

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

DOCKET NO. DW 14-\_\_\_\_\_

**VERIFIED PETITION TO CREDIT CUSTOMERS FOR BENEFIT  
ARISING FROM CHANGE IN TAX REGULATIONS**

Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”) hereby petitions the New Hampshire Public Utilities Commission (“PUC”) for authority to establish a mechanism to credit customers for an anticipated tax benefit that it expects to receive as a result in a change in certain regulations of the United States Department of the Treasury, Internal Revenue Service (“IRS”), relating to the tax treatment of certain repair and maintenance work on Aquarion’s water distribution system.

1. Historically, the Company has capitalized and expensed items on the same basis for tax and ratemaking purposes. On September 13, 2013, the IRS adopted final regulations that allow taxpayers to expense for tax purposes certain repair and maintenance costs that water utilities, among others, have historically capitalized for both tax and ratemaking purposes. (*See* Rev. Proc. 2014-16; Treas. Reg. §§ 1.162-3 and -4 and 1.263(a)-1, -2, and -3)

2. Consistent with the regulations promulgated by the IRS, Aquarion intends to reflect a “catch up adjustment” on its 2013 federal tax return with regard to capital additions dating back to 2007.

3. The Company has calculated the benefit it expects to receive as a result of this catch up adjustment to be approximately \$905,000 dollars. This amount is based on applying the change in tax treatment to replacements of water mains, services, and hydrants installed by the Company during calendar years 2007 through 2013, subject to the amount of actual taxes paid by

Aquarion over the open tax periods of 2011, 2012 and 2013. The Company's calculations are subject to acceptance and potential audit by the IRS, but the Company has a high level of confidence that its calculations are accurate based on these newly issued regulations.

4. The Company proposes to credit customers for the amount of the tax benefit it receives as a result of the change in the tax treatment of its repair and maintenance expenses for the years 2007 through 2013 by booking the amount of the tax benefit as a regulatory liability to customers and then amortizing the liability by (a) reducing the amount of the liability by the amount of any deferred asset accrued as a result of the Commission's ruling on the Company's proposal in Docket DW 13-314 relating to its 2014 Water Infrastructure and Conservation Adjustment ("WICA") surcharge and (b) crediting the balance to customers over a three year period commencing January 1, 2015. The Company has calculated that the surcredit relating to the change in tax treatment will be equivalent to approximately 4% of base revenues (*i.e.*, annual revenues net of miscellaneous fees and charges such as late payment fees, turn on charges, and antenna rentals). The calculation of this amount is presented in Appendix A to this petition.

5. The Company will have its final calculation of the tax benefit available after it files its tax return on or before September 15, 2014. Once the final amount of the tax benefit has been determined by the Company, it will file that information with the Commission to determine the amount of the credit to customers and the deferred liability to be booked by the Company.

6. The Company further proposes that, if the IRS adjusts the amount of the tax benefit to be received by the Company, the Company will promptly submit a compliance filing with the Commission that provides supporting information evidencing the amount of the adjustment by the IRS and recalculating the balance of the associated regulatory liability and the amount of the credit to customers, along with appropriate revised tariff pages.

7. The Company believes that its proposal is in the public interest because (a) it will provide a direct and prompt benefit to customers in the amount by which the Company benefits from its ability to restate its taxes for the years 2007 through 2013 and (b) it will help stabilize customers' bills by, in all likelihood, more than offsetting the impact of anticipated WICA surcharges over the next several years.

WHEREFORE, Aquarion hereby respectfully requests the Commission:

- A. Authorize the Company to establish a deferred liability in the amount of the tax benefit received as a result of the change in tax regulations described above;
- B. Authorize the Company to net any deferred asset authorized in DW 13-314 for the change in tax regulations against the deferred liability relating to such tax change and amortize the balance through a credit to customers over the years 2015 through 2017;
- C. Grant such other and further relief as may be just and equitable.

Respectfully submitted,

AQUARION WATER COMPANY  
OF NEW HAMPSHIRE, INC.

By Its Attorneys

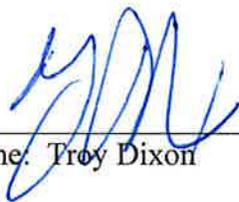
McLANE, GRAF, RAULERSON &  
MIDDLETON, P.A.

Date: March 17, 2014

By:   
Steven V. Camerino, Esq.  
11 South Main Street, Suite 500  
Concord, NH 03301  
Telephone (603) 226-0400  
Facsimile (603) 230-4448  
steven.camerino@mclane.com

I, Troy Dixon, Director of Rates and Regulation of Aquarion Water Company of Connecticut, Inc., being first duly sworn, hereby depose and say that I have read the forgoing Verified Petition, and the facts alleged therein are true to the best of my knowledge and belief.

Dated: March 13, 2014

  
\_\_\_\_\_  
Name: Troy Dixon

STATE OF CONNECTICUT  
COUNTY OF Fairfield

The foregoing instrument was subscribed and sworn before me this 13<sup>th</sup> day of March, 2014.

Before me:

  
\_\_\_\_\_  
Notary Public  
My Commission Expires 4/30/19

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition has been forwarded to all persons on the attached Service List.

Dated: March 17, 2014

  
\_\_\_\_\_  
Steven V. Camerino