

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

**DOCKET NO. DW 15-199
ABENAKI WATER COMPANY, INC.**

SETTLEMENT AGREEMENT – PERMANENT RATES

I. INTRODUCTION

This Settlement Agreement (“Agreement”) is entered into this 5th day of May, 2016, by and among Abenaki Water Company, Inc. (“Abenaki” or “Company”), the Office of the Consumer Advocate (“OCA”), and the staff (“Staff”) of the New Hampshire Public Utilities Commission (“the Commission”), collectively (“Settling Parties”), with the intent of resolving the issues discussed herein. This Settlement Agreement constitutes the recommendation of the Settling Parties with respect to the Commission’s determination of permanent rates.

II. PROCEDURAL BACKGROUND

On July 24, 2015, Abenaki submitted a permanent rate filing including revised tariff pages designed to consolidate the separate water rates for the Bow and Belmont systems and increase its annual water revenue. Abenaki also proposed to increase its annual sewer revenue for its Belmont customers. On August 17, 2015, the Company filed a Petition for Temporary Rates. The Commission issued Order No. 25,804 on August 28, 2015 in this docket and suspended Abenaki’s proposed tariff and scheduled a prehearing conference to occur on September 23, 2015 immediately followed by a technical session. The OCA had previously filed a letter of participation in this docket on September 17, 2015 and the Laconia Housing Authority (LHA) filed a petition to intervene in this proceeding on this day. On September 21, 2015,

Village Shores, Briarcrest Estates of Belmont (Briarcrest) and nine homeowners in The Orchards at Plummer Hill, Belmont (The Orchards) filed petitions to intervene. Senators Boutin and Hosmer filed petitions to intervene on September 22, 2015 and September 29, 2015, respectively. The prehearing conference and technical session were held as scheduled. On October 2, 2015, Staff filed on behalf of the parties in the case a proposed procedural schedule. On October 16, 2015, the Commission approved intervenor status for LHA, Village Shores, Briarcrest and the residents of The Orchards collectively as one group; denied intervenor status for the Senators; and approved a proposed procedural schedule which, among other things, provided for two rounds of discovery followed by a technical session and settlement conference.

III. RATE CASE FILING

Abenaki submitted a Petition for Permanent Rates including revised tariff pages designed to consolidate the separate water rates for the Bow and Belmont systems and increase its annual water revenue by a total of \$45,393, or 23.41%. Abenaki also proposed to increase its annual sewer revenue for its Belmont customers by a total of \$39,246, or 50.11%. Abenaki filed a Petition for Temporary Rates seeking an increase in Bow water revenues of \$11,974, or 18.09%; an increase in Belmont sewer revenues of \$17,237, or 22.01%; and for Belmont Water revenues to remain at present rates for temporary rate purposes, all to take effect on a service-rendered basis as of September 8, 2015. On January 11, 2016, the Commission issued Order No. 25,858 approving temporary rate increases for Bow water customers of \$10,470 or 16.22%; Belmont sewer customers, \$15,158 or 19.36%; and current rates as temporary rates for Belmont water customers, all for service rendered on and after September 8, 2015.

IV. TERMS OF AGREEMENT

Abenaki, Staff, the OCA and Village Shores met on April 12, 2016 to discuss terms of settlement in this rate proceeding. As a result of that meeting and subsequent discussions, the Settling Parties reached agreement on the following issues.

A. Rate Base (Plant in Service)

The Settling Parties agree to a correction for Land in the amount of \$9,141 inadvertently omitted from rate base. Organization Costs had been adjusted for costs which should have been charged to Land and Land Rights, however, the offset had not been recorded. This Rate Base addition is allocated based on the allocation factors discussed in the Testimony of Robyn J. Descoteau: allocating 25%, or \$2,285, to Bow and 75%, or \$6,856, to Belmont. Of the allocation to Belmont, 74%, or \$5,073, is allocated to water and 26%, or \$1,783, is allocated to sewer.

B. Return on Equity

The Settling Parties agree and recommend that for purposes of calculating the revenue requirement adopted in this Agreement, the equivalent of a 9.4 percent Rate of Return on Equity ("ROE") is reasonable. This reflects a compromise that takes into account the views expressed by Company witness Donald J.E. Vaughan, Staff witness Mark A. Naylor, and OCA witness Ben Johnson.

C. Amortization of Organization Costs

The Settling Parties agree to set amortization of net organization costs to 21 years. This amortization period is based on the December 31, 2014, balance of Net Plant in Service, \$605,636, divided by Depreciation Expense, \$28,435.

D. Year End Rate Base

The Settling Parties agree to the use of a year-end rate base for test year assets, but this departure from normal ratemaking is combined with a stay-out provision. Abenaki's next rate case can be no sooner than one reflecting a 2018 historical test year for these three systems. The Settling Parties agree that Abenaki may file a rate case sooner than one reflecting a historical 2018 test year if exogenous events trigger a revenue deficiency. For purposes of this provision, "Exogenous events" are limited to (1) an unanticipated change to regulation or law, or (2) a significant event or condition that would result in failure or significant impairment of utility service that is not caused by imprudence, to the extent that such events create an unforeseen financial obligation of the company that exceeds 10 percent of net plant in service, for that particular water or sewer system, as of the date the order in this rate case is final.

E. City of Laconia Sewer Fees

Abenaki's Belmont sewer system collects wastewater and discharges to the City of Laconia system for conveyance to and treatment in the Winnepesaukee River Basin

Program (WRBP). Currently the WRBP Advisory Board is considering an updated assessment formula for its member communities. The impact on sewer fees from Laconia to Abenaki is unknown at this time. Therefore, the settling parties agree and recommend that Abenaki be authorized, no later than December 31, 2017, to seek one adjustment to its Belmont sewer rates based on the then-known and measurable changes to charges to be assessed by the City of Laconia. Belmont sewer rates will be adjusted up or down based on the then known and measurable difference in the City's billing rates and the level of sewer fees (\$59,141) included in the revenue requirement recommended in this agreement. In the event, prior to December 31, 2017, Laconia's annualized billing rate decreases by 5 percent or more from the amount included in the revenue requirement in this agreement, the settling parties agree that Abenaki shall submit a filing to the Commission to reduce its sewer rates accordingly.

F. Rate Design

The Settling Parties do not support consolidation of water rates at this time per the Testimony of Mark A. Naylor. Instead, the Settling Parties agree to recommend to the Commission the rate design proposal reflected in the testimony of OCA witness Scott Rubin, the purpose of which is to move the Company toward a target of collecting approximately one-third of its residential revenues through customer charges and moving the residential volumetric charges of the Belmont and Bow systems closer together. The Settling Parties recommend that customer charges be revised as shown on the attached Schedule entitled *Abenaki Water Co., Inc., Settlement Agreement Rates*. Abenaki shall submit proposed tariff pages to implement these changes following approval of this Agreement, as directed by the Commission.

G. Belmont Water Rates

The Settling Parties propose a decrease in the revenue requirement for the Belmont water system of (\$2,904), or (2.27%). The parties also recommend a Step Adjustment for 2015 Capital additions with a proposed increase in the revenue requirement of \$6,662 or 5.22%. Step revenues are not reconciled with temporary rates and are effective for service rendered on and after the date of the final order.

H. Belmont Sewer Rates

The Settling Parties propose an increase in the revenue requirement for the Belmont sewer system of \$32,192 or 41.11%.

I. Bow Water Rates

The Settling Parties propose an increase in the revenue requirement for the Bow water system of \$21,654 or 32.71%. Also recommended is a Step Adjustment for 2015 Capital additions with a proposed increase in the revenue requirement of \$4,116 or 6.22%. Step revenues are not reconciled with temporary rates and are effective for service rendered on and after the date of the final order.

Any difference between the approved temporary rates and the approved permanent rates shall be subject to reconciliation to the effective date of September 8, 2015 on a service rendered basis, upon the implementation of the new permanent rates, as provided by RSA 378:29. The recovery period for such difference will be determined during the reconciliation process.

The step-adjustment rates shall be effective on a service rendered basis as of the date of the Commission's final order in this proceeding.

Abenaki agrees to track the costs of service for each of its three systems separately. Balance Sheets and Income Statements will continue to be compiled for each system on a stand-alone basis.

IV. CONDITIONS

This Settlement Agreement is expressly conditioned upon the Commission's approval of all its provisions, without change or condition. If such approval is not granted, the Settlement Agreement shall be deemed to be null and void and without effect, and shall not be admissible as evidence or used against any party. The Settling Parties expressly agree that as to the specific terms adopted herein, the resolutions are the result of compromises that do not necessarily reflect what any party would individually recommend to the Commission but which, overall, result in just and reasonable rates. Accordingly, the Commission's acceptance of this Settlement Agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that the permanent revenue requirement and permanent rates are just and reasonable.

The discussions that produced this Settlement Agreement have been conducted on the 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 for any purpose including any future proceeding or otherwise.

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Settlement Agreement on Permanent Rates

IN WITNESS WHEREOF, the Settling Parties have caused this Settlement Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.


ABENAKI WATER COMPANY, INC.

By its Attorneys

UPTON & HATFIELD, LLP

Dated: May 5, 2016

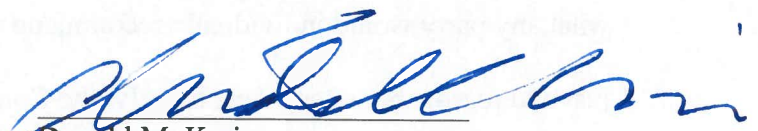
By:


Justin C. Richardson

OFFICE OF THE CONSUMER ADVOCATE

Dated: May 5, 2016


By:


Donald M. Kreis
Consumer Advocate

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Dated: May 5, 2016

By:


Rorie E. Patterson
Staff Attorney