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December 23, 2016

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

NHPUC 27DEC16PM1:15

Re: Docket Number DW-828-2017 WICA Filing, Aquarion Water Company of New Hampshire

Dear Ms. Howland:

This letter represents the Town of Hampton's response to the "reply" of Aquarion Water Company to the Town's position statements, as set forth in the December 21, 2016 letter of Aquarion's Counsel, Marcia A. Brown, Esq.

Repeatedly, throughout her letter of December 21, 2016, Attorney Brown seeks to have the Commission limit the scope of what the Town of Hampton and the Commission can inquire into as to the Company's operations, on the basis that they are beyond the "notice scope" of WICA proceedings.

First of all, there is no "noticed scope" of issues here inasmuch as each WICA surcharge represents a mini - rate case. Indeed, the WICA pilot program is supposed to extend the time between full rate cases. Thus, while the purpose of WICA proceedings is not to reset the allowed return on equity and the rate of return to be utilized by the Company, it is important for the Commission to have the opportunity to examine between rate cases how the Company is financing its WICA projects and how well it is earning (here, exceeding) its allowed return on equity and paying substantial dividends to its shareholders.

Accordingly, Hampton has utilized this WICA proceeding to attempt to evaluate all of these areas and the Company has done so only with reluctance, including efforts to limit Hampton's examination of its financing efforts. For instance, the Company's response to Hampton 1-6 utilized imprecise language about financing which was followed by a different explanation at the technical session: through reduction in the amounts owed to Aquarion of New Hampshire from its parent company where Aquarion of New Hampshire has done well enough to loan monies to its parent.

By the end of the compressed discovery schedule that was afforded here, the Town could not accomplish in the face of Aquarion's objections a complete exploration of all relevant issues. Thus, a number of Hampton's positions as articulated in Part I of its Recommendations are geared to obtaining further information before the 2017 WICA projects proceed and before any further WICA surcharges are imposed.

The Town of North Hampton and its Water Commissioners in fact support these inquiries, contrary to how their position is characterized in Attorney Brown's letter of December 21, 2016. The Town of North Hampton and its Water Commissioners' Recommendations in paragraph A ask that the Commission "Order Aquarion to respond to the additional information requests posed by Hampton, and any reasonable follow-up requests that Hampton or North Hampton may have." The only difference between Hampton and North Hampton at this point has to do with whether or not there should be any delay in the interim in the imposition of 2017 WICA surcharge or 2017 WICA projects, while this information is being made available.

The Town of Hampton submits that the delay it is seeking for approval of the 2017 WICA surcharge and 2017 projects need not be long, because, as pointed out in Attorney Brown's letter, Aquarion's financials are already subject to an independent audit. If independent audit information is already in existence, this information can be turned over to the Town of Hampton and the Commission and North Hampton in very short order. Likewise, because Aquarion is now billing monthly in arrears, as opposed to quarterly in advance, then there is less of an impetus to get WICA charges implemented before January 1, 2017. Also, the delay in the construction schedule for 2017 WICA projects that the Town is requesting would occur at a time when the construction season is in its down time.

It is obvious that Aquarion's approach would be to avoid altogether any further discovery or responses to Hampton, which objective would be achieved if the Commission proceeds instead to allow the 2017 WICA charge to be implemented now and closed this case. In that event, Hampton would be put to the expense of initiating new rate filing at unnecessary expense.

Whether Aquarion agrees with the Town's approach or not, it is the case that the time is ripe for its financing, achieved returns on equity and dividends to its shareholders to be fully analyzed, because 2013, 2014, and 2015 annual returns and independent audit information is readily available for comparison. If Aquarion's use of the WICA program 1) accomplishes an expanded rate base at the expense of customers who have no ownership interest from day one, 2) allows the Company to achieve a return on equity in excess of what the Commission has allowed, and 3) affords generous dividends to be paid to its shareholders without payment of principal on long term debt, then the Commission should not put off evaluation of how WICA is being implemented until an indeterminate future rate case is filed by the Company.

Aquarion seeks to limit the scope of all these inquiries by hiding behind its position that such issues are not "noticed". Again, in this mini-rate case, all issues concerning how the Company finances its WICA expenditures in the face of its payment of substantial dividends to shareholders and its achievement of an excessive rate of return on equity, are all appropriate areas to be evaluated. That is what the Town of Hampton is seeking from the Commission and which Aquarion is seeking to avoid

Very truly yours,

A handwritten signature in cursive script, appearing to read "Mark S. Gearreald".

Mark S. Gearreald  
Town of Hampton Attorney

cc. Docket related Service List  
Henry Fuller by first class mail

Enclosures: Six copies