

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 13-____

**PETITION OF AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
FOR APPROVAL OF ITS 2014 WATER INFRASTRUCTURE
AND CONSERVATION ADJUSTMENT FILING**

Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”) hereby requests that the Public Utilities Commission (the “Commission”) approve the Company’s proposed Water Infrastructure and Conservation Adjustment (“WICA”) projects for the 2014 program year (October 1, 2013 – September 30, 2014) and approve, on a preliminary basis, its proposed WICA projects for 2015 (October 1, 2014 – September 30, 2015). Aquarion also requests that the Commission approve its proposed 2014 WICA surcharge, which the Company will submit in a supplement to this filing later in this proceeding and which will have an effective date of sixty days from the date of filing. The Company is filing its proposed 2014 and 2015 WICA projects at this time because it is required to do so by November 1 of each year and because the Company must have sufficient time to plan its 2014 projects. Aquarion’s WICA surcharge filing is not subject to the same fixed November 1 deadline, and because the Company wishes to reduce the frequency of rate increases in light of its recent base rate case and approved temporary rate and rate case expense surcharge, it will file the proposed WICA surcharge in a supplement to this petition. 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 “2009 Settlement

Agreement”), authorizing implementation of the WICA mechanism as a pilot program. *See Aquarion Water Company of New Hampshire, Inc.*, Docket DW 08-098, Order No. 25,019 (Sept. 25, 2009).

2. The purpose of the WICA mechanism is to enable Aquarion to recover the fixed costs of certain categories of non-revenue producing capital improvements completed and placed in service between general rate cases. In particular, the 2009 Settlement Agreement and the tariff provisions implementing the terms of the 2009 Settlement Agreement as they relate to the WICA mechanism identify the following WICA-eligible capital improvements: services, meters, hydrants, mains and valves, main cleaning and re-lining projects, replacement of production meters, and replacement of pressure reducing valves.

3. The 2009 Settlement Agreement requires that Aquarion file a three year projected budget of proposed WICA eligible projects no later than November 1 of each year. The budget must show projects broken down into three years: projects proposed to be constructed in the succeeding twelve month period (Year 1); projects proposed to be constructed in the next twelve month period (Year 2); and projects proposed to be constructed in the twelve months following Year 2 (Year 3). Year 1 and Year 2 projects are provided for review and approval by the Commission, whereas Year 3 projects are provided for advisory purposes and discussion. Order No. 25,109 at 8.

4. On June 28, 2013, the Commission approved a settlement agreement by and among Aquarion, the Commission staff (“Staff”) and the Office of Consumer Advocate (“OCA”) in Docket DW 12-085 (the “2013 Settlement Agreement”), modifying the WICA program by, among other things, excluding customer meters from the list of WICA-eligible capital improvements and requiring the Company to provide an updated main replacement prioritization analysis and updated infrastructure inventory in its annual WICA filing. *Aquarion Water*

Company of New Hampshire, Inc., Docket DW 12-085, Order No. 25,539 at 26, 29 (June 28, 2013).

2014-2016 WICA Projects

5. Pursuant to Section II.H.2 of the 2009 Settlement Agreement, Aquarion is submitting with this Petition its proposed projects for 2014 for the Commission's final approval with regard to eligibility for the WICA mechanism, its proposed projects for 2015 for preliminary eligibility approval, and its proposed projects for 2015 for informational purposes, all of which are set forth in the accompanying written direct testimony of Carl McMorran.

6. Prior to submitting this petition, Aquarion met with the Town of Hampton's Board of Selectmen and the North Hampton Water Commission to present and explain the proposed project lists for 2014 – 2016. Though the Town of Hampton Board of Selectmen has not yet taken any action relative to the proposed project list, the North Hampton Water Commission voted to support them. (The project list for 2014 underwent one minor change—the addition of Well 9 transmission main for \$67,000—after the list was presented to the towns. The Company plans to apprise the towns directly of this addition to ensure that they are aware of the most up to date information.)

7. The 2014 projects submitted for approval with this petition are consistent with those identified for 2014 on a preliminary basis in DW 12-325,¹ except for two changes. First, the projected construction cost for the Ocean Boulevard (Dumas Avenue to Winnacunnet Road) project in Hampton has been reduced. Second, the reduction in project costs has enabled the Company to add two additional main replacement projects to the 2014 WICA project list, both of which were initially scheduled to be implemented in 2013 but were postponed because of a

¹ The Commission deferred ruling on Aquarion's proposed construction budget for 2014 due to the pending nature of the Company's last rate case, in which the future of the WICA as a pilot program was at issue, noting: "Aquarion should have ample time to make appropriate business decisions with respect to 2014 following our ruling on continuation of the WICA." Order No. 25,455 at 7.

change in the projects planned for 2013 as part of an effort to coordinate projects with a previously unanticipated sewer main replacement project by the Town of Hampton.²

8. Aquarion requests that the Commission (a) approve its proposed 2014 WICA projects and (b) preliminarily approve its proposed 2015 WICA projects for inclusion in the WICA surcharge upon submission of final project costs after construction has been completed.

2013 WICA Project Costs and 2014 WICA Surcharge

9. The Company will supplement this filing at a later date to provide the final costs related to its 2013 project year costs and obtain authority to implement the necessary WICA surcharge to recover those costs. The 2009 Settlement Agreement requires Aquarion to file final project costs, supporting documentation and its proposed WICA adjustment “at least sixty days prior to the proposed effective date of any proposed rate change,” with the proposed WICA rate to become effective “on the later of January 1 following Aquarion’s filing with the Commission seeking implementation of a WICA rate change or sixty days after the date of the filing.” Order 25,019 at 8. Thus, by the terms of the 2009 Settlement Agreement, Aquarion must submit its proposed projects for Commission review by November 1, but has the flexibility to file its proposed WICA adjustment filing for the prior year’s project at a later date.

10. Aquarion has decided to defer the effective date of its proposed WICA surcharge for 2013 project costs to reduce the frequency of rate changes by increasing the time between implementation of the temporary rate recoupment and rate case expense surcharges recently approved in Order No. 25,586 (DW 12-085, October 22, 2013) and the WICA surcharge adjustment the Company will be seeking.

² Aquarion will provide more detailed testimony regarding the substitution of previously approved 2013 WICA projects when it submits its filing seeking to adjust the WICA surcharge.

11. Aquarion requests that the Commission issue an order approving the Company's proposed 2014 WICA projects as soon as reasonably possible and without waiting for submission of the WICA surcharge filing relating to the Company's 2013 project year costs. A Commission order regarding the projects proposed for 2014 will enable the Company to have sufficient time for planning in advance of the 2014 construction season.

WHEREFORE, Aquarion hereby respectfully requests the Commission:

- A. Approve Aquarion's proposed 2014 WICA projects for recovery through the WICA mechanism, subject to a prudence review based on final construction costs;
- B. Preliminarily approve Aquarion's proposed 2015 WICA projects;
- C. Approve Aquarion's proposed WICA surcharge upon supplementation of this petition; 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 &
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Date: November 1, 2013

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition of Aquarion Water Company of New Hampshire, Inc. for Approval of its 2014 Water Infrastructure and Conservation Adjustment Filing has been forwarded to the Office of the Consumer Advocate, Town of North Hampton, Town of Rye, and Town of Hampton.

Dated: November 1, 2013



Patrick H. Taylor