

STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 20-117

HAMPSTEAD AREA WATER COMPANY, INC.

Request for Change in Rates

Order Approving Temporary Rates

O R D E R N O. 26,566

January 17, 2022

In this order, the Commission authorizes Hampstead Area Water Company, Inc. to implement temporary rates on a service rendered basis effective December 15, 2020. Under the temporary rates, average monthly bills for residential customers will increase by \$4.24. The temporary rates are subject to reconciliation based on the outcome of the permanent rate case.

I. PROCEDURAL HISTORY

Hampstead Area Water Company, Inc. (HAWC or the Company) is a water utility serving approximately 3,620 customers in Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, Sandown, and Strafford in Rockingham County, New Hampshire. The Commission granted HAWC's last request for a permanent rate increase in November 2018. *See Hampstead Area Water Company, Inc.*, Order No. 26,195 Approving Return on Equity and Change in Rates (November 28, 2018).

On November 24, 2020, HAWC filed a petition for approval of permanent rates. With its petition, the Company also filed a request for approval of temporary rates. In support of its request for temporary rates, HAWC filed the testimony of Stephen P. St. Cyr, who is employed by St. Cyr & Associates to provide accounting, management, regulatory and tax services. The Commission suspended the Company's proposed tariff rates on December 18, 2020 and scheduled a prehearing conference for February

10, 2021. See *Hampstead Area Water Company, Inc.*, Order No. 26,437 (December 18, 2020).

The Office of the Consumer Advocate (OCA) filed a letter of participation on behalf of residential ratepayers in accordance with RSA 363:28 on August 3, 2020.

A number of petitions to intervene were submitted in this proceeding, including the following ratepayers of HAWC: the Town of Atkinson Board of Selectmen; the Town of Danville; the Town of Hampstead, including three officers of the Town's Board of Selectmen's Water Resources Committee (Kenneth A. Richards, James McHale, and Stephanie Spyvee); and Sarah Theriault. Karen S. Steele, a taxpayer of the Town of Atkinson, also intervened. The Commission granted those interventions in a secretarial letter issued on April 9, 2021.

On May 19, 2021, the Department of Energy (Energy) filed a Settlement Agreement on Temporary Rates (Settlement) entered into by the then-Commission Staff,¹ Hampstead Area Water Company, Inc., and the Office of the Consumer Advocate in this matter. Intervenors did not file testimony or take positions at hearing on the proposed Settlement on Temporary Rates.

The Commission held a hearing on temporary rates on May 28, 2021.

HAWC's petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at: www.puc.nh.gov/Regulatory/Docketbk/2020/20-117.html.

¹ Mr. Tuomala was a Staff Attorney with the Commission prior to July 1, 2021, when the Department of Energy was created. At the time of this order, Mr. Tuomala is a Hearings Examiner with the Department of Energy.

II. SUMMARY OF SETTLEMENT

In its initial filings, HAWC requested a temporary revenue increase of \$301,059, representing an average annual increase of 15.30 percent increase in annual costs for the average general service customer. The requested increase would have brought the total revenue requirement to \$2,626,487. The stipulated temporary rate was established using a pro forma total rate base of \$5,327,653 and a 5.78 percent rate of return, including a 9.95 percent return on equity.

According to Company testimony, an increase in capital expenses, including operation and maintenance expenses during the 2019 test year, provided the impetus for the request for temporary and permanent rate increases. Mr. St. Cyr testified that the increase in operating expenses amounted to \$190,302 or 9.25 percent in 2019. St. Cyr, Testimony for Temporary Rates, November 24, 2020 at BP 236.

The Settlement included stipulated terms to be used for the calculation and implementation of temporary rates, including a 12.31 percent adjustment to the Company's 2019 annual water sales revenue, equating to a \$248,960 increase in revenues. The Settlement further stipulated those temporary rates will be subject to reconciliation pursuant to RSA 378:29, effective on the earlier of June 30, 2021, or the date the Commission issues a temporary rate order, after the final determination of rates in this docket. Effectively, the stipulated rate increase would raise the average residential customer's bill by \$4.24 per month, or to \$521.27 per year. Schedules attached to the Settlement contain the calculations supporting the revenue increase.

At the May 28, 2021 hearing, Energy, the OCA, and HAWC testified in support of the Settlement, noting that the agreed-upon temporary rates are lower than those originally proposed. In the Settlement Agreement and at hearing, Energy stated

that HAWC was earning a rate of return of 1.46%, below its most recently approved rate of return of 6.35%, and that HAWC was therefore under earning and is entitled to a temporary rate increase. Energy and HAWC each supported the Settlement as just and reasonable and in the public interest; the OCA also supported the Settlement as just and reasonable, noting that the settlement provides a balance between protecting ratepayers, instilling gradualism, and ensuring that the Company has the resources necessary to continue safe and effective operations.

III. COMMISSION ANALYSIS

Unless precluded by law, informal disposition by stipulation may be made of any contested case at any time prior to the entry of a final decision or order. RSA 541-A:31, V(a). Pursuant to N.H. Code Admin. Rules Puc 203.20(b), the Commission shall approve the disposition of any contested case by stipulation if it determines that the result is just and reasonable and serves the public interest. The Commission encourages parties to settle disagreements through negotiation and compromise because it is an opportunity for creative problem solving, allows parties to reach a result in line with their expectations and is often a better alternative to litigation. *Pennichuck Water Works, Inc.*, Order No. 26,070 at 14-15 (November 7, 2017). Nonetheless, the Commission cannot approve a settlement, even when all parties agree, without independently determining that the result comports with applicable standards. *Id.* at 14.

After conducting a hearing, the Commission may fix temporary rates provided that the rate is sufficient to yield a reasonable return on the cost of the property of the utility that is used and useful in service to the public less accrued depreciation, as shown by the reports of the utility filed with the Commission, unless there appears to be reasonable grounds for questioning the figures in such reports. RSA 378:27. “The

standard is 'less stringent' than the standard for permanent rates, in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates." *Unitil Energy Systems, Inc.*, Order No. 25,124 at 6 (June 29, 2010), quoting *Appeal of the Office of Consumer Advocate*, 134 N.H. 651, 660 (1991). The effective date of temporary rates "fixes and determines the period during which the rates allowed in the underlying permanent rate proceeding may apply." *Id.* (quoting *Appeal of Pennichuck Water Works*, 120 N.H. 562, 564 (1980)).

HAWC argued that it did not earn its authorized rate of return during the 2019 test year, and that certain expenses have increased, including the cost of normal replacement of plant and/or new plant. HAWC further argued that it incurred a revenue deficiency of \$224,853 in the test year. Accordingly, its rate application seeks to recover its costs and earn its previously approved rate of return.

HAWC initially proposed a temporary increase of \$301,059 or 15.30 percent from its 2019 annual water sales revenues. After inquiry from and discussions with Energy Staff and the OCA, the Company, Energy Staff, and the OCA stipulated to an increase of \$248,960 or 12.31 percent.

The resulting rate increase would raise the average residential customer's bill by \$4.24 monthly.

We find, based on the Company's annual reports and books and records filed with the Commission, that such temporary rates are sufficient. RSA 378:27. The increase in average residential customer bills, while not insignificant, is reasonable under the circumstances and we find that HAWC and its customers are protected by the reconciliation mechanism pursuant to RSA 378:29. We therefore find that temporary rates provided in the Settlement are just and reasonable under the

circumstances. Accordingly, we find the Settlement Agreement to be just and reasonable and in the public interest.

The Settlement Agreement provided for temporary rates effective on the earlier date of either June 30, 2021, or the date of a Commission order approving temporary rates. We approve current rates as temporary between June 30, 2021, and the date on which the Company begins to collect the temporary rates approved herein. We note that the permanent rates ultimately determined in this proceeding will be reconciled back to June 30, 2021.

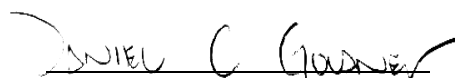
Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement on Temporary Rates is **APPROVED**, and the approved temporary rates shall be collected on or after the date of this order; and it is

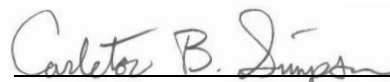
FURTHER ORDERED, that temporary rates between June 30, 2021 and the date on which the Company begins collecting the rates approved herein shall be set at the current rate; and it is

FURTHER ORDERED, that the Company shall submit with the Commission properly annotated tariff pages consistent with the Settlement Agreement within 15 days from the date of this order.

By order of the Public Utilities Commission of New Hampshire this seventeenth day of January, 2022.



Daniel C. Goldner
Chairman



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 20-117

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