

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 16-123

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Petition for Monthly Billing and Other Billing Changes

Order Approving Settlement Agreement

O R D E R N O. 25,929

July 27, 2016

APPEARANCES: Marcia A. Brown, Esq., Rath, Young & Pignatelli, P.C., for Aquarion Water Company of New Hampshire, Inc.; Mark S. Gearreald, Esq., for Town of Hampton; Nicholas J. Cicale, Esq., Office of the Consumer Advocate, on behalf of residential ratepayers; and John S. Clifford, Esq., for Staff of the Public Utilities Commission.

In this Order, the Commission approves a settlement agreement granting Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”) authority to implement changes in the way it bills its customers for water service.

I. PROCEDURAL HISTORY

Aquarion is a regulated utility that provides water service to approximately 9,000 customers in the Towns of Hampton, North Hampton, and Rye, New Hampshire. On January 25, 2016, Aquarion submitted a petition pursuant to RSA 378:1 requesting Commission approval to: (1) modify the frequency with which it bills its customers from quarterly to monthly, (2) change its billing of service charges for its metered, private fire and public fire services from in advance to in arrears, (3) change the payment due date from the current 30 days to 25 days in order to receive and process payments prior to issuance of the next month’s bill, (4) calculate fixed service charges on a per diem basis to account for variations in the number of days in each monthly billing cycle, and (5) amend its tariff to reflect the changes in the requested billing

practices. Aquarion also sought approval to defer the annual difference in its working capital allowance from the change to billing in arrears, and to seek recoupment of the deferred amounts in its next rate case.

The Office of the Consumer Advocate (“OCA”) filed a letter of participation on February 22 pursuant to RSA 363:28. The Town of Hampton petitioned to intervene, and the Commission granted that petition at a prehearing conference held on April 7, 2016. On the same date, all parties attended a technical session to narrow issues and agree on a procedural schedule. The parties thereafter exchanged discovery and attended a second technical session on May 10, 2016. The Town of Hampton and Commission Staff filed testimony on May 26 and May 27, 2016, respectively.

After meeting in a settlement conference on June 10, Aquarion, the Town of Hampton, the OCA, and Commission Staff (the “Settling Parties”) reached a negotiated settlement of all issues. The Settling Parties filed the settlement agreement on June 20, and a public hearing was held before the Commission on June 27, 2016. At the public hearing, the Settling Parties recommended that the Commission authorize the Company to implement changes to its billing methods in accordance with the terms outlined in their settlement agreement. No witnesses or parties opposed the agreement.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission’s website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-123.html>.

II. THE SETTLEMENT AGREEMENT

The Settling Parties agreed that the Company should be permitted to: (1) render its bills on a monthly basis rather than quarterly, (2) change the method for billing service charges for its metered and private fire customers from in advance to in arrears, (3) change the payment due date from the current 30 days to 25 days in order to receive and process payments prior to issuance of the next month's bill, (4) calculate fixed service charges on a per diem basis to account for variations in the number of days in each month, and (5) amend its tariff to reflect those changes.

The Company agreed to absorb and not defer for later recoupment its postage and information technology costs and the difference in working capital associated with changing its billing system from quarterly to monthly. Finally, the Company also agreed not to seek recovery of its legal fees incurred in bringing this proceeding.

III. COMMISSION ANALYSIS

Pursuant to RSA 541-A:31, V(a), informal disposition may be made of a contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order, or default. We encourage parties to settle issues through negotiation and compromise because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31 V(a) (“informal disposition may be made of any contested case ... by stipulation [or] agreed settlement”).

The Commission's procedural rules provide for the approval of a settlement “if it determines that the result is just and reasonable and serves the public interest.” NH Code Admin. Rules Puc 203.20(b). Thus, even where, as here, all parties join in the settlement agreement, the

Commission cannot approve it without independently determining that the result comports with applicable standards. *Granite State Electric Co.* at 11. The process leading up to a settlement is one relevant factor in determining whether we should approve the agreement. In determining whether rates are just and reasonable, the Commission “must balance consumers’ interest in paying no higher rates than are required with the investors’ interest in obtaining a reasonable return on their investment.” *Eastman Sewer Company, Inc.* 138 N.H. 221, 225 (1994).

A. Quarterly to Monthly Billing and In Arrears vs. In Advance Billing

The Settling Parties recommend that the Commission permit Aquarian to change its billing from quarterly to monthly. As discussed in both Staff and Company testimony, monthly billing is a common practice for most utilities across the country. Monthly billing permits a water utility to monitor usage more closely, match production with consumption, detect leaks, and reduce unaccounted for water usage.

In addition, changing the billing for service charges from in advance to in arrears better aligns the billing of service charges with the billing of usage charges. There will be no impact on the Company’s revenue and no impact on the customer’s expense.

The Commission has previously authorized monthly billing as being consistent with the public good. *Abenaki Water Company*, Order No. 25,760 (Feb. 4, 2015) (approving request to change from quarterly to monthly billing). Except for public fire, as discussed below, all of Aquarian’s customers will receive monthly bills in arrears.

B. Changing Monthly Due Date from 30 to 25 Days

The Settling Parties also recommend that the Commission approve a change in the due date in Aquarian’s monthly billing from 30 days to 25 days following issuance of a bill. The Company would like to use the five day period to receive and process customer payments before

rendering the next bill. Aquarion will continue to impose a late payment charge only on amounts due after 30 days following the billing date. The late payment charge will continue to be set at 5%. There will be no negative impact on customers as a result of this change.

C. Billing Customer Charge on a Per Diem Basis

The Settling Parties recommend that the Commission approve the Company's proposal to base its customer charge on a per diem rate. Typically, billing periods range from 28 to 31 days. Under Aquarion's proposal, the customer charge will vary based on the number of days in the billing period. A customer charge based on a per diem rate rather than a fixed monthly rate appropriately pro-rates the charge when a shorter or longer billing period occurs. It also allows the Company to pro-rate the charge without performing manual bill calculations or undertaking additional programming changes to its customer billing systems. This change is beneficial to consumers because it appropriately pro-rates the customer charge when a shorter or longer than normal billing period occurs.

D. Other Issues

The Town of Hampton objected to changing the billing period for public fire. As part of the settlement, the Company agreed to withdraw its request to render bills for public fire in arrears. It will continue to bill those customers in advance twice per year. As a result, the Town of Hampton can continue to plan its budgetary outlays much as it has done in the past with no disruption in billing practices.

RSA 365:38-a permits a utility to request recovery of costs incurred by utilities in connection with bringing proceedings before the Commission. As part of the settlement, the Company agreed not to seek reimbursement for legal fees incurred. The Company also agreed to absorb the postage and the information technology costs associated with the implementation of

the new billing practices. Finally, the Company agreed to withdraw its request to calculate the difference in its working capital allowance related to the proposed billing changes and record it on its books as a deferral for recovery in its next general rate case. We recognize that these concessions were made by the Company to reach settlement.

IV. Conclusion

The Commission finds the proposed settlement to be just and reasonable, in the public interest, and in conformance with all applicable legal standards. We therefore approve the settlement agreement as filed.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement between Aquarion, the Town of Hampton, Staff and the Office of Consumer Advocate is hereby **APPROVED** as submitted; and it is

FURTHER ORDERED, that Aquarion is authorized to change its billing for metered and private fire protection customers from quarterly to monthly on a service rendered basis; and it is

FURTHER ORDERED, that Aquarion continue to bill its public fire protection service customers in advance; and it is

FURTHER ORDERED, that Aquarion is authorized to convert service charges for metered and private fire service customers from in advance to in arrears; and it is

FURTHER ORDERED, that Aquarion is authorized to calculate fixed service charges on a per diem basis; and it is

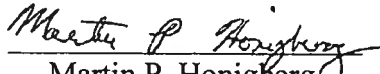
FURTHER ORDERED, that Aquarion is authorized to change the payment due date from 30 days to 25 days after the billing date and is permitted to continue to charge a 5% late fee

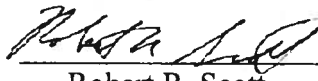
on outstanding balances unpaid after 30 days from the postmarked date printed on the customer bill; and it is

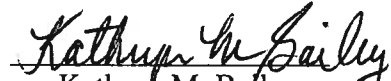
FURTHER ORDERED, that the Company shall submit a proposed form of notice of the approved changes to be sent to Aquarion customers to Commission Staff for their review and approval prior to any billing changes being implemented. The proposed form of notice shall be submitted to Commission Staff within 10 days of the date of this order; and it is

FURTHER ORDERED, that pursuant to RSA 378:1 and N.H. Code Admin. Rules Puc 1603, Aquarion shall submit properly annotated revised tariff pages consistent with the terms of the Settlement Agreement within 10 days of the date of this order.

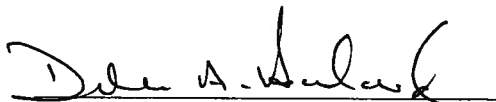
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of July, 2016.


Martin P. Honigberg
Chairman


Robert R. Scott
Commissioner


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES- DOCKET RELATED

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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Docket #: 16-123-1 Printed: July 27, 2016

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
EXEC 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.**