

Town of Hampton



December 19, 2012

Debra A. Howland

Executive Director

New Hampshire Public Utilities Commission

21 S. Fruit St., Suite 10

Concord, New Hampshire 03301



Re: DW 12-325, Aquarion Water Company of New Hampshire, Inc.

Water Infrastructure and Conservation Adjustment (WICA)

2013 WICA Surcharge and 2013-15 Projects

Town of Hampton statement of position

Dear Ms. Howland:

On October 31, 2012, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed its petition for approval of a 2013 WICA surcharge of 5.7688% to be effective as of January 1, 2013, and its proposed 2013-15 capital projects under its WICA tariff provision. The Commission had approved the WICA as a pilot program in Order No. 25,019 (September 25, 2009) in docket DW 08-098, Aquarion's last completed rate case.

This petition represents business as usual for Aquarion, because this surcharge, like its WICA surcharges approved on December 22, 2010 in Order No. 25,186 (DW10-293) and on December 30, 2011 in Order No. 25,311 (DW 11-238), is based on the same 9.75% rate of return on equity (a 7.72% return on investment) that was approved back in the 2008 rate case.

This rate of return is excessive, and the Town expects shortly to provide expert testimony by January 11, 2013 in the pending rate case (DW 12-085) that the allowed rate of return should be lower than 9.75%.

Aquarion, on the other hand, seeks in the pending rate case and without expert testimony to have the Commission authorize an even higher rate of return on equity of 10.25%, which represents a 7.85% return on investment. Aquarion has indicated in response to data requests that it will seek to incorporate the incremental portion (2.0419%) of the proposed WICA surcharge of 5.7688% as a step increase in DW 12-085, utilizing the higher rates of return for which it is seeking approval in that case.

As noted on page 5 of the Order of September 25, 2009, the Town of Hampton was not a party to the settlement agreement approved by that Order. The Town has since then continually expressed concern for the magnitude and frequency of Aquarion's rate increases, especially in the down economy that has prevailed for the last few years. The rates of return that Aquarion bases its filings upon are disturbing in light of the pressures being faced by its consumer ratepayers to stay employed and to remain in their homes. The rates of return on their investments are nowhere close to what Aquarion is seeking; moreover, the borrowing rates (now about 3%) that Aquarion can take advantage of to finance its operations have fallen with the economy.

It was hoped that the WICA program could help decrease the frequency of rate cases and rate shock, but this has not proved to be the case. Aquarion is now seeking in the main pending rate case to make the WICA program permanent.

When the Town of Hampton stated many of these same concerns to the Commission in response to last year's WICA petition by Aquarion, the Commission stated as follows on page 5 of Order No. 25,311: "We note Hampton's objections but we conclude that it is prudent to allow the pilot program to continue until the time of Aquarion's rate filing, anticipated next year, at which time the pilot will be fully evaluated." (Emphases added). That time is now, and it is not the time for business as usual. The Town of Hampton submits that the Petition in DW 12-325 should not be viewed or dealt with in isolation from the pending rate case.

Accordingly, the Town of Hampton objects to the WICA proposal for 2013 and asks that action on the proposed WICA surcharge for 2013 be deferred until the decision on the Company's 2012 rate increase petition, which is scheduled for hearing on March 7, 2013 if there is no settlement.

Thank you for your attention to this matter.

Sincerely,



Mark S. Gearreald, Esq.

Hampton Town Attorney

cc. Hampton Board of Selectmen
Town Manager
Service List (via e-mail)