

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 09-211

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Water Infrastructure and Conservation Adjustment 2010-2012 Projects

Order *Nisi* Granting Petition

ORDER NO. 25,065

January 15, 2010

I. BACKGROUND

On November 2, 2009, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed its proposed list of capital projects under its Water Infrastructure and Conservation Adjustment (WICA) tariff provisions that were approved in Aquarion's rate case, Docket No. DW 08-098. *Aquarion Water Company of New Hampshire*, Order No. 25,019 (Sept. 25, 2009). The purpose of the WICA is to allow Aquarion to recover the fixed costs of certain pre-approved non-revenue producing capital improvements completed and placed in service between general rate cases. Aquarion requests Commission approval of its 2010 projects, for which it will later seek cost recovery through the WICA for service rendered on and after January 1, 2011. Aquarion also requests approval of its proposed 2011 projects, which would be included in the WICA for service rendered on and after January 1, 2012. Aquarion also provided a list of proposed 2012 projects for advisory purposes.

Aquarion proposes a total of \$908,000 in WICA-eligible capital projects for 2010, including main replacements of \$738,000 for: meters costing \$125,000; hydrants costing \$20,000; services costing \$20,000; and valve replacements costing \$5,000. Aquarion's main replacement projects were selected from 56 potential main replacement projects based on main

break history, pipe age/useful life, material integrity, criticality to system function, water quality problems, hydraulic capacity and schedule coordination with other projects such as road paving or sewer projects. Aquarion's metering project involves replacing direct read meters with radio read meters and it is expected to be complete in 2012 or early 2013. Aquarion also plans to replace 12 hydrants, 8 service lines and 3 distribution valves. Aquarion states that these targets are based on historical annual averages. Aquarion's planned 2011 projects include a total of \$784,000 in capital spending, including \$617,000 dedicated to main replacements, \$122,000 to meters, \$20,000 to hydrants, \$20,000 in services, and \$5,000 to valves.

On November 9, 2009, the Office of Consumer Advocate (OCA) notified the Commission of its participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28. On December 28, 2009, Staff filed a letter recommending the Commission approve Aquarion's filing. Staff stated that the Town of North Hampton also recommended approval of Aquarion's filing and that OCA did not oppose the proposed WICA projects for 2010 or the 2011 projects, which will be further discussed in Aquarion's fall 2010 filing.

Staff stated that it conducted discovery and met with parties in a technical session. Staff attached to its letter Aquarion's responses to Staff's discovery requests. Aquarion's revised response to Staff discovery request 1-6 calculated that, for the capital projects to be undertaken in 2010, the WICA surcharge to customer bills would be approximately 2.01% and would take effect for service provided on and after January 1, 2011.¹ The estimated surcharge for the 2011

¹ According to Aquarion's tariff as approved by the Commission, a WICA surcharge will be determined by the proportion of incremental revenues resulting from the pre-tax return on completed plant, plus depreciation and property tax, compared to the total revenue requirement approved in Aquarion's last general rate case. The WICA surcharge amount will be the resulting percentage times the current customer bill amount.

projects would be an additional 1.74% increase; and the estimated surcharge for the 2012 projects would be an additional 1.42% increase.

II. COMMISSION ANALYSIS

In Order No. 25,019, we approved the WICA as a pilot program to allow Aquarion to place into rates a surcharge to recover its investment in replacing aging infrastructure. Aquarion has submitted projects and associated budgets for our review. For 2010, Aquarion proposes to spend about \$908,000, largely for water main replacement. For 2011, Aquarion proposes a construction budget of \$784,000, \$617,000 of which is dedicated to water main replacement. Aquarion's filing as well as its responses to discovery requests show that it has established a system for determining which mains to replace by using factors such as break history, age of pipe, material integrity and coordination with other projects such as paving or sewer work. Staff, North Hampton and OCA have reviewed the three year list of WICA projects, conducted discovery, and met with Aquarion in a technical session to discuss the filing. Staff and North Hampton recommend approval of Aquarion's filing and OCA does not oppose the WICA projects for 2010, or the WICA projects for 2011, which will be further discussed next fall.

Having reviewed Aquarion's filing, the recommendations of Staff and North Hampton, and the position of OCA, we will approve the 2010 schedule of WICA projects. We are satisfied that the proposed capital projects and budget for 2010 are reasonable and necessary, and fulfill the objective of the WICA program to accelerate the replacement of aging infrastructure. Thus, we find the investment decisions to be prudent. Our approval of the 2010 projects will permit Aquarion to seek cost recovery of those projects in its 2010 WICA filing to be submitted on or before November 1, 2010. At that time, we will determine whether the projects are, in fact, used

and useful in the provision of utility service, pursuant to RSA 378:28, prior to permitting Aquarion to recover on those assets. We will also approve the schedule of 2011 projects on a preliminary basis, understanding that Aquarion, Staff and the parties may make further recommendations once the 2010 filing is made and reviewed.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Aquarion Water Company of New Hampshire, Inc.'s schedule of 2010 capital projects under its WICA tariff is hereby approved; and it is

FURTHER ORDERED, that Aquarion's schedule of 2011 projects is approved on a preliminary basis, subject to further recommendations of the parties in the fall of 2010; and it is

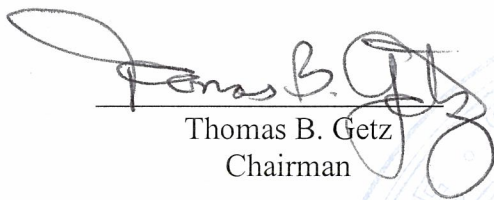
FURTHER ORDERED, that Aquarion shall cause a copy of this Order *Nisi* to be published once in a newspaper of general circulation in those portions of the state where operations are conducted, such publication to be no later than January 25, 2010 and to be documented by affidavit filed with this office on or before February 15, 2010; and it is

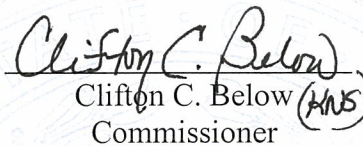
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than February 1, 2010 for the Commission's consideration; and it is

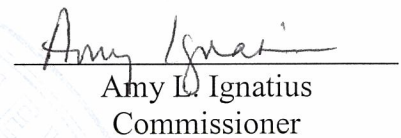
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than February 8, 2010; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective February 15, 2010, unless Aquarion fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

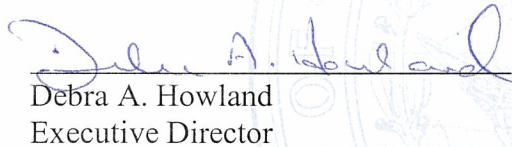
By order of the Public Utilities Commission of New Hampshire this fifteenth day of January, 2010.

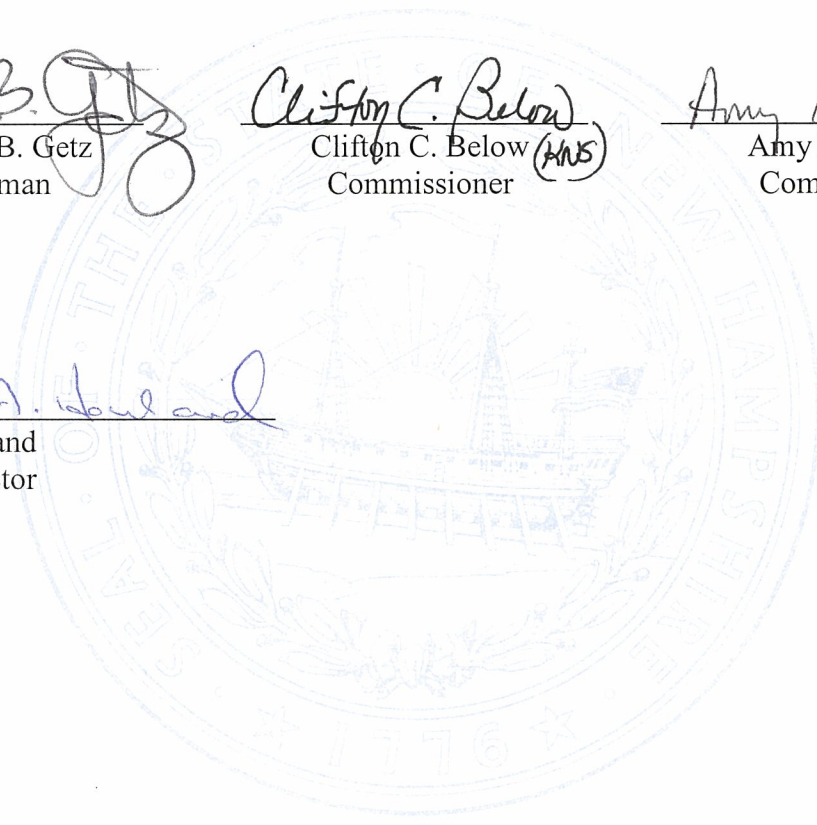

Thomas B. Getz
Chairman


Clifton C. Below (AMS)
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director



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01/15/10 Order No. 25,065 issued and forwarded to all parties.
Copies given to PUC Staff.

Docket #: 09-211 Printed: January 15, 2010

FILING INSTRUCTIONS: **PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
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CONCORD NH 03301-2429