



AQUARION
Water Company

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Quality Water for Life®

Debra A. Howland, Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, N.H. 03301-2429

Re: DW 09-___; Aquarion Water Company of New Hampshire
Water Infrastructure and Conservation Adjustment—2010-12 Projects

Dear Ms. Howland:



Aquarion Water Company of New Hampshire ("Aquarion" or the "Company") is pleased to file its proposed list of projects for the Water Infrastructure and Conservation Adjustment ("WICA") in accordance with the New Hampshire Public Utilities Commission's ("PUC" or the "Commission") September 25, 2009 decision in Docket No. DW 08-098, Order No. 25,019, Order Approving Settlement Agreement and Permanent Rate Increase.

As explained in the Company's tariff, the purpose of the WICA is to recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual plant accounts between base rate cases. The page 16 of the Company's tariff identifies the following investments as being WICA-eligible: services (account 333), meters (account 334), hydrants (account 335), mains and valves (account 331), main cleaning and re-lining projects (account 331) and replacement of pressure reducing valves. Pursuant to the approved settlement in Docket DW 08-098, in order for the Company to recover costs relating to specific projects through the WICA, the Commission must first determine that the identified projects are WICA eligible and, after completion of the projects, the Commission must approve the final project costs. In particular, the settlement requires the Company to file by November 1 of each year a list of the capital investments planned for the ensuing three years that it intends to include in the WICA. Section II.H.2. the settlement provides:

The Company agrees to file a three year projected budget of proposed WICA eligible projects no later than November 1 of each year. Each such budget shall show projects broken down into three years. Year 1 projects are those proposed to be constructed in the succeeding twelve month period. Year 2 projects are those proposed to be constructed in the next twelve month period. Year 3 projects are those proposed to be constructed in the twelve months following Year 2. Year 3 projects shall be provided for advisory purposes and discussion. Year 2 projects shall be provided for review and approval by the Commission. Year 1 projects shall be provided for final review and informational purposes. Staff or any party may request a hearing prior to the Commission's granting approval for a project to become eligible for cost recovery through the WICA. The

determination as to whether to hold a hearing on the eligibility of any project for WICA cost recovery shall be at the discretion of the Commission.

Because this is the Company's first WICA filing pursuant to Order No. 25,019, it requests that the Commission approve for cost recovery through the WICA both the projects for 2010 (the equivalent of Year 1 under the settlement) and 2011 (the equivalent of Year 2 under the settlement) that are listed in the enclosed schedules. The identified projects include mains, hydrants, service lines, distribution valves and meters. The proposed main replacement projects were prioritized from 56 potential main replacement projects based on main break history, pipe age/useful life, material integrity, criticality to system function, water quality problems, hydraulic capacity, schedule coordination with other projects (e.g., road paving or sewer projects), water utility staff input and concerns, and capital budget constraints. The proposed WICA also includes annual replacements of twelve hydrants, eight service lines and three distribution valves. These targets are based on historical annual averages. Between 700 and 1,000 direct read meters will be replaced with radio read meters. We are on pace to complete the conversion to radio read meters by late 2012 or early 2013. Meters to be replaced are based on required periodic meter replacements per PUC meter test schedules, and by capital budget constraints. The contents of this filing are explained on page one of the attached document.

Aquarion expects WICA to be a cooperative process between Company staff, OCA and Staff to meet objectives of the pilot program approved in Order No. 25,019. Recognizing this is the first filing under WICA, Aquarion strongly desires feedback to enhance WICA process effectiveness, thereby accelerating existing water system infrastructure replacement and rehabilitation for the benefit of its customers. The Company is available to meet with the Commission staff and other interested parties to review and answer any questions on projects proposed in this filing.

Pursuant to Section II.H.5. of the settlement in Docket DW 08-098, a copy of this filing is being provided to the Office of Consumer Advocate and is also being sent by first class U.S. mail to the towns in which the Company provides service. Should you have any questions concerning the foregoing, please contact me at your convenience.

Sincerely,



Carl McMorran
Operations Manager

Enclosures

cc: Steven Camerino, Esq.
Rorie Hollenberg, Esq.
Ken Traum
Fred Welch
Steve Fournier
Michael Magnant