

DW 12-170

HAMPSTEAD AREA WATER COMPANY, INC.

Temporary and Permanent Rate Case

**Order Authorizing Recovery of Rate Case Expenses and Revenue Differential Between
Temporary and Permanent Rates**

ORDER NO. 25,564

August 7, 2013

I. BACKGROUND

On November 8, 2012, the New Hampshire Public Utilities Commission (Commission) issued Order No. 25,437 approving temporary rates for Hampstead Area Water Company, Inc. (HAWC) at its then authorized levels on a service rendered basis effective September 1, 2012. On June 7, 2013, the Commission issued Order No. 25,519 approving a Settlement Agreement on Permanent Rates. Contained in that Settlement Agreement were provisions pertinent to the reconciliation and recovery of permanent rates in excess of temporary rates charged subsequent to September 1, 2012, as well as recovery of rate case expenses. Specifically, HAWC agreed to submit proposals for both the recovery of the revenue differential between temporary and permanent rates as well as rate case expenses within fifteen days from the date of the Commission's final order.

On June 20, 2013, HAWC submitted to Staff a proposal along with supporting documentation for recovery of \$37,953 in rate case expenses as well as \$41,669 in revenue differential between temporary and permanent rates, for a combined recovery amount of

\$79,622. HAWC proposed that this amount be collected via a combined monthly surcharge of \$8.69 per customer over three monthly billing periods.¹

On July 15, 2013, the Commission Staff (Staff) filed a recommendation on HAWC's proposals for recovery of rate case expenses and the revenue differential between temporary and permanent rates. Staff stated that it had conducted a thorough review of the information submitted by HAWC in support of its proposals, as well as conducted discovery in the form of data requests. Staff attached the discovery to its recommendation letter.

Staff proposed that the revenue differential between temporary and permanent rates be revised to \$23,811; a decrease of \$17,858 from \$41,669. Staff explained that the consumption rate used by HAWC in its original calculation included a step adjustment which, per the approved Settlement Agreement, should have been excluded from the revenue differential calculation. Staff further stated that HAWC agreed that an error had been made and HAWC submitted a corrected calculation resulting in a revised amount of \$23,811.

Staff recommended a rate case expense amount of \$38,143, or an increase of \$190. Staff explained its adjustment consisted in part of a \$29 reduction for charges related to Staff's audit of HAWC which are already included in HAWC's approved permanent rates. Staff also recommended increases in certain rate case expense charges that had been initially projected by the Company in its original submittal but for which subsequent documentation showed had actually been underestimated by an amount of \$219.

Staff also proposed a revised customer base of 3,175 according to HAWC's actual customer count as of June 30, 2013. Staff also proposed a revised recovery period of six months

¹ The number of customers upon which HAWC based the monthly surcharge was the 3,504 customers agreed to by the settling parties in the Settlement Agreement.

in order to reduce the financial burden of the proposed surcharge on HAWC's customers. Staff, therefore, recommended a total combined recovery amount of \$61,954 and a monthly surcharge of \$3.25 per customer for six months. Staff stated that HAWC concurred with all of Staff's recommendations.

II. COMMISSION ANALYSIS

RSA 378:29 requires the Commission to allow utilities to amortize and recover the difference between temporary rates and permanent rates over the effective period of the temporary rates if it is found that, upon the final disposition of the rate proceeding, the rates ultimately approved are in excess of the earlier imposed temporary rates. As stated earlier, we previously approved temporary rates for HAWC effective on or after September 1, 2012. We subsequently approved permanent rates for HAWC. The revenue shortfall, as revised by the Company and agreed to by Staff, when compared with the temporary rates actually charged since the September 1, 2008 effective date, totals \$23,811. We have reviewed the revised revenue differential between temporary and permanent rates proposed and we concur with that recommendation. We, therefore, approve the proposed revenue differential for recovery in the amount of \$23,811.

We have long considered that prudently incurred rate case expenses are legitimate costs of service of a utility that should be included in rates. Consistent with that policy, we have reviewed HAWC's rate case expense summary as well as Staff's recommendations. We agree with Staff that the costs amounting to \$29 for expenses related to the Commission Audit should be disallowed. Also, with regard to the underestimated rate case costs which Staff is recommending should be added to HAWC's original proposal, we agree that the Company's rate

case expenses should be increased by \$219 as they relate to specific charges that are legitimate and prudently incurred. We, therefore, approve the amount of rate case expenses of \$38,143.

Lastly, we address the proposed surcharge to recover the revenue differential between temporary and permanent rates as well as rate case expenses. We agree with Staff that the calculation of the surcharge should be based upon the most current customer count of 3,175 because this represents the customers who will actually be incurring the surcharge. We have also reviewed the recovery recommendation by Staff of six monthly billing periods versus the three monthly billing periods initially proposed by HAWC. We agree that a six month recovery period will be less burdensome to HAWC's customers while at the same time will result in relatively little delay for the Company to recover the proposed amounts. Therefore, we find that spreading the combined surcharge over six monthly billing periods results in just and reasonable rates for both the Company and its customers. Accordingly, we will approve HAWC's imposition of a surcharge in the amount of \$3.25 per customer per month over six monthly billing periods.

Based upon the foregoing, it is hereby

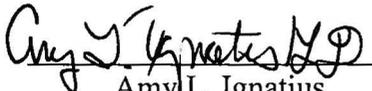
ORDERED, that Hampstead Area Water Company, Inc. is authorized to recover \$23,811, representing the difference between its temporary rates approved in Order No. 25,437 and the permanent rates approved in Order No. 25,519; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. is authorized to recover \$38,143, representing its prudently incurred rate case expenses; and it is

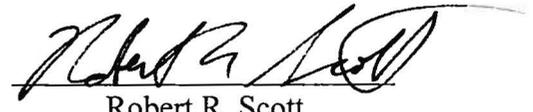
FURTHER ORDERED, that Hampstead Area Water Company, Inc. is authorized to charge a monthly surcharge in the amount of \$3.25 per customer over six monthly billing periods or until the full amount is collected, whichever is earlier; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. shall file a compliance tariff within fourteen calendar days of the date of this order.

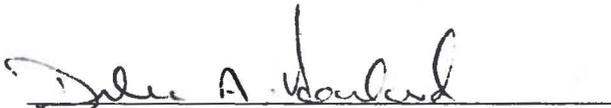
By order of the Public Utilities Commission of New Hampshire this seventh day of August, 2013.


Amy L. Ignatius
Chairman


Michael D. Harrington
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director