



June 30, 2020

VIA ELECTRONIC FILING

Debra A. Howland
Executive Director
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Docket No. IR 20-089, New Hampshire Public Utilities Investigation into the Effects of the COVID-19 Emergency on Utilities and Utility Customers

Dear Director Howland:

Aquarion Water Company of New Hampshire (“Aquarion” or the “Company”) submits this response in compliance with the Commission’s Order of Notice dated June 4, 2020.

The Order of Notice states:

On or before June 30, 2020, and no later than the 30th day of every month following, until otherwise ordered by the Commission, each Utility shall file written responses and updates in subsequent months to the following requests for information. The responses should be current as of the end of the month immediately preceding. Additionally, these responses will be submitted regardless of whether the Utility has previously provided written responses to similar requests from Commission Staff:

1) *Provide information regarding changes in payment behavior or patterns and account receivables levels since the declaration of the State of Emergency on March 13 and the Governor's Emergency Order #3 issued on March 17. Such information should be provided for each utility rate class.*

Response: Please refer to the tables below:

A/R over 60 days in Whole Dollar			
Month	Customer Class	2020	2019
	Residential	\$27,760	\$19,621
	Commercial	\$7,237	\$3,512
	Industrial	\$681	\$539
January		\$35,678	\$23,672
	Residential	\$28,329	\$19,322
	Commercial	\$6,737	\$3,919
	Industrial	\$1,303	\$135
February		\$36,368	\$23,376
	Residential	\$29,905	\$21,912
	Commercial	\$8,220	\$4,183
	Industrial	\$1,017	\$95
March		\$39,143	\$26,189
	Residential	\$37,260	\$20,472
	Commercial	\$9,056	\$5,048
	Industrial	\$1,295	\$461
April		\$47,610	\$25,981
	Residential	\$43,953	\$22,711
	Commercial	\$10,796	\$5,400
	Industrial	\$2,231	\$846
May		\$56,980	\$28,957
Average YTD		\$43,156	\$25,635

A/R over 90 days in Whole Dollar			
Month	Customer Class	2020	2019
	Residential	\$18,678	\$13,834
	Commercial	\$5,690	\$2,471
	Industrial	\$505	\$138
January		\$24,872	\$16,443
	Residential	\$20,487	\$12,984
	Commercial	\$5,267	\$2,652
	Industrial	\$404	\$16
February		\$26,158	\$15,652
	Residential	\$21,428	\$13,865
	Commercial	\$6,389	\$3,349
	Industrial	\$176	\$91
March		\$27,992	\$17,304
	Residential	\$25,832	\$14,574
	Commercial	\$6,905	\$3,784
	Industrial	\$940	\$95
April		\$33,677	\$18,452
	Residential	\$33,626	\$13,614
	Commercial	\$8,727	\$3,948
	Industrial	\$1,209	\$69
May		\$43,562	\$17,631
Average YTD		\$31,252	\$17,096

2) Provide the following data for each utility rate class:

- The number, and percentage, of customers who made partial or no payment in March, April, and May of 2019 and 2020.
- The number, and percentage, of customers who made partial or no payment in March, April, and May of 2019 and 2020 and did not have an outstanding balance during the prior six months.

Response: Please refer to the tables below:

Customers who made partial or no payments		
Month	2020	2019
Jan	430	406
Feb	405	360
March	470	404
April	479	420
May	459	439
Average YTD	449	406
% of customers (average)	4.5%	4.1%

Customers who made partial or no payments and did not have an outstanding balance		
Month	2020	2019
Jan	157	180
Feb	130	136
March	198	195
April	144	204
May	82	182
Average YTD	142	179
% of customers (average)	1.4%	1.8%

The information is aggregated as data cannot be provided by rate class at this time.

3) Describe any programs or initiatives undertaken to assist customers specifically as a result of the COVID-19 pandemic, the State of Emergency, Emergency Order #3, and the related stay-at-home restrictions.

Response: In response to the COVID-19 pandemic, effective March 16, 2020, the Company has waived all late and reconnection fees, and is not disconnecting any customers regardless of their payment status. Prior to the COVID-19 pandemic, the Company had implemented a Voucher Program to provide a benefit to customers who may be struggling with cost of basic needs where a credit of \$50 is applied to a customer’s bill when approved. In May, the Company began offering a new program that provides a flexible, adaptable payment plan for any customer who requests it during the pandemic for up to 24 months. Residential customers can enroll in this program through

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November 1, 2020 and non-residential customers can enroll through August 1, 2020. Specifically, the flexible payment plan:

- Is not based on financial need;
- Does not require an initial down payment;
- Does not charge fees or interest from time of pandemic to end of payment plan;
- Waives any fees or interest in the calculation of the monthly payment amount;
- Allows deferral of first payment to November 1, 2020 for unemployed residents or August 1 for businesses shut down.

4) *Provide a detailed description of customer outreach undertaken to date.*

Response: The Company has proactively communicated changes to its policies to assist customers during this critical time in various ways as follows:

- Email communications to customers (3/16, 3/31, 5/1, 6/5);
- Bill inserts during the month of March and April (started 3/18);
- Website updates (including a Q &A) and continuous social media posts;
- Letters from Aquarion's President to Town officials updating them on what the Company is doing to assist customers, cessation of non-essential work (3/17, 3/27, 4/28);
- Issued notice to advise building owners about flushing building plumbing systems to mitigate any stagnant water issues based on the New Hampshire Department of Environmental Services' flushing guidance (5/18);
- IVR (phones system) updated to start with our commitment to assist customers with flexible payment arrangements and information on the Customer Assistance Program.

5) *Describe the Utility's review and evaluation of best practices and successful initiatives undertaken in other states.*

Response: As part of the Eversource family, the Company is constantly reviewing and evaluating best practices and successful initiatives undertaken in other states. The measures and protocols implemented to date are in line with Aquarion's understanding of current best practices to safeguard customers and employees and are implemented across Aquarion's operations in all three states in Connecticut, Massachusetts and New Hampshire where Aquarion does business.

6) *Describe whether the Utility has updated its sales forecasts in light of the pandemic and its effects on the economy*

Response: Aquarion has not updated or changed its sales forecast due to the uncertainty surrounding the duration of the 'stay at home' advisories and the closures of non-essential businesses, along with the uncertainty of the sales impacts due to these mitigation initiatives. Aquarion has experienced an increase in residential consumption during the period March through May 2020 when compared to

the same period last year while commercial and industrial consumption has declined. However, sufficient time has not passed for the Company to discern how customer consumption patterns will be affected on a going forward basis and would be appropriately factored into sales forecasts.

7) *Describe any operational changes the Utility is making or planning to make in response to the effects of the pandemic, including changes in budgets or personnel.*

Response: Aquarion has implemented Business Continuity Plans (“BCPs”), designed as part of its pandemic emergency response protocol, to cover work arrangements affected by the COVID-19 pandemic. At this time, the Company is implementing its BCPs, which include the ability to work remotely across the Company. To date, implementation of the BCPs has resulted in minimal disruption to the Company’s operations in response to the Pandemic.

Measures in place for customer safeguards:

- Curtail nonessential work (cross connections, non-emergency customer requests);
- Ensure all field resources and support staff continue to be ready for service disruption not related to COVID-19;
- Implement work safety plans;
- Provide enhanced training on proper use of personal protection equipment (“PPE”);
- Implement contact tracing protocol.

Measures in place for employee safeguards:

- Implement measures and guidelines for employees to ensure that the Company workforce remains ready to serve customers and maintain essential service;
- Postpone employee travel by switching to virtual meetings instead of face-to-face meetings and business gatherings;
- Have employees whose job responsibilities allow them to work remotely to do so, reducing the number of employees interacting with each other in person;
- Create new procedures—including work safety plans and cleaning protocols—so that employees who must work at the Company’s critical facilities and perform field work can do so safely at increased distances while minimizing risks.

No significant changes to budgets are made to date:

- No employee furloughs, payroll or compensation actions, or changes to any labor agreements in response to the pandemic;
- Labor resources have been shifted from suspended work to other maintenance work, primarily hydrants and production facilities and enhanced leak detection;
- No significant disruptions to the supply chain, including PPE;
- As with sales forecasts, it is too early to make any budget projections at this time since these are short-term scheduling changes and the Company’s plan is still to complete all budgeted work by year end. However, since it is unclear how long the current restrictions will be in

place, it will be a couple of months before the Company can clarify their impacts on work schedules (and budgets) through the end of the year.

- 8) *Describe any changes to capital projects and related planning budgets the Utility has made or is planning to make in response to the effects of the pandemic.*

Response: Aquarion remains committed to its capital project plan. No material changes were made as a result of the pandemic and there have been no cancellations or delays of any capital projects categorized as a “reliability projects” or “asset replacement”. However, certain capital projects such as the Exeter Road Tank and Well 22 projects have been delayed due to the timing of permitting which requires public hearings. ZBA and other town meetings have been suspended due to the COVID-19 pandemic. When those public meetings and hearings resume, the Company will look to move forward on these delayed projects.

- 9) *Describe any supply chain disruptions the Utility is experiencing or expects may occur and the effects of such supply chain disruptions.*

Response: The Company has not experienced significant disruptions to the supply chain, including PPE.

- 10) *Describe whether the Utility and/or its parent company has adequate access to capital or has been negatively affected in accessing the capital markets or has been downgraded by any credit rating services.*

Response: The Company and/or its parent has not had any problems accessing the capital markets and as the markets have greatly improved over the last couple of months, the Company and/or its parent has not been negatively impacted. There have been no ratings changes for the Company and/or its parent from any of the credit rating services since the pandemic began.

- 11) *Describe incremental costs associated with the COVID-19 pandemic since the State of Emergency order, how the cost is calculated, cost to date, accounting treatment, impact on earnings, and proposed or planned rate treatment.*

Response: The Company anticipates incurring incremental costs associated with COVID 19 associated with bad debt expense, working capital costs, and other, as described below.

A. Bad Debt Expense

In order to determine the amount of incremental bad debt expense attributable to COVID-19, the Company will compare the actual bad debt expense against the bad debt expense authorized in base rates.

On a monthly basis, the Company will compare its actual level of bad debt expense recorded in accordance with Generally Accepted Accounting Principles to the amount in base rates. As of May

31, 2020, there has been no incremental bad debt expense recorded as it may take longer than a couple of months to experience the impact of the pandemic on bad debt expense. The Company recommends the creation of a regulatory asset where amounts recorded for expense in excess of the baseline amount would be deferred, subject to future recovery.

Under this methodology, at the time of the Company's next rate proceeding, the Company would submit a report to the Commission documenting actual net charge-offs over the COVID-19 cost deferral period to the baseline allowance for the same time, with the difference representing the incremental bad debt cost resulting from COVID-19.

In this way, the Company would establish the regulatory asset based on its accounting for bad debt expense, which represents the Company's best estimate of the level of future charge-off activity. However, the Company would ultimately recover only the actual incremental net charge-offs based on actual experience with customer payments that is incremental to the baseline of net charge-off activity, once typical collection activities resume. Net charge-offs for the Company are expected to decrease initially (due to the prolonged moratorium) and then to increase sharply at a later date once typical collection activities resume. The deferred payment plans allow for customers to pay their arrearage balances over a period of up to 24 months, which means it could take until late 2021 or even later for the Company to experience an increased spike in charge-offs, depending on what the future brings for a prolonged impact of COVID-19 and customers' long-term payment habits.

B. Working Capital Costs

The Company anticipates increased incremental working capital costs as a result of increasing accounts receivables balances caused by reduced customer payment levels. In order to calculate the incremental working capital costs, the Company will update the lead lag study approved in the most recent rate case, by adjusting the average lag in days from the date bills are sent to customers to the date bills are paid by customers. This calculation will produce a change in the revenue lag exclusively as a function of the increased net accounts receivables balance. The Company will subtract the cash working capital amount that is currently recovered in base rates from the updated cash working capital amount. The resulting difference will be multiplied by the pretax weighted average cost of capital, as approved in the Company's most recent rate case and revised to reflect current tax rates to determine the incremental cash working capital cost associated with the increased accounts receivables balances experienced as a result of the pandemic. As of May 31, 2020, there has been no incremental cash working capital costs incurred as the revenue lag as of May 31, 2020 is shorter than the revenue lag in the last rate case due to the fact that most customers were on quarterly billing in 2011, the test year for the previous rate case. However, as customers delay payment further in future months, collection days will become longer. The Company recommends the creation of a regulatory asset where the incremental working capital amounts would be recorded and subject to future recovery.

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C. Other Costs

In addition to revenue shortfalls associated with foregone fees, such as late payment and reconnection fees, the Company is incurring incremental costs for PPE to keep employees safe while they work to operate the system and to clean work facilities to prevent the spread of the virus. The Company created a specific work order to track certain COVID-19 related costs. As of May 31, 2020 total related costs are less than \$5,000.

Consistent with the Commission's March 17, 2020 secretarial letter, this submission is being provided electronically only. Should you have any questions concerning the foregoing, please contact me at your convenience at 203-337-5933.

Sincerely,

A handwritten signature in blue ink that reads "Debra A. Szabo". The signature is written in a cursive, flowing style.

Debra A. Szabo
Director, Rates and Regulation