

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 17-118

HAMPSTEAD AREA WATER COMPANY, INC.

Permanent and Temporary Rate Proceeding

Order Authorizing Temporary Rate Recoupment and Recovery of Rate Case Expenses

O R D E R N O. 26,185

October 30, 2018

In this order, the Commission authorizes Hampstead Area Water Company to recoup the difference between its temporary and permanent rates and to recover its authorized rate case expenses.

I. PROCEDURAL HISTORY

On May 3, 2018, the Commission approved temporary rates for Hampstead Area Water Company, Inc. (HAWC or the Company). The Commission approved a temporary rate increase of 7.22 percent, effective October 17, 2017. *Hampstead Area Water Company, Inc.*, Order No. 26,131, 4-5 (May 3, 2018). The Commission subsequently approved a 12.65 percent permanent rate increase for HAWC reconcilable back to the previously approved effective date of October 17, 2017. *Hampstead Area Water Company, Inc.*, Order No. 26,165, 3 and 7 (July 31, 2018). The Commission directed HAWC to document the difference in revenues the Company would have collected had the Commission set temporary rates at the level of permanent rates. *Id.* at 7. The Commission also directed HAWC to propose a surcharge for recovering that difference from customers and to file the Company's request for rate case expenses. *Id.*

On August 31, 2018, HAWC submitted the required rate reconciliation and request for recovery of rate case expenses. The Commission Staff (Staff) filed its recommendation on October 8, 2018.

The docket filings in this matter, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.state.nh.us/Regulatory/Docketbk/2017/17-118.html>.

II. POSITIONS OF THE PARTIES

A. Hampstead Area Water Company, Inc.

HAWC proposed recovery of \$119,871 for rate reconciliation, the difference in revenue between temporary and permanent rates. HAWC also proposed recovery of rate case expenses totaling \$37,722. HAWC planned to recover those amounts by collecting \$42.33 from each of its 3,723 customers over five monthly billing periods through a monthly surcharge of \$8.47.

B. Commission Staff

Staff recommended that the Commission approve a revised recoupment amount of \$118,261 for the Company, a reduction of \$1,610. Staff's recommendation explained that HAWC's original proposal incorrectly included the Company's approved step adjustment in its reconciliation calculation. The Settlement Agreement approved by Commission Order No. 26,165 states that rates associated with the approved Step Adjustment are not reconcilable to the effective date for temporary rates. *See* Order No. 26,165 at 3.

Staff also recommended a reduction of \$1,286 in the Company's proposed rate case expenses for charges related to Staff's audit of HAWC. Staff pointed out that the Commission has historically rejected the inclusion of Staff audit expenses from rate case expenses, because

the Commission deems those costs to have already been included in customer rates. *See Lakeland Management Company, Inc.*, Order No. 25,357, 16 (2012) (The Commission has “held that 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.”). As a result, Staff recommended a total amount of \$36,436 in recoverable rate case expenses.

Staff further recommended that the combined recovery amount of \$154,697 (\$118,261 + \$36,436) be recovered from 3,676 customers instead of 3,723 customers. The 47 customer difference relates to HAWC’s recently acquired Bow Lake Estates system. Order No. 26,153, which approved the acquisition, mandated that the customers of that system will remain subject to the rates contained in Bow Lake’s existing tariff until meters are fully installed and 30-days’ notice is provided to customers of the resultant rate change. Staff reported that as of the date of its recommendation, neither condition had been met. As a result, Staff recommended recovery of \$154,697 from 3,676 customers, in the amount of \$42.08, over five monthly billing periods, through a monthly surcharge of \$8.42.

Staff reported that the Company concurred with its recommendation. Staff also reported that the Office of the Consumer Advocate did not take a position on the recoupment issues.

III. COMMISSION ANALYSIS

A. Temporary-Permanent Rate Recoupment

RSA 378:29 requires the Commission to allow utilities to amortize and recover the difference between temporary 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.¹ Here, the temporary rates were lower than the permanent rates we ultimately approved. This created a revenue shortfall of \$118,261, which the Company is entitled to recoup from its customers. As such, we approve recovery of that amount.

B. Rate Case Expense Recovery

The Commission has historically treated prudently-incurred rate case expenses as a legitimate cost of service appropriate for recovery through rates. *See, e.g., West Swanzey Water Company, Inc.*, Order No. 26,146 at 2 (June 14, 2018). Consistent with that policy, we have reviewed HAWC's rate case expenses as well as Staff's recommendation. In its recommendation, Staff identified an adjustment which reduced the Company's original proposal by \$1,286, from \$37,722 to \$36,436. No other party objected to the amount of rate case expenses proposed by Staff, and we approve the amount of \$36,436.

We find that the combined amount of revenue recoupment and rate case expenses for HAWC of \$154,697 to be just and reasonable, pursuant to RSA 378:7. We also agree with Staff's recalculation of the number of customers affected. Accordingly, we approve Staff's recommendation for the Company's recovery of \$154,697, from 3,676 customers over five monthly billing periods through a monthly surcharge of \$8.42.

Based upon the foregoing, it is hereby

ORDERED, that HAWC is authorized to recover \$118,261, representing the difference between its temporary rates approved in Order No. 26,131 and the permanent rates approved in Order No. 26,165; and it is


¹ Conversely, if the permanent rates are lower than the temporary rates, the statute requires that excess recovery be returned to ratepayers.

FURTHER ORDERED, that HAWC is authorized to recover \$36,436, representing its just and reasonable rate case expenses; and it is

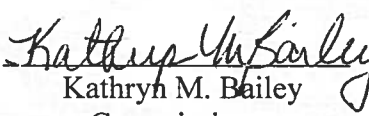
FURTHER ORDERED, that HAWC is authorized to surcharge 3,676 customers for recoupment of temporary and permanent rates and recovery of its rate case expenses in the amount of \$8.42 per customer per month over five monthly billing periods; and it is

FURTHER ORDERED, that HAWC shall file compliance tariffs within fourteen calendar days of the date of this order reflecting the recoupment and rate case expense surcharges approved herein.

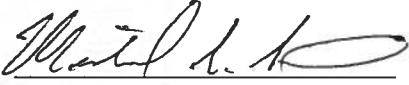
By Order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2018.



Martin P. Honigberg
Chairman

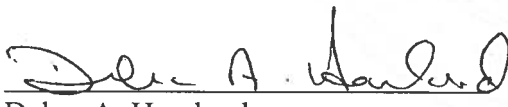


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director