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August 15, 2019

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Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

RE: DW 17-165 Abenaki Water Company, Inc. – Rosebrook Water System
Request for Change in Rates
Recovery of Rate Case Expenditures

Staff recommends that the Commission approve the recovery of Abenaki Water Company Inc.'s (Abenaki or the Company) Rosebrook Water Division's (Rosebrook) revenue differential between temporary and permanent rates and its rate case expenses (collectively Recovery Amount) in the amount of \$145,559 through the collection of a monthly customer surcharge over a period of 18 months. Staff also recommends that the Commission grant approval of Abenaki's motion for confidential treatment, as amended, of certain billing rates and employee information included in its rate case expense filing.

On January 30, 2019, Abenaki filed a request for recovery of rate case expenses¹, a reconciliation between temporary and permanent rates, a surcharge proposal for collection of its Recovery Amount, and a motion for protective order and confidential treatment (Motion for Confidentiality) of supporting information included in the filing. Abenaki's filing was submitted in accordance with a settlement agreement approved by the Commission in Order No. 26,205 on December 27, 2018. Abenaki filed redacted and confidential versions of information to support its rate case expenses, which included schedules and other supporting documentation, pursuant to N.H. Code Admin. Rules Puc 1905.03(a)-(d). On February 11, 2019, Abenaki filed a corrected form of the supporting documentation to comply with the filing requirements at N.H. Code Admin. Rules Puc 201.04(b) and (c). On May 8, 2019, Abenaki filed a request for recovery of additional rate case expenses and a revised surcharge proposal. On July 15, 2019, the Company filed a request for recovery of a second set of additional rate case expenses and an amended motion for protective order and confidential treatment (Amended Motion for Confidentiality).

¹ The rate case expenses pertaining to this docket are inclusive of expenses relative to the determination of a return on equity in this case. Recovery of rate case expenses is governed N.H. Code Admin. Rules Puc 1900 *et seq.*

Abenaki requested recovery of \$156,499, comprised of \$39,533 for the temporary to permanent rate difference and \$116,966 in rate case expenses. The Company proposed recovery of those costs through the collection of a \$21.05 surcharge applied to the monthly bills of all Rosebrook metered accounts over 18 monthly billing periods. This metered-based surcharge, in which the charge is allocated equally to all metered accounts regardless of customer type, was calculated by dividing Abenaki's requested Recovery Amount by number of metered accounts: $\$21.05 \text{ surcharge} = \$156,499 \text{ Recovery Amount} / 413 \text{ metered accounts} / 18 \text{ months}$.

Staff reviewed Abenaki's calculation of the temporary to permanent rate difference and confirms that its computation is consistent with the methodology agreed upon in the settlement agreement and approved by Order No. 26,205, and that the amount, \$39,533, was calculated correctly. Staff, therefore, recommends that no adjustment be made to this component of the Recovery Amount, pursuant to RSA 378:29. Staff notes that approval for recoupment of the temporary to permanent rate difference is consistent with the Commission's ratemaking authority and the just and reasonable rates set by Order No. 26,205. As such, Staff recommends that the Commission find Abenaki's request for recoupment of the difference between temporary and permanent rates just and reasonable, pursuant to RSA 378:7.

In reviewing the Company's rate case expenses, Staff notes that the Commission has historically treated prudently-incurred rate case expenses as a legitimate cost of service appropriate for recovery through rates. *West Swanzey Water Company, Inc.*, Order No. 26,146 at 2 (June 14, 2018). After reviewing the Company's submitted rate case expenses, Staff identified items totaling \$10,941 which should be disallowed, pursuant to N.H. Code Admin. Rules Puc 1907.01. Those items include charges for work related to separating Rosebrook's financial information from that of Abenaki's other water systems, charges which were not adequately supported, and expenditures not germane to the determination of rates in this case. Staff, therefore, in light of the requirements of N.H. Code Admin. Rules Puc 1900, recommends reducing the amount of recoverable rate case expenses, from \$116,966 to \$106,026. Staff, furthermore, recommends reducing the overall Recovery Amount to \$145,559 ($\$39,533 + \$106,026$).

Staff recommends that a usage-based surcharge be used as an alternative to a meter-based surcharge, which it believes would provide a more equitable basis for apportioning collection of the Recovery Amount among all customer types. Staff computed the rate for this method by dividing total costs by gallons of water consumed by Rosebrook customers during the 18-month period that began on January 1, 2018 and ended on June 30, 2019 (historic consumption). Using this formula, Staff computed a usage-based surcharge of \$2.566 per thousand gallons consumed: $\$2.566 \text{ surcharge} = \$145,559 \text{ Recovery Amount} / 56,726.891 \text{ thousand gallons}$.

Staff compared the charge of a meter-based surcharge to that of a usage-based surcharge for each customer type. The monthly fee under a meter-based surcharge, computed by dividing Recovery Amounts by the number of metered accounts, 413, and amortized over 18 months would be \$19.58 per account. Staff classified Rosebrook

customers into one of three categories, (1) residential or (2) commercial, based on the diameter of the service connection to the meter, or (3) Omni Mount Washington, LLC properties (Omni Properties). The diameter of the service connection for each of those categories is as follows: residential, 5/8"; commercial, 1"; and Omni Properties, 5/8" to 6". Staff's calculation for a usage-based surcharge rate is included with this letter. Under the usage-based method, the monthly surcharge for customers in each category based on average historic consumption would be as follows: Residential, \$3.50; Commercial, \$10.01; and Omni Properties, \$6,467.20. Staff's calculations for a meter-based surcharge and a usage-based surcharge for customers in each category are included with this letter.

Staff analyzed the bill impact to customers of both surcharge methods by computing the monthly surcharge to total bill (surcharge-to-bill) ratio for the three customer categories and identifying the method in which the ratios had the least amount of disparity among the categories. Average historic consumption was assumed for the usage-based surcharge calculations. The ratios for a usage-based surcharge ranged from 11.83% to 24.45% for three customer categories and were in a narrower band than those for a meter-based surcharge, which ranged from 1.59% to 45.86%. The surcharge-to-bill ratios for each customer category were as follows under a usage-based surcharge: residential, 12.83%; commercial, 11.83%, and Omni Properties, 24.45%; and as follows under a meter-based surcharge: residential, 45.86%; commercial, 21.26%; and Omni Properties, 1.59%. Staff's calculations of the surcharge-to-bill ratios are attached to this letter. Because the surcharge-to-bill ratios are more closely aligned among customer categories with a usage-based surcharge, Staff asserts that a usage-based surcharge would provide a more equitable impact to rates than one that is meter based. In addition, Staff posits that recovery of the Recovery Amount through a usage-based surcharge is consistent with the basis used for surcharges approved by the Commission in other rate cases for both gas and electric utilities. See *Northern Utilities, Inc.*, Order No. 26,129 (May 2, 2018).

As such, Staff recommends that the Recovery Amount of \$145,559 should be recovered from Abenaki Rosebrook's customers on a usage-base, as detailed above, over an 18-month period, and that the Commission find that this surcharge just and reasonable pursuant to RSA 378:7.

Abenaki's Motion for Confidentiality seeks confidential treatment of certain billing rates and employee information included with its January 30, 2018 submission of documents to support rate case expenses, pursuant to N.H. Code Admin. Rules Puc 203.08. The motion avers that the supporting information includes confidential and competitively sensitive hourly billing rates of the Company's attorneys and compensation information and taxpayer identification numbers of its non-officer employees. Abenaki stated that it is its practice to maintain the compensation and personal data of its employees in confidence and that it does not disclose that information to the public. Disclosure of that information would otherwise reveal the salary structure of Abenaki's employees and constitute an invasion of privacy to those employees. Disclosure could also undermine Abenaki's ability to hire and retain employees, which would result in

competitive harm to Abenaki. Abenaki's Amended Motion for Confidentiality adds, to the initial motion, a request for confidentiality of supporting rate case expense documents submitted on February 11, 2019, May 8, 2019, and July 15, 2019, and specifically identifies the affected pages in each submission by number.

As such, Staff recommends that the Commission grant Abenaki's Motion for Confidentiality and Amended Motion for Confidentiality. Staff agrees with the Company's concerns that disclosure of the hourly billing rate of Abenaki's attorneys along with the compensation and tax identification numbers of its non-officer employees could cause competitive harm to Abenaki and constitute an invasion of privacy to its employees. The Commission has granted confidential treatment to similar information in the past. See, e.g., *Aquarion Water Company of New Hampshire, Inc.*, Order No. 25,586 (October 22, 2013) and *Pennichuck Water Works, Inc.*, Order No. 24,701 (November 22, 2006).

In summary, Staff recommends the Commission approve Abenaki's collection of a Recovery Amount totaling \$145,559 through a usage-based surcharge to be included in Rosebrook customer bills and based on a rate of \$2.566 per 1,000 gallons of usage over 18-monthly billing periods, and that the Commission find this surcharge just and reasonable pursuant to RSA 378:7. Staff further recommends that Abenaki's Motion for Confidentiality and Amended Motion for Confidentiality be granted.

Staff also recommends that, no later than 60 days following the expiration of the 18-monthly billing periods, Abenaki be required to (1) file a reconciliation which shows, by month, customer category, and customer groups within those categories, the Recovery Amount collected, gallons consumed, and remaining Recovery Amount balance and (2) post in its books of accounting the amount of any over- or under-collection to a deferred credit or deferred debit account created specifically for this purpose. In addition, Staff recommends that any over- or under-collection of Recovery Amount following the expiration of the 18-monthly billing periods will be considered in Rosebrook's next rate case proceeding.

Before filing this letter with the Commission, Staff inquired of Abenaki and the OCA of their respective positions regarding Staff's recommendations. Abenaki stated that it would be filing a subsequent response to Staff's recommendations with the Commission. Staff, therefore, requests that the Commission hold the record open until the filing of that response. The OCA indicated no response to Staff's recommendations.

If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



David Goyette
Utility Analyst III, Gas-Water Division

Attachments: Rate Case Expense Staff Recommendation Schedule
Surcharge Calculation

cc: Service List

DW 17-165, Abenaki - Rosebrook Rate Case Deferred
Rate Case and ROE Expense
Temporary/Permanent Rate Reconciliation Recoupment

	Company Proposed Amount	Staff Adjustments	Staff Proposed Amount
Temporary to permanent rate difference	\$ 39,533		\$ 39,533
RC and ROE expenses filed 1/30/19 and 2/11/19	96,015	(5,062)	90,953
RC and ROE expenses filed 5/8/19	4,788	(952)	3,837
RC and ROE expenses filed 7/15/19	6,796	(4,927)	1,869
PUC ROE consultant-Woolridge	9,367		9,367
Total amount to be recovered	\$ 156,499	\$ (10,941)	\$ 145,558
Number of Customers	413		413
Average per Customer	\$ 378.93		\$ 352.44
Proposed Recovery Period - Number of Months	18		18
Average per Customer per Month	\$ 21.05		\$ 19.58

Disallowed Rate Case Expenditures

		Total:	10,941.00
DATE	VENDOR	DESCRIPTION (Abenaki's)	Disallow
2/12/2018	STEPHEN ST. CYR & ASSOCIATES	Rate Case Prep & Review-Jan 2018	388.13
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX April Labor)	270.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX April Labor)	270.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX April Labor)	270.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX May Labor)	225.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX May Labor)	195.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX May Labor)	420.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX June Labor)	270.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX June Labor)	270.00
11/6/2017	NEW ENGLAND SERVICE COMPANY	Restate RBW Financials for Rate Case (XXXXXX XXXXXXXX June Labor)	300.00
8/15/2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX- Rate Case Labor-Jul 2017	93.75
8/11/2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate case mileage - Review & training	123.35
8/11/2017	NEW ENGLAND SERVICE COMPANY	July Labor (XXXXXX XXXXXXXX July labor).	60.00
10/1/2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate case review & assistance	9.53
10/20/2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case labor - Sep 2017	2.79
10/20/2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case labor- Sep 2017	62.97
1/24/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case Labor- Dec 2017	51.08
3/5/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case labor- Feb 2018	14.31
4/16/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX • Rate Case labor - Mar 2018	55.25
4/30/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case Labor - Apr 2018	28.08
6/4/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX • Rate Case Labor- May 2018	85.51
11/9/2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case Labor- Oct 2018	24.70
11/9/2018	NEW ENGLAND SERVICE COMPANY	Rate Case Exp - In a Pinch	46.00
1/17/2019	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case Labor- Dec 2018	122.10
1/31/2019	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX - Rate Case Labor - Jan 2019	57.47
2/28/2019	STEPHEN ST.CYR & ASSOCIATES	Rate Case Prep & Review - Jan 2019	472.50
2/28/2019	New England Service Company	XXXXXX XXXXXXXX - Rate Case Labor - Feb 2019	36.94
2/28/2019	STEPHEN ST.CYR & ASSOCIATES	Rate Case Prep & Review - Feb 2019	385.00
5/9/2018	ROE - Postage & Advertising	ROE - Postage & Advertising	234.00

Disallowed Rate Case Expenditures

		Total:	10,941.00
DATE	VENDOR	DESCRIPTION (Abenaki's)	Disallow
Jul 2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 4-6 of XXXXX, Jul 2017	153.98
Aug 2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 9-17 of XXXXX, Aug 2017	615.93
Sep 2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 26-27 of XXXXX	110.48
Sep 2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 37-49 of XXXXX, Sep 2017	909.23
Nov 2017	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 84-89 of XXXXX, Nov 2017	997.22
Jan 2018	NEW ENGLAND SERVICE COMPANY	XXXXXX XXXXXXXX, pgs 145-148 of XXXXX, Jan 2018	131.99
11/7/2017	NEW ENGLAND SERVICE COMPANY	Modified Affiliate agreement to be at cost, April 2017.	-414.05
11/7/2017	NEW ENGLAND SERVICE COMPANY	Modified Affiliate agreement to be at cost, May 2017.	-429.38
11/7/2017	NEW ENGLAND SERVICE COMPANY	Modified Affiliate agreement to be at cost, June 2017.	-429.38
11/7/2017	NEW ENGLAND SERVICE COMPANY	Modified Affiliate agreement to be at cost, July 2017	-475.39
4/5/2019	New England Service Company	XX - Labor Charges	18.90
4/15/2019	Stephen St. Cyr	March 2019 Services	262.50
5/24/2019	Stephen St. Cyr	April 2019 Services	105.00
5/31/2019	New England Service Company	XX - Labor Charges	86.92
7/2/2019	NH Brown Law	Rate Case Expenses	1,260.00
4/5/2019	New England Service Company	XX - Labor Charges	56.69
4/5/2019	New England Service Company	XX - Labor Charges	97.29
4/10/2019	New England Service Company	ROE Meeting Mileage	8.54
4/15/2019	Stephen St. Cyr	March 2019 Services	56.35
5/10/2019	Scott Madden, Inc.	Feb 2019 XX XX	448.50
5/24/2019	Stephen St. Cyr	April 2019 Services	4.02
6/18/2019	Stephen St. Cyr	May 2019 Services	12.08
7/2/2019	NH Brown Law	ROE Petition Expenses	56.35
4/5/2019	New England Service Company	XX - Labor Charges	56.69
4/5/2019	New England Service Company	XX - Labor Charges	76.13
4/10/2019	New England Service Company	ROE Meeting Mileage	6.68
4/15/2019	Stephen St. Cyr	March 2019 Services	44.10
5/10/2019	Scott Madden, Inc.	Feb 2019 XX XX	351.00
5/24/2019	Stephen St. Cyr	April 2019 Services	3.15
6/18/2019	Stephen St. Cyr	May 2019 Services	9.45
2/7/2019	NH Brown Law	ROE Petition Expenses	44.10
4/5/2019	New England Service Company	XX - Labor Charges	56.69
4/5/2019	New England Service Company	XX - Labor Charges	249.56
4/10/2019	New England Service Company	ROE Meeting Mileage	21.90
4/15/2019	Stephen St. Cyr	March 2019 Services	144.55
5/10/2019	Scott Madden, Inc.	Feb 2019 XX XX	1,150.50
5/24/2019	Stephen St. Cyr	April 2019 Services	10.33
5/31/2019	New England Service Company	XX - Labor Charges	53.43
6/18/2019	Stephen St. Cyr	May 2019 Services	30.97
7/2/2019	NH Brown Law	ROE Petition Expenses	144.55

Abenaki Water Company - Rosebrook
DW 17-165 Change in Rates
Rate Case Surcharge Analysis

	Distribution-Based	Usage-Based
Residential Customers	\$ 19.58 per account	\$ 2.566 per 1,000 gallons consumed
Commercial Customers	19.58 per account	2.566 per 1,000 gallons consumed
Omni Properties	313.28 all Omni accounts	2.566 per 1,000 gallons consumed
Total Rate Case Surcharge	\$ 145,559	\$ 145,559
Divided by Total Number of Customers	413	
	Divided by Total Avg Cons (in 1,000 gals)	56,727
Proposed Surcharge	\$ 19.58	\$ 2.566

BILL IMPACT ANALYSIS

Rate case expense bill impact based on average consumption over historic 18-month period (1/2018-6/2019) stated at proposed rates.

DISTRIBUTION-BASED (based on total number of accounts)

	Residential	% of Total Bill	Commercial	% of Total Bill	Omni Properties (16 accounts)	% of Total Bill
Fixed Charge	\$ 15.00		\$ 49.48		\$ 3,762.61	
Consumption Charge	8.78		25.12		16,226.22	
Rate Case Surcharge	19.58	45.16%	19.58	20.79%	313.28	1.54%
Average Monthly Bill	\$ 43.36		\$ 94.18		\$ 20,302.11	

USAGE-BASED (based on historic, 18-month consumption)

	Residential	% of Total Bill	Commercial	% of Total Bill	Omni Properties (16 accounts)	% of Total Bill
Fixed Charge	\$ 15.00		\$ 49.48		\$ 3,762.61	
Consumption Charge	8.78		25.12		16,226.22	
Rate Case Surcharge	3.59	13.12%	10.28	12.11%	6,640.59	24.94%
Average Monthly Bill	\$ 27.37		\$ 84.88		\$ 26,629.42	

Comparison Rate Analysis

RESIDENTIAL			
Meters	Rate	Totals	% of Total
107	15.00	1,605.00	22.12%
248	15.00	3,720.00	51.28%
39	49.48	1,929.72	26.60%
	20140		0.00%
	438.58		0.00%
	1,756.15		0.00%
394		7,254.72	100.00%

USAGE IN GALLONS (Historic 18-month Consumption)

Allocation of Rate Case Expenses:

Surcharge Based On Number of Accounts

Average Omni usage: 2,587,914 gallons per month

Average Omni Surcharge would be:	\$ 6,640.59	per month
Total Average Omni Surcharge:	\$ 119,530.62	119,530.62 over 18 months
Grand Total Average Surcharge	\$ 119,780.28	100.00%

145,546.02

DISTRIBUTION-BASED (based on total number of accounts)

[illegible]

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