

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

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

2012 WATER INFRASTRUCTURE  
AND CONSERVATION ADJUSTMENT FILING

DIRECT TESTIMONY OF  
TROY M. DIXON

OCTOBER 31, 2012

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 provided live testimony before the PUC and submitted written pre-filed  
23 testimony in Dockets DW 08-098 and DW 12-085, the Company’s most recent

1 rate cases, and in Dockets DW 10-293 and DW 11-238, the Company's previous  
2 WICA filings.

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

4 A. My testimony addresses the proposed surcharge related to completed WICA  
5 eligible projects in service from January 1, 2012 to September 30, 2012. Pursuant  
6 to the Commission's Order No. 25,019 dated September 25, 2009 in Docket DW  
7 08-098 approving the settlement agreement, when Commission-approved projects  
8 are used and useful, the Company may apply for approval of a WICA adjustment  
9 to collect the revenue requirement associated with those completed projects.  
10 Specifically, Section II.H.3 of the settlement agreement provides:

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

28  
29 Attachment CM-1 to Carl McMorran's testimony identifies these completed  
30 projects and their respective costs. The resultant surcharge and components are  
31 derived in Attachment TD-1 to my testimony. This surcharge incorporates

1 depreciation, property tax expense, income tax expense, and associated return on  
2 completed projects.

3

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

5 A. The 2012 projects listed in Attachment CM-1 produce a surcharge of 5.7688% to  
6 be applied to customers' existing water service billings. This is an increase of  
7 2.0419% over the 3.7269% surcharge previously allowed by Order No. 25,311.  
8 The surcharge, as per Order No. 25,019, is to be applied equally to all classes of  
9 customers. The WICA mechanism approved by the Commission has an annual  
10 cap of 5% and an aggregate cap of 7.5% between rate cases, neither of which is  
11 exceeded by the surcharge being proposed here. Consistent with the settlement in  
12 Docket DW 08-098, the Company is seeking authorization to implement this  
13 surcharge on a service-rendered basis effective as of January 1, 2013.

14

15 **Q. Please explain how the WICA surcharge will be treated in regards to the**  
16 **Company's pending rate petition in Docket DW 12-085.**

17 A. As stated in Mr. Dixon's testimony in Docket DW 12-085, Aquarion proposes to  
18 incorporate the surcharge revenues authorized in this proceeding into the  
19 permanent base rates that are authorized in Docket DW 12-085 as a step increase.  
20 Aquarion expects an order to be issued for this WICA petition prior to the order  
21 issued for the rate case in Docket DW 12-085. Accordingly, the WICA rates  
22 authorized in this proceeding would be effective for the period beginning January  
23 1, 2013 through the date of the permanent rate order in Docket DW 12-085. The

1 Company proposes the incremental WICA revenue requirement from this  
2 proceeding to be added to the authorized revenues in the rate case, effective as of  
3 the date the new permanent rates are implemented, at which point the WICA  
4 surcharge will be reset to zero. The amount of the WICA surcharge pertaining to  
5 this instant docket that is included in base rates would not be included as part of  
6 the temporary rate reconciliation.

7

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

9 A. The typical residential customer using 53,300 gallons of water per year currently  
10 pays \$108.59 quarterly under the existing rates and WICA surcharge. The  
11 proposed WICA surcharge would increase the bill of such a customer by \$2.14  
12 per quarter, or \$0.71 per month.

13

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

15 A. Attachment TD-1 consists of three pages detailing the calculations of the  
16 proposed surcharge.

17 **Page One – Summary Calculation:** This schedule multiplies the September 30,  
18 2012 used and useful project totals by the rate of return authorized by the  
19 Commission in Docket DW 08-098. Additions to this amount are made to  
20 account for (1) an income tax gross-up on the equity portion of the rate base  
21 investment; (2) depreciation expense; and (3) property taxes reflecting nine  
22 months of expense for utility plant additions placed in service between January 1,  
23 2012 and September 30, 2012, and twelve months of expense for those items

1 placed in service and recognized as part of Dockets DW 10-293 and 11-238.  
2 These components derive a total annual surcharge amount of \$343,654. The  
3 surcharge is then taken as a percentage of the last previously authorized water  
4 service revenues (net of miscellaneous charges). The result is a surcharge of  
5 5.7688%.

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

8 **Page Three – Detailed Support:** This page identifies additional detail used in the  
9 derivation of property taxes and depreciation. Items include (1) PUC account  
10 numbers and depreciation rates, (2) project towns and respective property tax mil  
11 rates, and (3) associated retirements that decrease the property tax and  
12 depreciation calculations. Depreciation expense is calculated by reducing the  
13 eligible project costs by the amount of retirements and multiplying the resultant  
14 figure by the Commission-approved depreciation rates. Property tax is calculated  
15 similarly – eligible project costs less retirements multiplied by the most recent mil  
16 rate for the respective town. Property tax expense recognized as part of Docket  
17 DW 11-238 has been updated to reflect a full 12 months of expense as well as the  
18 most recent mil rates. For the requested property tax amounts pertaining to  
19 projects completed and requested in this filing, the figure is then divided by  
20 twelve and multiplied by nine to reflect the fact that the Company will only incur  
21 property tax expense for the last nine months of the 2012 surcharge period.  
22 Finally, all information on page three is shown on a project by project basis and  
23 supports the figures on pages one and two.

1

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

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

5

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

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

11

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

13 A. Yes.

14