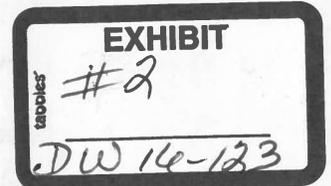


STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION



AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DW 16 - ____

PETITION TO AMEND THE COMPANY'S
TARIFF PAGES TO ALLOW FOR MONTHLY BILLING

DIRECT TESTIMONY OF
DEBRA KIRVEN

January 22, 2016

1 **Q. Ms. Kirven, please state your name and business address.**

2 A. My name is Debra Kirven and my business address is 600 Lindley Street, Bridgeport,
3 Connecticut 06606.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Aquarion Water Company of Connecticut, Inc. (“Aquarion” or the
7 “Company”) as Controller.

8

9 **Q. Please describe your educational background.**

10 A. I have a Bachelor’s Degree in Managerial Accounting from the University of New Haven
11 in New Haven, Connecticut and a Master’s Degree in Finance from Fairfield University
12 in Fairfield, Connecticut. I am also a Certified Public Accountant in the state of
13 Connecticut.

14

15 **Q. Please describe your business/ professional background.**

16 A. I was hired by Aquarion in February 2008 as Controller. Prior to Aquarion, I was
17 Director of Financial Reporting at Warnaco Group, Inc. and prior to that I worked in the
18 corporate accounting area at Southern New England Telephone. I am currently the
19 interim Director of Rates and Regulations and as such, I am responsible for the
20 preparation and presentation of regulatory filings for Aquarion’s regulated water
21 affiliates.

22

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission (“PUC” or the “Commission”)?**

3 A. Yes, I filed testimony and attended a technical section in the Company’s Water
4 Infrastructure and Conservation Adjustment filing, docket DW 15-476. I have also
5 previously testified before the Connecticut Public Utilities Regulatory Authority.

6

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

8 A. My testimony addresses the Company’s petition to modify tariff pages Third Revised
9 Page 12, 14, and 15 and change the frequency with which the Company bills its
10 customers. The Company seeks to transition all customers billed quarterly to billed
11 monthly, with the exception of public fire customers. The Company seeks to change the
12 billing of service charges for metered, private fire, and public fire service from in-
13 advance to in-arrears. This change will impact all of our customers, with the exception of
14 our seasonal customers. In addition, the Company seeks to change its payment due date
15 from 30 days to 25 days and change the method it bills its customers for service charges
16 to a *per diem* basis. This testimony will outline the changes, benefits of monthly billing,
17 how the change impacts the Company’s working capital, and the reasons for changing the
18 payment due date.

19

20 **Q. Please state how the Company presently bills customers.**

21 A. The Company currently bills metered and private fire customers on a quarterly basis.
22 The Company bills public fire protection customers on a half-year basis, but the

1 Company does not propose changing public fire service customers to monthly billing.
2 The Company currently bills all service charges on an in-advance basis. Customer
3 classes for metered service are reflected in the Company's tariff on Third Revised Page
4 12. Private fire and public fire service are reflected on the Company's tariff on Third
5 Revised Page 14 and 15, respectively.

6
7 **Q. Please explain the benefits of monthly billing.**

8 A. Monthly billing in-arrears is a common billing practice for utilities across the country,
9 irrespective of industry: electric, gas, cable, phone, and water. In order to enhance and
10 provide more efficient customer service, the Company determined that customers would
11 be better served if they received their bill on a monthly basis. There are a number of
12 specific benefits to customers and the Company for moving to monthly billing:

13 1) Promote conservation with customers by sending more frequent usage data and price
14 signals;

15 2) Allow the Company to monitor usage more closely and be able to more accurately
16 match production with consumption data;

17 3) Provide the Company with more information for responding to customer inquiries;

18 4) Allow the Company to detect customer and Company leaks more promptly by
19 providing leak survey teams with more accurate information on leakage locations within
20 the distribution system;

21 5) Allow the Company to reduce unaccounted for water which will improve the overall
22 integrity of the distribution system and expenses associated with unaccounted for water;

1 6) Provide greater predictability and budgeting control to customers because although
2 bills will be more numerous, they will be smaller and easier for customers to plan for,
3 similar to other utility expenses; and

4 7) As seen in Docket No. DW 12-085 when the Company moved its seasonal customers
5 to monthly billing, provide more efficient, cost effective service to customers by reducing
6 expenses in the revenue requirement associated with collections and uncollectibles.
7

8 **Q. Has there been public support for the Company transitioning to monthly billing?**

9 A. Yes. In Docket No. 01-253, *Investigation into Water Conservation*, the Commission
10 encouraged water utilities to transition to monthly billing. Order No. 24,243 at 11. In the
11 Company's last rate case, Docket No. DW 12-085, the North Hampton Water
12 Commission urged the Company to bill metered customers on a monthly basis. See,
13 Docket No. DW 12-085, Hearing Transcript of May 24, 2013 at 119. In Docket No. DW
14 13-314, *Water Infrastructure and Conservation Adjustment 2014-2015 Projects*, the
15 North Hampton Water Commission "felt that monthly reading and billing would reduce
16 quarterly billing rate shock and would help customers detect leaks more quickly."
17 *Aquarion Water Company of New Hampshire, Inc.*, Order No. 25,628 (2014) at 4.
18

19 **Q. Are there additional costs associated with monthly billing?**

20 A. We anticipate an increase to our postage and bill processing fees to account for the higher
21 frequency of bills; however, these increased costs will be migrated by the savings of
22 enrolling more customers in the Company's E-billing program and by the reduction in
23 expenses such as those associated with reduced collections and unaccounted-for water.

1 The net of these cost increases and expense reductions will be addressed in the
2 Company's next rate case application.

3

4 **Q. Does the working capital percentage calculation change with the change in the**
5 **billing practices?**

6 A. Yes. The working capital determines the amount of investor funds needed to finance the
7 operations. The working capital percentage is determined from the lead/lag study which
8 calculates the differences, in terms of days, between the point services are rendered to the
9 point revenues are collected from customers. There are two factors that will modify the
10 current authorized working capital percentage: (1) allocating quarterly billed revenues to
11 monthly billed revenues reduces the working capital allowance percentage by 113 basis
12 points; and (2) changing the billing of service charges for metered, private fire, and
13 public fire service from in-advance to in-arrears, with the exception of our seasonal
14 customers, increases the working capital allowance percentage by 883 basis points. As
15 Aquarion transitions its customers, the net of these attributes is an increase to the working
16 capital percentage. See Attachment DK Exhibit 1 for the original working capital
17 calculation under quarterly billing and DK Exhibit 2 for the revised working capital
18 calculation under monthly billing.

19

20 **Q. Is Aquarion proposing a regulatory treatment regarding the change in working**
21 **capital amount?**

1 A. Aquarion is requesting to defer the return on the difference between the revised working
 2 capital percentage (14.53%) and the authorized working capital percentage (6.83%),
 3 grossed up for income taxes. Please refer to the table below for the deferral amount. The
 4 Company is requesting the Commission to authorize an annual deferral of the return on
 5 the working capital variance in the amount of \$23,169 until the Company's next rate case
 6 proceeding and consider the amount in the Company's next revenue requirement.

	(A) 13 Mo Avg. O & M ⁽¹⁾	(B) Working Capital %	(A) * (B) Working Capital \$
Original ⁽²⁾	\$ 2,962,808	6.83%	\$ 202,213
Revised ⁽³⁾	\$ 2,962,808	14.53%	\$ 430,482
	Working Capital Difference		\$ 228,268
	Pre-tax Return on Rate Base % ⁽⁴⁾		10.15%
	Deferred Return on Working Capital		\$ 23,169

⁽¹⁾ 13 Month Average O&M filed per DW 12-085 Data Request Staff 3-11 Attachment A at 52.

⁽²⁾ Refer to DK Exhibit 1, originally filed in DW 12-085 Filing Requirements PUC 1604.01 - Section 28.

⁽³⁾ Refer to DK Exhibit 2, revised Filing Requirement PUC 1604.01 Section 28.

⁽⁴⁾ Pre-tax Return on Rate Base % calculation: 3.91% (Weighted Cost of Equity) * 1.68 (Gross-up)=6.57% (Pre-tax Equity)+ 3.58% (Weighted Cost of Debt)

7

8

9 **Q. How will the Company notify customers about the conversion to monthly billing?**

10 A. Aquarion's customers will be notified about the conversion to monthly billing through a
 11 letter mailed by first class mail to all customers prior to the transition. The Company will
 12 also include an explanation about the conversion in the notes section of the customer's
 13 first monthly bill. The Company will provide the Commission's Consumer Affairs
 14 Division with an advanced copy of the notice prior to mailing to customers.

15

1 **Q. When does the Company wish to convert to monthly billing?**

2 **A.** The Company expects to need approximately two months to transition and test its billing
3 system for monthly billing. Given that needed time, assuming the Company were to
4 receive Commission approval for monthly billing as of March 1, 2016, the Company
5 would plan to have an effective date of May 1, 2016. This timing is beneficial for the
6 Company because May 1st is a Sunday and is the best day for the Company's software
7 team to perform the change-over. A May 1, 2016 effective date would also allow the
8 Company to provide customers with improved price signals for water conservation in
9 time for summer use. If the Commission approval is after March 1st, then the Company
10 will adjust its effective date past May 1st and file an appropriate compliance tariff with
11 the Commission.

12 **Q. Please explain how converting to in-arrears billing will impact the average**
13 **residential customer's bill?**

14 **A.** Because customers will have previously paid in-advance, metered, private fire, and public
15 fire service customers will not incur a service charge on their bill for the first 1 to 3
16 billing cycles, depending on the timing of their last bill. For illustration, please refer to
17 the table below for the current quarterly billing practice, the proposed monthly billing
18 practice for the service charge, and the effect on customers' bills.

<u>Residential 5/8" Meter</u>	QUARTERLY			MONTHLY			
	Feb. Bill	Mar. Bill	Apr. Bill	May Bill	June Bill	July Bill	Aug Bill
Cate. A -Jan/Apr/Jul/Oct Qtr	\$ -	\$ -	\$ 46.80	\$ -	\$ -	\$ -	\$ 15.60
Cate. B - Feb/May/Aug/Nov Qtr	\$ 46.80	\$ -	\$ -	\$ -	\$ 15.60	\$ 15.60	\$ 15.60
Cate. C - Mar/Jun/Sep/Dec Qtr	\$ -	\$ 46.80	\$ -	\$ -	\$ -	\$ 15.60	\$ 15.60

19 Note: Private Fire is billed similar to Category A.

1 The metered customers' volumetric charge will not be impacted with the transition to
2 monthly billing.

3 Public Fire customers are billed semi-annually, January and July. These customers will
4 not receive a bill until January 2017.

5

6 **Q. Are there changes to the Company's tariff pages?**

7 A. The Company proposes to modify the attached tariff pages to correspond with the
8 Company's change in billing practices. The changes in the tariff pages will reflect the
9 transition to monthly billing for services rendered and transitioning the billing of the
10 service charges from in-advance to in-arrears, with the exception of seasonal customers.
11 The modifications to Aquarion's New Hampshire billing practices are consistent with
12 Aquarion's regulated operations in Connecticut and Massachusetts. Please refer to DK
13 Exhibit 3 for a red-line version of the changes to the proposed Fourth Revised Page 12,
14 Fourth Revised Page 14, and Fourth Revised Page 15.

15

16 **Q. Please explain the changes to the payment period.**

17 A. In conjunction with converting to monthly billing, the Company wishes to amend the
18 payment due date on the monthly customer bills to be 25 days from the statement date.
19 This change will allow the Company to receive and process the customer payments prior
20 to rendering the next monthly bill. Under quarterly billing, receiving payment prior to
21 the next bill being issued had not been a concern. Now that the Company is changing to
22 monthly billing, there is an increased concern that bills will be issued prior to receiving

1 payment, even if it is postmarked before the due date. The Company is aware that other
2 water utilities in New Hampshire have a 25-day due date to accommodate monthly
3 billing. This change will not otherwise change the calculation of the late fees. The
4 Company will continue its current practice of assessing a 5% late fee on outstanding
5 balances unpaid after 30 days from the postmark date printed on the bill. The Company's
6 request to change to a *per diem* calculation of the service charge is to better align the
7 service charge with the number of days billed.

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

10 A. Yes it does.