

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 14-075**

**AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.**

**Verified Petition to Credit Customers for Benefit Arising from Change in Tax Regulation**

**Summary of Order *Nisi* No. 25,692 Establishing Deferred Liability**

**July 10, 2014**

Aquarion Water Company of New Hampshire, Inc. (Aquarion), seeks approval of a mechanism to pass through to customers an anticipated tax benefit in the approximate amount of \$905,000 dollars. Aquarion proposes to net out deferred revenues from the delayed application of its 2014 Water Infrastructure and Conservation Adjustment (WICA) surcharge. Aquarion proposes to apply a credit to customer bills beginning January 1, 2015, and continuing for a three-year period. 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 New Hampshire Public Utilities Commission website at <http://www.puc.nh.gov/Regulatory/Docketbk/2013/13-314.html>.

In September 2103, the United States Department of the Treasury, Internal Revenue Service (IRS) adopted regulations that allow taxpayers to expense certain repair and maintenance costs that Aquarion has historically capitalized. The regulations permit Aquarion to reflect a catch-up adjustment on its 2013 federal tax return, limited to the amount of state and federal taxes paid by Aquarion in 2011 through 2013. Aquarion calculates that its taxes for that period will equal \$905,000 dollars. Aquarion will therefore be able to take advantage of a \$905,000 adjustment by expensing capital improvements that it made during 2007 through 2013. To pass through this benefit to its customers, Aquarion proposes to create a deferred regulatory liability. It would first offset the regulatory liability with an estimated \$71,766 in 2014 WICA revenues that have been accruing since April 1, 2014, but which have not yet been collected in rates.

Aquarion would then pass through the remainder of the tax benefit to its customers through an estimated 4% credit on customer bills beginning January 1, 2015. Aquarion requests a period of three-years for the credit.

Commission Staff and the Office of the Consumer Advocate recommend approval of Aquarion's request to create the credit. They also recommend that the Commission defer ruling on the period over which the benefit will be passed through to customers until Aquarion files its tax return in September 2014 and reports the exact amount of the tax benefit to the Commission.

The Commission approves Aquarion's request to offset the estimated \$71,776 in accrued WICA revenues and to pass through the remainder of the tax benefit to customers through a credit beginning January 1, 2015. The Commission defers ruling on the period over which the benefit will be credited to customers until Aquarion files its 2013 tax return and provides an update to the Commission with the exact amount of the tax benefit to be received.

In order to assure that all interested parties receive notice of this docket and have an opportunity to request a hearing, the Commission will delay the effectiveness of its approval until August 8, 2014. All persons interested in responding to the Commission's approval may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than July 25, 2014. Any party interested in responding to such comments and request for hearing shall do so no later than August 1, 2014. Following consideration of any comments and request for hearing received, the Commission may further extend the effective date of its approval. The Commission's approval shall become final and effective on August 8, 2014, unless the Commission orders otherwise.