

Town of Hampton



January 20, 2016

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, New Hampshire 03301

Re: DW 15-476, Aquarion Water Company of New Hampshire, Inc.
Water Infrastructure and Conservation Adjustment (WICA)
2016 WICA Surcharge and 2016-18 Projects
Town of Hampton statement of position

Dear Ms. Howland:

On October 31, 2015, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed its petition for approval of a 2016 WICA surcharge of 3.9721% to be effective as of January 1, 2016, and its proposed 2016-2018 capital projects under its WICA tariff provision. The Commission had approved the WICA as a pilot program in Order No. 25,019 (September 25, 2009) in docket DW 08-098, two complete rate cases ago. In the latest complete rate case in Order No. 25,539 (June 28, 2013) in docket DW 12-085, the Commission continued Aquarion's WICA program on a pilot basis until it is evaluated in the Company's next base rate case.

As noted on page 5 of Order No. 25,019 (September 25, 2009), the Town of Hampton was not a party to the settlement agreement approved by that Order that established the WICA pilot program. The Town has since then continually expressed concern for the magnitude and frequency of Aquarion's rate increases, which the WICA program was originally supposed to lessen. The Commission itself has commented in its Order No. 25,539 on page 26 that "it appears unlikely that the program will extend the time between rate cases as was originally projected." It was hoped that the WICA program could help decrease the frequency of rate cases and rate shock, but this has not proved to be the case.

On day 1 of the hearing in DW 12-085 (Transcript of May 23, 2013 at pages 137 to 138), I testified in objection to the WICA program that the WICA rate increase ends up with customers paying forward for the capital improvements involved on a continual basis as opposed to a short fixed time period. I also made this point in my letter dated December 31, 2014 in DW 14-300.

The WICA program does not have it disappear off the rate. In a past year's technical session, Troy M. Dixon, Aquarion's Director of Rates and Regulation, indicated that the period of time involved (book depreciation rate) is 1.2% for 83 years. That same 1.2% depreciation rate is being utilized now for main replacements in Attachment A to TS 1-2, page 3 of 3 (Witness Debra Kirven) in the current WICA docket.

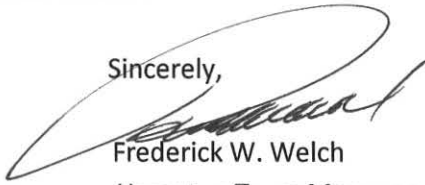
Where Aquarion finances these improvements, according to the answer Mr. Dixon provided to a past Data Request No. TS-1 through a combination of unspecified internal and external financing and in part over a short term at a rate of 2.77%, consumers end up paying over 83 years, many times over the cost of the capital improvements. The Town of Hampton does not object to Aquarion's recovering for its WICA qualified improvements over a much shorter period of time. However, the spreading of this recovery over so long a period is not only troublesome, but entails a rate increase that lasts far beyond even the period of time between rate increases, even though this program is only a pilot program.

That customers will not be feeling the proposed surcharge of 3.99% right away due to the credit to customers approved in Commission Order No. 25,692 (July 10, 2014) in Docket DW 14-075 of benefits arising from the change in tax regulations, provides only short term relief: once the three year period of the credit expires, this surcharge will be felt, and every year until the next rate case, Aquarion will be seeking an additional WICA surcharge increase that will pancake on top of the 3.99% rate now being sought to be approved.

Accordingly, for the above reasons, the Town of Hampton objects to the WICA proposal for 2016. As the Commission has already heard and rejected the same grounds in its Order No. 25,539 on pages 26-27, and in its Order No. 25,791 on page 6, the Town of Hampton is not seeking to have the Commission conduct a further hearing before ruling on the pending 2016 WICA surcharge petition. However, the Town wishes to register its objections once again through this letter of position so that its concerns are not forgotten in the rush to enable Aquarion to impose its WICA increase as close to January 1, 2016 as possible.

Thank you for your attention to this matter.

Sincerely,



Frederick W. Welch
Hampton Town Manager

cc. Hampton Board of Selectmen
Town Attorney
Service List (via e-mail)