

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 13-314

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Water Infrastructure and Conservation Adjustment 2014-2015 Projects

Order *Nisi* Granting Petition

ORDER NO. 25,628

February 7, 2014

I. BACKGROUND

Aquarion Water Company of New Hampshire, Inc. (Aquarion) is a regulated public utility as defined by RSA 362:2 and 362:4 and provides water service to approximately 9,056 customers in the Towns of Hampton, North Hampton, and Rye. On November 1, 2013, Aquarion filed a petition for approval of its proposed 2014-2015 capital projects under its Water Infrastructure and Conservation Adjustment (WICA) pilot program. The Commission approved the WICA pilot in Aquarion's rate case, Docket No. DW 08-098. *Aquarion Water Company of New Hampshire*, Order No. 25,019, 94 NH PUC 510 (2009). The purpose of the pilot is to accelerate the replacement of aging infrastructure and to allow Aquarion to recover through a surcharge on customer bills the fixed costs of non-revenue producing capital improvements completed and placed in service. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2013/13-314.html>.

The WICA program requires Aquarion to file a 3-year projected budget of proposed eligible projects no later than November 1 of each year. Year 1 projects are those proposed to be

constructed in the succeeding twelve month period and are provided for final review. Year 2 projects are those proposed to be constructed in the next twelve month period and are provided for review and approval by the Commission. Year 3 projects are those proposed to be constructed in the twelve months following Year 2 and are provided for advisory purposes and discussion. In addition, Aquarion can file at least sixty days prior to the proposed effective date of any proposed rate change the final project costs and a proposed rate surcharge. If approved, the surcharge can become effective on the later of January 1 following Aquarion's filing or sixty days after the date of the filing; provided, however, that if the Commission determines further investigation or consideration of any proposed WICA is needed, it may order that the proposed WICA rate become effective on a temporary basis. If the Commission establishes a temporary rate, the rate would be subject to reconciliation pending a final determination by the Commission. Reconciliation would be for final determination of the costs to be included in the WICA and not for any positive or negative variances in actual revenues collected versus projected revenues. Only projects used and useful are eligible for cost recovery.

In the past, Aquarion has filed its proposed rate surcharge along with its proposed projects, however, in this filing, Aquarion wishes to postpone final review of its 2013 project costs and associated rate increase so as not to exacerbate the rate increases recently approved in its general rate case, Docket No. DW 12-085.¹ Aquarion's request to postpone consideration of the surcharge also affects an issue that arose in Docket No. DW 12-325, Aquarion's last WICA filing. In that docket, Aquarion filed a verified motion for approval of modifications to Aquarion's 2013 WICA project list wherein it requested approval, *nunc pro tunc*, of projects it

¹ In that rate case, the WICA surcharge was reset to zero after the WICA capital improvements were incorporated into the rate base portion of the new revenue requirement.

completed in 2013, but did not include on its approved projects list. As explained in its motion, Aquarion postponed its Well 7 transmission main; Well 9 transmission main; Meadow Pond/Gentian/Green Street main; Great Boar's Head main; and Rout 101 (Glade Path to Tide Mill Road) main projects. Instead of those projects, Aquarion substituted main replacement projects on Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue so as to take advantage of a road cut associated with the Town of Hampton's sewer project. Aquarion explained that even though the substituted projects were not on the 2013-2015 WICA project lists provided to the Commission, the projects were eligible for inclusion on the list and had a history of main breaks. Aquarion stated that it did not learn of the sewer project until February and April of 2013 and it added that Hampton has a 5-year moratorium on road excavation projects following final paving.

In Order No. 25.584, dated October 21, 2013, the Commission denied Aquarion's motion and stated that it would take up the issue in Aquarion's next WICA filing, which is the instant proceeding. Because Aquarion is now asking us to postpone consideration of cost recovery associated with the 2013 projects, and only seeks approval of its 2014, 2015, and 2016 construction projects and budgets, we will not address Aquarion's verified motion at this time.

Regarding the projects proposed for 2014, Aquarion seeks approval of capital projects having a construction budget of \$1,018,568, and preliminary approval for its 2015 projects totaling \$847,000. Aquarion also submitted, for informational purposes, its list of projects proposed for 2016. The proposed projects and cost estimates for 2014 include the following: a main replacement on Ocean Boulevard in Hampton (\$663,968); a main replacement on Great Boar's Head Avenue (\$207,000); Well 9 transmission main replacement (\$67,000); and design

work for the main replacement projects at Ross Avenue (\$21,000) and Gentian, Green, and Meadow Pond Roads (\$35,000) in Hampton. Proposed WICA projects for 2014 through 2016 will also include annual replacement of seven hydrants (\$72,000), seven service lines (\$96,000), and three distribution valves (\$51,000).

On November 6, 2013, the Office of the Consumer Advocate (OCA) informed the Commission that it would be participating in the docket on behalf of residential ratepayers pursuant to RSA 363:28. On December 9, 2013, the North Hampton Water Commission (NHWC) informed the Commission that it had met with Aquarion to discuss the upcoming WICA capital projects, the WICA main replacements, and the 2014 non-WICA capital projects. The NHWC stated that it supported the projects proposed for 2014. NHWC also supported Aquarion's request to delay the 2013 WICA surcharge.

On matters unrelated to the WICA, NHWC stated that it disagreed with Aquarion's proposal to delay implementation of monthly meter readings until 2015. NHWC felt that monthly reading and billing would reduce quarterly billing rate shock and would help customers detect leaks more quickly. NHWC also asked Aquarion to insert a notice in its bills to customers regarding the availability of insurance to cover pipe replacement on homeowner's property.

On January 23, 2014, Staff filed a letter recommending the Commission approve the proposed projects. Staff stated that shortly after Aquarion's filing, it had contacted the OCA and the Towns of Hampton, North Hampton, and Rye as well as the NHWC to establish a schedule for reviewing the WICA filing. That review included discovery and a technical session with the parties and Aquarion. Staff attached Aquarion's discovery responses to its recommendation. Staff stated that Aquarion's proposed projects filing, consistent with past filings, focuses on

water main replacements. As compared to the 2014 proposed budget filed in DW 12-325, Staff noted that there were two changes: a reduction in the projected cost of the Ocean Boulevard main replacement and the addition of two projects originally scheduled for 2013 but deferred when Aquarion substituted those projects with others that could be done in conjunction with the Town of Hampton's sewer work.

Staff's consultant engineer reviewed Aquarion's projects and noted that the Well 9 Transmission Main may have ineligible costs and that more investigation will be needed to discern the extent of those costs; the Ross Avenue project is 950 feet, not 200 feet; and the Ocean Boulevard project cost decreased 25% as a result of Aquarion pursuing trenchless rather than open cut construction. Staff's consultant also commented on a project that had been listed in Aquarion's last two WICA filings but was dropped from the instant filing: the Route 101 Main-Glide Path to Tide Mill Road project. Staff's consultant stated that the main crossed a tidal swamp and is one of only two supply routes to Hampton Beach. In discovery, Staff learned that Aquarion tested this main for leaks in 2013 and that based on the test results, Aquarion deemed the main to be a lower priority. Staff's consultant concluded that Aquarion's oversight of the program and use of resources was efficient; that mains continue to comprise the bulk of Aquarion's projects; and that the 2014-2016 projects were reasonable. Staff also calculated the projected surcharge to customers, based on a proposed spending of \$1,018,568 for 2014, to be 2.17%.

Prior to filing its recommendation, Staff solicited parties' positions. The North Hampton Water Commission previously filed its position. Staff reported the OCA took no position on the technical aspects of Aquarion's filing, urged Aquarion to timely engage stakeholders regarding

changes to pre-approved WICA projects, and appreciated Aquarion's efforts to mitigate the impact of the recent permanent rate increase by delaying the recovery of the 2013 WICA project costs. Staff stated that the Town of Hampton did not oppose the planned 2014 WICA projects or the substitution of 2013 projects.

II. COMMISSION ANALYSIS

In Order No. 25,019 the Commission approved a WICA program for Aquarion on a trial basis and stated that the WICA program would automatically terminate at the time of a final order in Aquarion's next general rate case, unless extended by the Commission. *Aquarion*, supra, 94 N.H. PUC at 517. In Aquarion's last rate case, the Commission approved continuation of the pilot, but with modification. See, *Aquarion Water Company, Inc.*, Order No. 25,539 (June 28, 2013). The Commission removed the first \$50,000 in costs related to the emergency or reactive replacement of services, valves, and hydrants in a given year from recovery through the WICA surcharge. The Commission also accepted Staff and the parties' recommendation that customer meters be excluded from the list of eligible improvements. Aquarion's instant filing reflects these modifications.

The projects proposed for 2014, as detailed above, are presented for our review and approval. They include main replacement projects on Ocean Boulevard, Great Boar's Head Avenue, and Well 9 transmission main; and design work for the main replacement projects at Ross Avenue as well as Gentian, Green, and Meadow Pond Roads, also in Hampton. According to pre-filed testimony, Aquarion does not expect to incur construction costs for the design-related projects until 2015, after the design work is completed. Petition at 12-13. The projects proposed

for 2014 through 2016 contain budgets for the annual replacement of seven hydrants, seven service lines, and three distribution valves. *Id.* at 17.

As evidenced by the recommendations, Staff, the OCA, Town of Hampton, and the NHWC all either support these projects or do not oppose them. We note that Aquarion met with the Town of Hampton, Board of Selectmen, as well as the NHWC and discussed the 2014 project list. Petition at 3. Aquarion stated it paid special attention to making the towns aware of the changes such as the addition of the Well 9 transmission main project and the reduction in the construction cost for the Ocean Boulevard project. *Id.*

Having reviewed Aquarion's filing as well as Staff and the parties' recommendations, we will approve Aquarion's 2014 schedule of proposed projects and provide our preliminary approval of its schedule of 2015 projects. We are satisfied that the proposed projects and budget are reasonable and necessary, and fulfill the objective of the WICA program to accelerate the replacement of aging infrastructure.

Regarding Aquarion's postponement of its 2013 surcharge filing, we will defer consideration of Aquarion's motion to substitute unapproved projects for projects approved for the 2013 construction year, as well as recovery of the costs associated with the 2013 projects. We will take up these issues when Aquarion makes its rate surcharge filing.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Aquarion Water Company of New Hampshire's schedule of 2014 capital projects under its WICA tariff is hereby APPROVED; and it is

FURTHER ORDERED, that Aquarion's schedule of 2015 capital projects under its WICA tariff is approved on a preliminary basis, subject to further recommendations of the parties in the fall of 2014; and it is

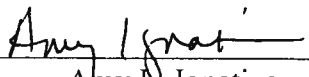
FURTHER ORDERED, that Aquarion shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than February 17, 2014 and to be documented by affidavit filed with this office on or before March 4, 2014; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than February 24, 2014 for the Commission's consideration; and it is

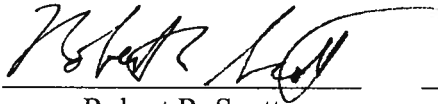
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than March 3, 2014; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective March 7, 2014, unless Aquarion fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.


By order of the Public Utilities Commission of New Hampshire this seventh day of
February, 2014.



Amy D. Ignatius
Chairman




Robert R. Scott
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director