

Aquarion seeks 24.8 percent increase

By Carol Britton Meyer

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HINGHAM - Aquarion Water Company has filed a several-inch-thick application with the state Department of Public Utilities for a \$3.1 million, or an overall 24.8 percent, increase in water service revenues.

Aquarion is also proposing implementing a one-time \$2,500 service connection fee to be paid for new hook-ups as well as higher rates for customers who exceed a certain usage threshold, as a water conservation measure.

This means that the average residential customer, (who would experience a 21.4 percent increase) in Hingham, Hull, and Cohasset would pay about 36 cents more a day for water. The average family's annual water bill based on 175 gallons a day is \$611. The cost would increase to \$742 a year with the increase in place. Businesses pay a higher rate for water than residents do, which accounts for the difference in the requested increase percentages.

"While we recognize that no one is happy when prices increase, to put things into some perspective, a 20-ounce bottle of water at local convenience stores costs between \$1.09 and \$1.59," Bingaman said. He further noted that the proposed increase is in line with the rate of inflation and is requested in part to cover \$21.4 million-worth of improvements made within the water system over the past several years, -- \$7.7 million in Hingham and \$500,000 in North Cohasset.

"We will continue our prudent capital investment program and remain committed to operating efficiently to mitigate rate increases," he said.

Following an Aquarion presentation to the selectmen about the proposed increase, Grenadier Road resident Charles Mooney asked if a "knowledgeable accountant would be checking these figures for the town. How much profit is the water company making?" he asked.

Selectman Bruce Rabuffo explained that the DPU is the

approving authority and "will get into these details during its full analysis" of the application. "The selectmen will participate in the process and make a decision as to when and if to intervene," he said.

Realizing that such an increase could be burdensome for low-income customers, Aquarion is also proposing the implementation of a pilot customer assistance program. Those who meet the program criteria would be eligible for an annual \$50 credit on their water bills.

Presidents Road resident Marcella Rovnak expressed concern that 75 percent of her water bill relates to surcharges.

Bingaman explained that a large portion of the payments made by customers goes toward paying off the original water treatment plant debt and also toward operating and maintenance expenses. He further noted that these surcharges were set by the DPU when the treatment plant went online.

Floret Circle resident Charles Berry also voiced some concerns. "This increase would effectively raise the bills of those of us who use very little water, as opposed to those who use a lot of water," he said. This is due to the fact that all residential customers pay the same surcharge amount regardless of how much water they use.

Filing a formal application is just the beginning of the process, which will involve an extensive DPU review and public hearings that could begin in June or July during which customers will have an opportunity to make comments and ask questions. "This is a very open, transparent process," Bingaman said.

A final ruling is expected by March 2009 at the latest. The new rates would be effective the date approval is granted.

However, "Aquarion is hopeful that the case will be approved and that the new rates will become effective before the end of 2008," said Bingaman. "The rate case is driven primarily by the approximate \$21.4 million in system and plant improvements; improved water supplies (working to improve existing well-production capacity); the replacement of aging and undersized transmission and distribution mains; and other needed enhancements made since the last rate increase in 2001." These improvements were geared toward improved service reliability and quality and increased water

supply, he noted.

“Is there a threshold for asking for an increase?” asked selectman chairman John Riley, to which Bingaman responded: “We don’t win any brownie points by holding off too long. We decided that the appropriate time is now, but in the future we’re looking toward a three-year rate cycle so future rate increase requests will be less.”

It was noted that in 2001, the time of the last requested increase, issues and concerns were resolved through negotiation between Massachusetts American Water Company, who owned the plant at that time, and Hingham, Cohasset, and Hull town officials. This resulted in a lower than requested increase. Aquarion acquired the plant in 2002.

Aquarion is taking a “growth paying for growth” approach in seeking approval to implement a new one-time \$2,500 system development charge. This fee would be paid by new customers to help cover future capital expenditures linked to finding additional water sources and increasing the size of water mains as needed, in part to accommodate new development. “Charges such as these are common in many town-owned water systems and help mitigate future rate increases on existing customers,” Bingaman said.

Aquarion is also seeking approval to implement inclining block rates – a higher rate for customers who exceed a certain threshold of usage – to encourage water conservation. This is consistent with the intent of new conservation standards set forth in 2006 by the Massachusetts Executive Office of Energy and Environmental Affairs and the Water Resources Commission.

“We’re proposing that the first 36,000 gallons of water used per customer (or household in the case of families) per year would be paid at one rate and that a higher rate would apply for the next 36,000 gallons or more,” Bingaman said.

Selectman Laura Burns asked if Aquarion plans to conduct a public relations campaign to inform customers of the proposed rate structure change.

“Yes -- through the media, school education programs, public presentations, and in information included in

water bills,” Bingaman said.

Aquarion is also proposing a 13.4 percent increase in the fire service protection charges paid by towns served by Aquarion. This charge, which is determined by an independent consultant, covers the cost of increasing the size of the water system’s supply, pumps, tanks, and mains by about 25 percent to enable fire departments to use up to 5,500 gallons per minute to “instantly fight a fire,” Bingaman said. Under Aquarion’s current rate structure, these towns are allowed to use as much water as needed to fight fires rather than paying a fee based on volume. This means that the total annual fire service charge for Hingham would increase by about \$38,000.

Between 2001 and 2007, Aquarion made more than \$21 million-worth of system improvements in the towns it serves (Hingham, North Cohasset, Hull, Norwell, Oxford, and Millbury). Aquarion is requesting the rate increase in part to cover these expenditures, as well as to recover an additional \$900,000 spent on developing additional water supply.

“The case is also necessitated by cost increases that Aquarion has experienced, such as fuel, electricity, and chemicals,” Bingaman said. “We’ve aggressively sought to control operating, maintenance, and other expenses and as a result have been able to avoid a request for increased rates for about seven years.”

The DPU will ultimately determine whether or not to grant the rate increase based on its review of Aquarion’s application, investments, operating expenses, and other considerations. “The DPU will either agree or disagree with Aquarion, but I believe we have a solid case,” Bingaman said.

Aquarion serves 12,500 homes and businesses in Hingham, North Cohasset, Hull, and Norwell and 6,000 in Millbury and Oxford.

For further information about Aquarion or the rate case, visit www.aquarion.com and click on the “Massachusetts” link under “Aquarion Water Companies.”

<http://www.wickedlocal.com/hingham/news/x2118744201/Aquarion-seeks-24-8-percent-increase>