

DW 02-156

LAKES REGION WATER COMPANY

Petition for Permanent Rate Increase

Order Approving Temporary Rates

O R D E R N O. 24,131

March 3, 2003

APPEARANCES: Stephen P. St. Cyr for Lakes Region Water Company, Inc.; Sandra and Freeman Burhoe, Intervenors; Thomas and Tracy King, Intervenors; Michael W. Holmes, Esq. for the Office of the Consumer Advocate, representing residential ratepayers; and Marcia A. B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On August 21, 2002, Lakes Region Water Company (Lakes Region or the Company) filed a Notice of Intent to File Rate Schedules. On October 21, 2002, the Commission received Lakes Region's petition to increase permanent rates for its divisions in Far Echo Harbor, Paradise Shores, West Point, Waterville Valley Gateway, Hidden Valley, Wentworth Cove, Pendelton Cove, Deer Run, Woodland Grove, Echo Lake Woods, Brake Hill Acres, Hidden Valley Shores, Tamworth and 175 Estates.

On November 15, 2002, the Commission issued Order No. 24,085 suspending the proposed tariff and scheduling a prehearing conference and technical session for December 17, 2002.

On December 17, 2002, the Office of Consumer Advocate (OCA) notified the Commission that it would be participating in this docket as a full statutory party.

The Commission received comments from the following customers: Edward Merski, Jr.; Cathleen Sutton; Nancy and Mike Clairmont; Andre Lavoie; Bret Libby; David and Lily Abjornson.

The Commission received requests to intervene from numerous affected customers: Dorothy Cox; Donald Cox; Jill Wilder; Cathy Cummings; James Cummings; Jane Naughton; Sandra Burhoe; Freeman Burhoe; Tracy King; Thomas King; Earle Laste, Jr.; and Thelma Laste.

The Prehearing Conference was held on December 17, 2002. Immediately following the Prehearing Conference, the parties convened a technical session to develop a proposed procedural schedule. A proposed procedural schedule was submitted to the Commission on December 31, 2002.

On December 27, 2002, Lakes Region filed a request for temporary rates with supporting exhibits, stating, among other things, that the demonstration of a rate deficiency is sufficient evidence to allow the existing rates to become temporary rates.

On December 31, 2002, Staff filed a report of the technical session conducted after the Prehearing Conference. The report indicated that Freeman and Sandra Burhoe were

selected to act on behalf of the other residential customers who had sought intervention in this docket. The report also contained a proposed procedural schedule which was approved by the Commission on January 10, 2003.

Brief discovery was conducted and a hearing on the Petition for Temporary Rates was held on February 6, 2003.

On February 10, 2003, Mr. Hamilton S. McLean, on behalf of Far Echo Harbor Club Association, filed for intervenor status and expressed concern over inadequate water pressure and volume. The Commission received no objections to Mr. McLean's intervention.

II. POSITIONS OF THE PARTIES

A. Lakes Region Water Company

Lakes Region requested approval of the temporary rates at existing levels, stating that the rate would apply to a total of 1,118 customers located in: Hidden Valley Shores, 175 Estates, Far Echo Harbor, Paradise Shores, West Point, Waterville Valley Gateway, Hidden Valley, Wentworth Cove, Pendleton Cove, Deer Run, Woodland Grove, Echo Lake Woods, Brake Hill Acres, and Tamworth. In support of the request, the Company stated it had an overall deficiency of \$33,424 based on actual test year results. Tr. 2/6/03 at 10:16-17. The Company

indicated the deficiency was due to increases in overall costs and improvements made at Tamworth. Tr. 2/6/03 at 12:8-19.

Lakes Region requested the temporary rate be effective at the end of the month to avoid the need to prorate bills.

B. Sandra and Freeman Burhoe

Sandra and Freeman Burhoe expressed their concern that poor water quality be remedied before any rate increases are imposed. Mr. and Mrs. Burhoe introduced into evidence soiled laundry as evidence of discolored water they state has plagued them intermittently for years. The Burhoes also testified as to their inability to make contact with Lakes Region when they called about water issues.

C. Thomas and Tracy King

Thomas and Tracy King took no position regarding the filing but questioned why the Company used estimates in calculating rates for 175 Estates.

D. Office of the Consumer Advocate

OCA neither supported nor opposed setting temporary rates at current levels. OCA shared the concerns of residential ratepayers that they not be subject to poor water quality and that ratepayer ability to contact the company be improved.

E. Staff

Staff supported setting temporary rates at existing levels. Staff indicated the temporary rates would be subject to reconciliation at the close of the permanent rate case. Staff added that, after reviewing the books and records on file with the Commission, the assumptions Lakes Region used in creating schedules in Exhibit 2 for Hidden Valley and 175 Estates appeared to be reasonable. Staff also stated the historical records for Hidden Valley Shores and 175 Estates show net operating losses which would indicate that those two systems are under-earning.

III. COMMISSION ANALYSIS**A. Temporary Rates**

RSA 378:27 authorizes the Commission to grant temporary rates when it determines the public interest so requires. The standard employed by the Commission in determining a temporary rate increase is less stringent than the standard for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651 (1991). Imposition of temporary rates, moreover, allows companies to recoup or refund permanent rates back to the date temporary rates are imposed. RSA 378:29.

We have reviewed Lakes Region Water Company's filing as well as the testimony and exhibits presented at the February 6, 2003 hearing. We find that temporary rates, set at current levels, will produce rates that are just and reasonable and in the public good. The temporary rates will be subject to reconciliation at the conclusion of the permanent rate case.

At hearing, Lakes Region and Staff indicated that Lakes Region has been and continues to be under-earning. Tr. 2/6/03 at 10:16-17. The Commission also heard testimony of customers who have encountered water quality problems. Setting temporary rates at existing rates notwithstanding preliminary evidence that Lakes Region is under-earning, strikes a reasonable balance between customer concerns over water quality and Lakes Region's earnings profile.

At hearing, Lakes Region requested temporary rates become effective so as to coincide with monthly customer bills and avoid the necessity to pro rate customer bills. We will approve temporary rates effective for service rendered on or after March 1, 2003.

B. Rate Case Issues

As stated earlier, at the temporary rate hearing, the Commission heard complaints concerning poor water quality and

customer inability to contact Lakes Region. We recognize some of the water quality complaints relate to systems recently purchased by Lakes Region. As part of the rate case, however, we direct the Company and Staff to review the quality of water received by all customers of Lakes Region and to take appropriate action to remedy water quality concerns. Regarding customer inability to contact Lakes Region, we direct the Company to submit the February 6, 2003 Hearing Exhibit 5, a letter indicating the correct Lakes Region customer service telephone number, to the Commission within 10 days of the date of this order. We further direct Lakes Region to ensure the correct customer service telephone number is disseminated to customers through their monthly bills.

C. Far Echo Harbor Club Association Intervention

The Commission may grant a petition for intervention at any time, upon determining that such intervention would be in the interests of justice and would not impair the orderly and prompt conduct of the proceedings. RSA 541-A:32, II. Lakes Region Water Company services the approximately 100 members of the Far Echo Harbor Club Association. Mr. Hamilton McLean has been granted authority by Far Echo Harbor Club Association to represent their interests in this proceeding. We believe this

arrangement simplifies Far Echo Harbor Club's representation and we approve Far Echo Harbor Club Association's intervention.

Based upon the foregoing, it is hereby

ORDERED, that Lakes Region Water Company's request for temporary rates at existing levels is APPROVED; and it is

FURTHER ORDERED, that Lakes Region Water Company file with the Commission Hearing Exhibit 5, as described above, within 10 days from the date of this order; and it is

FURTHER ORDERED, that Lakes Region Water Company shall submit appropriate tariff pages within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this third day of March, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Michelle A. Caraway
Assistant Executive Director