

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-325

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

**Water Infrastructure and Conservation Adjustment 2013-2015 Projects and 2013
Surcharge**

**Order Denying Motion for Approval of Modifications to 2013 WICA Project List and
Deferring Issue of Modifications to Future Proceeding**

ORDER NO. 25,584

October 21, 2013

I. BACKGROUND

On September 6, 2013, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed a Verified Motion for Approval of Modifications to Aquarion's 2013 Water Infrastructure and Conservation Adjustment (WICA) project list. Aquarion's 2013 project list for its WICA program was approved in Order No. 25,455 (January 17, 2013). Aquarion seeks Commission approval for the substitution of three water main replacement projects in place of five projects which were part of the approved list for 2013. Aquarion states that it became aware in February of this year that the Town of Hampton (Hampton) had scheduled sewer main replacement projects on Auburn Avenue and Perkins Avenue in the Hampton Beach area. Following discussions with Hampton, and because Aquarion was able to share street opening and paving costs, Aquarion went forward with replacement of water main in that area. The new water main installed in Auburn Avenue and Perkins Avenue replaces asbestos-cement pipe at or near its life expectancy and of a material prone to breaks. The cost of these two projects was about \$422,000.

Aquarion further explains that, in April of this year, it became aware of additional sewer main replacement work scheduled by Hampton for the Auburn Avenue Extension. Aquarion subsequently replaced water main in the same area at a cost of about \$88,000. Aquarion asserts that the existing main in Auburn Avenue Extension was cast iron and had a history of multiple main breaks.

Aquarion further explains that the decision to substitute these projects in the 2013 project list was based on cost savings by taking advantage of street opening by Hampton for sewer main replacement; reducing the risk of future main breaks; and the ability to bury the new replacement main at greater depths than the pipe replaced. Aquarion explained that, when these mains were first installed, only seasonal customers were served and water to this area was discontinued for the winter season. More recent demand for permanent service, however, has caused Aquarion to bleed the pipes in the winter, which contributes to non-revenue water. This practice will no longer be necessary in this area with the completion of these projects. Aquarion also notes that it is Aquarion's understanding that Hampton will be implementing a 5 year moratorium on excavation projects on these roads following completion of the sewer main work this year. Thus, Aquarion would not have been able to replace these mains until 2019 at the earliest if not done in 2013.

Aquarion states that the substitution of the Auburn Avenue, Perkins Avenue and Auburn Avenue Extension projects over the WICA projects deferred resulted in a modest net increase in total construction cost for main replacement for 2013 of \$29,700. Aquarion asserts that it acted prudently in these decisions, and that prioritization criteria applied when scheduling WICA projects include paving and public works projects scheduled by the towns in which Aquarion

serves. For these reasons, Aquarion states that it has demonstrated that substitution of these projects in its 2013 WICA project list is appropriate. Aquarion seeks an order *nisi*, approving the modifications to its project list, such that it can proceed with its scheduled WICA filing on or about November 1, 2013.

On September 27, 2013, Commission Staff (Staff) filed a recommendation that the Commission defer consideration of the merits of the motion until the Commission reviews the upcoming docket relative to Aquarion's 2014-2016 WICA projects and 2014 surcharge for completed 2013 projects. Staff stated that decisions regarding which projects to include in the WICA process should be made on a larger, system-wide basis. Staff stated that, while substituting the three water main replacement projects in the 2013 project list may have been prudent, undertaking projects not a part of the approved project list undermines the objectives of the program in two ways. First, the WICA process is a collaborative process involving Staff, the Office of the Consumer Advocate (OCA), and the municipalities in which Aquarion serves, and unilateral substitution of projects sidesteps that process. Second, given that Hampton is participating in the WICA process, Staff questioned why this collaboration didn't alert Aquarion to Hampton's planned sewer main replacement project sooner. Further supporting its recommendation to defer consideration of the issues raised in the motion to this fall's WICA docket, Staff noted that in Aquarion's recent rate case order, Aquarion committed to providing an updated main prioritization analysis and updated infrastructure inventory. Staff stated that Aquarion is free to seek recovery of its completed 2013 WICA capital projects when it files its upcoming WICA filing. At that time, Staff would conduct a more thorough and comprehensive review.


II. COMMISSION ANALYSIS

Having reviewed Aquarion's verified motion and Staff's recommendation, we agree with Staff that consideration of the merits of the motion is best taken up in Aquarion's forthcoming WICA filing. One of the significant features of the WICA program is that it is intended to be a collaborative process with Staff, OCA, and the municipalities in which Aquarion provides service. Regardless of the prudence of the decision to substitute three main replacement projects in streets where Hampton was undertaking sewer main replacement, the projects were conducted outside of the procedure approved in the pilot. We also agree with Staff that the circumstances raise questions regarding the effectiveness of the collaborative process and, because this is a pilot, the Commission intends to review these issues more thoroughly in a subsequent docket. For these reasons, we will not rule on the prudence of the three replacement projects nor provide approval for their substitution in the 2013 project list at this time. We will await further recommendations from Staff and the participating parties in the WICA filing anticipated to be filed on or about November 1, 2013.

Based upon the foregoing, it is hereby

ORDERED, that Aquarion Water Company of New Hampshire, Inc.'s Verified Motion for Approval of Modifications to Aquarion's 2013 WICA Project List is hereby **DENIED** the modifications instead to be considered during the next WICA filing submitted to the Commission.

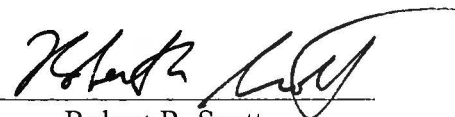
By order of the Public Utilities Commission of New Hampshire this twenty-first day of
October, 2013.



Amy U. Ignatius
Chairman




Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director