

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

Docket No.: DW 15 – 199

*Abenaki Water Co., Inc.*  
*Request for Rate Increases*

Direct Testimony of Deborah O. Carson  
in Support of Temporary Rate Adjustments

1 **Q. Please state your full name and business address.**

2 A. Deborah O. Carson, 37 Northwest Drive, Plainville, Connecticut 06062.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am Treasurer and Office Manager for New England Service Company (“NE Service”)  
5 and Abenaki Water Company, (“AWC”). In that capacity, I am responsible for  
6 overseeing all aspects of the administrative, fiscal and accounting operations, including  
7 billing, financial and regulatory reporting.

8 **Q. Please summarize the Company’s request for temporary rates.**

9 A. The Company requests that its existing water rates for Belmont water customers be  
10 adopted as temporary rates, subject to reconciliation upon the determination of permanent  
11 rates by the Commission. The Company also requests a temporary increase in rates for  
12 its Belmont sewer customers and its Bow water customers.

13 **Q. Please describe the purpose of your testimony.**

14 A. The purpose of my testimony is to: (1) provide a brief overview of the temporary rate  
15 schedules for Belmont sewer and Bow water (2) explain the temporary increase in  
16 revenue and rates, and (3) state the reason why temporary rates are necessary.

17 **Q. What is the test year that the Company is using in this filing?**

18 A. The Company is utilizing the same annualized twelve months ended December 31, 2014  
19 as submitted in the permanent rate filing.

20 **Q. What schedules has the Company prepared in support of temporary rates?**

21 A. The Company has prepared two sets of schedules as follows:

22 AWC Belmont sewer on a stand-alone basis, and

23 AWC Bow water on a stand-alone basis.

1 Each set of schedules consists of the Computation of Revenue Deficiency and supporting  
2 schedules 1 & 3 – 5A. I will generally describe the schedules and then focus my  
3 testimony on the pro forma adjustments to each set of schedules.

4 **Q. Please describe the schedules.**

5 A. The Computation of Revenue Deficiency shows the actual and pro forma revenue  
6 deficiency. Both Belmont Sewer and Bow Water have actual revenue deficiencies. On a  
7 pro forma basis, there is no surplus or deficiency as a result of generating enough revenue  
8 to cover the expenses and earn the proposed rate of return on the proposed rate base. The  
9 schedules are as follows:

10 Schedule 1, Statement of Income

11 Schedule 1A, Pro Forma Adjustments to Revenue and Expenses

12 Schedule 3, Rate Base

13 Schedule 3A, Pro Forma Adjustments to Rate Base

14 Schedule 4, Rate of Return Information

15 Schedule 5 & 5A, Income Tax Computation and Effective Tax Factor

16 **Q. What was the general approach to the pro forma adjustments for temporary rates  
17 as compared to the permanent rates?**

18 A. Generally, for temporary rate purposes, the Company eliminated the pro forma  
19 adjustments related to year end rate base, organization costs, 2015 additions to plant, the  
20 proposed increase in the costs of common equity and certain expenses. The goal was to  
21 support temporary rates with largely actual results including plant that was in service,  
22 cost of equity that is embedded in the authorized rate of return and expenses that have  
23 been incurred.

1 **Q. Please describe the pro forma adjustments related to each set of schedules.**

2 A. AWC Belmont Sewer, Schedule 1A Pro forma Adjustments to Revenue and Expenses

3 Operating Revenues – \$17,237

4 The Company has increased test revenues for the proposed amount of revenues necessary  
5 to cover its expenses and allow it to earn its authorized rate of return on its proposed rate  
6 base.

7 Operating Expenses - \$3,265

8 There are only minor changes to operating expenses including \$360 of  
9 depreciation expense on 2014 additions to plant, \$217 of state and local property taxes on  
10 2014 additions to plant and \$2,687 of federal and state income taxes.

11 AWC Belmont Sewer, Schedule 3A Pro forma Adjustments to Rate Base

12 Accumulated Depreciation – \$360

13 Schedule 3B shows the additional half year accumulated depreciation on the 2014  
14 additions of \$360.

15 **Q. Does that complete your descriptions of the Belmont sewer pro forma adjustments?**

16 A. Yes.

17 **Q. What is the amount of the temporary increase in revenues for Belmont sewer  
18 customers and why is that amount necessary?**

19 A. The amount of the temporary increase in revenue is \$17,237. It is necessary in order to  
20 eliminate revenue deficiency incurred during the test year, to reflect 2014 additions into  
21 rate base and to allow the Company to earn its present authorized rate of return. It will  
22 improve the Company's cash flow, revenue and earnings. It also will allow the Company

1 to meet its operating expenses. It will also lessen the impact of the permanent rate  
2 increase on customers.

3 **Q. Please explain the Belmont Sewer Report of Proposed Rate Changes.**

4 A. If the Company filing for temporary rates is approved as submitted, its total sewer  
5 Operating Revenues will amount to \$95,550.

6 **Q. Is the Company proposing any changes to the methodology used in allocating the  
7 proposed revenue to the various rate classes?**

8 No. The Company is generally using the same methodology. It is applying the proposed  
9 change in revenue proportionally to the various rate classes. It is also calculating the  
10 sewer rates in a manner consistent with both existing rates and the proposed permanent  
11 rates.

12 **Q. What are the proposed temporary Belmont sewer rates?**

13 A. See Calculation of Sewer Rates for each class of customer

14 **Q. Please continue by describing the schedules for AWC Bow Water.**

15 A. AWC Bow Water, Schedule 1A Pro forma Adjustments to Revenue and Expenses

16 Operating Revenues – \$11,974

17 The Company has increased test revenues for the proposed amount of revenues necessary  
18 to cover its expenses and allow it to earn its authorized rate of return on its proposed rate  
19 base.

20 Operating Expense - \$3,824

21 There are only minor changes to operating expenses including \$741 of  
22 depreciation expense on 2014 additions to plant, \$651 amortization of CIAC, \$734 of

1 state and local property taxes on 2014 additions to plant and \$1,698 of federal and state  
2 income taxes.

3 **AWC Bow Water, Schedule 3A Pro forma Adjustments to Rate Base**

4 **Accumulated Depreciation – \$741**

5 Schedule 3B shows the additional half year accumulated depreciation on the 2014  
6 additions of \$741.

7 **Q. Does that complete your descriptions of the Bow water pro forma adjustments?**

8 A. Yes.

9 **Q. What is the amount of the temporary increase in revenues for Bow water customers  
10 and why is that amount necessary?**

11 A. The amount of the temporary increase in revenue is \$11,974. It is necessary in order  
12 eliminate revenue deficiency incurred during the test year, to reflect 2014 additions into  
13 rate base and to allow the Company to earn its present authorized rate of return. It will  
14 improve the Company's cash flow, revenue and earnings. It will allow the Company to  
15 meet its operating expenses. It will also lessen the impact of the permanent rate increase  
16 on customers.

17 **Q. Please explain the Bow Water Report of Proposed Rate Changes.**

18 A. If the Company filing for temporary rates is approved as submitted, its total water  
19 Operating Revenues will amount to \$78,284.

20 **Q. Is the Company proposing any changes to the methodology used in allocating the  
21 proposed revenue to consumption and base charges?**

22 Yes. The Company's Bow water customers have a relatively low base charge and high  
23 consumption charge. As such, the Company has incorporated the proposed increase into

1 the base charge. The increase in the base rate will be a step towards what is being  
2 proposed on a consolidated water basis.

3 **Q. What are the proposed temporary Bow water rates?**

4 A. See Calculation of Water Rates.

5 **Q. When is the Company proposing that the temporary rates be effective?**

6 A. The Company is proposing that the temporary rates be effective as of the date that the  
7 Company provides notice to its customers of the rate change.

8 **Q. Would you please summarize what the Company is requesting in its rate filing?**

9 A. The Company respectfully requests that the Commission: (1) approve the present  
10 Belmont water rates as temporary rates, (2) approve the increase in Belmont sewer  
11 revenues of \$17,237 and, (3) approve the increase in Bow water revenues of \$11,974.

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

13 A. Yes.