

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 11-___

2011 WATER INFRASTRUCTURE
AND CONSERVATION ADJUSTMENT FILING

DIRECT TESTIMONY OF

TROY M. DIXON

OCTOBER 27, 2011

1 **Q. Mr. Dixon, please state your name and business address.**

2 A. My name is Troy M. Dixon, and my business address is 600 Lindley Street,
3 Bridgeport, 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
7 the “Company”) as Director of Rates and Regulation.

8

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

10 A. I have a Bachelor’s Degree in economics and accounting from Holy Cross in
11 Worcester, Massachusetts.

12

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

14 A. I was hired by Aquarion in February 2003 as a Regulatory Compliance Specialist.
15 During my employment, I have achieved positions of increasing responsibility. In
16 September 2009, I was promoted to my current position. As Director of Rates
17 and Regulation, I am responsible for the preparation and presentation of rate case
18 filings for Aquarion’s regulated water affiliates.

19

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

22 A. I have not provided live testimony before the PUC, but I did submit written pre-
23 filed testimony in Docket DW 08-098, the Company’s most recent rate case, and
24 in Docket DW 10-293, the Company’s previous WICA filing.

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

2 A. My testimony addresses the proposed surcharge related to completed WICA
3 eligible projects in service as of September 30, 2011. Pursuant to the
4 Commission's Order No. 25,019 dated September 25, 2009 in Docket DW 08-098
5 approving the settlement agreement, when Commission-approved projects are
6 used and useful, the Company may apply for approval of a WICA adjustment to
7 collect the revenue requirement associated with those completed projects.

8 Specifically, Section II.H.3 of the settlement agreement provides:

9 The Company agrees to file the final project costs, supporting
10 documentation and proposed WICA adjustment for completed projects
11 previously determined to be WICA eligible. Such filing shall be at least
12 sixty days prior to the proposed effective date of any proposed rate
13 change. The WICA rate shall become effective on the later of January 1
14 following the Company's filing with the Commission seeking
15 implementation of a WICA rate change or sixty days after the date of such
16 filing; provided, however, that if the Commission determines that further
17 investigation or consideration of any proposed WICA is needed, it may
18 order that the proposed WICA rate become effective on a temporary basis,
19 in which case the rate shall be subject to reconciliation pending final
20 determination by the Commission. (In such case, reconciliation shall be
21 only for final determination of the costs to be included in the WICA, not
22 for any positive or negative variances in actual revenues collected versus
23 projected revenues.) No project shall be included for recovery in the
24 WICA unless the project is used and useful in providing service to
25 customers or will be used and useful by the effective date of the WICA.

26
27 Attachment CM-1 to Carl McMorran's testimony identifies these completed
28 projects and their respective costs. The resultant surcharge and components are
29 derived in Attachment TD-1 to my testimony. This surcharge incorporates
30 depreciation, property tax expense, income tax expense and associated return on
31 completed projects.

32

1 **Q. Mr. Dixon, please summarize the surcharge requested in this filing.**

2 A. The 2011 projects listed in Attachment CM-1 produce a surcharge of 3.7276% to
3 be applied to customers' existing water service billings. This is an increase of
4 2.1561% over the 1.5715% surcharge previously allowed by Order No. 25,186.
5 The surcharge, as per Order No. 25,019, is to be applied equally to all classes of
6 customers. The WICA mechanism approved by the Commission has an annual
7 cap of 5% and an aggregate cap of 7.5% between rate cases, neither of which is
8 exceeded by the surcharge being proposed here. Consistent with the settlement in
9 Docket DW 08-098, the Company is seeking authorization to implement this
10 surcharge on a service-rendered basis effective as of January 1, 2012.

11

12 **Q. What is the impact to the average residential customer?**

13 A. The typical residential customer using 67,000 gallons of water per year currently
14 pays \$123.63 quarterly under the existing rates and WICA surcharge. The
15 proposed WICA surcharge would increase the bill of such a customer by \$2.62
16 per quarter, or \$0.87 per month.

17

18 **Q. Please elaborate on the contents of Attachment TD-1.**

19 A. Attachment TD-1 consists of three pages detailing the calculations of the
20 proposed surcharge.

21 **Page One – Summary Calculation:** This schedule multiplies the September 30,
22 2011 used and useful project totals by the rate of return authorized by the
23 Commission in Docket DW 08-098. Additions to this amount are made to

1 account for (1) an income tax gross-up on the equity portion of the rate base
2 investment; (2) depreciation expense; and (3) property taxes for the period from
3 April 1, 2012 through December 31, 2012 for utility plant additions placed in
4 service between October 1, 2010 and September 30, 2011 and approved by the
5 PUC in Docket DW 10-293, and property taxes for the period from January 1,
6 2012 to December 31, 2012 for those items placed in service and recognized as
7 part of Docket DW 09-211. These components derive a total annual surcharge
8 amount of \$222,056. The surcharge is then taken as a percentage of the last
9 previously authorized water service revenues (net of miscellaneous charges). The
10 result is a surcharge of 3.7276%.

11 **Page Two – Calculation by Project:** This page shows the calculation of the
12 surcharge on a project by project basis.

13 **Page Three – Detailed Support:** This page identifies additional detail used in the
14 derivation of property taxes and depreciation. Items include (1) PUC account
15 numbers and depreciation rates, (2) project towns and respective property tax mil
16 rates, and (3) associated retirements that decrease the property tax and
17 depreciation calculations. Depreciation expense is calculated by reducing the
18 eligible project costs by the amount of retirements and multiplying the resultant
19 figure by the Commission-approved depreciation rates. Property tax is calculated
20 similarly – eligible project costs less retirements multiplied by the most recent mil
21 rate for the respective town. Property tax expense recognized as part of Docket
22 DW 09-211 has been updated to reflect a full 12 months of expense as well as the
23 most recent mil rates. For the requested property tax amounts pertaining to

1 projects completed and requested in this filing, the figure is then divided by
2 twelve and multiplied by nine to reflect the fact that the Company will only incur
3 property tax expense for the last nine months of the 2012 surcharge period.
4 Finally, all information on page three is shown on a project by project basis and
5 supports the figures on pages one and two.

6

7 **Q. Please explain Attachment TD-2.**

8 A. Attachment TD-2 provides the proposed updated tariff pages associated with the
9 WICA surcharge.

10

11 **Q. Does the Company also have detailed documentation to support the project
12 costs for which the proposed surcharge is applicable?**

13 A. Yes, the Company will provide the Commission staff with the appropriate
14 supporting invoices and system documentation in order to fully justify the project
15 totals.

16

17 **Q. Does this conclude your testimony?**

18 A. Yes.

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