

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DW 20-112

ABENAKI WATER COMPANY, INC.

Request for Change in Rates

SETTLEMENT AGREEMENT ON TEMPORARY RATES

I. INTRODUCTION

This settlement agreement (“Agreement”) is entered into by and between Abenaki Water Company, Inc. (“Abenaki” or the “Company”), the representatives of the Ratepayer Intervenors from the Bow and Tioga-Belmont water systems (“Ratepayer Intervenors”), Staff of the New Hampshire Public Utilities Commission (“Staff”), and the Office of the Consumer Advocate (“OCA”) (together, “Settling Parties”).

II. BACKGROUND

This docket concerns temporary and permanent rate schedules refiled by Abenaki on October 30, 2020, for its Belmont sewer system and four of its water systems (Belmont, Bow, Tioga-Gilford Village, and Tioga-Belmont). On November 20, 2020, the Company filed amended proposed consolidated, temporary, and permanent rate tariffs to replace previously proposed tariffs. On November 30, 2020, the Commission issued Order No. 26,427 suspending Abenaki’s proposed rate schedules for 18 months and opening an investigation into the rates. On December 22, 2020, the Commission issued an Order of Notice and required Abenaki to notify the public and its customers of the Commission’s investigation and of Abenaki’s proposed rate increase by posting the Order of Notice on the Company website.

Abenaki published the Commission's Order of Notice on its website on December 24, 2020.

The Commission held its prehearing conference on February 1, 2021. Staff and the parties met in a technical session following the prehearing conference and developed a proposed procedural schedule to govern the proceeding. On February 23, 2021, the Commission approved the procedural schedule and granted the intervention requests of numerous customer interveners, with designated representatives for each of the water systems. One of the issues discussed at the technical session was Abenaki's need for temporary rates during the pendency of the Commission's investigation, per RSA 378:27 and RSA 378:29.

In its temporary rate petition, Abenaki referenced having negative net earnings in 2019 for its water systems in Bow, Tioga-Gilford, and Tioga-Belmont. Based upon the Company's annual filings, as of December 2019, for Belmont Sewer and the four water systems identified in the instant docket, Staff determined that, overall, Abenaki had combined under-earnings:

	Belmont Sewer	Belmont Water	Bow	Tioga Gilford	Tioga Belmont	Water
	Actual	Actual	Actual	Actual *	Actual *	Combined
	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2019
Plant in Service	\$112,016	\$682,717	\$581,320	\$231,464	\$187,536	\$1,683,037
Less: Accumulated Depreciation	(70,124)	(313,837)	(258,637)	(94,776)	(74,829)	(742,079)
Net Utility Plant (Plant - Accum Depreciation)	\$ 41,892	\$ 368,880	\$ 322,683	\$ 136,688	\$ 112,707	\$ 940,958
Material & Supplies	-	7,316	-	-	2,351	9,667
Miscellaneous Deferred Debits	-	-	-	-	-	-
Amortization of Miscellaneous Deferred Debits	-	-	-	-	-	-
Accumulated Deferred Income Taxes - Assets	-	-	-	-	-	-
Contribution in Aid of Construction	-	(43,052)	(143,900)	(79,205)	(61,894)	(328,051)
Accumulated Amortization of CIAC	-	13,499	74,516	46,916	30,081	165,012
Accumulated Deferred Income Taxes - Liabilities	(7,427)	(64,984)	(23,500)	1,900	1,000	(85,584)
Cash Working Capital (O&M Expenses x 12.33%)	13,274	6,639	10,115	5,308	6,633	28,695
Total Rate Base	\$ 47,739	\$ 288,298	\$ 239,914	\$ 111,607	\$ 90,878	\$ 730,697
Approved Rate of Return	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%
Total Operating Income Required (Rate Base x ROR)	\$ 3,728	\$ 22,516	\$ 18,737	\$ 8,717	\$ 7,098	\$ 57,067
Operating Income	\$ 115,921	\$ 122,737	\$ 82,211	\$ 28,007	\$ 18,957	\$ 251,912
Less: Other Water Revenues	(5,039)	(3,597)	(2,717)	-	-	(6,314)
Adjusted Operating Income	\$ 110,882	\$ 119,140	\$ 79,494	\$ 28,007	\$ 18,957	\$ 245,598
Operating Expenses	\$ 107,659	\$ 53,844	\$ 82,034	\$ 43,052	\$ 53,796	\$ 232,726
Depreciation Expense	2,953	22,279	19,061	14,423	8,298	64,061
Amortization of Contributions In Aid of Construction	-	(1,419)	(5,139)	(4,065)	(3,471)	(14,094)
Amortization of Utility Plant Acquisition Adjustment	1,624	1,644	1,091	-	-	2,735
Amortization Expense - Other	-	-	-	-	-	-
Taxes Other Than Income	1,088	9,510	9,789	410	410	20,119
Income Taxes	832	7,268	(7,200)	(7,500)	(11,400)	(18,832)
Total Operating Expenses	\$ 114,156	\$ 93,126	\$ 99,636	\$ 46,320	\$ 47,633	\$ 286,715
Net Operating Income/(Loss) (Income - Expenses)	\$ (3,274)	\$ 26,014	\$ (20,142)	\$ (18,313)	\$ (28,676)	\$ (41,117)
Operating Income (Deficiency)/Surplus	\$ (7,002)	\$ 3,498	\$ (38,879)	\$ (27,030)	\$ (35,774)	\$ (98,184)

* Tioga Divisions Income and Expenses use December actuals plus ((Dec actuals divided by 8 months) times 4 months) to represent a full year of Income and Expenses.

Source: 2019 PUC Annual Report and Filing Documents

The Company further contends that it continues to experience revenue deficiencies.

III. TERMS OF SETTLEMENT

A. The Settling Parties agree that, in accordance with RSA 378:27, current rates should be made effective on a temporary basis for the pendency of this proceeding. The Settling Parties agree that setting temporary rates at their current level is in the public interest due to several issues presented in this investigation, including, but not limited to: the magnitude of the increases sought in certain water systems; complaints about service quality raised by the Ratepayer Intervenors; the complexities associated with the proposed rate consolidation; and the

ongoing impacts of the COVID-19 pandemic. Any difference between the temporary rates agreed to herein and the permanent rates ultimately approved by the Commission in this docket is subject to the recoupment mechanism afforded under RSA 378:29. The Company agrees that it will be able to meet its operational expenses and debt obligations for the duration of the rate case under the recommended temporary rates. The Settling Parties recommend that the Commission approve the temporary rates at current rates.

B. Staff, Abenaki, the Ratepayer Intervenors, and the OCA, further agree and recommend that the Commission set the temporary rates for effect for service rendered after December 31, 2020, which is after the date Abenaki gave its customers notice of its requested temporary and permanent rate tariffs.

C. The Settling Parties agree and recommend that the Commission address this temporary rate settlement at the hearing scheduled for March 31, 2020, as provided in the parties' requested procedural schedule. All matters regarding temporary rates contained in the Settlement Agreement will be presented as an agreement between all parties and not be subject to litigation.

IV. CONDITIONS

This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Agreement in its entirety, any party hereto, at its sole option exercised within fifteen (15) days of such Commission order, may withdraw from this Agreement, in which event it shall be deemed to be null and void and without effect and shall not be relied upon by the Company, Ratepayer Intervenors, Staff, the OCA, or any party to this proceeding, or the Commission, for any purpose.

The Commission's acceptance of this Agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding.

The discussions that produced this Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

The Settling Parties agree that all testimony and supporting documentation should be admitted as full exhibits for purposes of reviewing this Agreement. The Settling Parties' agreement to admit all testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony is accurate or what weight, if any, should be given to the views of any witness, except as may be specifically provided in this Agreement.

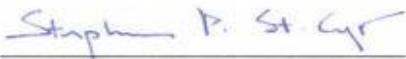
The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to that resolution for purposes of any future proceeding, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, that document for purposes of any future proceeding. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the rates resulting from the agreement, and other specific conditions stated in this Agreement are just and reasonable and otherwise consistent with the law.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

IN WITNESS WHEREOF, the Settling Parties to this Agreement have caused the Agreement to be duly executed in their respective names by their fully authorized agents.

Abenaki Water Company, Inc.

Dated: March 24, 2021


By its Representative, Stephen P. St. Cyr

Dated: March 24, 2021

Staff of the New Hampshire Public Utilities
Commission


By its Attorney, Eric Wind

Dated: March 24, 2021

Office of the Consumer Advocate


By its Attorney, Christa Shute

Dated: March 24, 2021

Bow Water system Intervenors


By its Representative, Jeni Speck

Dated: March 24, 2021

Tioga Belmont Water system Intervenors


By its Representative,