

Readopt with amendment Puc 600, effective 9-10-13 (Document #10407), to read as follows:

CHAPTER Puc 600 RULES FOR WATER SERVICE

PART Puc 601 APPLICATION OF RULES

Puc 601.01 Application of Rules. Puc 600 shall apply to any utility as defined in Puc 602.09.

PART Puc 602 DEFINITIONS

Puc 602.01 "Commission" means the New Hampshire public utilities commission.

Puc 602.02 "Customer" means any person, firm, corporation, cooperative marketing association, utility or governmental unit or subdivision of a municipality or of the state or nation supplied with water service by a utility.

Puc 602.03 "Department" means the New Hampshire department of energy.

Puc 602.04 "Discounted cash flow methodology" or "DCF" means a method of computing the cost of equity capital via the estimation of the expected flow of dividends in relation to the current market price of the stock computed by dividing the expected annual dividend by the current market price of a share of common stock and adding the expected rate of growth in dividends, as represented in the equation below, where:

(a) "k" means the cost of equity capital;

(b) "Div₁" means the annual dividend expected in year one which is calculated by multiplying the dividends paid over the current year just ended by the product of one plus the expected rate of growth in dividends, as shown in the following formula:

$$\text{Div}_1 = \text{Div}_0 (1 + g)$$

(c) "Div₀" means the dividends paid over the current year just ended;

(d) "P₀" means the current market price of a share of common stock;

(e) "g" means the expected rate of growth in dividends, which is assumed to be constant; and

(f) "k" is derived by dividing "Div₁" by "P₀" and adding "g" to the product; as shown in the following formula:

$$k = (\text{Div}_1 / P_0) + g$$

Puc 602.05 "Franchise" means the right to conduct business as a utility pursuant to RSA 374:22 and RSA 374:26.

Puc 602.06 "Meter" means a device installed by a utility for the measurement of water quantities to be used as a basis for determining charges for water service.

Puc 602.07 "Order *nisi*" means an order that will ripen or take effect at some set date in the future unless the order is rescinded by the commission before that date.

Puc 602.08 "Small water system" means any water distribution system serving fewer than 600 customers:

(a) Which has received a franchise and established an initial revenue requirement pursuant to Puc 1600;

(b) Which is not interconnected with any other water distribution system owned, operated by or affiliated with the same individual or entity; and

(c) Whose revenue requirement is established based on the value of the assets used to serve only those customers served by that water distribution system.

Puc 602.09 "Utility" means any "public utility" as defined in RSA 362:2 and RSA 362:4 owning, operating or managing any plant or equipment or any part of the same for supplying of water to the public, or engaged in the transmission or sale of water ultimately sold to the public within New Hampshire except:

(a) Municipal corporations operating within their corporate limits;

(b) Municipal corporations which are exempt pursuant to RSA 362:4, to the extent of any such exemption;

(c) Any landlord supplying water to tenants which service is included in a rental fee; or

(d) Any association of residents supplying water to themselves.

Puc 602.10 "Water service" means the furnishing of water to a customer in this state by a utility.

PART Puc 603 SERVICE PROVISIONS

Puc 603.01 Filing of Tariffs. No utility shall render service until a complete tariff, containing rate schedules, shall have been filed with the commission and published in accordance with Puc 1600.

PART Puc 604 RECORDS, REPORTS AND ACCOUNTING REQUIREMENTS

Puc 604.01 Records in General. All records shall be organized, arranged, or prepared to ensure that sufficient data is available to determine the status of compliance with these rules.

Puc 604.02 Preservation of Records.

(a) All records shall be preserved by the utility for a period of 2 years unless otherwise designated by the commission's rules or the department's rules governing the preservation of records, including Puc 604.04(b) and En 604.05 (g).

(b) The utility shall make such records available to the commission or the department upon request at the utility's office located in the state of New Hampshire.

Puc 604.03 Reports to Commission.

(a) The utility shall furnish the commission with any information concerning the utility's facilities or operations which the commission shall request and need for determining rates or judging the practices of the utility, including whether the service provided and facilities used are reasonably safe and adequate.

(b) Each utility shall file periodic reports with the commission as required by Puc 606.

Puc 604.04 Uniform System of Accounts.

(a) Each utility shall maintain its accounts and records in conformity with the "Uniform Classification of Accounts for Water Utilities" established and issued by the commission as a uniform system of accounts pursuant to RSA 374:8.

(b) Each utility shall keep and preserve all accounts and records as provided in the "Regulations to Govern the Preservation of Records of Electric, Gas and Water Utilities Regulation", governing the preservation

of records of water utilities, issued by the National Association of Regulatory Utility Commissioners, which is established and designated by the commission as part of its uniform system of accounts pursuant to RSA 374:8.

Puc 604.05 Work Order and Continuing Property Records. Each utility shall maintain a work order system and continuing property records according to the "Uniform Classification of Accounts for Water Utilities" and shall provide the commission or the department access to such records when requested.

PART Puc 605 SHORT TERM DEBT

Puc 605.01 Short Term Debt. No utility shall issue or renew any notes, bonds, or other evidence of indebtedness payable less than 12 months after the date thereof if said short term debt exceeds 10% of the utility's net fixed plant without prior commission approval pursuant to Puc 201.05.

PART Puc 606 FORMS TO BE FILED BY ALL UTILITIES

Puc 606.01 F-3 Pro Forma Income Statement at Present and Proposed Rates for Year Ended.

(a) Each utility which requests a rate increase shall file form F-3 "Pro Forma Income Statement at Present and Proposed Rates for Year Ended" with the commission and the department.

(b) Form F-3 shall include:

- (1) A caption identifying the report as "F-3 Pro Forma Income Statement" along with the name of the utility filing the report;
- (2) A breakdown of operating revenues and expenses for:
 - a. Actual year ended;
 - b. Adjustments and pro forma at present rates;
 - c. At proposed rates with additional requirements; and
 - d. Total requirements;
- (2) A calculation of rate base and a calculation of rate of return; and
- (3) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 606.02 F-4 Petition For Authority To Issue Securities.

(a) Each utility shall file form F-4 "Petition For Authority To Issue Securities" with the commission and the department when it seeks authority to issue securities.

(b) Form F-4 shall include the following:

- (1) A petition which shall include:
 - a. A caption identifying the report as "F-4 Petition for Authority to Issue Securities" along with the name of the utility filing the report;
 - b. Description of authorized and outstanding long term debt and capital stock;
 - c. Amount of short term notes outstanding;
 - d. Description of new securities;

- e. Description of what proceeds will be used for;
- f. List of exhibits attached;
- g. Certification statement as contained in Puc 1604.04;
- h. Petitioner's prayer asking for the relief requested; and
- i. The signature, full name, and title of the utility employee who supervised the preparation of the form;

(2) Application for leave to issue securities pursuant to RSA 369:3 including a statement in reasonable detail of any proposed additions, construction or working capital requirements together with any proposed construction budget;

(3) Exhibit 2, showing the estimated cost of financing including, for example, legal costs, printing, documentary tax, trustee services, financial services;

(4) Exhibit 3, current balance sheet adjusted for financing with journal entries and explanations for actual, adjustments and as adjusted;

(5) Exhibit 4, current income statement adjusted for financing including new interest, depreciation and taxes with entries for actual, adjustments and as adjusted;

(6) Exhibit 5, statement of capitalization ratios after giving effect to the proposed financing; and

(7) Exhibit 6, weighted average cost of debt.

(c) The utility shall also provide the following:

(1) A copy of the purchase and sale agreement for long term financing including any letter of commitment from a lender stating the details of financing;

(2) A copy of the mortgage indenture;

(3) A copy of terms of new common or preferred stock;

(4) A resolution of petitioner's stockholders, board of directors or other governing body of petitioner, as appropriate, authorizing the proposed financing; and

(5) An original and 6 copies of the petition and exhibits.

(d) By submitting or signing a Form F-4 petition, the persons submitting the form agree to comply with the certification requirement as set forth in Puc 1604.04.

Puc 606.03 E-22 - Report of Proposed Expenditures for Additions, Extensions, and Capital Improvements to Fixed Capital.

(a) Except as provided in (i) below, each utility shall file with the department and the commission an annual report of proposed expenditures for addition, extensions, and capital improvements to fixed capital on or before May 15 of each year.

(b) The report shall include a caption identifying the report as "E-22 Report of Proposed Expenditures for Additions, Extensions and Capital Improvements to Fixed Capital" along with the name of the utility filing the report.

(c) The utility shall report the following on Form E-22 with respect to any proposed expenditures for additions, extensions and capital improvements which meet the conditions of (d) below:

- (1) A description of the addition, extension or capital improvement;
- (2) The location of the proposed addition, extension or capital improvement;
- (3) The total estimated cost of the proposed addition, extension or improvement by work category; and
- (4) The signature, full name and title of the utility employee who supervised the preparation of the report.

(d) Each utility shall report to the commission when the probable cost of any addition, extension or capital improvement to its utility plant will exceed the reportable amounts shown in Table 6.9.1 below:

Table 6.9.1 Reportable Amounts by Utility Plant Range

UTILITY PLANT RANGE	REPORTABLE AMOUNT
\$ 400,000 and under	\$5,000
400,001 to \$ 1,000,000	10,000
1,000,001 to 2,000,000	15,000
2,000,001 to 3,000,000	22,500
3,000,001 to 50,000,000	30,000
50,000,001 to 100,000,000	50,000
100,000,001 and over	100,000

(e) The reportable amount shall be based on the gross fixed capital, as of December 31st of the calendar year immediately preceding, of each core stand-alone or satellite system with an independent source of supply.

(f) Companies with more than \$10,000,000 in fixed capital may use the next higher reporting limit for their satellite systems.

(g) The reporting limits shall apply to total project cost including contributions in aid of construction.

(h) For purposes of (d) above, reporting shall consist of:

- (1) A completed E-22 form; or
- (2) With written approval of the commission pursuant to (i) below, a construction budget.

(i) The commission shall accept a construction budget in place of individual E-22 forms if the proposed budget:

- (1) Highlights all projects above the utility's reporting limit;
- (2) Contains a level of detail appropriate to the expenditures anticipated and to identification of potential project-specific issues; and
- (3) Covers a period of no longer than one year.

(j) A utility shall file an original and duplicate copy of the report or the construction budget as follows:

- (1) An individual E-22 form no fewer than 30 days before starting actual construction or expenditure of funds; or
- (2) A construction budget no fewer than 60 days before starting actual construction or expenditure of funds.

(k) A utility may provide an additional copy of its filing and request that it be date-stamped and returned by the commission to confirm filing.

(l) If the cost of a project is anticipated to fall below the applicable reporting limit but later exceeds it, the utility shall immediately file an E-22 form at whatever time or phase of the project it becomes apparent the limit will be exceeded. This requirement shall include projects listed in a construction budget but not highlighted in accordance with (i)(1) above.

(m) Investigation of or comment on a construction budget or E-22 by the commission or department, or failure of the commission or department staff to identify prudence review issues, shall not constitute a final prudence review and the commission shall not be precluded from analyzing the merit of any expenditure in a future rate case.

(n) If a project not included in an approved construction budget arises which will exceed a utility's reporting limit, the utility shall file an E-22 form.

Puc 606.04 E-25 Water - Report of Proposed Changes in Depreciation Rates.

(a) Each utility shall file with the commission and the department "Form E-25 Water Report of Proposed Changes in Depreciation Rates" when it proposes any change in depreciation rates.

(b) A utility shall include on form E-25 Water:

- (1) A caption identifying the report as "E-25 Water Report of Proposed Changes in Depreciation Rates" along with the name of the company;
- (2) The date;
- (3) The account number and title;
- (4) The estimated life, both present and proposed, in years;
- (5) The net salvage, both present and proposed, by percentage;
- (6) The depreciation rate, both present and proposed, by percentage;
- (7) The net annual change in dollars;
- (8) The reasons for the proposed changes; and
- (9) The signature, full name and title of the utility employee who supervised the preparation of the report.

(c) A utility shall not implement any change in depreciation rates until the proposed change has been approved by the commission in an adjudicatory proceeding pursuant to Puc 200.

PART Puc 607 SMALL WATER UTILITIES

Puc 607.01 Purpose. The purpose of Puc 607 is to provide an expedited rate making mechanism for small water distribution systems to:

(a) Ensure safe and adequate service to customers that might be threatened from time to time by severe revenue erosion caused by unexpected capital additions and state and federally mandated programs that increase operating expenses; and

(b) Reduce rate case expenses that are currently paid for in their entirety by customers and have at times far exceeded the requested rate relief.

Puc 607.02 Expedited Proceeding.

(a) In the alternative to a full rate proceeding filed pursuant to Puc 1600, a small water system may request an increase in revenues to recover the cost of any capital additions, or any operating costs that are the result of any state or federal mandate, that result in annual earnings, based on the small water system's fiscal year, below a generic return on equity set pursuant to Puc 607.03, subject to the following conditions:

(1) The small water system shall file a petition with the commission containing the following:

- a. The small water system's last established rate base and rate of return, with a citation to the docket establishing said rate base and rate of return;
- b. The small water system's and the utility's realized rate of return established from its last filed annual report in combination with any increased or decreased costs and capital additions that were not included in that annual report;
- c. The small water system's proposed cost of capital utilizing the generic return on equity contained in Puc 607.03 and its most recent cost of debt;
- d. Copies of all invoices substantiating the capital additions requested to be added to rate base;
- e. An explanation signed under oath and notarized of each capital addition's usefulness, necessity and purpose;
- f. An explanation signed and sworn to under oath and notarized of all increased operating costs incurred as a result of a federal or state mandate including a specific citation to the federal or state mandate that required the increase in costs;
- g. The requested increase in revenues, and its effect upon the average customer's annual bill; and
- h. An amended tariff page reflecting the proposed increase;

(2) The small water system shall make itself available for an audit at the location where its books and records are kept;

(3) The small water system shall maintain its books and records pursuant to the uniform system of accounts which is described at Puc 604.04;

(4) Subsequent to the filing, the small water system shall provide notice to all of its customers, all municipalities in which those customers are served, the department and the office of the consumer advocate by first class mail of:

- a. The requested rate increase;

- b. The rate impact on the average customer's annual bill;
- c. The capital additions and the federal or state mandates that necessitated the need for rate relief; and
- d. The customers' right to participate in the review of the requested rate increase; and

(5) A copy of the notice required in (4), along with an affidavit of mailing, shall be filed with the commission within 15 days of the acceptance of the petition as referred to in (b) below.

(b) Failure to comply with any of the provisions and requirements set forth in (a) shall result in the immediate rejection of the petition if the utility has failed to respond to any notice issued by the commission required by RSA 541-A:29, I.

Puc 607.03 Generic Return on Equity.

(a) At least once during any 12-month period the commission shall establish a generic return to be applied to the equity invested in the small water system using the discounted cash flow methodology.

(b) For the purposes of this section the commission shall assume that the DCF model is based on the concept that stockholders value a share of stock at the present value of the expected cash flow from that share of stock, and that cash flow will grow at the same rate from the present to perpetuity.

(c) For the purposes of this section the sample of companies used in computing k shall consist of non-California water utilities listed in the most current issue of Value Line Investment Survey or other recognized financial source that have consistent data for at least a 10-period of time.

(d) For the purposes of this section cash flow shall be measured using both dividends and earnings, with a 3:1 weighting of dividends to earnings, reflecting the view that investors discount that which they receive, but are also concerned with the source of the cash flow.

Puc 607.04 Eligibility. A small water system shall not be eligible for rate relief pursuant to this section within 2 years after the issuance of a final order under Puc 607 or Puc 1600.

Puc 607.05 Rate Design.

(a) There shall be no change to a small water system's allocation of revenue responsibility between classes of customers as part of a proceeding brought before the commission pursuant to this section.

(b) Changes to revenue allocations shall include:

- (1) Changes between or among residential, commercial, wholesale, or industrial customers;
- (2) Fixed charges for service regardless of the amount of water consumed unless the system bills on an unmetered basis;
- (3) Availability charges; or
- (4) Any other charge that is not based on the amount of water consumed for metered rates as a result of a rate request pursuant to this section.

(c) Such changes shall be allowed, however, where a small water system has installed meters since its last revenue requirement was set by the commission at which time a volumetric charge shall be established along with a fixed charge.

Puc 607.06 Right to Challenge Recommendation.

(a) The small water system, the office of the consumer advocate, a customer or other interested party may challenge the department staff recommendation prepared pursuant to En 610.01 to approve, modify, or deny the requested rate increase by filing with the commission, within 15 days of mailing of the department staff recommendation, a request to hold a conference with the relevant staff members and other parties to discuss the recommendation.

(b) Any such request shall set forth the basis of the objection to the recommendation of the department staff and the issues discussed at any such meeting shall be limited to those issues raised in the request.

(c) The conference referred to in (a) above shall:

(1) Occur within 25 days of the mailing of the staff recommendation; and

(2) If agreed to by the parties and the department staff, be conducted by telephone or video conference.

(d) If staff, the small water system, the department, the office of the consumer advocate, or any other interested party resolve any disagreement regarding department staff's original recommendation they shall so notify the commission in writing.

(e) If department staff, the small water utility, the office of the consumer advocate, or any other interested party are unable to resolve their differences and they wish to express their position to the commission, they shall present their positions to the commission by filing a written statement with the commission within 15 days of the conference with department staff.

(f) If department staff or any party wishes to respond to the statements filed pursuant to section (e), they shall do so by filing a written response with the commission within 25 days of the conference referred to in (c) above.

(g) Copies of all documents filed with the commission pursuant to this section shall be served upon all of the small water system customers, the department, the office of the consumer advocate, the small water system or any other party that has participated in the proceeding.

Puc 607.07 Commission Decision.

(a) After review and consideration of the department staff recommendation and any position statements and responses thereto, the commission shall:

(1) Issue an order *nisi* approving a rate increase, if the commission finds the rate increase just and reasonable pursuant to the standards set forth in RSA 378 and by the New Hampshire supreme court, and the request is related to a matter under the commission's jurisdiction as set forth in this chapter;

(2) Issue an order denying the rate increase, if the commission finds the requested rate increase to be unjust and unreasonable pursuant to the standards set forth in RSA 378 and by the New Hampshire supreme court, or the request is outside the ambit of these rules; or

(3) Issue an order initiating a full rate proceeding pursuant to RSA 378:7 and Puc 1600 should the commission believe the utility is over-earning, or under-earning to a degree that threatens safe and adequate service to customers.

Puc 607.08 Service and Publication of Order.

(a) A copy of the order *nisi* granting the small water utility any increase in revenues shall be served by the utility upon each of the utility's customers via first class mail and the municipalities in which the rate increase shall take effect.

(b) The small water utility shall also publish an attested copy of the order *nisi* in a newspaper having general circulation distributed in that part of the state in which the rate increase shall take effect.

Puc 607.09 Procedural Expenses.

(a) A small water utility seeking rate relief pursuant to this section may recover the following expenses:

(1) All administrative costs, including, but not limited to:

- a. Postage costs;
- b. Publication costs;
- c. Photocopying expenses; and
- d. Transcription costs; and

(2) One of the following 2 expense categories:

- a. The fees of one professional, such as, an accountant, economist, engineer or attorney provided they are prudently incurred and just and reasonable; or
- b. All mileage and hourly fees of utility employees used to prosecute a rate proceeding pursuant to this section.

Appendix

Rule	Specific State Statute the Rule Implements
Puc 601.01 - 602.10	RSA 365:8, I (e), (l)
Puc 603.01	RSA 365:8, I (e), (l); 378:3
Puc 604.01 - 604.05	RSA 365:8, I (e), (l); 374:3, 5 and 15
Puc 605.01	RSA 365:8, I (e), (l); 374:3, 4 and 37-39
Puc 606.01	RSA 365:8, I (e), (l); 374:15
Puc 606.02	RSA 365:8, I (e), (l); 369:1, 3
Puc 606.03 - 606.04	RSA 365:8, I (e), (l); 374:3, 15
Puc 607.01 - 607.09	RSA 365:8, I (b), (e), (l); 374:3, 15; 378:3