

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 15-199

In the Matter of:
Abenaki Water Company, Inc.
Petition for a Change in Rate Schedules

Direct Testimony

of

Robyn J. Descoteau
Staff Utility Analyst, Gas and Water Division

November 10, 2015

New Hampshire Public Utilities Commission

Company Name

DW 15-199

Petition for Change in Rate Schedules

Direct Testimony of Robyn J. Descoteau

1 **Q. Please state your full name.**

2 A. My name is Robyn J. Descoteau.

3 **Q. Please state your employer and business address.**

4 A. I am employed by the New Hampshire Public Utilities Commission (NHPUC) and my
5 business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire.

6 **Q. What is your position at the NHPUC?**

7 A. I am a Utility Analyst in the Gas and Water Division.

8 **Q. Please describe your position and responsibilities at the Commission.**

9 A. I am responsible for the examination, evaluation and analysis of rate and financing
10 filings, including the recommendation of changes in revenue levels that conform to
11 regulatory methodologies and/or proposals for economic, accounting and operational
12 changes affecting regulated utility revenue requirements. I represent Staff in meetings
13 with company officials, outside attorneys and accountants relative to rate case and
14 financing matters as well as the Commission's rules, policies and procedures.

15 **Q. Would you please describe your educational background?**

16 A. I earned an Associate of Science Degree in Business Administration from Bay Path
17 Junior College. While working full-time, I attended Daniel Webster College and earned
18 a Bachelor of Science Degree in Business Management with a minor in Finance and a

1 Master of Business Administration Degree in Applied Management. In 1996, I
2 completed the NEWWA Water Utility Ratemaking course. I attended the Institute of
3 Public Utilities at Michigan State University's 2006 Advanced Regulatory Studies
4 Program. In 2007, I attended the NAWC Regulatory Rate Setting and Valuation seminar
5 conducted by Guastella Associates, Inc. In 2008, I attended the Governmental Audit and
6 Accounting Update conducted by KPMG. In 2014, I attended NARUC's Utility Rate
7 School.

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

9 A. For 18 years, I worked in the accounting department of a large NH water company.
10 Included in my duties were regulatory activities such as preparing rate case exhibits,
11 responses to audit requests and the PUC Annual Report; co-creating the first Excel
12 formatted PUC Report in 1994. In 2006, I was hired as a Utilities Examiner in the Audit
13 Division of the NHPUC where I analyzed financial information submitted by regulated
14 utilities and performed rate of return and cost of service analyses. I participated in field
15 audits to review the books and records of regulated utilities in the water, sewer, gas,
16 steam, electric, and telecommunications industries. With the implementation of
17 legislative initiatives focused on sustainable energy, I performed audits on Renewable
18 Energy and Regional Greenhouse Gas Initiative (RGGI) Grant awards and the related
19 records submitted to the Commission by Grantees including towns, schools, electric
20 utilities, educational institutions, non-profits, and private companies. For all audits
21 performed, audit reports were written to summarize the work performed and present
22 recommendations for corrective action to remedy accounting errors and irregularities

1 where necessary. In 2013, I was promoted to my current position as a Utility Analyst in
2 the Commission's Gas and Water Division.

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

4 A. The purpose of my testimony is to provide Staff's recommendation and a summary of
5 Staff's financial analysis with respect to Abenaki's request for a temporary rate increase.

6 **Q. Please provide a brief summary of Abenaki's request for temporary rates in this
7 proceeding.**

8 A. Abenaki has requested temporary rates to be approved for each of its three divisions. For
9 Bow Water, Abenaki seeks an increase of \$11,974 or 18.09%; Belmont Sewer, an
10 increase of \$17,237 or 22.01%; and for Belmont Water, Abenaki seeks to set temporary
11 rates set at current levels.¹ Abenaki requests the effective date of temporary rates to be
12 on a service-rendered basis as of the date specified for publication of the Commission's
13 Order of Notice in this proceeding, which is September 8, 2015.

14 **Q. Please summarize Staff's recommendation regarding a temporary rate revenue
15 requirement for Abenaki in this case.**

16 A. When setting temporary rates, Staff looks at the books and records on file with the
17 Commission, such as but not limited to; the temporary and permanent filing, annual
18 reports, discovery and the Staff audit report. It is important for both the customer and the
19 company to set the temporary rate at a level that will mitigate rate shock while allowing
20 the company to earn a reasonable rate of return. Staff recommends a temporary revenue
21 requirement increase for Bow Water of \$10,585 or 15.99%, and Belmont Sewer of

¹ Abenaki proposes to consolidate the rates of its two water divisions into a single tariff for permanent rates, but proposes to set separate temporary rate levels.

1 \$15,054, an increase of 19.22%. Staff supports Abenaki's request that temporary rates
2 for Belmont Water customers be set current levels.

3 **Q. Please describe the differences between the Company's proposal for Bow Water of**
4 **an \$11,974 increase and your recommended increase of \$10,585.**

5 **A.** Three items comprise the difference between the Company's proposal for Bow Water and
6 Staff's proposal. First, rate base was lowered as a result of a cash working capital
7 adjustment. Second, the allowed rate of return was lowered to 7.33% as a result of using
8 the last known (litigated) return on equity amount of 9.6%.² Third, net operating income
9 was updated as a result of adjustments made in response to discovery to administrative
10 and depreciation expenses as well as income tax expense.

11 **Q. Please provide further detail about the adjustment to Rate Base.**

12 **A.** The cash working capital calculation is based on 12.33% (45 days/365 days) of operation
13 and maintenance expenses. As a result of adjustments made to administrative expenses,
14 an adjustment of (\$132) was required to cash working capital.

15 **Q. Please provide further detail regarding the adjustments to Net Operating Income.**

16 **A.** Administrative and general expense was adjusted a total of (\$1,069) for the Bow Water
17 division. Included were: insurance expense (\$32) due to Staff's allocation methods
18 which were a tighter interpretation of the Company's allocation method; and
19 Management Fee costs (\$1,037) from Audit Issue #3 that the Company agreed were not
20 appropriate to recover through rates. Depreciation expense was adjusted (\$148) due to
21 meter retirements not recorded during the test year. As a result of the changes just
22 mentioned, income tax expense was increased by \$482.

² Order No. 25,539, dated June 28, 2013, Aquarion Water Company of NH, Inc.

1 Q. **Please describe the differences between the Company's proposal for Belmont Sewer**
2 **of a \$17,237 increase and your recommended increase of \$15,054.**

3 A. Three items comprise the difference between the Company's proposal for Belmont Sewer
4 and Staff's proposal. First, rate base was lowered as a result of a plant in service balance
5 adjustment and a cash working capital adjustment. Second, the allowed rate of return
6 was lowered to 7.33% as a result of using the last known (litigated) return on equity
7 amount of 9.6%.³ Third, net operating income was updated as a result of adjustments
8 made in response to discovery to administrative expense and income tax expense.

9 Q. **Please provide further detail about the adjustments to Rate Base.**

10 A. Plant in Service was adjusted \$200 per Audit Issue #4 due to a December 2014 balance
11 reported incorrectly in the filing. Cash working capital is based on 12.33% (45 days/365
12 days) of operation and maintenance expenses. As a result of adjustments made to
13 administrative expenses, an adjustment of (\$255) was required to cash working capital.

14 Q. **Please provide further detail regarding the adjustments to Net Operating Income.**

15 A. Administrative and general expenses were adjusted a total of (\$2,072) for the Belmont
16 Sewer division. Included were: insurance expense (\$100) due to Staff's allocation
17 methods which were a tighter interpretation of the Company's allocation method;
18 Management Fee costs of (\$1,517) from Audit Issue #3 that the Company agreed were
19 not appropriate to include in rate recovery; prior year (out of test year) insurance
20 expenses per Audit Report page 34 of (\$186); and New Hampshire Water Works
21 Association dues/National Association of Water Companies conference costs
22 inaccurately booked to the Sewer division totaling (\$269). As a result of the changes just
23 mentioned, income tax expense was increased by \$821.

³ Order No. 25,539, dated June 28, 2013, Aquarion Water Company of NH, Inc.

1 Q. **Why does Staff support temporary rates at current levels for Belmont Water**
2 **customers?**

3 A. In Abenaki's temporary rate filing, the Company did not provide rate schedules for the
4 Belmont Water division because it is not seeking to change its rates for temporary rate
5 purposes. Therefore, using a format similar to that used by the Company for its analysis
6 of the Bow Water and Belmont Sewer divisions, Staff has analyzed the test year earnings
7 of the Belmont Water system with no proforma adjustments. This analysis shows that
8 Belmont Water was over-earning. A cursory review of the division's permanent filing,
9 however, shows that recent capital investments and increases in expenses will likely
10 cause the division to under-earn going forward. Lowering rates at this point would cause
11 undue confusion for the Belmont division's customers and could cause financial stress on
12 the company, if in fact, the projection to under-earn is correct.

13 Q. **Will temporary rates be reconciled to permanent rates?**

14 A. Yes. Any difference between the temporary rates set by the Commission and the
15 permanent rates ultimately approved in this docket are subject to reconciliation, pursuant
16 to RSA 378:29, back to September 8, 2015.

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

18 A. Yes.