

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 08-065

HAMPSTEAD AREA WATER COMPANY, INC.

Permanent and Temporary Rate Proceeding

Order Approving Temporary Rates

ORDER NO. 24,932

January 16, 2009

APPEARANCES: Hampstead Area Water Company, Inc. by Robert C. Levine, Esq.; Office of the Consumer Advocate by Rorie E.P. Hollenberg, Esq. on behalf of residential ratepayers; and Staff of the Public Utilities Commission by Marcia A. B. Thunberg, Esq.

I. PROCEDURAL HISTORY

Hampstead Area Water Company, Inc. (HAWC) is a regulated public utility as defined by RSA 362:2 and 362:4 and currently serves approximately 2,900 customers in various communities throughout southeastern New Hampshire. On April 28, 2008, HAWC filed a notice of intent to file rate schedules. On June 25, 2008, HAWC filed schedules and materials, pursuant to N.H. Code Admin. R. Chapter Puc 1600, supporting its proposed rate increase.

HAWC seeks to increase its annual revenues by \$167,193, or by 13.77%, and states that its currently effective rates do not allow it to earn its last allowed rate of return of 6.28%.

HAWC further states that its overall rate of return for the test year ending 2007 was 4.81% and thus it is in need of rate relief.

HAWC states that the rate increase is needed because it has financed three projects, consisting of a hydrology study, a new billing software system, and the acquisition of three vehicles. It indicates that the hydrology study is ongoing, that the software system went into service in 2007, and that two of the three vehicles are already in service. HAWC states it has

also had other additions to its rate base and has experienced increases in its operating and maintenance expenses. HAWC also seeks a 9.75% return on equity. In order to improve cash flow, HAWC also proposes to change its present quarterly billing to a monthly billing cycle. HAWC states that if the proposed revenue is approved, the average annual bill for a residential customer will increase from \$424.92 to \$483.42, which is an annual increase of \$58.50 or 13.77%. HAWC proposes no increase to its fire protection rates.

On July 25, 2008, by Order No. 24,879 and pursuant to RSA 378:6, the Commission suspended the proposed revisions to HAWC's permanent rate tariffs pending its investigation and scheduled a prehearing conference for September 3, 2008. On August 20, 2008, the Office of the Consumer Advocate (OCA) filed a letter of participation in this docket. The Commission received no intervention requests.

On September 3, 2008, the Commission held the prehearing conference. Staff and the parties met in a technical session after the prehearing conference and developed a proposed procedural schedule to govern the remainder of the proceeding. The Commission approved the schedule by secretarial letter on September 30, 2008.

On September 18, 2008, HAWC filed an amendment to its petition to request temporary rates. Specifically, HAWC requested a temporary revenue increase of \$85,356, effective July 1, 2008. This increase would enable HAWC to earn a 6.22% proforma rate of return on its investment, reflected in a proforma rate base of \$3,666,443. HAWC proposed to apply this increase to customers by way of a \$4.13 ccf consumption rate and a \$25.00 quarterly base charge for customers with a 5/8" meter, a \$50.00 quarterly base charge for customers with a 3/4" meter, a \$75.00 quarterly base charge for customers with a 1" meter, a \$150.00 quarterly base charge for customers with a 1 1/2" meter, and a \$250.00 quarterly base charge for customers with a 2"

meter. The average annual bill for a residential customer with a 5/8" meter would increase from \$424.92 to \$454.78, an increase of \$29.87 or 7.03%.

Staff and the parties conducted discovery pursuant to the procedural schedule and, on November 20, 2008, Staff filed a stipulation agreement entered into by HAWC, Staff, and the OCA (together, the Settling Parties). The Settling Parties presented the agreement at the hearing held on December 3, 2008.

II. STIPULATION AGREEMENT

The Settling Parties agree and recommend the Commission approve temporary rates for HAWC at its currently effective rates. The Settling Parties also agree and recommend the Commission approve HAWC's temporary rates for service provided on or after September 1, 2008. Finally, the Settling Parties agree that the temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of rates in this docket.

III. COMMISSION ANALYSIS

Pursuant to RSA 378:27, the Commission may approve temporary rates for the duration of the proceeding if, in its opinion, the public interest so requires and the reports of the public utility filed with the Commission indicate it is not earning a reasonable return on its property used and useful in the public service. The standard for approval of temporary rates is less stringent than that for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651, 660 (1991), citing *New Eng. Tel. & Tel. Co. v. State*, 95 N.H. 515, 518 (1949).

We have reviewed the evidence presented regarding temporary rates and we find it reasonable to approve HAWC's current rates as temporary rates for the duration of this proceeding. At hearing, HAWC testified that it had underearned in its 2007 test year and that temporary rates were warranted. Exh. 2 at 7. Staff also testified that HAWC's 2007 test year

indicated the company was underearning, but it concluded that additional investigation was necessary to recommend a temporary rate level higher than HAWC's current rates. Hearing Transcript of December 3, 2008 (12/03/08 Tr.) at 14 lines 8-22. For these reasons, Staff agreed that setting HAWC's current rates as temporary rates would be just and reasonable. *Id.* at 17 lines 23-24. We note that HAWC's overall proposed permanent rate increase is 13.77% and that, if approved, this increase would amount to an additional \$58.50 annual for the average residential customer using a 5/8" meter. Inasmuch as maintaining current rates is not likely to result in a large recoupment surcharge to customers once this docket is concluded and rates are reconciled, we find setting current rates as temporary rates to be just and reasonable and we will approve them pursuant to RSA 378:27.

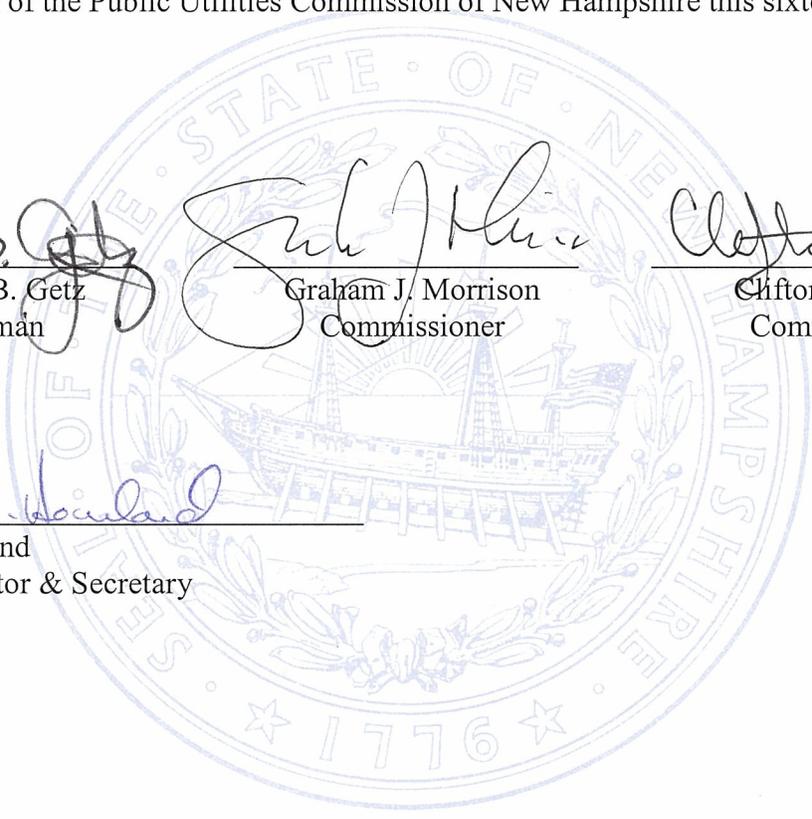
We next consider the proposed effective date of September 1, 2008. We acknowledge that this proposed effective date precedes the date of the temporary rate hearing; however, RSA 378:27 allows the Commission to authorize effective dates as early as the date on which the petition for a permanent rate change is filed. *See Appeal of Pennichuck Water Works*, 120 NH 562, 567 (1980). In this case, HAWC filed its notice of intent to file rate schedules on April 28, 2008 and published Order No. 24,879 on July 30, 2008. 12/03/08 Tr. at 16 lines 1-5. The publication notified the public of HAWC's rate case filing, proposed tariffs, date of the Commission's prehearing conference, and of the ability to intervene in this proceeding. In light of this notice, we find that setting current rates as temporary rates for service on or after September 1, 2008, is just and reasonable and consistent with our statutory authority.

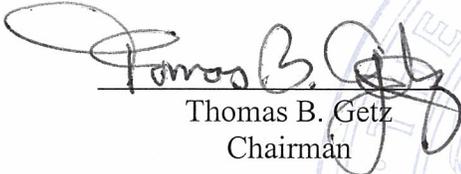
Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company Inc.'s request for temporary rates at the level of its currently authorized rates is **GRANTED**, on a service rendered basis effective September 1, 2008, as detailed above; and it is

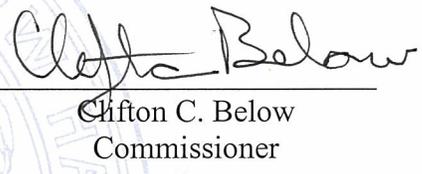
FURTHER ORDERED, that Hampstead Area Water Company Inc. shall submit tariff pages in compliance with this order within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of January, 2009.

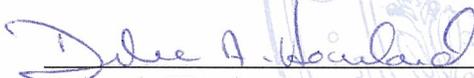



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Docket #: 08-065

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