

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 15-____

2016 WATER INFRASTRUCTURE
AND CONSERVATION ADJUSTMENT FILING

DIRECT TESTIMONY OF

DEBRA E. KIRVEN

OCTOBER 30, 2015

1 **Q. Ms. Kirven, please state your name and business address.**

2 A. My name is Debra E. Kirven 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 Controller.

8

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

10 A. I have a Bachelor’s Degree in Managerial Accounting from the University of New
11 Haven in New Haven, Connecticut and a Master’s Degree in Finance from
12 Fairfield University in Fairfield, Connecticut. I am also a Certified Public
13 Accountant in the state of Connecticut.

14

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

16 A. I was hired by Aquarion in February 2008 as Controller. Prior to Aquarion, I was
17 Director of Financial Reporting at Warnaco Group, Inc. and prior to that I worked
18 in the corporate accounting area at Southern New England Telephone (SNET). I
19 am currently overseeing the Rates and Regulation Department and as such, I am
20 responsible for the preparation and presentation of regulatory filings for
21 Aquarion’s regulated water affiliates.

22

23

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission (“PUC” or the “Commission”) or other state public utility**
3 **agencies?**

4 A. I have not previously testified before the PUC. I have previously testified before
5 the Connecticut Public Utilities Regulatory Authority.

6

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

8 A. My testimony addresses the proposed surcharge related to the revenue
9 requirement for completed water infrastructure and conservation adjustment
10 (“WICA”) eligible projects placed in service from October 1, 2014 to September
11 30, 2015.

12

13 **Q. Please summarize the basis for the Company’s WICA surcharge filing in this**
14 **case.**

15 A. Pursuant to the Commission’s Order No. 25,019 dated September 25, 2009 in
16 Docket DW 08-098 and Order No. 25,539 dated June 28, 2013 in DW 12-085, the
17 Company is authorized to apply for approval of a WICA surcharge adjustment on
18 an annual basis to collect the revenue requirement associated with used and useful
19 WICA-eligible infrastructure improvement projects completed in the preceding
20 twelve months ending September 30. Specifically, Section II.H.3 of the
21 settlement agreement approved by the Commission in Order No. 25,019 provides:

22 The Company agrees to file the final project costs, supporting
23 documentation and proposed WICA adjustment for completed projects
24 previously determined to be WICA eligible. . . . No project shall be
25 included for recovery in the WICA unless the project is used and useful in

1 providing service to customers or will be used and useful by the effective
2 date of the WICA.

3
4
5 Attachment CM-1 to Carl McMorran's direct testimony identifies Aquarion
6 Water Company of New Hampshire ("Aquarion NH's") completed 2015 WICA
7 projects and their respective costs. The resultant surcharge and components are
8 derived in Attachment DK-1 to my testimony. This surcharge incorporates
9 depreciation, property tax expense, income tax expense, and associated rate of
10 return on completed projects, as contemplated by the approved WICA
11 mechanism.

12
13 **Q. Ms. Kirven, please summarize the surcharge requested in this filing.**

14 A. The projects in Attachment CM-1 shown as completed as of September 30, 2015
15 produce a surcharge of 3.9721% to be applied to customers' existing water
16 service billings. This is an increase of 1.4335% to the 2.5386% surcharge
17 previously allowed by Order No. 25,751. The surcharge is applicable to all classes
18 of customers. The WICA mechanism approved by the Commission has an annual
19 cap of 5% and an aggregate cap of 7.5% between rate cases, neither of which is
20 exceeded by the surcharge being proposed here. This is the Company's third
21 WICA filing since its last general rate case. Consistent with the settlement in
22 Docket DW 08-098 and as modified in Docket DW 12-325, the Company is
23 seeking authorization to implement this surcharge on a service-rendered basis
24 effective as of January 1, 2016.

25

1

2 **Q. Please elaborate on the contents of Attachment DK-1.**

3 A. Attachment DK-1 consists of three pages detailing the calculations of the
4 proposed 3.9721% surcharge.

5 **Page One – Summary Calculation:** This schedule multiplies the September 30,
6 2015 used and useful WICA project eligible investment totals, net of the first
7 year’s accumulated depreciation, by the overall rate of return authorized by the
8 Commission in Docket DW 12-325. Additions to this amount are made to
9 account for (1) an income tax gross-up on the equity portion of the eligible rate
10 base investment, (2) depreciation expense, and (3) property taxes reflecting nine
11 months of expense for utility plant additions placed in service between October 1,
12 2014 and September 30, 2015, and twelve months of expense for those items
13 placed in service and recognized as part of Docket DW 14-300. These
14 components derive a total annual revenue requirement of \$275,664 associated
15 with the WICA projects since the Company’s last general rate case. To determine
16 the WICA surcharge necessary to obtain this level of revenue, the amount is
17 divided by the last authorized water service revenues (i.e., gross revenues net of
18 miscellaneous charges) to arrive at a WICA surcharge of 3.9721%.

19 **Page Two – Calculation by Project:** This page shows the calculation of the
20 surcharge on an asset class basis.

21 **Page Three – Detailed Support:** This page identifies additional detail used in the
22 derivation of property taxes and depreciation and includes (1) PUC account
23 numbers and depreciation rates, (2) project towns and respective property tax mil

1 rates, (3) total and eligible¹ capital dollars, and (4) the associated total and eligible
2 retirements that decrease the property tax and depreciation calculations.
3 Depreciation expense is calculated by reducing the eligible project costs by the
4 amount of eligible retirements and multiplying the resultant figure by the
5 Commission-approved depreciation rates. Property tax is calculated similarly –
6 eligible project costs less retirements and accumulated depreciation multiplied by
7 the most recent mil rate for the respective town. Property tax expense recognized
8 as part of Docket DW 14-300 has been updated to reflect a full 12 months of
9 expense as well as the most recent mil rates. Also, based on the response to Data
10 Request Staff 3-2 in DW 14-300, the Company has added an accumulated
11 depreciation column to page 3 to calculate the return on investment, income tax
12 expense and property tax expense. For the requested property tax amounts
13 pertaining to projects included in this filing, the figure is then divided by twelve
14 and multiplied by nine to reflect the fact that the Company will only incur
15 property tax expense for the last nine months of the 2016 surcharge period.
16 Finally, all information on page three is shown on a project by project basis and
17 supports the figures on pages one and two.

¹ Eligible capital costs exclude the first \$50,000 of hydrants, services and valves pursuant to the approved settlement in DW 12-235. The reduction of \$50,000 is made proportionately to the pool of projects. Retirement values are also reduced accordingly.

1

2 **Q. Please explain why the completed hydrant and service investments on**
3 **Attachment CM-1 are not included on Attachment DK-1 for the surcharge**
4 **calculation.**

5 A. As per the order in DW 12-235, hydrants and services need to exceed \$50,000 in
6 annual capital expenditures before being eligible for WICA surcharge recovery.
7 Referring to Attachment CM-1, the cost for the above referenced capital costs did
8 not surpass the \$50,000 threshold. Accordingly they have not been included on
9 Attachment DK-1.

10

11 **Q. Please explain Attachment DK-2.**

12 A. Attachment DK-2 provides the proposed updated tariff pages associated with the
13 WICA surcharge.

14

15 **Q. Does the Company have detail documentation to support the project costs**
16 **incorporated in this WICA filing?**

17 A. Yes, the Company will provide Staff with the appropriate supporting invoices and
18 system documentation in order to fully support the project totals.

19

20 **Q. Please provide calculations showing the current projected WICA surcharges**
21 **anticipated for 2017, 2018 and 2019?**

22 A. Please refer to DK-3 for the anticipated WICA surcharges based on the higher
23 projected costs for 2017, 2018 and 2019 projects. The Company will continue to

1 look at cost reduction alternatives for future WICA projects and will update the
2 information in future filings.

3

4 **Q. If the Commission approves the Company's filing as proposed, will**
5 **customers continue to receive a net credit from the tax benefit approved in**
6 **DW 14-075?**

7 A. In its Order No. 25,692 in DW 14-075, the Commission approved a credit to
8 customers over a three year period for certain tax benefits resulting from a change
9 in tax regulations that allowed Aquarion NH to expense certain investments that
10 had previously been capitalized for Federal tax purposes. The implementation of
11 the credit to customers in the amount of 4% will be offset by the proposed WICA
12 surcharge of 3.9721%, resulting in a net bill decrease of 0.0279% relative to what
13 they otherwise would have paid.

14

15 **Q. What is the impact to the average residential customers?**

16 A. The typical residential customer using 53,300 gallons of water per year currently
17 pays \$127.60 quarterly under existing rates. A WICA surcharge of 3.9721%
18 equates to an increased cost per customer of \$5.07 per quarter, which along with
19 the credit of 4% would result in a decreased cost of \$0.03 per quarter for such a
20 customer, or a one-third of \$0.03 per month.

21

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

23 A. Yes.