

**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	\$ 736,876
3			
4	Allowed Return on Rate Base	TD-1, Pg 2 Col 8	7.49%
5			
6	Allowed Return on Investment	Ln 17	\$ 55,192
7			
8	Income Tax on Equity Component		
9			
10			
11	(a)	(b)	(c)
12	Weighted	Tax	Pre tax
13	Cost	Multiplier	Cost
14			
15	Debt	3.58%	1.00
16	Equity	3.91%	1.68
17			
18		7.49%	10.15%
19	Total Eligible Investment (Line 2 above)		\$ 736,876
20			
21	Income Tax Expense	Ln 16 Col D X Ln 18	19,601
22			
23	Depreciation Expense	TD-1, Pg 3 Col 8 Ln 41	9,261
24			
25	Property Tax Expense	TD 1, Pg 3 Col 10 Ln 41	11,635
26			
27	Adjustment: Annual Revenues Allowed	Lines 6 through 25	\$ 95,688
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)		1.3788%
36			

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**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	\$ 177	\$ 438	7.49%	\$ 7,129,043	2,337
5	Main Replacements	30-Sep-13	30-Sep-13	\$ -	\$ 692,682	\$ 8,088	\$ 11,045	\$ 18,425	7.49%	\$ 7,129,043	89,440
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	\$ 10,800	\$ 5,167	\$ 258	\$ 81	\$ 137	7.49%	\$ 7,129,043	864
9											
10	TOTALS			<u>\$ 142,130</u>	<u>\$ 736,876</u>	<u>\$ 9,261</u>	<u>\$ 11,635</u>	<u>\$ 19,601</u>			<u>\$ 95,688</u>
11											
12	* Emergency Replacement										
13	** Per Docket Filing DW 11-238										
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25											

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WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
ELIGIBLE PROJECTS PLACED IN SERVICE

Line	Description of Project	Street	Town	1	2	3	4	5	6a	6b	7a	7b	8 = (6b - 7b) x 2	9			10 = (((6b-7b)/1000) x 9)
				PUC Acct	Depr Rate	Type of Project**	Date in Service	Date of 1st Filing	Capital Costs	Capital Costs	Retirements	Retirements	Depreciation Expense	Town	State	Total	Prop. Tax Expense***
1																	
2	Project Surcharge Proposed Herein																
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	\$ 1,525	15.25	6.60	21.85	\$ 2,083
8	Auburn Avenue	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 213,233	\$ 213,233	\$ 10,346	\$ 10,346	\$ 2,435	15.25	6.60	21.85	\$ 3,325
9	Auburn Avenue Extension	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 86,195	\$ 86,195	\$ 359	\$ 359	\$ 1,030	15.25	6.60	21.85	\$ 1,407
10	Perkins Avenue	Hampton		343	1.20%	Main Replacement	9/30/2013	10/31/2013	\$ 259,918	\$ 259,918	\$ 1,760	\$ 1,760	\$ 3,098	15.25	6.60	21.85	\$ 4,231
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
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TOTALS

\$ 786,876 \$ 736,876 \$ 28,794 \$ 25,757 \$ 9,261

\$ 11,635

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.

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 1.3788% ~~0.00%~~ will apply to all bills with regard to services rendered on or after July 1, 2013 ~~April 1, 2014~~, except that for services rendered during the period April 1 through December 31, 2014 the WICA surcharge shall be billed at a rate of 0.0%, pursuant to Commission Order No. _____ issued (_____, 2014).

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

Issued: July ~~April~~ 1, 20134

Issued by: _____
Donald Morrissey

Effective: April ~~July~~ 1, 20134

Title: Chief Financial Officer

As authorized in order 25-539-xx.xxx in Case DW 123-085-xxx

NHPUC No. 1 – Water
Aquarion Water Company of New Hampshire

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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: ~~July~~ April 1, 20134

Issued by: _____
Donald Morrissey

Effective: ~~April~~ July 1, 20134

As authorized in order ~~25,539~~ xx,xxx in Case DW ~~123-085~~ xxx

Title: Chief Financial Officer

<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.

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: 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