

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-098

AQUARION WATER COMPANY OF NEW HAMPSHIRE

Permanent and Temporary Rate Proceeding

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

ORDER NO. 24,900

September 25, 2008

Aquarion Water Company of New Hampshire (Aquarion) provides water service to approximately 8,770 customers in the towns of Hampton, North Hampton and Rye. On July 29, 2008, Aquarion filed with the Commission a Notice of Intent to file rate schedules and, on August 29, 2008, Aquarion filed for permanent rates. In support of the proposed rate increase, Aquarion provided pre-filed direct testimony of Larry L. Bingaman, Senior Vice President of Operations; Linda M. Discepolo, Director of Rates and Regulation; Troy M. Dixon, Manager of Regulatory Compliance; and Jay W. Shutt of Floyd Browne Group, Inc., a consulting firm that conducted a depreciation study for Aquarion included with the petition.

Aquarion seeks an overall increase in annual revenues of \$1,056,070, which represents a revenue increase of 21.08%. Aquarion's increase in permanent rates for all its customer classes is proposed for effect on September 26, 2008. Aquarion proposes to implement an inclining block rate in its permanent rates to promote water conservation. Under this proposal, all classes of customers except industrial and seasonal customers would incur a higher charge for all consumption in excess of 1,500 cubic feet of consumption per quarter. While usage up to 1,500 cubic feet would be priced at 13.34% higher than under Aquarion's previous rates, usage in

excess of that amount would be priced at a level 26.68% higher than under Aquarion's previous rates.

Aquarion also requests the Commission approve a step adjustment for a significant plant addition currently under construction. Aquarion is currently replacing its Mill Road Standpipe at a cost of approximately \$1.5 million. The project is scheduled to be completed and in service by the end of 2008 and the associated step adjustment would generate an additional \$222,607 in revenues, or an additional increase of approximately 4.44%.

The combined proposed rate request and step increase would result in an overall increase in rates of 23.25% for general metered residential customers. This would result in an average annual residential water bill for a single family home of approximately \$490.51 based on an average usage of 7,500 cubic feet per month. This would represent an increase of \$7.71 per month over current rates.

Aquarion also seeks a temporary rate increase to take effect for bills rendered on or after September 26, 2008. Aquarion requests waiver of N.H. Admin. Rules Puc 1203.05, which requires rate changes be implemented on a service rendered basis. Aquarion proposes a temporary increase in revenues of \$642,600, or 12.83% on an annual basis. The proposed temporary rate increase would add approximately \$4.26 to the average single family residential customer's monthly bill and would be reconciled with any permanent rates approved by the Commission in this proceeding. In support of its request for temporary rates, Aquarion filed financial schedules as well as the pre-filed testimony of Linda M. Discepolo.

Aquarion also seeks to implement a Water Infrastructure and Conservation Adjustment Surcharge (WICA). The WICA surcharge would be based on capital spending, and permit

Aquarion to add a surcharge to its rates within certain limits for eligible projects completed and in service. Aquarion asserts the WICA surcharge will promote investment in infrastructure replacement, mitigate rate shock, and help to reduce lost and unaccounted for water.

Aquarion also seeks to implement a System Development Charge (SDC), also called a connection fee, to offset the cost of system improvements to accommodate new customers in Aquarion's franchise area. Under this proposal, new customers taking service with a 5/8 inch meter would be charged \$779 as a one-time connection fee. The SDC for larger meter sizes, according to Aquarion's filing, would be calculated using standard American Water Works Association (AWWA) ratios.

Finally, Aquarion seeks approval of a Water Balance Program. This program would require owners of new developments connecting to the water system to either implement approved conservation measures or pay a fee that is used to fund conservation measures that are implemented by Aquarion.

The filing raises, inter alia, issues related to: whether the proposed temporary and permanent rates are lawful, just and reasonable as required by RSA 378; whether test year expenses and *pro forma* adjustments are reasonable; 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 including the inclining block rate is fair and reasonable; whether the proposed depreciation rates for Aquarion's assets are fair and reasonable; whether the proposed WICA surcharge is

reasonable and appropriate; whether the proposed SDC is lawful and appropriate; and whether the proposed Water Balance program is fair and appropriate.

Based upon the foregoing, it is hereby

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

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 South Fruit Street, Concord, New Hampshire on November 5, 2008 at 1:30 p.m. at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, Aquarion, Commission Staff, and Intervenors hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of temporary and permanent rates; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, Aquarion notify all persons desiring to be heard at this hearing by providing a copy of this Order of Notice to the town clerks in the Towns of Hampton, North Hampton, and Rye on or before October 6, 2008; and it is

FURTHER ORDERED, that Aquarion shall publish by October 6, 2008 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Aquarion and the Executive Director; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, 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 October 31, 2008, 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. Admin. Rule 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 November 5, 2008.

Pursuant to N.H. Code Admin. Rules 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 twenty-fifth day of September, 2008.

 Thomas B. Getz
 Chairman

 Graham J. Morrison
 Commissioner

 Clifton C. Below
 Commissioner

Attested by:

 Debra A. Howland
 Executive Director & Secretary

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the American with Disabilities Act Coordinator, NHPUC, 8 Old Suncook Road, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.