

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

**DOCKET NO. DW 17-103  
WEST SWANZEY WATER COMPANY, INC.**

**SETTLEMENT AGREEMENT – PERMANENT RATES**

**I. INTRODUCTION**

This Settlement Agreement (“Agreement”) is entered into this 29th day of November, 2017, by and among West Swanze Water Company, Inc. (“West Swanze” or “Company”) 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 21, 2017, West Swanze submitted a permanent rate filing including revised tariff pages. The Commission issued Order No. 26,046 on August 4, 2017 in this docket and suspended West Swanze’s proposed tariff and scheduled a prehearing conference to occur on September 27, 2017 immediately followed by a technical session. The prehearing conference and technical session were held as scheduled. On September 27, 2017 Staff proposed a procedural schedule. On October 3, 2017, the Commission approved the proposed procedural schedule which provided for two rounds of discovery, a technical session and settlement conference.

### **III. RATE CASE FILING**

On July 21, 2017, West Swanzey submitted a Petition for Permanent Rates including revised tariff pages designed to increase its annual water revenue by \$39,872, or 57.12%. The Company also requested a step increase of \$2,989, or 2.73% for recovery of additional rate base and expense associated with the 2017 addition of Variable Frequency Drives on the well pumps and a SCADA system.

### **IV. TERMS OF AGREEMENT**

West Swanzey and Staff met on November 1, 2017 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. Revenue Requirement: Permanent Rates and Step Adjustment

The Settling Parties agree to a total revenue requirement in the amount of \$96,379. In deriving this revenue requirement, the Settling Parties agree to a permanent rate increase of \$17,954 or 24.38%, Attachment A, Schedule 1, based on proforma test year 2016, as well as a step increase of \$4,797 or 5.24%, Attachment B, Schedule 1, based on estimated 2017 plant additions which will be fully in service and used and useful at the time rates are implemented.

B. Effective Date for Permanent Rates and Step Adjustment

The Settling Parties agree that the total rate increase of \$22,751, or 29.62%, comprised of the permanent rate increase of \$17,954, or 24.38%, Attachment A, Schedule 1 and the step increase of \$4,797 or 5.24%, Attachment B, Schedule 1, shall be effective as of the date of the Commission order approving this Agreement.

C. Rate Base (Prepaid Expenses)

As shown on Attachment A, Schedule 2b, the Settling Parties agree that Prepaid Expense should exclude prepaid insurance.

D. Rate Base (Deferred Asset)

As shown on Attachment A, Schedule 2a, the Settling Parties agree to the addition of a Deferred Asset related to costs incurred by West Swanzey to meet the NHDES mandate

to replace the System Operator, improve reporting requirements and comply with its recent Sanitary Survey and new Sampling Schedule. The NHDES Deferred Asset will be amortized over 3 years.

E. Return on Equity

Attachment A, Schedule 1a shows that the Settling Parties agree and recommend that for purposes of calculating the revenue requirement adopted in this Agreement, the equivalent of a 9.6 percent Rate of Return on Equity ("ROE") is reasonable.

F. Net Operating Income (Revenue)

Attachment A, Schedule 3a shows that the Settling Parties agree to increase test year water revenues due to a commercial meter that had been tampered with and as a result did not read properly for two billing periods.

G. Net Operating Income (Pumping and Water Treatment Expenses)

Attachment A, Schedule 3a shows that the Settling Parties agree to the use of a modified test year to more fairly reflect the costs of EE Houghton hired as a new System Operator in April 2017. The modified test year for pumping expense and water treatment expense is Quarter 1, 2017, Quarter 2, 2017, Quarter 3, 2016 and Quarter 4, 2016.

#### 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 results 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.

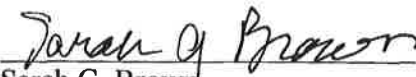
DW 17-103 West Swanzey Water Company, Inc.  
Settlement Agreement on Permanent Rates

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.

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.

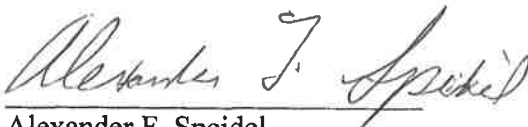
WEST SWANZEY WATER COMPANY, INC.

Dated: November 29, 2017

By:   
Sarah G. Brown  
President

STAFF OF THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Dated: November 29, 2017

By:   
Alexander F. Speidel  
Staff Attorney