

THE STATE OF NEW HAMPSHIRE

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Martin P. Honigberg

COMMISSIONERS  
Kathryn M. Bailey  
Michael S. Giaimo

EXECUTIVE DIRECTOR  
Debra A. Howland



PUBLIC UTILITIES COMMISSION

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February 12, 2019

Ms. Debra A. Howland, Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

**RE: DW 15-199 Abenaki Water Company Rate Filing  
Sewer Fee Adjustment 2018**

Dear Ms. Howland:

On December 31, 2018, Abenaki Water Company, Inc. (Abenaki) submitted to the NH Public Utilities Commission (Commission) a filing seeking authorization for a step adjustment in its sewer billing rates for the Lakeland Sewer System located in Belmont (Abenaki-Belmont) in accordance with Commission Order Number 25,905 (June 3, 2016). Staff recommends that the Commission approve an increase of \$6,966, or 6.30 percent, in Abenaki-Belmont's currently approved revenue requirement.

The City of Laconia's (City) sewer charges were an operating expense considered in the DW 15-199 rate case for the Abenaki-Belmont sewer division. As that rate case concluded, however, the City had not yet finalized a pending adjustment in its general sewer billing rates. Therefore, the Settlement Agreement between Abenaki, Staff and the OCA, approved by Order No. 25,905, included a provision calling for a sewer expense adjustment based on the City's yet-to-be-determined adjustment. *See Settlement Agreement – Permanent Rates*, May 5, 2016, at 4 ("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.") (Exhibit A). Abenaki was to submit its filing by December 31, 2017. Subsequently, however, due to delays by the City in setting its sewer rates, Abenaki filed for a number of extensions, later granted by the Commission; the last extension was granted until December 30, 2018.

On November 5, 2018, the City notified Abenaki of its increase in sewer billing rates effective for bills dated on or after February 1, 2019. The City's new charge based on metered water consumption will be \$5.20 per hundred cubic feet; that is a 9.50 percent increase. The City's new fixed fee is \$37.23 per quarter. (Exhibit B).

Based on the City's new rates, Abenaki proposes an annual revenue requirement adjustment resulting in an annual \$6,966, or 8.89 percent, increase over the 2014 test year revenues in this case

of \$78,313. As shown on the attached revenue requirement schedule, the increase in sewer billing fees has been affected by Working Capital and Federal and State Income Taxes.<sup>1</sup> (Exhibit C). As shown on the attached rate schedule, Abenaki-Belmont sewer customers, as a whole, will see a 6.30 percent increase in customer rates currently in effect.<sup>2</sup> (Exhibit D). An average single-family residential customer will see an increase in their sewer billing fees of 5.82 percent, or approximately \$2.50 per month.

Abenaki worked with the Commission Staff to determine this revenue requirement adjustment. Staff further notes that this is a previously authorized step-adjustment by Order No. 25,905, utilizing calculations and previously approved schedules by the Commission. This step increase is derived from the input of a rate increase determined by an independent third party, the City, as approved in Order No. 25,905. Staff notes that the Commission is not required to make a just and reasonableness determination, and the resulting rates were examined by Staff for mathematical accuracy only to ensure compliance with Order No. 25,905.

Staff recommends approval of the Company's proposed increase in the revenue requirement for the Abenaki-Belmont sewer division and that the Commission find the resulting rates to be accurate and reflective of its decision in Order No. 25,905. Staff further recommends the effective date to be on a service-rendered basis effective as of the date of the Commission's order approving this revenue requirement adjustment so as to provide affected ratepayers the ability to prepare for the pending rate increase.

The Company has reviewed Staff's recommendation and has informed Staff that they concur with their recommendation except for the effective date. Abenaki's preference would be to have the ability to charge its customers as December 1, 2018 which coincides with the effective date of the City of Laconia's increase. Abenaki also states that it is important to the Company that the PUC issue an order by no later than February 28 so that the new rates can be incorporated into customer bills on March 1, 2019.

The OCA did not submit a position regarding Staff's recommendation. If you have any questions, please contact me for clarification.

Sincerely,



Robyn J. Descoteau  
Utility Analyst, Gas & Water Division

Attachments: Exhibit A: DW 15-199 Settlement Agreement, page 4  
Exhibit B: City of Laconia letter dated November 5, 2018  
Exhibit C: Abenaki Sewer Division Permanent Rate Revenue Requirement Sch.  
Exhibit D: Abenaki Sewer Division Rate Schedule

<sup>1</sup> Federal and State Income Taxes reflect the rates in effect during 2018, ie, 21% for Federal Income Taxes and 7.9% for NH Business Profits Taxes.

<sup>2</sup> The rates currently in effect are based on an approved revenue requirement of \$110,505 per Order No. 25,905.

DW 15-199 Abenaki Water Company, Inc.  
Settlement Agreement on Permanent Rates

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.



November 5, 2018

Pauline Doucette, President  
Abenaki Water Company  
32 Artisan Ct. #2  
Gilford, NH 03249

Subject: Laconia, NH Sewer Rate Increase

Dear Ms. Doucette,

This letter is to inform you that the Laconia City Council approved an increase to the sewer rates effective for bills dated on or after February 1, 2019. The new charge based on metered water consumption is \$5.20 per hundred cubic feet, a 9.5% increase. The new fixed yearly fee is \$37.23 per quarter.

Please find attached the approved Ordinance. Please feel free to contact me with any questions or concerns.

Sincerely,

Krista Larsen, P.E.  
Assistant Director

Department of Public Works  
27 Bisson Avenue • Laconia • New Hampshire 03246  
603-528-6379 • Fax: 603-527-1298  
e-mail: publicworks@city.laconia.nh.us

ORDINANCE

ORD-2018-189-50-01

CITY OF LACONIA

In the Year of our Lord two thousand and eighteen

**AN ORDINANCE AMENDING CHAPTER 189, SEWERS**

The City of Laconia ordains:

That the ordinances of the City of Laconia, as amended, be and are further amended in Chapter 189, as follows:

**CHAPTER 189, SEWERS**

In Article VII, Sewer Charges, amend § 189-50 Sewer charges, as follows:

Strikethrough denotes deletion, bold denotes additions.

**A. Fixed yearly fee per unit shall be charged as follows:**

- ~~{1} Effective bill date on or after September 1, 2013: \$32.50 per quarter;~~
- ~~{2} Effective bill date on or after September 1, 2014: \$33.25 per quarter;~~
- ~~{3} Effective bill date on or after September 1, 2015: \$34 per quarter;~~
- Effective bill date on or after February 1, 2019: thirty seven dollars and twenty-three cents (\$37.23) per quarter**

**B. Charge based on metered water consumption:**

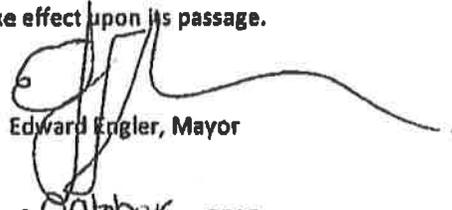
Effective Bill Date On or After	Charge
<del>September 1, 2013</del>	<del>\$3.69 per hundred cubic feet</del>
<del>September 1, 2014</del>	<del>\$4.19 per hundred cubic feet</del>
<del>September 1, 2015</del>	<del>\$4.75 per hundred cubic feet</del>
<b>February 1, 2019</b>	<b>\$5.20 per hundred cubic feet</b>

**Subsection C. shall be amended as follows:**

**Charge based on non-metered flat rate (for Sewer-Only accounts – those accounts that are on public sewer but served by private water by means of either a well or PUC regulated water system), effective with the billing date on or after December 30, 2012: three hundred forty dollars (\$340.00) per unit/year billed semi-annually (\$170.00/bill); and with the billing due date of July 1, 2014 or after: four hundred twelve dollars and zero cents (\$412.00); and with the billing due date of July 1, 2015 or after: four hundred fifty-two dollars and zero cents (\$452.00) February 1, 2019: four hundred ninety-five dollars (\$495.00) per unit/year billed semiannually (\$247.50/unit) coinciding with the tax year as defined in RSA 76:2.**

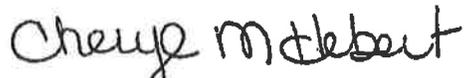
Billing and collection of the flat rate sewer-only account will be conducted by the City Tax Collector in accordance with RSA 76:13 and RSA 80:59-91. Determination of the flat rate is as described in §189-44, B (2).

This Ordinance amendment shall take effect upon its passage.



Edward Engler, Mayor

Passed and approved this 22 day of October 2018.

  
Cheryl Hebert, City Clerk

**DW 15-199  
ABENAKI  
SEWER DIVISION - Adjustment per Settlement/Order  
PERMANENT RATE REVENUE REQUIREMENT**

	<u>Per Order at \$59,141</u>	<u>Change</u>		
Average Rate Base per Staff	\$ 93,016	\$ 848	Working Capital	
Rate of Return	<u>7.21%</u>	<u>7.21%</u>		
Operating Income Requirement	6,706	61		
Adjusted Net Operating Income per Staff	<u>10,966</u>	\$ (5,007)	Sewer Costs	6,882
Revenue Deficiency / (Surplus) Before Income Taxes	(4,260)	5,068	Taxes	<u>(1,875)</u>
Divided by Tax Factor	<u>60.39%</u>	<u>72.76%</u>	New Tax Rate	5,007
Revenue Deficiency / (Surplus)	(7,054)	6,966		
Pro-forma Test Year Water Sales	<u>117,559</u>			
Revenue Requirement from Sewer Sales per Staff	110,505	6,966		
Less: Adjusted Test Year Sewer Sales	<u>(78,313)</u>			
Increase / (Decrease) in Revenue Requirement from Sewer Sales	<u>\$ 32,192</u>	<u>\$ 6,966</u>		
Percent Increase / (Decrease) in Revenue Requirement from Sewer Sales	<u>41.11%</u>	<u>8.89%</u>		

\* Calculation of New Sewer Expense: 184 customers at \$37.23/quarter = \$6,850.32 times 4 quarters = \$27,401.28.  
7,427.30 CCF consumed at \$5.20/CCF = \$38,621.96. 27,401.28 + 38,621.96 = \$66,023.24  
\$66,023 - 59,141 = \$6,882

\*Calculation of Taxes: \$6,882 x 7.9% = \$544. \$6,882 - 544 = \$6,338. \$6,338 x 21% = \$1,331. \$544 + 1,331 = \$1,875.

Abenaki Water Co.  
NH PUC Docket DW 15-199

**Abenaki Water Co., Inc. Settlement Agreement Rates**  
Shown in this 2018 Sewer Adjustment for Reference purposes only

Belmont Sewer	Customers	CCF	Present		Company Proposed			Settlement			Target		
			Base/Mo.	\$/CCF	Revenue	Base/Mo.	\$/CCF	Revenue	Base/Mo.	\$/CCF		Revenue	% Change
Single Family Residential	148	4,863.60	20.00	3.6290	53,170	30.00	5.1779	78,463	28.50	5.3373	76,574	44.02%	
Multi-Family Residential (32)	1	1,853.75	780.00	3.6290	16,087	1,171.00	5.1779	23,651	912.00	5.3373	20,838	29.53%	
Commercial A	1	187.70	267.66	8.1303	4,738	402.00	11.5930	7,000	378.31	11.4914	6,697	41.34%	
Commercial B	3	522.25	89.33	2.5070	4,525	134.00	3.8671	6,844	126.26	3.5434	6,396	41.34%	
<b>Total Belmont Sewer</b>	<b>153</b>				<b>78,520</b>			<b>115,957</b>			<b>110,505</b>	<b>40.73%</b>	<b>110,505</b>

Customers and CCF from attachment to Temporary Rates Settlement (12/10/2015) as revised in Technical Session 2-2 and 2-3  
Present rates from AWC tariffs effective 4/1/2015  
Company Proposed rates from proposed tariff

**2018 Adjustment per Settlement Agreement**

Belmont Sewer	Customers	CCF	Present			Settlement			Target
			Base/Mo.	\$/CCF	Revenue	Base/Mo.	\$/CCF	Revenue	
Single Family Residential	148	4,863.60	28.50	5.3373	76,574	28.71	5.8120	81,032	5.82%
Multi-Family Residential (32)	1	1,853.75	912.00	5.3373	20,838	950.72	5.8120	22,183	6.45%
Commercial A	1	187.70	378.31	11.4914	6,697	411.96	12.5135	7,292	8.89%
Commercial B	3	522.25	126.26	3.5434	6,396	137.49	3.8586	6,965	8.89%
<b>Total Belmont Sewer</b>	<b>153</b>				<b>110,505</b>			<b>117,472</b>	<b>6.30%</b>

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**