

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-117

HAMPSTEAD AREA WATER COMPANY, INC.

Request for Change in Rates

Order Suspending Proposed Tariffs and Scheduling Prehearing Conference

ORDER NO. 26,437

December 18, 2020

This order suspends Hampstead Area Water Company, Inc.'s proposed tariffs for temporary and permanent rate increases for 18 months, pending further investigation. It also schedules a prehearing conference for February 10, 2021.

On July 23, 2020, Hampstead Area Water Company, Inc. (HAWC or the Company), filed its notice of intent to file rate schedules. The Office of the Consumer Advocate filed a letter of participation on August 3.

HAWC filed a motion to withdraw its notice of intent to file without prejudice on September 21, 2020. The Commission granted HAWC's motion the next day. The Company refiled its notice of intent to file rate schedules on September 28.

On November 24, 2020, HAWC submitted its Petition for Approval of Permanent Rates and Proposed Tariff Revisions (Petition). The Company requests a \$1,523,330 increase to its current revenue requirement. That request would raise its current revenue requirement of \$2,325,428 to \$3,848,758, an increase of 65.51 percent. As a result, the Company also requests a corresponding increase to its permanent rates. HAWC also requests temporary rates, and among other things, approval of the Water Infrastructure and Conservation Adjustment (WICA) mechanism and resulting surcharge.

HAWC's Petition includes: the pre-filed testimonies of Charles Lanza, Stephen P. St. Cyr, and David Fox; various schedules and attachments; proposed tariffs for temporary and permanent rates; a motion for protective order and confidential treatment; and a proposed tariff for the WICA surcharge. The requested effective date for all proposed tariffs submitted is December 24, 2020.¹

The Petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-117.html>.

HAWC proposes temporary rates, which would increase its monthly volumetric rate, from its current rate of \$6.11 per hundred cubic feet (ccf) per month, to \$7.22 per ccf per month.²

HAWC proposes a permanent rate increase for both its fixed and volumetric rates. The Company proposes an increase to the monthly fixed rate for all meter sizes, including an increase in its current 5/8 inch meter rate, from \$10.00 per month to \$16.33 per month. According to HAWC, the overwhelming majority of customers are provided water service through a 5/8 inch meter.

The Company proposes three new volumetric rates, all of which are an increase from its current rate of \$6.11 per ccf applied to all its customers. For single-family residential customers, HAWC proposes a two-tier inclining block rate structure: a monthly volumetric rate of \$6.83 for

¹ The Commission notes that HAWC references an effective date of December 15, 2020, for both its temporary and permanent rate requests, throughout various parts of its Petition. Petition at 2, 52-53, 68-70, 227, 230, and 243. The Commission interprets those references as merely illustrative or possible clerical error. Having filed its Petition on November 24, 2020, the Company cannot enforce a proposed effective date until, at a minimum, the expiration of the 30-day notification period. *See* RSA 378:3 ("Unless the [C]ommission otherwise orders, no change shall be made in any rate, fare, charge or price, which shall have been filed or published by a public utility ... except after 30 days' notice to the [C]ommission and such notice to the public as the [C]ommission shall direct"); *see also* N.H. Admin R., Puc 1603.07(a)(1).

² One ccf is equivalent to 748 gallons of water. *See* <http://aquarionwater.com/conservation> (providing user-friendly conversion calculator).

each ccf consumed up to 4 ccf; and a monthly rate of \$10.24 per ccf for each ccf consumed thereafter. The Company also proposes a uniform monthly volumetric rate for all non-single-family and non-residential customers of \$9.31 per ccf.

The Company proposes to restructure its municipal fire protection service rates for both Hampstead and Atkinson. HAWC proposes to increase the annual hydrant charge, from its current rate of \$200 per year for each fire hydrant installed, to \$1,419.00 per year. HAWC also proposes to eliminate the \$2,000 annual availability fee.

HAWC requests a decrease in its private fire protection service rates and a conversion from annual billing of this service to a monthly billing cycle. The Company further requests a change in its permanent rate tariff to include the Manchester Water Works Merrimack Source Development Charge (MSDC), in effect at the time of the new service request, to all new customers in water systems served with water purchased from Manchester Water Works, as of January 1, 2018.

HAWC requests the approval of a yearly WICA surcharge to recover the fixed costs (depreciation, property taxes, and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects, completed and placed in service, between base rate cases. The Company requests approval of the WICA mechanism, and the implementation of a 0.70 percent surcharge to all customer bills with services rendered on or after January 1, 2022.

Lastly, the Company includes a request for approval of a 10.44 percent return on equity (ROE). That request includes a 0.25 percent adder reflective of “exemplary performance,” stemming from HAWC’s participation in Docket No. IR 20-089 and “continued water loss mitigation efforts.” Petition at 28-29.

The filing raises, inter alia, issues related to whether the proposed temporary rates are reasonable and sufficient to yield not less than a reasonable return of the cost of property of the

utility used and useful in the public service less accrued depreciation, as required by RSA 378:27; whether the proposed permanent rates are just, reasonable, and lawful, as required by RSA 374:2, RSA 378:5, and RSA 378:7; whether those proposed increases will yield a just and reasonable rate of return on capital investment in plant and equipment, less accrued depreciation, including extensive plant additions relating to the Southern NH Regional Water Project, such as a 1 million gallon water storage tank and conversion from chlorine to chloramine disinfection; whether those investments were prudent as required by RSA 378:28 and are used and useful in HAWC's provision of service to its customers, as required by RSA 378:27 and RSA 378:28; whether the institution of a two-tier inclining block volumetric rate for all of the Company's single-family residential customers will result in permanent rates that are just, reasonable, and lawful, as required by RSA 374:2, RSA 378:5, and RSA 378:7; whether the proposed approval of a WICA surcharge mechanism and resulting surcharge are just, reasonable, and lawful, as required by RSA 374:2, RSA 378:5, RSA 378:7, and RSA 378:28; whether inclusion of an MSDC charge in its tariff, retroactively applicable to new customers as of January 1, 2018, taking water bought from Manchester Water Works is just, reasonable, and lawful, as required by RSA 374:2, RSA 378:5, and RSA 378:7; and whether HAWC's request for a 10.44 percent ROE, including a 0.25 percent adder for exemplary performance, will produce resulting rates that are just, reasonable, and lawful, as required by RSA 374:2, RSA 378:5, and RSA 378:7.

On April 24, 2020, the Governor issued an executive order (Exhibit D to Executive Order #29) that extended the Commission's ability to suspend rate schedules by six months, from 12 to 18 months. *See* 378:6, I(a). The extension applies to this proceeding; however, the Commission will endeavor to set rates as expeditiously as possible.

HAWC's proposed tariff revisions warrant further investigation. Accordingly, we suspend the proposed tariff pages for 18 months pending our investigation pursuant to

RSA 378:6, I(a). Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, that the proposed tariff pages are suspended for a period of 18 months pursuant to RSA 378:6, I(a), and Exhibit D to Executive Order #29, pending investigation and further order of the Commission; and it is

FURTHER ORDERED, that, consistent with Governor Christopher T. Sununu's Emergency Order #12, the Commission will hold a web-enabled remote prehearing conference, pursuant to N.H. Admin. R., Puc 203.15, on February 10, 2021, at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in Puc 201.15. The public may join the hearing by accessing

<https://www.puc.nh.gov/Regulatory/Calendar-Remote.html>. **If you have any difficulty obtaining access to this remote event, please notify the Commission by calling (603) 271-2431 as soon as possible.** Parties will be provided with additional instructions prior to the hearing; and it is

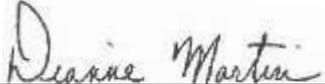
FURTHER ORDERED, that immediately following the prehearing conference, HAWC, Commission Staff, the Office of the Consumer Advocate, and any intervenors hold a web-enabled remote Technical Session to review the petition, discuss a procedural schedule, and allow HAWC to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that, pursuant to N.H. Admin. R., Puc 203.12, HAWC shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order on its company website within one day of this order, such publication to be documented by affidavit filed with the Commission on or before February 5, 2021. The Commission will also publish the order on its website <https://www.puc.nh.gov/Regulatory/ordersofnotice.htm>; and it is

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission a Petition to Intervene with electronic copies sent to HAWC and to the Office of the Consumer Advocate on or before February 8, 2020, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, consistent with Puc 203.17. Pursuant to the secretarial letter issued on March 17, 2020, (see <https://puc.nh.gov/Regulatory/Secretarial%20Letters/20200317-SecLtr-Temp-Changes-in-FilingRequirements.pdf>), any party seeking to intervene may elect to submit this filing in electronic form; and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said objection on or before February 10, 2021.

By order of the Public Utilities Commission of New Hampshire this eighteenth day of December, 2020.

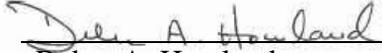


Dianne Martin
Chairwoman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 20-117

Printed: 12/18/2020

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