

Testimony of Philip W. Bean

<b>ORIGINAL</b>	
N.H.P.U.C. Case No.	DW 12-085
Exhibit No.	16
Witness	Panel 2
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**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**RE: AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.**

**DOCKET NO. DW 12-085**

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**DIRECT TESTIMONY OF**

**PHILIP W. BEAN**

13 **Q. Please state your name and business address.**

14 A. My name is Philip W. Bean, and I am a member of the Board of Selectman in  
15 the Town of Hampton. My business address is 151 Winnacunnet Road,  
16 Hampton, New Hampshire 03842.

17 **Q. What is your educational and work background?**

18 A. I attended both Junior High School and High School in Hampton, and earned  
19 my Bachelor of Science degree at the University of New Hampshire's  
20 Whittemore School of Business. I then worked for the U.S. Department of  
21 Transportation from 1977 to 1983, and for the Department of the Navy from  
22 1983 to 2008. I have previously served as Chairman of the Board of Selectman  
23 in Milton, New Hampshire. I currently work in Hampton as a member of the  
24 Bean Insurance Agency, LLC which is a third generation, full service, property  
25 casualty, life, health, and annuity insurance agency that was founded in 1957.

26 **Q. What is the nature of your involvement in this proceeding?**

27 A. As a member of the governing body in Hampton, I have been following closely  
28 the developments in this rate increase case, which involves a company that has a

1 monopoly over the provision of public water in the Town of Hampton. The  
2 Board of Selectmen of the Town of Hampton strongly opposes the rate request  
3 by Aquarion Water Company of New Hampshire, Inc.'s ("Aquarion" or the  
4 "Company") for an 18.3% rate increase in this Docket No. DW 12-085.

5 **Q. Have you spoken before in opposition to this rate increase?**

6 A. Yes. I and 3 other members of the Board addressed the Commission at the  
7 Public Comment Hearing conducted in Hampton on November 28, 2012.  
8 Company representatives and counsel were present at that time. My own  
9 comments included letting the Commission know, based upon materials I located  
10 on the web concerning Aquarion and its affiliates, that Aquarion's parent  
11 company has been engaging in recent years in a spree of acquisitions of water  
12 companies in Connecticut in a highly profitable industry. I understand that the  
13 reporter for the Commission is in the process of generating a transcript of all  
14 comments that the Commission received that night, and so I will not repeat these  
15 comments here. They can be viewed on line on the Town of Hampton web site  
16 at

17 [http://hamptonchannel22.pegcentral.com/player.php?video=2de2e3a5c95f2e1b1](http://hamptonchannel22.pegcentral.com/player.php?video=2de2e3a5c95f2e1b12aef6db6a1e1016)  
18 [2aef6db6a1e1016](http://hamptonchannel22.pegcentral.com/player.php?video=2de2e3a5c95f2e1b12aef6db6a1e1016)

19  
20 I appreciate the Commission's asking, in its Report on Public Hearing dated  
21 December 17, 2012, that Aquarion be prepared to respond during the hearings  
22 to the question of whether there are rate or other impacts to New Hampshire  
23 Customers as a result of the acquisition of water companies in Connecticut by  
24 Aquarion's parent company.

1 **Q. Are there Aquarion responses to data requests concerning its relations with**  
2 **its parent company and other affiliates that the Town would like the**  
3 **Commission to know about?**

4 A. Yes. In the Company's response dated November 19, 2012 to Hampton 3-4  
5 [Exhibit 1 attached], the Company provided some information concerning who  
6 owns the Company's stock and also depicted the ownership structure. In the  
7 Company's December 7, 2012 response to Hampton Tech 1-1 [Exhibit 2  
8 attached], the Company indicated that documents regarding the ownership  
9 change at corporate levels that are reflected in this depiction are filed with the  
10 Commission under Docket Number 11-068.

11 **Q. Has the Company provided requested information about the capital**  
12 **structure of the entities that appeared in the corporate ownership structure**  
13 **depiction?**

14 A. No, the Company on November 19, 2012 objected to Hampton 3-6 and  
15 provided only the requested information as to Aquarion Water Company of New  
16 Hampshire, Inc. [Exhibit 3 attached]. As I stated at the Public Statement  
17 Hearing on November 28, 2012, it is hard to get stock information about  
18 Aquarion.

19 **Q. What information has the Company provided when asked about how it and**  
20 **its affiliates obtain the capital used to finance their rate bases?**

21 A. In its November 19, 2012 response to Hampton 3-8 [Exhibit 4 attached], the  
22 Company stated that "Aquarion Water Company of New Hampshire finances its

1 rate base additions through a combination of internally generated funds (i.e., net  
2 income) and internal and/or external financing.” When the Town asked in  
3 Hampton 3-9 about whether Aquarion Water Company of New Hampshire,  
4 Aquarion Water Company of Massachusetts, and Aquarion Water Company of  
5 Connecticut are financed independently, or are instead financed by or through  
6 Aquarion Water Company or some other related entity, the Company on  
7 November 19, 2012 again objected to responding and limited its response to  
8 referring to its response to Hampton 3-8 and a statement that “The Company  
9 and its regulated affiliates in Massachusetts and Connecticut independently  
10 finance their respective rate bases through a combination of internally generated  
11 funds and debt.” [Bean Exhibit 5 attached]. In its December 7, 2012 response  
12 to Hampton Tech 1-3 [Exhibit 6 attached], the Company indicated that the  
13 “internal financing” it “referenced in Hampton 3-8 and 3-9, refers to short term  
14 (monthly) borrowings from Aquarion Company,” and further state “Aquarion  
15 Company in turn borrows these funds from Aquarion Holdings LLC which  
16 maintains a credit facility for such purposes.”

17 **Q. What information did the Company provide concerning its short term debt**  
18 **and the interest rate paid for that debt, which represented inter-company**  
19 **indebtedness?**

20 **A.** The Company objected to the Town’s requests 3-12 and 3-13 relating to this  
21 subject but on November 19, 2012 did provide the information shown in  
22 Exhibits 7 and Exhibit 8, respectively, concerning Aquarion Water Company of

1 New Hampshire's borrowing from Aquarion Water Company. In its December  
2 7, 2012 response to Hampton TS 1-5 [Exhibit 9 attached], the Company  
3 provided the monthly interest rates paid by the Company on the short term debt  
4 amounts incurred during the test year, indicating that "The Company borrows  
5 on a short term basis from Aquarion Company, which in turn borrows the funds  
6 from Aquarion Holdings LLC."

7 **Q. Do the schedules filed in this case and the Company's data request**  
8 **responses demonstrate that Aquarion Water Company of New Hampshire**  
9 **pays part of the management costs for the its parent's operations in**  
10 **Connecticut?**

11 A. Yes. Please see Schedule 1R as updated on November 19, 2012 in response to  
12 Staff 3-11 Attachment A [Exhibit 10 attached] for the twelve months ended  
13 December 31, 2011 and also the Company's December 7, 2012 response to  
14 Hampton Tech 1-6 [Exhibit 11 attached], which provides the Company's share  
15 of the management allocation costs for the years 2008 to 2010 in the format of  
16 Schedule 1R.

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

18 A. Yes, it does, but the Town reserves the right to supplement my testimony and to  
19 present the testimony of others in behalf of its positions at the hearing of this  
20 matter.

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