

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 16-828

TOWN OF HAMPTON'S COMMENTS AND WRITTEN REQUEST FOR A HEARING

Introduction

This document represents the Town of Hampton's submission of comments and written request for hearing in response to the Commission's Order No 25,977 (dated January 13, 2017) in the above matter. According to this order, the Order *Nisi* will go into effect on January 27, 2017 unless the Commission provides otherwise in a supplemental order prior to the effective date. The Town of Hampton contains over 75% of the customers of Aquarion Water Company of New Hampshire, Inc. (hereinafter, "Aquarion" or the "Company").

Comments

As noted by the Commission, the Town of Hampton submitted in timely fashion on December 19, 2016, an extensive set of recommendations concerning this year's WICA Petition by Aquarion. Water Company of New Hampshire. These recommendations were backed by an analysis of all available data and the Data Request responses received, and the Town requested that additional documentation ordered to be produced by the Water Company.

In its Order No. 25,977, the Commission only followed these extensive recommendations to the extent of ordering Aquarion to "submit along with its 2016 Annual Report, the Company's calculation of its achieved rate of return and its achieved return on equity for review." While the

Town of Hampton appreciates the Commission's action on that particular recommendation, much more information is needed by the Commission as well as the Town to ensure that "reasonable rates" result from this WICA surcharge rate-making process.

For instance, the Town of Hampton had requested that the Company engage a certified public accounting firm to audit its annual reports submitted to the PUC prior to implementing initial WICA surcharge filings and/or rate cases. Aquarion responded by letter dated December 21, 2016 stating that "because Aquarion's financials are already subject to an independent audit, the Town of Hampton's recommendations for that remedy, found on pages and 10 of its filing, are moot." The trouble is, this existing documentation has not previously been required to be submitted to the Commission. This is part of what the Town of Hampton is asking for now.

The Commission's response to this situation should have been to order Aquarion to produce for the Commission and the parties this independent audit information that is apparently already in existence. This point was made by the Town in its follow-up letter of December 23, 2016 to the Executive Director in response to Attorney Brown's December 21, 2016 letter. The Commission, however, did not follow up to order production of this independent audit information, or indeed any of the other documentation requested by the Town on page 3 of its recommendations dated December 19, 2016.

It is obvious that the Town of Hampton has expended considerable time in analyzing available information and bringing to the Commission's attention that (1) Aquarion is receiving a greater return on equity than the 9.6% permitted in the Company's last rate case (2) that Aquarion's explanations for how it finances its WICA projects are unclear, and (3) how Aquarion is not paying off principal on its long term debt but instead is paying generous

dividends to its shareholders. The Town of Hampton disagrees with the Commission's approach that is reflected in its Order No. 25,977 of allowing these situations to go unaddressed until the next general rate case, whose timing is uncertain, especially where the information being requested by the Town has not been available in prior rate cases. The fact that these problems have come to light in the context of a relatively small percentage rate increase does not mean that they should go unaddressed until later. What we are talking about in this case is over \$900,000 in capital improvements that will be added to the rate base, an amount which is significantly higher than in the previous three WICA surcharge cases. Moreover, as can be seen from the attached updated chart of rate increases, these WICA increases are cumulative and add up significantly between rate cases. The WICA program is also still a pilot program, and when problems of this severity arise and would be perpetuated by a WICA surcharge approval, the Commission should take the opportunity to evaluate them now rather than blessing their continuation until "next time."

Regarding the point of the Town of Hampton that Aquarion is charging over and over for the same WICA expenditures, the Town submits that it does not misunderstand what is going on as the Commission contends on page 6 of its Order *Nisi*. The associated depreciation expense does decline over time but at a rate that is less than the percentage of allowed rate of return (which at this time is 7.49%) that is applied to the more gradually declining principal. As noted on page 5 of the Town's December 19, 2016 recommendations, the annual depreciation rates for the various assets of the Company are all less than 7.49%: 1.2% for mains, 1.85% for services, 2.4% for hydrants and 4.4% for production meters. Therefore, while the 7.49 % return on rate base is applied every year to the declining balance, the rate of decline spreads out over many years, producing the very effect that the Town is complaining of.

Conclusion and Request for Hearing

Accordingly, the Town of Hampton requests a hearing on this matter and that the Commission expand its Order *Nisi* to include Orders from the Commission that Aquarion produce now, the additional needed information outlined on page 3 of the Town of Hampton's Recommendation dated December 19, 2016.

Respectfully Submitted,

Town of Hampton
By Its Town Attorney



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