

DW 02-128

HAMPSTEAD AREA WATER COMPANY

Petition for Rate Increase

Order Approving Temporary Rates

O R D E R N O. 24,119

January 31, 2003

APPEARANCES: Stephen P. St. Cyr on behalf of Hampstead Area Water Company; Michael Holmes, Esq., Office of the Consumer Advocate on behalf of residential ratepayers; and Marcia A.B. Thunberg, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 27, 2002, Hampstead Area Water Company (Hampstead) filed with the New Hampshire Public Utilities Commission (Commission) a petition to increase its permanent rates for its Hampstead Area Water Company, Walnut Ridge Water Company and Lancaster Farm divisions, effective October 1, 2002.

On October 25, 2002, the Commission issued Order No. 24,071, suspended the proposed tariff and ordered that a prehearing conference and technical session be held November 20, 2002. The Order also inadvertently directed the company to notify customers of the rate filing by first class mail, postmarked no later than November 20, 2002, the same day as the Prehearing Conference.

The Prehearing Conference was held on November 20, 2002. The Office of the Consumer Advocate and Commission Staff

recommended that the Commission complete its review of Hampstead's petition in a companion proceeding, Docket No. DW 02-198, prior to deciding the company's permanent rates in the instant case. Docket No. DW 02-198 concerns Hampstead's request for authority to purchase equipment, obtain franchises, and incur certain debt. The Staff, OCA and Hampstead were instructed to propose a procedural schedule which would incorporate the demands of both DW 02-128 and DW 02-198. The Staff and parties met in a technical session following the Prehearing Conference and later filed a proposed procedural schedule. On December 4, 2002 the Commission issued a secretarial letter approving the procedural schedule.

On December 2, 2002, Hampstead filed with the Commission a Petition for Temporary Rates, pursuant to RSA 378:27, for the Hampstead core system and the Walnut Ridge division. Hampstead indicated that this filing would result in rates 14% higher than those in effect for the Hampstead division, and 17% higher than current rates for the Walnut Ridge division. Hampstead asserted that an increase in revenues was required because the company was not earning a return adequate to cover its cost of capital or a reasonable return on its property used and useful in providing service.

On December 13, 2002, the Commission issued Order No. 24,096 setting a hearing for the temporary rate request on

January 10, 2003. In addition, recognizing that the notice of the rate increase provided by Order No. 24,071 was not sufficient to allow the general public adequate time to participate in the November 20, 2002 prehearing conference, the Commission authorized public comment on the underlying rate petition at the January 10, 2003 hearing. The Order also set January 6, 2003 as the deadline for filing petitions to intervene.

On December 23, 2003, Hampstead modified its Petition for Temporary Rates. The Company indicated that, after discussions with Staff, it would now request temporary rates at existing levels, and for all of its customers rather than just the Hampstead Core and Walnut Ridge divisions.

A duly noticed hearing on temporary rates in DW 02-128 was held on January 10, 2003.

II. POSITIONS OF THE PARTIES AND STAFF

A. Hampstead Area Water Company

The Company requests approval of temporary rates at existing levels for all its systems. Hampstead averred that it was incurring losses, particularly in its Hampstead and Walnut Ridge Divisions, and that such losses supported a determination that it was in the public good for the Commission to fix temporary rates.

B. Office of the Consumer Advocate

The OCA concurred that, based on the records on file with the Commission, Hampstead was underearning. OCA therefore supported Hampstead's request for current rates as temporary rates.

C. Staff

Staff also supported the company's request for temporary rates at current approved levels. Staff requested, however, clarification that Hampstead's request for temporary rates did not pertain to those systems that are currently the subject of docket DW 02-198, wherein Hampstead is seeking franchise approval.

III. COMMISSION ANALYSIS

RSA 378:27 authorizes the Commission to grant temporary rates when it determines the public interest so requires. The standard to be employed by the Commission in determining a temporary rate increase is less stringent than the standard for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651 (1991).

We have reviewed Hampstead's filing as well as supporting statements presented at the January 10, 2003 hearing. We find that Hampstead is currently not earning a rate of return sufficient for it to earn a reasonable return on its investments and that temporary rates are justified.

Hampstead initially requested a temporary rate increase of approximately 14% for the Hampstead Core system, and 17% for the Walnut Ridge division. It did not request temporary rates for the non-core Hampstead systems: Bracketts Mill, Kent Farm, Stoneford, Colby, Oak Hill, Rainbow Ridge, and Lancaster Farm. After consultation with Commission Staff, Hampstead modified its request to temporary rates at current levels and requested temporary rates apply to all three divisions.

Upon review of the initial financial materials provided in this proceeding, we believe the modified request is reasonable. The permanent rate case involves consolidating the rates of multiple divisions which currently operate under separate tariffed rates. Applying temporary rates upon only select divisions, rather than on the whole would present difficulties in reconciling the rates, should the Commission ultimately approve a consolidated rate. In reconciliation, any revenue deficiency resulting from the change to the permanent rate from temporary rates would be collected from the divisions subject to the temporary rate. The remaining divisions would not pay a surcharge to recover the deficiency, delaying the rate consolidation.

Notwithstanding evidence that Hampstead is underearning at current rates, we find that the temporary rates, set at current rates, will produce rates that are just and reasonable

and in the public good. The fact that temporary rates are subject to reconciliation at the conclusion of the permanent rate case pursuant to RSA 378:28, mitigates the effect of holding Hampstead at current rates during this rate case. Further, given the complexities posed by the multiple divisions and the introduction of new franchises, we believe setting temporary rates at current levels is the best solution. We will therefore approve Hampstead's request for temporary rates at current rate levels for the duration of this proceeding.

Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company's request for temporary rates at existing levels is APPROVED; and it is

FURTHER ORDERED, that Hampstead shall submit appropriate tariff pages within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of January, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary