

Aquarion Water Company of New Hampshire
2015 Annual WICA Surcharge Filing

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

Line		Schedule Ref.	
1			
2	Total Investment through 09/30/2014	TD-1, Pg 3 Col 6b Ln 24	\$ 1,330,696
3			
4	Accumulated Depreciation	TD-1, Pg 3 Col 8a Ln 24	(8,176)
5			
6	Net Investment	Ln 2 + Ln 4	\$ 1,322,520
7			
8	Allowed Return on Rate Base	TD-1, Pg 2 Col 10	7.49%
9			
10	Allowed Return on Investment	Ln 6 x Ln 8	\$ 99,057
11			
12	Income Tax on Equity Component		
13			
14			
15	(a)	(b)	(c)
16	Weighted	Tax	Pre tax
17	Cost	Multiplier	Cost
18			
19	Debt	3.58%	1.00
20	Equity	3.91%	1.68
21			
22			
23	Total Eligible Investment (Line 6 above)		\$ 1,322,520
24			
25			
26	Income Tax Expense	Ln 21 Col D X Ln 23	35,179
27			
28	Depreciation Expense	TD-1, Pg 3 Col 8 Ln 24	16,353
29			
30	Property Tax Expense	TD 1, Pg 3 Col 10 Ln 24	25,588
31			
32	Adjustment: Annual Revenues Allowed	Lines 10 + 26 + 28 + 30	\$ 176,177
33			
34			
35	Base Revenues on which Adjustment will be applied		
36	Revenues allowed DW 12-085		\$ 7,129,043
37	Misc. Charges not subject to WICA		(189,059)
38			\$ 6,939,984
39			
40	Surcharge Percent (Line 32 divided by Line 38)		2.5386%

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WATER INFRASTRUCTURE & CONSERVATION ADJUSTMENT
COMPLETED PROJECTS

Line	Project Name or Class Category	1	2	3	4	5	6	7	8	9	10	11	12 = ((4-5) x 10) + 7 + 8 + 9 WICA Adjustment Dollars
		Estimated Completion Date**	Actual Completion Date	Estimated Project Cost**	Actual Project Cost	Accumulated Depreciation	Project Cost minus Accumulated Depreciation	Depreciation Expense	Property Tax Expense	Income Tax Expense	Rate of Return	Annual Retail Revenues	
1	Project Surcharge Approved in DW 13-314												
2	Production Meters	30-Sep-13	30-Sep-13	\$ 18,030	\$ 16,466	\$ 244	\$ 16,222	\$ 488	\$ 237	\$ 431	7.49%	\$ 7,129,043	2,372
3	Main Replacements	30-Sep-13	30-Sep-13	-	\$ 689,856	\$ 4,027	\$ 685,829	\$ 8,054	\$ 14,944	\$ 18,243	7.49%	\$ 7,129,043	92,609
4	Hydrants*	30-Sep-13	30-Sep-13	\$ 32,700	\$ 8,147	\$ 87	\$ 8,060	\$ 174	\$ 161	\$ 214	7.49%	\$ 7,129,043	1,153
5	Services*	30-Sep-13	30-Sep-13	\$ 80,600	\$ 14,414	\$ 126	\$ 14,288	\$ 252	\$ 286	\$ 380	7.49%	\$ 7,129,043	1,988
6	Valves*	30-Sep-13	30-Sep-13	\$ 10,800	\$ 5,167	\$ 129	\$ 5,038	\$ 258	\$ 108	\$ 134	7.49%	\$ 7,129,043	878
8													
9	Project Surcharge Proposed Herein												
9	Production Meters	30-Sep-14	30-Sep-14	\$ 1,600	\$ 3,044	\$ 61	\$ 2,983	\$ 122	\$ 47	\$ 79	7.49%	\$ 7,129,043	472
10	Main Replacements	30-Sep-14	30-Sep-14	\$ 937,968	\$ 593,603	\$ 3,502	\$ 590,101	\$ 7,004	\$ 9,805	\$ 15,697	7.49%	\$ 7,129,043	76,704
11													
12													
13	TOTALS			\$ 1,081,698	\$ 1,330,696	\$ 8,176	\$ 1,322,520	\$ 16,353	\$ 25,588	\$ 35,179			\$ 176,176

* Emergency Replacement
** Per Docket Filing DW 13-314

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WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
ELIGIBLE PROJECTS PLACED IN SERVICE

Line	Description of Project	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	8a = 8 x 50% Accumulated Depreciation	9 Mil Rates Town State Total	10 = (((6b-7b-8a)/1000) x 9) Prop. Tax Expense***
Project Surcharge Approved in DW 13-314															
1															
2															
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	\$ 9	8.53	6
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	\$ 48	14.26	44
6	Production Meters	Hampton	328	4.40%	Other Pumping	9/30/2013	10/31/2013	\$ 8,522	\$ 8,522	\$ -	\$ -	\$ 375	\$ 187	15.80	187
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	\$ 1,525	\$ 763	15.80	2,830
8	Auburn Avenue	Hampton	343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 206,750	\$ 206,750	\$ 10,346	\$ 10,346	\$ 2,357	\$ 1,178	15.80	4,373
9	Auburn Avenue Extension	Hampton	343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 85,554	\$ 85,554	\$ 359	\$ 359	\$ 1,022	\$ 511	15.80	1,897
10	Perkins Avenue	Hampton	343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 264,216	\$ 264,216	\$ 1,760	\$ 1,760	\$ 3,149	\$ 1,575	15.80	5,844
11	Hydants*	Hampton	348	2.40%	Hydants	9/30/2013	10/31/2013	\$ 22,899	\$ 8,147	\$ 2,498	\$ 891	\$ 174	\$ 87	15.80	161
12	Services*	Hampton	345	1.85%	Services	9/30/2013	10/31/2013	\$ 33,941	\$ 12,108	\$ 1,994	\$ 711	\$ 211	\$ 105	15.80	253
13	Services*	Rye	345	1.85%	Services	9/30/2013	10/31/2013	\$ 6,464	\$ 2,306	\$ 230	\$ 82	\$ 41	\$ 21	8.53	33
14	Valves*	Hampton	349	5.00%	Other T&D Plant	9/30/2013	10/31/2013	\$ 6,351	\$ 2,265	\$ -	\$ -	\$ 113	\$ 57	15.80	49
15	Valves*	North Hampton	349	5.00%	Other T&D Plant	9/30/2013	10/31/2013	\$ 8,133	\$ 2,901	\$ -	\$ -	\$ 145	\$ 73	14.26	59
16															
17	Project Surcharge Proposed Herein														
18	Production Meters	Hampton	328	4.40%	Other Pumping	9/30/2014	10/31/2014	\$ 3,044	\$ 3,044	\$ 264	\$ 264	\$ 122	\$ 61	15.80	47
19	Well 9 Transmission Main	Hampton	343	1.20%	Main Replacement	9/30/2014	10/31/2014	\$ 57,506	\$ 57,506	\$ 3,160	\$ 3,160	\$ 652	\$ 326	15.80	913
20	Ocean Boulevard- Dumas Ave to Winnacunnat Rd	Hampton	343	1.20%	Main Replacement	9/30/2014	10/31/2014	\$ 536,096	\$ 536,096	\$ 6,801	\$ 6,801	\$ 6,352	\$ 3,176	15.80	8,892
21															
22															
23															
24															
25															
TOTALS								\$ 1,380,696	\$ 1,330,696	\$ 39,019	\$ 35,982	\$ 16,353	\$ 8,176		\$ 25,588
								to TD-1,		to TD-1,		to TD-1,		to TD-1,	
								Pg 1, Ln 2		Pg 1, Ln 28		Pg 1, Ln 4		Pg 1, Ln 30	

*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 2014 proposed surcharge projects.

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment (“WICA”) surcharge of ~~0.02.5386~~% will apply to all bills with services rendered on or after ~~April 1, 2014~~January 1, 2015.

I. General Description

Purpose: To recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

Eligible Property: The WICA-eligible property will consist of the following:

Services over and above an annual; \$50,000 threshold (account 333) and hydrants (account 335) installed as in-kind (i.e., same size) replacements for customers;

mains and valves (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition,

main cleaning and re-lining projects and relocations that are non-reimbursable (account 331);

replacement of production meters (account 304); and

replacement of pressure reducing valves (accounts 309, 331);

II. Computation of the WICA

Calculation: The initial charge, effective January 1, 2011, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 2010 and September 30, 2010. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the twelve month period ending three months prior to the effective date of each WICA update. Thus, changes in the WICA rate will occur as follows:

Issued: ~~April 1, 2014~~January 1, 2015

Issued by: _____
Donald Morrissey

Effective: ~~April 1, 2014~~January 1, 2015

Title: Chief Financial Officer

As authorized in order ~~25,668-XX,XXX~~ in Case DW ~~1314-314~~ XXX

<u>Effective Date Of WICA Change</u>	<u>Date To Which WICA Eligible Plant Additions Reflected</u>
January 1, 2XXX+1	September 30, 2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

Property Taxes: For the first year that a WICA for any particular project is in effect, the property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect. If such property taxes will be due for only a portion of the calendar year, then the WICA for the first year shall reflect only the property taxes projected to be paid. For the second and subsequent years that a WICA for those projects is in effect, the WICA shall be determined using the taxes due and owing for such projects based on the tax bill for a full tax year. The WICA shall not be adjusted in subsequent years, regardless of any change in the taxes originally assessed.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW 08-098, or a subsequent docket.

WICA Surcharge Amount: The charge will be expressed as a percentage carried to four decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

Formula: The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{(\text{ISI} \times \text{PTRR}) + \text{Dep} + \text{PT}}{\text{BRWR}}$$

Where:

Issued: September 25, 2009

Issued by: _____
Donald Morrissey

Effective: September 25, 2009
As authorized in order 25,019 in Case DW 08-098

Title: Chief Financial Officer

ISI= the original cost to the Company of eligible infrastructure system improvement projects.

PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT= annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 08-098, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update. The Company shall also provide notice to the Towns.

III. Safeguards

Cap: The amount of the WICA applied between general rate case filings shall not exceed seven and one-half percent (7.5%) of the Company's annual retail water revenues as approved in its most recent rate filing, and shall not exceed five percent (5%) of such revenues for any twelve-month period.

Project Changes: If, after the Company has received Commission approval for Year 1 projects, because of changed circumstances or significant new information the Company plans to undertake projects in Year 1 that were not included on the list of approved WICA projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall promptly notify the Commission and all parties to the proceeding in which the list of WICA projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes.

Issued: April 1, 2014

Issued by: _____
Donald Morrissey

Effective: April 1, 2014
As authorized in order 25,668 in Case DW 13-314

Title: Chief Financial Officer

Audits: The WICA will be subject to audit prior to the determination by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Commission's Consumer Affairs division.

Issued: April 1, 2014

Issued by: _____
Donald Morrissey

Effective: April 1, 2014
As authorized in order 25,668 in Case DW 13-314

Title: Chief Financial Officer