

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 10-____

**PETITION OF AQUARION WATER COMPANY
OF NEW HAMPSHIRE, INC. FOR APPROVAL OF ITS 2011 WATER
INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
SURCHARGE AND PROPOSED PROJECTS**

Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”), hereby requests that the Public Utilities Commission (the “Commission”) approve the Company’s (a) Water Infrastructure and Conservation Adjustment (“WICA”) surcharge effective January 1, 2011 and (b) proposed 2011 WICA projects. In support of this Petition, Aquarion states as follows:

Background

1. On September 25, 2009, the Commission entered an order in Docket DW 08-098 approving a settlement agreement by and among Aquarion, the Commission staff (“Staff”), the Office of Consumer Advocate, and the Town of North Hampton (the “Settlement Agreement”), authorizing implementation of the WICA mechanism as a pilot program. *See Aquarion Water Company of New Hampshire, Inc.*, Order No. 25,019 (Sept. 25, 2009).

2. As explained in the Settlement Agreement and Order No. 25,019, the purpose of the WICA mechanism is to enable Aquarion to recover the fixed costs of certain pre-approved non-revenue producing capital improvements completed and placed in service between general rate cases. In particular, the Settlement Agreement and the tariff provisions implementing the terms of the Settlement Agreement as they relate to the WICA mechanism identify the following WICA-eligible capital improvements: services (account 333), meters (account 334), hydrants

(account 335), mains and valves (account 331), main cleaning and re-lining projects (account 331), replacement of production meters (account 304), and replacement of pressure reducing valves (accounts 309, 331).

3. On November 2, 2009 and pursuant to the approved Settlement Agreement, Aquarion filed in Docket DW 09-211, its first proposed list of WICA projects seeking Commission approval of (a) its 2010 projects for which Aquarion would later seek cost recovery through the WICA for service rendered on and after January 1, 2011 and (b) on a preliminary basis, its proposed 2011 projects, which was to be included in the WICA for service rendered on and after January 1, 2012. In addition, the 2009 WICA filing also included the Company's proposed 2012 projects for advisory purposes only.

4. On January 15, 2010, the Commission approved Aquarion's 2010 projects and preliminarily approved its 2011 projects. *See Aquarion Water Company of New Hampshire, Inc.*, Order No. 25,065 (Jan. 15, 2010).

2011 WICA Surcharge

5. By this Petition, Aquarion requests that the Commission approve a WICA surcharge of 1.4896% to be applied to Aquarion customers' existing water service billings on a service-rendered basis effective as of January 1, 2011 to recover costs associated with those WICA projects approved by the Commission and constructed and placed in service in 2010. These costs incorporate depreciation, property tax expense, income tax expense, and return on investment associated with the completed projects.

6. The Settlement Agreement provides in relevant part:

The Company agrees to file the final project costs, supporting documentation and proposed WICA adjustment for completed projects previously determined to be WICA eligible. Such filing shall be at least sixty days prior to the proposed effective date of any proposed rate change. The WICA rate shall become

effective on the later of January 1 following the Company's filing with the Commission seeking implementation of a WICA rate change or sixty days after the date of such filing; provided, however, that if the Commission determines that further investigation or consideration of any proposed WICA is needed, it may order that the proposed WICA rate become effective on a temporary basis, in which case the rate shall be subject to reconciliation pending final determination by the Commission. (In such case, reconciliation shall be only for final determination of the costs to be included in the WICA, not for any positive or negative variances in actual revenues collected versus projected revenues.) No project shall be included for recovery in the WICA unless the project is used and useful in providing service to customers or will be used and useful by the effective date of the WICA.

(Settlement Agreement at Section II.H.3.)

2011-2013 WICA Projects

7. Section II.H.2 of the Settlement Agreement provides:

The Company agrees to file a three year projected budget of proposed WICA eligible projects no later than November 1 of each year. Each such budget shall show projects broken down into three years. Year 1 projects are those proposed to be constructed in the succeeding twelve month period. Year 2 projects are those proposed to be constructed in the next twelve month period. Year 3 projects are those proposed to be constructed in the twelve months following Year 2. Year 3 projects shall be provided for advisory purposes and discussion. Year 2 projects shall be provided for review and approval by the Commission. Year 1 projects shall be provided for final review and informational purposes. Staff or any party may request a hearing prior to the Commission's granting approval for a project to become eligible for cost recovery through the WICA. The determination as to whether to hold a hearing on the eligibility of any project for WICA cost recovery shall be at the discretion of the Commission.

Aquarion is submitting with this Petition its proposed projects for 2011 for the Commission's final approval, its proposed projects for 2012 for preliminary approval, and its proposed projects for 2013 for informational purposes, all of which are set forth in the written Direct Testimony of Carl McMorran.

8. Aquarion requests that the Commission (a) approve its proposed 2011 WICA projects and (b) preliminarily approve its proposed 2012 WICA projects.

9. In support of this petition, Aquarion is filing written Direct Testimonies of Troy Dixon and Carl McMorran.

WHEREFORE, Aquarion hereby respectfully requests the Commission:

- A. Approve a WICA surcharge of 1.4896% to be implemented on a service-rendered basis effective as of January 1, 2011;
- B. Approve Aquarion's proposed 2011 WICA projects subject to a prudence review based on final construction costs;
- C. Preliminarily approve Aquarion's proposed 2012 WICA projects; and
- D. Grant such other and further relief as may be just and equitable.

Respectfully submitted,

AQUARION WATER COMPANY
OF NEW HAMPSHIRE, INC.

By Its Attorneys

McLANE, GRAF, RAULERSON &
MIDDLETON, P.A.



Date: November 1, 2010

By: _____
Steven V. Camerino, Esq.
11 South Main Street, Suite 500
Concord, NH 03301

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition of Aquarion Water Company of New Hampshire, Inc. for Approval of Its 2011 Water Infrastructure and Conservation Adjustment Surcharge and Proposed Projects has been forwarded to the Office of the Consumer Advocate, Town of North Hampton, Town of Rye, and Town of Hampton.

Dated: November 1, 2010

A handwritten signature in black ink, appearing to read 'Steven V. Camerino', written over a horizontal line.

Steven V. Camerino