

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 24-040

Aquarion Water Company of New Hampshire, Inc.

2024 Water Infrastructure and Conservation Adjustment Filing

Technical Statement of Robyn J. Descoteau, Utility Analyst. Water Group
New Hampshire Department of Energy, Division of Regulatory Support

June 28, 2024

Pursuant to RSA 12-P:2, IV, please accept this Technical Statement as the New Hampshire Department of Energy's (DOE) recommendation to the New Hampshire Public Utilities Commission (Commission) in the above-referenced docket. The DOE has reviewed Aquarion Water Company of New Hampshire, Inc.'s (Aquarion or Company) March 8, 2024, filing as it pertains to the Company's proposed 2024 Water Infrastructure and Conservation Adjustment (WICA). Included with this Technical Statement as Attachments A and B are Aquarion's responses to DOE Data Requests Set 1 and 2, respectively. Additionally, Attachment C provides the observations and recommendations of Douglas W. Brogan, P.E., the DOE's Engineering Consultant, as they pertain to this case.

Brief Summary of Aquarion's Request

On March 8, 2024, Aquarion filed a Petition for approval of Water Infrastructure Conservation Adjustment (WICA) projects completed in 2023 and approval for preliminary budgets for years 2024 through 2026.

As agreed upon in the Settlement Agreement on Permanent Rates in Docket No. DW 20-184 (Settlement) Section 5.1(d) and as stated on Fourth Revised Page 18 of the Company's Tariff, if Aquarion's approved weighted average cost of capital (Rate of Return) of 7.54% exceeds a 50 basis point cap, the Company would not pursue a WICA adjustment for that year. Aquarion's 2023 year-end Rate of Return was 8.53%. As such, Aquarion is not seeking to update the WICA surcharge for the collection period of April 1, 2024, through March 31, 2025. During this collection period, the WICA will remain at zero.

Aquarion's current 2024 WICA filing only requests (1) confirmation that the 2023 projects totaling \$1,589,731 meet the WICA eligibility criteria; (2) approval of the Company's 2024 budget presented with estimated costs originally totaling a low of \$629,239 (updated to \$565,650 in DOE 1-14) and a high of \$741,550; and (3) approval of the Company's 2025 budget presented

with estimated costs totaling a low of \$2,370,000 and a high of \$3,210,000. As explained above, Aquarion's filing is not seeking a WICA surcharge at this time.

DOE Analysis and Recommendation

The DOE conducted a full review of Aquarion's March 8, 2024, filing which included two rounds of discovery, a technical session with the Company and an engineering review. (Attachments A, B, and C).

The report of Douglas W. Brogan, P.E., the DOE's Engineering Consultant, dated June 19, 2024, provides a brief history and the major intent of the WICA program. (Attachment C). Aquarion's WICA program was implemented as a pilot program by Order No. 25,019 in DW 08-098 (September 25, 2009); modified by Order No. 25,539 in DW 12-085 (June 28, 2013); and further modified and given a more permanent status by Order No. 26,659 in DW 20-184 (July 29, 2022). Mr. Brogan states that the intent of the WICA program was to allow Aquarion the ability to recover costs of applicable plant between rate cases with the primary focus of incentivizing the replacement of aging infrastructure.

“Aquarion testified that only non-revenue producing assets would be eligible and that such projects would include replacement in kind of the same size of meters and hydrants and services, replacement of existing mains and valves that have reached the end of their useful life, main cleaning and relining projects and relocations that are not reimbursable, replacement of production meters, and replacement of pressure-reducing valves.” Order No. 25,019 at 16 and 7/14/09 Tr. at 17, lines 1-9.

“The WICA program appears to strike a reasonable balance between reducing rate shock to customers at the time of each rate case and providing an incentive to Aquarion to accelerate needed infrastructure replacement.” Order No. 25,019 at 17.

During 2023, Aquarion replaced two minimally sized (10 foot) water main sections as the result of water main breaks. (Lawrence Testimony page 6, lines 15-19). The replacement of a ten-foot section of an eight-inch Asbestos Cement main on Atlantic Avenue in North Hampton resulted in costs totaling \$5,537. Similarly, the replacement of a ten-foot section of ten-inch Asbestos Cement main on Ocean Boulevard in Hampton resulted in costs totaling \$2,932. The DOE believes that the inclusion of such minimal replacements deviates from the original intent of the WICA program as agreed upon by the Settling Parties in previous proceedings before the Commission and should not be included in the Company's WICA recovery. As a result, the DOE recommends that the Commission disallow WICA recovery for these two small main replacements included within Aquarion's 2023 WICA projects. The total recommended cost disallowance associated with these projects is \$8,469 (\$5,537 + \$2,932). The DOE believes the remaining projects presented by Aquarion for 2023 totaling \$1,581,262 (1,589,731 – \$8,469) meet the eligibility criteria and intent of the WICA program. Aquarion is not seeking recovery of 2023 costs at this time and, therefore, these projects have not yet been audited by the DOE's

Audit Division. When the Company requests rate recovery of these assets as part of a future WICA filing, the DOE Audit Division will conduct a full audit of the projects.

Aquarion filed its proposed 2024 projects with an estimated budget originally totaling a low of \$629,239 (updated to \$565,650 in DOE 1-14) and a high of \$741,550. Projects expected in 2025 were presented with estimated costs totaling a low of \$2,370,000 and a high of \$3,210,000. Based on discovery and Mr. Brogan's attached report (Attachment C), the DOE believes that Aquarion has demonstrated that its proposed 2024 and 2025 budgets appear to be appropriate. When the Company requests recovery of the completed and in-service projects for 2024 and 2025 in future WICA filings, the DOE Audit Division will also conduct a full audit of these projects.

Summary

Based upon its review of the information presented by Aquarion in its filing and subsequent discovery, including Mr. Brogan's report, the DOE believes that the Commission should approve, as WICA eligible, Aquarion's 2023 WICA projects totaling \$1,581,262. This represents Aquarion's actual costs of \$1,589,731 less costs related to the two ten-foot main section replacements totaling (\$8,469). Additionally, the DOE agrees that for purposes of the instant filing, Aquarion has exceeded its approved weighted average cost of capital (Rate of Return), therefore leaving the WICA surcharge at zero.

Aquarion has demonstrated that its proposed 2024 projects with estimated costs totaling a low of \$565,650 and a high of \$741,550 and its proposed 2025 projects with estimated costs totaling a low of \$2,370,000 and a high of \$3,210,000 appear to be appropriate and consistent with the Commission's rules, the agreed upon parameters of the WICA program, and, subject to the future audit of these projects, will result in just and reasonable rates.

In conclusion, the DOE recommends that the Commission approve Aquarion's filing, subject to the recommended adjustments by the DOE, by the issuance of an Order *nisi* to ensure that all interested parties receive notice and have opportunity to comment or request a hearing before the order becomes effective.

With the filing of this technical statement and attachments, the DOE believes a complete record has been provided in this matter for consideration by the Commission, pursuant to the DOE's purpose under RSA 12-P:2, IV.

Attachments: Attachment A – Aquarion's responses to DOE Data Requests Set 1
Attachment B – Aquarion's responses to DOE Data Requests Set 2
Attachment C – Report of Douglas W. Brogan, P.E.