

RATH YOUNG PIGNATELLI

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Please reply to: Concord Office

March 28, 2016

NHPUC 28MAR'16AM10:10

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: Docket No. DW 16-123 Aquarion Water Company of New Hampshire
Request for Monthly Billing
Company Response to Town of Hampton Statement of Position and Request
to Amend Service List

Dear Ms. Howland,

Aquarion Water Company of New Hampshire (“Aquarion” or “Company”) is providing this statement in response to the Town of Hampton’s Statements of Position in Opposition to Petition (“Statement”). As the Commission is aware, Aquarion filed a request to transition to monthly billing with the Commission on January 22, 2016. When it filed its petition, Aquarion provided a copy to the Town of Hampton.

On February 22, 2016, Aquarion met with the Town of Hampton Board of Selectmen and responded to numerous questions by the Selectmen. Aquarion appreciated the opportunity to speak with the Board and residents of the Town of Hampton. Although Aquarion believed that it responded fully to the questions asked during the Board’s meeting, Aquarion is aware from the Town’s Statement that the Town has additional questions. Aquarion is in the process of responding to the Town’s discovery.

The Town’s first issue concerns the cost of transitioning to billing monthly in-arrears from billing quarterly in-advance. On page 5 of Ms. Kirven’s pre-filed direct testimony and as mentioned in Mr. McMorran’s opening statement to the Board (Attachment A), the Company stated that while there would be an increase in postage and bill processing costs, the Company anticipated these costs would be mitigated by savings realized from increased customer enrollment into the Company’s e-Billing program. Additionally, the Company expects to realize savings in operating costs because of reduced water loss, fewer collection activities for smaller and manageable bills of customers, and less need to make bill concessions for customers facing large water bills following an undetected leak. By way of example, if a customer’s lawn irrigation system begins to leak early in a billing cycle, it won’t learn of the extent of usage until its next meter reading and billing. Under that

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scenario, the customer may not learn of the leak until three months after it starts. Monthly billing will report usage sooner, thereby mitigating the amount of the bill.

The Town's second issue relates to the Company's next rate case. Aquarion evaluates the need for rate relief on an annual basis. As Aquarion mentioned during the February 22nd, meeting, it has no planned rate case in the foreseeable future. Absent an extraordinary event or change in financial circumstances, Aquarion's earliest anticipated rate case wouldn't be filed until 2018.

The Town's third point deals with the deferral and regulatory treatment of the working capital variance. As noted on page 6 of Ms. Kirven's testimony and during the Town Meeting, the variance is the result of two components that impact the Company's cash flow to operate the business. Working capital refers to the cash flow the Company needs to operate its business. The transition to billing fixed service charges in-arrears has a negative impact on working capital because payments are not available in-advance to fund the costs of operating the business. This lack of funds increases the Company's need for working capital, however, this need is partially offset by the fact that payments will now be made more frequently, on a monthly basis.

The Company wishes to note that although it seeks to defer the working capital variance until its next rate case, the Company is absorbing other increases in operating expenses as a result of the transition to monthly billing. Also, customer rates are not expected to change in the near term because the issue won't be reviewed until the next general rate case. Until that rate case, the Company seeks to record the deferral on its balance sheet in order to preserve its right to address the issue in a later proceeding. Although Aquarion has requested approval to track and defer the balance, there is no guarantee the Commission will approve the Company's request. Additionally, if the Company chooses to seek recovery of that deferral, the Town of Hampton will have the opportunity to address the merits of the deferral and if and how it should be recovered in rates.

The Town's fourth point deals with the public fire charges being billed in-arrears instead of in-advance. The Town argues that to "postpone billing for approximately \$250,000" would disturb their budget cycle which is on a calendar basis. The Town stated that it will have taxed its property owners about \$250,000 more than is needed to pay for private [public] fire." Aquarion's Operation Manager, Mr. Carl McMorran, discussed this concern with the Town's Finance Director. The Town's Finance Director indicated that the costs would still be appropriated in the Town's budget during the 2016 fiscal period even though the cash payment would be delayed until January 2017. Aquarion believes this issue can be resolved.

The last point raised in the Town's Statement is that it opposes Aquarion's request for an order "*nisi*." The Company does not object to the Town's request for a public hearing. A

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public hearing will clarify any matters that have not been fully addressed in the Company's data responses to Staff. Aquarion notes the Commission issued an Order of Notice on March 9, 2016 granting the Town of Hampton a Prehearing Conference and Technical Session dated for April 7, 2016.

In conjunction with addressing the Town's comments, Aquarion would like to take this opportunity to clarify other questions that were raised during the February 22nd meeting: (1) does monthly billing promote conservation; (2) will inclining block rates be introduced into the rate structure; and (3) are there fees for e-billing.

To reiterate, monthly billing promotes conservation through more frequent price signals and data usage. Customers can detect leaks sooner. This will reduce the probability of a customer receiving an excessively high bill due to an undetected leak; an experience that Mr. Waddell, a Select Board member, indicated that he had experience personally.

We wish to note that Aquarion proposed to implement inclining block rates in its 2008 rate case, Docket No. DW 08-098, but that rate design was met with opposition due to Aquarion's lack of monthly billing and ability to provide frequent price signals and usage data. Inclining block rates may be a topic in the Company's future rate case but it is not under consideration in this proceeding.

With respect to customer payment options, there are no fees to enroll in the Company's e-Billing program. There may, however, be a fee associated with the bill payment option the customer chooses. We direct the Commission's attention to the list of payment options attached to this letter. (Attachment B) The payment options will also be posted on the Company's website.

In conclusion, the Company wants to assure the Town that there is no change in base rates requested in this proceeding. The switch to monthly billing (with fixed service charges in-arrears) from quarterly billing (with fixed service charges in-advance) affects only the frequency of customer billings and payments. There is no change to the annual service charges paid by any customer; it is simply split into twelve annual payments instead of four. There is no change to the volumetric rate so the cost of water will not change for the same volume.

During the transition to monthly billing and depending on the timing of the customer's last quarterly bill, a customer may see a temporary reduction in their bill related to the service charge portion. For example, if monthly billing is effective May 1st, a customer who last received an April 1st quarterly bill covering the April to June service charge period, will not incur a service charge until their August bill (covering the July fixed service charge period).

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We thank the Commission for its consideration of the Company's petition. The Company will continue to be responsive to its customer's concerns and is happy to meet with the Town of Hampton again to answer its questions and concerns.

Additionally, we ask that the Commission add Debra E. Kirven, Controller, for Aquarion Water Company, to the Commission's service list: dkirven@aquarionwater.com.

If you have any questions, please do not hesitate to contact me. My direct line is (603) 496-6019.

Very truly yours,



Marcia A. Brown

cc: Docket Related Service List

Attachment A: Selectmen's Meeting Minutes of February 22, 2016

Attachment B: AWC-NH Payment Options

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