

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

LAKES REGION WATER COMPANY, INC.

Docket Nos. DW 20-187 and DW 22-068

Petitions for Approval of Permanent Rates and Step Adjustment

**SETTLEMENT AGREEMENT OF PARTIES REGARDING TEMPORARY-TO-
PERMANENT RATE REVENUE RECONCILIATION AND RATE CASE EXPENSES**

I. INTRODUCTION

This Settlement Agreement of Parties Regarding Temporary-to-Permanent Rate Revenue Reconciliation and Rate Case Expenses (Agreement) is entered into this 25th day of October 2023, by and among Lakes Region Water Company, Inc. (Lakes Region or Company) and the New Hampshire Department of Energy (DOE) (collectively the Settling Parties) based on the following.

II. PROCEDURAL BACKGROUND

Lakes Region is a regulated utility defined by RSA 362:2 and RSA 362:4, providing water service to approximately 1,829 customers in the communities of Albany, Campton, Conway, Freedom, Gilford, Laconia, Moultonborough, Ossipee, Tamworth, Thornton, and Tuftonboro.

A. Docket No. DW 20-187: Permanent and Temporary Rates

On January 15, 2021, Lakes Region submitted the *Petition for Permanent and Temporary Rate Increases* (Permanent Rate Petition) in Docket No. DW 20-187. In its Permanent Rate Petition, Lakes Region requested an increase in, and consolidation of, its permanent rates, including the rates for its Previously Approved-Consolidated Tariff Systems, Dockham Shores

Division, and Wildwood Division. On April 7, 2021, the Lake Ossipee Village homeowners (“LOV”) submitted a petition to intervene, to which the Company assented on April 22, 2021. The Commission granted LOV’s petition to intervene on August 3, 2021.

On August 30, 2021, Lakes Region, LOV, and the DOE filed the *Settlement Agreement – Temporary Rates* (Temporary Rate Agreement). The Temporary Rate Agreement provided for separate and distinct temporary rates for Lakes Region’s Previously Approved-Consolidated Tariff Systems, Dockham Shores Division, and Wildwood Division, pending approval of the requested consolidation of these three rate groups and associated permanent rates. On September 23, 2021, the Commission approved the Temporary Rate Agreement in Order No. 26,522, thereby making the temporary rates effective as of September 23, 2021.

On April 28, 2022, as a result of discovery and technical session discussions, Lakes Region and the DOE filed the *Settlement Agreement – Permanent Rates* (Permanent Rate Agreement). The Permanent Rate Agreement requested that the Commission approve, among other items, consolidation of the three rate groups, an associated permanent rate revenue requirement for the new consolidated group, and a Step I Adjustment (Step I).

For the Company’s Previously Approved-Consolidated Tariff Systems, comprising approximately 94 percent of Lakes Region’s customer base, the Permanent Rate Agreement provided for a permanent rate revenue requirement that was lower than the temporary rates previously approved for these customers in Commission Order No. 26,522. As a result, this customer group would receive a credit through the temporary-to-permanent rate revenue reconciliation process as also provided for in the Permanent Rate Agreement and RSA 378:29.

Conversely, the customers in the Company’s Dockham Shores and Wildwood Divisions experienced a rate increase resulting from the change from their previously approved temporary

rates to the permanent rates under the Permanent Rate Agreement. Therefore, these two rate groups would be subject to a temporary-to-permanent rate recoupment surcharge.

The Step I Adjustment in the Permanent Rate Agreement provided for a subsequent rate increase for all of Lakes Region's customers. The Settling Parties recognized, therefore, that because of Step I, the majority of the Company's customers in the Previously Approved-Consolidated Tariff Systems rate group would likely experience a rate decrease resulting from the change from temporary to permanent rates, followed soon thereafter by a rate increase from the implementation of Step I rates. Therefore, in order to avoid potential customer confusion resulting from these conflicting rate changes, the Permanent Rate Agreement provided that the permanent rate revenue requirement and the Step I rate increase be implemented concurrently. The Permanent Rate Agreement also provided for the Company to continue to charge its approved temporary rates until the date set by the subsequent Commission Order approving Step I, subject to the protection of the temporary rate reconciliation mechanism provided by RSA 378:27 and RSA 378:29.

Lastly, the Permanent Rate Agreement recommended that the Commission approve Lakes Region's recovery of its reasonable rate case expenses allowed under N.H. Admin. R., Puc 1906.01. This would be recovered via a surcharge to customers that would be reflected as a separate item on customer bills and would be offset by the credit an individual customer might be entitled to from the temporary-to-permanent rate recoupment. The Permanent Rate Agreement also provided that the DOE would review the Company's rate case expense proposal and provide a final report to the Commission that, for purposes of administrative efficiency, would combine both its review of the temporary-to-permanent rate revenue reconciliation and rate case expenses.

On May 27, 2022, the Commission issued Order No. 26,663 approving the Permanent Rate Agreement, subject to minor revisions subsequently issued by the Commission on July 12, 2022. As a result, Lakes Region continued to charge its temporary rates authorized in Commission Order No. 26,522, pending approval of Step I.

B. Docket No. DW 22-068: Step I

On October 19, 2022, Lakes Region submitted, in Docket No. DW 20-187, its *Petition for a Step Adjustment* (Step I Petition) pursuant to the Permanent Rate Agreement. On October 20, 2022, the Commission issued a letter acknowledging Lakes Region's Step I Petition and opened a new proceeding, Docket No. DW 22-068, to consider whether it should be approved.

On November 4, 2022, Lakes Region filed a *Partially Assented to Motion to Consolidate Step Adjustment and Rate Case* in both the permanent rate case, Docket No. DW 20-187, and in the Step I case, Docket No. DW 22-068. On November 18, 2022, the Commission issued Order No. 26,728, *Order Denying Motion to Consolidate Dockets* in both Docket Nos. DW 20- 187 and DW 22-068. However, in denying Lakes Region's motion to consolidate the proceedings, the Commission stated the following: "To the extent that administrative notice is required, we note that the proposed Step I adjustment stems from the Settlement reached in Docket No. DW 20-187 and therefore take administrative notice of the record in that proceeding." *Order Denying Motion to Consolidate Dockets, Order No. 26,728 (November 18, 2022)* at 3.¹

On March 9, 2023, Lakes Region filed a *Stipulation and Recommendation of Parties to Approve Step I Adjustment by Order Nisi* (Step I Stipulation) in Docket No. 22-068. The Step I Stipulation recommended that the Commission approve a Step I increase to be implemented by

¹ RSA 541-A:33, V provides that: "Official notice may be taken of ... (b) The record of other proceedings before the agency." This proceeding therefore, in effect, represents a continuation of Docket No. DW 20-187 in which notice and a hearing were provided to all customers.

the later of April 1, 2023, or the first day of the first month following the issuance of an order by the Commission approving the Step I Stipulation. Recognizing that temporary rates became effective on September 23, 2021, the Step I Stipulation also provided that the time period for the temporary-to-permanent rate revenue reconciliation be from September 23, 2021 through the effective date of the Commission’s order approving the Step I rates, but that the recoupment would only apply to the difference between temporary and permanent rates approved in Order No. 26,663 (and not the Step I rates subsequently approved by Order No. 26,790), resulting in a credit for Lakes Region’s Previously Approved-Consolidated Tariff System rate group and a surcharge for the Company’s Dockham Shores and Wildwood Divisions. Finally, the Step I Stipulation reiterated that Lakes Region would file its final rate case expenses and proposal for surcharge recovery, pursuant to Puc 1905.02 and that the DOE would review the Company’s rate case expense proposal and provide a final report to the Commission that would also contain its review of the temporary-to-permanent rate revenue reconciliation.

On March 27, 2023, the Commission issued Order No. 26,790, *Order Nisi Approving Step Adjustment*, which approved the Step I Stipulation effective May 1, 2023. The Commission’s order further directed Lakes Region to file a request for recovery of rate case expenses and a calculation of the reconciliation of temporary-to-permanent rates within 90 days of the effective date of Order No. 26,790, or July 31, 2023. No person submitted comments or a request for a hearing and Step I was implemented by Lakes Region for service rendered on May 1, 2023.

C. Temporary-to-Permanent Rate Reconciliation, Rate Case Expense, and Proposed Surcharge Filing

On July 28, 2023, Lakes Region filed its request for recovery of rate case expenses, encompassing both Docket Nos. DW 20-187 and DW 22-068, and its proposed reconciliation of

temporary-to-permanent rates pursuant to Commission Order No. 26,790. The Company's original filing proposed recovery of a total of \$94,767.62 in rate case expenses relative to permanent rates and Step I, which, when offset by a net temporary-to-permanent rate customer credit of \$38,065.44, resulted in a proposed net recovery amount for the Company of \$56,702.18. To recover this amount, Lakes Region proposed a net surcharge of \$25.91 per customer per quarter for two quarters assessed to all of the Company's 1,829 current customers.²

On August 15, 2023, the Commission issued a Procedural Order in Docket No. DW 20-187 requesting that the DOE file its recommendation regarding rate case expenses on or before September 20, 2023. The Commission's order further directed that the DOE's recommendation should not include any recommendation regarding Lakes Region's recovery of rate case expenses in Docket No. DW 22-068 and referenced Commission Order No. 26,728 (November 22, 2022) denying the Company's Motion to Consolidate Docket Nos. DW 20-187 and DW 20-068. On August 28, 2023, the DOE filed an assented-to proposed procedural schedule which provided for data requests and technical sessions to review Lakes Region's request and the filing of either a Settlement Agreement or DOE Report by October 26, 2023. On August 31, 2023, the Commission issued a procedural order approving the proposed procedural schedule.

Lakes Region's responses to DOE data requests and technical session requests are set forth as Attachment A to this Agreement. As a result of Lakes Region's responses to data requests and review during technical sessions, Lakes Region and the DOE reached agreement on and recommend approval of the following settlement terms. For purposes of administrative efficiency, this agreement encompasses separate surcharges for both DW 20-187 and DW 20-068 and is filed in both dockets.

² $\$94,767.62 - \$38,065.44 = \$56,702.18 \div 1,829 \text{ customers} = \$51.81/\text{customer} \div 2 \text{ quarters} = \25.91 surcharge

II. SETTLEMENT TERMS

A. Docket No. DW 20-187: Proposed Surcharge

1. Temporary-to-Permanent Rate Revenue Reconciliations: The Settling Parties agree that because separate and distinct Temporary Rates were authorized and charged to Lakes Region's Previously Approved-Consolidated Tariff Systems, Dockham Shores Division, and Wildwood Division (See Commission Order No. 26,522 (September 23, 2021)), separate and distinct Temporary-to-Permanent Rate Reconciliation credit / recovery amounts should also be calculated for the three respective rate groups. The Settling Parties, therefore, agree and recommend that the Commission authorize implementation of a temporary-to-permanent rate revenue reconciliation in accordance with RSA 378:29, as follows:

- Previously Approved-Consolidated Tariff Systems (1,718 customers) - \$44,865.11 total revenue credit
 - \$26.11 revenue credit per customer ($\$44,865.11 \text{ credit} \div 1,718 \text{ customers}$)
- Dockham Shores Division (62 customers) - \$1,789.79 total revenue recoupment
 - \$28.87 revenue recoupment per customer ($\$1,789.79 \text{ recovery} \div 62 \text{ customers}$)
- Wildwood Division (49 customers) - \$6,398.76 total revenue recoupment
 - \$130.58 revenue recoupment per customer ($\$6,398.76 \div 49 \text{ customers}$)

The Settling Parties further agree that the detailed calculations of these reconciliation amounts are contained in Attachment B to this Agreement, and have been reviewed by the DOE Staff.

2. Rate Case Expenses: The Settling Parties agree that Lakes Region incurred a total of \$75,166.35 in rate case expenses specifically associated with the adjudication and approval of permanent rates in Docket No. DW 20-187. The Settling Parties further agree that these rate case expenses are further detailed in Attachment B to this Agreement, and have been reviewed by the DOE Staff. As such, the Settling Parties respectfully recommend the Commission approve Lakes Region's recovery of a total of \$75,166.35 in rate case expenses related to the

permanent rates authorized in Docket No. DW 20-187 in accordance with N.H. Admin R., Puc 1903.05, and that these rate case expenses should be assessed evenly across the Company's entire 1,829 customer base, or \$41.09 per customer ($\$75,166.35$ total rate case expenses \div 1,829 customers) via a surcharge in accordance with Puc 1908.01.

3. Proposed Surcharges: The Settling Parties agree and recommend the Commission approve three separate and distinct surcharges for the Previously Approved-Consolidated Tariff Systems, the Dockham Shores Division, and the Wildwood Division. This would accomplish both recovery of the above-proposed rate case expenses totaling \$75,166.35 as well as the credit / recoupment of the above-proposed Temporary-to-Permanent Rate reconciliations for the Previously Approved-Consolidated Tariff Systems of \$(44,865.11), Dockham Shores Division of \$1,789.79, and Wildwood Division of \$6,938.76. The Settling Parties further agree and recommend the Commission approve a recovery period of two billing quarters for the Previously Approved-Consolidated Tariff Systems and eight billing quarters for both the Dockham Shores Division and Wildwood Division, respectively, as follows:

- **Previously Approved-Consolidated Tariff Systems** (1,718 customers):

| | |
|---|-----------------------|
| Total Rate Case Expense per Customer | \$ 41.09 |
| Total Revenue Credit per Customer | <u>(26.11)</u> |
| Net Recovery per Customer | \$ 14.98 |
| Proposed Recovery Quarters | ÷ 2 |
| Proposed Surcharge Per Customer Per Quarter | <u><u>\$ 7.49</u></u> |
- **Dockham Shores Division** (62 customers):

| | |
|---|-----------------------|
| Total Rate Case Expense per Customer | \$ 41.09 |
| Total Revenue Recoupment per Customer | <u>28.87</u> |
| Net Recovery per Customer | \$ 69.96 |
| Proposed Recovery Quarters | ÷ 8 |
| Proposed Surcharge Per Customer Per Quarter | <u><u>\$ 8.75</u></u> |
- **Wildwood Division** (49 customers):

| | |
|---|------------------------|
| Total Rate Case Expense per Customer | \$ 41.09 |
| Total Revenue Recoupment per Customer | <u>130.58</u> |
| Net Recovery per Customer | \$171.67 |
| Proposed Recovery Quarters | ÷ 8 |
| Proposed Surcharge Per Customer Per Quarter | <u><u>\$ 21.46</u></u> |

B. Docket No. DW 22-068: Proposed Surcharge

The Settling Parties agree that Lakes Region incurred a total of \$19,245.01 in rate case expenses specifically associated with the adjudication and approval of Step I in Docket No. DW 22-068. The Settling Parties further agree that these rate case expenses are further detailed in Attachment B to this Agreement, and have been reviewed by the DOE Staff. As such, the Settling Parties respectfully recommend the Commission approve Lakes Region's recovery of a total of \$19,245.01 in rate case expenses related to Step I authorized in Docket No. DW 22-068 in accordance with N.H. Admin R., Puc 1903.05, and that these rate case expenses should be assessed evenly across the Company's entire 1,829 customer base, or \$10.52 per customer (\$19,245.01 total rate case expenses ÷ 1,829 customers) via a surcharge in accordance with Puc 1908.01. The Settling Parties further agree and recommend the Commission approve a recovery period of two billing quarters for the Previously Approved-Consolidated Tariff Systems resulting

in a surcharge per customer per quarter of \$5.26 ($\$10.52 \div 2$ quarters), and eight billing quarters for both the Dockham Shores Division and Wildwood Division, respectively, resulting in a surcharge per customer per quarter of \$1.32 ($\$10.52 \div 8$ quarters).

C. Summary

To assist with showing the calculations of the above proposed surcharges for both Docket Nos. DW 20-187 and DW 22-068 as well as their projected customer impacts, the Settling Parties agree to provide the following summary chart. The Settling Parties agree that the following rates comply with RSA 378:29 and the Commission's Puc 1900 Rules and are just and reasonable and in the public interest and recommend that they be approved by the Commission:

| | | | | | (1) | (2) | (3) | (4) | (5) | (6) |
|--|--|---------------------------|--------------|--------------------|-----------------------|-----------------------|----------------------|--------------------|---------------------|---------------------|
| | | | | | Total | Temp/Perm | Temp/Perm | Temp/Perm | RCE | Step |
| | | | | | Consolidated | Dockham Shores | Wildwood | | | |
| Temporary/Permanent Rate Reconciliation | | | | | \$ (44,865.11) | \$ (44,865.11) | | | | |
| Dockham Shores Temp/Perm | | | | | \$ 1,789.79 | | \$ 1,789.79 | | | |
| Wildwood Temp/Perm | | | | | \$ 6,398.76 | | | \$ 6,398.76 | | |
| Total Temp/Perm | | | | | \$ (36,676.56) | \$ (44,865.11) | \$ 1,789.79 | \$ 6,398.76 | | |
| DW 20-187-Rate Case Expenses | | | | | \$ 75,166.35 | | | | \$ 75,166.35 | |
| DW 22-086 Step Adjustment Expenses | | | | | \$ 19,245.01 | | | | \$ - | \$ 19,245.01 |
| Total Amount | | | | | \$ 57,734.80 | \$ (44,865.11) | \$ 1,789.79 | \$ 6,398.76 | \$ 75,166.35 | \$ 19,245.01 |
| Total Consolidated Metered Customers | | | | | 1121 | 1121 | | | 1121 | 1121 |
| Total Consolidated Unmetered Customers | | | | | 596 | 596 | | | 596 | 596 |
| Dockham Shores | | | | | 62 | | 62 | | 62 | 62 |
| Wildwood | | | | | 49 | | | 49 | 49 | 49 |
| Total WVG Pool | | | | | 1 | 1 | | | 1 | 1 |
| Total 2022 Customer Base | | | | | 1,829 | 1718 | 62 | 49 | 1829 | 1,829 |
| Surcharge per customer | | | | | \$ 31.57 | \$ (26.11) | \$ 28.87 | \$ 130.59 | \$ 41.10 | \$ 10.52 |
| DW 20-187 & DW 22-086 | | | | | | | | | | |
| Separate surcharges for permanent and step increases | | | | | | | | | | |
| | | Temp/Prm & RCE Qtrs | Step Qtrs | Temp/Perm & RCE | | Step | Initial Surcharge | | | |
| Consolidated | | 2 | 2 | \$7.49 | \$ 5.26 | | \$12.75 | | | |
| Dockham Shores | | 8 | 8 | 8.75 | \$ 1.32 | | 10.06 | | | |
| Wildwood | | 8 | 8 | 21.46 | \$ 1.32 | | 22.78 | | | |

D. Request for Commission Approval by Order Nisi

The Settling Parties request that the Commission approve this Agreement without further process via order(s) nisi. The Settling Parties contend that there are no contested issues in this matter, and that the Commission has already held hearings regarding the resulting rate changes as required by RSA 378:7 in its considerations of both Docket Nos. DW 20-187 and DW 22-068.

E. Effective Date For Proposed Surcharges

The Settling Parties agree and recommend that the Commission approve that the respective proposed surcharges relative to Docket No. 20-187 and Docket No. DW 22-068 shall be implemented by the Company effective on the first day of the first month following the issuance of an order(s) by the Commission approving this Agreement, unless such order(s) is issued less than five business days prior to the first day of the first following month in which case the respective surcharges shall be implemented on the first day of the second following month.

IV. CONDITIONS

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

B. The Settling Parties agree that the Commission's acceptance of this Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein.

C. This Agreement may be executed in multiple counterparts, which together shall constitute an agreement.

IN WITNESS WHEREOF, the Settling Parties have caused this Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

LAKES REGION WATER COMPANY, INC.
By Its Attorney,

NH WATER LAW



Dated: 10/25/2023

By:

Justin C. Richardson, Esq.

NH DEPARTMENT OF ENERGY

Dated: 10/26/23

By:

Matthew C. Young
Hearings Examiner