

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **June 27, 2016** - 10:15 a.m.
5 Concord, New Hampshire

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6
7 **RE: DW 16-123**
8 **AQUARION WATER COMPANY OF**
9 **NEW HAMPSHIRE:**
10 ***Petition for Monthly Billing.***

11
12 **PRESENT:** Chairman Martin P. Honigberg, Presiding
13 Commissioner Robert R. Scott
14 Commissioner Kathryn M. Bailey

15 Sandy Deno, Clerk

16
17 **APPEARANCES:** **Reptg. Aquarion Water Company of**
18 **New Hampshire:**
19 Marcia A. Brown, Esq. (Rath Young...)
20 **Reptg. the Town of Hampton, N.H.:**
21 Mark S. Gearrard, Esq.
22 **Reptg. Residential Ratepayers:**
23 Nicholas Cicale, Esq.
24 Office of Consumer Advocate
25 **Reptg. PUC Staff:**
26 John S. Clifford, Esq., Esq.
27 Mark A. Naylor, Dir./Gas & Water Div.
28 Rorie E. Patterson, CS&EA Division

29 Court Reporter: Steven E. Patnaude, LCR No. 52



ORIGINAL

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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: Good morning,
3 everyone. We're here in Docket 16-123, which
4 is a Petition by Aquarion for monthly billing,
5 and there's a lot of other things associated
6 with it.

7 Before we go any further, let's take
8 appearances.

9 MS. BROWN: Sorry, forgot to stand
10 up, because I thought I was on the other side
11 of the room. Marcia Brown, representing
12 Aquarion Water Company of New Hampshire. And
13 with me is Deb Kirven, McKinley Rowe, and Troy
14 Dixon is already at the witness stand, and Carl
15 McMorran. Thank you very much.

16 MR. CLIFFORD: John Clifford, on
17 behalf of the Commission Staff. And with me at
18 the table is Mark Naylor, Director of the
19 Commission's Gas and Water Division, and Rorie
20 Patterson, Assistant Director, Consumer
21 Services and Regulatory Affairs -- excuse me --
22 and External Affairs with the Commission.

23 CHAIRMAN HONIGBERG: All right. Who
24 else do we have?

1 MR. CICALÉ: Nicholas Cicale, for the
2 Office of Consumer Advocate, on behalf of
3 residential ratepayers. Good morning,
4 Commissioners.

5 MR. GEARRALD: Good morning. I'm
6 Mark Gearrald. I'm the Town Attorney for the
7 Town of Hampton. Thank you.

8 CHAIRMAN HONIGBERG: I know that a
9 Settlement was filed. And I see a panel of
10 witnesses. Are there preliminary matters we
11 need to deal with before we start hearing from
12 the witnesses?

13 Ms. Brown.

14 MS. BROWN: Yes. Both Aquarion and
15 Staff have Motions to Substitute Witnesses that
16 we would like you to act on before the --

17 CHAIRMAN HONIGBERG: Granted.

18 MS. BROWN: -- the hearing. Thank
19 you. We also, if I can segue into premarked
20 exhibits, we have provided the Clerk with a
21 schedule of the exhibits that run through 1
22 through 9. And, by agreement, the Parties have
23 assigned those numbers to those proposed
24 exhibits. And we also have a couple of

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 exhibits that are -- that weren't filed
2 previously in Docketbook that are before you,
3 and those are Exhibits 8 and 9, and we'll
4 identify those as we go through our witness
5 examinations.

6 MR. CLIFFORD: Right. I don't have
7 anything further. But that we've agreed to --
8 we've stipulated to the introduction of nine
9 exhibits today, which you have in front of you.

10 (The documents, as noted, were
11 herewith marked as **Exhibit 1**
12 through **Exhibit 9**, respectively,
13 for identification.)

14 CHAIRMAN HONIGBERG: All right. Is
15 there anything else from anyone else?

16 *[No verbal response.]*

17 CHAIRMAN HONIGBERG: All right. Mr.
18 Patnaude.

19 (Whereupon **Troy Dixon**,
20 **Mark A. Naylor**, and **Rorie E.**
21 **Patterson** were duly sworn by the
22 Court Reporter.)

23 MS. BROWN: Commissioners, we have a
24 tag team approach to our examination of the

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1 witnesses today. I'm going to start with the
2 background, with Aquarion's witness, Troy
3 Dixon.

4 **TROY DIXON, SWORN**

5 **MARK A. NAYLOR, SWORN**

6 **RORIE E. PATTERSON, SWORN**

7 **DIRECT EXAMINATION**

8 BY MS. BROWN:

9 Q. If you could please state your name and
10 position for the record.

11 A. (Dixon) My name is Troy Dixon. I'm Director of
12 Rates and Regulation for Aquarion Water Company
13 of Connecticut.

14 Q. And how long have you held that position?

15 A. (Dixon) I've been in that position for nine
16 years.

17 Q. And how long have you been employed with
18 Aquarion?

19 A. (Dixon) Thirteen years.

20 Q. And what are your responsibilities presently?

21 A. (Dixon) I'm responsible for the various
22 regulatory filings and compliances in each of
23 our three regulated utilities, in New
24 Hampshire, Massachusetts, and Connecticut.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. And what do you consider to be your area of
2 expertise?

3 A. (Dixon) General finance and accounting.

4 Q. And the job responsibilities that you just
5 listed off, do you consider those to be within
6 your area of expertise?

7 A. (Dixon) Yes.

8 Q. Have you previously testified before this
9 Commission?

10 A. (Dixon) Yes, I have.

11 Q. Has that testimony been within your area of
12 expertise?

13 A. (Dixon) Yes.

14 Q. And can you please briefly describe your
15 involvement with this docket?

16 A. (Dixon) When this Petition was filed, I was
17 acting as the Company's Controller. I did
18 oversee -- or, rather, review the Petition and
19 each of the data requests that was filed. As
20 of April 1, I was back in my position as
21 Director of Rates and Regulation, and I was
22 more closely involved in the docket at that
23 point.

24 Q. So, you are familiar with the contents of the

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1 Petition?

2 A. (Dixon) I am.

3 MS. BROWN: And, at that point -- or,
4 at this point, Commissioners, we have the
5 Petition that's already been premarked for
6 identification as "Exhibit 1", and I just
7 wanted to make note of that in the record.

8 CHAIRMAN HONIGBERG: Uh-huh. It's
9 noted.

10 BY MS. BROWN:

11 Q. Mr. Dixon, can you briefly summarize the relief
12 that is sought in that Petition?

13 A. (Dixon) There are essentially five pieces to
14 the Petition. The first of which was to amend
15 our tariff pages so that we could bill on a
16 monthly basis. The second piece was to switch
17 billing our service charges to "in-arrears", as
18 opposed to "in-advance". We were also seeking
19 to bill on a per diem basis. Additionally, we
20 were looking to change our due date on the
21 different bills, from 30 days to 25 days. And,
22 then, finally we were seeking deferral
23 treatment associated with the rate base impact
24 of changing from monthly -- from quarterly to

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 monthly, as well as from "in-advance" to
2 "in-arrears" on the service charges.

3 Q. And, with that last relief that you just
4 identified, has that been dropped from the
5 Settlement Agreement?

6 A. (Dixon) Yes, it has.

7 Q. With respect to Ms. Kirven's testimony, was
8 that attached to the Petition?

9 A. (Dixon) Yes, it was.

10 Q. And can you describe your involvement with the
11 drafting of Ms. Kirven's testimony?

12 A. (Dixon) I reviewed the testimony. I think,
13 when it was initially developed, it was while I
14 was in the position of Director of Rates and
15 Regulation. And, just for background, I've
16 been in the Director of Rates and Regulation
17 position for nine years. For a nine month
18 period, I transitioned to the Controller
19 position, as a bit of a job training
20 experience. So, that's why I sort of came in
21 and out. So, the filing went out while I was
22 in the Controller's seat. But I did review the
23 filing, as well as all the data requests
24 involved.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. And, aside from any changes that were made to
2 that testimony in discovery, are you aware of
3 any changes or corrections that need to be made
4 to that testimony?

5 A. (Dixon) No.

6 Q. And, if you were asked those questions today,
7 would your answers be, I'd say "exact", but
8 aside from the corrections in discovery, would
9 the answers that were in that testimony be
10 responsive to questions if you were asked those
11 today?

12 A. (Dixon) Yes.

13 Q. Now, were there exhibits attached to
14 Ms. Kirven's testimony?

15 A. (Dixon) There are three exhibits.

16 Q. And can you describe those exhibits?

17 A. (Dixon) I believe the first two exhibits -- the
18 first two exhibits related to the working
19 capital change, which we have stated was no
20 longer part of the Settlement, and the third
21 exhibit was tariffs marked for changes.

22 MS. BROWN: Okay. Commissioners, for
23 identification, we've marked -- or, marked for
24 identification Ms. Kirven's testimony as

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 "Exhibit 2". I'm sorry, no, it's --

2 MR. CLIFFORD: Yes.

3 MS. BROWN: Yes. "Exhibit 2" for the
4 testimony. And the working capital schedules
5 for completeness, we have marked those as "3".
6 We have not marked at this point the tariff
7 pages, because those have been subsequently
8 revised. So, those are going to be entered or
9 identified as "Exhibit 8".

10 So, just wanted to make that clear in
11 the record at this point.

12 CHAIRMAN HONIGBERG: Commissioner
13 Scott.

14 CMSR. SCOTT: On your Exhibit List,
15 I'm a little bit confused. You're showing, for
16 instance, "Exhibit 1" is "1.25.16". So, that's
17 January 25th, '16?

18 MS. BROWN: I believe that is the
19 date that it was entered into Docketbook.

20 CMSR. SCOTT: Okay. Thank you.

21 MR. CLIFFORD: Right. I can --
22 Commission Staff prepared that Exhibit List.
23 And those, the dates therein, are the dates
24 that are reflected in the Commission's docket.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Just it was for ease of reference when I
2 prepared it.

3 CHAIRMAN HONIGBERG: I think the
4 confusion is that there's another document in
5 our file, in this case, that has "Exhibit 1"
6 written in the upper right-hand corner. It's
7 not a document that is part of this. It's not
8 on your list. It's a different document. So,
9 I think that's the source of the confusion.

10 CMSR. SCOTT: Correct.

11 MS. BROWN: Yes. I believe those
12 were from the Town of Hampton.

13 CHAIRMAN HONIGBERG: That could well
14 be.

15 MS. BROWN: But I'll continue on. I
16 just wanted to mark for the transcript where
17 Exhibit 2 and Exhibit 3.

18 CHAIRMAN HONIGBERG: Just before you
19 continue. You've used the phrase "marked for
20 identification". I had the sense, the way that
21 you were talking about these exhibits, is
22 there's a stipulation that all of the exhibits
23 that are being marked are going to be full
24 exhibits. That there's no objection to any of

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1 these, is that correct?

2 MR. GEARRALD: That is correct.

3 MS. BROWN: Yes. Uh-huh.

4 MR. CLIFFORD: That is correct.

5 There is no objection.

6 CHAIRMAN HONIGBERG: All right. So,
7 we're just going to -- these are all just --
8 they're exhibits, 1 through 9 are all exhibits.

9 MR. CLIFFORD: Okay.

10 CHAIRMAN HONIGBERG: You should work
11 with them as exhibits. And it will be simpler
12 for the record, it will be simpler for
13 everybody.

14 MS. BROWN: We're happy to have your
15 assent to that. Thank you.

16 CHAIRMAN HONIGBERG: All right.

17 MR. CLIFFORD: Can I just clear up
18 one thing?

19 CHAIRMAN HONIGBERG: Sure.

20 Mr. Clifford.

21 MR. CLIFFORD: Yes. I did read the
22 hearing -- the prehearing transcript. And the
23 reason I think those two documents were entered
24 into the record, were -- they were attempted to

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 be introduced as exhibits, but they were not
2 accepted as exhibits at an earlier hearing.
3 So, they are not part of the record, which were
4 the 1 and 2 you referred to earlier.

5 CHAIRMAN HONIGBERG: Let's go off the
6 record for a minute.

7 *[Brief off-the-record discussion*
8 *ensued.]*

9 CHAIRMAN HONIGBERG: All right.
10 Let's go back on the record. Who's next?

11 MR. CLIFFORD: Okay.

12 CHAIRMAN HONIGBERG: Mr. Clifford.

13 MR. CLIFFORD: I would just ask a
14 couple of questions of Mr. Dixon.

15 CHAIRMAN HONIGBERG: And,
16 Mr. Clifford, you could stay seated. The
17 microphone will pick you up better if you stay
18 seated.

19 MR. CLIFFORD: Okay. Fine.

20 BY MR. CLIFFORD:

21 Q. You've stated and you say you're generally
22 familiar with the Petition and Ms. Kirven's
23 testimony, is that true?

24 A. (Dixon) That's true, yes.

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. And can you just tell us briefly, in your
2 estimation, how consumers might benefit from
3 this change in monthly billing, just so we have
4 that on the record?

5 A. (Dixon) I think there are several listed in the
6 Petition. But I think the two key ones that
7 come to mind are in terms of the price signals,
8 in terms of conservation. We think that
9 billing on a monthly basis, as opposed to a
10 quarterly basis, will send price signals that
11 will allow people to conserve water and see the
12 impacts within their bills.

13 Additionally, in terms of leak detection,
14 billing on a monthly basis will allow us to
15 pick up on leaks quicker and allow for less
16 water loss in the system.

17 MR. CLIFFORD: Okay. Thank you.

18 WITNESS DIXON: Sure.

19 MR. CLIFFORD: I have no further
20 questions of this witness.

21 MR. CICALI: The OCA has no questions
22 for the witnesses.

23 MR. GEARRALD: I have got some
24 questions.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 CHAIRMAN HONIGBERG: Hang on one
2 second. I think we need to get the other
3 witnesses' testimony in.

4 MS. BROWN: Yes.

5 CHAIRMAN HONIGBERG: And, then, we'll
6 start cross, to the extent there is "cross", in
7 a docket where all four parties are on the
8 Settlement.

9 MR. CLIFFORD: Right.

10 MS. BROWN: At this point, I
11 wasn't -- I didn't think I had concluded my
12 direct. I thought, because I had gone through
13 my background, --

14 MR. CLIFFORD: Right.

15 CHAIRMAN HONIGBERG: All right.

16 MS. BROWN: -- that Attorney Clifford
17 would go through the background of his --

18 CHAIRMAN HONIGBERG: Yes. Mr.
19 Clifford, why don't you do that, just to smooth
20 things out a little bit.

21 MR. CLIFFORD: Yes.

22 CHAIRMAN HONIGBERG: Why don't you
23 get your testimony in the record from your
24 witnesses.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 MR. CLIFFORD: Okay. Perfect.

2 CHAIRMAN HONIGBERG: Then, I don't
3 know, Ms. -- who's going to ask questions --
4 let's find out right now.

5 MS. BROWN: Yes.

6 CHAIRMAN HONIGBERG: What order are
7 we going to go after that? So, once,
8 Ms. Brown, are we going to circle back to you
9 for questions?

10 MR. CLIFFORD: Okay.

11 MS. BROWN: Uh-huh.

12 CHAIRMAN HONIGBERG: And then Mr.
13 Clifford -- I mean, Mr. Gearrald, and then
14 Mr. Cicale, and then back to Mr. Clifford? You
15 tell me.

16 Let's go off the record. Let's have
17 the discussion off the record, so we don't
18 clutter it up.

19 *[Brief off-the-record discussion*
20 *ensued.]*

21 CHAIRMAN HONIGBERG: So, we're back
22 on the record?

23 MR. CLIFFORD: We're back on the
24 record. Our witnesses have all been sworn in.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 So, I'm going to call Mr. Naylor.

2 BY MR. CLIFFORD:

3 Q. Can you state your name please for the record.

4 A. (Naylor) Yes. Mark Naylor.

5 Q. And briefly give us your educational
6 qualifications and position with the
7 Commission.

8 A. (Naylor) I'm the Director of the Commission's
9 Gas and Water Division, and the Director here
10 since 1998. And have been employed by this
11 Commission for over 25 years now. I have a
12 Master's degree in Accounting, and consider
13 myself an accountant and finance guru, if you
14 will.

15 Q. And can you briefly state your role in this
16 particular case?

17 A. (Naylor) I participated in the review of the
18 Company's filing, and, along with my staff, we
19 have also generated discovery requests and
20 participated with the Parties in development of
21 the Settlement Agreement that we are presenting
22 today.

23 Q. And you filed some testimony in this case, did
24 you not?

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Naylor) I did.

2 Q. And is that your -- we have marked as number
3 "5", "Direct Testimony of Mark Naylor". You
4 drafted that testimony?

5 A. (Naylor) Yes, I did.

6 Q. Can you briefly summarize what that testimony
7 says in this case?

8 A. (Naylor) My testimony indicated Staff's support
9 for the Company's requests, in terms of monthly
10 billing, in terms of moving to service charges
11 being billed in arrears, instead of in advance,
12 and supportive of the due date being moved up
13 by five days, from 30 to 25 days.

14 We did not support the Company's request
15 for deferral of working capital, change in
16 working capital which results from the changes
17 in the billing. And, so, that was the only
18 piece of the Company's requests that we
19 opposed.

20 Q. And did you adopt that testimony as filed? Do
21 you adopt that testimony?

22 A. (Naylor) Yes, I do.

23 Q. Any changes you wish to make to that testimony
24 as you sit here today?

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Naylor) No.

2 MR. CLIFFORD: Okay. Thank you.

3 Marcia, do you have anything? I'd like to call
4 Ms. Patterson next. I'm finished with --

5 CHAIRMAN HONIGBERG: Go ahead.

6 BY MR. CLIFFORD:

7 Q. Ms. Patterson, can you state your name and
8 position with the Commission for the record
9 please?

10 A. (Patterson) Rorie Patterson. I'm the Assistant
11 Director of the Consumer Services and External
12 Affairs Division.

13 Q. And how long have you been in that position?

14 A. (Patterson) I began serving in that position in
15 April, and prior to that I was a Staff Attorney
16 on the Commission's Staff since November of
17 2014.

18 Q. And I've placed before you Exhibit Number 6,
19 which is the Direct Testimony of Amanda Noonan.
20 And do you adopt her testimony as your own?

21 A. (Patterson) Yes, I do.

22 Q. And you've read and are generally familiar with
23 that testimony?

24 A. (Patterson) Yes, I am.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. Can you just briefly recite what the substance
2 of that testimony is for the benefit of the
3 Commissioners?

4 A. (Patterson) Sure. As with Mr. Naylor's
5 testimony, the testimony that Ms. Noonan filed
6 that I'm adopting today supported the Company's
7 request to change from monthly billing -- or,
8 quarterly billing to monthly billing, and to
9 change the billing of the customer charge from
10 in-advance to in-arrears, to bill the customer
11 charge on a per diem basis, and to make the due
12 date for payment 25 days as opposed to the 30
13 days it was previously.

14 Q. And, in your position, you're generally
15 supportive of those changes being requested by
16 Aquarion Water?

17 A. (Patterson) Yes, I am.

18 MR. CLIFFORD: Thank you. Nothing
19 further.

20 BY MS. BROWN:

21 Q. So, Mr. Dixon, do you have a copy of the
22 Settlement Agreement in front of you?

23 A. (Dixon) I do.

24 Q. Exhibit 7?

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Dixon) I do.

2 Q. And can you describe your involvement with the
3 Settlement Agreement?

4 A. (Dixon) I assisted in drafting the Settlement
5 Agreement.

6 Q. So, you're familiar with the terms?

7 A. (Dixon) I am familiar with the terms, yes.

8 Q. And are you aware of any changes or corrections
9 that need to be made to this document?

10 A. (Dixon) There are no changes or corrections.

11 Q. Okay. Do you have a copy of Exhibit 8 in front
12 of you, too? That's the colored copy of the
13 revised tariff pages?

14 A. (Dixon) I do.

15 Q. Okay. I think it would be helpful if you could
16 turn to Page 4 of the Settlement Agreement,
17 which is a "Summary of the Terms". And, with
18 respect to the first paragraph, can you just
19 briefly describe what Paragraph (1) of the
20 Settlement Agreement Terms is on Page 4?

21 A. (Dixon) Yes. Paragraph (1) talks about our
22 initial request to change the billing for
23 public fire protection from in-advance to
24 arrears. We have withdrawn that request and

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 we'll continue to bill public fire protection
2 in-advance.

3 Q. Okay. So, was that proposed public fire
4 protection, had Aquarion filed a proposed
5 tariff for that?

6 A. (Dixon) There was a proposed tariff page that
7 is effectively no longer needed.

8 Q. Okay.

9 A. (Dixon) The tariff page will stay as is.

10 Q. And is that -- that's why it's not in Exhibit 8
11 then?

12 A. (Dixon) Correct.

13 Q. Okay. So, how many customers are affected by
14 that public fire?

15 A. (Dixon) Four. Four different towns.

16 Q. And how many of those customers participated in
17 this docket?

18 A. (Dixon) One, the Town of Hampton. I'd also add
19 that the North Hampton Water Commission, while
20 they did not participate in the docket, they
21 did express their approval of the Company's
22 Petition.

23 Q. And do you know in what setting they expressed
24 that approval?

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Dixon) It was expressed at a meeting, it was a
2 public meeting for the Town of Hampton.

3 Q. Okay. A public meeting that Aquarion also
4 attended?

5 A. (Dixon) We also attended. And I think that
6 position was expressed in the response to the
7 statement of position put out by the Town of
8 Hampton.

9 Q. Okay. Thank you. Now, Aquarion filed a -- or,
10 published the Order of Notice for this
11 proceeding that noticed that public fire would
12 be going to in-arrears, correct?

13 A. (Dixon) That is correct.

14 Q. And how has Aquarion reached out to these
15 customers to let them know that that is no
16 longer to be the case?

17 A. (Dixon) Through -- they were attempted to be
18 reached through direct conversations, Carl --

19 *[Court reporter interruption.]*

20 **CONTINUED BY THE WITNESS:**

21 A. (Dixon) Carl McMorran, our Operations Manager
22 in New Hampshire, reached out to each of the
23 towns, left voice messages, as well as sent
24 e-mails. And no one has responded to any of

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 those attempted communications.

2 BY MS. BROWN:

3 Q. So, is Aquarion satisfied that those customers
4 now know that they won't be switching from
5 in-advance to in-arrears?

6 A. (Dixon) Yes.

7 Q. Thank you. Now, if we could go to -- okay.
8 The Settlement Agreement discusses going from
9 quarterly to monthly billing. And I just
10 wanted to have you point out on the tariff
11 pages where that occurs and for each customer
12 group or rate group?

13 A. (Dixon) Certainly. On the first page of the
14 exhibit, labeled at the top "Fourth Revised
15 Page 12", there is a column in there, a Per Day
16 charge, as well as a Per Month charge, that
17 show the revised rates. And, under "Terms of
18 Payment", you can see for -- where it says "for
19 three months in advance" has been stricken and
20 replaced by "monthly in arrears".

21 I think, and below that, in "Terms of
22 Payment", there are other instances of
23 "quarterly" or "quarter" replaced by "monthly"
24 and "month" or "per month".

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. Okay. I'm sorry, did you also point that out
2 on Page Third [Fourth?] Revised 14?

3 A. (Dixon) The same changes are made there for
4 private fire service, where the "Per Month"
5 charge has been added. And, then, under "Terms
6 of Payment", there are similar replacements
7 made.

8 Q. Thank you. Does Aquarion charge monthly in any
9 of its other affiliates?

10 A. (Dixon) We have begun and are probably halfway
11 through transitioning 195,000 customers in our
12 Connecticut utility.

13 Q. And in what other states does Aquarion serve?

14 A. (Dixon) We also serve Massachusetts. We have
15 not begun a transition to monthly billing there
16 as of yet.

17 Q. And how many customers do you serve in
18 Massachusetts?

19 A. (Dixon) Massachusetts is 19,000.

20 Q. And, for comparison, New Hampshire is how many?

21 A. (Dixon) 9,000.

22 Q. And do you have a time frame for when
23 Massachusetts will be transitioning to monthly
24 billing?

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Dixon) No, we haven't set one at this point.
2 There are several other proceedings going on in
3 Massachusetts that we're trying to get through
4 before we tackle this issue.

5 Q. Okay. Then, again, you said that Connecticut
6 is already a monthly billing?

7 A. (Dixon) That's right. Because it's so many
8 customers that, like I said, 195,000, we're
9 phasing it in over a few years, hitting
10 different areas each year. We're about halfway
11 through.

12 Q. Okay. Now, the relief requested was also
13 concerning the per diem rate or the ability to
14 calculate a service charge on a per diem basis.
15 Can you explain on the Revised Page 12 and 14
16 where that shows up?

17 A. (Dixon) Yes. On Revised Page 12, there is a
18 "Per Day" rate that's listed, with an asterisk.
19 And that asterisk states "The per day rate is
20 based on the annual service charge divided by
21 365 calendar days." So, it's reflected there
22 on Revised Page 12.

23 Q. Now, were you asked in discovery how customers
24 would be aware of the calculation on a per

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 diem?

2 A. (Dixon) Yes. There is a -- I believe this is
3 Exhibit Number 9, which is our sample bill.
4 And, on the reverse side of that bill, there's
5 an explanation of how that service charge is
6 calculated.

7 Q. Okay. And a question for Ms. Noonan -- sorry,
8 Ms. Patterson. Staff has seen this "Service
9 Charge" language, correct? In Exhibit -- do
10 you have Exhibit 9 in front of you?

11 A. (Patterson) No, I don't.

12 MS. BROWN: I'm going to provide the
13 witness with a copy of Exhibit 9.

14 *[Atty. Brown handing document to*
15 *Witness Patterson.]*

16 BY MS. BROWN:

17 Q. And, Ms. Patterson, I don't know if you've
18 reviewed Aquarion's response to Staff Tech
19 Session 1-1?

20 A. (Patterson) I have not.

21 Q. Sorry to catch you off guard. Okay. All
22 right.

23 A. (Patterson) My understanding is that
24 Ms. Noonan's testimony that I'm adopting today

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 recommended that the notices -- that a notice,
2 a direct mail notice be provided to customers
3 with regard to the change to the billing
4 frequency and the method with which it was
5 done, and that also she recommended that the
6 first bill include -- or, the Company had
7 offered to include also that the first bill
8 include information about that. And my
9 understanding is that the Company is to file or
10 had offered to file its notices with the
11 Consumer Services and External Affairs
12 Division. And my suggestion would be that, to
13 the extent that there's language in the bill
14 that's new, that that should also be reviewed
15 at that time by the Director of that Division.

16 MS. BROWN: And, if I could just make
17 an offer of proof, that the Company had
18 produced this "Service Charge" language in
19 discovery. But we will certainly be following
20 up with the Staff to make sure that any changes
21 on the bill clarify to customers how this per
22 diem is charged -- is calculated, and that
23 Staff is amenable to the bill changes. Thank
24 you.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 CHAIRMAN HONIGBERG: In terms of
2 chronology, was this document prepared before
3 Staff filed its testimony, or provided to
4 Staff? When was it provided to Staff?

5 MS. BROWN: I think it was
6 provided --

7 MR. GEARRALD: Yes, I think it was a
8 tech session response.

9 MR. CLIFFORD: A tech session --

10 MS. BROWN: Yes, it was a tech
11 session response, but when was --

12 WITNESS DIXON: May 13th.

13 CHAIRMAN HONIGBERG: I heard "May
14 13th", is that right?

15 WITNESS DIXON: That's the date of
16 our response, yes.

17 MS. BROWN: Yes. Okay. So, the tech
18 session, if it occurred May 13th, and the
19 testimony was May 26th, it was after it.

20 But, still, our representation is we
21 won't be changing the bill until Staff has
22 accepted the language.

23 CHAIRMAN HONIGBERG: Okay. Just
24 trying to get an understanding of the

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 chronology of this document. Because,
2 unfortunately, it sounds like the Staff's
3 witness wasn't familiar with it. But I
4 understand Staff's position and I understand
5 your representation.

6 BY MS. BROWN:

7 Q. Mr. Dixon, I just wanted to move on to cover a
8 few other issues. With respect to the move
9 from the 25 days -- or, the 30 days to the 25
10 day due date, can you please explain how
11 customers are made aware of that on the tariff
12 pages?

13 A. (Dixon) That is listed on the "Terms of
14 Payment" on each of the tariff pages, where it
15 says "Bills are due and payable within 25 days
16 from the postmarked date of the bill."

17 Q. Okay. Now, moving from 25 days -- or, from 30
18 days to 25 days, does that affect when the late
19 penalty accrues?

20 A. (Dixon) No. The late penalty will still occur
21 after 30 days. The move to 25 days was simply
22 to get customers to pay one bill before we
23 issued the next.

24 Q. And how is this late penalty calculated?

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Dixon) The late penalty is 5 percent charged
2 against the current charges of the particular
3 bill in question.

4 Q. And is that -- that 5 percent is reflected on
5 the tariff sheets?

6 A. (Dixon) It is. On the top of Page -- the
7 second page of the Fourth Revised Page 13, "A
8 penalty of 5 percent will be added to bills
9 which are unpaid 30 days from the postmarked
10 date of the bill."

11 Q. Uh-huh. Now, is it fair to say, with Exhibit
12 8, that these proposed tariff changes are for
13 this hearing, but that if Staff requests
14 further changes, that Aquarion will not be
15 adopting them until it includes any additional
16 changes from Staff?

17 A. (Dixon) That's correct. We'll make any further
18 edits to these as are necessary.

19 Q. So, these are -- I guess Exhibit 8 is generally
20 for illustration purposes?

21 A. (Dixon) That's correct.

22 Q. Okay. I'd like to have you explain converting
23 to monthly billing. What has to happen in
24 Aquarion's systems?

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 A. (Dixon) In our SAP software, we have just a
2 series of various tests that we need to run on
3 our system. We've gone through a lot of the
4 work already to do the conversions, but the
5 testing also takes some additional time. And
6 we can't really proceed on that, with that
7 testing, until there's approval here.

8 Q. So, do you have a guesstimate of the lead time
9 of, once you have approval, when you can
10 finally start implementing monthly billing?

11 A. (Dixon) After approval, I would -- an estimate
12 would be a couple weeks. A little bit
13 dependent on some of the other changes that are
14 happening in our system at the moment. But,
15 absent anything major there, a couple weeks.

16 Q. Mr. Dixon, are any of the changes that are
17 proposed in the tariffs going to change
18 Aquarion's revenue requirement?

19 A. (Dixon) No.

20 Q. And do you believe the Settlement Agreement is
21 a fair and reasonable result?

22 A. (Dixon) I do.

23 Q. If I could ask Mr. Naylor, you had in your
24 testimony summarized some benefits or listed

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 some benefits. Could you summarize those for
2 the record, the benefits of monthly billing?

3 A. (Naylor) I think I generally echoed what the
4 Company had cited with respect to the benefits.
5 Certainly, more frequent usage data is provided
6 to the customer, and that they're aware of,
7 much more frequently than every 90 days, what
8 their usage is, it gives them an opportunity to
9 adjust it.

10 Certainly, the Company has more frequent
11 data for comparing its production numbers with
12 its consumption numbers. Which, of course, can
13 help with leak detection, a better calculation
14 of unaccounted for water.

15 Certainly, for the customers, it provides
16 a greater predictability in budgeting control.
17 And, hopefully, also reduces the Company's
18 expenses with respect to collections and
19 uncollectible amounts.

20 Q. Thank you. Ms. Patterson, do you have any
21 benefits to add that Mr. Naylor didn't already
22 list?

23 A. (Patterson) I think the one benefit that I
24 remember from the testimony is just the

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 notation that the per diem service charge
2 enables the Company to better capture the
3 charges that are associated with each customer
4 based on their billing period, and to also
5 calculate the partial month charges, when there
6 are terminations or connections during the
7 course of the month.

8 MR. CLIFFORD: So, Ms. Brown has
9 indicated she has no further questions. I just
10 have two of -- one each for Mr. Naylor and
11 Ms. Patterson.

12 BY MR. CLIFFORD:

13 Q. Mr. Naylor, you have reviewed and are generally
14 familiar with that Settlement Agreement,
15 correct?

16 A. (Naylor) Yes.

17 Q. And you had a hand in its negotiation and the
18 terminology that is reflected in that
19 Agreement, did you not?

20 A. (Naylor) Yes.

21 Q. And you generally -- you are in support of that
22 Agreement, correct?

23 A. (Naylor) Yes, I am.

24 Q. Okay. Thank you. Ms. Patterson, the same

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 series of questions. You've read and are
2 generally familiar with the Settlement
3 Agreement, correct?

4 A. (Patterson) Yes, I am.

5 Q. And it's your position that you stand in
6 support of that Agreement, correct?

7 A. (Patterson) Yes, I do.

8 MR. CLIFFORD: Okay. Thank you.

9 CHAIRMAN HONIGBERG: Mr. Gearrard.

10 MR. GEARRALD: Thank you. I'll sit
11 down. It's better for the mike.

12 **CROSS-EXAMINATION**

13 BY MR. GEARRALD:

14 Q. Mr. Naylor, do you have your testimony in front
15 of you?

16 A. (Naylor) Yes, I do.

17 Q. Exhibit 5, I believe, full exhibit. On Page 4
18 of your testimony, you had indicated initially
19 Aquarion had requested that there be a working
20 capital variance deferral in the amount of the
21 "23,169", is that correct?

22 A. (Naylor) Yes, it is.

23 Q. And, subsequently, through discovery, in
24 particular, Staff 2-2, I believe that was

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 reduced to the amount of "\$22,500"?

2 A. (Naylor) I believe that's correct, yes.

3 Q. Yes. And, so, even after that reduction, the
4 Staff did not support this deferral for the
5 reasons that are set forth in your testimony,
6 is that right?

7 A. (Naylor) That's right.

8 Q. And those reasons were what?

9 A. (Naylor) Well, generally, we -- I'm not
10 supportive of the concept of accruing expenses
11 that occur between rate cases and seeking
12 recovery of those costs in a future case.
13 Because you could make a case -- I guess a
14 utility could make a case for doing that with
15 lots of different expenses. And there's a
16 certain amount of risk that a utility incurs in
17 operating its business, changes in expenses,
18 changes in revenues, and it's compensated for
19 that risk through its equity return.

20 So, absent extraordinary circumstances, I
21 wouldn't support it.

22 Q. And, specifically regarding the return on
23 equity, your testimony referred to a "Staff
24 Tech Session 1-3, Attachment MAN-1", isn't that

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 correct?

2 A. (Naylor) Yes.

3 Q. And what did that tech session request reveal?

4 A. (Naylor) It indicated that the Company's
5 earnings, I believe we were looking at the 2015
6 year, the Company's earnings are quite strong.
7 And its return on equity capital, as
8 calculated, was 11.59, which was above its last
9 granted return on equity of 9.60 in its last
10 rate case. So, I used that as a further
11 reason, not the primary reason, but certainly a
12 reason why the Company is able to absorb any
13 changes in costs related to working capital.
14 So, --

15 Q. Thank you. Mr. Dixon, in terms of that
16 particular aspect of absorption, I have some
17 questions for you.

18 *[Atty. Gearrald handing*
19 *documents to Witness Dixon.]*

20 MR. GEARRALD: And what I've just
21 handed to Mr. Dixon are three exhibits that are
22 attached to the testimony of Mr. Welch, which
23 has been Exhibit -- entered as "Exhibit 4", and
24 I'll refer to those by letter.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 BY MR. GEARRALD:

2 Q. Mr. Dixon, when the Company first petitioned
3 for this aspect that is now not in the
4 Settlement, the deferral of working capital
5 variance, the working capital amount, as we've
6 just talked about with Mr. Naylor, was
7 "23,169", is that correct?

8 A. (Dixon) Yes.

9 Q. And, referring to Data Request Hampton 1-4,
10 which is Exhibit D to Mr. Welch's testimony,
11 Ms. Kirven indicated that, had such a deferral
12 been allowed, it would have amounted to an
13 annual deferral of that amount, isn't that
14 correct?

15 A. (Dixon) An annual deferral until the time of
16 the Company's next rate proceeding.

17 Q. However many years that would be, isn't that
18 right?

19 A. (Dixon) Yes.

20 Q. And what has resulted by virtue of the
21 Settlement, and, in particular, the withdrawal
22 of the request to render bills for public fire
23 in arrears, rather than in advance, is that the
24 new amount of 22,500 not only will not be

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 deferred, but won't -- will not even be
2 incurred to the tune of \$18,579.68, isn't that
3 correct?

4 MS. BROWN: Just can I ask Attorney
5 Gearrald where he got that 18,000 figure,
6 because I don't see it in the exhibit?

7 MR. GEARRALD: Actually, Exhibit K.

8 MS. BROWN: Thank you.

9 MR. GEARRALD: And the exact amount
10 since the last Hampton Tech Session 1-4,
11 Exhibit K to Mr. Welch's.

12 BY MR. GEARRALD:

13 Q. And I appreciate it, Ms. Brown, because,
14 actually, of the 22,500 in deferral, \$18,283
15 will not be incurred as a result of keeping
16 public fire in advance, as opposed to in
17 arrears, isn't that right?

18 A. (Dixon) Yes, it is.

19 Q. And, so, the Company will not be suffering
20 approximately 81 percent of that deferral,
21 isn't that right?

22 A. (Dixon) If the deferral were still part of
23 this, 81 percent of it, that 18,579, would act
24 as a reduction to the 22,500, provided public

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 fire protection continued to be billed in
2 advance.

3 Q. And, so, by virtue of it continuing to be
4 billed in advance, the Company is not incurring
5 that variance in working capital, isn't that
6 right?

7 A. (Dixon) That is right.

8 Q. In terms of the companies involved, you had
9 laid out, in a Exhibit L to Mr. Welch's
10 testimony, Hampton 3-11, the various entities
11 that are involved, isn't that right?

12 *[Atty. Gearrald handing document*
13 *to Witness Dixon.]*

14 **BY THE WITNESS:**

15 A. (Dixon) This reflects the four public fire
16 protection customers.

17 BY MR. GEARRALD:

18 Q. And those four are the Town of Hampton, the
19 Town of North Hampton, and two Rye entities,
20 isn't that correct?

21 A. (Dixon) Yes. That is correct.

22 Q. Now, when the Town of North Hampton expressed
23 its support for the petition for monthly
24 billing, that was, as you've described, at the

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 public hearing in Hampton, that was an
2 expression of support overall, rather than as a
3 point-by-point matter, isn't that correct?

4 A. (Dixon) That's my recollection, yes.

5 MR. GEARRALD: I would just like to
6 make an offer of proof to the Commission that,
7 in addition to the efforts to contact the other
8 two municipal entities that are involved in
9 keeping public fire as it is, that I have
10 spoken to Michael Magnant, who is the Town
11 Manager for Rye, which includes the Jenness
12 District and the Rye Water District, as well as
13 the two out of the three water commissioners,
14 Robert Landman and Henry Fuller, for the Town
15 of North Hampton, and they are in support of
16 keeping public fire as it is, which is part of
17 the Settlement Agreement.

18 CHAIRMAN HONIGBERG: Did the other
19 municipal entities receive copies of the
20 Settlement? Are they on some sort of any kind
21 of service list that would have given this to
22 them in writing?

23 MR. GEARRALD: I believe that Mr.
24 Dixon indicated that they had been sent copies.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Isn't that correct, Mr. Dixon?

2 WITNESS DIXON: No. I indicated that
3 they had received the initial Petition.

4 CHAIRMAN HONIGBERG: That's what I
5 heard as well. And I heard that they got
6 e-mails and phone calls.

7 MR. CLIFFORD: Right.

8 MS. BROWN: Right. The Settlement
9 Agreement was only distributed among the
10 Parties. We just -- Aquarion just reached out
11 personally to the towns. But it sounds like
12 Mr. Gearrald was more successful in getting a
13 response.

14 MR. GEARRALD: In case there was any
15 concern on the part of the Commissioners with
16 this one item remaining as is, I've spoken to
17 both.

18 CHAIRMAN HONIGBERG: Okay. Under the
19 rules of evidence don't apply here, but we're
20 in many levels of hearsay in this, getting
21 these representations that other entities are
22 aware of what's going on and that they support
23 what's going on. I guess, without having any
24 of them here, they were made aware of the

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1 proceeding in writing, correct?

2 WITNESS DIXON: Correct.

3 CHAIRMAN HONIGBERG: And they haven't
4 seen fit to participate, as far as I can tell.
5 I mean, I'm not missing anything in the record,
6 right?

7 MS. BROWN: No. And the full
8 Petition was sent to all of the parties, in
9 addition to the publication of the Order of
10 Notice.

11 CHAIRMAN HONIGBERG: All right.
12 Whether they -- it is nice to hear that there
13 has been outreach, I applaud that. And I'm
14 glad that there doesn't seem to be objection,
15 we're certainly not aware of any. But it also
16 seems like parties or entities that received
17 proper notice of the proceeding aren't
18 participating are kind of stuck with what they
19 get, whether they like it or not. Isn't that
20 about how it shakes out?

21 MS. BROWN: That's how it shakes out.
22 But our concern was, you know, the bills can be
23 large. And we wanted to at least express to
24 the Commissioners -- the Commission that we had

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 made an attempt to let them know that, because
2 a swing from six months in advance to in
3 arrears was so large, that we notified them.

4 CHAIRMAN HONIGBERG: Yes. I guess, I
5 mean, and, as I said, I appreciate the extent
6 those efforts were made. It seems like
7 something in writing probably should have gone
8 to all of them, if that was your -- if that was
9 your goal. But, again, it's maybe not all that
10 significant at the end of the day. And, in
11 fact, it's not changing. So, maybe that's the
12 ultimate answer here, is it's not changing.
13 So, they were told it might, and that's the
14 last they officially heard. And they have
15 gotten some informal outreach to say "it's not
16 changing". So, maybe that's why nobody is hear
17 saying "all good".

18 All right. Mr. Gearrard, do you have
19 any further questions?

20 MR. GEARRALD: Thank you. Yes.

21 BY MR. GEARRALD:

22 Q. Mr. Dixon, in terms of keeping public fire as
23 being billed in advance, the way it is now, I
24 believe you had answered a data request from

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 the Office of Consumer Advocate indicating that
2 this would not be the only example in New
3 Hampshire where billing is in advance, correct,
4 for public fire?

5 A. (Dixon) We have seasonal customers in New
6 Hampshire who receive their service charge
7 bills in advance, and that will continue.

8 Q. Right. But, in terms of billing a public fire,
9 this is not the only example in this state
10 where public fire is billed in advance?

11 A. (Dixon) Which response were you referring to?

12 Q. Office of Consumer Advocate, I believe.

13 MS. BROWN: Mr. Gearrard, are you
14 talking about OCA 1-4?

15 MR. GEARRALD: I think I am. Thank
16 you.

17 MS. BROWN: You want to show that
18 to --

19 MR. GEARRALD: Sure.

20 MS. BROWN: -- Mr. Dixon to refresh
21 his recollection.

22 MR. GEARRALD: Yes.

23 *[Atty. Gearrard handing document*
24 *to Witness Dixon.]*

1 **BY THE WITNESS:**

2 A. (Dixon) Yes. I see two other entities that are
3 billed in advance for public fire.

4 BY MR. GEARRALD:

5 Q. Thank you. And, finally, Mr. Dixon, the
6 Settlement, in Paragraph (3), do you have that
7 in front of you?

8 A. (Dixon) I do.

9 Q. This does reflect that "Aquarion will absorb
10 and not defer for later consideration
11 [whatever] increased costs for postage and
12 IT-related are associated with the request to
13 change billing"?

14 A. (Dixon) Yes. That's accurate.

15 Q. So that these, whatever is incurred, would be
16 taken into account going forward after the
17 next -- in the next general rate case, correct?

18 A. (Dixon) Those costs would be considered at that
19 point, yes.

20 MR. GEARRALD: Thank you.

21 CHAIRMAN HONIGBERG: Mr. Cicale, do
22 you have any questions?

23 MR. CICALÉ: Just one, Chairman.

24 Thank you.

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 BY MR. CICALÉ:

2 Q. Mr. Dixon, how has the change to monthly
3 billing from quarterly billing and billing in
4 advance to billing in arrears in your
5 Connecticut service area benefited your
6 customers thus far, as you're shifting them
7 over piece-by-piece?

8 A. (Dixon) It really -- it points back to those
9 two earlier benefits I mentioned, in terms of
10 the conservation aspect and the leak detection
11 piece. So, that's out there. We haven't heard
12 anything in terms of complaints from our
13 customers at this point. You know, the call
14 center, the phones are not lighting up because
15 there is any discontent from the customers.
16 Getting the bills monthly let's them react if
17 they see spikes in their bills, whether it's a
18 leak or whether it's summer usage or that kind
19 of thing.

20 So, everything about this has been
21 positive to this point.

22 MR. CICALÉ: Thank you,
23 Commissioners. No further questions.

24 CHAIRMAN HONIGBERG: Commissioner

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1 Scott.

2 CMSR. SCOTT: Thank you.

3 BY CMSR. SCOTT:

4 Q. Mr. Dixon, can you walk me through a little
5 bit? So, if I'm a currently metered customer
6 going -- how would I transition between, you
7 know, what am I going to receive from the
8 Company, as far as I currently get a quarterly
9 bill, I'm going to get a monthly bill, and I
10 now am going to move from in advance to
11 arrears. So, can you explain exactly what will
12 happen, the transition? So, on X date I got my
13 last quarterly bill. When do I get my next
14 bill? Do you understand where I'm going?

15 A. (Dixon) I do. I'm trying to recall if we laid
16 that out in a response, and I don't remember.

17 MS. BROWN: I'm sorry. We were
18 talking among ourselves. What was the
19 question?

20 CMSR. SCOTT: Sure. So, what I'm
21 looking at is, for the average -- average
22 metered customer, I'd like Mr. Dixon to kind of
23 just talk me through what I'll receive from the
24 Company. So, on day X, I get my normal

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1 quarterly bill. Now, we're transitioning. So
2 is there a time lag? I just want to understand
3 what a customer will receive next and how that
4 transition will happen.

5 Because I'm -- frankly, I know I'll
6 follow up this question with some more of the
7 outreach that has been done to the customers,
8 but I'm -- I'm supportive of the changes, but
9 I'm trying to understand how the customers are
10 going to absorb all the nuances here.

11 **BY THE WITNESS:**

12 A. (Dixon) It was interesting, because I drew this
13 on my whiteboard, because it -- just to make
14 sure that we understood it well. And there's a
15 table on the bottom of Page 8 of my testimony
16 that shows four examples. If you had --

17 *[Court reporter interruption.]*

18 **CONTINUED BY THE WITNESS:**

19 A. (Dixon) If you had a customer that received
20 their bill in advance in April, they would get
21 a bill for \$46.80. They would not get another
22 bill for a service charge until August, and it
23 would be \$15.60. So, --

24 BY CMSR. SCOTT:

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. And can I stop you there?

2 A. (Dixon) Yes.

3 Q. So, if there were no change, when would they
4 expect to see the next bill?

5 A. (Dixon) They would have gotten their next bill
6 in July, for \$46.80.

7 Q. Okay. Thank you.

8 A. (Dixon) So, three months later.

9 Q. Continue. I'm sorry for interrupting you.

10 A. (Dixon) So, that's effectively what they would
11 see.

12 Q. Okay. So, --

13 A. (Dixon) They get a little bit of extra cash
14 during the summer at the time of the
15 conversion, because there's sort of a delay in
16 terms of when they pay the money out again.

17 Q. All right. So, one concern would be, if I'm a
18 diligent payer of bills, but I'm not so
19 diligent of paying attention to other things, I
20 could be alarmed because I didn't get my July
21 bill?

22 A. (Dixon) That could be the case, yes. That is
23 true. There would still be a -- so, that is
24 right. There would be a month where they would

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 not be getting that bill. The next month they
2 would get the bill for the -- for the
3 in-arrears service charge, as well as the
4 usage, since the last bill.

5 Q. So, I heard two things in testimony. I heard,
6 one, that the towns had been notified, and I
7 understand the exchange between Attorney Brown
8 and yourself. And, then, another, later there
9 was talk of outreach directly to each
10 individual customer?

11 A. (Dixon) That hasn't happened yet.

12 Q. Okay. And can you tell me the form of that?
13 So, when will they receive that?

14 A. (Dixon) With a decision here, we would send a
15 letter to each individual customers, talking
16 about the changes that would be coming. There
17 would also be language on the actual bill.
18 There's a "note" section where -- it's a little
19 bit compressed, so you can only say so much,
20 but we'll highlight it there as well.

21 Q. But I thought you said they won't see the next
22 bill until --

23 A. (Dixon) Well, that's why the letter will come
24 in advance.

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Q. Okay.

2 A. (Dixon) But we also know, when they get that
3 first bill, there might be some confusion as to
4 "I'm used to seeing a \$47 service charge, and
5 now I'm seeing \$16." So, the notes on that
6 bill would hopefully reiterate what was seen in
7 the letter.

8 Q. Are you doing anything different or planning on
9 doing anything different with your, for want of
10 a better word, your "billing help desk"? You
11 know, the people calling, asking questions, do
12 you expect a higher volume?

13 A. (Dixon) We didn't see much in Connecticut.
14 Now, Connecticut was a little bit more simple,
15 where it was just going from quarterly to
16 monthly. There wasn't the "in advance to
17 arrears". So, there will be some added
18 complexity here. But the initial calls for
19 customer service for New Hampshire go directly
20 to the New Hampshire personnel. So, they will
21 be trained in terms of what, you know, what
22 kind of calls they will be getting. But I
23 don't expect significant volumes.

24 Q. So, the normal expected July billing cycle,

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 when I would expect to get my July, if I'm one
2 of those ratepayers, when I expect to get my
3 July bill, am I going to get something from the
4 Company explaining what's going to happen in
5 August? Or will the time frame be separated?
6 Or, it seems like an opportunity there.

7 A. (Dixon) What I don't know is if, in July, there
8 will be a usage bill. And that's something I
9 just don't know sitting here. And I'm seeing a
10 nod across the room that they will still get a
11 bill for usage and not a service charge.

12 Q. Okay. So, that billing should have -- would be
13 a good opportunity for --

14 A. (Dixon) It's another opportunity for some notes
15 on that bill as to what's going on, yes.

16 Q. Okay. I'll switch to Mr. Naylor. You were
17 questioned about the benefits to changing the
18 billing cycle and going to monthly. And, if I
19 remember correctly, certainly it helps
20 facilitate water conservation and helps
21 everybody detect leakage, is that correct?

22 A. (Naylor) Yes, it is.

23 Q. So, from the original filing, obviously, the
24 public water change has been dropped off. Am I

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 correct in my preemption that those type of
2 benefits really don't apply to the public
3 water, meaning the fire hydrants?

4 A. (Naylor) That's correct. There's public and
5 private fire service charges don't involve any
6 kind of meter reading or, you know,
7 measurement. They're based just strictly on
8 fixed charges. So, the only impact that would
9 result from changing them
10 in-arrears/in-advance, that's the Company's
11 working capital. But there's no other impacts.

12 Q. Okay. And, Mr. Dixon, along the same line.
13 So, to the extent of what water leakage, if you
14 will, lost water, unbilled water, for those
15 systems, I assume there's other ways you'd see
16 that, I assume?

17 A. (Dixon) Yes. The real intent for us going to
18 monthly in arrears for public fire was really
19 to synch up how we bill in New Hampshire with
20 how we bill in our other operations. So, the
21 leakage aspects really don't apply here. We're
22 trying to get our states in line, our testing
23 on our systems in line. And those were the
24 real drivers.

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 CMSR. SCOTT: Okay. That's all I
2 have.

3 CHAIRMAN HONIGBERG: Commissioner
4 Bailey.

5 BY CMSR. BAILEY:

6 Q. Mr. Dixon, when you testified about the late
7 payment charge, I believe you said that
8 "5 percent would apply against current
9 charges"?

10 A. (Dixon) Yes.

11 Q. Did you mean charges that are late, charges
12 that haven't been -- because they're not
13 current charges. I mean, current charges
14 aren't late yet, right?

15 A. (Dixon) Charges beyond the 30 days that had not
16 received a late charge as of yet.

17 Q. Okay.

18 A. (Dixon) So, what I mean by that, if there was
19 still a forward balance from two bills ago,
20 they're not going to get the 5 percent again.
21 The 5 percent is only applied to the piece that
22 just turned 30 days.

23 Q. Okay. And, Mr. Naylor, did you say that the
24 return on equity in 2015 was 11.59 percent or

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 was it rate of return?

2 A. (Naylor) That was the calculation of their
3 return on equity, based on their earnings in
4 2015.

5 Q. Okay. Does that seem high to you?

6 A. (Naylor) It's higher than what they were last
7 authorized, yes. Yes. Their earnings are
8 strong.

9 Q. Okay. With respect to seasonal customers, Mr.
10 Dixon, you said they would be -- they would
11 continue to be "billed in advance", why is
12 that?

13 A. (Dixon) The seasonal customers are a little bit
14 different, where they pay a service charge in
15 advance for the entire season. And it's a
16 charge based on, really, I think it's five
17 quarters of activity. It's almost, I don't
18 want to call it a "penalty charge", but it's a
19 charge that reflects the demands put on the
20 system by the seasonal customers. So, they pay
21 a little bit more in their service charges.
22 But you don't necessarily know when they're
23 going to remove their meter at the end of the
24 season. So, the intent on those service

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[WITNESS PANEL: Dixon~Naylor~Patterson]

1 charges is they pay the entire amount up front.
2 Then, when they move out, whether it's
3 September or October, they will pay their usage
4 at that point. But you effectively want to --
5 every seasonal customer is going to pay the
6 same service charge, regardless of how much
7 time they're actually in service.

8 Q. Okay. And you also said that Connecticut -- in
9 Connecticut they "didn't convert from in
10 advance to in arrears"?

11 A. (Dixon) They didn't convert, because we don't
12 have any in-advance customers anywhere else,
13 except for, I believe, some private fire
14 customers in Massachusetts. But everywhere
15 else our billings are all in arrears for
16 service charges.

17 Q. The private fire customers are?

18 A. (Dixon) In Massachusetts, there was one subset
19 of customers that, for some reason or another,
20 gets an advance charge. It's a small cluster
21 of customers. But we don't have any in-advance
22 billings in Connecticut.

23 Q. Okay. With respect to the in-advance public
24 fire charge here, does that create any

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 difficulty with your billing system?

2 A. (Dixon) We're essentially keeping it the same
3 as it is. So, there's no problem there. The
4 challenge we have is that one of the reasons we
5 wanted to convert it was that any time we make
6 any changes into our system on the billing
7 side, we have to go through some rigorous
8 testing. So, to the extent that we have
9 various methods of billing, you have to test
10 that method. So, for us, it would have been
11 nicer to convert everybody to in-arrears, so we
12 didn't have to go through a separate testing
13 routine. But that that would be the only
14 impact.

15 Q. And an advantage might be that it reduces your
16 working capital by billing in advance, correct?

17 A. (Dixon) It definitely took that piece that we
18 were looking to defer, it reduced it. You
19 know, as I think Mr. Gearrard said, it was
20 81 percent of the total we were looking to
21 defer.

22 CMSR. BAILEY: Okay. Thank you.

23 CHAIRMAN HONIGBERG: My questions
24 were all related to notice and notifying

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 customers of what was going on. So, my
2 questions have been answered.

3 Ms. Brown, do you have any further
4 questions?

5 MS. BROWN: Yes, just a few.

6 **REDIRECT EXAMINATION**

7 BY MS. BROWN:

8 Q. Mr. Dixon, for the Hampton system -- or, New
9 Hampshire system, do the bills go out in
10 batches? I guess, to rephrase that, not all
11 9,000 customers are billed at one time,
12 correct?

13 A. (Dixon) Oh, that's correct. Yes.

14 Q. So, with Commissioner Scott's questions about
15 whether a bill that had a note on it informing
16 people, would that still be effective to the
17 portion of customers receiving it in a
18 particular batch prior to the actual
19 conversion?

20 A. (Dixon) It will still be effective to put that
21 communication on there.

22 Q. Do you know how many customers are billed in
23 any particular batch?

24 A. (Dixon) I do not know the numbers, if they're

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 equal or not.

2 Q. Okay. Just thought I'd ask. You were asked a
3 question about whether there were any changes
4 or impacts from implementing monthly billing in
5 Connecticut. And I thought you had referred to
6 collect -- did you respond with collections,
7 and whether there's a positive impact with
8 monthly billing on collections?

9 A. (Dixon) We haven't seen it yet. But part of
10 that is because our collections track record in
11 Connecticut is so good that -- that I'm not --
12 I'm not aware of a significant change there.

13 Q. Okay. You were asked a question about the
14 penalty and how it would be calculated from
15 Commissioner Bailey. And we have a discovery
16 response, and I just wanted to show it to you
17 to see if you wanted to add anything further to
18 your explanation to Commissioner Bailey.

19 *[Atty. Brown handing document to*
20 *Witness Dixon.]*

21 **BY THE WITNESS:**

22 A. (Dixon) So, part (b) of the response, "The
23 5 percent is based on each individual bill.
24 The penalty is only assessed on the current

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 services rendered." So, that's what I was
2 trying to get at, in terms of that there wasn't
3 a penalty on penalty or a penalty on a piece
4 that had already been assessed a penalty. This
5 is what that's referring to.

6 MS. BROWN: Okay. I just wanted to
7 make sure that Commissioner Bailey's question,
8 that she fully understood how the penalty was
9 calculated.

10 CHAIRMAN HONIGBERG: Ms. Brown, do
11 you want to mark that as an exhibit?

12 MS. BROWN: I am happy to. If I
13 could, I think this is "Exhibit 10".

14 MS. DENO: That's correct.

15 (The document, as described
16 subsequently, was herewith
17 marked as **Exhibit 10** for
18 identification.)

19 MS. BROWN: What I've just --
20 actually, I'll just have the witness.

21 BY MS. BROWN:

22 Q. Mr. Dixon, can you please identify Exhibit 10
23 for the record?

24 A. (Dixon) Exhibit 10 is the Company's response to

[WITNESS PANEL: Dixon~Naylor~Patterson]

1 Staff 1-4. It's a question about how the
2 penalty of 5 percent is added to bills.

3 Q. And who was the witness?

4 A. (Dixon) The witness was Debra Kirven.

5 Q. And do you adopt this as your response?

6 A. (Dixon) Yes, I do.

7 Q. Are you aware of any changes or corrections to
8 this?

9 A. (Dixon) No. No corrections.

10 Q. And can you please just summarize how the
11 penalty is calculated?

12 A. (Dixon) The penalty is calculated for bills
13 that are unpaid after 30 days, the 5 percent is
14 added to the unpaid amounts. And it's only
15 assessed that one time on those amounts.

16 MS. BROWN: Okay. Thank you for that
17 clarification. I have no further questions for
18 redirect. Thank you.

19 CHAIRMAN HONIGBERG: Mr. Clifford, do
20 you have any further questions for your
21 witnesses?

22 MR. CLIFFORD: No. I just have one
23 other, one or two questions for the Company
24 witness, Mr. Dixon, if I may?

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RECROSS-EXAMINATION1
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BY MR. CLIFFORD:

Q. Mr. Dixon, you mentioned earlier that you're employing "SAP software", right?

A. (Dixon) "S-A-P software".

Q. "S-A-P software"?

A. (Dixon) Yes.

Q. So, that is the same software that's currently being used in your other states, correct?

A. (Dixon) Yes.

Q. So, this is -- and you mentioned I think the transition would take just a matter of a couple of weeks. So, I just wanted to be clear, that you weren't using some new software to --

A. (Dixon) No new software. It's just changing the billing routines.

MR. CLIFFORD: Okay. Thank you. I have not further questions.

CHAIRMAN HONIGBERG: All right. There's nothing further for the witnesses.

I assume there's no objection to striking ID on Exhibit 10?

[No verbal response.]

CHAIRMAN HONIGBERG: Seeing none,

1 that's a full exhibit.

2 I think all that's left to do is for
3 the Parties to sum up. Mr. Gearrard, why don't
4 you go first.

5 MR. GEARRALD: Thank you, Mr.
6 Chairman. I am pleased to support the
7 Agreement as has been provided. The Agreement
8 eliminates some major concerns that I outlined
9 to the Commission at the prehearing conference.
10 By virtue of keeping public fire protection
11 service where it is for the four customers
12 billed twice a year, we not only avoid the
13 problem with our budgeting and the timing of
14 the same, but we also avoid the incurrence by
15 the Company both now, whether deferred or not,
16 and in the future, of whether -- of creating a
17 working capital variance for 81 percent of the
18 amount that was sought to be deferred.

19 The Company continues to absorb and
20 not defer for later consideration the increased
21 cost for postage and IT-related costs. We
22 appreciate that, too.

23 And the Company has also agreed not
24 to seek recovery of attorneys fees associated

1 with this proceeding, but acknowledges that
2 attorneys fees for regulatory matters in
3 general are included in whatever revenue
4 requirement is considered in the next general
5 rate case.

6 So, we appreciate the fact that the
7 Company is going to attempt to educate
8 customers in letters and notes about these
9 changes. I think the Commission is sensitive
10 to the fact that this can be confusing. And I
11 believe efforts are going to be made to
12 mitigate that with the customers.

13 So, on the whole, we support the
14 Settlement Agreement and urge the Commission to
15 adopt it. Thank you.

16 CHAIRMAN HONIGBERG: Mr. Cicale.

17 MR. CICALÉ: The Office of Consumer
18 Advocate is fully in support of the Settlement
19 Agreement. We recognize that any change to
20 billing to customers can be shocking at times,
21 and not everyone embraces change the same way
22 as others do or as quickly as others do. But
23 this type of change really will assist
24 customers. And we believe that the customers

1 will adapt swiftly. And that this change in
2 the Company's billing practices is more
3 efficient, provides and promotes conservation
4 and better price signals. And it will save
5 customers money, because they will be able to
6 identify leaks in the system sooner and faster,
7 and any kind of trouble with metering, or
8 anything with the Company's equipment or
9 infrastructure that can be identified quicker.

10 And, for that, the Office of Consumer
11 Advocate again fully supports it. And thank
12 you for your time today, Commissioners.

13 CHAIRMAN HONIGBERG: Mr. Clifford.

14 MR. CLIFFORD: The Commission Staff
15 supports this Settlement Agreement. We believe
16 for the reasons stated both by the Town and by
17 the Office of Consumer Advocate, that this is a
18 more efficient system. It's been found to be
19 in use in other water systems throughout the
20 country. We believe it will more closely tie
21 usage to results, will result in savings in
22 terms of leak detection, tying the billing
23 directly to a usage.

24 And that the Company has, in fact,

1 decided not to seek recovery for its attorneys
2 fees, which are permitted, agreed to defer the
3 working capital.

4 And we think that, given that no
5 party got exactly what they wanted, and that
6 this is a full and fair negotiation, we support
7 this as well.

8 CHAIRMAN HONIGBERG: Ms. Brown.

9 MS. BROWN: Not much left for me to
10 say. I concur with the closings of OCA and
11 Staff. There are multiple benefits that will
12 inure to this changing to monthly billing. We
13 respectfully request that the Commission
14 approve the Settlement and grant the monthly
15 billing authority as soon as possible.

16 If possible, if the Commission --
17 Commissioners rule from the Bench, at least the
18 Company can get its software going and
19 implement monthly billing before the summer
20 escapes us.

21 And, with that, again, thank you for
22 your consideration of the requests.

23 CHAIRMAN HONIGBERG: I heard a
24 request to "rule from the Bench", did I not?

1 MS. BROWN: You did. Followed up
2 with a written order. But it would at least
3 give a signal to the Company that it can start
4 getting its software up to speed, to launch it
5 as soon as that order is issued and catch the
6 next batch of customers. It was a request.
7 That's all.

8 Thank you.

9 CHAIRMAN HONIGBERG: And a request,
10 the first time this request was made was orally
11 right here, right? There was no prior written
12 request for that relief, was there?

13 MS. BROWN: Correct.

14 CHAIRMAN HONIGBERG: We're going to
15 take a short recess.

16 *(Recess taken at 11:29 a.m. and*
17 *the hearing resumed at 11:33*
18 *a.m.)*

19 CHAIRMAN HONIGBERG: Ms. Brown, we're
20 not going to grant the request from the Bench.
21 We understand the request and we understand the
22 reasons for it. We're going to have a further
23 discussion, without making you all hang around.
24 And, if we're able to issue something very

1 quickly, we will. There are any number of ways
2 we might be able to proceed very quickly, and
3 we will do what we can.

4 Otherwise, we will adjourn and issue
5 an order on the merits as quickly as we can.

6 Thank you all.

7 ***(Whereupon the hearing was***
8 ***adjourned at 11:34 a.m.)***

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