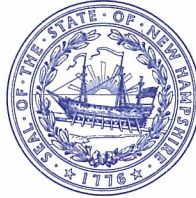


THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Robert R. Scott
Martin P. Honigberg

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

NHPUC 9APR'14AM9:30

April 9, 2014

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 13-314, Aquarion Water Company of New Hampshire, Inc.
2014 Water Infrastructure and Conservation Adjustment (WICA) Filing
Staff Recommendation relative to Supplemental Petition

Dear Ms. Howland:

On January 31, 2014, Aquarion Water Company of New Hampshire, Inc. (Aquarion or Company) filed a supplemental petition in this docket requesting authority to establish a WICA surcharge of 1.3788% based on its completed 2013 WICA projects, effective for service rendered on and after April 1, 2014. Additionally, with regard to the surcharge revenues from service rendered April 1 through December 31, 2014, Aquarion requests authority to bill customers a WICA surcharge equal to zero (0.0000%) and declare such surcharge to be a temporary rate subject to reconciliation through a deferral mechanism. Finally, Aquarion requests authority to establish a deferred asset equal to the revenues it would have collected based on a 1.3788% WICA surcharge for service rendered during the period from April 1 through December 31, 2014.

The Commission originally approved the WICA as a pilot program in Docket No. DW 08-098. The WICA was continued as a pilot program by the Commission in Aquarion's most recent full rate proceeding, DW 12-085. However, a settlement agreement in that docket between Aquarion, the Office of Consumer Advocate (OCA) and the Commission Staff (Staff) provided for certain modifications to the WICA pilot program. Among these were provisions to exclude from WICA-eligible improvements customer meters as well as the first \$50,000 in annual costs related to the reactive replacement of services, valves, and hydrants. The settlement agreement also contained a provision requiring Aquarion to provide an updated main replacement prioritization analysis and updated infrastructure inventory in its annual WICA filing. Order No. 25,539, June 28, 2013.

With regard to the instant docket, on November 1, 2013, Aquarion filed an initial petition requesting approval of its 2014-15 capital projects under its WICA tariff provision.¹ In that petition, Aquarion explained that in light of its recent rate proceeding in DW 12-085 and the subsequent temporary rate and rate case expense surcharges stemming from that case, it had elected to defer its request for a 2014 WICA surcharge until late January 2014 to be effective for service rendered on and after April 1, 2014. The Commission granted approval for Aquarion's 2014-15 WICA projects in Order No. 25,628 issued on February 7, 2014. As stated previously, Aquarion filed its anticipated supplemental petition in this docket on January 31, 2014.

Aquarion's supplemental petition stated that the WICA surcharge and associated deferral that it was proposing were designed to recover the costs associated with its 2013 WICA projects that were constructed and placed in service during its 2013 WICA project year² including depreciation, property tax expense and income tax expense. The nature of these projects and the calculation of the proposed WICA surcharge are more fully described in the prefiled direct testimonies of Carl McMorran, Operations Manager for Aquarion, and Troy M. Dixon, Director of Rates and Regulation for Aquarion, which accompanied Aquarion's supplemental petition.

The total 2013 WICA investment proposed for recovery in Aquarion's supplemental filing is \$736,876. Included in this amount are \$16,466 for production meters and \$27,728 for hydrants, services and valves.³ Aquarion also proposed four main replacement projects amounting to \$692,682 all occurring within the Town of Hampton: Church Street (Highland Avenue to Williams Street), Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue.

The Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue projects are substitutes for other projects that were originally planned and approved for the 2013 WICA project year. On September 6, 2013, in its previous WICA proceeding (DW 12-325), Aquarion filed a verified motion for approval of modifications to its 2013 WICA project list wherein it requested approval for these three main projects completed in 2013, but not included on its approved project list.⁴ Aquarion explained that after receiving approval for the projects originally planned for 2013 but prior to undertaking them, it became aware of an unexpected opportunity to coordinate these three WICA-eligible main replacement projects (i.e., Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue) with municipal sewer main projects that the Town of Hampton decided to undertake because of favorable financial terms available to it. Aquarion stated that based on the age, material and condition of the mains that are in the vicinity of the sewer

¹ For information purposes, Aquarion also submitted its list of proposed projects for 2016.

² The 2013 WICA project year is October 1, 2012 through September 30, 2013.

³ The actual cost for hydrants, services and valves of \$77,728 was reduced by \$50,000 per the modifications made to the WICA pilot program contained in the DW 12-085 settlement agreement.

⁴ As explained in its motion, Aquarion postponed the following projects which were included on its 2013 approved projects list: Well 7 transmission main; Well 9 transmission main; Meadow Pond/Gentian/Green Street main; Great Boar's Head main; and Route 101 (Glade Path to Tide Mill Road) main.

projects; they presented a significant risk of future main breaks. Further, because the old mains were also buried at an undesirably shallow depth, their replacement would mitigate or eliminate non-revenue water associated with the bleeding of these mains, as well as main breaks associated with damage caused by other construction projects. Aquarion indicated that by coordinating these projects with the Town of Hampton, it was able to realize certain efficiencies and cost savings including a reduction in its paving expense by approximately 50%. In addition, Aquarion stated that Hampton had a 5-year moratorium on road excavation projects following final paving, which would have prevented it from undertaking these projects until 2019.

In Order No. 25,584 dated October 21, 2013 in DW 12-325, the Commission denied Aquarion's motion and stated that it would take the issue up again in Aquarion's next WICA filing, which is the instant proceeding. However, in Order No. 25,628, relative to Aquarion's initial filing in this proceeding, the Commission deferred consideration of the verified motion until such time as Aquarion made its supplemental filing for approval of a WICA surcharge.

Relative to Aquarion's requests to set the WICA surcharge at zero (0.0000%) on a temporary basis and to record a deferred regulatory asset equal to the revenue that it would have collected during the temporary rate period based on a WICA surcharge of 1.3788%, the Company explained that it planned to submit a separate filing on or before March 31, 2014⁵. The purpose of the filing is to request approval for the establishment of a credit to customers relating to an anticipated tax benefit. The anticipated tax benefit stems from a recent change in federal tax regulations which will allow Aquarion to expense, for tax accounting purposes, certain repair and maintenance expenditures that it had previously capitalized. Aquarion is calculating the tax benefit it anticipates to receive based on its utility plant additions during the years 2007 through 2013, and has submitted a filing which proposes the creation of a regulatory liability in an amount equal to the benefit which will then be credited back to customers over a two to three year period commencing January 1, 2015. For purposes of rate stabilization, the Company proposes that the regulatory asset that it would establish in this docket be netted against the anticipated income tax benefit arising from the application of the tax change. Aquarion believes that this plan is preferable to one in which customers' bills are first increased to begin collecting the 2014 WICA surcharge in April, only to be issued credits associated with the anticipated tax benefit nine months later in January. Aquarion's specific proposal is set forth in more detail in its filing in DW 14-075.

Aquarion submitted copies of vendor invoices as well as labor and material schedules in support of the costs associated with the 2013 WICA projects for Staff's review. Due to the voluminous nature of this information it has not been attached to this correspondence. Staff and the OCA propounded respective initial rounds of discovery on the supplemental filing on February 26 and 27, 2014, to which Aquarion provided responses on March 10, 2014. Staff propounded a subsequent round of discovery on

⁵ This filing was received on March 17, 2014 and assigned Docket No. DW 14-075.

March 18, 2014 to which Aquarion responded on March 21, 2014. In addition, on March 24, 2014, Staff received a memorandum from Douglas W. Brogan, the Commission's former water and sewer engineer now engaged as a consultant, providing details of his review of the 2013 WICA projects, and his recommendations. Copies of Aquarion's responses to Staff and OCA discovery as well as a copy of Mr. Brogan's memorandum are attached to this correspondence.

Based on Staff's review of the supplemental filing, the discovery materials generated, and Mr. Brogan's recommendations, Staff recommends that the Commission approve a 2014 WICA surcharge of 1.3657% effective for service rendered on and after April 1, 2014. Further, Staff recommends that the Commission approve Aquarion's additional requests to set the WICA surcharge at zero (0.0000%) on a temporary basis, and to record a deferred regulatory asset equal to the revenue that it would have collected during that period based on a WICA surcharge of 1.3657%.

The proposed level of the WICA surcharge proposed by Staff is the result of two adjustments stemming from Staff's discovery. The first adjustment, based on modifications made to a certain vendor's recorded costs, lowered Aquarion's proposed surcharge from 1.3788% to 1.3733%. This adjustment is summarized in the Company's response to Staff Data Request 2-8. The second adjustment reflects accumulated depreciation in the calculation of the proposed surcharge. This is detailed in Aquarion's response to Staff Data Request 3-2 and lowers the proposed WICA surcharge to 1.3657%.

With regard to the proposed modifications to Aquarion's approved 2013 WICA project list which was the subject of the Company's verified motion filed in DW 12-325 and deferred for consideration until this proceeding, Staff supports these modifications. The information obtained relative to Aquarion's verified motion in DW 12-325 as well as both the initial and supplemental filings in the instant docket appear to indicate that the Company learned of the Town of Hampton's sewer work relatively late in the process; in early 2013. It also appears that the 2013 project substitutions were done for a number of valid reasons as detailed in Aquarion's filings. Further, the communications between Aquarion and municipal personnel involved in planning sewer work and road paving in the towns the Company serves appear to be adequate. Even though the actual cost of the substituted projects exceeded the budgeted cost of the projects they replaced by \$133,346, this was mitigated somewhat in that the Church Street – Highland Avenue to William Street project came in below budget by \$78,091. Therefore, the combined 2013 WICA main replacement projects totaled \$692,682, or only \$55,255 more than what was originally estimated. Staff, therefore, concludes that the Company's modifications to its 2013 WICA projects were effected in a prudent manner.

Nevertheless, Staff remains concerned that a similar modification which may occur in the future has a potential of undermining the WICA program as it was originally designed by the settling parties and approved by the Commission. Aquarion itself acknowledges that it could have informed Staff and other parties of the 2013 substitutions

in a timelier manner. As a result, in its response to Staff Data Request 2-4, Aquarion submitted a proposal for inclusion in its WICA pilot program tariff that would provide for prior notice relating to changes to the list of approved WICA projects. Staff supports this proposal and recommends that it be approved by the Commission as part of the WICA pilot program.

Concerning Aquarion's proposals to set the WICA surcharge at zero (0.0000%) on a temporary basis and to record a deferred regulatory asset equal to the revenue that it would have collected during that period based on the approved WICA surcharge, Staff has conducted preliminary discussions with the Company regarding this. Although Staff will reserve final opinion on the tax refund proposal until after it has reviewed the Company's filing, the plan as proposed by Aquarion in its supplemental filing related to the anticipated refund appears to be prudent. Staff believes that offsetting the anticipated refunds with the deferred WICA surcharge revenues earned during 2014 would be preferable to increasing customer rates now only to issue credits a few months later.

Staff notified the other parties in this case of its recommendations. Both Aquarion and the Town of North Hampton indicated their concurrence with Staff's recommendations.

The Town of Hampton responded with the following:

" . . . [Staff's] letter sets forth . . . the events surrounding the WICA surcharge for 2014, to become effective April 1, 2014 but not billed due to the more than complete set-off that will result from the tax refund as proposed. Hampton wishes to thank the Company for proceeding in this fashion in light of the pending TPRC determination. Also, Hampton has been supportive of the Company's substitution of projects in 2013 to account for opportunity to coordinate replacement of old mains in streets where the Town has undertaken sewer replacement in 2013: namely, Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue. The prior notice proposal relating to changes in the list of approved projects in [the] future seems like a good addition to the WICA pilot program. The Town of Hampton has expressed its reservations about the WICA pilot program in the past in terms of whether the program is achieving some of its original purposes--namely: lessening of rate shock and lessening the frequency of rate cases. Also, as expressed by the Hampton Town Manager to the Commission in the last rate case (DW 12-085), Hampton is concerned about the much higher ultimate cost of paying for the WICA projects that results from spreading out the cost of same through straight line depreciation as opposed to short term bonding. While Hampton still has these same concerns, and does not waive them, we do not expect the Commission to hold up the approval of the 2014 WICA charge on that basis. . . "

The OCA has asked Staff to present its position as follows:


"The OCA takes no position on the technical aspects of the Company's filing. Although it does not agree with the process followed by the Company in making post-approval modifications to its 2013 WICA projects, the OCA appreciates the economies

April 9, 2014

achieved for customers (e.g., see Company's response to Staff 1-4, quantifying paving cost savings of \$12,200) as well as the Company's willingness to formalize a more timely notification process to be followed in the future, when post-approval modifications occur. The OCA also appreciates the Company's efforts to mitigate the impacts of the rate increase resulting from its last distribution rate case as well as the rate impact related to the 2013 WICA investment, by deferring the recovery of the 2013 WICA project costs until January 2015, when the tax credit discussed above is expected to begin flowing to customers. See DW 14-075."

Thank you for your assistance in this matter. If there are further questions relative to the issues as related in this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jayson P. Laflamme", with a long horizontal flourish extending to the right.

Jayson P. Laflamme
Utility Analyst, Gas-Water Division

Attachments: Aquarion's responses to Staff Discovery (Sets 2 and 3)
Aquarion's responses to OCA Discovery (Set 1)
Memorandum from Douglas W. Brogan dated 3/24/2014

cc: Docket-Related Service List



McLane, Graf,
Raulerson & Middleton
Professional Association

11 South Main Street, Suite 500 | Concord, NH 03301
Tel: 603.226.0400 | Fax: 603.230.4448 | www.mclane.com

MANCHESTER
CONCORD
PORTSMOUTH
WOBBURN, MA

STEVEN V. CAMERINO
Direct Dial: 603-230-4403
Email: steven.camerino@mclane.com
Admitted in NH and MA

March 10, 2014

Via Electronic Mail

Mark A. Naylor
Director, Gas & Water Division
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301-2429

**Re: DW 13-314; Aquarion Water Company of New Hampshire, Inc.
2014 Water Infrastructure and Conservation Adjustment Filing**

Dear Mr. Naylor:

In connection with the above-captioned matter, I enclose Aquarion's responses to Staff's Second Set of Data Requests.

Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven V. Camerino".

Steven V. Camerino

Enclosures

cc: Service List (via electronic mail)

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-1

Date of Response: March 10, 2014
Witness: Carl McMorran

REQUEST: In comparing costs of actual 2013 projects to those on the Commission-approved list as filed in supplemental testimony November 9, 2012 in DW 12-325 (see McMorran supplemental testimony in the current docket p. 8, lines 6-10 and Att. CM-S2), should not the \$121,582 actual 2013 Church Street expenditure be compared to the \$200,000 Church Street estimate in the approved list?

RESPONSE: The final cost of the Church Street project is \$133,335. The \$78,091 represents the difference in the final costs and the \$211,426 originally approved in DW12-325. The table below provides a similar analysis including Church Street in the current main projects and in the approved main replacements. The CM-S2 schedule represents the increase in the current main replacement costs compared to the amount originally authorized.

Current Main Replacement Projects		
Projects	Length	Projected Costs
Auburn Avenue Main Replacement	405	213,233
Auburn Avenue Extension Main Repl.	260	86,195
Perkins Avenue Main Replacement	530	259,918
Church Street	638	133,335
		692,681

DW 12-325 Approved Main Replacements - Replaced		
Projects	Length	Projected Costs
Well 7 Transmission Main	800	201,000
Well 9 Transmission Main	300	67,000
Meadow Pond / Gentian / Green Streets	1,800	51,000
Great Boars Head (back alley main)	560	24,000
Rt 101 - Glade Path to Tide Mill Road	3,200	83,000
Church Street	700	211,426
		637,426
Funds Available for Alternative Projects		637,426
Additional Main Replacement Project Costs		55,255

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-2

Date of Response: March 10, 2014
Witness: Carl McMorran

REQUEST: Is the 2010 Church Street cost of \$11,753 (Att. CM-S1, p. 4) a more accurate number than the \$11,426 indicated in previous filings? Please explain.

RESPONSE: The \$11,753 reflects a final cost update associated with the final overhead amounts assessed to the project.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-3

Date of Response: March 10, 2014
Witness: Carl McMorran

REQUEST: Is there a particular reason why the well 5A production meter was replaced in 2013 (Att. CM-S1, p. 7) instead of the well 8A meter as originally proposed? Please explain.

RESPONSE: The Well 5A production meter was replaced because the original meter failed a calibration test and it was more cost effective to replace it than repair it.

The new Well 8A meter was not placed into service because of complications with the piping configuration to accommodate the new meter that would ensure accuracy and a lack of satisfactory space in the facility. This remains on our project list, but is on hold until higher priority projects have been completed.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-4

Date of Response: March 10, 2014
Witness: Troy Dixon/Carl McMorran

REQUEST: In response to Staff 1-6 b) the company indicated it would submit a proposal to notify parties of any changes to approved WICA project lists. Has the company developed such a proposal? Please provide or explain.

RESPONSE: The Company's proposal was circulated by email on February 3. A copy of the proposal is Staff 2-4 Attachment A.

WICA Notice Proposal

If because of changed circumstances or significant new information the Company plans to undertake projects that were not included on the list of approved WICA projects for a given year or it has decided not to proceed with one or more projects that were included on the approved list, it shall promptly notify the Commission and all parties to the proceeding in which the list of WICA projects was approved regarding the additional and/or deleted projects and the reason for the changes.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-5

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Re: Direct Testimony of Troy M. Dixon; Attachment TD-1; Page 1 of 3; Lines 2 and 19: Would the Company be amenable to reflecting a half-year of accumulated depreciation in the amount of the Total Investment Through 9/30/13 for purposes of its surcharge calculations? If no, please explain.

RESPONSE: Incorporation of accumulated depreciation into the WICA calculation adds complexity to the WICA process. If the half year convention for accumulated depreciation were to be utilized in the initial filing, but maintained and unadjusted in subsequent filings, the Company would be amenable to the change.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-6

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Re: Direct Testimony of Troy M. Dixon; Attachment TD-1; Page 1 of 3; Line 32: Please explain how the Company derived the Miscellaneous Charges Not Subject to WICA in the amount of \$189,059.

RESPONSE: The Company derived the miscellaneous revenues from the last general rate case. These are revenues associated with late payment fees, turn on charges and antenna rentals to which the WICA surcharge does not apply.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-7

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: **Re: Church Street – Highland Avenue to Williams Street Main Replacement Project:** Please provide the calculations with appropriate explanations for the overhead charge in the amount of \$10,776.20.

RESPONSE: Please refer to Staff 2-7 Attachment A for the calculation of the projects requested. For the Church St./Highland Ave. Project the design costs originated in a different WBS element number (XC230-2010-006-D03) in SAP. The costs were transferred to the current number (XC230-2013-010-E04-343). The attachment (in the first three sections) has overhead costs for the original project number in 2010 and 2013 along with the overhead costs for the current number in 2013.

[illegible]

WBS Element XC230-2013-013-E04-343	January	February	March	April	May	June	July	August	September	October	November	December	Total
500001 Contractor - Soft Costs	0.00	0.00	0.00	0.00	0.00	0.00	329.87	5,195.77	269.98				5,795.62
500002 Temporary Facilities	0.00	0.00	0.00	0.00	3,339.70	1,088.80	(12.43)	0.00	0.00				4,416.05
500012 Contractor - Engineering - WBS Elements	0.00	0.00	0.00	0.00	1,656.76	898.12	0.00	1,077.80	1,168.82				4,811.50
500014 Contractor - Inspection - WBS Elements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,336.22	693.27				8,049.49
500015 Contractor - Installation - WBS Elements	0.00	0.00	0.00	0.00	1,083.47	331.05	30,274.63	9,849.49	(0.01)				41,540.65
500016 Paving - WBS Elements	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00	5,119.78	0.00				8,019.78
500020 Materials - WBS Elements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
500031 Permit Fees - WBS Elements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.00				200.00
408500 PR Overhead - Capitalized Payroll Taxes	0.00	0.00	0.00	0.00	80.26	69.44	334.54	0.00	0.00				384.24
920003 Labor Transfer CATS - Non CT Emp's	0.00	0.00	0.00	0.00	1,003.30	867.98	2,931.69	0.00	0.00				4,802.87
920400 Indirect Labor, Benefits, and Other	0.00	0.00	0.00	0.00	354.26	159.30	1,801.19	1,450.45	93.28				3,858.48
926500 PR Overhead- Capitalized Fringe Benefits	0.00	0.00	0.00	0.00	762.43	659.66	2,228.08	0.00	0.00				3,650.17
* XC230-2013-013-E04-343 Auburn Avenue Extension Main R	0.00	0.00	0.00	0.00	8,282.08	4,074.35	40,287.57	30,459.51	7,425.34	0.00	0.00	0.00	85,528.83
Payroll Overhead	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%	Overhead Total
Calculated Payroll Overhead	0.00	0.00	0.00	0.00	842.69	729.10	2,463.62	0.00	0.00	0.00	0.00	0.00	
Per SAP	0.00	0.00	0.00	0.00	842.69	729.10	2,463.62	0.00	0.00	0.00	0.00	0.00	4,034.41
Difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
General Overhead	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	10%	
Calculated General Overhead	0.00	0.00	0.00	0.00	354.26	159.30	1,801.19	1,450.45	93.28	0.00	0.00	0.00	
Per SAP	0.00	0.00	0.00	0.00	354.26	159.30	1,801.19	1,450.45	93.28	0.00	0.00	0.00	3,858.48
Difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
													Total
													7,893.89

Explanation of General Overhead Assessment

General overhead represents charges to capital that are not specific to any one project. General overhead is assessed to all eligible construction projects at the end of each month. Prior to April 2009, the assessment was based on the costs of each receiver project as a percentage of the total eligible projects each month. In April 2009, the methodology was changed so that general overhead was allocated to eligible receiver projects using a pre-determined rate. Any residual general overhead balances were then cleared out in December each year. Thus, the rates will vary from month to month prior to April 2009, as well as each December. The above schedules recalculate general overhead for each selected project and compare the calculation to the system assessments.

Explanation of Material Handling Assessment

Material handling represents charges to recurring T&D capital that are not specific to any one project. Material handling is assessed to all eligible construction projects at the end of each month. The assessment was based on the costs of each receiver project as a percentage of the total eligible projects each month. Thus, the rates will vary from month to month. The above schedules recalculate material handling for each selected project and compare the calculation to the system assessments.

Explanation of Payroll Overhead Assessment

Payroll overhead represents the percentage of fringe benefits and payroll taxes to total payroll expense. The payroll overhead rate is set at the beginning of each year based on the fringe benefits and payroll taxes as a percent of the total payroll budget. Payroll overhead is applied to the total direct and indirect labor for each job at the end of the month. The above schedules recalculate payroll overhead for each selected project and compare the calculation to the system calculation.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

**Aquarion Water Company's Responses to
Staff's Data Requests – Set #2**

Date Request Received: February 26, 2014
Request No.: Staff 2-8

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Re: Auburn Avenue Main Replacement Project:

- a) The project cost summary relative to the Auburn Avenue Main Replacement Project indicates that the charges related to Tighe & Bond total \$27,168.48. However, it appears that the supporting documentation provided relative to the Tighe & Bond charges only totals \$20,685.45 for this project; a difference of \$6,483.03. Please explain.
- b) Please provide the calculations with appropriate explanations for the overhead charge in the amount of \$19,341.51.

RESPONSE:

- a) After further review the Company has revised the total charges related to Tighe and Bond for the three main replacement projects referenced in Staff 2-8, 2-9 and 2-10. The revisions were due to the actual invoices being lower than the accruals and miscoding of the costs between the three projects. The Company has corrected the three differences indicated in Staff 2-8 to Staff 2-10. An update to TD-1 is provided as Staff 2-8 Attachment A to reflect the changes and the associated calculation adjustments.
- b) Due to the adjustment indicated above the new overhead charge is \$19,082.19. The calculation is contained within Staff 2-7 Attachment A.

Aquarion Water Company of New Hampshire
2014 Annual WICA Surcharge Filing

**WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
CALCULATION OF SURCHARGE**

Line		Schedule Ref.	
1			
2	Total Investment through 09/30/2013	TD-1, Pg 3 Col 6 Ln 13	\$ 733,937
3			
4	Allowed Return on Rate Base	TD-1, Pg 2 Col 8	7.49%
5			
6	Allowed Return on Investment	Ln 17	\$ 54,972
7			
8	Income Tax on Equity Component		
9			
10			
11		(a)	(b)
12		Weighted	Tax
13		Cost	Multiplier
14	Debt	3.58%	1.00
15	Equity	3.91%	1.68
16			
17		7.49%	10.15%
18			2.66%
19	Total Eligible Investment (Line 2 above)		\$ 733,937
20			
21	Income Tax Expense	Ln 16 Col D X Ln 18	19,523
22			
23	Depreciation Expense	TD-1, Pg 3 Col 8 Ln 41	9,225
24			
25	Property Tax Expense	TD 1, Pg 3 Col 10 Ln 41	11,587
26			
27	Adjustment: Annual Revenues Allowed	Lines 6 through 25	\$ 95,307
28			
29			
30	Base Revenues on which Adjustment will be applied		
31	Revenues allowed DW 12-085		\$ 7,129,043
32	Misc. Charges not subject to WICA		(189,059)
33			\$ 6,939,984
34			
35	Surcharge Percent (Line 27 divided by Line 33)		1.3733%
36			

Aquarion Water Company of New Hampshire
2014 Annual WICA Surcharge Filing

**WATER INFRASTRUCTURE & CONSERVATION ADJUSTMENT
COMPLETED PROJECTS**

		1	2	3	4	5	6	7	8	9	10 = (4 x 8) + 5 + 6 + 7
Line	Project Name or Class Category	Estimated Completion Date**	Actual Completion Date	Estimated Project Cost**	Actual Project Cost	Depreciation Expense	Property Tax Expense	Income Tax Expense	Rate of Return	Annual Retail Revenues	WICA Adjustment Dollars
1											
2											
3	<u>Project Surcharge Proposed Herein</u>										
4	Production Meters	30-Sep-13	30-Sep-13	\$ 18,030	\$ 16,466	\$ 488	\$ 177	\$ 438	7.49%	\$ 7,129,043	2,337
5	Main Replacements	30-Sep-13	30-Sep-13	\$ -	\$ 689,743	\$ 8,052	\$ 10,997	\$ 18,347	7.49%	\$ 7,129,043	89,058
6	Hydrants*	30-Sep-13	30-Sep-13	\$ 32,700	\$ 8,147	\$ 174	\$ 119	\$ 217	7.49%	\$ 7,129,043	1,120
7	Services*	30-Sep-13	30-Sep-13	\$ 80,600	\$ 14,414	\$ 252	\$ 212	\$ 383	7.49%	\$ 7,129,043	1,927
8	Valves*	30-Sep-13	30-Sep-13	\$ 10,600	\$ 5,167	\$ 258	\$ 81	\$ 137	7.49%	\$ 7,129,043	864
9											
10	TOTALS			\$ 142,130	\$ 733,937	\$ 9,225	\$ 11,587	\$ 19,523			\$ 95,306

* Emergency Replacement

** Per Docket Filing DW 11-238

14
15
16
17
18
19
20
21
22
23
24
25

Aquarion Water Company of New Hampshire
2014 Annual WICA Surcharge Filing

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
ELIGIBLE PROJECTS PLACED IN SERVICE

Line	Description of Project	Street	Town	1 PUC Acct	2 Depr Rate	3 Type of Project*	4 Date in Service	5 Date of 1st Filing	6a Total Capital Costs	6b Eligible Capital Costs	7a Total Retirements	7b Eligible Retirements	8 = (6b - 7b) x 2 Depreciation Expense	9 Mil Rates Town State Total	10 = (((6b-7b)/1000) x 9) Prop Tax Expense**
1															
2	<u>Project Surcharge Proposed Herein</u>														
3															
4	Production Meters	Rye		328	4.40%	Other Pumping	9/30/2013	10/31/2013	\$ 3,432	\$ 3,432	\$ 3,033	\$ 3,033	\$ 18	8.78 6.60 15.38	\$ 5
5	Production Meters	North Hampton		328	4.40%	Other Pumping	9/30/2013	10/31/2013	\$ 4,511	\$ 4,511	\$ 2,331	\$ 2,331	\$ 96	13.66 6.60 20.26	\$ 33
6	Production Meters	Hampton		328	4.40%	Other Pumping	9/30/2013	10/31/2013	\$ 8,522	\$ 8,522	\$ -	\$ -	\$ 375	15.25 6.60 21.85	\$ 140
7	Church Street-Highland Avenue to Williams Street	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 133,335	\$ 133,335	\$ 6,243	\$ 6,243	\$ 1,625	15.25 6.60 21.85	\$ 2,083
8	Auburn Avenue	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 206,491	\$ 206,491	\$ 10,346	\$ 10,346	\$ 2,354	15.25 6.60 21.85	\$ 3,214
9	Auburn Avenue Extension	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 85,529	\$ 85,529	\$ 359	\$ 359	\$ 1,022	15.25 6.60 21.85	\$ 1,396
10	Perkins Avenue	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 264,388	\$ 264,388	\$ 1,760	\$ 1,760	\$ 3,152	15.25 6.60 21.85	\$ 4,304
11	Hydrants*	Hampton		348	2.40%	Hydrants	9/30/2013	10/31/2013	\$ 22,839	\$ 8,147	\$ 2,498	\$ 891	\$ 174	15.25 6.60 21.85	\$ 119
12	Services*	Hampton		345	1.85%	Services	9/30/2013	10/31/2013	\$ 33,941	\$ 12,108	\$ 1,994	\$ 711	\$ 211	15.25 6.60 21.85	\$ 187
13	Services*	Rye		345	1.85%	Services	9/30/2013	10/31/2013	\$ 6,464	\$ 2,306	\$ 230	\$ 82	\$ 41	8.78 6.60 15.38	\$ 26
14	Valves*	Hampton		349	5.00%	Other T&D Plant	9/30/2013	10/31/2013	\$ 6,351	\$ 2,265	\$ -	\$ -	\$ 113	15.25 6.60 21.85	\$ 37
15	Valves*	North Hampton		349	5.00%	Other T&D Plant	9/30/2013	10/31/2013	\$ 8,133	\$ 2,901	\$ -	\$ -	\$ 145	13.66 6.60 20.26	\$ 44
16															
17															
18															
19															
20	TOTALS									\$ 783,937	\$ 733,937	\$ 28,794	\$ 25,757	\$ 9,225	\$ 11,587
21										to TD-1, Pg 1, Ln 2		to TD-1, Pg 1, Ln 23		to TD-1, Pg 1, Ln 25	

*Total capital costs are reduced by \$50,000 proportionately per Order No. 25,539. Retirements are also proportionately reduced.

** Type of Project (designations will be given for various types of projects)

***Property Tax Expense is for nine months for the 2013 proposed surcharge projects.

22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #2

Date Request Received: February 26, 2014
Request No.: Staff 2-9

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Re: Auburn Avenue Extension Main Replacement Project:

- a) The project cost summary relative to the Auburn Avenue Extension Main Replacement Project indicates that the charges related to Tighe & Bond total \$13,501.61. However, it appears that the supporting documentation provided relative to the Tighe & Bond charges only total \$12,860.99 for this project; a difference of \$640.62. Please explain.
- b) Please provide the calculations with appropriate explanations for the overhead charge in the amount of \$7,918.52.

RESPONSE:

- a) After further review the Company has revised the total charges related to Tighe and Bond for the three main replacement projects referenced in Staff 2-8, 2-9 and 2-10. The revisions were due to the actual invoices being lower than the accruals and miscoding of the costs between the three projects. The Company has corrected the three differences indicated in Staff 2-8 to Staff 2-10. An update to TD-1 is provided as Staff 2-8 Attachment A to reflect the changes and the associated calculation adjustments.
- b) Due to the adjustment indicated above the new overhead charge is \$7,892.89. The calculation is contained within Staff 2-7 Attachment A.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

**Aquarion Water Company's Responses to
Staff's Data Requests – Set #2**

Date Request Received: February 26, 2014
Request No.: Staff 2-10

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Re: Perkins Avenue Main Replacement Project:

- a) The project cost summary relative to the Perkins Avenue Main Replacement Project indicates that the charges related to Tighe & Bond total \$37,372.25. However, it appears that the supporting documentation provided relative to the Tighe & Bond charges actually total \$41,610.27 for this project; a difference of \$4,298.02. Please explain.
- b) Please provide the calculations with appropriate explanations for the overhead charge in the amount of \$23,168.95.

RESPONSE:

- a) After further review the Company has revised the total charges related to Tighe and Bond for the three main replacement projects referenced in Staff 2-8, 2-9 and 2-10. The revisions were due to the actual invoices being lower than the accruals and miscoding of the costs between the three projects. The Company has corrected the three differences indicated in Staff 2-8 to Staff 2-10. An update to TD-1 is provided as Staff 2-8 Attachment A to reflect the changes and the associated calculation adjustments.
- b) Due to the adjustment indicated above the new overhead charge is \$23,340.87. The calculation is contained within Staff 2-7 Attachment A.



McLane, Graf,
Raulerson & Middleton
Professional Association

11 South Main Street, Suite 500 | Concord, NH 03301
Tel: 603.226.0400 | www.mclane.com

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH
WOBURN, MA

STEVEN V. CAMERINO
Direct Dial: 603-230-4403
Email: steven.camerino@mclane.com
Admitted in NH and MA

March 21, 2014

Via Electronic Mail

Marcia A. Brown, Esq.
Staff Attorney
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301-2429

**Re: DW 13-314; Aquarion Water Company of New Hampshire, Inc.
2014 Water Infrastructure and Conservation Adjustment Filing**

Dear Ms. Brown:

In connection with the above-captioned matter, I enclose Aquarion's responses to Staff's third set of data requests.

Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven V. Camerino".

Steven V. Camerino

Enclosures

cc: Discovery Service List (via electronic mail)

SERVICE LIST - EMAIL ADDRESSES - DISCOVERY MATERIALS

**Pursuant to N.H. Admin Rule Puc 203.09 (d) and 203.11 (a) (11) Electronic copies of all discovery shall be served on every person designated for discovery filings on the Commission's official service list.
[Discovery shall not be filed as part of a docket filing pursuant to 203.02]**

Discovery@puc.nh.gov
amanda.noonan@puc.nh.gov
Christina.Martin@oca.nh.gov
douglas.brogan@myfairpoint.net
marcia.brown@puc.nh.gov
mark.naylor@puc.nh.gov
patrick.taylor@mclane.com
Rorie.E.P.Hollenberg@oca.nh.gov
steve.frink@puc.nh.gov
steven.camerino@mclane.com
susan.chamberlin@oca.nh.gov
amanda.noonan@puc.nh.gov

Docket #: 13-314-1 Printed: March 21, 2014

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #3

Date Request Received: March 18, 2014
Request No.: Staff 3-1

Date of Response: March 21, 2014
Witness: Carl McMorran

REQUEST: Re: Company's Response to OCA DR 1-1: On a cost per foot basis, the three 2013 substitution projects rank second, third and fourth highest among the company's main replacements over the last nine years. Please comment on the reason(s) for the high cost of the three projects.

RESPONSE: Costs for these projects were higher than average due to three factors: the presence of asbestos-cement pipe, schedule delays and use of temporary water services.

Because the project involved the replacement of asbestos-cement pipe, special handling and disposal of the old pipe was required. In particular, the old asbestos cement pipe had to be removed and secured by certified technicians and disposed of in a certified landfill, and the process required special documentation. These were all additional expenses that were not required on previous projects.

Inspection and engineering oversight costs were higher than usual for this project because the schedule went two months longer than originally planned because of very difficult construction conditions, particularly low electrical wires and other cables that slowed down excavation, poor soil conditions that required more time for shoring and other safety requirements, and high tides that stopped work. Every day the project went beyond the original schedule was another day of expense for inspection work.

In addition, unlike previous projects, temporary services were required for this project resulting in additional cost to install a tap, run a temporary above ground water main, tie in temporary services to each house, and then remove the temporary services and related facilities after the permanent services were installed and activated.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
Staff's Data Requests – Set #3

Date Request Received: March 18, 2014
Request No.: Staff 3-2

Date of Response: March 21, 2014
Witness: Troy Dixon

REQUEST: Re: Company's Response to Staff DR 2-5: Please provide an updated surcharge calculation which reflects a half-year of accumulated depreciation in the amount of the Total Investment Through 9/30/13. Staff believes such would impact Return on Investment, Income Tax Expense and Property Tax Expense.

RESPONSE: Please refer to Staff 3-2 Attachment A.

Aquarion Water Company of New Hampshire
2014 Annual WICA Surcharge Filing
Staff 3-2 Attachment A

**WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
CALCULATION OF SURCHARGE**

Line		Schedule Ref.	
1			
2	Total Investment through 09/30/2013	TD-1, Pg 3 Col 6b Ln 18	\$ 734,050
3			
4	Accumulated Depreciation	TD-1, Pg 3 Col 8a Ln 18	(4,613)
5			
6	Net Investment	Ln 2 + Ln 4	<u>\$ 729,437</u>
7			
8	Allowed Return on Rate Base	TD-1, Pg 2 Col 8	<u>7.49%</u>
9			
10	Allowed Return on Investment	Ln 6 x Ln 8	\$ 54,635
11			
12	Income Tax on Equity Component		
13			
14			
15		(a)	(b)
16		Weighted	Tax
17		Cost	Multiplier
18	Debt	3.58%	1.00
19	Equity	3.91%	1.68
20			
21		7.49%	10.15%
22			2.66%
23	Total Eligible Investment (Line 6 above)		\$ 729,437
24			
25	Income Tax Expense	Col (d) Ln 21 X Ln 23	19,403
26			
27	Depreciation Expense	TD-1, Pg 3 Col 8 Ln 18	9,227
28			
29	Property Tax Expense	TD 1, Pg 3 Col 10 Ln 18	11,513
30			
31	Adjustment: Annual Revenues Allowed	Lines 10 through 29	<u>\$ 94,778</u>
32			
33			
34	Base Revenues on which Adjustment will be applied		
35	Revenues allowed DW 12-085		\$ 7,129,043
36	Misc. Charges not subject to WICA		<u>(189,059)</u>
37			<u>\$ 6,939,984</u>
38			
39	Surcharge Percent (Line 31 divided by Line 37)		1.3657%
40			

Aquarion Water Company of New Hampshire
2014 Annual WICA Surcharge Filing
Staff 3-2 Attachment A

**WATER INFRASTRUCTURE & CONSERVATION ADJUSTMENT
COMPLETED PROJECTS**

Line	Project Name or Class Category	1 Estimated Completion Date**	2 Actual Completion Date	3 Estimated Project Cost**	4 Actual Project Cost	5 Depreciation Expense	6 Property Tax Expense	7 Income Tax Expense	8 Rate of Return	9 Annual Retail Revenues	10 = (4 x 8) + 5 + 6 + 7 WICA Adjustment Dollars
1											
2											
3	<u>Project Surcharge Proposed Herein</u>										
4	Production Meters	30-Sep-13	30-Sep-13	\$ 18,030	\$ 16,466	\$ 488	\$ 173	\$ 431	7.49%	\$ 7,129,043	2,308
5	Main Replacements	30-Sep-13	30-Sep-13	\$ -	\$ 689,856	\$ 8,054	\$ 10,932	\$ 18,243	7.49%	\$ 7,129,043	88,598
6	Hydrants*	30-Sep-13	30-Sep-13	\$ 32,700	\$ 8,147	\$ 174	\$ 117	\$ 214	7.49%	\$ 7,129,043	1,110
7	Services*	30-Sep-13	30-Sep-13	\$ 80,600	\$ 14,414	\$ 252	\$ 210	\$ 380	7.49%	\$ 7,129,043	1,913
8	Valves*	30-Sep-13	30-Sep-13	\$ 10,800	\$ 5,167	\$ 258	\$ 79	\$ 134	7.49%	\$ 7,129,043	849
9											
10	TOTALS			\$ 142,130	\$ 734,050	\$ 9,227	\$ 11,513	\$ 19,403			\$ 94,778
11											
12	* Emergency Replacement										
13	** Per Docket Filing DW 11-238										
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT ELIGIBLE PROJECTS PLACED IN SERVICE

***Property Tax Expense is for nine months for the 2013 proposed surcharge projects.



McLane, Graf,
Raulerson & Middleton
Professional Association

11 South Main Street, Suite 500 | Concord, NH 03301
Tel: 603.226.0400 | Fax: 603.230.4448 | www.mclane.com

MANCHESTER
CONCORD
PORTSMOUTH
WOBBURN, MA

STEVEN V. CAMERINO
Direct Dial: 603-230-4403
Email: steven.camerino@mclane.com
Admitted in NH and MA

March 10, 2014

Via Electronic Mail

Rorie E.P. Hollenberg
Assistant Consumer Advocate
Office of Consumer Advocate
21 S. Fruit St., Ste. 18
Concord, New Hampshire 03301

**Re: DW 13-314; Aquarion Water Company of New Hampshire, Inc.
2014 Water Infrastructure and Conservation Adjustment Filing**

Dear Ms. Hollenberg:

In connection with the above-captioned matter, I enclose Aquarion's responses to OCA's First Set of Data Requests.

Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be "S. Camerino", written over a horizontal line.

Steven V. Camerino

Enclosures

cc: Service List (via electronic mail)

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

**Aquarion Water Company's Responses to
OCA's Data Requests – Set #1**

Date Request Received: February 27, 2014
Request No.: OCA 1-1

Date of Response: March 10, 2014
Witness: Carl McMorran

REQUEST: Reference Staff 1-8. Please provide the total length and cost of actual main replacements by year from 2005 through 2013.

RESPONSE:

Project	Replacement Year	Location	Length (feet)	Cost
Ashworth Ave	2005 - 2007	Dustin Ave to Nudd Ave, Hampton	2,944	\$1,625,929
Highland Ave	2007	Ashworth Ave to Church St, Hampton	1,330	\$433,375
Mill Rd	2007	Mill Rd transmission main, Hampton to Pine Rd, North Hampton	1,157	\$274,209
Pine Rd	2007	Atlantic Ave to Mill Rd, North Hampton	2,591	\$614,067
I-95 Bridge crossing	2008	I-95 bridge, Post Road, North Hampton	844	\$145,480
Cross country main	2009	Fairway Dr, Rye to Pond Path, North Hampton	1,100	\$204,500
Atlantic Ave	2010	Mill Rd to House 106, North Hampton	2,145	\$570,697
Atlantic Ave	2011	House 106 to Woodland Rd, North Hampton	2,460	\$698,937
Atlantic Ave	2012	Hydrant 539 to Maple Rd, North Hampton	1,750	\$553,908
Church St	2013	Highland Ave to Williams St, Hampton	700	\$133,335
Auburn Ave	2013	Ashworth Ave to end, Hampton	430	\$206,491
Auburn Ave Ext	2013	Auburn Ave to Perkins Ave, Hampton	260	\$85,529
Perkins Ave	2013	Ashworth Ave to end, Hampton	515	\$264,388

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
OCA's Data Requests – Set #1

Date Request Received: February 27, 2014
Request No.: OCA 1-2

Date of Response: March 10, 2014
Witness: Carl McMorran

REQUEST: Please quantify any O&M expense and other savings associated with the 2013 WICA projects. See, e.g., McMorran Direct, page 6 of 9, lines 15-18.

RESPONSE: After construction, Aquarion split the expected final paving costs with the Town of Hampton, saving \$12,200.

Regular O&M savings are estimated assuming that the frequency of the need for winter bleeders, main breaks, and service leaks would have occurred at the same frequency as in the past.

Winter bleeders on these streets totaled up to 600,000 gallons during very cold winters, somewhat less for milder winters. If a 300,000-gallon total is assumed as an average, the annual average savings at the marginal production costs of \$294 / million gallons is \$88.

Historically, one main break and one service leak occurred on one of these three streets about every other year.

Main breaks cost, on average, \$4,260 to repair. Assuming no main breaks occur in the near future, savings will average \$2,130 per year.

Service line leaks cost, on average, \$2,060 to repair. Assuming no service line leaks occur in the near future, savings will average \$1,030 per year.

There will also be some unquantifiable savings due to the removal of the asbestos-cement pipe. Repairing and disposing of asbestos-cement pipe, when needed, requires special handling and disposal procedures, which are event specific. These costs are avoided entirely since the asbestos-cement pipe has all been removed.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

**Aquarion Water Company's Responses to
OCA's Data Requests – Set #1**

Date Request Received: February 27, 2014
Request No.: OCA 1-3

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Please quantify any incremental revenues associated with the 2013 WICA projects.

RESPONSE: All of the projects within this filing are replacements and therefore would not generate any additional revenues.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
OCA's Data Requests – Set #1

Date Request Received: February 27, 2014
Request No.: OCA 1-4

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: How will the Company track the accruals of the WICA surcharge between April 1, 2014 and December 31, 2014? Will the Company earn a return on the WICA surcharge amounts associated with this time period? What rate of return will be used?

RESPONSE: The Company will set up a deferred asset account to track the monies that would have been collected between April 1, 2014 to December 31, 2014 through an analysis of monthly billed revenue. The Company is not seeking any return or interest on amounts deferred for future recovery.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
OCA's Data Requests – Set #1

Date Request Received: February 27, 2014
Request No.: OCA 1-5

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: How will the Company track between April 1, 2014 and December 31, 2014, the accruals of the customers' tax benefit associated the change in federal tax regulations that now allows the Company to expense for tax purposes certain repair and maintenance expenditures that were previously capitalized during the years 2007 through 2013? Will the customers earn a return on these amounts? What rate of return will be used?

RESPONSE: There is no tax benefit associated with any specific months. The Company is calculating the tax benefit associated with the period discussed in the testimony of Mr. Dixon and will book that estimated liability to its customers as of December 31, 2013 in accordance with its tax provision. The final tax return will not be filed until mid September 2014. Consistent with the response to OCA 1-4, the Company is not applying a return or interest to this amount.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
OCA's Data Requests – Set #1

Date Request Received: February 27, 2014
Request No.: OCA 1-6

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Why is the Company proposing to wait until January 1, 2015 to net the 2014 WICA surcharge against the liability to customers associated with the income tax benefit (rather than beginning the refund process earlier)?

RESPONSE: Aquarion will be adopting the change in accounting method relating to the tangible property regulation on the Company's 2013 tax return. The Company's 2013 tax return will be filed in September of 2014. Therefore, the Company's determination of the tax benefit will not be finally known until late this year. It should be noted that the Company's calculation of the tax benefit will still be subject to review and acceptance by the IRS.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

Aquarion Water Company's Responses to
OCA's Data Requests – Set #1

Date Request Received: February 27, 2014
Request No.: OCA 1-7

Date of Response: March 10, 2014
Witness: Troy Dixon

REQUEST: Does the Company expect the 1.3788% WICA surcharge for 2013, if approved by the Commission, to be fully offset by the first year of amortization of the income tax benefit? Please explain.

RESPONSE: Yes, the Company anticipates that the updated 2013 WICA surcharge of 1.3733% and the projected 2014 WICA surcharge will be fully offset by the anticipated tax benefit.

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 13-314

**Aquarion Water Company's Responses to
Office of Consumer Advocate's Data Requests – Set #1**

Date Request Received: February 27, 2014
Request No.: OCA 1-8

Date of Response: March 10, 2014
Witness: Troy Dixon/ Carl McMorran

REQUEST: Reference Staff 1-6 and Staff 2-4. Does the Company agree that the new WICA notification process, if agreed to by the parties, should be formally incorporated into the WICA pilot program? If so, how does the Company propose to accomplish that goal?

RESPONSE: The Company has no objection to formally incorporating the new notification process into the WICA pilot program and had understood that that was the intent of the OCA and Commission staff in discussing the concept. The Company believes that the best way to incorporate the change into the program would be through a Commission order that adds the notification process to the program requirements. While the change could also be implemented through a tariff change, the Company does not believe that a notice provision of this type is the type of matter that would typically be included in the terms and conditions of service provided to customers.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 24, 2014
AT (OFFICE): NHPUC

FROM: Douglas W. Brogan

SUBJECT: DW 13-314, Aquarion Water Company or New Hampshire
2014 WICA Adjustment Filing

TO: Mark A. Naylor
Director, Gas & Water Division

This memo is being submitted at your request to provide comments on the 2013 WICA projects completed by Aquarion Water Company of New Hampshire (Aquarion or company), and can be considered a supplement to my memo of January 7, 2014 in this same docket, DW 13-314. My previous memo, while providing initial comment on the 2013 projects, focused on Aquarion's 2014-2016 projects that were the subject of the company's phase 1 filing (November 1, 2013). The company's phase 2 filing (January 31, 2014) deals specifically with the completed 2013 projects and, along with subsequent discovery, provides the basis for this second memo. The underlying circumstances involving substitution of three streets on the company's approved 2013 project list have been addressed at length elsewhere and, except for the updated information and additional comments that follow, will not be repeated here.

Some additional detail has been provided in the phase 2 filing on the events leading up to the substitution. Specifically, the company now states the Town of Hampton (Town) indicated to the company on September 13, 2012 that it had no plans for sewer replacements on Auburn and Perkins Avenues through at least 2015 (McMorran supplemental testimony, p. 4, lines 2-10), and that the company first learned of the Town's change of intent regarding those streets in "late January", 2013 (McMorran supplemental testimony, p. 5, line 4). The final 2013 WICA project list was approved by the Commission on January 17, 2013 (Order 25,455 in DW 12-325).

The reasons for the substitutions, once the company learned of the Town's new intentions, were detailed in an earlier (September 6, 2013) motion in DW 12-325 and are repeated in the phase 2 filing. Reasons generally include pipe age and material, main break history, elimination of non-revenue water from bleeders, avoidance of damage from the Town's sewer construction, an anticipated five year roadway excavation moratorium following the sewer work, and sharing of paving costs with the Town. While the total estimated reduction in paving costs of \$12,200 (Staff 1-4 c, OCA 1-2) is unremarkable, it is difficult to find fault with the company's rationale for pursuing the substitutions in light of all of the factors above. In fact, the company has indicated that if it had known of the Town's intentions beforehand, the three streets would surely have appeared on its proposed 2013 list.

One remaining issue involves the actual cost of the three projects. The response to OCA 1-1 provides a list of all main replacements by the company over the last nine years. Calculations

from that data indicate the three 2013 substitution streets (Perkins Ave, Auburn Ave, and Auburn Ave Ext) rank second, third and fourth highest on a simple cost per foot basis among the thirteen projects listed. To simplify the presentation I have included the listing at the end of this memo, sorted by cost per foot. When questioned, the company indicated the higher costs were primarily due to three factors, as detailed in the response to Staff 3-1:

- 1) Asbestos handling and disposal costs on the two streets with asbestos-cement mains (Auburn and Perkins Avenues), which were not a factor on previous projects.
- 2) Additional time requirements resulting from very difficult construction including low wires, poor soil conditions and high tides. The streets are on a narrow, low-lying swath of land between the Atlantic Ocean and Hampton Harbor. It is interesting to note that the other two of the five highest cost per foot projects (Ashworth and Highland Avenues) are in this same vicinity.
- 3) The requirement for temporary water services, again not seen on previous projects.

I would add that cost per foot alone, while useful for rough comparisons and to flag for further review, can vary due to many factors. In fact, costs per foot for the thirteen Aquarion projects are spread fairly evenly across a wide range of values. Items such as mobilization and demobilization (getting equipment to and from the site) can significantly impact shorter streets in particular, since the divisor is smaller; and the three substitution projects have the shortest lengths of the group.

While the above factors do not absolve the company of its responsibility to justify changes to an approved list, at the same time it is noteworthy that there are no previous estimates to compare final costs to for these streets, since they were in fact new substitutions. The need for such estimates should perhaps be a consideration when the issue of notification of changes to approved lists is addressed. The notification issue was raised in the context of the company's phase 1 filing and again in more recent discovery (Staff 2-4, OCA 1-8). At the same time and as the company points out, the cost of the other 2013 replacement (Church Street) fell from a \$200,000 estimate on the approved list to a \$121,582 final cost (2013 cost only).

In light of all of the factors above, I would again find it difficult not to affirm prudence of the decision-making on, and implementation of, the company's 2013 projects. I would include the company's 2013 hydrant, service, valve and production meter replacements in this regard as well.

I trust these comments are responsive to your request. Please let me know if you need anything further in this regard.

Company Main Replacements, 2005 - 2013

	<u>Feet</u>	<u>Cost</u>	<u>Cost/ft</u>
Ashworth Ave	2,944	\$ 1,625,929	\$ 552
Perkins Ave	515	\$ 264,388	\$ 513
Auburn Ave	430	\$ 206,491	\$ 480
Auburn Ave Ext	260	\$ 85,529	\$ 329
Highland Ave	1,330	\$ 433,375	\$ 326
Atlantic Ave 2012	1,750	\$ 553,908	\$ 317
Atlantic Ave 2011	2,460	\$ 698,937	\$ 284
Atlantic Ave 2010	2,145	\$ 570,697	\$ 266
Mill Rd	1,157	\$ 274,209	\$ 237
Pine Rd	2,591	\$ 614,067	\$ 237
Church St	700	\$ 133,335	\$ 190
Cross country main	1,100	\$ 204,500	\$ 186
I-95 Bridge crossing	844	\$ 145,480	\$ 172

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
amanda.noonan@puc.nh.gov
Christina.Martin@oca.nh.gov
douglas.brogan@myfairpoint.net
marcia.brown@puc.nh.gov
mark.naylor@puc.nh.gov
patrick.taylor@mclane.com
Rorie.E.P.Hollenberg@oca.nh.gov
steve.frink@puc.nh.gov
steven.camerino@mclane.com
susan.chamberlin@oca.nh.gov

Docket #: 13-314-1 Printed: April 09, 2014

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**