

Town of Hampton



July 7, 2006

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
Walker Building
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429



Re: Aquarion Water Company of New Hampshire
DW DM 06-094

Dear Ms. Howland:

Enclosed for filing please find the Town of Hampton's Motion to Intervene, and the Town of Hampton's Statement of Position in regard to the above referenced matter.

Sincerely,

Mark S. Gearreald, Esq.
Hampton Town Attorney

Cc: attached list

Librarian
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Mark Naylor
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Marcia Thunberg
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Amanda Noonan
Consumer Affairs Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Sarah Knowlton
McLane Graf Raulerson & Midd
100 Market Street, Suite 301
Portsmouth, NH 03801

F. Anne Ross
Office of Consumer Advocate
21 South Fruit Street, Suite 18
Concord, NH 03301-2429

The State of New Hampshire
Before the New Hampshire Public Utilities Commission

DM 06-094

Re: Aquarion Water Company of New Hampshire

TOWN OF HAMPTON'S MOTION TO INTERVENE

NOW COMES the Town of Hampton in the above entitled matter and moves to allow it to intervene in these proceedings as a party, and in support of said motion says as follows:

1. The Town of Hampton has approximately 15,000 year round residents and lies at the heart of the Seacoast region of New Hampshire.
2. The population of Hampton in the summer months rises dramatically to the point where Hampton becomes the second largest municipality population-wise in the State.
3. The vast majority of the residents in Hampton receive their water service from Aquarion Water Company of New Hampshire (hereinafter, "Aquarion").
4. The Town of Hampton has undertaken at Hampton Beach, starting in the fall of 2004, a major infrastructure renovation project funded through loans from the State Revolving Fund and bonds totaling \$12 million dollars. This commitment by Hampton's taxpayers to upgrading the infrastructure at the Beach is designed to promote the Town's major industry - tourism, and the positive impact of this development, will be felt not only regionally but on a State-wide level. The availability of water and its cost is critical to achieving growth in this industry.
5. Accordingly, the Town of Hampton has a substantial interest in the proposed acquisition of Aquarion Company by Macquarie Utilities Inc.

6. Counsel for Aquarion and the Office of Consumer Advocate have been consulted regarding this Motion and neither object to its being granted.

WHEREFORE, the Town of Hampton requests that the Commission:

- A. Allow the Town of Hampton to intervene as a party in this matter; and
B. Grant such other and further relief as may be just.

Respectfully submitted
Town of Hampton

By its Town Attorney

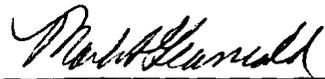
Dated: July 7, 2006



Mark S. Gearreald, Esq.
Hampton Town Attorney
100 Winnacunnet Road
Hampton, NH 03842
Phone: (603) 929-5816
Fax: (603) 929-5817
e-mail: mgearreald@town.hampton.nh.us

Certificate of Service

I hereby certify that I have this 7th day of July, 2006 mailed via U.S. mail a copy of the foregoing Motion to Intervene to the entities and individuals appearing on the attached service list.



Mark S. Gearreald, Esq.

The State of New Hampshire
Before the New Hampshire Public Utilities Commission

DM 06-094

Re: Aquarion Water Company of New Hampshire

TOWN OF HAMPTON'S STATEMENT OF POSITION

The Town of Hampton first learned of the proposed acquisition of Macquarie Utilities, Inc. (hereinafter, "Macquarie") via the attached e-mail dated February 24, 2006 from Larry L. Bingaman, the Senior Vice President for Operations for Aquarion. In that e-mail, Mr. Bingaman indicated that the acquisition would "benefit Aquarion's customer base with a continued focus on service delivery and investment in infrastructure." This claim of benefit to Aquarion's customers is repeated in the opening paragraph of the Verified Petition herein.

The Town of Hampton is interested in learning from these proceedings more specifics as to what these benefits might be and what difference to expect in the operation of Aquarion by Macquarie, an Australian entity, versus that by Kelda Group, Inc., a British concern.

In addition, where Aquarion will likely be filing for a step increase with the Commission under the terms of the Settlement Agreement that is still under consideration in the Aquarion's pending rate case in DW 05-119, it is important that a full exploration occur now of the ramifications of Macquarie's proposed acquisition of Aquarion, where it is Macquarie that will be the ultimate beneficiary of such a step increase. See copy of proposed Settlement Agreement attached hereto, pages 6-7. The information that is learned about Macquarie and its proposed operations of Aquarion can then be factored into the Commission's consideration of the step increase.

Respectfully submitted
Town of Hampton

By its Town Attorney

Dated: July 7, 2006



Mark S. Gearreald, Esq.
Hampton Town Attorney
100 Winnacunnet Road
Hampton, NH 03842
Phone: (603) 929-5816
Fax: (603) 929-5817
e-mail: mgearreald@town.hampton.nh.us

Certificate of Service

I hereby certify that I have this 7th day of July, 2006 mailed via U.S. mail a copy of the foregoing Motion to Intervene to the entities and individuals appearing on the attached service list.



Mark S. Gearreald, Esq.

Mark Gearreald

From: agenda-owner@town.hampton.nh.us on behalf of James Barrington
[jbarrington@town.hampton.nh.us]
Sent: Friday, February 24, 2006 1:13 PM
To: Agenda List Serve
Subject: agenda FW: Aquarion News

Very interesting news.
James

James S. Barrington
Town Manager
100 Winnacunnet Road
Hampton, NH 03842
(603) 929-5908 phone
(603) 926-6853 fax

-----Original Message-----

From: lbingaman@aquarion.com [mailto:lbingaman@aquarion.com]
Sent: Friday, February 24, 2006 9:22 AM
To: JBarrington@town.hampton.nh.us
Subject: Aquarion News
Importance: High

Good James,

I am very pleased to advise you that today the Kelda Group and Macquarie Bank announced that Macquarie is acquiring Aquarion Company. The transaction includes Aquarion Water Companies of Massachusetts, New Hampshire, Connecticut, and New York.

We are very excited about this acquisition, as it will benefit Aquarion's customer base with a continued focus on service delivery and investment in infrastructure. Macquarie is committed to a long-term relationship, has demonstrated experience in the regulated utility arena, and has a strong and growing presence in the U.S.

For New Hampshire residents in Hampton, North Hampton and Rye, the Aquarion team and employees will continue to be your local contact. We will continue to work to advance the interests of our customers, with an intense commitment to customer service and operating efficiency.

As events unfold, we will provide you with periodic updates. Below is the news release announcing the transaction. If you have any questions or concerns, please do not hesitate to call me.

Regards,

Larry Bingaman

Larry L. Bingaman
Senior Vice President -- Operations, MA & NH

Aquarion Water Company
900 Main Street
Hingham, MA 02043

US Mail: PO Box 336
Accord, MA 02018

PH: 781-740-6694
Fax: 781-741-2572
Cell: 781-724-4414

Email: lbingaman@aquarionwater.com

"Aquarion Water Company, how may I help you today?"

Visit our website at www.aquarionwater.com to learn more about how to conserve water.

For Immediate Release

CONTACTS:
Larry

Bingaman
Adrienne Vaughan

O

781-740-6694
203-336-76241

C 781-724-4414

MACQUARIE BANK TO ACQUIRE AQUARION WATER COMPANY

BRIDGEPORT -- February 24, 2006 -- Macquarie Bank Limited of Australia

and the U.K.-based Kelda Group plc today announced that Macquarie and

an affiliate entity will acquire Aquarion Company for \$860 million.

Macquarie is one of the largest and most experienced global

investors and managers of infrastructure assets. Macquarie also is a

long-term investor and manager of important community assets. In

recent years Macquarie and its affiliated entities have invested in

and continue to manage projects such as utilities, ports, tunnels,

airports, and toll roads, and have a strong and growing presence in

the U.S.

and Commenting on the transaction, Aquarion Company President

Chief Executive Officer Charles V. Firlotte said, "I'm delighted to

announce this agreement, as it is great news for Aquarion's customers

and employees. Macquarie is a well-respected organization and an

international leader in infrastructure investment," he added. "Of

particular interest for Aquarion employees and customers is

Macquarie's depth of experience in the regulated utility arena.

Macquarie and Aquarion's shared commitment to deliver high-quality

water, customer service excellence, and operating efficiency

constitute an exciting and winning development for us all," Firlotte

said.

The acquisition is subject to regulatory approval, including

from the Public Utility Commissions in Connecticut, New York and New

Hampshire. Closing of the transaction is expected to occur during the

fourth quarter of 2006.

Aquarion Company's principal business is public water supply.

Through its Aquarion Water Company subsidiaries, it is one of the 10

largest investor-owned water utilities in the U.S., serving 219,400

homes and businesses, or approximately 677,000 people, in 53

Connecticut, New York, Massachusetts, and New Hampshire communities.

Aquarion Water Company of Connecticut provides high-quality water to

176,000 customers, or more than 587,000 people, in 36 cities and

towns.

NOTES TO EDITORS:

Macquarie

The Macquarie Bank Group provides specialist investment, advisory and

financial services in select markets around the world, with more

than
7,600 people in 23 countries. The Group consists of Macquarie
Bank Limited, the leading Australian investment bank, and its
worldwide affiliates. Macquarie Bank has a market capitalization of
\$10.8 billion (USD) as of January 23, 2006.

Macquarie is one of the largest global investors and managers
of infrastructure assets, managing total assets of approximately
\$85 billion (USD) around the world through a range of
investments.

Infrastructure investments managed by Macquarie include assets
in water, energy distribution and generation, transportation,
airports, social infrastructure, and telecommunications sectors in 11
countries including the United States.

Macquarie brings the benefits of global resources, relationships
and expertise to its infrastructure businesses and the communities
they serve.

XXX

THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Graham J. Morrison
Clifton C. Below

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland



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

Tel. (603) 271-2431

FAX (603) 271-3878

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

Website:
www.puc.nh.gov

May 25, 2006

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

Re: DW 05-119 Aquarion Water Company – Settlement Agreement

Dear Ms. Howland:

Attached please find an Original and 8 copies of the fully executed Settlement Agreement between the parties in the above referenced docket.

If you have any questions please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Marcia A.B. Thunberg".

Marcia A.B. Thunberg
Staff Attorney

CC: Service List

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

**AQUARION WATER COMPANY OF NEW HAMPSHIRE
DW 05-119
PETITION FOR RATE INCREASE**

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Aquarion Water Company of New Hampshire, Inc. ("Aquarion" or "Company"), the staff of the New Hampshire Public Utilities Commission ("Staff") and the Office of the Consumer Advocate ("OCA") as of May 25, 2006.

I. **BACKGROUND**

On July 5, 2005, Aquarion filed a notice of intent regarding its intention to file a request for a general rate increase. On July 12, 2005, the OCA filed a letter with the Commission indicating its intent to participate in the docket. Aquarion submitted its full rate case filing on August 5, 2005, seeking an overall increase in revenues of \$884,747 or an average increase of 21.23%. The filing included written testimony from three witnesses—Larry Bingaman, Senior Vice President of Aquarion; Linda Discepolo, Aquarion's Director of Rates and Regulation; and John Guastella, an independent consultant.

Mr. Bingaman's testimony provided an overview of the \$6.9 million in capital investments to improve service to the Towns of Hampton, North Hampton and Rye since the last rate case for the system, which was filed in 1999 and was based on a 1998 test year. According to Mr. Bingaman, these investments included, among other things, \$2,081,000 for mains, \$2,259,000 for wells and other water source plant, and \$1,253,000 for meters, services and

**DW 05-119 Aquarion Water Company
Settlement Agreement**

hydrants. Mr. Bingaman also described the efforts by Aquarion to contain or reduce the Company's operating expenses while maintaining and improving the level of customer service. Among other things, Mr. Bingaman noted that, in response to customer requests, Aquarion had returned to a system of using local personnel to answer customer phone calls from the Company's Hampton office.

Ms. Discepolo's testimony presented the financial schedules that supported the Company's request for an increase in rates. The revenue requirement calculated by Ms. Discepolo was based on a test year ending March 31, 2005 and applied a weighted average cost of capital of 8.49%, based on a cost of debt of 6.88% and a cost of equity of 10.30%. Staff and OCA disputed both the Company's proposed cost of debt and its cost of equity. In an effort to reduce rate case expense, Aquarion chose to postpone retaining a cost of equity witness, and instead submitted information regarding authorized returns on equity from other jurisdictions. According to Ms. Discepolo's prefiled testimony, Aquarion's revenue requirement is \$5,052,140, resulting in an overall rate increase of 21.23%. Subsequently, as a result of positive and negative adjustments arising from the audit conducted by the Staff and issues raised by the Staff and OCA, the revenue requirement calculated by the Company was increased slightly to \$5,070,264, or an overall increase from test year operating revenue of 21.66%.

Mr. Guastella's testimony supported a cost of service study prepared by him. Based on the revenue requirement calculated by Aquarion, Mr. Guastella's cost of service study supported an increase in revenues of 19.97% from residential customers, 22.48% from commercial customers, 24.73% from industrial customers, 19.44% from public customers, 32.51% from seasonal customers, 26.00% from private fire protection customers, and 19.30% from public fire protection customers.

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Settlement Agreement**

With its initial filing, Aquarion also submitted a Petition for Temporary Rates, along with supporting testimony of Ms. Discepolo and accompanying schedules. The Petition for Temporary Rates requested a temporary rate increase of \$457,717 on an annualized basis, or 10.99%, effective with bills rendered and after September 15, 2005. Staff and the OCA disputed the Company's proposed cost of capital.

A prehearing conference and technical session were held on September 27, 2005, and on September 29, 2005, Staff and the parties submitted a proposed procedural schedule, which was amended on October 5, 2005 and subsequently approved by letter from the Commission's Executive Director on the same date.

On October 5 and 7, 200~~6~~⁵, respectively, the Towns of Hampton and North Hampton submitted requests for late intervention, to which there were no objections.

On October 25, 2005, the Commission conducted a hearing regarding the Company's Petition for Temporary Rates, at which a settlement between Aquarion, Staff and the OCA was presented. On November 18, 2005, the Commission issued its Order No. 24,546 approving the settlement, authorizing a 10% increase on a temporary basis, beginning with service rendered on November 1, 2005.

The Staff and the parties conducted extensive discovery on Aquarion through technical sessions held on September 27, 2005, October 14, 2005, February 22, 2006 and April 19, 2006 and three rounds of data requests. In addition, the Town of North Hampton propounded two additional rounds of data requests that were not provided for in the procedural schedule, and Aquarion submitted responses to both additional rounds of requests.

During the course of discovery in this proceeding, the Chairman of the North Hampton Water Commission indicated that he had concerns regarding the appearance and maintenance of

**DW 05-119 Aquarion Water Company
Settlement Agreement**

fire hydrants in the Town of North Hampton. Aquarion indicated on several occasions that it believed it was maintaining the hydrants properly, but it conceded that its maintenance records were not complete. At the technical session held on April 19, 2006, representatives of Aquarion indicated that the Company is undertaking a process of computerizing its hydrant maintenance records and implementing steps to ensure that those records comprehensively reflect the hydrant maintenance program of the Company. In addition, the Company indicated that it has begun a program of hydrant beautification, including painting of hydrants and removal of weeds and other vegetation in the immediate vicinity of the hydrants. The Company reports that over 100 hydrants have thus far been sanded and painted, and that the painting of hydrants will be completed in 2006. In subsequent years, the Company intends to follow a four year rotating schedule. With regard to brush and weed removal, the Company plans to continue its efforts throughout the summer as needed to limit growth around the hydrants. The Company further indicated that these efforts are being undertaken in coordination with the fire chiefs of the towns it serves.

In addition, the Company reported that about 50% of the hydrants identified in its flushing program have been completed to date and that it expects to complete the flushing of the remaining hydrants after the summer, when system demand decreases. The Company has indicated that it plans to continue its flushing program on an annual basis, with maintenance being performed on hydrants at the time they are flushed. With regard to general hydrant maintenance such as lubrication, back pressuring, and winterization, the Company plans to continue its practice of performing such maintenance in the fall. The Company has indicated that it plans to discuss additional matters related to the operation and maintenance of fire hydrants on a quarterly basis with the fire chiefs and other interested public officials from the

**DW 05-119 Aquarion Water Company
Settlement Agreement**

three towns it serves. The Company has indicated that it plans to continue its practice of meeting with other public officials from the towns it serves to discuss matters related to the water system.

At the April 19 technical session, the parties also discussed the potential for a settlement of this docket. On May 1, 2006, Aquarion notified the Commission that Aquarion, Staff and the OCA had reached agreement regarding the issues in the case and confirming that Aquarion did not plan to submit additional testimony regarding its proposed cost of equity.

II. TERMS OF AGREEMENT

Based on the testimony and other information submitted by the Company, the investigation conducted by Staff and the parties, which included an audit of the Company, three rounds of data requests and three technical sessions, the Company, Staff and OCA have reached agreement to recommend to the Commission that this proceeding be resolved as specified below.

A. INCOME REQUIREMENT

The Company should be granted an overall increase in revenues of 18.6%, yielding a revenue requirement of \$4,954,372. The parties to this Settlement Agreement agree, and therefore recommend, that the Commission find that this revenue requirement represents a reasonable compromise of all issues relating to the request for an increase in rates pending before the Commission in this docket, including allowed overall rate of return, return on equity, capital structure, *pro forma* adjustments, capital additions to the Company's rate base and operating expenses. As the sums expressed above are the result of compromise and settlement between the Company, Staff and OCA, they are liquidations of all net operating income requirement and revenue requirement issues, and each party to this Agreement may have its own rationale or basis for agreeing to this amount. As part of this settlement, the Company agrees to correct its booking rates for depreciation for two plant accounts to reflect Commission approved

**DW 05-119 Aquarion Water Company
Settlement Agreement**

depreciation accrual rates. Specifically, the booking rate for plant account 304-T&D Structures and Improvements should be 2.04%, and the booking rate for plant account 304-General Structures should be 2.71%. The Company, Staff and the OCA agree that the revenue requirement recommended to the Commission in this Settlement Agreement results in rates that are just and reasonable.

B. RATE DESIGN

The Company, Staff and OCA agree that it is reasonable to apply the increased revenue requirement in accordance with the cost of service study submitted by Aquarion, yielding the rate increases set forth on Appendix A to this Settlement Agreement.

C. RATE BASE

The Company, Staff and OCA agree that all plant additions added to rate base since the Company's last general rate case in DW 99-057 are in service and are prudent and used and useful in accordance with RSA 378:28. A schedule of these plant additions is attached to this Agreement as Appendix B.

D. STEP ADJUSTMENT

The Company, Staff and OCA agree that, upon completion later this year of the project currently underway to expand and replace the Company's distribution mains and related facilities in the Hampton Beach area, the Company should be granted a step increase in its rates to reflect the increase in rate base. The parties to this Agreement agree that such an increase is in the public interest because it will delay the need for a full rate case filing by the Company, and therefore will result in the efficient use of the Commission's processes and reduce the administrative and rate case expense that would otherwise be incurred. When the Hampton Beach project has been completed and is in service, the Company may file with the Commission

**DW 05-119 Aquarion Water Company
Settlement Agreement**

supporting information setting forth the amount of the additions to rate base relating to such project, the increase in property taxes and depreciation resulting therefrom, and shall calculate the pro forma increase to its revenue requirement resulting from such project. The Company's filing for the step adjustment shall be copied to all parties in this docket and shall be subject to audit by the Staff prior to final approval by the Commission. The Company, Staff, and OCA agree that the additional revenues resulting from the step adjustment shall be allocated in accordance with the cost of service study submitted in this docket, in the same manner as the permanent revenue requirement as detailed earlier. The Staff and the Company believe that any adjustment for additional revenues from such investment would be inconsistent with the concept of reflecting only known and measurable changes during an historical period, and therefore agree that an adjustment for alleged revenue changes at the time of the step adjustment should not be made. The OCA reserves the right to seek such an adjustment for increased customer revenues if it determines it to be appropriate to do so at the time the Company seeks the step adjustment.

E. EFFECTIVE DATE AND RECOUPMENT

The revised rates with regard to the test year data as contemplated herein shall be effective for service rendered on and after November 1, 2005, consistent with Commission Order No. 24,546 in this case. In order to reconcile the difference between temporary rates and permanent rates, the Company, Staff and OCA agree that a surcharge amounting to the difference between temporary rates and the level of permanent rates agreed to herein shall be calculated and applied to customer bills over a 12 month period effective with the implementation of the permanent rates provided for in this Agreement. The Company, Staff, and OCA agree that reconciliation of temporary and permanent rates pursuant to RSA 378:29 shall not include the step adjustment.

**DW 05-119 Aquarion Water Company
Settlement Agreement**

Similarly, the Company, Staff and OCA agree the Company shall be allowed to recoup its rate case expenses, as approved by the Commission, through a surcharge applied over the same 12 month period as the rate recoupment surcharge. Rate case expense shall include, but not be limited to, the Company's cost of service expert, legal expenses, mailing and notification expenses and miscellaneous labor and overhead charges, all subject to Commission review.

F. REPORTS

1. The Company agrees to conduct an engineering review of its system and provide recommendations within nine (9) months on the following subject areas:
 - a. A review of the overall physical adequacy of the company's existing hydrants, including compatibility and interchangeability issues, wet v. dry hydrants, the need to replace or upgrade older styles, nozzle types, nozzle and valve opening sizes; and
 - b. The adequacy of the current hydrant inspection and maintenance program.
2. The Company agrees to provide Staff with a copy of each of the following when completed:
 - a. Integrated Resource Plan;
 - b. Feasibility Study, Mill Road Treatment Center; and
 - c. Source of Supply Study.
3. The Company agrees to file the following, in accordance with Commission rules or as otherwise indicated:
 - a. Form E-17, Annual Report of Hydrant Inspection;
 - b. Form E-22, Report of Proposed Expenditures for Additions, Extensions and Capital Improvements to Fixed Capital;
 - c. 2007/8 Capital Improvements Plan, when completed;
 - d. Five year Capital Improvements Plan, when completed; and

**DW 05-119 Aquarion Water Company
Settlement Agreement**

- e. Summary of lost water (water produced, water billed, non-revenue usage and lost water) by quarter, to be filed annually in conjunction with Annual Report.

III. CONDITIONS

This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition, and if the Commission does not accept all of the provisions of this Agreement in their entirety and without change or condition, the Agreement shall, at the Company's, Staff's or OCA's option exercised within thirty days of such Commission order, be deemed to be null and void and without effect and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

The Commission's acceptance of this Agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that (as the parties believe) the adjustments and provisions set forth herein in their totality are just and reasonable and that the revenues contemplated by this Agreement will be just and reasonable under the circumstances.

The Company, Staff and OCA acknowledge that the procedural schedule in this proceeding was truncated because the parties reached agreement on a proposed resolution of the issues in this proceeding. Furthermore, the information and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Company, Staff or OCA, which would normally occur in a fully litigated case. The Company, Staff and OCA agree that all pre-filed testimony should be admitted as full exhibits for the purpose of consideration of this Agreement. Agreement to admit all pre-filed testimony without challenge does not constitute agreement that the content of the pre-filed testimony by another party is accurate or what weight, if any, should be given to the views of any witness. Except as expressly set forth herein, the Commission's approval of the recommendations in this Agreement shall not constitute

**DW 05-119 Aquarion Water Company
Settlement Agreement**

a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the revenue requirement and rates resulting from this Agreement are just and reasonable.

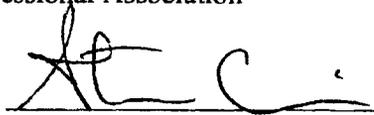
The discussions which have produced this Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in their respective names by their fully authorized agents.

**AQUARION WATER COMPANY OF NEW
HAMPSHIRE, INC.**

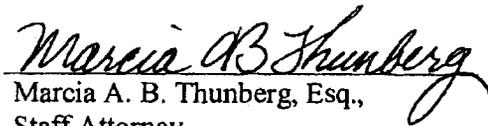
By McLane, Graf, Raulerson & Middleton,
Professional Association

Dated: May 25, 2006

By: 
Steven V. Camerino, Esq.

**STAFF OF NEW HAMPSHIRE PUBLIC UTILITIES
COMMISSION**

Dated: May 25, 2006

By: 
Marcia A. B. Thunberg, Esq.,
Staff Attorney

OFFICE OF THE CONSUMER ADVOCATE

Dated: May 25, 2006

By: 
F. Anne Ross, Esq.,
Consumer Advocate

REPORT OF PROPOSED RATE CHANGES - Appendix A to Settlement Agreement

Aquarion Water Company of New Hampshire
Case No. DW 05-119

Test Year: Twelve Months Ended 03/31/05
Page 1 of 1

Line No.	Rate/Class of Service	Effect of Proposed Change	Avg. # of Customers	Est. Annual Revenue		Proposed Change	
				Present Rates	Proposed Rates	Amount	% Change
1							
2							
3	Residential	Increase	6792	2,232,697	2,623,674	390,977	17.51%
4	Commercial	Increase	560	796,308	954,685	158,377	19.89%
5	Industrial	Increase	2	12,694	15,443	2,749	21.65%
6	Public Authority	Increase	42	40,181	47,137	6,956	17.31%
7	Seasonal	Increase	1082	329,058	422,706	93,647	28.46%
8	Private Fire	Increase	228	171,947	211,087	39,141	22.76%
9	Public Fire	Increase	4	513,344	600,073	86,729	16.89%
10	Miscellaneous	No Change		79,565	79,565	-	0.00%
11							
12			Grand Total	<u>4,175,795</u>	<u>4,954,371</u>	<u>778,576</u>	<u>18.64%</u>
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30							

Signed By: _____

Title: _____

Appendix B to Settlement Agreement
Aquarion Water Company of New Hampshire
DW 05-119
Plant Additions Since Last Rate Case

PUC Account Number	Account Description	Total Plant Additions for the period 1999- March 2005
	<i>Source of Supply and Pumping Plant</i>	-
303	Land & Land Rights (Supply)	16,215
304	Structures & Improvements	279,041
305	Collecting & Impounding Reservoirs	21,812
307	Wells & Springs	976,481
339	Other Water Source Plant	840,383
339	Miscellaneous Intangible Plant	20,727
311	Electric Pumping Equipment	105,035
		2,259,694
	<i>Water Treatment Plant</i>	-
304	Structures & Improvements	6,286
320	Water Treatment Equipment	51,006
		57,292
	<i>Transmission & Distribution Plant</i>	-
303	Land & Land Rights (T & D)	(182,033)
304	Structures & Improvements	241,529
330	Distribution Reservoirs & Standpipes	792
331	Transmission & Distribution Mains	2,081,314
333	Services	945,893
334	Meters	194,100
335	Hydrants	113,400
339	Other T & D Plant	36,403
		3,431,398
	<i>General Plant</i>	-
304	Structures & Improvements	210,609
340	Office Furniture & Equipment	360,249
340	Computer Hardware	14,944
340	Computer Software	25,125
341	Transportation Equipment	266,816
343	Tools, Shop & Garage Equipment	71,305
344	Laboratory Equipment	11,265
345	Power Operated Equipment	145,086
346	Communications Equipment	57,541
347	Miscellaneous Equipment	29,599
		1,192,539
	Total Utility Plant Additions	6,940,923