

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-098

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Notice of Intent to File Rate Schedules

Order Authorizing Recovery of Rate Case Expenses and Temporary Rate Recoupment

O R D E R N O. 25,053

December 18, 2009

I. BACKGROUND

On February 13, 2009, by Order No. 24,942, the Commission approved temporary rates for Aquarion Water Company of New Hampshire, Inc. (Aquarion). Temporary rates at Aquarion's then-currently authorized rates were set for service rendered December 15, 2008 through January 31, 2009. For service rendered on or after February 1, 2009, temporary rates were set at 7.65% over Aquarion's test year revenues. On September 25, 2009, by Order No. 25,019, the Commission approved a settlement agreement establishing new permanent rates at 17.44% over Aquarion's test year revenue requirement. The Commission accepted the recommendation of Staff and the settling parties that Aquarion file a reconciliation report to recover the difference between temporary and permanent rates in the proceeding. The Commission also authorized Aquarion to recover rate case expenses, and directed Aquarion to file within fifteen days of the order a calculation of its rate case expenses as well as a proposed surcharge to recover the expenses.

On October 9, 2009, Aquarion submitted to Commission Staff its proposal to recover \$109,559 in rate case expenses as well as its proposal to recover \$371,839 in revenue representing the difference between temporary and permanent rates. On October 12, 2009,

Aquarion revised its temporary rate recoupment proposal upward and requested recovery of \$400,618. Aquarion explained that it had discovered an error in how it calculated the recoupment for fire protection customers and that the revised filing corrected that error.

On November 18, 2009, Staff filed its recommendations concerning Aquarion's proposals. Staff stated that it had reviewed the information submitted by Aquarion and had conducted discovery upon the filing. With regard to rate case expenses, Staff recommended a net reduction of \$922 in charges related to Staff's audit of Aquarion as such costs have historically been disallowed by the Commission from rate case expense recovery. Staff, therefore, recommended Aquarion be allowed to recover a total of \$108,637. Staff recommended Aquarion be allowed to charge a surcharge to its 8,951 customers over 12 months in the amount of \$1.02 per customer per month.

With respect to recovery of the differential between temporary and permanent rates, Staff stated that its review of Aquarion's revised filing led to additional inquiry by Staff and that Aquarion submitted a second revised filing that dropped the request to \$380,391 in recoupment. In that filing, Aquarion explained that a formulaic error in its original schedules produced a compounding effect in the calculated permanent rate revenue amounts. Staff stated that, after review, Staff agreed with the revised amount. Staff attached as Attachment D to its letter, Aquarion's recommended recoupment amounts by customer class. Aquarion's recoupment for each of its 32 customer classes, when combined with the rate case expense surcharge, results in the following surcharges: residential customers with a 5/8 inch meter would pay \$3.25 per month for 12 months; commercial customers with a 5/8 inch meter would pay \$4.59 per month for 12 months; seasonal residential customers with a 5/8 inch meter would pay a one-time surcharge of

\$59.02; private fire protection customers with 3 inch service would pay \$9.42 per quarter for four quarters; and public fire protection customers would pay \$22.16 per quarter for four quarters. Staff stated that it notified Aquarion, the Office of the Consumer Advocate (OCA), and the Town of North Hampton of its recommendations. Aquarion concurred with Staff's recommendation; OCA and North Hampton took no position.

II. COMMISSION ANALYSIS

RSA 378:29 requires the Commission to allow utilities to amortize and recover the difference between temporary rates and permanent rates over the effective period of the temporary rates if, upon the final disposition of the rate proceeding, the rates ultimately approved exceed the earlier imposed temporary rates, which is the case here. The revenue shortfall, when compared with the temporary rates actually charged since the December 15, 2008 effective date, totals \$380,391. We have reviewed the temporary rate recoupment recommendation and we concur with that recommendation. We, therefore, approve recovery of the proposed revenue differential between temporary and permanent rates in the amount of \$380,391.

The Commission has historically treated prudently incurred rate case expenses as a legitimate cost of business appropriate for recovery through rates. *Lakes Region Water Company, Inc.*, Order No. 24,708, 91 N.H. PUC 586, 587 (2006). Consistent with that policy, we have reviewed Aquarion's rate case expense summary as well as Staff's recommendation. We agree with Staff that charges in the amount of \$922 for expenses related to the Commission Audit should be disallowed. Responding to audit requests is a continuing obligation of utilities under RSA 374:18 and is recognized in calculating the permanent rate in RSA 378:28. Allowing expenses associated with responding to audit requests as a surcharge for rate case expenses

would, in effect, amount to a double recovery of these expenses. We, therefore, approve Aquarion's recovery of \$108,637 in rate case expenses as proposed by Staff.

Lastly, we address the proposed surcharge to recover the temporary rate recoupment and rate case expenses. The settlement agreement approved in Order No. 25,019 proposed a surcharge to customer bills to be collected over the course of a year, with the exception of one customer class to receive a one-time charge. We have reviewed Aquarion's recovery requests and Staff's recommendations and we find the proposal for billing of the combined surcharge to be just and reasonable. We find that such recovery will not be unduly burdensome to customers. Accordingly, we will authorize Aquarion to impose a surcharge to recover rate case expenses and recoupment of temporary rates as illustrated in Attachment D to Staff's recommendation letter.

Based upon the foregoing, it is hereby

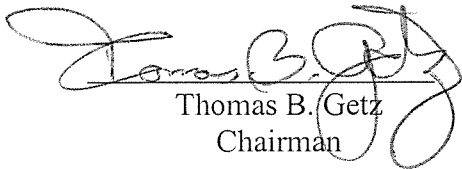
ORDERED, that Aquarion Water Company of New Hampshire, Inc. is authorized to recover \$380,391, representing the difference between its temporary rates approved in Order No. 24,942 and the permanent rates approved in Order No. 25,019; and it is

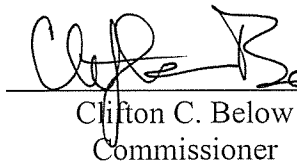
FURTHER ORDERED, that Aquarion Water Company of New Hampshire, Inc. is authorized to recover \$108,637, representing its prudently incurred rate case expenses; and it is

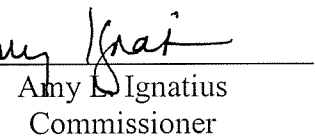
FURTHER ORDERED, that Aquarion Water Company of New Hampshire, Inc. is authorized to surcharge each of its customers as delineated in Attachment D to Staff's recommendation, until the full amount of the temporary and permanent rate recoupment and rate case expenses are collected; and it is

FURTHER ORDERED, that Aquarion Water Company of New Hampshire, Inc. shall file a compliance tariff within fourteen calendar days of the date of this order.

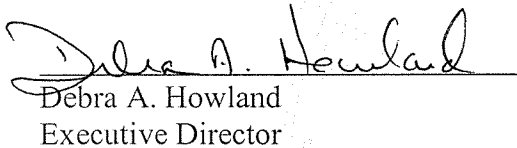
By Order of the Public Utilities Commission of New Hampshire this eighteenth day of December, 2009.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

LARRY L BINGAMAN
AQUARION WATER COMPANY OF NE
900 MAIN ST
HINGHAM MA 02043

ROBERT LANDMAN
NORTH HAMPTON WATER COMMISSI
PO BOX 710
NORTH HAMPTON NH 03862

STEVEN V CAMERINO
MCLANE LAW FIRM
11 SOUTH MAIN ST STE 500
CONCORD NH 03301

JOHN J RATIGAN
DONAHUE TUCKER & CIANDELLA
225 WATER ST
PO BOX 630
EXETER NH 03833-0630

RENNY CUSHING
395 WINNACUNNET RD
HAMPTON NH 03842

GEORGE E SANSOUCY
GEORGE E SANSOUCY PE LLC
89 REED RD
LANCASTER NH 03584

LINDA M DISCEPOLO
AQUARION WATER COMPANY OF NE
600 LINDLEY ST
BRIDGEPORT CT

KEN E TRAUM
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301-2429

STEPHEN R ECKBERG
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301

GLENN WALKER
GEORGE E SANSOUCY PE LLC
32 NIMBLE HILL RD
NEWINGTON NH 03801

HENRY FULLER
NORTH HAMPTON WATER COMMISSI
PO BOX 710
NORTH HAMPTON NH 03862

12/18/09 Order No. 25,053 issued and forwarded to all
parties. Copies given to PUC Staff.

MARK S GEARREALD
TOWN OF HAMPTON
100 WINNACUNNET RD
HAMPTON NH 03842

RORIE HOLLENBERG
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301-2429

Docket #: 08-098

Printed: December 17, 2009

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),

WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:

DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429

BEVAN L BLOEMENDAAL
31 STOWECROFT DR
HAMPTON NH 03842

JF DALY
27 PINE ST
SEABROOK NH 03874

CHARLES L HERBERT
25 CYGNET CT
HILTON HEAD SC 29926-1973

ANTHONY R JACKSON
31 STOWECROFT DR
HAMPTON NH 03842