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September 30, 2022

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, New Hampshire 03301-2429

Re: Docket No. DW 20-117 (Hampstead Area Water Company, Inc.)
Request for Change in Rates
Department of Energy's Report on Rate Case Expenses and Temporary to Permanent
Rate Reconciliation

Dear Chairman Goldner:

Pursuant to the Procedural Order Re: Rate Case Expenses and Reconciliation Review, issued by the Public Utilities Commission (Commission) on September 1, 2022, please accept the following Department of Energy's (DOE) Report on Rate Case Expenses and Temporary to Permanent Rate Reconciliation for the above-referenced matter.

On June 30, 2022, the Hampstead Area Water Company, Inc. (HAWC or the Company) filed its request for recovery of rate case expenses and temporary to permanent rate reconciliation as required by Order No. 26,635, dated June 2, 2022, and subsequently revised. The Company further updated its filing regarding the recoupment of the temporary to permanent rate reconciliation of its Municipal Fire Protection Service class for Atkinson and Hampstead on July 5, 2022.¹ In those filings, HAWC made one request for rate case expense recovery and five separate and distinct requests for temporary to permanent rate recoupment related to the following groups of its customers: (1) all metered customers; (2) residential fire protection customers; (3) commercial fire protection customers; (4) municipal fire protection for Atkinson; and (5) municipal fire protection for Hampstead.

The DOE reviewed the filing, conducted discovery, and met with HAWC in a technical session on September 12, 2022. As a result of that process, the DOE provides the following updates relative to the Company's six requests:

- 1) HAWC proposed a rate case expense surcharge for all customers of \$6.64 per month for 12 months based upon \$323,411.74 of rate case expenses. The DOE and the Company

¹ The DOE notes that while the Company's June 30 and July 5, 2022, filings refer to the customer class as "Public Fire Protection (Hydrants)" for both Hampstead and Atkinson, individually, the accepted tariffs reflect the customer class as "Municipal Fire Protection" for both municipalities, individually.

subsequently agreed to a reduction of that amount by \$636.44 due to duplicative billing, resulting in \$322,775.30 of total rate case expenses eligible for recovery. HAWC and the DOE further agreed to extend the rate case expense surcharge period to 18 months, and updated the customer count to that as of August 24, 2022, from 4,061 to 4,099 customers. The resulting rate case expense monthly surcharge to customers is \$4.37 for 18 months.

- 2) The Company proposed a temporary to permanent rate recoupment surcharge for all general service metered customers of \$3.82 per month for 12 months based upon a reconciliation amount of \$186,036.45. The DOE and the Company subsequently agreed to use the updated customer count as of August 24, 2022, of 4,099 customers, in its calculation of a per customer surcharge. Both the DOE and HAWC agreed to a resulting surcharge of \$3.78 per customer per month for 12 months.

Additionally, the Company indicated in discovery response DOE 8-4(c) that it has the ability to modify its billing system to capture the data necessary to charge a temporary to permanent rate recoupment to its customers based upon each customer's actual, historical usage, rather than a per customer flat fee. The DOE strongly encourages the Company to engage in this practice for its next rate case filing as it would align HAWC to other New Hampshire Class A water utilities.²

- 3) HAWC proposed a temporary to permanent rate recoupment surcharge to Hampstead for its Public Fire Protection (Hydrants) charge of \$6,983 per month for 12 months, which the Company subsequently updated on July 5, 2022, to \$6,840 per month for 12 months. The DOE does not have concerns with this request at this time.
- 4) HAWC proposed a temporary to permanent rate recoupment surcharge to Atkinson for its Public Fire Protection (Hydrants) charge of \$9,477 per month for 12 months, which the Company subsequently updated on July 5, 2022, to \$9,287 per month for 12 months. The DOE does not have concerns with this request at this time.
- 5) HAWC proposed a temporary to permanent rate recoupment credit for its commercial fire protection customers, 29 in total, of \$7,480 distributed among each customer according to pipe size.³ The DOE does not have concerns with this request at this time.
- 6) The Company proposed a temporary to permanent rate recoupment surcharge for its residential fire protection customers, 1,102 in total, of \$4.79 per month for 12 months based upon a reconciliation amount of \$63,388.⁴ However, the DOE disagrees with the proposed recovery of this amount at this time. This stems from the DOE's understanding

² See *Pennichuck Water Works, Inc.*, Order No. 26,469 (April 8, 2021) and *Pennichuck East Utility, Inc.*, Order No. 26,637 (June 6, 2022).

³ The DOE notes that while the Company's June 30 and July 5, 2022, filings refer to the customer class as "Commercial Fire Protection" and "Residential Fire Protection," individually, the accepted tariffs reflect these customer classes as "General Private Fire Protection" as indicated on First Revised Page 37 of the Company's Tariff dated November 24, 2020.

⁴ See Footnote 3 above.

that the Company's General Private Fire Protection Service expanded by the 1,102 customers at the resolution of the rate case by Order No. 26,635 dated June 2, 2022.

As such, the DOE contends that the reduced rates set in its General Private Fire Protection Service tariff only applies prospectively to these 1,102 customers as of the date of the Commission Order on June 2, 2022.⁵ Thus, these charges should not be allowed per RSA 378:27 and RSA 378:29. Furthermore, these customers received no notice that the new charge would be sought retroactively by means of a temporary to permanent rate recoupment by the Company.⁶

The DOE and the Company, however, have agreed to a joint request of the Commission for postponement of resolution of this issue until after an order is rendered regarding the five preceding requests for rate case expense and temporary to permanent rate recovery, discussed above. The DOE and the Company make this proposal in the event that the Commission determines that further consideration of the matter, via an alternative process, is necessary.

In conclusion, the DOE and the Company respectfully request that the Commission issue an order as soon as possible. As stated, if the Commission determines that an additional process is necessary regarding the matter described in Paragraph 6 above, the DOE and HAWC request that the Commission issue an order regarding the prior five agreed-upon proposals, which total approximately \$700,000 in rate case expense and temporary to permanent rate recoveries and credits.

⁵ See Settlement Agreement, May 9, 2022, at 9-10 ("The Settling Parties note that the private fire protection charge will decrease from its currently approved rate as the customer group will expand by approximately 1,000 customers, to include residential ratepayers who have not been previously charged the existing rate."); and Hearing Transcript of May 11, 2022 (Morning Session) at 113 (response by General Manager Charlie Lanza to Commissioner Simpson's question regarding the increase in size of the private fire protection customer class "As far as the conditions go, relative to the 1,000 some odd customers, there really is no material change to the customers, obviously, other than we're proposing that they will be billed under this Agreement.").

⁶ See *Hampstead Area Water Company, Inc.*, Order No. 26,437 (December 18, 2020).

The DOE provided a draft of this letter to the Company prior to its filing. In response, the Company indicated its assent to the proposals made therein, including the joint request to postpone resolution of the disagreement between the DOE and HAWC regarding the recoupment of temporary to permanent rates for the private fire protection customers, in Section 6 above, until after an order is rendered regarding the five preceding requests for rate case expense and temporary to permanent rate recovery, discussed in Sections 1 through 5 above. The DOE further recommends that the Commission allow the record to remain open for 10 days after this submission to allow for any additional comments by the other Parties that were part of the Permanent Rate Settlement Agreement.

Thank you for your consideration.

Sincerely,

/s/ Anthony J. Leone

Anthony J. Leone
Utility Analyst, Water Group
Regulatory Support Division

Attachment: Hampstead Area Water Company, Inc. responses to DOE Data Requests Set 7 & 8
cc: Service List