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March 23, 2012

VIA EMAIL AND FEDEX DELIVERY

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 2nd Floor
Boston, MA 02110

Re: Request of Aquarion Water Company of Massachusetts, Inc. for Deferred Accounting Treatment for Hingham Takeover Costs

Dear Mr. Marini,

Aquarion Water Company of Massachusetts ("AWC" or "Company") hereby requests authorization from the Department of Public Utilities ("DPU" or "Department") to defer for future consideration certain expenditures that have been and/or will be incurred in response to the Town of Hingham's ("Town") stated intention to pursue acquisition of the Company's water system operating in the towns of Hingham, Hull, and Cohasset.

The costs associated with responding to the Town's unsolicited efforts to takeover the water system are extraordinary in nature, are expected to be extraordinary in amount, and were not included in the operating expenses submitted in the Company's recent rate case, DPU 11-43. Given the unforeseen and unforeseeable nature of these significant expenditures, AWC should be authorized to defer these expenses for consideration by the Department in the Company's next rate proceeding, or otherwise as it may deem appropriate. Failure to do so will cause significant financial harm to the Company and, in combination with the ongoing cost of defending litigation previously filed against the Company by the Town of Oxford, could seriously and adversely affect the financial viability of the Company. Unless the Department authorizes deferred accounting treatment of these expenses, the Company will likely need to file a rate case for the Department to consider these expenses in the next applicable test year.

In January of 2012, the Board of Selectmen of the Town of Hingham voted to recommend the passage of a warrant article at the April 23, 2012 Town Meeting to authorize the Town to spend up to \$500,000 to pursue a feasibility study related to acquiring the Hingham water system assets. The warrant article would also authorize the filing of litigation over the price of the water system. The Company has stated that the assets related to the Hingham/Hull/Cohasset water system are not for sale, yet the Town has made clear its intention to continue to pursue a possible acquisition of the system. The Company does not believe that a change in ownership of the system is in the best interest of its customers in Hingham or the other communities served by the Company, and therefore has opposed, and intends to continue to oppose, the Town's efforts. In



doing so, the Company has incurred significant costs related to its efforts and will continue to incur such costs until a resolution is reached.

AWC's decision to defend against the Town's takeover attempt is prudent and a necessary and proper business expense to ensure the Company's customers receive adequate, reliable and safe water service, to protect the Company's franchise, and to avoid an adverse impact on the rates of the Company's customers in the other communities it serves in Massachusetts.

For the foregoing reasons, the Company requests that the Department authorize deferred accounting treatment of the expenses associated with responding to the Town's takeover efforts, subject to future review by the Department in the Company's next rate proceeding or otherwise when it may deem appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Dixon", is written over the signature line.

Troy M. Dixon
Director, Rates & Regulation

Cc: Harry Hibbard