



DEPARTMENT OF ENERGY
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

August 10, 2021

Dianne Martin, Chairwoman
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

RE: DW 19-177 Lakes Region Water Company, Inc. – Dockham Shores
Request for Change in Rates
Department of Energy Letter of Support - Rate Case Expense and Permanent Rate
Revenue Recoupment

Dear Chairwoman Martin:

The purpose of this letter is to provide the Department of Energy's (the Department) support for Lakes Region Water Company, Inc.'s (Lakes Region or the Company) filing for recovery of rate case expenses and recoupment of temporary-to-permanent rate revenue. The Department proposes that the Commission approve rate case expenses and recoupment in the amounts of \$31,978.62 and \$9,334.92, respectively. The Department further supports recovery of these amounts, totaling \$41,313.54, through the collection of a quarterly surcharge of \$48.38 per customer over a period of 14 quarters.

Procedural History

On March 1, 2021, Lakes Region filed a request for recovery of rate case expenses and recoupment of revenue for the difference between temporary and permanent rates. The Company's submission was made in accordance with Order No. 26,446 (January 28, 2021). The filing contained copies of invoices and schedules of computations for rate case expenses, recoupment, and a surcharge for their recovery.

On March 8, 2021, Commission Staff (Staff)¹ propounded data requests, to which the Company responded on March 11. On March 29, Lakes Region and Staff met virtually regarding the Company's response. On April 15, Lakes Region submitted a supplemental

¹ On July 1, 2021, RSA CH. 12-P became effective, which created the New Hampshire Department of Energy. At that time, all representatives of Commission Staff assigned to this docket became Department of Energy personnel. As such, any reference prior to July 1, 2021, will identify those staff members assigned to this docket as Commission Staff. Any such reference on or after July 1, 2021, will identify those representatives assigned to this docket as the Department of Energy.

response which made three revisions to its filing: (1) the Company modified its calculation of the recoupment; (2) Lakes Region added an additional rate case expense item along with the supporting invoice; and (3) the Company revised the amount of the requested surcharge.² Lakes Region submitted two additional rate case expense items on June 9.

According to its April 15 supplemental response, Lakes Region requested approval of rate case expenses and recoupment in the amounts of \$31,891.12 and \$9,439.69, respectively. The Company also requested recovery of those amounts, totaling \$41,330.81, through a quarterly customer surcharge of \$84.69, collected over eight quarterly billing periods. In its June 9 submission, Lakes Region requested recovery of an additional \$402.50 in rate case expenses.

Rate Case Expenses

With the inclusion of amounts in its April 15 supplemental response and June 9 submission, Lakes Region requested recovery of rate case expenses totaling \$32,293.62. The associated charges are for legal and accounting services, preparing and mailing customer notifications, and stenographer services. The supporting documentation included with the March 1, April 15, and June 9 submissions consist of copies of invoices, calculation schedules, and a summary schedule. Each invoice shows the name of the vendor and total amount charged, and provides a description and date for each charge or service rendered. The Department contends that the documentation adequately supports Lakes Region's request, thus meeting the standard of Puc 1905.03 (a) through (d).³

The Department reviewed Lakes Region's summary of its compiled rate case-related expenses and confirmed amounts in the summary schedule were supported by charges on invoices billed to the Company. The Department also examined those invoices to ensure that the corresponding charges are recoverable as rate case expenses, pursuant to Puc 1906.01 (b).

The Department proposes reducing total rate case expenses by \$315.00 based on adjustments to correct two expense item amounts. The first is a reduction of \$210.00 for a charge for service related to responding to commission audit inquiries. In accordance with Puc 1907.01 (c) (expenses related to responding to commission audit inquiries), and as stipulated in the settlement agreement in this docket,⁴ are non-recoverable. The second is a decrease of \$105.00 to adjust for an expense item in which the amount of time applied exceeded the time shown on the invoice. Both adjustments are shown on the Department's calculation of recoverable rate case expenses attached to this letter.

² Lakes Region's March 29 and April 15, 2021 response and supplement to the data request are included as an attachment to this letter.

³ Puc 1905.03 Documentation of Expenses Required. For each expense filed with the commission for recovery as a rate case expense, the utility shall provide detailed evidence of all rate case expenses and any related allocations including: (a) All invoices paid or to be paid; (b) Name of each vendor; (c) The amount of the expense to be included as part of rate case expenses; and (d) A description and date of the charge or service rendered.

⁴ The Settlement Agreement, submitted December 4, 2020 and approved by Order No. 26,446 (issued on January 28, 2021), expressly states that the Company will not seek recovery of costs relative to the Commission's audit in DW 19-177.

After subtracting the above adjustments from the amount requested by the Company, the Department supports recovery of rate case expenses totaling \$31,978.62 (\$31,978.62 = \$32,293.62 - \$315.00), pursuant to Puc 1906.01 (PUC rule regarding recoverable rate case expenses, provided the expenses are related to the rate case, just and reasonable and in the public interest, including expert consultant fees, legal and accounting fees, administrative fees, and costs related to the preparation of items required as part of a full rate case).

Temporary-to-Permanent Rate Revenue Recoupment

Lakes Region proposed recoupment for recovery of revenue associated with the incremental difference between temporary and permanent rates for service rendered from February 10, 2020 through January 28, 2021.⁵ Based on information shown in the recoupment calculation schedules, the recoupment covers both fixed charges, which increased, from \$48.46 to \$145.42 per quarter, and usage at the volumetric rate, which decreased, from \$0.0123 to \$0.00757 per gallon. The calculation schedules provided by the Company indicate that the 61 Dockham Shore system customers are billed quarterly.

Lakes Region proposed a net recoupment of \$9,439.69 based on recovery of revenue for the temporary-to-permanent rate differential on fixed charges totaling \$22,898.73 and usage at volumetric rates of (\$13,459.04), a credit. The Department noted that the Company adjusted for the number days covered by the recoupment period within the first and last quarters using a proration based on days that temporary rates were in effect during each of those quarters, divided by total days in the quarter.⁶

The Department reviewed the Company's calculation and identified two issues. First, the Department found that the computation for the last quarter is based on 28 days of temporary rates, rather than 27. Because permanent rates became effective on January 28, 2021, by default, the final date for temporary rates should be January 27. The number of days for recoupment in that quarter should therefore be 27, January 1-January 27, 2021. It appears that the Company inadvertently included January 28 in its count of temporary rate days. Second, the Department identified that the temporary rate for the final quarter, which should be \$1.232 per hundred gallons, was not the exact rate used.

In the Department's opinion, the effect of these two issues on the the volumetric-related recoupment amount are minor. After adjusting for these two items, the Department determined that the requested net recoupment should be \$9,334.92, based on recovery of revenue for fixed charges of \$22,832.80 and a credit for usage at volumetric rates of \$13,497.88.

The Department recognizes the Company's right to recover the difference between the Company's temporary rates and the final rates determined by the Commission, pursuant to RSA 378:29 (statute regarding adjustment of rates) and per Order No. 26,466. As a result, the

⁵ In its March 15, 2021 filing, Lakes Region used December 31, 2020 as the end date for the recoupment period. In the April 15 supplement, the Company changed the end date to January 28, 2021, which is consistent with Order No. 26,446.

⁶ The proration of days is shown in Lakes Region's "Base Rate Reconciliation" schedule. Supplemental Response to Staff Data Request, dated April 15, 2021.

Department supports the proposed total revenue recoupment amount of \$9,334.92 for Lakes Region.

Surcharge

Lakes Region proposed recovery of rate case expenses and recoupment through a quarterly surcharge collected over eight billing cycles. Based on the total amount due for recovery computed by the Department, \$41,313.54,⁷ the surcharge per customer under this recovery term would be \$84.66 per quarter, or \$28.22 per month.⁸

In order to reduce rate shock and lessen the onerous impact on customers, the Department supports extending the quarterly billing cycles in the collection period from eight quarters to 14 quarters. The surcharge, if collected over 14 quarterly billing periods, would then be \$48.38 per customer, or \$16.13 month. The Department further requests that the Commission rule that the resulting surcharge, per the proposal above, is just and reasonable per RSA 378:7 (statute regarding the fixing of rates by the Commission).

Company Response

Prior to its filing, the Department provided a draft of this document to Lakes Region for review. The Company responded that it concurs with the Department's conclusions.

Summary

The Department requests that the Commission approve Lakes Region's (1) rate case expenses totaling \$31,978.62, (2) recoupment of revenue for the difference in temporary-to-permanent rates during the pendency of the rate case in the amount of \$9,334.92, and (3) recovery of those amounts, totaling \$41,313.54, through a surcharge of \$48.38 per customer over 14 quarterly billing periods.

Thank you for your attention to this matter.

Sincerely,

/s/ David Goyette

David Goyette

Utility Analyst III, Gas-Water Division

Attachments: Lakes Region Response and Supplemental Response to Department DR Set 1
The Department's Computation of Proposed Surcharge

cc: Service List (electronically)

⁷ \$41,313.54 = 31,978.62 rate case expenses + \$9,334.92 recoupment

⁸ \$84.66 = (\$41,313.54 / 8 quarters) / 61 customers