

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-070

LAKES REGION WATER COMPANY, INC.

Petition for Financing and Step Increase to Rates

Order Authorizing Recovery of Rate Case Expenses

ORDER NO. 24,954

March 27, 2009

I. BACKGROUND

Lakes Region Water Company, Inc. (LRWC) is a public water utility that serves approximately 1,600 customers in Campton, Conway, Freedom, Gilford, Laconia, Moultonborough, Ossipee, Tamworth, Thornton, Tuftonborough and Wolfboro. On October 10, 2007, the Commission opened Docket No. DW 07-105 to investigate the quality of service provided by LRWC. That docket remains open. On July 25, 2008, by Order No. 24,877, the Commission approved a settlement agreement between Staff and LRWC requiring LRWC to make certain capital improvements and seek approval of new financing to pay for those improvements. That financing request initiated this docket.

On December 30, 2008, by Order No. 24,925, the Commission approved a stipulation agreement between Staff and LRWC pursuant to which LRWC withdrew its financing request but preserved its request for a rate increase to cover recent capital improvements. The Commission found that the capital improvements made by LRWC were prudent, used, and useful. The Commission approved an increase to LRWC's revenue requirement of \$112,739 and approved a 17.57% overall effective rate increase to LRWC's customers. The Commission also

authorized LRWC to submit for consideration its rate case expenses, a proposed recovery period, and proposed surcharge amount for customers.

On February 26, 2009, LRWC submitted its proposal for recovery of rate case expenses to Staff along with supporting documentation. LRWC proposed that it recover a total of \$17,770.77 in rate case expenses through a surcharge to customer bills in the amount of \$11.02 per customer for one billing quarter.

On March 4, 2009, Staff filed its recommendation on LRWC's request. Staff stated that it had performed a thorough review and audit of LRWC's documentation and recommended that it be allowed to recover \$17,967.64 in rate case expenses over one billing quarter through a surcharge of \$11.15 per customer. Staff explained the difference between its recommendation and LRWC's was due to mathematical errors and exclusions of expenses it deemed were unrelated to LRWC's pursuit of a rate increase. Specifically, Staff recommended the Commission reduce LRWC's recommendation by \$13.13 due to a miscalculation of an invoice from Stephen P. St. Cyr & Associates. Staff recommended a reduction of \$131.25 and \$196.88 respectively for invoices that were not related to the instant docket but were instead related to the Commission's quality of service investigation. Lastly, Staff recommended the Commission increase LRWC's rate case expenses by \$538.13 to account for an invoice related to the instant docket that LRWC inadvertently removed from its calculation and applied to Docket No. DW 07-105. The net change of Staff's recommended adjustments increased LRWC's proposed recovery amount by \$196.87. Staff stated that it had contacted LRWC and that LRWC concurred with Staff's recommendation.

On March 10, 2009, Office of the Consumer Advocate (OCA) filed its recommendation on LRWC's request. OCA recommended the Commission allow LRWC to recover \$16,426.55.

OCA agreed with Staff's recommended disallowances but recommended more expenses be disallowed. OCA stated that it had reviewed LRWC's filing and believed that LRWC had provided insufficient detail to allow a reasonable determination that the expenses submitted were related to the financing docket. In total, OCA recommended the Commission disallow \$1,541.09 in expenses. OCA proposed that customers be billed a surcharge of \$10.19 per customer for one billing quarter.

On March 16, 2009, LRWC filed a letter responsive to OCA's concerns. LRWC stated that the invoices OCA objected to, A-1, A-2, A-3, A-4, and A-5, were incurred during a time when Docket No. DW 08-070 was the only work Stephen P. St. Cyr & Associates was performing for LRWC. LRWC identified specific language on the invoices that related the invoices to the rate increase issues of Docket No. DW 08-070. LRWC also raised an additional issue; it discovered that it had inadvertently included in invoice A-20 1.8 hours for its attorney when in fact that attorney only billed .4 hours. LRWC requested a reduction in its rate case expenses by \$140.00 to correct that error. In summary, LRWC requested the Commission approve the rate case expense amount recommended by Staff with the exception of reducing that amount by \$140.00.

II. COMMISSION ANALYSIS

The Commission has historically treated prudently incurred rate case expenses as a legitimate cost of business and thus appropriate for recovery through rates. *Lakes Region Water Company, Inc.*, Order No. 24,708, 91 N.H. PUC 586, 587 (2006). Consistent with that policy, we have reviewed LRWC's rate case expense summary, Staff's recommendations, OCA's recommendations, and LRWC's response. We agree with Staff, OCA, and LRWC that recovery of expenses associated with Docket No. 07-105 is inappropriate since that docket relates to the

Commission's investigation of LRWC's quality of service. Additionally, we agree that only a portion of the expenses incurred by LRWC in Docket No. DW 08-070 is eligible for recovery. LRWC had agreed in the stipulation that its proposed rate case expenses would include only expenses related to its request for new rates and would not include costs related to the financing portion of this docket, costs relating to the Staff's audit, or costs relating to routine bookkeeping or accounting. LRWC's additional explanation satisfactorily addresses the concerns identified by the OCA that invoices be related to the accounting of capital improvements the Commission deemed to be prudent, used, and useful.

Accordingly, we find LRWC's proposed rate case expenses, totaling \$17,827.64 and reflecting the adjustment for legal fees, are reasonable, and we will allow LRWC to recover these expenses from customers. LRWC calculates the rate case expense surcharge will be \$11.06 per customer for one billing quarter. We find that this surcharge will not unduly burden customers and that it will result in just and reasonable rates.

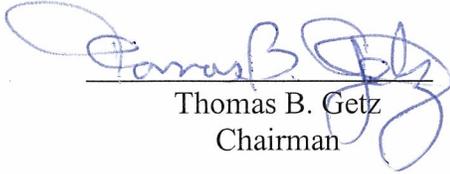
Based upon the foregoing, it is hereby

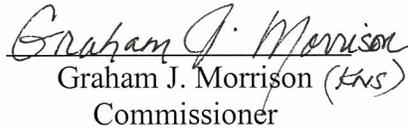
ORDERED, that Lakes Region Water Company, Inc. is authorized to recover \$17,827.64 in rate case expenses; and it is

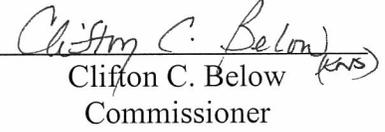
FURTHER ORDERED, that Lakes Region Water Company, Inc. is authorized to collect the \$17,827.64 from customers through a surcharge of \$11.06 per customer for one billing quarter or until the \$17,827.64 is fully recovered; and it is

FURTHER ORDERED, that Lakes Region Water Company, Inc. shall file a compliance tariff within five business days of the date of this order.

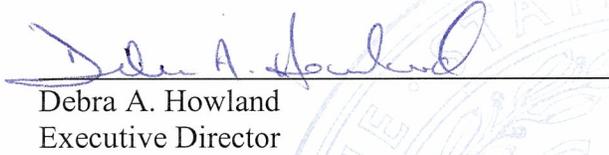
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day
of March, 2009.

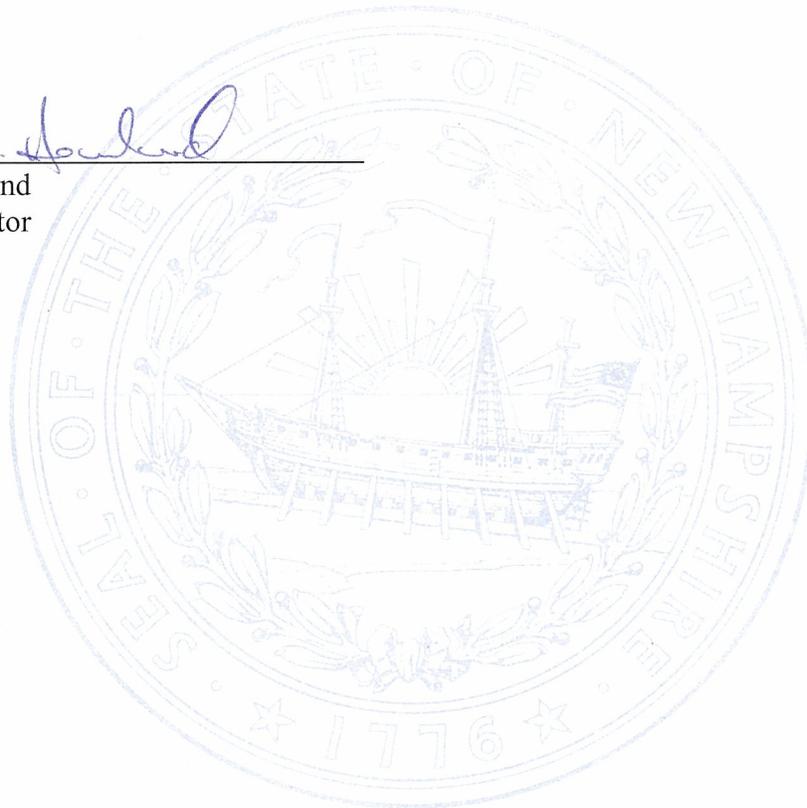

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Chairman


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Clifton C. Below (KWS)
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Attested by:


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03/27/09 Order No. 24,954 issued and forwarded to
all parties. Copies given to PUC Staff.

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Docket #: 08-070

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FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),

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INTERESTED PARTIES

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