



THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

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TIMOTHY P. MURRAY
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RICHARD K. SULLIVAN, JR.
SECRETARY OF ENERGY
AND ENVIRONMENTAL AFFAIRS

ONE SOUTH STATION
BOSTON, MA 02110
(617) 305-3500

ANN G. BERWICK
CHAIR

JOLETTE A. WESTBROOK
COMMISSIONER

DAVID W. CASH
COMMISSIONER

April 25, 2012

VIA USPS and EMAIL

Troy M. Dixon
Director, Rates and Regulation
Aquarion Water Company of Massachusetts
900 Main Street
Hingham, Massachusetts 02043

RE: Aquarion Water Company of Massachusetts, D.P.U. 12-26

Dear Mr. Dixon:

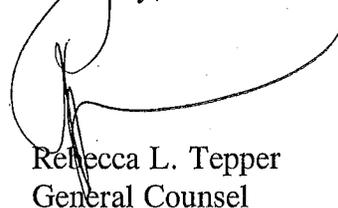
On March 26, 2012, Aquarion Water Company of Massachusetts ("Aquarion" or "Company") filed a letter with the Department of Public Utilities ("Department") requesting authorization to defer expenditures related to the Town of Hingham's ("Hingham") stated intention to purchase the Company's water systems in the towns of Hingham, Hull and Cohasset (Aquarion Letter at 1). In the letter, Aquarion states that it seeks to defer certain expenditures that have been and/or will be incurred in response to the possible Hingham acquisition (Aquarion Letter at 1). The Department docketed this filing as D.P.U. 12-26.

Deferral of an expense allows a company to request recovery for that expense in the company's next rate case even though that expense was incurred before the test year used in that rate proceeding. North Attleboro Gas Company, D.P.U. 93-229, at 1 n.1 (1994). Granting a deferral does not constitute a finding that the subject expenses are reasonable or that they can be recovered from ratepayers. D.P.U. 93-229, at 4, citing Commonwealth Electric Company, D.P.U. 89-114/90-331/91-80, at 40 (1991). Rather, any such consideration would occur in the company's next rate case. D.P.U. 93-229, at 4.

A utility seeking deferral treatment must demonstrate prima facie in its petition that: (1) based on Department precedent, the annual expense may be recoverable as an extraordinary expense if it were incurred during a test year; (2) a Department denial of the request for deferral would significantly harm the overall financial condition of the company; and (3) the Department's denial of the request for deferral is likely to cause the filing of a rate case that would include in its test year the expense for which deferral is sought. D.P.U. 93-229, at 7. See also Aquarion Water Company of Massachusetts, D.P.U. 11-43, at 180-182 (March 30, 2012); Aquarion Water Company of Massachusetts, D.T.E. 04-77, at 4-5 (2005).

The Department's North Attleboro standard does not provide for the deferral of future expenses, even if an estimate of such expenses is available. D.P.U. 11-43, at 181; D.T.E. 04-77, at 7; Aquarion Water Company of Massachusetts, D.T.E. 03-127, at 11 (2004). Aquarion's instant request seeks authorization to defer an undefined amount of expense, including expenses not yet incurred (Aquarion Letter at 1). Accordingly, the Company's request is deficient on its face and the Department will close the instant docket. To the extent that Aquarion seeks to defer expenses related to the possible Hingham acquisition for consideration as part of its next rate case, it must file a petition seeking deferral of those costs when such costs are known and measurable and sufficiently significant in amount to warrant Department consideration of a request for deferral accounting treatment. D.P.U. 11-43, at 181-82. Further, such petition should contain testimony that addresses how the costs at issue satisfy the North Attleboro standard.¹

Sincerely,



Rebecca L. Tepper
General Counsel

cc: Service list in D.P.U. 11-43

¹ Aquarion filed its request for deferral in the form of a letter filed by a non-attorney corporate officer. Department precedent requires that a corporation be represented by an attorney licensed to practice law in the Commonwealth in Department proceedings. Western Massachusetts Electric Company, D.T.E. 01-36/02-20, at 7-10 (2003). Accordingly, any future request for deferral must be accompanied by a notice of appearance from an attorney representing the Company. Further, any such request must be filed in the form of a petition, consistent with requirements of the Department's procedural regulations at 220 C.M.R. § 1.00 et seq.