

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 22-068

LAKES REGION WATER COMPANY, INC.

Petition for Step Adjustment

Order *Nisi* Approving Step Adjustment

ORDER NO. 26,790

March 27, 2023

In this order the Commission approves a step adjustment to recover costs of water system infrastructure, which will increase rates by 10.83 percent. When combined with the earlier approved 3.12 percent increase in permanent rates, this step adjustment will result in a combined rate increase of 13.95 percent. New rates will be effective May 1, 2023.

I. PROCEDURAL HISTORY

On April 28, 2022, Lakes Region and the Department of Energy (DOE) entered into a permanent rates settlement agreement (Permanent Rates Settlement) in Docket No. DW 20-187. The petitioner, Lakes Region Water Company, Inc. (Lakes Region), filed a request for a step adjustment on October 19, 2022. The Permanent Rates Settlement provides for an overall revenue requirement for permanent rates of \$1,378,827, which represents an increase of 3.12 percent, or \$41,678, over pro forma 2019 test year revenues of \$1,337,149. The Permanent Rates Settlement provides for an additional revenue requirement increase from Step I not to exceed \$144,863, or no more than 10.83 percent based on Lakes Region's 2019 test year revenues of \$1,337,149.

The Step I Adjustment includes three components: (1) the costs of post-test year plant additions placed in service as of December 31, 2020 and 2021; (2) post-test year Annual Wage Expense increases that were deferred pending review in this proceeding; (3) and completion of paving work associated with post-test year plant additions estimated to be completed in the second quarter of 2022.

The Permanent Rates Settlement provides that the permanent rate revenue requirement and the Step I Adjustment rate increase would be implemented on the same effective date. The Permanent Rates Settlement, therefore, provided for the Company to continue to charge its approved temporary rates until the date set by the Commission Order approving the Step I Adjustment. Temporary rates are subject to the protection of the temporary rate reconciliation mechanism provided by RSA 378:27 and RSA 378:29. On May 27, 2022, the Commission issued Order No. 26,663 approving the Permanent Rates Settlement, subject to revisions subsequently issued by the Commission on July 12, 2022. As a result, Lakes Region has continued to charge its temporary rates approved by Order No. 26,522 (September 23, 2021).

On December 13, 2022, in this docket 22-068, the Commission issued a notice commencing an adjudicatory proceeding, approved a proposed procedural schedule, and scheduled a prehearing conference for February 1, 2023. DOE filed an appearance and no other parties intervened. On March 9, 2023, Lakes Region and DOE (Settling Parties) filed a stipulation and recommended that the Commission approve the terms they had agreed upon (Step Adjustment Settlement).

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the

Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-068.html>.

II. STEP ADJUSTMENT SETTLEMENT

The Settling Parties recommend approval of a Step I Adjustment consisting of the three previously approved components totaling \$144,863, which represents a 10.83 percent increase in the pro forma 2019 test year revenues of \$1,337,149. The proposed Step I Adjustment equals the not-to-exceed amount for Step I contained in the Permanent Rate Settlement approved by Order No. 26,663. According to the Settling Parties, this amount is less than the amount calculated for Step I based on actual costs. The Settling Parties agree that the combined effect of the Permanent Rate Revenue Requirement increase of \$41,678 approved in Order No. 26,663, and the proposed Step I Adjustment of \$144,863 would result in a total increase in Lakes Region's revenue requirement of \$186,541 (\$41,678 + \$144,863). The resulting revenue requirement, if Step I is approved, would be \$1,523,690, which is an approximate 13.95 percent increase in Lakes Region's pro forma 2019 test year revenues of \$1,337,149.

The Settling Parties to this Stipulation agree that the following chart indicates the impact to ratepayers of the Step I Adjustment as compared to the Permanent Revenue Requirement rates. The rate design is based upon a quarterly rate and a consumption charge on a per one hundred cubic feet (ccf) of water.

Rate Group	Approved Permanent Rate Revenue Requirement Base Charge	Proposed Combined Permanent Rate and Step I Revenue Requirement Base Charge	Approved Permanent Rate Revenue Requirement Consumption Charge	Proposed Combined Permanent Rate and Step I Revenue Requirement Consumption Charge
Consolidated Tariff Systems (Divisions with Consumption Charge)	\$148.31	\$163.89	\$5.77	\$6.38
Consolidated Tariff Systems (Divisions without Consumption Charge)	\$190.10	\$210.07	N/A	N/A
Consolidated Tariff System (Waterville Valley Gateway – Pool)	\$442.70	\$489.21	N/A	N/A
Dockham Shores	\$148.31	\$163.89	\$5.77	\$6.38
Wildwood	\$190.10	\$210.07	N/A	N/A

III. COMMISSION ANALYSIS

Unless precluded by law, disposition 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. Admin. R., 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. *Hampstead Area Water Company, Inc.*, Order No. 26,131 at 3 (May 3, 2018). Nonetheless, the Commission cannot approve a settlement, even when all parties agree, without independently determining that the result comports with applicable standards. *Id.* In this case we are presented with a Step Adjustment Settlement which seeks to increase Lakes Region's water rates.

In approving rates, the Commission must determine that the rates are just and reasonable. RSA 378:7. When a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. *See* RSA 363:17-a; *see also* *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 at 17 (March 10, 2011)

We find that the terms of the Step Adjustment Settlement represent a good balance between ratepayer and utility investor interests. The Step Adjustment Rate yields a just and reasonable overall rate increase of 13.95 percent when the permanent rates and the Step Adjustment I are combined. We therefore approve the resulting revenue requirement of \$1,523,690 and the rates described above for effect on May 1, 2023.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, we APPROVE the revenue requirement increase of \$144,863 and the resulting rate increase for the proposed Step Adjustment as set out in the Step Adjustment Settlement described above, and filed in this docket; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this order to be published on the Lakes Region Website in a visible and prominent location, with such publication to be no later than two business days from the date of this Order, and to be documented by affidavit filed with this office on or before five business days from the date of this order; and it is

FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than April 7, 2023, for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 14, 2023; and it is

FURTHER ORDERED, that this order shall be effective May 1, 2023, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

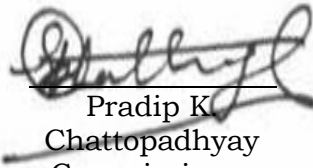
FURTHER ORDERED, that Lakes Region shall file a request for recovery of rate case expenses and a calculation of the reconciliation of temporary rates to permanent rates within 90 days of the effective date of this order; and it is

FURTHER ORDERED, that Lakes Region shall file a compliance tariff with the Commission on or before 30 days from the effective date, in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

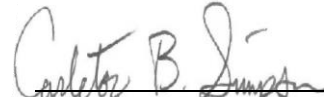
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of March, 2023.



Daniel C.
Goldner
Chairman



Pradip K.
Chattopadhyay
Commissioner



Carleton B.
Simpson
Commissioner

Service List - Docket Related

Docket#: 22-068

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