

Aquarion Water Company of New Hampshire
2011 Annual WICA Surcharge Filing

**WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
CALCULATION OF SURCHARGE**

Line		Schedule Ref.	
1			
2	Total Investment through 09/30/2011	TD-1, Pg 3 Col 6 Ln 13	\$ 1,657,715
3			
4	Allowed Return on Rate Base	TD-1, Pg 2 Col 8	7.72%
5			
6	Allowed Return on Investment	Ln 17	\$ 127,976
7			
8	Income Tax on Equity Component		
9			
10			
11			
12			
13			
14	Debt		
15	Equity		
16			
17			
18			
19	Total Eligible Investment (Line 2 above)		\$ 1,657,715
20			
21	Income Tax Expense	Ln 16 Col D X Ln 18	45,919
22			
23	Depreciation Expense	TD-1, Pg 3 Col 8 Ln 13	23,466
24			
25	Property Tax Expense	TD 1, Pg 3 Col 10 Ln 13	24,695
26			
27	Adjustment: Annual Revenues Allowed	Lines 6 through 25	<u>\$ 222,056</u>
28			
29			
30	Base Revenues on which Adjustment will be applied		
31	Revenues allowed DW 08-098		\$ 6,094,612
32	Misc. Charges not subject to WICA		(137,480)
33			<u>\$ 5,957,132</u>
34			
35	Surcharge Percent (Line 27 divided by Line 33)		3.7276%
36			

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2011 Annual WICA Surcharge Filing

WATER INFRASTRUCTURE & CONSERVATION ADJUSTMENT
COMPLETED PROJECTS

Line	Project Name or Class Category **	1 Estimated Completion Date**	2 Actual Completion Date	3 Estimated Project Cost**	4 Actual Project Cost	5 Depreciation Expense	6 Property Tax Expense	7 Income Tax Expense	8 Rate of Return	9 Annual Retail Revenues	10 = (4 x 8) + 5 + 6 + 7 WICA Adjustment Dollars
1											
2	<u>Project Surcharge Approved in DW 10-293</u>										
3	Production Meters	30-Sep-10	30-Sep-10	*	\$ 1,414	\$ 62	\$ 33	\$ 39	7.72%	\$ 6,094,612	\$ 243
4	Atlantic Avenue- Mill Road to Woodland Road	30-Sep-10	30-Sep-10	\$ 588,000	\$ 570,697	\$ 6,765	\$ 10,852	\$ 15,808	7.72%	\$ 6,094,612	77,483
5	Customer Meters	30-Sep-10	30-Sep-10	\$ 125,000	\$ 104,061	\$ 1,251	\$ 640	\$ 2,882	7.72%	\$ 6,094,612	12,807
6	Hydrants	30-Sep-10	30-Sep-10	\$ 20,000	\$ 11,774	\$ 188	\$ 133	\$ 326	7.72%	\$ 6,094,612	1,556
7	Services	30-Sep-10	30-Sep-10	\$ 20,000	\$ 15,797	\$ 243	\$ 267	\$ 438	7.72%	\$ 6,094,612	2,167
8	Valves	30-Sep-10	30-Sep-10	\$ 5,000	\$ 14,480	\$ 724	\$ 284	\$ 401	7.72%	\$ 6,094,612	2,527
9											
10	<u>Project Surcharge Proposed Herein</u>										
11	Production Meters	30-Sep-11	30-Sep-11	\$ 8,000	\$ 6,690	\$ 294	\$ 103	\$ 185	7.72%	\$ 6,094,612	1,098
12	Atlantic Avenue- House 106 to Woodland Road	30-Sep-11	30-Sep-11	\$ 789,519	\$ 698,937	\$ 8,139	\$ 9,793	\$ 19,361	7.72%	\$ 6,094,612	91,250
13	Customer Meters	30-Sep-11	30-Sep-11	\$ 125,000	\$ 135,298	\$ 3,354	\$ 1,297	\$ 3,748	7.72%	\$ 6,094,612	18,843
14	Hydrants	30-Sep-11	30-Sep-11	\$ 20,000	\$ 32,133	\$ 611	\$ 366	\$ 890	7.72%	\$ 6,094,612	4,347
15	Services	30-Sep-11	30-Sep-11	\$ 27,000	\$ 43,986	\$ 713	\$ 584	\$ 1,218	7.72%	\$ 6,094,612	5,911
16	Valves	30-Sep-11	30-Sep-11	\$ 5,000	\$ 22,449	\$ 1,122	\$ 345	\$ 622	7.72%	\$ 6,094,612	3,822
17											
18											
19											
20											
21											
22											
23											
	TOTALS			<u>\$1,732,519</u>	<u>\$ 1,657,715</u>	<u>\$ 23,466</u>	<u>\$ 24,695</u>	<u>\$ 45,919</u>			<u>\$ 222,055</u>

* Emergency Replacement

** Per Docket Filing DW 10-293

Aquarion Water Company of New Hampshire
2011 Annual WICA Surcharge Filing

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT
ELIGIBLE PROJECTS PLACED IN SERVICE

Line	Description of Project	Street	Town	1 PUC Acct	2 Depr Rate	3 Type of Project*	4 Date in Service	5 Date of 1st Filing	6 Eligible Capital Costs	7 Retirements	8 = (6 - 7) x 2 Depreciation Expense	9 Mil Rates Town State	Total	10 = (((6-7)/1000) x 9) Prop. Tax Expense**
1	<u>Project Surcharge Approved in DW 10-293</u>													
2	Production Meters		Stratham	328	4.40%	Other Pumping Equipment	9/30/2010	11/1/2010	\$ 1,414	\$ -	\$ 62	16.48	6.60	\$33
3	Atlantic Avenue- Mill Road to Woodland Road		North Hampton	343	1.20%	Main Replacement	9/30/2010	11/1/2010	\$ 570,697	\$ 6,941	\$ 6,765	12.65	6.60	\$10,852
4	Customer Meters		North Hampton	346	3.80%	Meter Replacement	9/30/2010	11/1/2010	\$ 12,139	\$ 8,296	\$ 146	12.65	6.60	\$74
5	Customer Meters		Hampton	346	3.80%	Meter Replacement	9/30/2010	11/1/2010	\$ 76,508	\$ 52,287	\$ 920	13.88	6.60	\$496
6	Customer Meters		Rye	346	3.80%	Meter Replacement	9/30/2010	11/1/2010	\$ 15,415	\$ 10,535	\$ 185	7.66	6.60	\$70
7	Hydrants		North Hampton	348	2.40%	Hydrants	9/30/2010	11/1/2010	\$ 2,466	\$ 1,950	\$ 12	12.65	6.60	\$10
8	Hydrants		Hampton	348	2.40%	Hydrants	9/30/2010	11/1/2010	\$ 3,626	\$ 556	\$ 74	13.88	6.60	\$63
9	Hydrants		Rye	348	2.40%	Hydrants	9/30/2010	11/1/2010	\$ 5,682	\$ 1,444	\$ 102	7.66	6.60	\$60
10	Services		North Hampton	345	1.85%	Services	9/30/2010	11/1/2010	\$ 2,186	\$ 535	\$ 31	12.65	6.60	\$32
11	Services		Hampton	345	1.85%	Services	9/30/2010	11/1/2010	\$ 13,611	\$ 2,138	\$ 212	13.88	6.60	\$235
12	Valves		Hampton	349	5.00%	Other T&D Plant	9/30/2010	11/1/2010	\$ 12,436	\$ -	\$ 622	13.88	6.60	\$255
13	Valves		Rye	349	5.00%	Other T&D Plant	9/30/2010	11/1/2010	\$ 2,044	\$ -	\$ 102	7.66	6.60	\$29
14														
15	<u>Project Surcharge Proposed Herein</u>													
16														
17	Production Meters		Hampton	328	4.40%	Other Pumping Equipment	9/30/2011	11/1/2011	\$ 6,690	\$ -	\$ 294	13.88	6.60	\$103
18	Atlantic Avenue- House 106 to Woodland Road		North Hampton	343	1.20%	Main Replacement	9/30/2011	11/1/2011	\$ 698,937	\$ 20,650	\$ 8,139	12.65	6.60	\$9,793
19	Customer Meters		North Hampton	346	3.80%	Meter Replacement	9/30/2011	11/1/2011	\$ 18,858	\$ 6,560	\$ 467	12.65	6.60	\$178
20	Customer Meters		Hampton	346	3.80%	Meter Replacement	9/30/2011	11/1/2011	\$ 100,723	\$ 35,005	\$ 2,497	13.88	6.60	\$1,009
21	Customer Meters		Rye	346	3.80%	Meter Replacement	9/30/2011	11/1/2011	\$ 15,717	\$ 5,462	\$ 390	7.66	6.60	\$110
22	Hydrants		North Hampton	348	2.40%	Hydrants	9/30/2011	11/1/2011	\$ 4,207	\$ 561	\$ 88	12.65	6.60	\$53
23	Hydrants		Hampton	348	2.40%	Hydrants	9/30/2011	11/1/2011	\$ 22,891	\$ 5,776	\$ 411	13.88	6.60	\$263
24	Hydrants		Rye	348	2.40%	Hydrants	9/30/2011	11/1/2011	\$ 5,035	\$ 349	\$ 112	7.66	6.60	\$50
25	Services		North Hampton	345	1.85%	Services	9/30/2011	11/1/2011	\$ 10,046	\$ 1,637	\$ 156	12.65	6.60	\$121
26	Services		Hampton	345	1.85%	Services	9/30/2011	11/1/2011	\$ 33,940	\$ 3,820	\$ 557	13.88	6.60	\$463
27	Valves		Hampton	349	5.00%	Other T&D Plant	9/30/2011	11/1/2011	\$ 22,449	\$ -	\$ 1,122	13.88	6.60	\$345
28														
TOTALS									<u>\$1,657,715</u>	<u>\$ 164,502</u>	<u>\$23,466</u>			
									to TD-1, Pg 1, Ln 2		to TD-1, Pg 1, Ln 23			
													to TD-1, Pg 1, Ln 25	<u>\$24,695</u>

* Type of Project (designations will be given for various types of projects)

**Property Tax Expense is for twelve months under the DW-10-293 surcharge portion and nine months for the 2011 proposed surcharge projects.

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment (“WICA”) surcharge of ~~1.5715%~~ 3.7276 will apply to all bills with services rendered on or after January 1, ~~2011~~ 2012.

I. General Description

Purpose: 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. In addition, WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

Eligible Property: The WICA-eligible property will consist of the following:

services (account 333), meters (account 334) and hydrants (account 335) installed as in-kind (i.e., same size) replacements for customers;

mains and valves (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition,

main cleaning and re-lining projects and relocations that are non-reimbursable (account 331);

replacement of production meters (account 304); and

replacement of pressure reducing valves (accounts 309, 331);

II. Computation of the WICA

Calculation: The initial charge, effective January 1, 2011, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 2010 and September 30, 2010. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the twelve month period ending three months prior to the effective date of each WICA update. Thus, changes in the WICA rate will occur as follows:

Issued: January 1, 201~~1~~ 2

Issued by: _____
Donald Morrissey

Effective: January 1, ~~2011~~ 2012
As authorized in order ~~25,186XXX~~ in Case DW ~~10-293XXX~~

Title: Chief Financial Officer

Effective Date
Of WICA Change

Date To Which WICA
Eligible
Plant Additions Reflected

January 1, 2XXX+1

September 30, 2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

Property Taxes: For the first year that a WICA for any particular project is in effect, the property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect. If such property taxes will be due for only a portion of the calendar year, then the WICA for the first year shall reflect only the property taxes projected to be paid. For the second and subsequent years that a WICA for those projects is in effect, the WICA shall be determined using the taxes due and owing for such projects based on the tax bill for a full tax year. The WICA shall not be adjusted in subsequent years, regardless of any change in the taxes originally assessed.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW 08-098, or a subsequent docket.

WICA Surcharge Amount: The charge will be expressed as a percentage carried to four decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

Formula: The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{(\text{ISI} \times \text{PTRR}) + \text{Dep} + \text{PT}}{\text{BRWR}}$$

Where:

Issued: September 25, 2009

Issued by: _____
Donald Morrissey

Effective: September 25, 2009
As authorized in order 25,019 in Case DW 08-098

Title: Chief Financial Officer

ISI= the original cost to the Company of eligible infrastructure system improvement projects.

PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT= annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 08-098, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update. The Company shall also provide notice to the Towns.

III. Safeguards

Cap: The amount of the WICA applied between general rate case filings shall not exceed seven and one-half percent (7.5%) of the Company's annual retail water revenues as approved in its most recent rate filing, and shall not exceed five percent (5%) of such revenues for any twelve-month period.

Audits: The WICA will be subject to audit prior to the determination by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Commission's Consumer Affairs division.

Issued: September 25, 2009

Issued by: _____
Donald Morrissey

Effective: September 25, 2009
As authorized in order 25,019 in Case DW 08-098

Title: Chief Financial Officer