

Authorized Return on Equity Rates

	Company	Case ID Number	Awarded ROE	Effective Date
1	Milford Water Company- Massachusetts	DPU 09-70	10.25%	2/22/2011
2	Colonial Water Company- Massachusetts	DPU 11-20	10.25%	12/28/2011
3	Aquarion Water Company of Massachusetts	DPU 11-43	10.25%	3/30/2012
4	The Jewett City Water Company- Connecticut	Docket 10-10-05	10.00%	3/2/2011
5	Pittsfield Aqueduct Company, Inc	DW 10-090	9.75%	6/8/2011
6	Pennichuck Water Works, Inc	DW 10-091	9.75%	6/9/2011
7	American States Water Co.*		9.99%	11/1/2011
8	American Water Works Co., Inc*		9.61%	
9	Aqua America, Inc.*		10.33%	
10	California Water Service Group*		9.99%	11/1/2011
11	Middlesex Water Company*		10.15%	
12	SJW Corporation*		9.99%	11/1/2011
13	United Water Delaware	10-421	10.00%	9/20/2011
14	United Water New Jersey	WR11070428	10.30%	12/19/2011
15	United Water Rhode Island	4255	9.85%	1/10/2012
16	United Water Owego-Nichols	11-W-0082	9.60%	3/26/2012
		<i>Average</i>	<u>10.00%</u>	

*Source is AUS Utility Report, May 2012.



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Regulatory Practices

[Distribution System Investment Charge \(DSIC\)](#)

[Prospectively Relevant Test Year](#)

[Acquisition Adjustments](#)

[Construction Work In Progress \(CWIP\)](#)

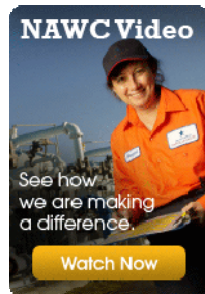
[Decoupling](#)

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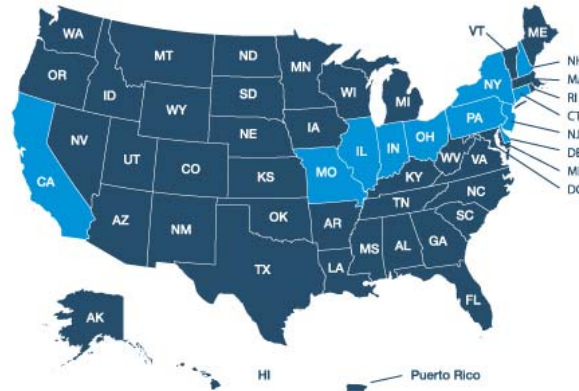
[Defined Timeframes for Rate Cases](#)



Distribution System Investment Charge (DSIC) for Water and Wastewater Systems

DSIC was first implemented in Pennsylvania in approximately 1996 and allows for rate increases, outside of a general rate proceeding, for non-revenue producing investments to replace aging infrastructure. In Pennsylvania, the program has operated for almost 10 years with no known customer complaints. Benefits of the program include more efficient and timely investment of capital, significant progress in replacing aging infrastructure, enhanced service quality, reduction of water lost through leaks, avoidance of rate shock, and others. As water supplies become more stressed in the future due to many factors, reducing water lost through aging infrastructure will become more important. Such programs typically include protections for customers such as limits on the amount of incremental revenues that can be collected, exclusion of capital projects that are revenue producing, and true-up mechanisms.

States with DSIC



California
Infrastructure Investment Surcharge Mechanism (IISM) — pilot basis for California American Water's Los Angeles District

Connecticut
Water Infrastructure and Conservation Adjustment (WICA)

Delaware
Distribution System Improvement Charge (DSIC)

Illinois
Qualifying Infrastructure Plant Surcharge (QIPS)

Indiana
Distribution System Improvement Charge (DSIC)

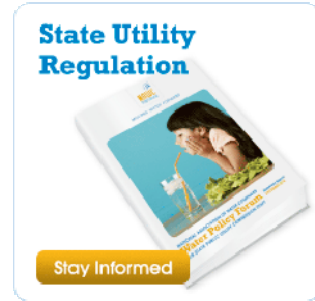
Missouri
System Infrastructure Charge (SIC)

New Hampshire
Water Infrastructure and Conservation Adjustment (WICA) — pilot basis for Aquarion Water

New Jersey
Distribution System Improvement Charge (DSIC)

New York
Distribution System Improvement Charge (DSIC)

Join NAWC



Ohio
System Infrastructure Charge (SIC)

Pennsylvania
Distribution System Improvement Charge (DSIC)



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Innovation & Technology	Water Security & Safety		Infrastructure Investment	Glossary	Committees	Leaders Spotlight	Join The Effort	Design/Build/Operate
Accountability & Transparency			Safeguarding Water	Ask An Expert			Careers	Customer Service
Our Children's Water							NAWC Gives Back	Conservation & Sustainability
								Water Operating Services
								Biosolids



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Resolution Supporting Consideration of Regulatory Policies Deemed as “Best Practices”

WHEREAS, A number of innovative regulatory policies and mechanisms have been implemented by public utility commissions throughout the United States which have contributed to the ability of the water industry to effectively meet water quality and infrastructure challenges; *and*

WHEREAS, The capacity of such policies and mechanism to facilitate resolution of these challenges in appropriate circumstances supports identification of such policies and mechanisms as “best practices”; *and*

WHEREAS, During a recent educational dialogue, the “2005 NAWC Water Policy Forum,” held among representatives from the water industry, State economic regulators, and State and federal drinking water program administrators, participants discussed (consensus was not sought nor determined) and identified over 30 innovative policies and mechanisms that have been summarized in a report of the Forum to be available on the website of the Committee on Water at www.naruc.org; *and*

WHEREAS, As public utility commissions continue to grapple with finding solutions to meet the myriad water and wastewater industry challenges, the Committee on Water hereby acknowledges the Forum’s *Summary Report* as a starting point in a commission’s review of available and proven regulatory mechanisms whenever additional regulatory policies and mechanisms are being considered; *and*

WHEREAS, To meet the challenges of the water and wastewater industry which may face a combined capital investment requirement nearing one trillion dollars over a 20-year period, the following policies and mechanisms were identified to help ensure sustainable practices in promoting needed capital investment and cost-effective rates: a) the use of prospectively relevant test years; b) the distribution system improvement charge; c) construction work in progress; d) pass-through adjustments; e) staff-assisted rate cases; f) consolidation to achieve economies of scale; g) acquisition adjustment policies to promote consolidation and elimination of non-viable systems; h) a streamlined rate case process; i) mediation and settlement procedures; j) defined timeframes for rate cases; k) integrated water resource management; l) a fair return on capital investment; *and* m) improved communications with ratepayers and stakeholders; *and*

WHEREAS, Due to the massive capital investment required to meet current and future water quality and infrastructure requirements, adequately adjusting allowed equity returns to recognize industry risk in order to provide a fair return on invested capital was recognized as crucial; *and*

WHEREAS, In light of the possibility that rate increases necessary to remediate aging infrastructure to comply with increasing water quality standards could adversely affect the affordability of water service to some customers, the following were identified as best practices to address these concerns: a) rate case phase-ins; b) innovative payment arrangements; c) allowing the consolidation of rates (“Single Tariff Pricing”) of a multi-divisional water utility to spread capital costs over a larger base of customers; *and* d) targeted customer assistance programs; *and*

WHEREAS, Small water company viability issues continue to be a challenge for regulators, drinking water program administrators and the water industry; best practices identified by Forum participants include: a) stakeholder collaboration; b) a memoranda of understanding among relevant

State agencies and health departments; c) condemnation and receivership authority; and d) capacity development planning; *and*

WHEREAS, The U.S. Environmental Protection Agency's "Four-Pillar Approach" was discussed as yet another best practice essential for water and wastewater systems to sustain a robust and sustainable infrastructure to comprehensively ensure safe drinking water and clean wastewater, including: a) better management at the local or facility level; b) full-cost pricing; c) water efficiency or water conservation; *and* d) adopting the watershed approach, all of which economic regulators can help promote; *and*

WHEREAS, State drinking water program administrators emphasized the following mechanisms which Forum participants identified as best practices: a) active and effective security programs; b) interagency coordination to assist with new water quality regulation development and implementation, such as a memorandum of understanding; c) expanded technical assistance for small water systems; d) data system modernization to improve data reliability; e) effective administration and oversight of the Drinking Water State Revolving Fund to maximize infrastructure remediation, along with permitting investor owned water companies access in all States; f) the move from source water assessment to actual protection; *and* g) providing State drinking water programs with adequate resources to carry out their mandates; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2005 Summer Meetings in Austin, Texas, conceptually supports review and consideration of the innovative regulatory policies and practices identified herein as "best practices;" *and be it further*

RESOLVED, That NARUC recommends that economic regulators consider and adopt as many as appropriate of the regulatory mechanisms identified herein as best practices; *and be it further*

RESOLVED, That the Committee on Water stands ready to assist economic regulators with implementation of any of the best practices set forth within this Resolution.

Sponsored by the Committee on Water

Adopted by the NARUC Board of Directors July 27, 2005

WICA TERMS PER ORDER NO. 25,019 in Docket No. DW 08-098

Specifically, the Company agrees to file a compliance tariff provision adopting a WICA consistent with the sample tariff pages attached as Attachment C, modified as follows:

1. The Company may make an annual filing, seeking to adjust the WICA.
2. 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.
3. The Company agrees to file the final project costs, supporting documentation and proposed WICA adjustment for completed projects previously determined to be WICA eligible. Such filing shall be at least sixty days prior to the proposed effective date of any proposed rate change. The WICA rate shall become effective on the later of January 1 following the Company's filing with the Commission seeking implementation of a WICA rate change or sixty days after the date of such filing; provided, however, that if the Commission determines that further investigation or consideration of any proposed WICA is needed, it may order that the proposed WICA rate become effective on a temporary basis, in which case the rate shall be subject to reconciliation pending final determination by the Commission. (In such case, reconciliation shall be only

for final determination of the costs to be included in the WICA, not for any positive or negative variances in actual revenues collected versus projected revenues.) No project shall be included for recovery in the WICA unless the project is used and useful in providing service to customers or will be used and useful by the effective date of the WICA.

4. In the first year in which a WICA is implemented for any given project or projects, the property taxes included for recovery shall be prorated to reflect the portion of the year that the Company will actually be assessed for such increased taxes. The amount of such taxes, if not known based on a tax bill issued by the relevant taxing authority, shall be estimated using the most recently effective tax rate applicable to the property in question. In the second year in which the WICA is in effect for such project(s), the WICA shall be adjusted to reflect a full twelve months of property taxes, based on the most recent actual tax bill for the relevant property. There shall be no reconciliation for the difference between such tax bill and the estimated tax used for the prior year. After the second year that a WICA for a particular project has been in place, there shall be no further adjustment to the charge.

5. Both the annual budget showing proposed WICA eligible projects and the proposed annual WICA rate adjustment filings shall be filed with the Commission, with a copy of such filing to the OCA. Notice of such filings shall be given to the towns in which the Company provides service and as otherwise determined by the Commission.

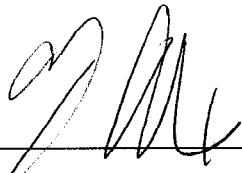
6. Any WICA rate adjustment shall be applied equiproportionally to all classes of customers.

AFFIDAVIT

STATE OF NEW HAMPSHIRE PUBLIC UTILITY COMMISSION

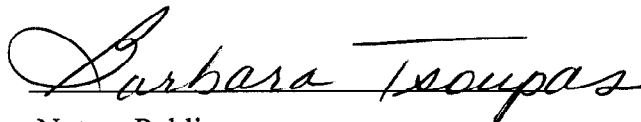
TROY DIXON, being first duly sworn, deposes and states:

That he is the Troy Dixon whose direct testimony accompanies this Affidavit, that said direct testimony is a true and accurate statement of his answers to the questions contained herein, and that he adopts those answers as his sworn testimony in this proceeding.



TROY DIXON

SWORN TO and SUBSCRIBED before me this 7th day of May, 2012



Notary Public

