

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-085

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Permanent and Temporary Rate Increase Proceeding

**Order Suspending Proposed Tariffs
And
Scheduling Prehearing Conference**

ORDER NO. 25,373

June 12, 2012

Aquarion Water Company of New Hampshire, Inc. (Aquarion) provides water service to approximately 9,100 customers in the towns of Hampton, North Hampton, and Rye. On April 4, 2012, Aquarion filed a notice of intent to increase its rates and file rate schedules. On May 14, 2012, Aquarion filed its schedules, testimony, and supporting materials, as well as a petition for temporary rates. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2012/12-085.html>.

Aquarion seeks a permanent increase in its annual gross operating revenues of \$1,113,931, representing an increase of 18.3%. If approved, Aquarion's proposed rate would increase the annual water bill for a customer using 53,300 gallons from about \$365.16 to \$433.33. Aquarion states that due to capital investments, increases in operating expenses, and declining water sales, its test year return on equity was 3.9%, down from the 9.75% approved in its last rate proceeding in DW 08-098. *Aquarion Water Company of New Hampshire*, Order No. 25,019, 94 NH PUC 510 (2009).

Aquarion also requests that the Commission approve its current Water Infrastructure and Conservation Adjustment (WICA) pilot program as a permanent program. Aquarion states that the WICA has allowed it to successfully increase its rate of capital spending for infrastructure replacement, which, in turn, enhances service reliability and quality. Aquarion argues that the WICA provides a method for regular input into the company's capital improvements efforts by interested stakeholders, and decreases lag time for recovery of capital costs in rates. Aquarion requests that, with the Commission's final order in this docket, it also approve recovery of its 2012 WICA projects in permanent rates such that the WICA surcharge will be reset to zero beginning in 2013. Aquarion takes the position that the revenues associated with the 2012 WICA projects subsumed into permanent rates should not be reconcilable with temporary rates.

Aquarion requests authorization to recover a new right-of-way tax imposed by the Town of Hampton. In addition, since this tax was first assessed in 2011, Aquarion seeks to defer and amortize the associated tax expense from 2011 and recover that amount over three years. Aquarion is seeking to have the tax abated or abolished, and if it is successful, states it will reconcile the amounts collected from customers with the amount it is ultimately obligated to pay.

Aquarion also seeks a temporary increase to its rates during the investigation of its proposed permanent rates which, if approved, would result in a temporary increase in operating revenues of \$732,078, an increase of 12.03%. Aquarion requests that its proposed temporary rates be made effective for service rendered on and after July 1, 2012. In support of its temporary rate request, Aquarion states that its overall rate of return (including both debt and equity) for the test year December 31, 2011 has declined to 5.23%, which is 249 basis points lower than its last authorized overall return of 7.72%. According to Aquarion, the deterioration

in its overall rate of return is in part due to increases in its operation and maintenance expenses, reductions in revenues relative to those assumed in its last rate case, increases in property and similar taxes, and depreciation and return on investment.

The filing raises, *inter alia*, issues related to: RSA 378:7 and whether the proposed increased temporary and permanent rates are lawful, just, and reasonable; whether test year expenses and *pro forma* adjustments are reasonable; RSA 378:28 and whether the calculation of rate base represents prudent investment in property that is used and useful; the determination of a reasonable rate of return, including an appropriate capital structure; whether the level of revenues used for calculating the revenue requirement is reasonable; whether the proposed rate design continues to be fair and reasonable; and whether converting the current WICA pilot program to a permanent program is appropriate.

Based upon the foregoing, it is hereby

ORDERED, that Aquarion Water Company of New Hampshire, Inc.'s NHPUC NO. 1 WATER – Proposed First Revised Page 6, Second Revised Page 11, Third Revised Pages 12, 13, 14, and 15 are hereby suspended; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. R. Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on July 11, 2012 at 10:00 a.m. at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the filing; and it is

FURTHER ORDERED, that immediately following the Prehearing Conference, Aquarion, Commission Staff, and any intervenors hold a technical session to review the issues

and recommend a proposed procedural schedule for consideration of the issues raised by the filing; and it is

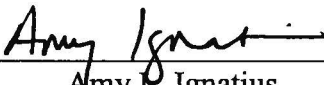
FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, Aquarion notify all persons desiring to be heard at this hearing by publishing by June 22, 2012 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Aquarion and the Executive Director, and mailing, by first class mail, such display advertisement to the towns of Hampton, North Hampton, Rye, and the North Hampton Water Commission; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a petition to intervene with copies sent to Aquarion and the Office of the Consumer Advocate on or before July 6, 2012, such petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Code Admin. R. Puc 203.17 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 11, 2012; and it is

FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. Puc 203.12(a)(5), each party has the right to have an attorney represent them at their own expense.


By order of the Public Utilities Commission of New Hampshire this twelfth day of June,
2012.



Amy E. Ignatius
Chairman




Michael D. Harrington
Commissioner



Robert R. Scott (KMS)
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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