

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-117

HAMPSTEAD AREA WATER COMPANY, INC.

Request for Change in Rates

Order Approving Permanent Rates Settlement

O R D E R N O. 26,635

June 2, 2022

In this order, the Commission approves a settlement agreement (Settlement) by and among Hampstead Area Water Company, Inc. (HAWC, or the Company), the New Hampshire Department of Energy (DOE), the Office of the Consumer Advocate (OCA), the Town of Atkinson, and the Town of Hampstead (collectively, the Settling Parties). The Settlement proposes a permanent rate increase based on a 2019 test year, followed by two separate step increases that would account for capital projects completed in 2020 and 2021.

Under the terms of the Settlement, HAWC's revenue, and thus the cost to ratepayers, is expected to increase from the Company's 2019 pro forma of \$2,242,163 to \$2,540,482 effective on the date of this order. To avoid rate shock, the first rate increase shall not take place before December 16, 2022 and not exceed \$2,798,932, with a second rate increase which shall not take place before June 16, 2023 and not exceed \$3,018,955, which represent increases over the Company's pro forma test year revenues of \$2,242,163 of 24.8% and 34.6%, respectively. However, in accordance with the terms of the settlement, no change in customer rates will occur until the corresponding proposed step increases are separately reviewed and approved.

	2019 Pro-forma Annual Water Revenue	Revenue Req. Effective Date of this Order	Proposed Step 1 Revenue Req.	Proposed Step 2 Revenue Req.
Amount	\$2,242,163	\$2,540,482	\$2,798,932	\$3,018,954
Cumulative Dollar Increase		\$298,319	\$556,769	\$776,791
Cumulative Percentage Increase		13.3%	24.83%	34.64%

The Company's prior rate case revenue requirement was \$1,967,875, so the rate increase on the effective date of this order represents a 29.10% increase over the existing revenue requirement. The first step increase represents an increase of 42%, while the second step increase represents an increase of 53% over the prior rate case. This compares to the Company's petition proposal of 77.4% prior to the Settlement agreement.

	Current Annual Water Revenue Req.	Revenue Req. Effective Date of this Order	Proposed Step 1 Revenue Req.	Proposed Step 2 Revenue Req.
Amount	\$1,967,875	\$2,540,482	\$2,798,932	\$3,018,954
Cumulative Dollar Increase		\$572,607	\$831,057	\$1,051,079
Cumulative Percentage Increase		29.10%	42.23%	53.41%

HAWC's initial 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>.

I. PROCEDURAL HISTORY

On November 24, 2020, HAWC filed a petition for a change in rates, requesting approval of a 10.44 percent return on equity (ROE) and a corresponding change in customer service rates (Petition). With its Petition, HAWC included a request pursuant to RSA 378:27 for permanent rates for proposed effect on December 15, 2020, through a tiered rate framework. The Company's petition was supported through testimony by Stephen P. St. Cyr, Company consultant for Revenue Requirement and related schedules, Dave Fox, Company consultant for Cost of Service, and Charlie Lanza (HAWC General Manager).

A hearing on temporary rates was held on May 28, 2021. On January 17, 2022, the Commission issued Order No. 26,566 (revised on January 20, 2022) approving temporary rates. On June 23, 2021, the Town of Danville filed an objection to the proposed rate increase.

Direct testimony was filed on December 15, 2021, by intervenor Karen S. Steele; on December 16, 2021, by Brian Murray on behalf of the Town of Atkinson; and on December 17, 2021, by intervenor Robert A. Weimar.

On May 4, 2022, the DOE filed rebuttal testimony in response to certain specific issues raised in the direct testimonies filed by Ms. Steele, Mr. Weimar, and the Town of Atkinson. A hearing on permanent rates was held on May 11, 2022.

II. BACKGROUND

HAWC is a public water utility serving approximately 3,600 customers in Hampstead, Atkinson, and other communities in Rockingham County, New Hampshire. The Company's last permanent rate increase was approved on November 28, 2018 (Order No. 26,195).

III. Petition for Change in Rates

In its Petition, HAWC requested a change in rates and a proposed 5.56 percent rate of return on investment reflected in a projected rate base of \$9,966,564. The proposed permanent rate increase, if approved, would have increased HAWC's overall revenue requirement by \$1,523,330, which represents an average yearly increase of approximately 77.41 percent over the current revenue requirement of \$1,967,875 established in its most recent prior rate case.

The Company's petition proposed an increase in existing rates of 11.8 percent for Tier 1 single-family residential customers, 67.6 percent for Tier 2 single-family residential customers, and 52.4 percent for non-single-family and non-residential customer rates. The Company also requested approval of a proposed Water Infrastructure and Conservation Adjustment (WICA) surcharge beginning in 2021 with a total annual revenue requirement of \$10,833 to be collected through an annual surcharge per customer of \$3.07 or \$0.26 per customer per month.

IV. PARTY POSITIONS

A. HAWC

In support of its initial Petition filed on November 24, 2020, HAWC filed written testimony of: the Company's General Manager, Charles Lanza; regulatory accounting and tax consultant Stephen C. St. Cyr; and financial consultant David Fox. HAWC asserted that it has a revenue deficiency of \$224,853 and therefore sought a total increase in revenues of \$1,523,330 to meet anticipated operation expenses. The permanent revenue increase of \$1,523,330 was proposed for effect on December 15, 2020, with a proposed 5.56 percent rate of return on investment based on a projected rate base of \$9,966,564.

The Company requested approval of an adjusted ROE in this proceeding from 9.95 percent to 10.44 percent, which included a 0.50 percent adder for rate case expenses and a 0.25 percent adder for “exemplary performance.” Exh. 5/St. Cyr Direct Testimony at BP 5. According to the Company, it merits the rate adder for its “successful and ongoing efforts to reduce water loss, add capacity, and make core system improvements.” Petition (11/24/20) at BP 67, ¶¶ 8-9.

HAWC submitted testimony in support of its Petition stating that it will make a significant contribution in aid of construction (CIAC) with respect to the construction of a one-million-gallon water storage tank and through the receipt of grant money and loans.

1. General Manager Charles Lanza

HAWC General Manager Charles Lanza testified that since the Company’s last rate case, it had improved stability in water supply and water quality and continues to focus on water conservation efforts. According to Mr. Lanza, the Company has added significantly to its infrastructure related to the Southern New Hampshire Regional Water Interconnection Project (SNHRW Project), which has led to several large capital improvements, including a one million gallon water storage tank and a new pumping and treatment station.

Mr. Lanza stated that the proposed 0.25 percent ROE adder is warranted for exemplary performance, including continued water loss mitigation efforts; participation in the SNHRW Project; participation in the Commission’s Covid-19 docket (IR 20-089); and the increase in customer accounts since 2017 from 3,578 service connections to 3,971.

Mr. Lanza added that the Company’s petition for a change in rates was necessary because in the three years since its last rate case, it had expanded its

franchise area and invested in significant capital improvements, including through the SNHRW Project. According to Mr. Lanza, the proposed rate increase is greater than had been anticipated, in large part due to: (a) changes in tax laws effective after the Company's participation in the SNHRW Project, as a result of which the Company must now pay approximately \$1.4 million in taxes; (b) the acquisition of satellite systems, which is offset by corresponding CIACs; (c) additional paid-in capital; and (d) increased expenses. Mr. Lanza argued that the increased rates are fair and reasonable given the resulting improvements in operations and customer service.

Mr. Lanza stated that the new cost of service study (COSS) concluded that the Company should increase its base rate charges based on service meter size and recommended tiered volumetric rates, consistent with the Company's practice of keeping base rates low and allowing customers some control over usage and costs.

Finally, Mr. Lanza noted that the Company seeks to begin participating in the Water Infrastructure and Conservation Adjustments (WICA) program, which would allow it to recover costs associated with efforts to improve water conservation through ongoing meter replacements.

2. Consultant Stephen C. St. Cyr

Mr. St. Cyr testified in support of an ROE of 10.44 percent, including the 0.50 percent adder for rate case expenses and the 0.25 percent adder for exemplary performance and ongoing efforts to reduce water loss, add capacity, and make core system improvements. According to Mr. St. Cyr, the Company's revenue deficiency is \$224,853, and it seeks a total revenue increase of \$1,523,330, effective December 15, 2020, through proposed permanent rates that would incorporate increases in the base charge, volumetric rates, and fire protection charges. Mr. St. Cyr noted that the proposed rate re-design is based on the COSS and reflects a tiered volumetric system,

with two single-family residential tiers of \$6.83 and \$10.24, respectively, and a non-single-family/non-residential rate of \$9.31.

Mr. St. Cyr further noted the CAIC received by the Company from customers, including payments toward the construction of a one million gallon water storage tank and the receipt of grant money and loans, which will permit the Company to include the Federal CIAC tax in the calculations of the rate base. Mr. St. Cyr further proposed a WICA surcharge beginning in 2021 that would entail an annual surcharge per customer of \$3.07, or \$0.26 per month, to recover fixed costs of Commission-approved non-revenue producing system production and customer meters purchased, installed, and placed in service between rate cases.

3. Consultant David Fox

Mr. Fox prepared a COSS that allocates functional costs to various cost components and then distributes those costs to customer classes according to types of service to calculate customer impacts. According to Mr. Fox, the proposed volumetric rates, fixed charges, and fire protection charges would be adjusted by varying amounts to recover cost of service from customers equitably. In addition, public fire protection charges, which are assessed per hydrant, are proposed to increase from \$200 to \$1,419 annually, and the current 'annual availability' charge of \$2,000 will no longer be required, and, for the first time, homeowners with private fire protection systems (reflecting 1,084 connections) will be assessed private fire protection charges.

B. Intervenors

1. Karen S. Steele

Intervenor Karen S. Steele argued that the Company has proposed capacity expansion of the system in excess of its needs, and that the infrastructure plan is not used or useful. According to Ms. Steele, the combined projected flow of 750,000

gallons per day into HAWC's core system will more than triple the amount of water currently sold, which totaled 358,502 gallons per day in 2019. Ms. Steele further suggested that the proposed expansion of water infrastructure is significantly oversized to accommodate flows in excess of need, and that the build-out of the system is intended to supply future developments of HAWC's affiliated companies.

2. Fire Chief Brian Murray for the Town of Atkinson

Fire Chief Brian Murray stated that HAWC was unwilling to provide a copy of its emergency response plan to Town of Atkinson officials or share the industry standards to which it constructs fire hydrants within the town. Moreover, according to Chief Murray, the Company appears to fail to meet National Fire Protection Association (NFPA) standards for testing, marking, and maintenance of fire hydrants for public fire protection.

Chief Murray further argued that the proposed increase in fire hydrant rates would have a corresponding negative impact on the Fire Department's budget and tax rates; the overall reliability of the hydrant system as constructed by HAWC is not adequate, and the Company has demonstrated an apparent neglect of existing fire hydrants.

3. Robert A. Weimar for the Town of Hampstead Water Committee

Resident and taxpayer Robert A. Weimar argued on behalf of the Town of Hampstead that the town has concerns regarding the proposed 609.5% rate increase in the public fire hydrants rate, which he anticipates will cost Hampstead an additional \$70,000 per year with little added benefit. Mr. Weimar requested that the Commission reject any rates and charges that are inconsistent with national water works standards and fire protection standards or that result in an inequitable cost allocation to specific users.

According to Mr. Weimar, cost allocation to new connections needs to be further reviewed to ensure equity among users, and, as presented by the Company's petition the proposed fire protection fee appears to be based on erroneous cost allocation and service availability assumptions.

Mr. Weimar further argued that the proposed rate increases do not appear to include any assignment of existing, built infrastructure costs to future users, resulting in an inequitable and unreasonable proposal to raise rates on customers by six-fold when services offered are limited.

Mr. Weimar noted that the Company decided to increase the Atkinson tank from 500,000 gallons to 1 million gallons and took on the additional expense of one million dollars. In Mr. Weimar's view, the additional 500,000 gallon capacity does not appear to be 'used and useful' for HAWC's existing customers. Mr. Weimar further argued that HAWC's assumed design standard of 2,000 gallons per minute flow for a 3-hour period with a total storage need of 360,000 gallons appears to be double the nominal design storage required for Hampstead.

4. Department of Energy

1. Douglas W. Brogan, Engineering Consultant

Mr. Brogan filed written rebuttal testimony on behalf of DOE in response to certain intervenor testimony filed by Ms. Steele, Atkinson Fire Chief Murray, and Mr. Weimar.

In response to Ms. Steele's arguments that HAWC calculations included excessive capacity needs and plant that was not used and useful, Mr. Brogan argued that the appropriate evaluation for design purposes is to compare total future supply with the largest well out of service to the future maximum day demand (not average day demand as Ms. Steele used). Mr. Brogan stated that the maximum day demand is

based not on customer consumption alone, as Ms. Steele argues, but on the totality of demands the available water supply must meet, or total production. Mr. Brogan further noted that the difference between production and consumption can be accounted for by water used for filter backwashing (18,000 gallons per day) and lost or unaccounted for water (on average, 14 percent of production from 2015-2020, which Mr. Brogan testified is not unreasonable) – both of which are real contributions to demand requirements. Mr. Brogan also noted that, based on his review of relevant documents, the Company anticipates taking a number of wells offline as a result of its portion of the SNHRW Project, including appurtenant infrastructure and improvements to its core water system.

According to Mr. Brogan, Ms. Steele's analysis fails to recognize increases in future demand either from normal system growth over the forecast period or from the lessening of water use restrictions as a result of the increased availability of water due to the SNHRW Project. Mr. Brogan noted that HAWC is under no obligation to take all, or even part, of future Phase II flows, and that even if full flows are assumed, flows would need to be reduced for design purposes based on an assumption of the largest remaining well being out of service, which would result in a reduction of 163,000 gallons per day. Mr. Brogan further observed that the Windham portion of the SNHRW Project contains no storage, so water flowing through that portion of the system (upstream of HAWC) must meet all peak hour demands.

With respect to Ms. Steele's claim that HAWC is 'oversizing' its physical infrastructure, Mr. Brogan noted that: (1) the SNHRW Project includes several thousand feet of new 12-inch main installed in or in conjunction with HAWC's core system, and that installing a smaller diameter main, given the corresponding small potential costs savings and very long life of the asset, would likely be more imprudent

than installing the proposed 12-inch main; and (2) although pump station footprints and associated piping were sized to accommodate future flows (at minimal impact), interior components such as pumps and valves are to be upgraded later as necessary to accommodate those flows.

Mr. Brogan concluded that the Company's Class Cost of Service Study (CCOSS) is a reasonable guideline for cost-based rates. According to Mr. Brogan, the new public fire service equipment installed by the Company – which will go into the rate base – will generate increased tax revenue for Atkinson and Hampstead and, to an extent, offset the increased costs of fire protection afforded by the new equipment. In addition, public fire service customers, unlike other customer subclasses, will receive an increase in revenues (through property taxes) due to additional facilities installed by the Company, and the increased tax revenues will offset a portion of the increase in hydrant rates. Mr. Brogan argued that the magnitude of the rate increase should be gauged against the net impact – that is, the increase in hydrant charges less the increase in tax revenues the towns will receive from the Company. He further noted that municipalities have benefited for a number of years by paying a lower municipal fire protection rate, in large part because the Company had not performed a CCOSS prior to this case.

Mr. Brogan recommended that to enhance future CCOSS filings, HAWC should: (1) provide a new CCOSS when it negotiates planned updates to Plaistow rates prior to 2035; (2) create a separate class for resale of water to Plaistow; and (3) treat (within the CCOSS) the miscellaneous charges as the tariffed rates they are.

2. Mr. Solganick, Consultant, Energy Tactics and Services, Inc.

In response to arguments presented by intervenor Ms. Steele, Mr. Solganick provided testimony regarding the cost of fire protection services and resulting rates

proposed by the Company. Mr. Solganick explained the CCROSS he had prepared for the Company and addressed the following issues encompassed in the CCROSS: rate design, rates for General Water Service customers, and rates for Fire Service customers, including the rate impact on those customers. In addition, he proposed certain enhancements that may be warranted in a future Class Cost of Service Study, including charges to Plaistow and tariffed rates for miscellaneous services provided by the utility.

V. SETTLEMENT

The settlement reached by the Company, the DOE, the OCA, the Town of Atkinson, and the Town of Hampstead proposed permanent rates for the Company that reflect joint agreement resolving all issues that arose from the initial Petition filed by HAWC in this docket. The individual terms for the resolution of those issues are outlined below.

A. Overview and Proposed Timeline

In brief, the Settlement Agreement proposes for approval a permanent rate revenue requirement for effect upon issuance of a Commission order approving the proposed settlement, followed by two successive step adjustments (Step I and Step II), to be submitted for review in separate filings no sooner than June 20, 2022. Both step adjustments would be subject to audit by the DOE Audit Division and effective dates that will be spread out to avoid rate shock. Proposed implementation dates are no sooner than December 16, 2022 for the Step I adjustment and no sooner than June 16, 2023, for the Step II adjustment.

B. Permanent Rate Revenue Requirement

The Settling Parties agreed to an overall revenue requirement of \$2,540,482, representing an increase of 13.30 percent, or \$298,319, over pro forma 2019 test year

annual water revenues of \$2,242,163, based on a total test year rate base of \$5,292,591, which the Settling Parties agree is prudent, used, and useful. The Settling Parties further agree to an overall rate of return of 6.20 percent, which, when applied to the agreed-upon rate base, results in an operating income requirement of \$328,060. A detailed proposed timeline for the process entailed for filing, review, approval, and implementation of the proposed framework for resolution of the issues raised in this proceeding is recommended by the parties as part of the Settlement Agreement.

C. Step Adjustments I and II

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 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 SNHRW Project contract; and (3) various other operating income adjustments.

The Settling Parties further agree that the Company may file its Step I 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 calculations 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's revenue requirement, utilizing a rate of return of

4.50 percent. The Company's rate base will increase by no greater than \$2,368,015, for a total not to exceed \$7,660,606.

D. Maximum Combined Effect of Permanent Rate Revenue Requirement, and Step I and Step II Adjustments

The stepped approach is intended to lessen the overall rate impact on customers when new permanent rates, inclusive of approved step increases, are approved. Accordingly, the Settling Parties recommend that the maximum combined effect of the Permanent Rate Revenue Requirement (\$298,319), Step I (not to exceed \$258,450), and Step II (not to exceed \$220,023), would be a total maximum revenue requirement increase of \$776,792. Upon approval of Step II, the resulting revenue requirement would not exceed \$3,018,955, representing a 34.64 percent increase in the pro forma 2019 test year water revenues of \$2,242,163. HAWC's rate base will increase by no greater than \$175,549, for a total not to exceed \$7,836,155. The cumulative impacts are given in the table below.

Cumulative Impact on Rate Base from the 13 Month Average used in Test Year				
	13-month Average Rate Base	Rate Base Effective Date of this Order	Proposed Step 1 Rate Base	Proposed Step 2 Rate Base
Amount	\$4,915,227	\$5,292,591	\$7,660,606	\$7,836,155
Cumulative Dollar Increase		\$377,364	\$2,745,379	\$2,920,928
Cumulative Percentage Increase		7.68%	55.85%	59.43%

E. Effective Date of Permanent Rate Revenue Requirement Increase

The Settling Parties agree and recommend that the effective date for permanent rates should be the earlier of June 17, 2022, or the date the Commission issues an order approving the Settlement Agreement, on a service-rendered basis.

F. Cost of Equity

The Settling Parties agree and recommend approval of a cost of common equity in this proceeding of 9.63 percent with a capital structure for purposes of determining the permanent rate revenue requirement of 55.05 percent debt and 44.95 percent equity. The cost of common equity will be used in the calculation of the proposed permanent rate revenue requirement and the proposed Step I and Step II Adjustments.

G. Rate Design

The Settling Parties agreed to a proposed rate design for permanent rates with customer charges based on pipe size, volumetric charge, and private fire protection based on pipe size. The proposed rates are laid out within the Settlement Agreement (pages 9-11 of Exhibit No. 3) and based on a monthly rate and a consumption charge per CCF of water consumed.

H. Municipal Fire Protection Rate and Amended Tariff Language

The Settling Parties agree and recommend that the Towns of Atkinson and Hampstead will no longer be billed on a per hydrant charge or subject to an annual availability fee but will be billed annually pursuant to an updated tariff in the following amounts: Atkinson - \$93,615.00, and Hampstead - \$68,730.00, based on the number of hydrants in the Company's test year and applied to the COSS for each town. These rates will remain unchanged by the implementation of the proposed Step I and Step II Adjustments. The service provision description included in the Company's current tariff will be modified accordingly.

The Settling Parties further agree and recommend that the Company's shareholder will make a contribution to HAWC toward the first year's increased municipal fire protection charge totaling \$65,472.50, including \$37,754.20 toward

Atkinson's costs, and \$27,718.30 toward Hampstead's costs. The Settling Parties agreed that the shareholder contributions will not be recovered by inclusion in rate base or otherwise from customers.

I. Conversion of Private Fire Protection Charge from Quarterly to Monthly

The Settling Parties agree and recommend that the Company may change its private fire protection billing cycle from quarterly to monthly.

J. Water Infrastructure and Conservation Adjustment (WICA)

The Settling Parties agree and recommend that the Company's requests for: (1) a WICA mechanism; (2) the implementation of inclining block rates; and (3) a tariff amendment to collect the MSDC fee from new service applications will be withdrawn. Nothing in the Settlement Agreement prohibits the Company from refileing its requests in its next full rate proceeding.

K. Temporary to Permanent Rate Recoupment

The Settling Parties agree and recommend that the temporary to permanent rate recoupment apply only to the time period from the effective date of temporary rates (June 30, 2021) through the date of the Commission order approving the Settlement Agreement, permanent rate revenue requirement, and resulting permanent rates. The recoupment period does not extend to the proposed Step I or Step II Adjustments.

The Company further agreed to submit its temporary to permanent rate calculation and proposed recoupment within 30 days of the Commission's order approving the Settlement Agreement. The DOE agrees to review that submission, which may include discovery, and to submit a report to the Commission for approval of the resulting proposed credit or surcharge.

L. Rate Case Expenses

The Settlement Parties agree and recommend approval of HAWC's recovery of reasonable rate case expenses for this proceeding through a surcharge to customers. Those expenses may include, but are not limited to, consultant expenses, incremental administrative expenses such as copying and delivery charges, and other such rate case related expenditures allowed under N.H. Admin. R., Puc 1906.01. The Company agrees to file its final rate case expenses and proposal for surcharge recovery, pursuant to Puc 1905.02, no later than 30 days from the date of the Commission's order approving the Settlement Agreement. The Settling Parties agree that the DOE will review the Company's proposal and provide a report for the Commission's consideration prior to the issuance of an order on rate case expense recovery.

The resulting surcharge shall be reflected as a separate item on all customers' bills. The final report provided by the DOE should combine both its review of the temporary to permanent rate recoupment and rate case expenses. The Company further agrees to file, within 15 days of the Commission's order approving rate case expense recovery, a compliance tariff supplement including the approved surcharge and the average monthly surcharge per customer, if applicable.

M. Stay-Out Provision

The Settling Parties agree and recommend that, in recognition of the proposed June 2023 date of rate implementation for the proposed Step II Adjustment, the earliest the Company will file its next full rate proceeding will be January 1, 2025, utilizing a 2024 test year.

N. Administrative Commitments

The Company agrees to file all required reports, including, but limited to, Form E-17, Annual Report of Hydrant Inspection (Puc 609100, and Form E-18, Report of

Interruptions of Service Over 30 Minutes Duration (Puc 609.11). The Company also commits to seeking a waiver from the Commission for Puc 605.04 governing test schedules for meters, if it continues its practice of replacing 5/8-inch and 3/4-inch meters after ten years of service instead of testing said meters.

O. Miscellaneous Provisions

The Settling Parties stipulated in the Settlement Agreement that the agreement is conditioned upon the Commission's acceptance of all provisions, without change or condition. In the event the Commission does not accept the Settlement Agreement without change or condition or make any findings beyond the scope of the Settlement Agreement and the Settling Parties are unable to agree with such changes, conditions, or findings, the Settlement Agreement will be deemed to be withdrawn and shall not constitute any part of the record in this proceeding or used for any other purpose. The Settling Parties further agree that the Commission's acceptance of the Settlement Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified therein.

VI. COMMISSION ANALYSIS

Pursuant to RSAs 374:2, 378:7, and 378:28, the Commission may approve permanent rates if it finds that they are just and reasonable and reflect capital improvements that are found to be prudent, used, and useful. In determining whether rates are just and reasonable, the Commission acts as the arbiter between the interests of customers and the regulated utility. RSA 363:17-a. The utility bears the burden of proving the necessity of increased rates. RSA 378:8.

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 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, 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. Pursuant to RSAs 374:2, 378:7, and 378:28, the Commission may approve permanent rates if it finds they are just and reasonable and reflect capital improvements that are found to be prudent, used, and useful. In determining whether rates are just and reasonable, the Commission acts as arbiter between the interests of customers and the regulated utility. RSA 363:17-a. The utility bears the burden of proving the necessity of increased rates. RSA 378:8.

The Settling Parties testified at the hearing held on May 11, 2022, in support of the Settlement Agreement provisions as just and reasonable, as set forth above.

Intervenor Karen Steele testified in opposition to the Settlement Agreement, noting concern regarding the Company’s treatment of fire protection costs and potential issues regarding the calculations underlying the Company’s proposed revenue requirements.

We have reviewed the evidence regarding the proposed permanent rates and the terms of the Settlement Agreement as presented in written testimony filed by parties and in oral testimony presented at the hearing held on May 11, 2022, regarding the permanent rates proposed by HAWC in its petition. Based on HAWC’s projected sales and demand, and the analysis provided by the Class Cost of Services Study, as

supported through witness testimony, we find the proposed revenue requirement will produce rates necessary to maintain safe and adequate service. We further find that the Settlement's approach to addressing and balancing the potential rate impacts on customers leads to just and reasonable results that serve the public interest. We therefore approve the requested permanent rates pursuant to RSA 378:28 and Puc 203.20(b). Accordingly, we find the Settlement Agreement to be just and reasonable and approve it.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement regarding permanent rates as submitted by HAWC in this docket is **APPROVED**; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 1603, HAWC shall submit properly annotated revised tariff pages within 15 days of the date of this order; and it is

FURTHER ORDERED, that DOE shall review the annotated revised tariff pages and submit its assessment of the annotated changes within 10 days of the Company's submission of the revised tariff pages;

FURTHER ORDERED, that HAWC shall file, within 30 days of the date of this order, documentation of the difference between temporary rates pursuant to Order No. 26,566 and the permanent rates approved herein, and a proposed surcharge for recovering the difference from customers, reviewed and accepted by the New Hampshire Department of Energy; and it is

FURTHER ORDERED, that HAWC shall file a request for recovery of its rate case expenses with the Commission when its rate case expenses are finalized; and it is


FURTHER ORDERED, that the Company shall file all necessary documentation and reports in support of regulatory costs noted above, as required by the Settlement Agreement; and it is

FURTHER ORDERED, that HAWC shall file a petition for the proposed Step I Adjustment, or a combined petition for both Step I and II Adjustments, no sooner than June 20, 2022, to be reviewed in a separate proceeding with the participation of the New Hampshire Department of Energy; and it is

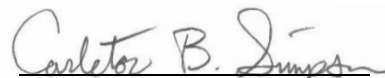
FURTHER ORDERED, that any Step I adjustment or Step II adjustment proposed by HAWC and reviewed by the New Hampshire Department of Energy, if approved by the Commission, shall not take effect before December 16, 2022, or June 16, 2023, respectively; and it is

FURTHER ORDERED, that all other provisions of the Settlement Agreement, including commitments made by the New Hampshire Department of Energy to review the Company's filings and provide reports to the Commission, are APPROVED and shall remain in effect unless and until the Commission rules otherwise, pursuant to the subsequent submission by the Settling Parties of petitions requesting any alteration of those commitments.

By order of the Public Utilities Commission of New Hampshire this second day of June, 2022.



Daniel C. Goldner
Chairman



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 20-117

Printed: 6/2/2022

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