

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DOCKET NO. DW 17-154

TOWN OF HAMPTON RESPONSIVE COMMENTS TO COMMISSION'S APPROVAL

Introduction

In this document, the Town of Hampton provides its comments in response to the Commission's Order *Nisi* Granting Petition dated December 29, 2017 (Order No. 26, 094), pursuant to the opportunity as afforded in the Commission's Summary of Order *Nisi* of the same date. Because the Town believes its points in opposition will have been fully made between this document and its earlier Town of Hampton's Recommendations dated December 14, 2017,¹ the Town is not requesting a hearing.

For the reasons that follow, neither the Staff nor the Commission has adequately addressed the three major points in the Town of Hampton's Recommendations.

- 1. Aquarion's customers are going to be paying over and over again for the same amount of WICA expenditures by virtue of the fact that payments are stretched out over too long a period of time.**

Where Aquarion refused to generate a payment schedule as requested over the depreciated life of the asset here involved, the Town of Hampton did so with respect to this year's proposed WICA surcharge, which involved only one kind of asset. The schedules generated by the Town

¹ The Town of Hampton styled its December 14, 2017 submittal as "Recommendations" because that title was used this fall by Director Mark Naylor in proposing the schedule for review of Aquarion's WICA filing.

are attached to its Recommendations. Aquarion at the Technical Session agreed in principle with the Town's approach on its three charts but not with the exact figures.

The Staff letter recommending approval dated December 15, 2017 did not comment on this point of the Town's. The Commission's Order *Nisi* Granting Petition dated December 29, 2017 (hereinafter, Order No. 26,094) did not address the merits of this point directly, merely repeating a conclusion from its Order No. 25, 977 (January 13, 2017, approving the 2017 WICA surcharge) to the effect that "the design of the WICA program and matters related to Aquarion's earning position would be addressed as part of Aquarion's next rate proceeding."

The Town disagrees with putting off addressing this point until some future, unknown time. Aquarion itself has not determined the timing of its next general rate case (see Company's responses to Hampton 1-11 and Hampton 1-9, copies of which were attached to the Town's December 14, 2017 Recommendations), even though its revised Attachment TD-3 on page 1 of 9 shows that the 7.5% cap between rate cases will be exceeded by its 2018 projects. Therefore, it may be years before the WICA program is re-evaluated, as it should be. In the meantime, more WICA charges may be approved with the same long term ill effects being put into place, which will remain even if the WICA program is eliminated or changed prospectively.

2. The Company's list of projects for 2018 for which approval is requested would drive the Company to exceed the WICA cap of 7.5%.

This point is amply demonstrated in Aquarion's revised Attachment TD-3 on page 1 of 9, showing that the 7.5% cap between rate cases will be exceeded by its 2018 projects, which would generate a WICA surcharge of 8.69%.

The Staff's December 15, 2017 letter passes this percentage off as "illustrative," a term used in Mr. Dixon's testimony on page 7 of 9, line 15. But, as pointed out in Douglas Brogan's

December 14, 2017 memo to Mark Naylor (Attachment 2; page 2 of 3), “It is noteworthy that even the 2018 projects alone, if included in their entirety in next year’s WICA filing, could result in exceeding the overall tariffed 7.5% rate cap between rate cases.” Mr. Brogan then recognized the equivocal nature of Aquarion’s data request responses on this point.

The Commission’s Order No. 21,094 acknowledges Mr. Brogan’s point, but only in a footnote (#2 on page 6). The Town submits that by the Commission’s approving Aquarion’s schedule of 2018 capital projects, which would generate an 8.69% WICA surcharge on January 1, 2019, the Commission is postponing an inevitable day of reckoning that should be addressed now. Customers are being set up, with the Commission’s blessing, either for an expensive rate case to be initiated, or for projects not to be done.

3. The rates being charged to customers in the approved WICA surcharge are enabling the Company to achieve a return on equity that consistently exceeds what has been allowed.

The Company’s own data request responses to Hampton Data Request 1-8 (attached to the Town’s December 14, 2017 Recommendations) show that contrary to the 9.6% return on equity allowed in the last rate case, the Company’s return on equity for 2016 was 13.11% and was 11.5% for the 12 months ended September 2017. From the last, 2012 rate case, the Town learned that each percentage point is worth about \$300,000 in revenues collected from customers.

The Commission’s Order No. 26,094 avoids addressing this disturbing trend by relying upon the reporting requirement in Order No. 25,977, leaving it to the Staff to file a recommendation for a mandatory rate case “If Staff believes Aquarion is over-earning.” But the Staff’s letter of December 15, 2017 says nothing about this trend, and the point is not mentioned in any of the

memos attached thereto. This problem is clearly not on Staff's radar screen, even though it was flagged by the Town of Hampton last year.²

The Commission's Order No. 26,094 allows Staff the additional delay of awaiting Aquarion's filing with the Commission of its 2017 Annual Report, which typically does not occur until the end of March of the following year, and Aquarion's compliance at that time with Order No. 25,977 at 6-7. In the meantime, customers will continue to pay rates that are higher than they should be, with the only remedy being initiation of an expensive future rate case for which, in the usual course, the Company would be allowed to recover its attorney's fees and costs incurred in the rate case through the increased rates it is authorized to charge to customers thereafter. This is not a satisfactory choice: customers pay more than they should either way.

Conclusion

For all these reasons, the Town asks that the Commission reconsider and rescind its Order No. 26,094 to the end of: a) not authorizing the WICA surcharge of 7.08% sought to be effective on and after January 1, 2018; b) not approving Aquarion's schedule of 2018 capital projects; and c) not approving Aquarion's schedule of 2019 capital projects even on a preliminary basis.

Respectfully submitted,
Town of Hampton
By its Town Attorney

Dated: January 10, 2018

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² In response to Hampton Data Request 1-11 in DW 16-828 (copy attached), Aquarion stated that its ROE as of October 2016 was 10.35%; it turns out that the actual return on equity for 2016 was 13.11% per this year's response to Hampton Data Request 1-8 (copy attached).