

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 08-088

Hampstead Area Water Company, Inc.

Petition For Authority To Borrow Long Term Debt,
To Construct Water System Interconnection,
Approval To Extend Franchise Area, And For Step Rate Increase

DW 08-065

Hampstead Area Water Company, Inc.

Permanent Rate Proceeding

OFFICE OF CONSUMER ADVOCATE'S
MOTION TO CONSOLIDATE COMPANY'S REQUESTS FOR
A STEP INCREASE IN DW 08-088
AND PERMANENT RATES IN DW 08-065

1. On June 25, 2008, Hampstead Area Water Company, Inc. (HAWC) filed schedules along with supporting testimony for an increase in permanent rates for all of its current franchises. The New Hampshire Public Utilities Commission (Commission) docketed this filing as DW 08-065 and suspended the proposed tariff revisions in order to investigate the proposed new and higher permanent rates. *See* Order 24,879 dated July 25, 2008.
2. On June 27, 2008, HAWC also filed a petition for authority to borrow long term debt pursuant to RSA 369, to extend its franchise area, and for a step increase in rates. The Commission docketed this filing as DW 08-088.
3. In DW 08-088, HAWC seeks permission from the Commission to borrow \$1,100,885 from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (DES). *See* Petition For Authority To Borrow Long Term Debt, To Construct Water System Interconnection, Approval To Extend Franchise Area, And For Step Rate Increase (Petition) at p. 1, first unnumbered paragraph, and p. 2, paragraph 4. The proceeds from the proposed financing would be used to fund the construction of an interconnection between HAWC's two core systems in the Towns of Hampstead and Atkinson. *See* Petition at pp. 1-2, paragraph 2. In addition to benefits to existing customers, HAWC anticipates that the interconnection will result in additions to its customer base. *See* Petition at p. 3, paragraphs 9 and 10. HAWC requests an extension of its franchise area to serve these potential customers and, "pursuant to RSA §378:3, for authority to increase its rates to a level that will enable the Company to pay the debt service on such financing and earn a reasonable rate of return on its invested capital." Petition at p. 1, first

unnumbered paragraph. The Company states that it requires an increase in existing rates sufficient to generate “an increase in revenue of \$85,340.” Petition at p. 2, paragraph 7. The Company proposes an increase in its consumption charge to recover the proposed increase in revenues. *See* Petition at pp. 2-3, paragraph 7.

4. The Company states in the Petition that its request for rate relief in the financing docket is made “pursuant to RSA §378:3.” Petition at p. 1. RSA 378 *et seq.* governs the rates charged by public utilities. RSA 378:5, in particular, authorizes the Commission to “investigate the reasonableness of [any new and higher] proposed rates.” RSA 378:6, I (a) allows the Commission to suspend the implementation of a proposed general rate increase for a period of time up to 12 months. Ultimately, the Commission must determine that the proposed higher rates are “just and reasonable or lawful,” according to RSA 378:7, and that the “return on any plant, equipment, or capital improvement ... has ... first been found ... to be prudent, used, and useful.” RSA 378:28.
5. As stated earlier, in DW 08-065, the Commission will investigate the Company’s rates pursuant to RSA 378. Rather than conduct a similar investigation in another docket, or require the parties in DW 08-088 to conduct duplicative investigations, the Commission should consolidate the Company’s request for a rate increase with the pending request for higher permanent rates under consideration in DW 08-065. The OCA also believes that the need for step increases is most appropriately considered in the context of full rate proceedings when all factors related to proposed projects for which a utility seeks approval for financing may be thoroughly reviewed.
6. There is no legitimate reason not to consolidate the rate relief issue in DW 08-088 with those in DW 08-065. Although the Company contends that “the State of New Hampshire’s commitments are subject to receipt of Commission approval of the financing *and the rate increase*,” (Petition at p. 3, paragraph 8), the OCA has spoken with the Company’s contact at DES for purposes of the proposed SRF financing, Richard Skarinka, and it is our understanding that only approval of the financing is required. *See* Affidavit of Stephen R. Eckberg, attached.
7. The Commission has previously approved SRF Financing requests of utilities without approving a rate increase to allow the utility to repay the SRF loan in the same docket. *See e.g.*, Order No. 24,844, April 8, 2008, regarding Pennichuck East Utility, which approved the financing but did not approve an increase in rates to service the debt. Also, our understanding after speaking with Mr. Skarinka is that the construction of the interconnection financed by the proposed SRF loan will not likely be completed until later in 2009 and the Company will not likely need to begin repaying the SRF loan until sometime in 2010. *See* Affidavit of Stephen R. Eckberg, attached. The Commission’s investigation of the Company’s permanent rates, on the other hand, must be completed before the end of the summer of 2009. *See* RSA 378:6, I (a) (requires Commission to complete investigation of new and higher rates within 12 months). Therefore, there is ample time for the Commission to include any step increase necessary to service the new debt in the full rate case.

8. Lastly, to the extent that additional notice is required if the Commission approves the OCA's request to consolidate the rate-increase investigations, there is also ample time to re-notice a consolidated docket prior to the prehearing conferences in both dockets on September 3, 2008.¹ In the alternative, to the extent that is not possible, there is sufficient time remaining in the rate case investigation which is the one docket of the two with a statutory deadline, to allow a brief delay and rescheduling of the prehearing conference in a consolidated docket.
9. Puc 203.19 requires the Commission to consolidate petitions "seek[ing] the same or similar relief" if doing "so will promote the orderly and efficient conduct" of the proceedings. Both of the petitions in DW 08-065 and DW 08-088 concern, at least in part, requests for general rate increases. Investigation of these rate increase requests should be conducted pursuant to the same statutes and should involve essentially the same factual and legal issues: whether the proposed higher rates are just and reasonable, and whether they allow a return only on plant, equipment, or capital improvements that are prudent, used, and useful. Consolidation will allow for the most efficient use of the parties and the Commission's resources, and will ensure that the Commission's determination of the Company's future rates, particularly those related to the proposed SRF financing, is based upon a complete record.

Wherefore, the OCA respectfully requests the Commission to provide the following relief:

- A. Consolidate dockets DW 08-065 and DW 08-088; and
- B. Grant such other relief as justice requires.

Respectfully submitted,



Meredith A. Hatfield
Rorie E.P. Hollenberg
Office of Consumer Advocate
21 S. Fruit St., Ste. 18
Concord, N.H. 03301
(603) 271-1172
rorie.e.p.hollenberg@oca.nh.gov

¹ In addition, HAWC has not requested temporary rates in DW 08-065. If the Company will seek temporary rates, additional notice to customers may be required.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing motion was forwarded this day to the parties by electronic mail.

August 7, 2008



Meredith A. Hatfield

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 08-088

Hampstead Area Water Company, Inc.

Petition For Authority To Borrow Long Term Debt,
To Construct Water System Interconnection,
Approval To Extend Franchise Area, And For Step Rate Increase

DW 08-065

Hampstead Area Water Company, Inc.

Permanent Rate Proceeding

AFFIDAVIT OF STEPHEN R. ECKBERG

I, Stephen R. Eckberg, having been duly sworn, declare as follows:

1. I am employed by the Office of Consumer Advocate (OCA) as a Utility Analyst.
2. On August 4, 2008, I participated in a telephone conference with Ken Traum and Rorie Hollenberg of the OCA, John Sullivan and Robert Levine of Hampstead Area Water Company (HAWC), Richard Skarinka of the New Hampshire Department of Environmental Services (DES) and Mark Naylor, Director of the Gas and Water Division of the New Hampshire Public Utilities Commission (PUC).
3. During this call, Ms. Hollenberg asked HAWC to explain its assertion that, in addition to requiring PUC approval of the terms and use of the State Revolving Fund (SRF) financing, DES also required approval from the PUC of a rate increase to service the debt. *See* Petition For Authority To Borrow Long Term Debt, To Construct Water System Interconnection, Approval To Extend Franchise Area, And For Step Rate Increase at p. 3, paragraph 8.
4. My understanding of DES' requirements, as explained by Mr. Skarinka relative to HAWC's SRF application, is that HAWC only needs to receive authority from the PUC to borrow the funds.
5. Mr. Skarinka referenced an order of the PUC concerning a request for SRF financing approval filed by Pennichuck East Utilities, Order No. 24,844, as an example of a PUC Order containing the necessary approval for the financing.
6. During the call, Mr. Skarinka also stated an estimated time line for the interconnection project and the Company's repayment obligation, if the proposed SRF financing requested in DW 08-088 is approved. Mr. Skarinka estimated that the project

would be completed by the "fall or later" of 2009 and that the Company would be required to begin repayment of the loan "in 2010."

Dated: August 7, 2008

Stephen R. Eckberg
Stephen R. Eckberg

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

Subscribed and sworn to me this 7 day of August, 2008 by Stephen R. Eckberg.

Chris M. [Signature]
Notary Public/Justice of the Peace

Comm. Expires 10-21-2010