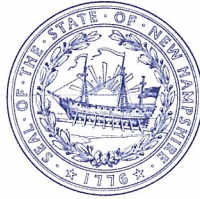


THE STATE OF NEW HAMPSHIRE



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December 28, 2009



Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit St., Suite 10
Concord, New Hampshire 03301

Re: DW 09-211, Aquarion Water Company of New Hampshire, Inc.
Water Infrastructure and Conservation Adjustment – 2010-12 Projects
Staff Recommendation for Approval

Dear Ms. Howland:

On November 2, 2009, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed its proposed list of capital projects under its Water Infrastructure and Conservation Adjustment (WICA) tariff provision. The Commission approved the WICA as a pilot program in Order No. 25,019 (September 25, 2009) in Docket No. DW 08-098, Aquarion's recently-concluded rate case. Staff and the parties to Docket No. DW 08-098 have reviewed the filing, conducted discovery, and have met in a technical session. Staff recommends the Commission approve the filing, as does the Town of North Hampton. The Office of the Consumer Advocate (OCA) does not oppose the proposed WICA projects for Year 1, i.e., 2010, or the Year 2 projects identified for further discussion next fall.

This first filing under the WICA provisions contains the company's proposed list of WICA-eligible projects for each of the next three years. The Year 1 projects are to be undertaken in 2010 and are presented for final review; the Year 2 projects, proposed for construction in 2011, are presented for review and approval by the Commission; the Year 3 projects, proposed for 2012, are presented for advisory purposes and discussion. By November 1 of 2010, Aquarion will similarly file its three year list of WICA-eligible projects, but will also file for approval of its first WICA surcharge to be applied to customer bills, based on completed construction in 2010.

The Year 1 projects contained in Aquarion's filing, proposed for construction in 2010, total an estimated \$908,000 and, if approved for inclusion in the WICA surcharge, would result in a surcharge of 2.01% to customer bills effective for service rendered on and after 1/1/2011. Aquarion's response to Staff data request 1-6 (revised), attached to this letter, provides the

details of the bill impact calculation. This estimate of \$908,000 in costs is detailed on the attachments to Aquarion's filing in this docket.

Aquarion's proposed Year 2 projects, scheduled for construction in 2011, total \$784,000. If approved, these projects would increase the WICA surcharge an additional 1.74% which would be effective for service rendered on and after January 1, 2012. Lastly, Aquarion's proposed Year 3 projects, scheduled for construction in 2012, total \$643,000. These projects, if approved, would increase the WICA surcharge an additional 1.42% which would be effective for service rendered on and after January 1, 2013.

When the WICA surcharge is implemented, Aquarion plans to notify customers in advance by using bill inserts, customer newsletters, and adding detailed information to the bill including definitions and where customers can seek additional information on Aquarion's website and by contacting Aquarion by phone. See Aquarion's response to Staff data requests 2-15 and 2-16, attached.

Aquarion's choice of eligible capital projects to pursue for WICA recovery is explained in its filing. Main replacement projects were prioritized from 56 potential projects based on main break history, pipe age and useful life, material integrity, criticality to system function, water quality problems, coordination with road paving or sewer improvements, and other factors. Aquarion's responses to Staff's data requests 1-1, 2-3, 2-5, 2-6, 2-7, and 2-11 are attached and provide further detail on how the company prioritized main replacements. Aquarion also proposes annual replacement of twelve hydrants, eight service lines, and three distribution valves. Between 700 and 1,000 direct read meters will be replaced with radio read meters, such that the company will be fully converted to radio read meters in late 2012 or early 2013.

For the above reasons, Staff recommends the Commission approve Aquarion's filing and issue an order *nisi*. If there are any questions regarding this, please let me know.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Attachments:

Aquarion responses to Staff Data Requests 1-6, 2-15, 2-16, 1-1, 2-3, 2-5, 2-6, 2-7, and 2-11.
cc: Service List