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Via Electronic Mail and Hand Delivery

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

**Re: Docket No. DW 17-165, Abenaki Water Company, Inc.
Surcharge for Recoupment and Rate Case Expenses
Omni Mount Washington, LLC Response**

Dear Ms. Howland:

On August 15, 2019, New Hampshire Public Utilities Commission Staff circulated its recommendation in the above-captioned proceeding regarding the recoupment of the differential between temporary and permanent rates and the recovery of rate case expenses. Staff pointed out that Abenaki requested recovery of \$39,533 for the differential between temporary and permanent rates and \$116,966 in rate case expenses for a total of \$156,499 that would be recovered from customers over 18 months. Staff agrees with Abenaki's calculation of the \$39,533 rate differential but it recommends a \$10,941 disallowance to rate case expenses, for a total recovery of \$145,559 (\$39,533 + \$106,026). In addition, rather than apply a uniform monthly surcharge to all customer accounts, which Abenaki had calculated to be \$21.05, Staff proposes instead that a surcharge be calculated based on water usage equal to \$2.566 per thousand gallons.

Abenaki filed its reply to Staff's recommendation on August 15, 2019, as well. It noted that it agreed with some of Staff's disallowances and disagreed with others but nevertheless accepted the overall recovery amount. Abenaki did, however, propose an adjustment to the way in which the usage-based surcharge would be collected.

Omni does not dispute the calculation of the \$39,533 differential between temporary and permanent rates but it does object to the calculation of \$106,026 in rate case expenses and the recovery of rate case expenses through a usage-based surcharge. As to the level of rate case expenses, Omni does not believe that Abenaki/Rosebrook's charges to its affiliate New England Service Company are eligible for recovery inasmuch as those are activities that are "typically performed by utility management and staff of the utility" pursuant to Puc 1907.01 (a) and that

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New England Service Company is not a “service provider” as contemplated in Puc 1903.06 because NESC services are already included in Rosebrook’s revenue requirement. Disallowing all charges to New England Service Company would appear to reduce the recoverable rate case expenses to \$79,657. Finally, Omni proposes that the surcharge be applied over twenty-four months

With respect to Staff’s proposal to calculate a surcharge based on usage, its recommendation differs from Abenaki’s proposal and is inconsistent with how surcharges have been applied in the past to Rosebrook and other water utilities. Nevertheless, while recognizing that Staff’s recommendation is a departure from ordinary practice, Omni does not oppose such an approach for the recoupment of the differential between temporary and permanent rates in this case, but it does oppose that approach for the recovery of rate case expenses. A usage-based surcharge to recover the recoupment amount is at least related to, or a function of, usage, meaning that Omni’s usage likely drove a large part of the recoupment calculation. On the other hand, there is no similar linkage between Omni’s water usage and the level of rate case expenses that Abenaki incurred.

Staff’s “Bill Impact Analysis” and resulting recommendation appears to focus solely on the percentage (45.16%) that the distribution-based surcharge represents in regard to the average monthly residential customer bill of \$23.78, while ignoring the absolute impact on Omni’s bill from the usage-based surcharge (\$6,640.59/month, or a more than 2,000% increase above the distribution-based level), which would amount to \$119,530.62 over the 18-month period.

Omni submits that Staff’s usage-based recommendation is unreasonable as it relates to rate case expenses and that its bill impact analysis is incomplete. Omni recommends instead:

1. That 75% of the recoupment of the \$39,533 differential between temporary and permanent rates be recovered from Omni and the remaining 25% recovered from the 397 residential and small commercial customer accounts over a 24-month period, which would result in monthly surcharges of \$1,235.41 for Omni and \$1.04 for all other customers. This approach also has the advantage of simplicity in that it avoids the true-up issue identified by Abenaki regarding the reconciliation of any over/under-recovery under a cents/thousand gallons approach.
2. That the traditional distribution-based approach for water companies be applied to \$79,657 in eligible rate case expenses, which over 24 months would be \$8.04 per month for each residential and small commercial customer and \$128.58 per month for Omni, which has sixteen accounts.

Accordingly, Omni would pay a monthly surcharge of \$1363.99 and the other 397 residential and small commercial customers would pay a monthly surcharge of \$9.08.

In its recommendation, Staff sets forth the surcharge-to-bill ratios for the usage-based and distribution-based surcharges and concludes that the usage-based surcharge would “provide a

Ms. Debra A. Howland, Executive Director

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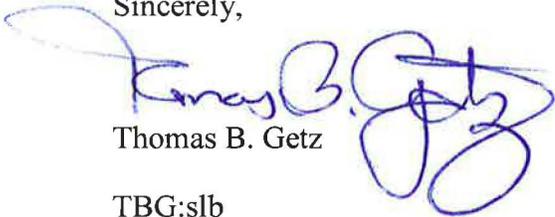
Page 3

more equitable impact to rates than one that is meter based.” Staff also notes that the Commission has approved usage-based surcharges for gas and electric utilities, citing to Order No. 26,129 (May 2, 2018) in Docket No.17-070, *Northern Utilities, Inc.* Omni contends that the settlement agreement in that proceeding is ill-suited as precedent for the circumstances here because, among other things, Northern Utilities, Inc. has more than 32,000 customers from which approximately \$300,000 in recoupment and rate case expenses was recovered, which greatly mitigates the bill impact on any one customer. Consequently, no single customer of Northern Utilities would bear a burden comparable to what Staff urges for Omni in this case. It is also interesting to note that Northern Utilities, Inc. sought recovery of \$217,462 in rate case expenses, compared to Abenaki’s request to recover \$116,966 in rate case expenses for a utility with 1/80th the number of customers, which further undercuts the argument for applying Northern Utilities as a precedent.

Finally, on September 5, 2019, Abenaki submitted an Inquiry Regarding Rate Relief in which it said that it was “investigating bonding pursuant to RSA 378:6.” Bonding pursuant to RSA 378:6, III is an option available to a utility when the Commission “is unable to make its determination [regarding a general increase in rates] prior to the expiration of 6 months from the originally proposed effective date of a rate schedule.” Here, the Commission has made its determination with respect to the originally proposed rate schedule and the new permanent rates have been in effect since the beginning of the year. The statute does not permit bonding of the proposed rate case surcharge.

An original and six copies of this Response will be hand-delivered to the Commission and electronic copies have been provided to the Commission and the Office of Consumer Advocate consistent with Puc 203.02.

Sincerely,



Thomas B. Getz

TBG:slb

Cc: Service List