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July 21, 2006

OFFICES IN:
MANCHESTER
CONCORD
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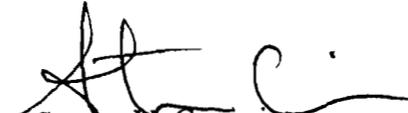
Marcia Thunberg, Esq.
Staff Attorney
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: DW 06-094; Response to Staff Data Request -- Set 1

Dear Attorney Thunberg:

Enclosed are the responses of Aquarion and Macquarie to the Staff's first five data requests, which were propounded on July 11. An electronic copy of this response was sent to you earlier today.

Very truly yours,



Steven V. Camerino

SVC:jb
Enclosure

cc: Discovery Service List

ORIGINAL	
N.H.P.U.C. Case No.	DW 06-094
Exhibit No.	4
Witness	Naylor
DO NOT REMOVE FROM FILE	

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 11, 2006
Request No.: Staff 1

Date of Response: July 21, 2006
Witness: Chris Leslie

REQUEST: Please explain in more detail, as you did for Macquarie Infrastructure Partners (MIP), the entity known as Macquarie Utilities, LP.

RESPONSE: Macquarie Utilities, LP (MULP) is owned by the Macquarie Essential Assets Partnership (MEAP) and British Columbia Investment Management Corporation (BCIMC). MEAP is an infrastructure fund managed out of Macquarie's Toronto office in Ontario, Canada. MEAP has committed capital of CDN\$460 million. The Aquarion transaction represents MEAP's fifth investment, to which it will contribute \$100 million of equity. BCIMC is a British Columbia Crown corporation which provides professional fund management services for public bodies and publicly-administered trust funds. BCIMC will contribute \$35 million of equity. MULP will be controlled by Macquarie managed entities.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 11, 2006
Request No.: Staff 2

Date of Response: July 21, 2006
Witness: Chris Leslie

REQUEST: In the petition, you state that Macquarie Utilities, Inc., pursuant to shareholder agreements with Macquarie Infrastructure Partners and Macquarie Utilities, LP, will be controlled by Macquarie managed entities. Please explain how these entities will benefit Aquarion Company and Aquarion Water Company?

RESPONSE: In practical terms, MUI's ownership and the Macquarie group's experience in infrastructure matters will benefit the Aquarion companies and their customers by giving the Aquarion companies access to the following:

- **A shared corporate culture which includes commitment to customers, the environment and the community**
 - Like Aquarion, the success of the Macquarie group's infrastructure businesses relies on the continued satisfaction of its customers and the community in which they are located.
 - This satisfaction is based on the commitment to deliver high quality service, a commitment to environmental stewardship and a commitment to be a respected corporate citizen.
 - These elements contribute significantly to Macquarie's global reputation, and Macquarie personnel take particular care to protect that reputation and meet customer and community expectations.

- **Regional business oversight and support functions**
 - Oversight and support of Aquarion will be provided by Macquarie group representatives in New York City. Aquarion will have immediate access to Macquarie personnel in New York with extensive infrastructure experience. These personnel have specific expertise in finance, capital raising, business planning, customer service, budgeting and IT systems.
 - The Board of MUI is North American based and will meet regularly to review progress and will work very closely with management to set direction for Aquarion's performance and operations.

- Through its regional presence, Macquarie will be more familiar with local market conditions and can respond to matters promptly because MUI's decision making will occur in New York City.
- **Significantly expanded local and global resources for information sharing to develop best practices**
 - While Macquarie has a philosophy of letting successful businesses with strong management teams operate autonomously, Macquarie's experience in managing infrastructure assets has resulted in the development of many relevant industry contacts and access to the operational expertise of other similar assets it manages, that can liaise with local management.
 - Macquarie through all of the businesses it operates has built a great deal of expertise in efficient financing, management and customer systems. One example would be as Aquarion implements its new organization-wide IT solution, it may be able to benefit from experiences of other Macquarie group businesses that have successfully installed such systems.
- **Stability and enhanced financial strength**
 - The general philosophy of the Macquarie group in the infrastructure sector has been to focus its efforts on owning, operating and investing in a diversified group of infrastructure businesses in the United States and other developed countries for the long term.
 - Macquarie group generally makes investments that produce steady results, that have no defined exit strategy, and that do not require a sale to take place for investment objectives to be achieved. In that regard, the Macquarie group has developed a track record as a long-term holder of its infrastructure businesses and investments.
- **Enhanced access to capital markets**
 - Access to capital markets is one of the key factors of successful infrastructure management. The Macquarie group's infrastructure advisory business will play an important role in identifying potential opportunities to achieve a more efficient capital structure, through:
 - Arranging additional debt facilities to enable further investment in existing infrastructure;
 - Arranging additional financing such that Aquarion may grow via acquisitions if economies of scale can be achieved; and
 - Refinancing existing debt.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 11, 2006
Request No.: Staff 3

Date of Response: July 21, 2006
Witness: Chris Leslie

REQUEST: How will the Macquarie Group support Macquarie Utilities, Inc. with respect to servicing customers?

RESPONSE: See response to Data Request Staff 2. Responsibility for customer service will continue to reside with Aquarion—NH and Aquarion Company.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 11, 2006
Request No.: Staff 4

Date of Response: July 21, 2006
Witness: Chris Leslie

REQUEST: How does the Macquarie Group's efforts assist and how are they available to Macquarie Utilities, Inc.?

RESPONSE: See response to Data Request Staff 2. Services are expected to be provided by Macquarie group members to Aquarion at cost on an as-needed basis.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 11, 2006
Request No.: Staff 5

Date of Response: July 21, 2006
Witness: Chris Leslie

REQUEST: On Exhibit 3, please explain where on the Aquarion Company Organization Structure – Proposed chart Macquarie Bank Limited falls.

RESPONSE: The various Macquarie funds are managed by entities that are ultimately owned and controlled by Macquarie Bank. Although there are various entities in the overall corporate structure, it is important to note that for purposes of managing Aquarion, key individuals from the Macquarie group who manage MEAP and MIP will sit on the board of directors of MUI and all decision making relating to Aquarion will occur at the MUI level.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 6

Date of Response: July 27, 2006
Witness: Linda Discepolo

REQUEST: Reference Petition at page 9. Regarding the proposed Regulatory Asset of \$587,000 and Pension Liability of \$61,000, please provide a schedule that compares these amounts to the corresponding amounts on the books at the end of test year in the recent rate case in DW 05-119, i.e. March 2005. Please include in your response an explanation of any variances.

RESPONSE: The Regulatory OPEB Asset of \$587,000 and the Regulatory Pension Liability of \$61,000 are required to be recorded as a result of the acquisition and pursuant to purchase accounting rules identified in FAS 141, *Business Combinations*. Because this requirement arises from the acquisition of the Company, there are no corresponding amounts on the books as of the end of the test year in DW 05-119, March 31, 2005.

In the attached document entitled *Disclosure Information for Fiscal Year-End December 31, 2005 Under Statement of Financial Account Standards No. 132*, as prepared by our actuary, Deloitte and Touche, you will see that the adjustments referenced above reflect the recognition of all the unrecognized costs as follows:

2005	Post Retirement Medical (OPEB) Plan	Pension Plan
Unrecognized Transition (Asset)Obligation	\$212,144	
Unrecognized Net (Gain)/Loss	375,326	\$(67,652)
Unrecognized Prior Service Costs		6,286
Total Regulatory Asset(Liability)	\$587,470	\$(61,366)

Under the applicable accounting rules the Company is required to record on its books, the "Net Amount Recognized" values which take into consideration unrecognized costs. At March 31, 2005 the Company had OPEB Liability of \$194,118 and a Pension Liability of \$20,666. The December 31, 2004 liabilities were \$187,682 for the OPEB and \$17,500 for the Pension.

Aquarion Company
Disclosure Information for Fiscal Year-End December 31, 2005
Under Statement of Financial Accounting Standards No. 132

Aquarion Water Company of New Hampshire

	<u>Post-Retirement Medical</u>	
	<u>2005</u>	<u>2004</u>
<u>Change In Benefit Obligation</u>		
Benefit Obligation at Beginning of Year	\$ 1,448,820	\$ 1,386,158
Service Cost	41,062	46,908
Interest Cost	83,693	85,039
Employee Contributions	-	-
Plan Amendments	-	-
Special Termination Benefits	-	-
Assumption Change	-	-
Actuarial (Gain)/Loss	150,074	28,572
Acquisition	-	-
Effect of Curtailment	-	-
Effect of Settlement	-	-
Purchase Accounting Adjustment	-	-
Benefits Paid	(29,895)	(97,857)
Benefit Obligation at End of Year	\$ 1,693,754	\$ 1,448,820
<u>Change In Plan Assets</u>		
Fair Value Of Plan Assets At Beginning Of Year	\$ 801,841	\$ 750,147
Actual return on assets	59,774	76,851
Employer Contributions	49,406	72,700
Employee Contributions	-	-
Acquisition	-	-
Effect of Settlement	-	-
Purchase Accounting Adjustment	-	-
Assets Adjustment	-	-
Benefits Paid	(29,895)	(97,857)
Fair Value of Plan Assets at End of Year	\$ 881,126	\$ 801,841
<u>Net Amount Recognized</u>		
Funded Status	\$ (812,628)	\$ (646,979)
Unrecognized Transition (Asset)/Obligation	212,144	241,200
Unrecognized Prior Service Cost	-	-
Unrecognized Net (Gain)/Loss	375,326	218,097
Minimum Liability Adjustment	-	-
Net Amount Recognized	\$ (225,158)	\$ (187,682)
Weighted Average Assumptions as of December 31		
Discount Rate	6.00%	6.10%
Expected Return on Plan Assets	8.50%/5.50%	9.00%/5.50%
Rate of Compensation Increase	4.00%	4.00%
Health Care Inflation		
Initial Rate	14.00%	14.00%
Ultimate Rate	5.00%	5.00%
Year of Ultimate Rate Achievement	2011	2010

Aquarion Company
Disclosure Information for Fiscal Year-End December 31, 2005
Under Statement of Financial Accounting Standards No. 132

Aquarion Water Company of New Hampshire

	<u>Qualified Pension Plan</u>	
	<u>2005</u>	<u>2004</u>
<u>Change In Benefit Obligation</u>		
Benefit Obligation at Beginning of Year	\$ 1,613,327	\$ 1,427,561
Service Cost	54,248	62,235
Interest Cost	92,774	88,890
Employee Contributions	-	-
Plan Amendments	521	-
Special Termination Benefits	-	-
Assumption Change	-	-
Actuarial (Gain)/Loss	(59,163)	40,708
Acquisition	-	-
Transfer	-	-
Effect of Curtailment	-	-
Effect of Settlement	-	-
Purchase Accounting Adjustment	-	-
Benefits Paid	(9,169)	(6,067)
Benefit Obligation at End of Year	\$ 1,692,538	\$ 1,613,327
<u>Change In Plan Assets</u>		
Fair Value Of Plan Assets At Beginning Of Year	\$ 1,626,710	\$ 1,335,625
Actual return on assets	108,407	141,340
Employer Contributions	-	150,107
Employee Contributions	-	-
Acquisition	-	-
Effect of Settlement	-	-
Purchase Accounting Adjustment	-	-
Asset Transfer	-	5,705
Benefits Paid	(9,169)	(6,067)
Fair Value of Plan Assets at End of Year	\$ 1,725,948	\$ 1,626,710
<u>Net Amount Recognized</u>		
Funded Status	\$ 33,410	\$ 13,383
Unrecognized Transition (Asset)/Obligation	-	-
Unrecognized Prior Service Cost	6,286	7,053
Unrecognized Net (Gain)/Loss	(67,652)	(37,936)
Minimum Liability Adjustment	-	-
Net Amount Recognized	\$ (27,956)	\$ (17,500)
<u>Weighted Average Assumptions as of December 31</u>		
Discount Rate	6.00%	6.10%
Expected Return on Plan Assets	8.50%	9.00%
Rate of Compensation Increase	4.00%	4.00%
Accumulated Benefit Obligation at End of Year	\$ 1,420,545	\$ 1,276,801
<u>Health Care Inflation</u>		
Initial Rate	N/A	N/A
Ultimate Rate	N/A	N/A
Year of Ultimate Rate Achievement	N/A	N/A

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 7

Date of Response: July 27, 2006
Witness: Linda Discepolo

REQUEST: Please indicate if any acquisition costs related to the proposed transaction will be requested for recovery from customers at any time in the future.

RESPONSE: There will be no recovery sought for any costs of the proposed transaction.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 8

Date of Response: July 27, 2006
Witness: Linda Discepolo

REQUEST: Will Aquarion utilize push-down accounting for direct or indirect acquisition costs?

RESPONSE: Aquarion will not push-down any acquisition costs.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 9

Date of Response: July 27, 2006
Witness: Chris Leslie

REQUEST: Regarding future capital needs for Aquarion of New Hampshire, will Aquarion utilize bank financing for its debt issuances? Are there other sources of debt financing the company would consider?

RESPONSE: Aquarion will continue to seek out the most cost effective means of short and/or long-term financing as they are available, and therefore bank financing cannot be ruled out. The Company will certainly consider all reasonable sources of debt.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 10

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Please provide a copy of the current (2006-2007) Capital Budget that includes dollar amounts.

RESPONSE: Below, please find the most recent capital expenditure budget for the 2006-2007 fiscal year.

Description	Amount
Well #10	\$110,000
Treatment	75,000
Pumping	45,000
New Storage Tank – N. Hampton	45,000
Distribution System Improvements	200,000
Water Main Extension Developers Cost	400,000
Water Main Extension Developers -Contribution	(400,000)
Services	150,000
Meters	150,000
Source of Supply	<u>100,000</u>
Total	\$875,000

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 11

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Please indicate the number of feet of unlined cast iron, galvanized steel and transite water main, respectively, replaced in each year or fiscal year in the Aquarion NH system since acquisition by Kelda.

RESPONSE: See the table below:

Mains replaced since 2002

Type	2002	2003	2004	2005
Unlined cast iron	0	0	0	0
Galvanized	0	0	0	0
Transite(A.C.)	0	1660 feet – 12” 30 feet – 8&10”	0	4706 feet – 12” 4706 feet – 8”

Transite mains replaced in 2005 as part of the Hampton Beach project.

Note: Significant lengths of mains made of other materials have been replaced since 2002, including over 700 feet of lined Cast Iron. Additionally our records indicate that there have been just four breaks on galvanized lines in which repairs were made but no significant lengths of main was replaced.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 12

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Please indicate the current amount of unlined cast iron, galvanized steel and transite water main, respectively, in the distribution system.

RESPONSE: See attached schedule which contains table S-10 "Transmission and Distribution Mains." Since unlined cast iron is not reported separately from lined cast iron the following estimated figures are based on field experience from past projects, main break repairs or new services which exposed the main allowing inspection of the inside of the main;

Unlined Cast Iron;	<u>Location</u>	<u>Length</u>
	Atlantic Ave.	5,280 feet*
	Ocean Blvd.	15,840 feet*

*Estimated length

(Other sections of the system which are older may contain additional unlined cast iron.)

Class A or B Utility

S-10 TRANSMISSION AND DISTRIBUTION MAINS

(Length of Mains in Feet)

	Ductile Iron	Cast Iron	PVC	Non-PVC Plastic	Transite	Cement	Galv Steel	Copper	Special		Total
1"							1,057				1,057
1 1/2"							5,235				5,235
2"		3,418					20,477				23,895
3"											0
4"	2,244	4,363					650		2,950		10,207
6"	13,209	91,478			42,987						147,674
8"	151,691	195,613	2,118		24,816						374,238
10"		2,647			7,231						9,878
12"	81,195	38,345	1,586		18,897						140,023
14"	0										0
16"	1,104		3,120		1,444						5,668
20"											0
24"											0
30"											0
36"											0
42"											0
48"											0
1 1/4"							48				48
3/4"							1,474				1,474
Total	249,443	335,864	6,824	0	95,375	0	28,941	0	2,950	0	719,397

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AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 13

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Please indicate the extent and reliability of company records regarding the portion of cast iron mains that are unlined v. lined.

RESPONSE: Records for cast iron mains in the system are reliable as indicated on the current distribution system maps. With regard to the cast iron mains, the records are not conclusive as to which are unlined or lined as the unlined mains can date as far back as the early 1900's and very few records have been retained. Field staff with thirty plus years of experience have verified that there are unlined mains in the system as reported in response to Data Request Staff 12. Main breaks or projects which have required digging up the main for repairs including the installation of new services have allowed physical observations and confirmation of this data.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 14

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Is the company experiencing any problems with its transite water mains?
If so, please describe.

RESPONSE: No. The majority of main breaks experienced in this system are not from transite mains, and therefore there does not appear to be any basis to say that they are more problematic than mains made of other materials.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 06-094

Aquarion Water Company's Responses to Staff Data Requests

Data Request Received: July 17, 2006
Request No.: Staff 15

Date of Response: July 27, 2006
Witness: Larry Bingaman

REQUEST: Given Aquarion's increased access to funding through Macquarie, does Aquarion anticipate accelerating the pace of its overall capital improvements, including replacement of old or undesirable water mains?

RESPONSE: Aquarion's engineering consultants, Tata & Howard, are in the process of completing an Integrated Water Resource Plan that will identify and prioritize improvements to the water system to improve customer service, water quality and fire flows. These improvements will include water mains with a history of breaking, those that need to be increased in size to improve fire flows or otherwise need to be replaced in coordination with the Town sewer or paving projects. The Tata & Howard report will provide the basis for the Company's decision regarding capital improvements. Those improvements that are determined to be necessary to provide safe and reliable service based on that report and other information available to the Company will then be implemented. The timing of such improvements is primarily a function of their significance to providing quality service and their impact on rates. The timing of our capital program is not expected to be affected by the change in ownership of Aquarion.