

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-170

HAMPSTEAD AREA WATER COMPANY, INC.

Notice of Intent to File Rate Schedules

Order Approving Temporary Rates

ORDER NO. 25,437

November 8, 2012

APPEARANCES: Hampstead Area Water Company, Inc., by Robert C. Levine, Esq.; and Staff of the Public Utilities Commission by Marcia A. B. Thunberg, Esq.

I. BACKGROUND

Hampstead Area Water Company, Inc. (HAWC) is a regulated public utility and provides water services to approximately 3039 customers in the communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, and Sandown. On June 14, 2012, HAWC filed a notice of intent to file rate schedules and on July 27, 2012, HAWC filed those schedules.

On August 21, 2012, the Commission suspended the rate schedules by way of Order No. 25,401 and scheduled a prehearing conference and technical session for September 18, 2012. There were no requests for intervention. Following the technical session, Staff filed a proposed procedural schedule, which the Commission approved on September 24, 2012. On October 17, 2012, Staff filed a settlement agreement with HAWC regarding temporary rates. HAWC and Staff presented the settlement agreement at the hearing on temporary rates on November 19, 2012.

As indicated in Order No. 25,401, HAWC proposed to increase its annual revenue on a permanent basis by a total of \$101,774, or 6.99%, to a total revenue requirement of \$1,663,055. This total includes an increase of \$59,021 based on a 2011 test year and an increase of \$42,723 based on a proposed step adjustment for plant additions anticipated to be completed by December 31, 2012.¹

In its settlement agreement, Staff and HAWC propose that existing rates be approved as temporary rates; that temporary rates be effective September 1, 2012; and that temporary rates be subject to reconciliation pursuant to RSA 378:29. Unrelated to temporary rates, Staff and HAWC propose that the deadline for completion of capital improvements to be included in the requested step adjustment be set as December 31, 2012 rather than September 30, 2013, as was first requested in HAWC's petition.

At the temporary rate hearing, Staff testified that it had reviewed the books and records on file with the Commission. Hearing Transcript of October 19, 2012 (10/19/12 Tr.) at 11 line 19. Staff testified that setting current rates as temporary rates was appropriate because HAWC had made significant capital improvements over the last two years that are not reflected in rates, and that its test year rate of return was slightly below its last authorized rate of return, though slightly above the rate of return HAWC is proposing in the rate case. 10/19/12 Tr. at 14-15. With existing rates proposed as temporary rates, customers would not receive an immediate rate increase but would instead see a rate increase once permanent rates are set by the Commission. In addition, customers would see a recoupment surcharge to recover the difference between

¹ HAWC's initial filing indicated it would seek to recover assets added as of September 30, 2013 through a step increase; however, this date was amended at hearing to be December 31, 2012. The assets included in the proposed step increase involve improvements made pursuant to financings approved by the Commission in Order Nos. 25,195 (February 18, 2012); 25,272 (September 28, 2011); and 25,299 (December 8, 2011).

permanent and temporary rates had permanent rates been in effect from September 1, 2012 to the date of the order approving permanent rates.

Staff and HWAC also presented evidence that customers had received notice of the rate increase prior to the proposed effective date of September 1, 2012. HAWC published a display ad in the newspaper on August 31, 2012 and issued customer bills on July 20, 2012 and August 6, 2012 that contained a statement explaining that HAWC had filed a 6.99% rate increase with the Commission. Exh. 3.

II. COMMISSION ANALYSIS

Pursuant to RSA 378:27, the Commission may approve temporary rates for the duration of the proceeding if, in its opinion, the public interest so requires and the reports of the public utility filed with the Commission indicate it is not earning a reasonable return on its property used and useful in the public service. The standard for approval of temporary rates, which are reconcilable, is less stringent than that for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651, 660 (1991), *citing New Eng. Tel. & Tel. Co. v. State*, 95 N.H. 515, 518 (1949).

We have reviewed the evidence presented regarding temporary rates and find it reasonable to approve HAWC's current rates as temporary rates for the duration of this proceeding. Both HAWC and Staff testified that HAWC's test year demonstrates that it did not earn its authorized rate of return. The record indicates that HAWC placed in service in June 2011 four wells, a pump house, and other equipment in its Settlers Ridge water system. Exh. 1 at 5 and at 19. The Commission approved the financing of these assets in Order No. 25,195 (February 18, 2011). Given that the requested permanent rate increase is 6.99%, maintaining current rates as temporary rates is not likely to result in a large recoupment surcharge to

customers even if HAWC prevails in its request for permanent rates. Additionally, in the event its permanent rate request is approved, the recoupment mechanism in RSA 378:29 will provide HAWC with revenues, albeit at the end of the proceeding rather than throughout the proceeding, as if the filed tariffs had not been suspended. Meanwhile customers are protected from overpayment in the event HAWC's requested rate increase is not approved. We find setting current rates as temporary rates to be just and reasonable and we will approve them pursuant to RSA 378:27.

We next consider the proposed effective date of September 1, 2012. RSA 378:27 allows the Commission to authorize effective dates as early as the date on which the petition for a permanent rate change is filed. *See Appeal of Pennichuck Water Works*, 120 NH 562, 567 (1980). In this case, HAWC filed its rate schedules on July 27, 2012, and, according to the affidavit of publication, published a display ad concerning the rate increase in the New Hampshire Union Leader on August 31, 2012 and mailed copies of the ad to the clerks of all towns within its franchise area. The publication notified the public of HAWC's rate case filing, proposed tariffs, date of the Commission's prehearing conference, and of the ability to intervene in this proceeding. Additionally, HAWC placed a notice of its rate increase request on customer bills in July and August. In light of this notice, we find that setting current rates as temporary rates for service on or after September 1, 2012, is just and reasonable and consistent with our statutory authority.

With respect to the proposal to allow consideration of capital improvements completed by December 31, 2012 rather than September 30, 2013 in a step increase, that is a matter to be addressed in the full rate case, as investments that are not yet used and useful in the provision of

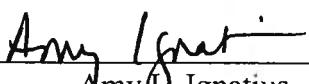
utility service should not be included in rates. Accordingly, we will consider all issues related to the step increase request in the permanent rate phase of the docket.

Based upon the foregoing, it is hereby

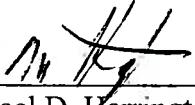
ORDERED, that Hampstead Area Water Company Inc.'s request for temporary rates at the level of its currently authorized rates on a service rendered basis effective September 1, 2012, as detailed above is hereby GRANTED; and it is

FURTHER ORDERED, that Hampstead Area Water Company Inc. shall submit tariff pages in compliance with this order within 15 days of the date of this order.

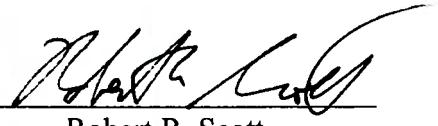
By order of the Public Utilities Commission of New Hampshire this eighth day of November, 2012.



Amy O. Ignatius
Chairman

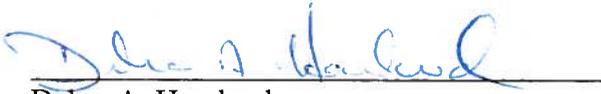


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director