

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

June 6, 2006 - 10:23 a.m.  
Concord, New Hampshire

RE: **DW 05-119**  
**AQUARION WATER COMPANY:**  
**Notice of Intent to File Rate Schedules.**  
**(Hearing regarding permanent rates)**

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Diane Bateman, Clerk

**APPEARANCES:** **Reptg. Aquarion Water Company:**  
Steven V. Camerino, Esq.

**Reptg. the Town of Hampton:**  
Mark Gearreald, Esq.

**Reptg. the North Hampton Water Commission:**  
Robert Landman, Water Cmsr.  
Henry Fuller, Chrmn. of Water Commission  
Richard Bettcher, Water Cmsr.

**Reptg. Residential Ratepayers:**  
F. Anne Ross, Esq., Consumer Advocate  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Marcia A. B. Thunberg, Esq.

Court Reporter: Steven E. Patnaude, CCR

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**P R O C E E D I N G S**

**CHAIRMAN GETZ:** Okay. Good morning.

We'll open the hearing in docket DW 05-119, Aquarion Water Company. I'll begin with a brief description of the procedural background for the record, and then we will take appearances by the parties who have been granted intervention status. We will then allow an opportunity for public comment, which may be taken prior to the witnesses' providing testimony on the Stipulation or may be offered after the witnesses have testified, and then comment can be given then in the nature of closing statements.

Aquarion Water Company filed with the Commission on July 5, 2005 a notice of intent to file rate schedules. And, on August 5, it filed for an increase in permanent rates, seeking an increase in revenues of \$884,780, which represents a 21.23 percent increase in rates. An order suspending the tariffs was issued on August 26, 2005, and a secretarial letter was issued on October 5 approving a procedural schedule. Pursuant to that schedule, a hearing on temporary rates was held, and an order approving temporary rates issued on November 18, 2005. Subsequently, on May 25, 2006, a Stipulation and Settlement Agreement on permanent rates was issued with

1 the Commission, signed by the Company, Commission Staff,  
2 and the Office of Consumer Advocate.

3 We received a letter from the Town of  
4 Hampton indicating that it had concerns about the  
5 magnitude of the increase, was filed on May 3rd. We also  
6 have a letter from the Town of North Hampton Water  
7 Commission that was received on May 5, indicating that  
8 they had concerns as well. After that, on May 26, we  
9 received a letter from the Town of North Hampton Board of  
10 Selectmen indicating that they wish to be heard at the  
11 hearing today.

12 I think that completes the procedural  
13 status, so let's take appearances from the parties.

14 **MR. CAMERINO:** Good morning,  
15 Commissioners. Steve Camerino, from McLane, Graf,  
16 Raulerson & Middleton, on behalf of Aquarion Water Company  
17 of New Hampshire.

18 **CHAIRMAN GETZ:** Good morning.

19 **CMSR. MORRISON:** Good morning.

20 **CMSR. BELOW:** Good morning.

21 **MS. ROSS:** Good morning, Commissioners.  
22 Anne Ross, with the Office of Consumer Advocate, and with  
23 me today is Ken Traum.

24 **CHAIRMAN GETZ:** Good morning.

1                   **CMSR. MORRISON:** Good morning.

2                   **CMSR. BELOW:** Good morning.

3                   **MS. THUNBERG:** Good morning,  
4 Commissioners. Marcia Thunberg, on behalf of Staff. And,  
5 with me today, and who will be testifying, is Mark Naylor,  
6 and also here today are Jim Cunningham, Jim Lenihan, and  
7 Doug Brogan. Thank you.

8                   **CMSR. MORRISON:** Good morning.

9                   **CMSR. BELOW:** Good morning.

10                  **CHAIRMAN GETZ:** Good morning.

11                  **MR. GEARREALD:** Good morning. My name  
12 is Mark Gearreald. I'm the Town Attorney for the Town of  
13 Hampton. And, with me as a possible witness is James  
14 Steffen, who is the Town Planner.

15                  **CHAIRMAN GETZ:** Good morning.

16                  **CMSR. MORRISON:** Good morning.

17                  **CMSR. BELOW:** Good morning.

18                  **MR. GEARREALD:** Good morning.

19                  **MR. LANDMAN:** Good morning, sir --  
20 Commissioners, sorry. Bob Landman, Water Commissioner,  
21 Town of North Hampton. And, with me, George Lagassa,  
22 representing the Board of Selectmen; Henry Fuller,  
23 Chairman of the Water Commission; Richard Bettcher, Water  
24 Commissioner; and the gentleman, a citizen with the Town

1 of North Hampton, and also -- sorry, Ruth -- Commissioner,  
2 Executive Councilor Ruth Griffin will also be presenting  
3 and making a statement. And, she'll lead off when we  
4 start our section. Thank you.

5 **CMSR. BELOW:** Good morning.

6 **CMSR. MORRISON:** Good morning.

7 **CHAIRMAN GETZ:** Good morning. Well, let  
8 me try and clarify that. Is there someone from the Town  
9 of North Hampton?

10 **MR. LAGASSA:** I am.

11 **CHAIRMAN GETZ:** Okay.

12 **MR. LAGASSA:** George Lagassa.

13 **CHAIRMAN GETZ:** Oh, Mr. Lagassa. So,  
14 separate from the Town of North Hampton Water Commission?

15 **MR. LAGASSA:** I'll be making a statement  
16 on behalf of the Board of Selectmen. Mr. Landman  
17 represents the Water Commission.

18 **CHAIRMAN GETZ:** Okay. Well, the persons  
19 who are not parties, who would like to make a public  
20 comment today, do you prefer to speak, make your comment  
21 now, or would you prefer to wait until after the witnesses  
22 have testified? It's an option of Councilor Griffin or  
23 Mr. Lagassa, you can take your pick basically.

24 **COUNCILOR GRIFFIN:** I'll defer until

1 I've heard part of their testimony. Thank you.

2 **MR. LAGASSA:** And, I will defer as well,  
3 since I drove everybody over, I'm here for the duration.

4 **CHAIRMAN GETZ:** Okay. Thank you. Then,  
5 are there any other procedural matters, before we hear the  
6 witnesses on the Stipulation?

7 (No verbal response)

8 **CHAIRMAN GETZ:** Hearing nothing, then,  
9 Mr. Camerino.

10 **MR. CAMERINO:** Thank you, Mr. Chairman.  
11 We've discussed the procedure for presenting the  
12 Settlement, and it's the intention of the settling parties  
13 to present each of their witnesses as direct, their direct  
14 testimony first, and then make all of them available  
15 simultaneously for cross-examination for purposes of  
16 efficiency. The only thing that's really different from a  
17 typical panel is we're going to put them up there one set  
18 of witnesses at a time, and let them accumulate as we go.  
19 If that's okay with the Commission?

20 **CHAIRMAN GETZ:** That's fine with the  
21 Commission. Is there anything else, before we proceed?

22 (No verbal response)

23 **CHAIRMAN GETZ:** Hearing nothing, then,  
24 Mr. Camerino.

[Witness panel: Discepolo|Bingaman]

1                   **MR. CAMERINO:** Thank you. The Company  
2 calls Linda Discepolo and Larry Bingaman.

3                   (Whereupon **Linda M. Discepolo** and **Larry**  
4                   **L. Bingaman** was duly sworn and cautioned  
5                   by the Court Reporter.)

6                   **LINDA M. DISCEPOLO, SWORN**

7                   **LARRY L. BINGAMAN, SWORN**

8                   **DIRECT EXAMINATION**

9 BY MR. CAMERINO:

10            Q     Ms. Discepolo, would you state your name and business  
11                 address for the record please.

12            A     (Discepolo) Yes. My name is Linda Discepolo. I work  
13                 at 600 Lindley Street, in Bridgeport, Connecticut,  
14                 for Aquarion Water Company.

15            Q     And, what is your position with the Company and what  
16                 were your responsibilities with regard to this rate  
17                 case?

18            A     (Discepolo) I am the Director of Rates and  
19                 Regulation. And, I'm responsible for the utilities'  
20                 -- five regulated utilities' regulatory/financial  
21                 matters for those five regulated utilities. With  
22                 respect to this case in particular, I'm responsible  
23                 for putting together the financial materials  
24                 associated with this docket.

[Witness panel: Discepolo|Bingaman]

1 Q And, Mr. Bingaman, would you state your name and  
2 business address please.

3 A (Bingaman) My name is Larry Bingaman. And, my  
4 business address is 900 Main Street, in Hingham,  
5 Massachusetts.

6 Q And, what is your position with Aquarion and what  
7 were your responsibilities with regard to this case?

8 A (Bingaman) I am the Senior Vice President in charge  
9 of Operations for Aquarion Water Company in New  
10 Hampshire and Massachusetts. And, my office put  
11 together some of the information that was needed by  
12 Ms. Discepolo in preparing this case.

13 Q Thank you.

14 **MR. CAMERINO:** Just for housekeeping,  
15 I'm going to run through some exhibits that we've provided  
16 to the Clerk and have them marked for identification as  
17 exhibits.

18 BY MR. CAMERINO:

19 Q First, Ms. Discepolo, let me show you the Company's  
20 initial filing in the permanent part of this rate  
21 case. And, ask you if that was prepared by you or  
22 under your direction?

23 A (Discepolo) Yes, it was.

24 Q And, does it also include, this is a question for

[Witness panel: Discepolo|Bingaman]

1 both of you, testimony from each of you that was  
2 prepared by you or under your direction?

3 A (Discepolo) Yes, it does.

4 A (Bingaman) Yes, it does.

5 Q And, there's also testimony from Mr. Guastella. Am I  
6 correct about that?

7 A (Discepolo) That is correct.

8 Q Ms. Discepolo, would you just explain briefly what  
9 the purpose of Mr. Guastella's testimony was in this  
10 filing?

11 A (Discepolo) We hired Mr. Guastella to prepare a cost  
12 of service study for this case, in order to assist in  
13 designing rates.

14 **MR. CAMERINO:** And, just for the  
15 Commission's benefit, I represent to you I discussed with  
16 the Commission Staff whether it would be necessary to have  
17 Mr. Guastella here today, and it was the sense that  
18 questions that related to the cost of service study, given  
19 that a settlement is being presented, could be adequately  
20 handled by Staff and Company witnesses that are here.  
21 And, so, we have not brought Mr. Guastella on those  
22 specific issues, but we are presenting his testimony just  
23 for the record.

24 BY MR. CAMERINO:

[Witness panel: Discepolo|Bingaman]

1 Q I would ask, and to both of you I would ask you, is  
2 your testimony, as set forth in here, true and  
3 correct to the best of your knowledge and belief?

4 A (Discepolo) Yes, it is.

5 A (Bingaman) Yes, it is.

6 MR. CAMERINO: Okay. We've asked that  
7 the Clerk mark these as Exhibit 3 for identification, Mr.  
8 Chairman.

9 CHAIRMAN GETZ: Be so marked.

10 MR. CAMERINO: The next --

11 MS. THUNBERG: Excuse me.

12 CHAIRMAN GETZ: Are we up to, actually,  
13 the August 5, 2005 filing?

14 MR. CAMERINO: Actually, I gave the  
15 wrong number, I think.

16 CHAIRMAN GETZ: It's been marked for  
17 identification as Exhibit Number 4?

18 MR. CAMERINO: Four, that's correct.  
19 Yes. I apologize.

20 (The document, as described, was  
21 herewith marked as **Exhibit 4** for  
22 identification.)

23 BY MR. CAMERINO:

24 Q The next thing I want to show you is the Settlement

[Witness panel: Discepolo|Bingaman]

1 Agreement that's been filed in this case. And, ask  
2 you if this is a correct copy of it?

3 A (Discepolo) Yes, it is.

4 A (Bingaman) Yes, it is.

5 **MR. CAMERINO:** And, that document is  
6 dated "May 25, 2006", and we provided a copy to the Clerk  
7 to mark as "Exhibit 5" for identification. If it could be  
8 so marked, Mr. Chairman?

9 **CHAIRMAN GETZ:** That will be so marked.  
10 (The document, as described, was  
11 herewith marked as **Exhibit 5** for  
12 identification.)

13 BY MR. CAMERINO:

14 Q And, I'm going to read into the record some  
15 additional documents, just identify some additional  
16 documents, and ask you about them, Mr. Bingaman and  
17 Ms. Discepolo. We have asked the Clerk to mark, as  
18 "Exhibit 6", Aquarion's responses to Staff's first  
19 set of data requests; "Exhibit 7", Aquarion's  
20 responses to Staff's second set of data requests;  
21 "Exhibit 8", Aquarion's responses to Staff's third  
22 set of data requests. And, I want to ask you if  
23 those were prepared by you or under your direction as  
24 well?

[Witness panel: Discepolo|Bingaman]

1 A (Discepolo) Yes, they were.

2 A (Bingaman) Yes, they were.

3 Q And, except as subsequently updated, are those true  
4 and correct to the best of your knowledge and belief?

5 A (Discepolo) Yes, they are.

6 A (Bingaman) Yes, they are.

7 Q And, you also responded to two sets of data requests  
8 that came out of the technical sessions in this case,  
9 did you not?

10 A (Discepolo) Correct.

11 A (Bingaman) That's correct.

12 Q We have asked that those be marked as "Exhibits 9"  
13 and "10". And, Aquarion also received a set of data  
14 requests from the Consumer Advocate in this case, is  
15 that correct?

16 A (Discepolo) That's correct.

17 A (Bingaman) That's correct.

18 Q And, we have asked that that set of data requests and  
19 responses be marked as "Exhibit 11". And, then,  
20 Aquarion also received four sets of data requests  
21 from the Town -- from the North Hampton Water  
22 Commission, did it not?

23 A (Discepolo) Yes, it did.

24 Q And, Ms. Discepolo, do you know what the deadline was

[Witness panel: Discepolo|Bingaman]

1 for asking data requests in this case? There were  
2 three deadlines. What was the last deadline?

3 A (Discepolo) The third round deadline, the deadline  
4 for questions was March 9th, with the replies due  
5 March 23rd.

6 Q And, that was in addition -- So, in addition to those  
7 three rounds, that was in addition to the data  
8 requests that you answered at the technical sessions?

9 A (Discepolo) Correct.

10 Q And, did any of the North Hampton data requests come  
11 in after the deadline for the last set?

12 A (Discepolo) Yes, there were two sets subsequent to  
13 the March 23rd response time. There was a fourth  
14 round, which was submitted April 5th that we  
15 answered, and then there was a next fifth round that  
16 was submitted April 7th.

17 Q So, even though there were two rounds that came in  
18 after the deadline, the Company did answer those?

19 A (Discepolo) Yes, we did.

20 **MR. CAMERINO:** Okay. And, we've asked  
21 the Clerk to mark those four sets of responses as  
22 "Exhibits 12", "13", "14", and "15". And, so,  
23 Mr. Chairman, if we could have all of those exhibits  
24 marked for identification?

[Witness panel: Discepolo|Bingaman]

1                   **CHAIRMAN GETZ:** Okay. The Petitioner's  
2 answers to data requests, as described by Mr. Camerino,  
3 will be marked respectively "Exhibits 6" through "15".

4                   (The documents, as described, were  
5 herewith marked as **Exhibits 6** through  
6 **15**, respectively, for identification.)

7 BY MR. CAMERINO:

8       Q       And, the responses by the Company to all of these  
9 data requests, are those true and accurate to the  
10 best of your knowledge and belief?

11       A       (Discepolo) Yes, they are.

12       A       (Bingaman) Yes, they are.

13                   **MR. CAMERINO:** And, just for the record,  
14 to make it clear, there is no Set 1 from the Town of North  
15 Hampton Water Commission. The numbering was intended to  
16 coincide with which round in the schedule it came from.  
17 And, so, once we got past Round 3, we have Round 4 and 5.  
18 So, to the extent anybody is looking, there is not a Set 1  
19 that is missing.

20 BY MR. CAMERINO:

21       Q       Okay. Ms. Discepolo, if we could just proceed now  
22 with a summary of the initial rate case filing. When  
23 the Company filed this case last August, can you  
24 summarize for the Commission what it was that the



[Witness panel: Discepolo|Bingaman]

1 Company was seeking approval of?

2 A (Discepolo) As mentioned by Commissioner Getz, in the  
3 August 5th submission, we requested an \$884,747  
4 increase, which represented a 21.23 percent increase,  
5 resulting in a revenue requirement of \$5,052,140.  
6 One of the reasons for the large size of that  
7 increase had to do with the length of time between  
8 cases, approximately six years, and also the fact  
9 that the Company had made substantial capital  
10 improvements since the last case of approximately  
11 \$6.9 million.

12 Q Can you summarize for the Commission what the rate of  
13 return was that the Company was seeking approval of?

14 A (Discepolo) The Company was seeking a rate of return  
15 on rate base of 8.49 percent, which was comprised of  
16 a cost of debt of 6.88 and a cost of equity of 10.30.

17 Q What steps did the Company take to try to minimize  
18 the expense to customers of the rate case proceeding?

19 A (Discepolo) What we did to minimize costs is we did  
20 not hire a cost of equity expert, as a means of  
21 reducing rate case costs. So, we worked on averages  
22 to determine what an appropriate return on equity  
23 would be, and didn't incur approximately 50,000,  
24 \$50,000 is what an expert could cost, and we elected

[Witness panel: Discepolo|Bingaman]

1 not to hire one.

2 Q With regard to rate design, what were the recommended  
3 rate increases in the initial filing, based on Mr.  
4 Guastella's cost of service study?

5 A (Discepolo) Based on Mr. Guastella's cost of service  
6 study, it was recommended that the Residential  
7 customers increase 19.97 percent; the Commercial  
8 customers increase 22.48 percent; the Industrial  
9 customers increase 24.73 percent; the Public  
10 Authority customers increase 19.44 percent; the  
11 Seasonal customers increase 32.51 percent; Private  
12 Fire Protection increase 26 percent; and Public Fire  
13 Protection, 19.30 percent.

14 Q Mr. Bingaman, I'd like to ask you, in the initial  
15 rate case filing, the Company indicated there were  
16 \$6.9 million in capital improvements to the system  
17 that it made since the prior rate case. If you would  
18 give the Commission an overview of the nature of  
19 those and approximate cost for those.

20 A (Bingaman) That is correct. There are three major  
21 categories that I would like to summarize. Under the  
22 source of supply additions, the Company invested  
23 about \$2,259,000. And, some of the major projects  
24 that are included in that are the drilling or

[Witness panel: Discepolo|Bingaman]

1 completion of six new wells that added about 1.2 --  
2 excuse me, that added several hundred thousand  
3 gallons of additional pumping capacity to our supply.  
4 Those six wells, there were three located in North  
5 Hampton, plus an additional two. So, there was a  
6 total of five wells that were drilled in North  
7 Hampton. And, then, we had a replacement well in  
8 Hampton that we drilled. Those six wells comprise  
9 about \$1.7 million of that total 2.2. And, then, we  
10 had a hydraulic model completed that was subsequently  
11 used by Tata & Howard, our engineering firm, as a  
12 base model for a Master Distribution Study that they  
13 did.

14 These new wells enabled Aquarion to end  
15 a moratorium on new connections, particularly as a  
16 result of bringing Wells 20 and 21 on line in January  
17 of '04. And, this would be a benefit, we believe, to  
18 the Town, because it supports new development and  
19 helps create and expand the Town's tax base.

20 The other area was installation of new  
21 mains, which was just a little over 2 million dollars  
22 that we installed. And, that was about 9,880 feet,  
23 comprised of six-inch, eight-inch and twelve-inch  
24 main throughout the service territory. Other

[Witness panel: Discepolo|Bingaman]

1 improvements that we made, in addition to mains,  
2 under the category would be security lighting and  
3 perimeter fencing at some of the wells; SCADA  
4 upgrades enable to operate the system more  
5 efficiently and allow our operators to remotely  
6 monitor the system. These new mains also helped to  
7 control maintenance expenses, because proactive  
8 repair of aging infrastructure reduces reactive and  
9 costly repairs.

10 We also replaced a number of meters,  
11 services and hydrants for about 1.2, \$1,253,000.  
12 Services comprising about \$945,000 of that, replacing  
13 water or fire services throughout the territory. We  
14 replaced meters as part of our routine ten year meter  
15 changeout of about \$194,000. And, then, we installed  
16 new hydrants or repaired hydrants throughout the  
17 system, for a total of about \$113,000.

18 So, those are highlights of the  
19 \$6.9 million in improvements that we made since the  
20 last rate case.

21 Q In your prefiled testimony, you referred to the new  
22 mains as being "largely non-revenue producing", and I  
23 know there was a discussion about that during one of  
24 the technical sessions. Could you just clarify or













































































































































































































































































































































































































































