

BEFORE THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Aquarion Water Company of New Hampshire

Petition for Franchise Expansion

Docket No. DW 21 – 093

REPLY TESTIMONY OF TIMOTHY HARNED  
CO-CHAIR NORTH HAMPTON WATER COMMISSION

February 14, 2022

1    **I.        BACKGROUND**

2    **Q.        What is your name and address?**

3    A:        Timothy J Harned, 66 Lovering Rd, North Hampton NH

4    **Q.        What is the purpose of your Reply testimony?**

5    A:        The purpose of this Reply testimony is to provide a brief response to statements  
6            made by Aquarion Water Company in its January 31, 2022 Initial Brief and to  
7            explain why, notwithstanding Aquarion's arguments, the costs to serve Wiggin  
8            Way customers will be significantly higher than Aquarion's estimates which are  
9            not reliable. It remains my opinion that an adjustment to the basic rate charged  
10          for water service in North Hampton is needed for the reasons stated in my  
11          testimony of January 31, 2022.

12   **II.       REPONSE TO AQUARION WATER COMPANY**

13   **Q.        In Aquarion's January 31, 2022 Initial Brief it stated that: "In discovery in**  
14            **this docket, responses to data requests of North Hampton demonstrate that**  
15            **in fact revenues generated by Wiggin Way far exceed the incremental costs**  
16            **to serve it" citing to its Responses to North Hampton Data Requests 1-9 and**  
17            **1-10. What is your response to this statement?**

18   A.        This statement is not reliable for several reasons, including the following:

19   **i.        Aquarion Overestimates Wiggin Way Revenues.** In terms of revenue,  
20            Aquarion reported in Response to North Hampton Data Request 1-9 that Wiggin  
21            Way paid \$33,130 and \$34,942 in 2019 and 2020 respectively. Based on the 43  
22            customers in the Wiggin Way, this represents \$770 per customer in 2019 and

1       \$813 per customer in 2020. However, these charges are based on Aquarion’s  
2       seasonal rates, not its rates for regular water service.  
3       In this proceeding, Aquarion proposes to change from Aquarion’s seasonal rates  
4       to its regular rate for water service. This change will likely reduce revenues  
5       significantly. According to the NH PUC’s published report, *Water Company*  
6       *Annual Rates (July 2019)*, Aquarion’s residential customers pay an annual rate for  
7       water service of \$572.52. For comparison purposes, if Wiggin Way customers  
8       had paid Aquarion’s rate for water service in 2019, it would have resulted in  
9       \$24,618.36 in gross revenues, significantly less than the \$33,310 argued in its  
10      Initial Brief based on seasonal rates paid in 2019.

11    **ii.    Aquarion Significantly Underestimates Expenses.** In terms of expenses,  
12      Aquarion significantly understates the costs to operate and maintain the Wiggin  
13      Way system in its Initial Brief, stating that: “In the four years since the Wiggin  
14      Way facilities were interconnected on a temporary basis, there have been only  
15      approximately \$2,000 in incremental annual cost increases to Aquarion’s  
16      operations, compared with the more than \$30,000 in associated annual  
17      revenues.”<sup>1</sup> This is not a reliable estimate.

18      Aquarion’s Response to North Hampton Data Request 1-10 is the source of the  
19      \$2,000 estimate. Aquarion stated that:

20               “The Company does not track operating expenses by account for  
21               interconnections. However, in the spirit of being responsive to the  
22               town’s data request, the Company estimates that the Company  
23               incurred variable costs of less than \$2,000 annually in both years to  
24               treat the water consumed by the Wiggin Way customers.”

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<sup>1</sup> Initial Brief of Aquarion Water Company of New Hampshire, Pages 7 to 8.

1 Aquarion's "estimate" of \$2,000 includes only "variable" costs such as electricity  
2 and chemicals. It does not include fixed costs. It does not include depreciation. It  
3 does not even include any allocation of Aquarion's Administrative and General  
4 Costs. These omitted costs are significant: In 2019, Aquarion reported its  
5 Administrative & General expenses were \$1,477,847.<sup>2</sup> Based on its 9,541  
6 customers as of December 31, 2019, this represents an Administrative & General  
7 cost of \$154.89 per customer which, if allocated to Wiggin Way's 43 residential  
8 customers, represents a total Administrative & General expense of \$6,660.46 per  
9 year, well in excess of the \$2,000 variable expense suggested by Aquarion.

10 **Q. What concerns do you have about Aquarion's failure to include an allowance**  
11 **for repairs, replacements and other costs?**

12 A. By not including any costs for physical depreciation in its \$2,000 estimate,  
13 Aquarion has not taken into account the costs for future maintenance and  
14 replacements which will likely significantly exceed the limited revenues when  
15 they arise on a planned or on an emergency basis. North Hampton asked for  
16 information in discovery about the construction of the system because of the  
17 concern that it includes significant sections of 1 inch and 2 inch PVC mains which  
18 may deteriorate (i.e. physically depreciate) more quickly than the other portions  
19 of the system. However, in response to North Hampton Data Request 1-10,  
20 Aquarion reported that construction plans for the system were: "not in Aquarion's  
21 custody or control" In North Hampton Data Request 1-2 the Town also requested  
22 that Aquarion provide the most recent NHDES Sanitary Survey for the system

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<sup>2</sup> Annual Report for the Year Ending December 31, 2019, Form F-48, Line 86.

1 and was advised that this information “is not in Aquarion’s custody or control”.  
2 In North Hampton Data Request 1-4, it sought information on Aquarion’s plans to  
3 perform maintenance on the system. Aquarion advised that it “has no plans” to  
4 perform replacements and that the need to respond to emergencies “cannot be  
5 predicted at this time.” In order to get an assessment of whether the system  
6 currently is experiencing leaks, in North Hampton Data Request 1-6 sought  
7 information on water loss or leaks in the system. However, Aquarion again  
8 reported that this information “is not in Aquarion’s custody or control”.

9 **Q. What does this mean for the purposes of this proceeding?**

10 A. The Wiggin Way distribution system appears to be constructed with substandard  
11 distribution system using low-cost 1 to 4 inch PVC pipe. This system could  
12 require major replacements on a planned or emergency basis. Aquarion’s  
13 inability to provide basic information on the construction of the system, its  
14 leakage rates, means that its \$2,000 estimate of the annual costs is completely  
15 unreliable. It is reasonable to expect that this system will physically depreciate  
16 and incur greater costs in the future than a comparable system such as required in  
17 North Hampton both by the Planning Board and by Aquarion’s Tariff. It is unfair  
18 to ask existing customers to assume these costs while allowing Wiggin Way  
19 customers to avoid the substantial costs for fire protection that residents in North  
20 Hampton and Hampton pay to maintain and improve capacity in the system which  
21 is ultimately being used to benefit Wiggin Way customers.

22

1    **Q.     What should the Commission do as a result?**

2    A.     In the absence of a reliable estimate of the uncertain future costs to operate and  
3           maintain this system, I strongly urge the Commission, at a minimum, to require  
4           that Wiggin Way be required to pay a surcharge reflecting the costs of fire  
5           protection similar in amount to what North Hampton and other customers pay.  
6           This would at least put these customers at a rate that is equivalent to that born by  
7           residents and customers in North Hampton and Hampton.

8    **Q.     Does this conclude your Reply testimony?**

9    A.     Yes.