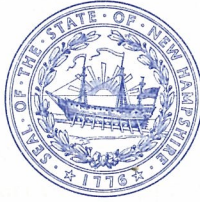


THE STATE OF NEW HAMPSHIRE

CHAIRMAN  
Amy L. Ignatius

COMMISSIONERS  
Michael D. Harrington  
Robert R. Scott

EXECUTIVE DIRECTOR  
Debra A. Howland



PUBLIC UTILITIES COMMISSION  
21 S. Fruit Street, Suite 10  
Concord, N.H. 03301-2429

TDD Access: Relay NH  
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:  
[www.puc.nh.gov](http://www.puc.nh.gov)

September 27, 2013

NHPUC 27SEP'13PM3:02

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

Re: DW 12-325, Aquarion Water Company of New Hampshire, Inc.  
Verified Motion for Approval of Modifications to 2013 WICA Project List  
Staff Recommendation

Dear Ms. Howland:

On September 6, 2013, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed a verified motion for approval of modifications to its 2013 WICA project list. Aquarion seeks Commission approval by order *nisi* for the substitution of different water main replacement projects than those included in its approved WICA capital projects for 2013. Staff has reviewed the company's motion and recommends that the Commission take no action at this time and defer a decision on the substance of the motion to Aquarion's WICA filing which will be forthcoming in late October or early November of this year.

Aquarion's motion explains that the company became aware in February of this year, and again in April of this year, that certain sewer main replacement projects had been scheduled by the Town of Hampton. These projects were located on Auburn Avenue, Auburn Avenue Extension, and Perkins Avenue in Hampton. According to the motion, the company realized that water main in those same streets would be appropriate for replacement, based on their age and material and other characteristics. Therefore, Aquarion and the town coordinated the street openings such that efficiencies and cost-savings could be realized to both parties. The company has stated that it realized savings in paving expense by approximately 50%. As a result of the decision to substitute these three replacement projects, other projects were postponed as explained in the motion. As a result, the company incurred a total of an additional \$84,000 in expense over that budgeted for the projects that were postponed.

Staff's recommendation to defer consideration of the merits of this motion is based on the view that decisions as to specific projects to consider within the WICA program should not be made in isolation. One of the key factors in Staff's support of, and indeed the Commission's approval of, the WICA program is that a larger, system-wide view is taken as to prioritizing

infrastructure replacement<sup>1</sup>. While the company's decision to substitute main replacement projects in streets that the Town was targeting for sewer main work may very well have been a prudent one, undertaking projects not a part of the approved WICA program<sup>2</sup> undermines the objectives of the program in two ways. First, the WICA is a narrowly-focused program, centered on the replacement of aging infrastructure, and is conducted in a collaborative way with Staff, the Office of the Consumer Advocate, and the municipalities in which the utility serves. The decision to amend the approved program budget, even if those decisions prove to be prudent, sidesteps the WICA process. Secondly, considering that the Town of Hampton has been a participating party in Aquarion's WICA reviews, the issues raised in Aquarion's motion raise significant questions about the efficacy of the intended collaborative process. Aquarion states in paragraph 6 of its motion that the three replacement projects were not included in the 2013-2015 WICA project list submitted in this docket. This raises the question as to why the company was unaware of these three sewer projects virtually right up until the time they were to begin. Under the Commission's recent order in Aquarion's DW 12-085 rate case, Aquarion's next WICA filing this fall is to include an updated main prioritization analysis and updated infrastructure inventory. Thus, Staff believes that the appropriate course of action for the Commission at this time is to defer action on the motion and take the matter up in Aquarion's upcoming WICA filing. Aquarion is free to request a surcharge for whatever level of spending it has undertaken in 2013 and that request will be part of the WICA review in the coming docket; but Staff does not believe it is appropriate at this time for the Commission to approve substitution of projects in the WICA without a more extensive and comprehensive review.

If there are any questions regarding this recommendation, please let me know.

Sincerely,



Mark A. Naylor  
Director, Gas & Water Division

cc: Docket-Related Service List

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<sup>1</sup> The concept of a system-wide review of infrastructure replacement needs is embodied in Aquarion's tariff at Fifth Revised Page 16, where the purpose of the WICA program is stated as "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 accounts, as noted below, between base rate cases." Emphasis added.

<sup>2</sup> These projects were not included in Aquarion's WICA filings in Docket Nos. DW 10-093, DW 11-238, and DW 12-325.