

**DW 05-119**

**AQUARION WATER COMPANY OF NEW HAMPSHIRE**

**Petition for Rate Increase**

**Order Authorizing Recovery of Rate Case Expenses**

**O R D E R N O. 24,665**

**September 12, 2006**

**I. BACKGROUND**

On July 18, 2006, by Order No. 24,648, the New Hampshire Public Utilities Commission (Commission) approved a settlement agreement establishing new permanent rates for Aquarion Water Company of New Hampshire (Aquarion). The Commission indicated that, given the uncertainty of the actual amount of rate case expense, at the time of the hearing on June 6, 2006, it would defer consideration of the amount and period of recovery of such amount until after Commission Staff had an opportunity to review Aquarion's detailed documentation and provide the Commission with its recommendation.

On July 13, 2006, Aquarion filed its detailed documentation of rate case expenses and requested reimbursement of \$101,888.89. Staff conducted a thorough review of this documentation and submitted its recommendation to the Commission on July 31, 2006. Staff recommended a total amount of rate case expense of \$101,454.89. Staff recommended that the total amount of rate case expense be reduced by \$434.00. This amount consists of three charges from the McLane Law Firm relating to the Commission's audit of Aquarion. Staff noted that the Commission has customarily excluded audit related expenses from rate case recovery. Staff concluded that the remaining amount of rate case expense was reasonable for the rate case and recommended that this amount be recovered over twelve months, consistent with the terms of the

settlement agreement. Staff determined that the surcharge, and the related recovery period, is comparable to other surcharges the Commission has approved and the amount would not be onerous for customers.

On September 11, 2006, Staff filed a supplemental recommendation letter based on a second review of Aquarion's information. Staff stated it became aware of a computation error and that the rate case expenses needed to be reduced by \$30,000. Specifically, the cost-of-service study should have been shown as costing \$8,824.00, rather than \$38,824.00. As a result of this information, Staff recommended that the Commission approve recovery of rate case expenses by way of a surcharge in the amount of \$0.71 per customer for twelve months.

## **II. COMMISSION ANALYSIS**

Prudently incurred rate case expenses are legitimate costs of service of a utility that should be included in rates. Consistent with that policy, we have reviewed Aquarion's rate case expense summary and Staff's recommendations. We note no objections have been filed with the Commission on rate case expense. We agree with Staff that recovery of audit expenses as a rate case expense is inappropriate. Response 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 double recovery of these expenses.

Accordingly, we find Aquarion's rate case expenses of \$71,454.89 to be reasonable and to have been prudently incurred, and we will allow Aquarion to recover those expenses from customers. Based on the twelve-month recovery period proposed in the Settlement Agreement, Staff calculates the rate case expense surcharge will be \$0.71 per customer per month for twelve months. We find the monthly surcharge of \$0.71 per customer per month for twelve months,

commencing on or about October 1, 2006, to be reasonable and will result in just and reasonable rates.

**Based upon the foregoing, it is hereby**

**ORDERED**, that Aquarion is authorized to recover \$71,454.89 in rate case expenses over twelve months, commencing on or about October 1, 2006, through a surcharge to customers in the amount of \$0.71 per customer per month; and it is

**FURTHER ORDERED**, that Aquarion shall file a compliance tariff within five business days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twelfth day of September, 2006.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary