

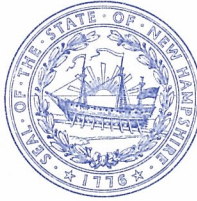
DW 12-085

THE STATE OF NEW HAMPSHIRE

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Amy L. Ignatius

COMMISSIONERS
Michael D. Harrington
Robert R. Scott

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

NHPUC 10SEP'13pm2:21

September 10, 2013

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

Re: DW 12-085 Aquarion Water Company of New Hampshire, Inc.
Staff Recommendation regarding Recovery of the Revenue differential between
Temporary and Permanent Rates and the Recovery of Rate Case Expenses

Dear Ms. Howland:

On July 12, 2013, Aquarion Water Company of New Hampshire, Inc. (Aquarion / Company) filed with the Commission its proposal for recovery of the revenue differential between the temporary and permanent rates established by the Commission in this rate proceeding.¹ In its filing, Aquarion proposed recovery of a total of \$595,244 as its calculated overall revenue differential to be recovered over a twelve month time period via various calculated surcharges for each of its customer classes. On July 26, 2013, Aquarion filed with the Commission its proposal for recovery of the rate case expenses it incurred during this rate proceeding. In this filing, Aquarion proposed recovery of a total of \$326,357 in rate case expenses also over a twelve month period from its 9,173 customers (as of 6/30/13) via a \$2.96 per customer per month surcharge. Both of Aquarion's submissions were made in accordance with Commission Order No. 25,539 issued on June 28, 2013. On August 22, 2013, Aquarion filed correspondence with the Commission modifying its initial rate case expense proposal to a revised amount of \$225,677 (a decrease of \$100,680) to be recovered via a \$2.05 per customer per month surcharge over a twelve month period.

With regard to Aquarion's proposed recovery of \$595,244 as the revenue differential between temporary and permanent rates, the Company provided detailed

¹ Also on July 12, 2013, Aquarion submitted its calculation of a step adjustment for its approved 2012 WICA surcharge as well as compliance tariff pages reflecting the Company's proposed step adjustment calculation. Staff reviewed Aquarion's step adjustment calculation as well as the compliance tariff pages and on July 29, 2013 filed a letter confirming that the proposed tariff pages were in compliance with Puc 1603 filing requirements. Aquarion's proposed recovery of the revenue differential between temporary and permanent rates does not include any revenues generated via the step adjustment.

calculations in support of this amount as well as the various customer class surcharges that it was proposing. A copy of Aquarion's initial schedule summarizing these calculations is attached to this correspondence as Attachment A. Staff made a thorough review of the calculations provided by the Company. During the course of Staff's review, an error was discovered relative to certain calculations regarding Aquarion's Private Fire customer class. As a result, Aquarion indicated that the revenue recovery amount associated with that particular class should be reduced by \$7,920. Aquarion provided Staff with revised calculations and schedules correcting this error. A copy of Aquarion's revised summary schedule showing a modified overall revenue recovery amount of \$587,324 (\$595,244 - \$7,920) is attached to this correspondence as Attachment B. Staff concurs with the calculations contained in the Company's revised schedules and recommends that the Commission approve the revised amount of \$587,324 as Aquarion's revenue differential between temporary and permanent rates. Staff also recommends recovery of this amount over a twelve month period via the various surcharges contained on the Company's revised summary schedule (Attachment B).

With regard to Aquarion's proposed recovery of rate case expenses, the Company provided copies of invoices in support of its initial proposed amount of \$326,357. Staff thoroughly reviewed each invoice provided. With regard to various redacted entries contained in the copies of legal invoices provided by Aquarion, the Company was able to provide Staff with enough information concerning these in order to give assurance that these entries were, in fact, rate case related without compromising the underlying attorney-client privilege associated with each redacted entry. On August 13, 2013, Staff submitted data requests to Aquarion regarding the remainder of the invoices provided by the Company. Aquarion provided responses to Staff's data requests on August 19, 2013. A copy of these data responses is attached to this correspondence as Attachment C. As a result of its review, Staff discovered a total of \$1,842 in NHPUC audit related expenses which are traditionally disallowed by the Commission for purposes of rate case expense recovery. Staff also found a total of \$408 in meal related expenses which are also normally disallowed from rate case expense recovery. However, in light of the Company's correspondence to the Commission dated August 22, 2013 where it reduced its initial proposed rate case expenses by \$100,680 to a revised amount of \$225,677, Staff is not recommending any further rate case expense reductions but instead proposes that the Commission approve the revised amount offered by the Company. Staff also recommends that this amount be recovered over a twelve month period via a \$2.05 per customer per month surcharge as was also proposed by the Company.

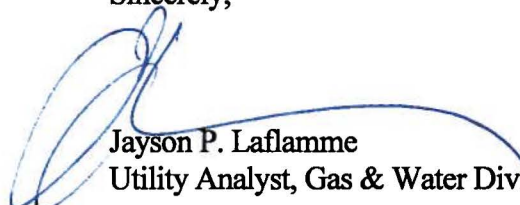
Prior to filing this correspondence, Staff notified Aquarion, the Office of Consumer Advocate (OCA) as well as the Towns of Hampton and North Hampton relative to its recommendations in these matters. In response, Aquarion indicated its agreement with Staff's overall recommendations. The OCA also indicated its support of Staff's recommendations as well as expressed appreciation for the Company's reduction in its rate case expense request. The Town of Hampton indicated its support of Staff's recommendations relative to rate case expenses and also expressed its appreciation for

September 10, 2013

Aquarion's substantial reduction in the amount that it was seeking for recovery. Staff received no response from the Town of North Hampton.

Thank you for your assistance with these matters. If you have any questions, please do not hesitate to contact me.

Sincerely,



Jayson P. Laflamme
Utility Analyst, Gas & Water Division

Attachments: Attachment A: Aquarion's Original Schedule 1: Summary Results and Rate Calculation

Attachment B: Aquarion's Revised Schedule 1: Summary Results and Rate Calculation

Attachment C: Aquarion's responses to Staff Data Requests – Set 5

cc: Service List

DW 12-085
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

**STAFF RECOMMENDATION REGARDING RECOVERY OF THE REVENUE
DIFFERENTIAL BETWEEN TEMPORARY AND PERMANENT RATES AND THE
RECOVERY OF RATE CASE EXPENSES**

**ATTACHMENT A: AQUARION'S ORIGINAL SCHEDULE 1 – SUMMARY
RESULTS AND RATE CALCULATION**

Schedule 1: Summary Results and Rate Calculation

	Cust @ 06/30/13	Qtrly Svc Chrg-New*	Annual Revenue	Revenue %Split	Recoupment Allocation	Qtrly Rate	Mthly Rate
Residential							
5/8"	7138	\$ 46.80	\$ 1,336,233.60	92.21%	291,079.46	\$ 10.19	\$ 3.40
1"	140	\$ 117.03	\$ 65,536.80	4.52%	14,276.26	\$ 25.49	\$ 8.50
1 1/2"	25	\$ 234.15	\$ 23,415.00	1.62%	5,100.62	\$ 51.01	\$ 17.00
2"	16	\$ 374.61	\$ 23,975.04	1.65%	5,222.62	\$ 81.60	\$ 27.20
			\$ 1,449,160.44		315,678.96	<<<—from Exhibit 3, Schedule 1	
Commercial							
5/8"	390	\$ 46.80	\$ 73,008.00	24.60%	23,470.23	\$ 15.05	\$ 5.02
1"	91	\$ 117.03	\$ 42,598.92	14.36%	13,694.48	\$ 37.62	\$ 12.54
1 1/2"	27	\$ 234.15	\$ 25,288.20	8.52%	8,129.52	\$ 75.27	\$ 25.09
2"	104	\$ 374.61	\$ 155,837.76	52.52%	50,097.91	\$ 120.43	\$ 40.14
			\$ 296,732.88		95,392.13	<<<—from Exhibit 3, Schedule 1	
Industrial							
1"	1	\$ 117.03	\$ 468.12	33.32%	687.00	\$ 171.75	\$ 57.25
1 1/2"	1	\$ 234.15	\$ 936.60	66.68%	1,374.54	\$ 343.63	\$ 114.54
			\$ 1,404.72		2,061.54	<<<—from Exhibit 3, Schedule 1	
Public Authority							
5/8"	19	\$ 46.80	\$ 3,556.80	11.69%	701.13	\$ 9.23	\$ 3.08
1"	7	\$ 117.03	\$ 3,276.84	10.77%	645.95	\$ 23.07	\$ 7.69
1 1/2"	6	\$ 234.15	\$ 5,619.60	18.46%	1,107.76	\$ 46.16	\$ 15.39
2"	12	\$ 374.61	\$ 17,981.28	59.08%	3,544.55	\$ 73.84	\$ 24.61
			\$ 30,434.52		5,999.40	<<<—from Exhibit 3, Schedule 1	

	Cust @ 06/30/13	Seasonl Svc Chrg-New*	Annual Revenue	Revenue %Split	Recoupment Allocation	Annual Rate
Residential-Seasonal						
5/8"	773	\$ 234.00	\$ 180,882.00	96.20%	38,731.88	\$ 50.11
1"	9	\$ 585.15	\$ 5,266.35	2.80%	1,127.67	\$ 125.30
1 1/2"	0	\$ 1,170.75	\$ -	0.00%	-	
2"	1	\$ 1,873.05	\$ 1,873.05	1.00%	401.07	\$ 401.07
			\$ 188,021.40		40,260.62	<<<—from Exhibit 4, Schedule 1
Commercial-Seasonal						
5/8"	56	\$ 234.00	\$ 13,104.00	35.43%	5,991.28	\$ 106.99
1"	26	\$ 585.15	\$ 15,213.90	41.14%	6,955.95	\$ 267.54
1 1/2"	1	\$ 1,170.75	\$ 1,170.75	3.17%	535.28	\$ 535.28
2"	4	\$ 1,873.05	\$ 7,492.20	20.26%	3,425.51	\$ 856.38
			\$ 36,980.85		16,908.02	<<<—from Exhibit 4, Schedule 1
Public Authority-Seasonal						
5/8"	7	\$ 234.00	\$ 1,638.00	11.66%	379.16	\$ 54.17
1"	2	\$ 585.15	\$ 1,170.30	8.33%	270.90	\$ 135.45
1 1/2"	0	\$ 1,170.75	\$ -	0.00%	-	
2"	6	\$ 1,873.05	\$ 11,238.30	80.01%	2,601.41	\$ 433.57
			\$ 14,046.60		3,251.46	<<<—from Exhibit 4, Schedule 1

	Cust @ 06/30/13	Annual Chrg- New*	Annual Revenue	Revenue %Split	Recoupment Allocation	Annually	Qtrly
Private Fire							
3" Inch or less	90	\$ 441.14	\$ 39,702.60	10.32%	3,706.31	\$ 41.18	\$ 10.30
4" Inch	73	\$ 751.67	\$ 54,871.91	14.26%	5,122.40	\$ 70.17	\$ 17.54
6" Inch	125	\$ 1,793.24	\$ 224,155.00	58.27%	20,925.30	\$ 167.40	\$ 41.85
8" Inch	16	\$ 3,188.69	\$ 51,019.04	13.26%	4,762.73	\$ 297.67	\$ 74.42
12" Inch	3	\$ 4,983.70	\$ 14,951.10	3.89%	1,395.71	\$ 465.24	\$ 116.31
			\$ 384,699.65		\$ 35,912.46	<<<—from Exhibit 2, Schedule 1	

Public Fire							
Hydrants	481	\$ 1,740.41	\$ 837,137.21	100.00%	79,779.23	\$ 165.86	\$ 41.47
	(4 customers)					← from Exhibit 2, Schedule 1	

Total Surcharge Amount \$ 595,243.82

*As per the tariffs filed with the department on 7/12/13.

DW 12-085
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

**STAFF RECOMMENDATION REGARDING RECOVERY OF THE REVENUE
DIFFERENTIAL BETWEEN TEMPORARY AND PERMANENT RATES AND THE
RECOVERY OF RATE CASE EXPENSES**

**ATTACHMENT B: AQUARION'S REVISED SCHEDULE 1 – SUMMARY
RESULTS AND RATE CALCULATION**

Schedule 1: Summary Results and Rate Calculation

	Cust @ 06/30/13	Qtrly Svc Chrg-New*	Annual Revenue	Revenue %Split	Recoupment Allocation	Qtrly Rate	Mthly Rate
Residential							
5/8"	7138	\$ 46.80	\$ 1,336,233.60	92.21%	291,079.46	\$ 10.19	\$ 3.40
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			\$ 1,449,160.44		315,678.96	<<<—from Schedule 3	
Commercial							
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1 1/2"	0	\$ 1,170.75	\$ -	0.00%	-	
2"	1	\$ 1,873.05	\$ 1,873.05	1.00%	401.07	\$ 401.07
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6" Inch	125	\$ 1,793.24	\$ 224,155.00	58.27%	16,310.81	\$ 130.49	\$ 32.62
8" Inch	16	\$ 3,188.69	\$ 51,019.04	13.26%	3,712.44	\$ 232.03	\$ 58.01
12" Inch	3	\$ 4,983.70	\$ 14,951.10	3.89%	1,087.93	\$ 362.64	\$ 90.66
			\$ 384,699.65		\$ 27,992.97	<<<—from Schedule 2	

Public Fire							
Hydrants	481	\$ 1,740.41	\$ 837,137.21	100.00%	79,779.23	\$ 165.86	\$ 41.47
	(4 customers)					<<<—from Schedule 2	

Total Surcharge Amount \$ 587,324.33

*As per the tariffs filed with the department on 7/12/13.

DW 12-085
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

**STAFF RECOMMENDATION REGARDING RECOVERY OF THE REVENUE
DIFFERENTIAL BETWEEN TEMPORARY AND PERMANENT RATES AND THE
RECOVERY OF RATE CASE EXPENSES**

**ATTACHMENT C: AQUARION'S RESPONSES TO STAFF DATA REQUESTS
- SET 5**



McLane, Graf,
Raulerson & Middleton
Professional Association

900 Elm Street, P.O. Box 326 | Manchester, NH 03105-0326
Tel: 603.625.6464 | Fax: 603.625.5650 | www.mclane.com

MANCHESTER
CONCORD
PORTSMOUTH
WOBURN, MA

PATRICK H. TAYLOR
Direct Dial: 603-628-1266
Email: patrick.taylor@mclane.com
Licensed in NH and MA

August 19, 2013

Marcia A. Brown Esq.
Staff Attorney
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Docket No. DW 12-085; Aquarion Water Company of New Hampshire, Inc.

Dear Attorney Brown:

In connection with the above-captioned matter, I enclose Aquarion's responses to Staff's Fifth Set of Data Requests. The Company is filing a motion for protective treatment under separate cover in connection with Staff 5-1 Attachment A.

If you have any questions concerning the responses, please let me know.

Sincerely,

Patrick H. Taylor

Encl.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 12-085

Aquarion Water Company's Responses to Staff Data Requests—Set 3

Data Request Received: August 13, 2013
Request No.: Staff 5-1

Date of Response: August 19, 2013
Witness: T. Dixon

REQUEST: Re: AUS Consultants, Inc.:

- a) For each invoice provided, please provide a more detailed explanation relative to the work performed and reflected on each invoice, including the number of professional and administrative hours per invoice as well as the rate per hour for each professional and administrative service provider.
- b) Re: Invoice # 130165 dated June 3, 2013: Please provide a breakdown of the out-of-pocket expenses totaling \$1,930.76.

RESPONSE: a) Please refer to Staff 5-1 Attachment A for the detail of each invoice.

- b) Please refer to Staff 5-1 Attachment A for the breakdown of the out-of-pocket expenses. After further review these expenses have been reduced by \$680.

Invoice #	Date	Personnel	Hours	Hourly Rate	Total
129142	March 5, 2013	Pauline M. Ahern Dylan W. D'Ascendis Selby P. Jones, III Sharon Keefe			\$13,115.00 \$ 2,295.00 \$ 3,000.00 \$ 665.00
				Total	\$19,075.00

Expenses incurred to review the direct testimony of David Parcell on behalf of the Town of Hampton, NH and begin to draft rebuttal testimony in response

129584	April 9, 2013	Pauline M. Ahern Dylan W. D'Ascendis Selby P. Jones, III Sharon Keefe			\$ 2,580.00 \$ 472.50 \$ 187.50 \$ 455.00
				Total	\$ 3,695.00

Expenses incurred to complete and revise draft rebuttal testimony in response to Witness Parcell

129936	May 13, 2013	Pauline M. Ahern Dylan W. D'Ascendis Selby P. Jones, III Sharon Keefe			\$ 5,697.50 \$ 337.50 \$ - \$ -
				Total	\$ 6,035.00

Expenses incurred to finalize rebuttal testimony, the initial preparation for cross-examination as well as assistance in preparing areas of cross for Witness Parcell.

130165	March 5, 2013	Pauline M. Ahern Dylan W. D'Ascendis Selby P. Jones, III Sharon Keefe			\$ 9,675.00 \$ - \$ - \$ -
				Total	\$ 9,675.00

Out-of Pocket Expenses

Hotel	\$ 184.21
Meals	\$ 68.25
Mileage to / from PHL	\$ 32.77
Rental Car	\$ 241.16
Tolls / Parking	\$ 42.77
Airfare	\$ 680.00
	\$ 1,249.16 **

** A refund in the amount of \$680 will be issued to Aquarion NH

Expenses incurred to prepare for, travel to and attendance at evidentiary hearings in Concord, NH on May 23 & 24, 2013.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 12-085

Aquarion Water Company's Responses to Staff Data Requests—Set 3

Data Request Received: August 13, 2013
Request No.: Staff 5-2

Date of Response: August 19, 2013
Witness: T. Dixon

REQUEST: **Re: Non-employer Labor:** Please indicate that portion of Mr. Dixon's, Mr. Unger's and Mr. Rowe's total expense that is related to the NHPUC Audit.

RESPONSE: Mr. Unger and Mr. Rowe traveled to the NHPUC from Connecticut on September 11th and September 25th of 2012. These days were spent addressing questions related to the NHPUC Audit. Additional hours were also spent preparing for the audit and answering additional requests. In total, Mr. Unger and Mr. Rowe allocated \$1,504.08 to time related to the NHPUC Audit. Mr. Dixon charged no time related to the audit to rate case expense. No costs for travel, meals or lodging, for the audit or any other part of the rate case, were included in rate case expense.

The Company spends a significant amount of time ensuring that PUC audit staff receives timely and complete information to conduct its audit, which occurs in direct connection with the Company's pending rate case. The Company does not recover these valid and prudent costs through its permanent rates, and therefore it is appropriate that they be recovered as part of the rate case surcharge.