- subject
11 to check, but I believe that the annual WICA
12 charge can't exceed 5 percent per year, and
13 from a cumulative point of view, it can't
14 exceed 7-1/2 percent.

15 Q. Okay. That's what you mean by "safeguard."
16 I just wanted to make sure I understood --

17 A. (Laflamme) And the fact that it's limited to
18 main replacements and other replacements
19 above a floor amount.

20 Q. And then that 5 percent or 7-1/2 percent cap,
21 what's the denominator in that? Five or
22 seven and a half percent of what?

23 A. (Laflamme) The last approved revenue
24 requirement.

1 Q. Okay. So the test-year revenue requirement?

2 A. (Laflamme) Yes.

3 Q. Okay. Thank you. That's all.

4 A. (Szabo) I'll just add one clarifier. It's
5 the test-year revenue requirement, but it
6 excludes miscellaneous fees.

7 Q. Okay, okay. That gives us roughly the right
8 number. It just seems like an awful lot of
9 work to go through for \$30,000. But that's
10 why I'm asking.

11 Ms. Gage, did you have anything you
12 wanted to add?

13 A. (Gage) I would concur with the DOE's general
14 statements about the WICA program. But I
15 would also add that having this incentive for
16 the Company to me seems particularly
17 important because aging infrastructure is a
18 pretty serious risk to the Company and to the
19 ratepayer. And this program addresses both
20 of those concerns, you know, on both sides;
21 so incentivizing the Company to reduce some
22 of that risk through investment as well as
23 provide the ratepayer with the updated
24 infrastructure that they paid for.

1 Q. So when you say "incentivize the Company,"
2 what you mean is they're adding capital in a
3 process that everyone's comfortable with,
4 obviously improving things as you suggested.
5 But the reward that they get is a return on
6 their capital at the weighted average cost of
7 capital. That's the reward you're speaking
8 of?

9 A. (Gage) Where in your question "they" are the
10 Company? Yes.

11 Q. Yes.

12 A. (Gage) Yes.

13 Q. I just wanted to make sure I understand what
14 the "reward" is. So the "reward" is a return
15 on the capital that they're investing inside
16 of a process that the OCA and the DOE and the
17 Company is comfortable with.

18 A. (Gage) Right. And I would also add more
19 certain return of that capital.

20 Q. Okay. Very good.

21 A. (Szabo) If I could add, too, in regards to
22 the program. 2022, the investment that I
23 mentioned, might not be reflective of what we
24 see every year. There's a couple of factors

1 that weigh into the timing of when we do a
2 main replacement. And it could be something,
3 you know, working on paving coordination with
4 the towns if we know that certain streets
5 that we've identified in our pipeline as
6 being in need of replacement. Those come up
7 on a paving coordination schedule. The
8 timing could be influenced by that, as well
9 as the Company's overall capital program for
10 the year. So depending on if there's other
11 costly investments, you know, for treatment
12 upgrades or whatnot come into play. We want
13 to make sure that we are always looking at
14 trying to balance ultimate rate impact when
15 we determine the timing of investments.

16 Q. Very good. And last question is do you have
17 handy, and if not we can just make it a
18 record request -- do you have handy the WICA,
19 let's call it the "WICA surcharge" for the
20 last five years or so? You mentioned it was
21 300K going to 30K -- 300K capital, 30K reward
22 to the Company in the coming time period.
23 But what has it been running the last four or
24 five years?

1 A. (Szabo) I can certainly grab that. I'm not
2 on the network right now. But I can get that
3 today if we have a quick recess.

4 Q. Sure. And I think what we can do is we can
5 go to redirect -- well, I'll tell you what.

6 CHAIRMAN GOLDNER: We probably want
7 to take a break here, Commissioner Simpson,
8 and then we can go to redirect and then
9 closings?

10 Would that be okay with everyone?

11 MR. TUOMALA: Yes.

12 MR. VENORA: Yes.

13 CHAIRMAN GOLDNER: Okay. Thank
14 you. So we'll go -- well, let's come back at
15 five minutes until the hour, 15 minutes, and
16 then we'll resume at that time. Off the
17 record. Thank you.

18 (Brief recess was taken at 10:41, and
19 the hearing resumed at 11:02 a.m.)

20 CHAIRMAN GOLDNER: So Commissioners
21 just have a couple follow-up questions before
22 we move to redirect. So we'll just wrap up
23 here with a couple of lingering questions.

24 Commissioner Simpson.

1 COMMISSIONER SIMPSON: Thank you.

2 BY COMMISSIONER SIMPSON:

3 Q. Follow-up with respect to the intent,
4 original intent of the WICA program. And I'm
5 hoping that some folks might be able to
6 confirm my understanding. And I think about
7 parallels to the gas utilities and the cast
8 iron bare steel replacement programs, where
9 we have aging infrastructure that over time
10 requires replacement and a means of the
11 Company annually providing new infrastructure
12 and having a mechanism to recover those
13 costs. Is that generally or directionally
14 what the WICA program was intended to provide
15 back in 2008?

16 A. (Laflamme) I would say yes. And I would
17 specifically draw your attention to
18 Exhibit 16, which is the testimony of the
19 DOE's engineering consultant, Mr. Douglas
20 Brogan. And he evaluated the WICA program
21 from an engineering point of view. And I
22 would have to say that I think your
23 assessment is correct, that one of the main
24 goals was to encourage the replacement of

1 substantially old infrastructure.

2 And in Mr. Brogan's testimony, he points
3 to the fact that -- and this is on Page 3 of
4 his testimony. He says that Aquarion's
5 system dates back from about 1907, which, you
6 know, he comments on as "old enough to have
7 deteriorating mains." And above that he
8 presents a couple of analyses, you know,
9 relative to the success of the WICA program:
10 What the percentage increase in the
11 investment dollars were pre-WICA versus
12 post-WICA and also feet of main replaced
13 pre-WICA versus post-WICA. And the
14 comparison, both in the amount of dollars
15 spent and the number of feet replaced, is
16 very striking. And so I would encourage the
17 Commission to review Mr. Brogan's testimony
18 in that regard.

19 Q. Thank you. And perhaps you or the Company
20 could speak to the approach and planning for
21 infrastructure replacement.

22 How does the Company plan? What's the
23 forecast for completing main replacement at a
24 date certain? What do you intend to do

1 annually, mirroring issues like coordination
2 of paving with municipalities? How does the
3 Company's forecast and plan work for the WICA
4 program?

5 A. (Szabo) So I'll talk in general because it's
6 something that's handled by our director of
7 engineering.

8 But annually, the Company will look at
9 its pipeline of main and assess based on
10 certain engineering criteria which ones they
11 feel, you know, meet certain risk factors.
12 They score it. That kind of, you know,
13 engages them for really the next five years
14 when they look at what they anticipate their
15 WICA projects being. They then take that
16 information and communicate and coordinate
17 with the towns to see if that matches up with
18 any of their planned paving within the town,
19 so as to not pursue a main replacement and
20 tear up the street and then find out next
21 year the town, you know, had other work that
22 it was planning for that. That really can
23 be, you know, costly and disruptive to the
24 people in that area.

1 So the WICA program really kind of
2 facilitates that communication as part of the
3 annual filing. It's not just a request for
4 recovery of projects that were completed.
5 It's also a discussion of what's in that
6 pipeline and what the assessments are, in
7 terms of why there's a need for it and those
8 sorts of things.

9 Q. And does the Company provide a forecast or a
10 plan for infrastructure replacement?

11 A. (Szabo) Yes.

12 Q. And what's the date certain for completion of
13 those main replacements?

14 A. (Szabo) I think it is dependent upon, you
15 know, when the projects start. I mean,
16 there's typically a construction season. But
17 I don't know that there's always a known end
18 date for when they'll be completed.

19 Certainly when we prepare the annual WICA
20 filing, there's an expectation that it will
21 be completed within the calendar year. And
22 that's what the time frame in this Settlement
23 has actually looked to amend the applicable
24 periods. We'll be looking at calendar year,

1 you know, placed into service that would be
2 filed in the coming -- in the following
3 quarter.

4 Q. Okay. And I'm thinking about the question of
5 the permanence of the program, looking at the
6 Cast Iron Bare Steel Replacement program for
7 the gas utilities in New Hampshire or the G-
8 Set program for gas utilities in the state of
9 Massachusetts. Those programs are -- they
10 have a date at which they end because the
11 intent of the program has been completed;
12 that aging infrastructure has all been
13 replaced.

14 A. (Szabo) I see. So I don't know that that
15 would apply here for water. The Company
16 looks to achieve -- or its goal is a
17 one percent replacement rate on main. And at
18 that rate, I think, you know, it would take a
19 hundred years for us to get there. And you
20 just continue the cycle. So there has not
21 been a discussion on an end date for the
22 program.

23 Q. So then, presumably we're looking at
24 infrastructure that's -- some infrastructure

1 that has been replaced or that was put into
2 service a hundred years ago that could go
3 many, many more years; is that correct?

4 A. (Szabo) I don't want to say. I'm not certain
5 what all the age of the underlying pipe is in
6 the system.

7 Q. Okay. And then the conservation aspect, how
8 does the Company track lost and
9 unaccounted-for water with respect to
10 investments that have been made pursuant to
11 the WICA program?

12 A. (Szabo) I don't know that there is an actual
13 tracking for each WICA project to assess lost
14 water. I think it's more done on a
15 system-wide basis. But I'm not certain of
16 that answer.

17 COMMISSIONER SIMPSON: Okay. I
18 don't know if you have any follow-up,
19 Chairman.

20 BY CHAIRMAN GOLDNER:

21 Q. Yeah, just a couple follow-ups to Commission
22 Simpson's questions.

23 I'm looking at Mr. Brogan's testimony,
24 Bates Page 3, and he states, "The average

1 annual replacement under the WICA program
2 cuts that figure nearly in half" --
3 previously he said 400 years -- "to a little
4 over 200 years." And then he comments on
5 that's perhaps not good enough, but more
6 desirable. So I'm just taking into account
7 sort of all the information.

8 Did you say earlier that the Company
9 targets one percent but maybe achieves
10 something less than that?

11 A. (Szabo) Yes. We are not at a one percent
12 rate. It's just that's kind of like the Gold
13 Standard that we would look to be at. But we
14 are below that.

15 Q. Okay. And is this something that's typical
16 in the industry, you know, that there's sort
17 of a one percent replacement rate? Is that
18 something -- how did you arrive at that
19 number? Why not two percent or three percent
20 or half a percent?

21 A. (Szabo) I'll answer the first part of the
22 question.

23 I know that's consistent with how we
24 manage our other operations in Connecticut

1 and Massachusetts with that same, you know,
2 high-level goal in place. As to how it was
3 derived, that's more a matter for the
4 engineering department. I know that they
5 rely on experts to help them come up with
6 that.

7 Q. Okay. Any comment from Mr. Laflamme or Ms.
8 Gage on that topic?

9 A. (Laflamme) Other than I would draw your
10 attention to Footnote 2 on Page 3, where Mr.
11 Brogan states in the footnote, "Both Aquarion
12 and Pennichuck Water Works share an initial
13 general high-level goal of 100 years in this
14 regard, which neither has yet attained."

15 Q. Okay. Very good. So it's not quantified.
16 But it does share that there was some
17 understanding for larger water companies here
18 in New Hampshire. Okay. Thank you, Mr.
19 Laflamme.

20 Anything else on that topic?

21 A. (Gage) In this instance, the OCA, you know,
22 relies on the qualified professional
23 engineers, you know, hired by other parties
24 in this case, particularly DOE, with regard

1 to engineering.

2 With regard to the program, I will state
3 that it is my view that it's in residential
4 ratepayers' best interests that an
5 incentivized, accelerated infrastructure
6 replacement program stay in place so that
7 those ratepayers are protected by the
8 upgraded, modernized infrastructure versus
9 potentially harmed by aging infrastructure.
10 So inasmuch as the Company can be
11 incentivized to accelerate this program, we
12 would support that.

13 Q. Okay. Very good.

14 Yeah, I mean, it looks like pre-WICA it
15 was 400 years. We've now moved into the
16 territory of 200 years, and we aspire to 100
17 years. So that's an interesting way to look
18 at it. And, yeah, the risk, it looks like
19 there's certainly risk in the current
20 approach. Okay. Very good.

21 And then I think there was a question
22 for the Company on the spending for the -- or
23 the "WICA recovery," if you want to call it
24 that for the last five years I think you were

1 looking at on break?

2 A. (Szabo) Yes. So we have had six WICA filings
3 since the inception, totaling \$4.8 million of
4 investment; so averaging about 800,000 a
5 year, depending on the projects. So the
6 actual range was from 600,000 to 1.05 million
7 in terms of the annual capital investment.
8 And that corresponded to a WICA surcharge
9 ranging from 1.17 to 1.7.

10 I will add, with the exception of our
11 last WICA filing, it incorporated through
12 Settlement a return to ratepayers of the
13 impact of the reduced federal tax rate. So
14 we had accrued a return to ratepayers for
15 that reduced rate, and that was incorporated
16 into that WICA filing. So that WICA
17 surcharge was actually less than one percent.

18 Q. Okay. And my last question. I'm now puzzled
19 because I've heard -- I think I've heard the
20 OCA, the DOE and the Company say that they
21 wish that the WICA rate was higher. No?

22 Ms. Gage, care to comment on that? I
23 thought I understood you to say that a faster
24 replacement rate would be supported by the

1 OCA.

2 A. (Gage) Yes. I would say not for any
3 incentive, but for a reasonable incentive,
4 yes. Yeah. So acceleration is something
5 that I would support, you know, incentivized
6 to a reasonable rate.

7 Q. And when you say "incentivize," what I think
8 of is they're getting a return on their
9 capital, so they get their weighted average
10 cost of capital returned.

11 COMMISSIONER SIMPSON: And
12 depreciation.

13 BY CHAIRMAN GOLDNER:

14 Q. And depreciation. That's right. So they
15 fully recover, plus they receive a return on
16 their cost of capital.

17 So given that, I'm just wondering why in
18 Settlement that rate wasn't increased, given
19 that it seems like all three parties support
20 a higher WICA rate -- a higher rate of
21 replacement, let me put it that way.

22 Mr. Laflamme, do you have a thought?

23 A. (Laflamme) I would say that would have to
24 be -- there would have to be consideration

1 given to the amount of the annual, the
2 resulting increase to customers. So, I mean,
3 that would involve another engineering
4 analysis, you know, of what is the ideal
5 balancing point between annual replacements
6 and the rate impact that it would have on
7 customers.

8 Q. Because this clearly affects every water
9 company in New Hampshire, and the Department
10 of Energy is probably in a unique position to
11 analyze that picture.

12 Is that something that the Department of
13 Energy, outside of this docket, would be
14 investigating? Or is that something that the
15 Department of Energy would recommend that the
16 Commission launch an IR docket? Or would you
17 have any recommendation on how to move
18 forward on the appropriate replacement rate?

19 A. (Laflamme) I would have no recommendation at
20 this point.

21 Q. Okay. Ms. Gage, would you have any thoughts
22 on how to get to the ideal number for the
23 replacement rate?

24 A. (Gage) Not at this time.

1 Q. Okay. Thank you. Does the Company have any
2 recommendation?

3 A. (Szabo) I do not.

4 Q. Okay. I'm 0 for 3.

5 Very good. Thank you.

6 CHAIRMAN GOLDNER: Anything else,
7 Commissioner Simpson, before we move to
8 redirect?

9 COMMISSIONER SIMPSON: I guess the
10 last point I would say is I really appreciate
11 the OCA and the DOE and the work that you've
12 done in this proceeding and your availability
13 today for questions.

14 In the future, I'd encourage the
15 Company to bring a broader witness panel for
16 questioning with respect to operations and
17 some of the other questions we've had today.
18 So, a note for the future. Thank you.

19 CHAIRMAN GOLDNER: Thank you.

20 We can move to redirect.

21 MR. VENORA: Yes. Thank you.

22 REDIRECT EXAMINATION

23 BY MR. VENORA:

24 Q. Ms. Szabo, just picking up on the last -- on

1 Commissioner Goldner's last point on the
2 one percent replacement rate, just to --
3 outside of an engineering perspective, is
4 that all -- does the Company also consider
5 rate impacts to customers when it figures out
6 its WICA program, as well as its overall
7 capital program?

8 A. (Szabo) Yes. The overall capital program is
9 definitely considered on an annual basis when
10 we're doing our budget and determining what
11 the needs are, and also understanding that
12 every dollar spent is going to have a rate
13 impact.

14 Q. Earlier in the proceeding, do you recall the
15 question from Commissioner Simpson about the
16 fact that the Settlement Agreement does not
17 include a stayout provision? Do you recall
18 that question?

19 A. (Szabo) Yes.

20 Q. From your perspective, do certain elements of
21 the Settlement Agreement enable the Company
22 to stay out, avoid or delay the need for rate
23 filings over time?

24 A. (Szabo) Yes. In this instance, certainly the

1 step adjustment which allows for recovery of
2 investment through 2021 will mitigate the
3 need to come in sooner, as well as the WICA
4 program and those ongoing recovery
5 investments.

6 Q. And prior to this filing, the Company's last
7 rate case was in 2012; is that right?

8 A. (Szabo) Yes.

9 Q. And would you say that having the WICA over
10 that time period was a contributing factor in
11 enabling the Company to defer its next rate
12 case until this current docket?

13 A. (Szabo) Yes, it was a contributing factor.

14 Q. If I could draw your attention, Ms. Szabo, to
15 your testimony in this docket, which was
16 filed as hearing Exhibit No. 7, and
17 specifically at Bates Page 28 to 29.

18 In that testimony, did you provide some
19 background on the benefits of the WICA
20 program and the reasons the Company's seeking
21 to continue it on a -- you know, ending it as
22 a pilot status and continuing it into the
23 future?

24 A. (Szabo) Yes. In the testimony we had

1 identified that we felt the WICA program had
2 met the primary goal when it was established
3 as a pilot in both accelerating needed
4 replacement and striking a balance between
5 reducing rate shock to customers at that
6 time.

7 Q. Okay. And in that testimony, is there a
8 reference on Page Bates 29 of the
9 Commission's perspective on the benefits of
10 the WICA program?

11 A. (Szabo) Yes, there is. On Page 29, starting
12 on Row 15, there's a quote stating from
13 Order 25,019 that, "The WICA program appears
14 to strike a reasonable balance between
15 reducing rate shock to customers at the time
16 of each rate case and providing an incentive
17 to Aquarion to accelerate needed
18 infrastructure replacement. For these
19 reasons, we will approve Aquarion's WICA
20 proposal, as modified by the Settlement
21 Agreement, on a trial basis."

22 Q. Thank you. Ms. Szabo, do you recall earlier
23 in the hearing today, Commissioner Simpson
24 was looking for some information on the

1 calculation methodology of the whole life
2 depreciation technique?

3 A. (Szabo) Yes.

4 Q. And recognizing you're not a depreciation
5 expert, is there information -- are you aware
6 of information in the record that describes
7 that calculation methodology?

8 A. (Szabo) Yes. In Exhibit 11, on Bates Page 7,
9 starting on Row 7, our depreciation expert
10 defines the whole life technique.

11 Q. Okay. And is it your understanding that that
12 was the technique -- that that is the
13 technique applied in the Company's -- the
14 Settlement revenue requirement and the step
15 adjustment calculation?

16 A. (Szabo) Yes, it is.

17 Q. Thank you.

18 And lastly, do you recall questions from
19 Chairman Goldner on the concept of recovery
20 of merger-related transaction costs?

21 A. (Szabo) Yes.

22 Q. Am I correct that merger-related transaction
23 costs are only recovered to the extent the
24 Company can demonstrate there's been net

1 savings that exceed the level of transaction
2 costs from the transaction?

3 A. (Szabo) That's correct.

4 Q. Okay. And am I also correct that in the
5 Settlement Agreement there's a specific -- or
6 that the Company will not recover any portion
7 of the acquisition premium relating to the
8 merger?

9 A. (Szabo) That's correct.

10 Q. Okay. Thank you.

11 MR. VENORA: That's all we have for
12 redirect.

13 CHAIRMAN GOLDNER: Thank you.

14 We'll move to the Office of
15 Consumer Advocate.

16 MS. DESMET: I do not have any
17 redirect questions. Thank you.

18 CHAIRMAN GOLDNER: Okay.

19 Department of Energy.

20 MR. TUOMALA: Thank you, Mr. Chair.

21 I just have a few brief questions for Mr.
22 Laflamme. One specifically is relating to
23 Commissioner Simpson's questions at the very
24 beginning of Commissioner questioning

1 regarding the interim filing.

2 REDIRECT EXAMINATION

3 BY MR. TUOMALA:

4 Q. Mr. Laflamme, do you have Exhibit 22, the
5 Settlement Agreement, in front of you?

6 A. (Laflamme) Yes.

7 Q. Could you turn to Bates Page 9.

8 A. (Laflamme) Yes.

9 Q. Specifically I'm looking at Subsection E.
10 And there's a discussion about the interim
11 WICA filing. Could you just clarify for the
12 record what you believe is the settling
13 parties' intent for this interim filing and
14 possibly put some -- add some color to why an
15 interim filing is necessary from a historical
16 perspective.

17 A. (Laflamme) Yes. Well, based upon the
18 implementation of WICA programs not only by
19 Aquarion, but also previously by Pennichuck
20 Water Works, I guess from an historical
21 perspective, the Department would envision
22 that the interim filing would take place
23 sometime in the fall and would result in an
24 approval of the 2022 capital improvement

1 budget. And that approval would take place
2 prior to when the Company files for recovery
3 of the 2022 capital improvements in the WICA
4 program.

5 Q. So Mr. Laflamme, is it fair to say, in other
6 terms, this is bridging the gap between what
7 we hope is Commission approval of the
8 Settlement Agreement and the WICA program and
9 then jump-starting the process, where the
10 budget needs to be approved before the
11 Commission can look at approving the
12 resulting surcharge the next year, and that
13 basically in future years it will all be
14 combined in one filing, where the budget is
15 submitted, for the future years is submitted
16 at the same time recovery for the previous
17 year's investments is made.

18 A. (Laflamme) That is correct.

19 Q. And has this been ordered before, to your
20 knowledge? Has the Commission ordered
21 interim budget filings for mechanisms such as
22 the WICA and the QCPAC?

23 A. (Laflamme) Yes. At the outset of all of
24 those programs for the utilities that were

1 involved, yes.

2 Q. I had one final question. It's just
3 clarification of some statements that were
4 made by the panel earlier. And this is in
5 the regards to the percentage cap of the WICA
6 and how specifically the percentage WICA is
7 derived.

8 I believe it was stated that the WICA
9 would be based off of the test-year resulting
10 revenue requirement. Is that the -- is that
11 actually what is going to happen in this
12 instant docket? Or is it based upon the
13 resulting revenue requirement of the Step 1
14 adjustment, if approved?

15 A. (Laflamme) It's the Department's -- the
16 Department envisions that it would be the
17 test -- the revenue requirement based on the
18 test year, as well as the Step 1 adjustment
19 and the revenue requirement resulting from
20 that.

21 Q. Okay. So in other words then, the blanket
22 statement would be that the WICA percentage
23 relates to the most recently approved
24 aggregate revenue requirement by the

1 Commission.

2 A. (Laflamme) That is correct.

3 MR. TUOMALA: I have nothing
4 further. Thank you.

5 CHAIRMAN GOLDNER: Okay. Thank
6 you, Mr. Tuomala.

7 Okay. Very good. We can move to
8 releasing the witnesses. I'd like to
9 thank -- along with Commissioner Simpson's
10 comments earlier, I'd like to thank the
11 witnesses today for some excellent testimony.
12 Thank you very much. You can --

13 COMMISSIONER SIMPSON: And
14 collaboration in terms of Settlement. So
15 thank you for all the work that the parties
16 did.

17 CHAIRMAN GOLDNER: And you can --
18 wherever you're most comfortable, if you'd
19 like to stay there or go out to the other
20 area, either way as we wrap up is fine.

21 Okay. Very good. Without
22 objection, we'll strike I.D on Exhibits 6
23 through 22 and admit them as full exhibits.

24 We have the one record request.

1 Mr. Venora, any questions on the record
2 request?

3 MR. VENORA: Yes, Chairman Goldner.
4 We just want to make sure we understand
5 exactly what it is you're looking for. I
6 could state what I think I heard, or you
7 could restate what you really want.

8 CHAIRMAN GOLDNER: I can restate
9 it. Let me pull up the table just so that
10 I'm looking at the same figure. Okay.

11 So using the table that begins on
12 Bates Page 6 for the long-term debt and
13 long-term -- and common equity percentages,
14 just change those to 50/50. Keep the
15 long-term debt at 5.68 percent. Keep the
16 weighted average cost of capital at 7.54.
17 And then solve for the cost of common equity
18 currently at 9.1 percent, and then it'll
19 increase to, you know, 9.4 or something like
20 that. So it's just solving for common equity
21 given a 50/50 debt-to-equity ratio.

22 MR. VENORA: Okay.

23 CHAIRMAN GOLDNER: Thank you.

24 MR. VENORA: Thank you. That's

1 clear.

2 CHAIRMAN GOLDNER: Okay. Just a
3 moment.

4 (Commissioners confer off the record.)

5 CHAIRMAN GOLDNER: Okay. I think
6 we are ready to move to closing arguments.

7 Mr. Venora, if you can in your
8 closing, which will of course be last, if you
9 could maybe make some comment for the
10 Commission on the relationship of what we can
11 expect via the Abenaki acquisition. We're
12 not -- the Commission's not totally clear.
13 We know what we're approving today. We're
14 not entirely clear on how all the Abenaki
15 various dockets get resolved into an Aquarion
16 resolution. So if you can maybe just comment
17 on that, I'd appreciate it.

18 MR. VENORA: Okay. If you see me
19 looking up a few things in the meantime,
20 that's what I'm working on.

21 CHAIRMAN GOLDNER: Attorney Desmet
22 offered to go slow, so we're covered.

23 So, okay. Very good. So let's
24 perhaps start with Attorney Lowry and the

1 Town of Hampton.

2 MS. LOWRY: Thank you very much.

3 Let me get that microphone closer to me.

4 I don't have very much to say. The
5 Town of Hampton was very happy to be able to
6 participate in the Settlement negotiations.
7 We participated in many technical sessions,
8 and we really feel like our input was heard
9 in the Settlement Agreement that was put
10 forth. We support the Settlement Agreement
11 that was filed as Exhibit 22 a
12 hundred percent, and we believe that it
13 represents a just and fair rate and is a full
14 compromise between all the parties. So we
15 ask that the Commission adopt -- the
16 Commissioners, excuse me, adopt the
17 Settlement Agreement. Thank you.

18 CHAIRMAN GOLDNER: Thank you.

19 And we'll move to the Town of North
20 Hampton and Attorney Richardson.

21 MR. RICHARDSON: Thank you, Mr.
22 Chairman Commissioner.

23 We're here obviously to ask that
24 you approve the Settlement Agreement as just

1 and reasonable under RSA 378:7 and 374:2. We
2 think it reflects a good compromise.

3 I'm going to shift so I'm not
4 talking to the back of my co-counsel's head.

5 It was refreshing to hear the
6 Commissioners' questions today. I think you
7 grasped a lot of the important issues. The
8 questions that you asked and the concerns
9 that you expressed were the same ones that
10 the Towns had in this process, related to
11 whether it was rate of return on equity,
12 return on debt, capital structure, the water
13 infrastructure, conservation adjustment,
14 WICA. And the other concerns that the Towns
15 had coming in was the issue of over-earning,
16 which had happened in the past, and that's
17 what kind of brought us in here. We think
18 this compromise addresses those concerns.
19 I'm not suggesting the Towns got everything
20 we wanted or hoped for. But looking at where
21 we are under this agreement and to where we
22 were and have been historically in past
23 years, long before any of you were where you
24 sit today, the Towns were concerned because

1 we were seeing rates of return of 12 to
2 13 percent on equity, and at the same time we
3 were seeing WICA adjustments. And that's a
4 really big change that we're seeing now with
5 the provision that's going to be added with
6 the 50 basis point cap. What that means is,
7 as you heard Ms. Szabo explain when she
8 testified, is that if the Company is in a
9 situation where expenses are down, water
10 sales are up -- water companies, their
11 revenues can really fluctuate significantly
12 from year to year -- if they're above that
13 rate of return set by this agreement of
14 7.54 percent by more than 50 basis points,
15 they'll defer a WICA filing. And that's a
16 real benefit that is important and not to be
17 overlooked.

18 I think from our perspective, we
19 also looked at the debt-to-equity structure,
20 the proportions of equity and debt in the
21 Company's capital structure. But there's
22 also the rate of return. And I think I agree
23 with what the witnesses testified to today.
24 This was a reasonable balance. Obviously the

1 9.1 percent rate of return on equity really
2 reflects what that capital structure was.
3 And if we were to change that, we would
4 probably end up wanting a different number,
5 or Aquarion would, or the Towns would.

6 So I think those questions that
7 were asked were really great and shows that
8 you were looking at the same things that we
9 were. But I encouraged us to accept the
10 terms of the Settlement Agreement because I
11 think taking all those factors into account,
12 it reaches a good result.

13 So with that said, I think I'll go
14 back to the main point, which is we think
15 this is a good compromise on all of the
16 issues. It's a just and reasonable rate that
17 results. And we thank you for your attention
18 and for allowing us to participate in this
19 proceeding and hear our comments today.
20 Thank you.

21 CHAIRMAN GOLDNER: Thank you.
22 We'll move to the Office of
23 Consumer Advocate and Attorney Desmet.

24 MS. DESMET: Yes. Thank you.

1 In my mind, I thought I would be
2 brief, despite apparently my promise made to
3 go slow and to take up a significant amount
4 of time. But I do -- the OCA echoes what has
5 already been said. The Commission has heard
6 from the panel of witnesses. And we urge the
7 Commission to approve this Settlement
8 Agreement. This was the result of many
9 Settlement discussions, separate caucuses
10 among parties internally and parties
11 separately. So this really was given a lot
12 of thought. And the OCA does feel this is a
13 just and reasonable result, and the
14 Settlement Agreement is in the public
15 interest and it is a compromise that is
16 advantageous to ratepayers, and urges the
17 Commission to approve it.

18 CHAIRMAN GOLDNER: Thank you.

19 And we'll move to the New Hampshire
20 Department of Energy and Attorney Tuomala.

21 MR. TUOMALA: Thank you, Mr.
22 Chairman.

23 Most of my closing is a repeat of
24 what everyone else has stated. But at least

1 for the record, I'd like to state that, as
2 the panel of witnesses have testified, the
3 Department of Energy fully supports all
4 aspects of the Settlement Agreement,
5 including the permanent rate revenue
6 requirement, the Step 1 adjustment, the
7 permanency of the WICA program as described
8 by all testimony today and explained in the
9 Settlement Agreement. The DOE contends this
10 Settlement Agreement is just and reasonable
11 and in the public interest, as it is a
12 disposition of all the issues in this rate
13 proceeding and provides the Company with a
14 clear path forward for its Step 1 adjustment,
15 its adjustments to the WICA program, the
16 property tax adjustment mechanism, rate case
17 expenses, and temporary to permanent
18 recoupment rate.

19 The DOE would also like to stress,
20 as has been stated in testimony and in the
21 closing arguments, this is not only a global
22 Settlement of all the issues, but it's a
23 global Settlement with all the parties, which
24 is extremely rare in my experience and

1 refreshing. But it was, as stressed, it was
2 an arduous process to get there with all
3 parties, and we thank them for their
4 participation. We worked very hard in a
5 number of technical sessions, e-mails,
6 discussions. It was a collaborative effort,
7 and we were able to get everybody to the
8 table and at least partially satisfied,
9 which, in my personal view, is a reflection
10 of a decent Settlement, where not everyone is
11 a hundred percent satisfied, but they're also
12 not a hundred percent dissatisfied. There's
13 something for everyone, including the Towns,
14 which we note is something that the DOE
15 strives for in every case, to get everyone to
16 the table and hopefully agree. But it was
17 actually achieved in this case. So we do
18 thank everybody for their participation.

19 In conclusion, the DOE recommends
20 approval of the Settlement Agreement as
21 stated, as it provides just and reasonable
22 rates to promote the Company viability in its
23 provision of safe and adequate water service
24 per RSA 374:1, and which results in a just

1 and reasonable outcome for ratepayers per RSA
2 374:2 and RSA 378. Thank you.

3 CHAIRMAN GOLDNER: Thank you.

4 And finally we'll move to Aquarion
5 and Attorney Venora.

6 MR. VENORA: Yes. Thank you,
7 Chairman Goldner and Commissioner Simpson.

8 I want to thank you both for your
9 consideration today of the Settlement
10 Agreement. And in particular, echoing
11 Attorney Tuomala's comments, I also want to
12 thank the representatives of DOE, OCA, and
13 the Towns of Hampton and North Hampton for
14 their participation in today's hearing, and
15 in particular for all the hard work that led
16 to the comprehensive Settlement that's
17 currently before the Commission. We really
18 can't emphasize enough, you know, how
19 everybody -- the investment of time and
20 resources that all the parties made to that
21 process. And we came out with a very -- with
22 an outcome that I think is unique, you know,
23 at least in recent history, in having all the
24 parties onboard here.

1 Let me just start -- you asked
2 specifically about Abenaki. So just a little
3 bit on Abenaki, and I'll go through, you
4 know, how that was structured.

5 So just as you may recall, Abenaki
6 was an acquisition by Aquarion of New
7 Hampshire's parent company. Aquarion Company
8 acquired Abenaki's parent company, New
9 England Service Company. And in the end
10 result, Aquarion Company now has two
11 operating subsidiaries in New Hampshire,
12 which is Aquarion of New Hampshire and
13 Abenaki Water Company. They continue to
14 exist as separate companies with separate
15 rate schedules.

16 In the settlement, in the Abenaki
17 settlement that was approved by the
18 Commission, we included several provisions
19 on rates, the first of which is that Abenaki
20 customers would remain on their current rate
21 schedules as part of that rate case. As part
22 of that merger settlement, Abenaki's pending
23 rate case at the time was pulled, and that
24 was part of the merger -- part of the balance

1 of consideration in the settlement. So
2 Abenaki customers remain on their current
3 rate schedules unless and until a new base
4 rate change is approved by the Commission in
5 a future rate case.

6 Next, as I noted, the Commission --
7 the rate case was withdrawn, also without any
8 future recovery of the rate case expense from
9 that case.

10 There was a commitment of a stayout
11 for Abenaki through at least April 30th,
12 2023. And there was also a commitment that
13 the next rate case for Abenaki would be based
14 on a test year with at least 12 months of
15 actual cost data under Aquarion ownership.
16 So those are kind of the stayout and the
17 test-year requirement kind of working
18 hand-in-hand in that regard. As I said, no
19 recovery of the rate case expense.

20 And then the linkage to Aquarion
21 New Hampshire. We also had a term in there
22 that, at such time as Aquarion files the next
23 rate case involving any of the Abenaki
24 systems -- I'm sorry. I jumped a provision.

1 The next Abenaki rate case would
2 include notice to all the intervenors in the
3 merger docket, in the Abenaki rate case
4 docket. I just want to get to the provision.
5 There's a -- just bear with me one moment.

6 (Pause)

7 So thanks for bearing with me. In
8 the next rate case filing for Aquarion New
9 Hampshire, that means the next one after this
10 case, the Company's commitment -- the
11 Settlement Agreement approved by the
12 Commission on Abenaki requires Aquarion New
13 Hampshire to include an analysis regarding
14 the potential future merger of the operating
15 companies, Abenaki and Aquarion New
16 Hampshire. So that's out there.

17 The Company is not required to
18 propose a merger, but it's required to at
19 least provide an analysis around that. And
20 that was a significant topic in the
21 Settlement because that would only -- the
22 merger proposal would have to be beneficial
23 to customers. And we'd have to make that
24 demonstration to the satisfaction of all the

1 parties, that that merger of the operating
2 companies makes sense. So that's the linkage
3 to Aquarion's next rate case.

4 CHAIRMAN GOLDNER: Thank you.

5 MR. VENORA: Sure. If there's any
6 questions on that, I can take them or I can
7 move on.

8 CHAIRMAN GOLDNER: Maybe just one
9 quick follow-up. We're sort of perplexed by
10 DW 17-165. Is Abenaki seeking anything, any
11 recovery of anything in that docket, or is
12 that finished post-acquisition? And if you
13 don't know, we can follow up on it.

14 MR. VENORA: 17-165. I'm just
15 trying to recall what --

16 CHAIRMAN GOLDNER: It's Rosebrook.

17 MR. VENORA: Rosebrook. I'm not
18 directly involved in that docket right now,
19 so I don't have a current status on that.

20 CHAIRMAN GOLDNER: Thank you.
21 Thanks for checking. No worries. Please
22 continue.

23 MR. VENORA: Okay. Sure.

24 So just looping back to sort of

1 some overall comments on the Settlement
2 Agreement. Over time, the Commission has
3 applied a consistent legal standard in
4 considering rate case settlements. The
5 Commission has stated, and consistent with
6 the Administrative Procedures Act, that it
7 encourages informal disposition of any case
8 that may be made at any point prior to entry
9 of a final decision or order. And this is
10 also shown in the Commission's rules, that it
11 shall approve a disposition of any contested
12 case by stipulation, settlement, consent
13 order or default if it determines that the
14 result is just and reasonable and serves the
15 public interest. And that's what we believe,
16 you know, our panel has demonstrated today.

17 And in applying these standards,
18 the Commission has stated that it encourages
19 parties to attempt to reach a settlement of
20 issues through negotiation and compromise, as
21 it is an opportunity for creative
22 problem-solving, which came through in spades
23 on these negotiations. And it allows the
24 parties to reach a result more in line with

1 their expectations, and often more expedient
2 than alternatives of litigation.

3 So I know this has been said by
4 others, but one of the unique aspects here is
5 that we really were able to resolve all
6 issues in the case. That includes all the
7 parties to the docket. So, you know, the
8 certainty and the finality is certainly
9 important here as well. And the Commission
10 has recognized that when you have a
11 compromise by diverse parties, such as staff
12 and others, that that is an indicator of a
13 reasonable settlement. And as Attorney
14 Tuomala said, not everybody got everything
15 they wanted. Everybody, you know, if they
16 had their druthers, would have liked to see
17 some additional things. But that's the
18 nature of a compromise. And I think it
19 reflects in a reasonable outcome.

20 There was discussion on the WICA.
21 I'm just going to note that the Commission
22 has, you know, looked at the WICA in the
23 past, and most recently in its 2018 WICA
24 order, which is Order 26,245. And the

1 Commission noted that the WICA is a
2 Commission-created rate mechanism primarily
3 intended to promote the necessary replacement
4 or upgrade of aging, non-revenue-producing
5 infrastructure, by reducing the lag time
6 between the expenditure and recovery of the
7 costs associated with installing the
8 improvements. The relatively -- and this is
9 a quote. "The relatively small, incremental
10 rate increases associated with the WICA
11 mechanism are intended to mitigate the rate
12 shock that could occur if recovery of project
13 costs were to await litigation of a full rate
14 case." And that's consistent with what Ms.
15 Szabo testified to, that part of the reason
16 for the WICA is to -- and Mr. Laflamme noted
17 the rate shock -- is to mitigate those cost
18 pressures. It kind of works both ways. It
19 mitigates the rate shock for the customer by
20 phasing these into rates over time and
21 gradually, and it also helps the Company to
22 manage its capital programs in a way that
23 enables the stayout for extended periods of
24 time if all works as planned.

1 So just in closing, I just want to
2 reiterate that on balance, the Settlement
3 Agreement achieves a result that's just and
4 reasonable and serves the public interest and
5 results in rates that are just and
6 reasonable. Aquarion appreciates the
7 Commission's consideration and respectfully
8 requests approval of the Settlement Agreement
9 as filed.

10 CHAIRMAN GOLDNER: Thank you.

11 MR. VENORA: Thank you.

12 CHAIRMAN GOLDNER: I'll thank
13 everyone today, and especially the witnesses.
14 We'll take the matter under advisement and
15 issue an order. We are adjourned.

16 (Hearing was concluded at 11:53 a.m.)

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C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and ability
under the conditions present at the time.

I further certify that I am neither
attorney or counsel for, nor related to or
employed by any of the parties to the
action; and further, that I am not a
relative or employee of any attorney or
counsel employed in this case, nor am I
financially interested in this action.

(ORIGINAL CERTIFICATION FILED WITH
PUBLIC UTILITIES COMMISSION)

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
N.H. LCR No. 44 (RSA 310-A:173)

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