

STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DOCKET NO. DW 12-085

DIRECT TESTIMONY

OF

ROBERT LANDMAN

FILED ON BEHALF OF THE TOWN OF NORTH HAMPTON, N.H.

ORIGINAL	
N.H.P.U.C. Case No.	DW 12-085
Exhibit No.	17
Witness	R Landman
DO NOT REMOVE FROM FILE	

Testimony of Robert Landman

Q. Please state your name and address and relationship to the Town of North Hampton.

A. Robert Landman, 34 Post Road, North Hampton, N.H. I am co-chair of the North Hampton Water Commission and have served the Town in this capacity for many years.

Q. What is the purpose of your testimony in this case?

A. My testimony is in support of the Water Infrastructure and Conservation Adjustment Surcharge (WICA) program, and in support of a rate design that, like the approved rate design in the last rate case (Docket No. DW 08-098), shall be adjusted to no more than the 70% of full application of fire demands from the last cost of service study, thereby reducing the overall revenue requirement associated with the public fire service customer class.

Q. What is your testimony with regard to the WICA?

A. North Hampton has been supportive of the WICA program because it offered an acceleration of investment by the company in measures that would lead to water conservation through the replacement of aging, leaking infrastructure and the installation of new “smart” meters that will support more efficient billing practices. The WICA has also promised, through interim WICA rate surcharge adjustment, the prospect of reducing both the frequency of rate cases and a reduction in the amount of rate increases sought in future rate cases because the WICA surcharge would enable the company to earn on its investment in between rate cases. North Hampton has been satisfied with the conservation investments made by the company and appreciates the communication that occurs between Aquarion and the North Hampton Water Commissioners on an annual basis relating to completed, proposed and future planning of WICA projects.

Q. What is your testimony with regard to the treatment of Fire Service revenue allocations?

A. Aquarion has proposed an 18.71% increase in public fire protection rates, which is the same proposed percentage increase that has been requested for all other customer classes. The cost for such public fire service is collected by Aquarion through hydrant charges billed to the municipality. The Town and its Water Commissioners believe that water customers served by the water system, who benefit from both system capacity and fire protection, should bear the costs of these benefits in the water rates charged by Aquarion, and not the taxpayers who are paying for these costs through property taxes which include the exorbitant hydrant fees. The effect of assigning these costs to hydrant rates is that non-water system taxpayers subsidize water users. In addition, the true cost of supplying such service to water customers is not reflected in customer charges, thereby sending the wrong price signal to water customers. Only about 50% of North Hampton property owners have water and fire service. By allocating all system costs to water customers, the price more accurately reflects the cost of service.

Q. Do you have a proposal to eliminate this subsidy by non-water customer taxpayers?

A. Yes. We proposed to allocate the cost of excess capacity to Aquarion's customers, and to have only the cost of the actual hydrants in the public fire rates. We understand that such a cost reallocation would be easiest to implement if it is adjusted gradually. In the last rate case, 70% of the cost of service study full application of fire demands was adopted, with the resultant reduction in public fire revenues. We would propose that the cost of service study be reduced further from 70% of the full application of fire demands to 50%, and with the revenue requirement for public fire rates to be calculated accordingly. It is noteworthy that neither Manchester nor Nashua has a separate public fire protection charge. Such service is embedded in the customer rates, which are generally lower than Aquarion's rates.

Q. Do you have concerns about Aquarion's rate structure?

A. Yes. The message that Aquarion disseminated to the public with the filing of the rate case seemed to be: "people are conserving, we're selling less water, your reward is dramatically higher rates." This is the wrong message. It may be that ongoing efforts to reduce water losses and to conserve, along with higher rates that the Commission may grant in this docket will result in additional reductions in water sales. It may make sense to examine a multi-tier rate structure that will encourage conservation and send the correct price signals on water usage.

Q. Do you have any other testimony with respect to Aquarion's proposed rate increase?

A. Yes. The uniform reaction from the community to the proposed 18.3% rate increase was first astonishment, then anger and finally dismay. People could not believe such an increase could ever be warranted in a time where so many people are barely scraping by. People were angered and dismayed because the system seems broke when a water utility could claim rate increases that simply make no sense given the hardship that is all about. The Water Commissioners and Selectmen are adamantly opposed to such a large increase. If rates need to border on the confiscatory level for a few years, so be it-- and welcome to the club.

Q. Mr. Landman, does this conclude your testimony?

A. Yes.