

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-073

PENNICHUCK WATER WORKS, INC.

Permanent and Temporary Rate Proceeding

**Order Approving Temporary Rate Recoupment and Authorizing Recovery of Rate Case
Expenses**

ORDER NO. 25,018

September 23, 2009

I. BACKGROUND

On August 13, 2009, by Order No. 25,006 the Commission approved a settlement agreement establishing new permanent rates for Pennichuck Water Works, Inc. (PWW) and accepted the recommendation of Staff and PWW that the Company file a reconciliation report to recover the difference between temporary and permanent rates in the proceeding. The Commission also authorized PWW to recover rate case expenses incurred in the instant docket, and directed the Company to file within 30 days of the order a calculation of its rate case expenses as well as a proposed surcharge to recover the expenses.

On August 19, 2009, PWW submitted to Commission Staff its proposal to recover \$119,515.67 in rate case expenses. PWW proposed to recover these expenses in a one-time surcharge to its 26,123 customers in the amount of \$4.58.

On August 24, 2009, Staff filed a recommendation with respect to PWW's rate case expenses. Staff recommended the elimination of one expense item from PWW's request that did not pertain to this rate proceeding. Staff therefore supported recovery of \$119,043.17 through a

one-time surcharge of \$4.56 per customer. Staff indicated that PWW concurred with Staff's recommendation.

On August 26, 2009, PWW filed its report reconciling temporary rates and permanent rates. In order to recover the difference, PWW proposed that residential customers pay a one-time recoupment charge of about \$1.42 per customer, depending on usage. PWW proposed that the three contract customers, Anheuser Busch, Town of Milford and Town of Hudson, be charged a one-time recoupment amount. Anheuser Busch would pay \$3,217.37, the Town of Milford would pay \$179.54, and the Town of Hudson would pay \$555.74. PWW proposed that private fire protection customers pay a surcharge according to pipe size, in 12 equal installments, to recover \$185,663.12. PWW proposed public fire protection customers receive refunds in 12 equal monthly amounts, to refund the following total overcollections: Nashua \$148,834.19; Bedford \$10,249.89; Merrimack \$4,804.52; Amherst \$10,076.28; and Derry \$1,804.82.

On September 9, 2009, Staff filed a letter indicating that it had reviewed PWW's reconciliation report and concluded that the Company's proposals were consistent with the settlement agreement. Staff recommended the Commission approve the proposed recoupment and refund amounts submitted by PWW.

II. COMMISSION ANALYSIS

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 PWW's request for rate case expenses, as well as Staff's recommendation. Staff recommends removal of one invoice that does not pertain to this proceeding, slightly

modifying the total of expenses to recover. We will approve PWW's recommendation as modified by Staff. Recovery of \$119,043.17 in a one-time surcharge to PWW's 26,123 customers results in a surcharge of \$4.56 per customer. We find the surcharge to be just and reasonable and we will authorize PWW to recover this amount in a one-time surcharge to customer bills.

Upon the final disposition of a rate proceeding in which temporary rates were in effect, RSA 378:29 requires the utility to reconcile the difference between temporary rates and the permanent rates finally determined in the proceeding. While PWW's overall increase for permanent rates averages 11.48%, the allocation of PWW's total revenues among customer classes pursuant to the cost of service study yielded varying rate increases. This variation caused the recoupment amounts to vary between customer classes. In Order No. 25,006, we accepted the proposal to apply a one-time surcharge for general metered customers and for the Anheuser-Busch, Milford, and Hudson contracts. We also accepted that recoupment or refund pertaining to temporary rate reconciliation for municipal fire protection customers and for public fire protection customers occur over a 12-month period. We have reviewed the temporary rate recoupment recommendations from PWW and Staff's recommendation. An average residential customer will pay a one-time recoupment charge of \$1.42 depending on usage during the time period to be reconciled. PWW's three contract customers will be charged a one-time recoupment, with Anheuser-Busch being billed \$3,217.37, the Town of Milford being billed \$179.54, and the Town of Hudson being billed \$555.74. Private fire protection customers will be billed over a 12-month period in order to recover a total of \$185,663.12, with individual customer bills based on pipe size. Public fire protection customers are to receive refunds over a 12-month period, with Nashua receiving a total of \$148,834.19; Bedford, \$10,249.89; Merrimack, \$4,804.52; Amherst, \$10,076.28; and Derry, \$1,804.82. We find these

amounts to be reasonable and consistent with RSA 378:29 and RSA 378:7. Based on the above, we will approve the rate recoupments and refunds through the proposed surcharges. The total of the two surcharges approved here, the rate case expense surcharge and the recoupment of temporary rates, will result in a typical residential customer being billed a total of an additional \$5.98 on a one-time basis.

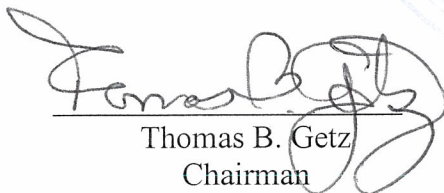
Based upon the foregoing, it is hereby

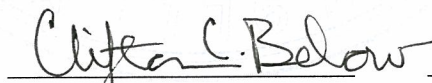
ORDERED, that Pennichuck Water Works, Inc. is authorized to recover the difference between the temporary rates approved in Order No. 24,926 and the permanent rates approved in Order No. 25,006 through a surcharge or refund to customer bills as discussed above; and it is

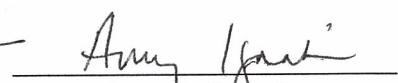
FURTHER ORDERED, that Pennichuck Water Works, Inc. is authorized to recover its rate case expenses through a one time surcharge to all customer bills as discussed above; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. file a compliance tariff within 10 days of the date of this order.

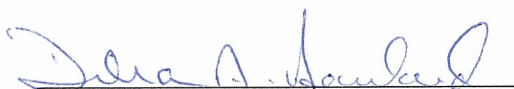
By order of the Public Utilities Commission of New Hampshire this twenty-third day of September, 2009.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


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Executive Director

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09/23/09 Order No. 25,018 issued and forwarded to all
parties and PUC Staff.

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Docket #: 08-073

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FILING INSTRUCTIONS: **PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
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