

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

HAMPSTEAD AREA WATER COMPANY, INC.

DW 20-117

Request for Change in Rates

SETTLEMENT AGREEMENT – STEP I RATES

This Settlement Agreement for Step I Rates (*Step I Settlement Agreement*) is entered into this 25th day of January 2023, by and among the New Hampshire Department of Energy (DOE), the the intervenor Town of Atkinson¹, and the Hampstead Area Water Company, Inc. (HAWC or the Company) (together, “the Step I Settling Parties”)², in order to, among other things, allow the first of two step adjustments in rates for the Company, pursuant to RSA 378 and Order No. 26,635 (June 2, 2022) (approving Settlement Agreement on permanent rates) as subsequently revised by the Commission on June 10, 2022 and again on July 20, 2022 as the “Second Revised Order No. 26,635” (still dated June 2, 2022), available at the following link, [20-117 2022-07-20 ORDER 26635.PDF \(nh.gov\)](#). The “Second Revised Order No. 26,635” shall hereinafter be referenced as “Order No. 26,635.” The Step I Settling Parties agree to this joint submission to the

¹ A copy of the proposed Step I settlement agreement was circulated to all parties the afternoon of January 20, 2023. Of the other parties that were settling parties to the *Settlement Agreement on Permanent Rates*, intervenor Town of Hampstead did not respond with a position on this *Settlement Agreement – Step I Rates*, and the Office of the Consumer Advocate replied indicating they are taking no position. The other intervenors in this matter – none of whom joined either this or the previous *Settlement Agreement on Permanent Rates* – are Karen Steele, who filed prefiled testimony in the previous Permanent Rate portion of this docket, and Sarah Theriault and the Town of Danville, neither of whom filed prefiled testimony in the Permanent Rate Portion of this docket. *See* Secretarial Letter dated April 9, 2021, at Tab 32 of the NH-PUC’s Virtual File Room for the online docket (Virtual File Room) (Identifying other Intervenors).

² To avoid confusion with the “Step I Settling Parties”, the settling parties to the *Settlement Agreement on Permanent Rates*, which included the Town of Hampstead and the Office of the Consumer Advocate, are herein distinguished as the “Settling Parties”.

New Hampshire Public Utilities Commission (Commission) to seek its approval of this *Step I Settlement Agreement*.

I. BACKGROUND AND PROCEDURAL HISTORY³

HAWC is a regulated public utility defined by RSA 362:2 and RSA 362:4, providing water service to approximately 4,002 customers in the communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, Sandown, and Strafford.

On May 19, 2021, the DOE filed a Settlement Agreement on Temporary Rates reached with the Company and the OCA, which was approved by the Commission on January 17, 2022. *See* Tab 87⁴ and Tab 89 (Revised Order No. 26,566 Approving Temporary Rates). The Settling Parties, which included the Step I Settling Parties, and the Intervenors conducted discovery and attended multiple technical sessions including those additional technical sessions and discovery established by the amended procedural schedule approved by the Commission on October 14, 2021. The DOE also performed an audit of HAWC's books and records and completed an audit report. *See* Attachment A (DOE Final Audit Report). Discussions were held amongst all of the parties during various technical session/settlement conferences. The result of these discussions led to agreement by the Settling Parties memorialized as the Settlement Agreement on Permanent Rates filed on May 9, 2022. *See* Tab 113. On May 11, 2022, the Commission conducted a hearing on the merits of the previously filed Settlement Agreement. On June 1, 2022, the Commission

³ For the Commission's convenience and to avoid repetition, the Step I Settling Parties condensed the procedural history for this matter that was outlined in the previous *Settlement Agreement on Permanent Rates* at Tab 113 of the Virtual File Room, available at the following link: [20-117 2022-05-09 HAWC SETTLEMENT-AGRMT.PDF \(nh.gov\)](https://www.nh.gov/virtual-file-room/20-117-2022-05-09-HAWC-SETTLEMENT-AGRMT.PDF).

⁴ References to "Tab____" hereinafter means the Tab number as published in the Virtual File Room.

approved the Settlement Agreement by Order No. 26,635, *see* Tab 120. As previously stated, this Order was subsequently revised on June 10, 2022, *see* Tab 124, and July 20, 2022, *see* Tab 135.

II. TERMS OF STEP I SETTLEMENT AGREEMENT

a. Overview

In summarizing the terms of the *Settlement Agreement on Permanent Rates*, Commission Order No. 26,635 at 13-14 states the following regarding Step Adjustment I:

The Settling Parties agreed on a proposed Step I adjustment based on: (1) post-test year plant additions placed in service in 2020, including plant additions related to the [Southern New Hampshire Regional Water Project] SNHRW Project; (2) the Company's purchase of Manchester Source Development Charge (MSDC) capacity credits from Manchester Water Works in 2020, which is added to rate base as a deferred debit and amortized over 39 years, the remaining life of the SNHRWP Project contract; and (3) various other operating income adjustments.

The Settling Parties further agree that the Company may file its Step 1 petition after June 20, 2022, and that the resulting rates, subject to Commission approval, will be effective no earlier than December 16, 2022.

Once filed, the DOE Audit Division will review and submit a report to the parties in this docket. The DOE and other parties to the docket will then review the filing and resulting calculation with the Company and submit a report to the Commission recommending a final revenue requirement increase and resulting rates.

The Settling Parties also agree that the proposed Step I adjustment, subject to review by the DOE Audit Staff and the Settling parties, will result in an increase not to exceed \$258,450 in the Company revenue requirement, utilizing a rate of return of 4.50%. The Company's rate base will increase by no greater than \$2,368,015 for a total not to exceed \$7,660,606.

On September 1, 2022, the Company filed its "Calculation of Step Adjustment and Supporting Schedules for Step I" based on the three components previously approved by the Commission in Order No. 26,635. *See* Tab 143. On October 7, 2022, the DOE filed a proposed procedural schedule on behalf of the DOE and the Company that included one round of discovery and a technical session and culminated with the submission of either a Settlement Agreement or

DOE Position Statement by January 25, 2023. On October 18, 2022, the Commission issued a Procedural Order approving the proposed procedural schedule.

The DOE Audit Division conducted an examination of the Company's proposed Step I Adjustment and issued a Final Audit Report on October 11, 2022. *See* Attachment A.⁵ On November 9, 2022, the DOE issued its first set of data requests pertaining to the Step I Adjustment to which the Company responded on November 21, 2022. On November 29, 2022, the DOE issued supplemental data requests, to which the Company responded on December 6, 2022. On December 13, 2022, the Company, DOE, and various intervening parties held a technical session and settlement conference.⁶ Based on that discussion, HAWC filed a revised Calculation of Step Adjustment and supporting schedules with the Commission on December 19, 2022. *See* Tab 158.

b. Step I Adjustment Revenue Requirement

The Step I Settling Parties agree and recommend that the Commission approve a Step I Adjustment in the Company's revenue requirement of \$258,450, which is the not-to-exceed amount for Step I contained in the *Settlement Agreement on Permanent Rates* approved by Commission Order No. 26,635 at 13-14, 20-21. The Step I Settling Parties agree that a calculation of the proposed Step I adjustment is contained in Attachment B "Step Adjustment Calculation" and would, but for the terms of the Settlement Agreement on Permanent Rates, support a Step I adjustment greater than the not-to-exceed amount of \$258,450. *See* Attachment B, Schedule 1. The Step I Settling Parties further agree that the proposed Step I Adjustment represents an

⁵ The DOE's Final Audit Report included two audit issues both of which were resolved and are reflected in Attachment B, "Step Adjustment Calculation."

⁶ The Town of Hampstead and the OCA did not attend but the remaining Settling Parties did; Intervenor Karen Steele attended briefly.

approximate 11.53% percent increase over the Company's *pro forma* 2019 test year water revenues of \$2,242,163.

The Step I Settling Parties agree that the foregoing proposed Step I Adjustment, i.e., \$258,450, represents a reasonable compromise of all issues relating to the Step I Adjustment. The sums expressed above and provided for in Attachment B are the result of compromise and settlement and are liquidations of all revenue requirement issues pertaining to Step I. The Step I Settling Parties also agree that the proposed Step I Adjustment will result in rates for HAWC's customers that are just and reasonable and serve the public interest within the meaning of RSA 374:2 and RSA 378:7. The Step I Settling Parties further agree that the proposed Step I Adjustment accurately reflects HAWC's investment in plant that is prudent, used and useful, and is based on a reasonable rate base and a just and reasonable rate of return thereon, in compliance with RSA 378:27-29, and Order No. 26,635.

c. Maximum Combined Effect of Step I Adjustment

The Step I Settling Parties agree that this proposed Step I Adjustment meets the combined effect as approved by the Commission in Order No. 26,635 at 13-14, 20-21, that is, not to exceed a total of \$258,450. The Step I Settling Parties recommend that the Commission approve the Step I Adjustment.

d. Effective Date of Step 1 Adjustment Rate Revenue Requirement Increase

The Step I Settling Parties agree and recommend the Commission approve an effective date for the rates resulting from Step I that coincides with the date of the Commission order approving this *Step I Settlement Agreement* on a service-rendered basis.

e. Resulting Rates

The Step I Settling Parties agree and recommend that the Commission approve maintaining a similar rate design after implementation of Step I as was approved for permanent rates by Order No. 26,635, including customer charges based on pipe size, volumetric charges, and private fire protection charges based on pipe size. The Step I Settling Parties further agree and recommend the Commission approve, as just and reasonable, the rates contained in the following table, which are based on the proposed increase in the Company's annual revenue requirement after implementation of Step I. The Step I Settling Parties agree that the proposed rates, shown in the following table, are based upon a monthly rate and a consumption charge per ccf of water consumed.

The Step I Settling Parties also agree that the following table shows the Proposed Step I Rates as compared to the Permanent Rate Revenue Requirement Rates. The Step I Settling Parties further agree that the proposed Step I rates presented in the following table are consistent with the *Settlement Agreement on Permanent Rates* approved by the Commission in Order No. 26,635. See Tab 113 (Settlement Agreement) and Tab 135 (Order No. 26,635) (Order No. 26,635). The Step I Settling Parties, furthermore, note that only the meter and consumption charges will be adjusted due to the Step I increase to the Company's revenue requirement and that the private fire protection rate will not be adjusted.

[continued]

STEP I			
Rate Group	Permanent Rate Revenue Requirement Rate	Proposed Step I Rate	Percentage Change
Meter Charge			
5/8 inch meter	\$11.92	\$12.89	8.1%
3/4 inch meter	\$27.87	\$30.15	8.2%
1 inch meter	\$54.45	\$58.91	8.2%
1 ½ inch meter	\$107.61	\$116.42	8.2%
2 inch meter	\$139.50	\$150.93	8.2%
Consumption Charge (per ccf)	\$6.90	\$7.72	11.9%
Private Fire Protection Charge			
1 ½ inch pipe	\$2.49	\$2.49	0%
2 inch pipe	\$5.31	\$5.31	0%
3 inch pipe	\$15.43	\$15.43	0%
4 inch pipe	\$32.87	\$32.87	0%
6 inch pipe	\$95.49	\$95.49	0%

f. Municipal Fire Protection Rate and Amended Tariff Language

The Step I Settling Parties also note that pursuant to the *Settlement Agreement on Permanent Rates*, with the increase in rates through the proposed Step I (and eventual Step II) Adjustments, the municipal fire protection rates would fluctuate. That fluctuation would make it difficult for the intervenor Towns of Hampstead and Atkinson to budget properly. As such, the Step I Settling Parties recommend, and the Company, as a Settling Party, now agrees to keep the municipal fire protection charge level. The Step I Settling Parties also recommend, and the Company, as a Settling Party, now agrees that the Company will also absorb the resulting revenue shortfall, projected to total \$56,708.00 (\$22,821 for Step I and \$33,887 for Step II).

g. Stay Out Provision

The Step I Settling Parties agree and recommend that the Commission affirm that this *Step I Settlement Agreement* does not change or modify the Stay Out Provision contained in the *Settlement Agreement on Permanent Rates* approved in Order No. 26,635 such that the earliest the Company would be able to file its next full permanent rate proceeding would be January 1, 2025, utilizing a 2024 test year. *See* Order No. 26,635 at 17.

III. MISCELLANEOUS

a. This *Step I Settlement Agreement* is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the *Step I Settlement Agreement* in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this *Step I Settlement Agreement*, and the Step I Settling Parties are unable to agree with said changes, conditions or findings, the *Step I Settlement Agreement* shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

b. The Step I Settling Parties agree that the Commission's approval of this *Step I Settlement Agreement* shall not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the terms of this agreement are just and reasonable and consistent with the public interest.

c. This Step I Settlement Agreement shall not be deemed an admission by any of the Step I Settling Parties that any allegations or contentions in this proceeding by any other party, other than those specifically agreed to here, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party regarding positions taken with

respect to the Company's proposals in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings.

d. The pre-filed testimony and supporting documentation previously provided in this proceeding are not expected to be subject to cross-examination by the Step I Settling Parties, which would normally occur in a fully litigated case. The Step I Settling Parties agree that all such pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Settlement Agreement and be given whatever weight the Commission deems appropriate. Consent by the Step I Settling Parties to admit all such pre-filed testimony without challenge does not constitute agreement by any of the Step I Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. The resolution of any specific issues in this Settlement Agreement did not indicate the Step I Settling Parties' agreement to such resolution for the purposes of any future proceedings, nor does the reference to any other document bind the Step I Settling Parties to the contents of, or recommendation in, that document for the purposes of any future proceeding.

e. The Step I Settling Parties agree to forego cross-examining witnesses regarding their prefiled testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Settlement Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness, including responses to data requests, shall constitute an admission by such witness.

f. The rights conferred and the obligations imposed on the Step I Settling Parties by this Settlement Agreement shall be binding on and inure to the benefit of any successors in interest or assignees as if such successor or assignee were itself a signatory party. The Step I Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

g. The discussions that produced this Step I Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, 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 in connection with any future proceeding or otherwise. The content of these negotiation, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

h. This *Step I Settlement Agreement* may be executed by facsimile and in multiple counterparts each of which shall be deemed an original, and all of which, taken together, shall constitute one agreement binding on all Step I Settling Parties. This Settlement Agreement may be executed by electronic signature.

IN WITNESS WHEREOF, the signatories below have executed this Stipulation, each being fully authorized to do so, as of the day indicated below.

The Hampstead Area Water Company, Inc.
By its Attorney,

Date: January 25, 2023

/s/ *Anthony S. Augeri*
Anthony S. Augeri, Esq.

NH Department of Energy
By its Attorney,

Date: January 25, 2023

/s/ *Mary E. Schwarzer*
Mary E. Schwarzer, Esq.
Staff Attorney/ Hearings Examiner

The Town of Atkinson

Date: January 25, 2023

/s/ *John Apple*
John Apple, Town Administrator
Its duly authorized representative

Attachment A

(DOE Audit Report for Step 1)

Attachment B

(Step 1 Adjustment Calculations -- Rates and Schedules)