

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION  
AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.  
REQUEST FOR CHANGE IN RATES

Docket No. DW 20-184

Aquarion Petition for Temporary and Permanent Rates

**STIPULATION RECOMMENDING  
APPROVAL OF STEP ADJUSTMENT BY ORDER *NISI***

**I. Introduction**

In Order No. 26,659 (July 29, 2022) (the “Order”), the Public Utilities Commission (“Commission”) approved a comprehensive settlement agreement (the “Settlement”) entered into by all parties to this docket, which include: Aquarion Water Company of New Hampshire, Inc. (“Aquarion”, or the “Company”), the New Hampshire Department of Energy (“DOE”), the Office of the Consumer Advocate (“OCA”), and the Towns of Hampton and North Hampton (together the “Settling Parties”), approving permanent rates for the Company. The Settlement included a single step adjustment (the “Step Adjustment”) with a not-to-exceed amount of \$1,561,436, and provided that the final amount “shall be subject to DOE audit and reconciliation based on the results of the audit, and subject to final approval by the Commission.”<sup>1</sup> On September 22, 2022, Order No. 26,680 (the “Rehearing Order”) subsequently modified the Order by removing \$44,442 from the Step Adjustment relating to wages, salaries and benefits the Commission deemed to be “past those related to the non-revenue producing capital projects included within the step adjustment.” (Rehearing Order at 4). None of the facts of this stipulation are in dispute.

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<sup>1</sup> Exh. 22 at 6-8.

## II. Request for Implementation of Step Adjustment

The DOE audit has been concluded (included as Attachment F), including subsequent discovery by DOE (included as Attachment E), and the final Step Adjustment amount has been agreed to by the Settling Parties. The final Step Adjustment amount includes the removal of the \$44,442 as directed by the Commission in the Rehearing Order. The Step Adjustment, as described in the Settlement and approved by the Commission in the Order and Rehearing Order, reflects the agreement of the Settling Parties, and after a “thorough review of the calculations and components” of the Step Adjustment, as directed by the Rehearing Order, there are no further recommendations by the Settling Parties or issues in dispute.

Therefore, in accordance with the previously approved Settlement, as modified by the Rehearing Order, the Commission may authorize implementation of a Step Adjustment totaling \$1,328,088, which represents an 18.2 percent increase to the Company’s permanent rate revenue requirement of \$7,311,566 previously approved in the Order.<sup>2</sup> This increase is 3.2 percent less than the not-to-exceed amount included in the Settlement.<sup>3</sup>, which is 3.2 percent less than the originally-agreed to Step Adjustment.

It is recommended that the Commission approve the proposed Step Adjustment without further process via order *nisi*, as authorized by Puc 203.20. Based on the consensus agreement related to implementation of the Step Adjustment as agreed upon in the Settlement Agreement, the Commission may cancel the hearing currently scheduled on December 1, 2022, as there are no contested issues in this matter, and the Commission has already held a hearing regarding the

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<sup>2</sup> After implementation of the proposed step, the Company’s revenue requirement will be \$8,639,654. The proposed step, when combined with the previously approved permanent rate revenue decrease of \$(305,227) (*See* Order at 3, 4, and 12), results in an overall net increase in revenues of \$1,022,861 [ $$(305,227) + \$1,328,088$ ], or 13.4%, from the Company’s pro forma 2019 test year revenues of \$7,616,793.

<sup>3</sup> The Settlement provided for a maximum 21.4 percent increase in the Company’s permanent revenue requirement with the step adjustment. (include citation).

resulting rate change from the Step Adjustment when it considered the Settlement on June 22, 2022. It is worth noting that the Commission approved a maximum revenue requirement increase in the Order, as reaffirmed by the Rehearing Order, and that the final Step Adjustment figures stipulated to herein are less than that approved amount, which includes the mandated removal of the \$44,442.<sup>4</sup>

### **III. Step Adjustment Criteria**

Consistent with the Settlement and the Order, the Step Adjustment reflects an increase to account for calendar years' 2020 and 2021 plant-in-service along with associated known and measurable operating expense increases, which are depreciation, state property taxes, and the like (with the exception of wages, salaries and benefits that are not related to non-revenue producing capital projects) not to exceed \$1,561,436. In deriving the proposed Step Adjustment amount of \$1,328,088, the Settling Parties removed the wages, salaries, and benefits totaling \$44,442 indicated in Order No. 26,659 as well as made other adjustments resulting from the Final Audit Report. These adjustments are identified in Attachment A.

Consistent with the Settlement, the Step Adjustment also adheres to the following criteria:

- Local property taxes are not included in the calculation and will be recovered through the Property Tax Adjustment Mechanism (“PTAM”) described in Section 6 of the Settlement.
- State utility property taxes for all projects listed in Appendix 4 of the Settlement, calculated using the statutory tax rate in RSA 83-F:2, are in the Step Adjustment calculation.
- Depreciation expense was calculated using the approved whole-life methodology.

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<sup>4</sup> The Settlement Agreement recommended a maximum Step Adjustment increase of \$1,561,436 (Exh. 22 at 6), Removing the \$44,442, as directed by the Order and Rehearing Order, the resulting maximum amount for the Step Adjustment as approved by the Commission is \$1,516,994 ( $\$1,561,436 - \$44,442 = \$1,516,994$ ). The resulting Step Adjustment increase, as stipulated to by the Settling Parties, now amounts to \$1,328,088, which is a \$188,906 decrease from the maximum Step Adjustment amount previously approved by the Commission ( $\$1,516,994 - \$1,328,088 = \$188,906$ ).

The Step Adjustment was audited by the DOE, and the final audit is included with this recommendation as Attachment F. This review included the following documentation and process steps, consistent with the Settlement and Order approving the Settlement:

- The Step Adjustment was subject reconciliation based on the results of the audit;
- The amount of the investments to be included in the step increase (by project) and detailed project descriptions including the initial budget, the final cost, the treatment of any related retirements, and the date each project was booked to plant in-service;
- For each project, Aquarion provided all project documents including, but not limited to, business cases, capital project expenditure applications, change order forms, project close out reports, and work orders; and
- The Settling Parties were able to request additional information after reviewing the initial filing.

Once the audit was concluded, the Company responded to discovery propounded by the DOE, copies of which are included with this recommendation as Attachment E. The Company and DOE also held a technical session with all Settling Parties, consistent with the Commission's direction for further, thorough review, which proved sufficient to resolve all open issues and resulted in this consensus recommendation of a Step Adjustment amount of \$1,328,088.

#### **IV. Rate Change Resulting from the Step Adjustment**

The Settlement as approved by the Order directs that both the permanent rate and Step Adjustment shall become effective on the same date to minimize rate variability and avoid customer confusion. Thus, the net increase in the Company's revenue requirement will be approximately \$1,022,861, or 13.4 percent, once both the permanent rate and the Step Adjustment become effective.<sup>5</sup> Detailed calculations reflecting the impact of the Step Adjustment on

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<sup>5</sup> The net increase in the revenue requirement includes the permanent rate revenue requirement decrease of \$305,227 (Exh. 22 at 4), combined with the requested Step Adjustment increase of \$1,328,088, resulting in \$1,022,861 ( $(\$305,227) + \$1,328,088 = \$1,022,861$ ).

permanent rates, including the increase to the revenue requirement are included in Attachment B to this stipulation, which was prepared using the same format as the initial Schedules 5 submitted with the original rate case filing.<sup>6</sup>

After calculating the resulting rates through the Company's cost of service study provided for in its initial rate filing, the resulting rates as depicted in the redlined and clean illustrative tariff pages, included as Attachment D, are reflective of the final Step Adjustment. An average single-family residential ratepayer using approximately 50,500 gallons annually, will experience an approximate annual increase of \$67.49 (15.6%), or \$5.62 per month. See Attachment C.

**V. Stipulation of the Parties Eliminates Need for Hearing**

Consistent with the approved Settlement, the provided calculations support that the Step Adjustment will result in just and reasonable rates, as the Step Adjustment amount is below the not-to-exceed limit approved by the Commission. Therefore, due process does not require a separate hearing to approve these resulting rates.

Puc 203.20 states:

(b) The commission shall approve a disposition of any contested case by stipulation, settlement, consent order or default, if it determines that the result is just and reasonable and serves the public interest.

(c) The parties to any proceeding before the commission shall, by stipulation in writing filed with the commission or entered in the record at the hearing, agree upon the facts or any portion thereof involved in the hearing when such facts are not in dispute among the parties.

(d) If a stipulation is filed and is not contested by any party, the stipulation shall bind the commission as to the facts in question, and the commission shall consider the stipulation as evidence in the decision of the matter.

The Commission has already approved a Step Adjustment amount of up to \$1,561,436, and the final amount of the Step Adjustment of \$1,328,088 is below that limit. Additionally, the

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<sup>6</sup> See Docket No. DW 20-184 tab 6.

“thorough review of the calculations and components” has been completed, as the Settling Parties have met and exchanged discovery—through an effort led by the DOE—satisfying the Commission’s and the Settlement’s requirements that all costs included in the Step Adjustment were deemed to be prudently incurred. This document stipulates that the rates that will result from approval of the Step Adjustment are just, reasonable and in the public interest, and no facts in this stipulation are in dispute. Eliminating the hearing and approving the Step Adjustment via order *nisi* would save the Settling Parties and the Commission valuable time and resources, and consequently minimize costs to customers. Therefore this stipulation should be entered into the record as evidence pursuant to Puc 203.20(d), and the Commission should issue an order *nisi* approving the Step as authorized by Puc 203.20(b).

**VI. Rate Case Expenses and Temporary-to-Permanent Rate Recoupment**

Once the Step Adjustment has been approved, the Company’s temporary rate period will end, and both permanent rates and the Step Adjustment become effective. After such time, Aquarion will file the calculation of its temporary-to-permanent rate recoupment amount to be refunded to customers, along with the final total amount of rate case expenses. While the Company anticipates that these amounts will mostly offset each other, the Company will provide these calculations within 30 days of the Commission’s Order approving the Step Adjustment, as consistent with the Settlement. Exh. 22 at 13 and the Order.