

**THE STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**Docket No. DW 17-165**

**Abenaki Water Company, Inc.  
Rosebrook Water System**

**Administration and General Expense: Revenue Requirement Summary**

Omni Mount Washington, LLC, states in its Motion for Hearing on Service Company Charges, dated January 13, 2020, at 4, that “salaries of the [Abenaki] employees who *perform* the rate case related services are reflected in Abenaki's revenue requirement, which does in fact include \$87,601 for Administrative and General Expenses.” Attachment 1.

The amount of \$87,601 is the TOTAL Administrative and General Expenses, as reported in the Permanent Rates Settlement Agreement filed on November 5, 2018, as Attachment A, Schedule 4, on Bates page 21. Attachment 2. That amount is comprised of several components and expense accounts, as shown below. These figures are drawn mostly from page 45 of Audit Staff's Report, dated September 6, 2018. Attachment 3.

Account Name	Amount	Source
General & Administrative Expense (NESC management labor) (Acct. 920)	\$35,688	Attachment 3
Office Supplies & Expenses (Acct. 921)	14,204	Attachment 3
Outside Services Employed (Acct. 923)	11,355	Attachment 3
Property Insurance Expense (Acct. 924)	893	Attachment 3
On-Call Pay (Acct. 926)	8,401	Attachment 3
Regulatory Commission Expense (Acct. 928)	1,906	Attachment 3
Miscellaneous General Expenses (Acct. 930)	4,952	Attachment 3
Vehicle Maint. Expense (NESC non-management labor) (Acct. 934)	4,241	Attachment 3
Maint. of General Plant (NESC non-management labor) (Acct. 950)	601	Attachment 3
Subtotal	82,241	
Company Adjustments: (Subtract Subtotal (\$82,241) from Revised Test Year Filed 4/23/18 Amount of Admin and Gen Expense (\$83,356))	1,115	Attachment 2
Company Proformas (attributed audit expense (\$1,000) and lease agreement adjustment (\$342))	1,342	Attachment 2
Staff Proformas (attributed audit expense (\$1,000) and lease agreement adjustment (\$1,903))	2,903	Attachment 2
<b>TOTAL</b>	<b>\$87,601</b>	Attachment 2

The total amount of salaries for Abenaki employees (NESC management labor) included in the Revenue Requirement, as approved in Order No. 26,205 (December 27, 2018) is \$35,688, as shown above.

Abenaki and Staff both advance the argument that rate case expenses should be recovered because the rate case expenses themselves are not reflected in Abenaki's revenue requirement, but that is not the correct focus under the Commission's rules. It may be the case that the specific rate case expenses or costs are not in the revenue requirement (because that is how ratemaking works) but the correct focus is on whether the salaries of the employees who perform the rate case related services are reflected in Abenaki's revenue requirement, which does in fact include \$87,601 for Administrative and General Expenses.

Because Abenaki's share of the salaries of NESC employees appears to be already reflected in the rates it collects from customers, if Abenaki were also allowed to collect a surcharge for the actual work performed by NESC employees on the rate case, then customers would be paying twice; once for the salaries of the employees who do the work and a second time for the work that they do. NESC would be correspondingly double recovering because it would receive payments from Abenaki based on a revenue requirement that included Administrative and General Expenses and it would also collect a surcharge for the specific tasks that employees performed on the rate case.

As noted above, in its October 11, 2019 filing, Abenaki contended that "Omni's argument should be denied because it overlooks the fact that AWC Rosebrook has no employees and AWC Rosebrook has filed its affiliate agreement at issue with the Commission." Omni understands that Rosebrook has no direct employees and it does not dispute that there is an affiliate agreement on file with the Commission. Rather, Omni's position is that, if Rosebrook had direct employees who spent time on the rate case, such expenses would clearly not be eligible for recovery and, under the same logic, where Abenaki has decided to structure its operations such that NESC provides services to its affiliated water utilities indirectly, rate case

DW 17-165  
ABENAKI WATER COMPANY, INC.  
ROSEBROOK DIVISION  
PERMANENT RATES  
PRO-FORMA OPERATING INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Original Permanent Rate Filing			Revised Permanent Rate Filing			Permanent Rates				
	Actual Test Year	Company Proforma Adjust's	Proforma Test Year	Revised Test Year Filed 4/23/18	Original Company Proforma Adjust's	Revised Proforma Test Year	Staff Proforma Adjust's (Sch 4a)	Adj # (Sch 4a)	Proforma Operating Income	Revenue Deficiency (Surplus) (Sch 1)	Operating Income Requirement (Sch 1)
<b>Operating Revenue:</b>											
Sales of Water	\$ 270,092	\$ 102,232	\$ 372,324	\$ 276,335	\$ 102,232	\$ 378,567	\$ (102,232)	22	\$ 276,335	\$ 78,179	\$ 354,514
Other Operating Revenue	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>270,092</b>	<b>102,232</b>	<b>372,324</b>	<b>276,335</b>	<b>102,232</b>	<b>378,567</b>	<b>(102,232)</b>		<b>276,335</b>	<b>78,179</b>	<b>354,514</b>
<b>Operating Expenses:</b>											
Operation & Maintenance Expenses:											
Source of Supply	212,574	1,342	213,916	-	-	-	-	-	-	-	-
Pumping Expenses	-	-	-	69,265	-	69,265	-	-	69,265	-	69,265
Water Treatment Expenses	-	-	-	34,871	-	34,871	-	-	34,871	-	34,871
Transmission & Distribution Expenses	-	-	-	18,287	-	18,287	-	-	18,287	-	18,287
Customer Accounts Expenses	-	-	-	11,255	-	11,255	-	-	11,255	-	11,255
Administrative & General Expenses	-	-	-	83,356	1,342	84,698	2,903	23-24	87,601	-	87,601
<b>Total Operation &amp; Maintenance Expenses</b>	<b>212,574</b>	<b>1,342</b>	<b>213,916</b>	<b>217,034</b>	<b>1,342</b>	<b>218,376</b>	<b>2,903</b>		<b>221,279</b>	<b>-</b>	<b>221,279</b>
Depreciation Expense	57,272	6,491	63,763	57,272	6,491	63,763	(2,782)	25	60,981	-	60,981
Amortization Expense - CIAC	(15,975)	-	(15,975)	(15,975)	-	(15,975)	-	-	(15,975)	-	(15,975)
Amortization Expense - Other	(1,124)	4,529	3,405	(1,124)	4,529	3,405	(4,529)	26	(1,124)	-	(1,124)
Taxes Other Than Income	22,704	-	22,704	22,704	-	22,704	(8,704)	27	14,000	-	14,000
<b>Total Operating Expenses</b>	<b>275,451</b>	<b>12,362</b>	<b>287,813</b>	<b>279,911</b>	<b>12,362</b>	<b>292,273</b>	<b>(13,112)</b>		<b>279,161</b>	<b>-</b>	<b>279,161</b>
<b>Net Operating Income before Income Taxes</b>	<b>(5,359)</b>	<b>89,870</b>	<b>84,511</b>	<b>(3,576)</b>	<b>89,870</b>	<b>86,294</b>	<b>(89,120)</b>		<b>(2,826)</b>	<b>78,179</b>	<b>75,353</b>
<b>Less: Income Taxes</b>	<b>10,626</b>	<b>25,211</b>	<b>35,837</b>	<b>10,626</b>	<b>25,211</b>	<b>35,837</b>	<b>(36,234)</b>	<b>28-29</b>	<b>(397)</b>	<b>30,812</b>	<b>30,415</b>
<b>NET OPERATING INCOME</b>	<b>\$ (15,985)</b>	<b>\$ 64,659</b>	<b>\$ 48,674</b>	<b>\$ (14,202)</b>	<b>\$ 64,659</b>	<b>\$ 50,457</b>	<b>\$ (52,886)</b>		<b>\$ (2,429)</b>	<b>\$ 47,367</b>	<b>\$ 44,938</b>

Rosebrook said the reason for the missing digit was due to the billing system limitations of only four digits. The Rosebrook bill presentation is not in compliance with the tariff as the bill is supposed to include all digits on a customer's bill. **(Audit Issue #25)**. As a result, Audit's review of thirty-four invoices found 100% were not correct based on the bills' presentation of the incorrect tariff. This resulted in a \$109 difference between the customer consumption if calculated using the rate presented on the bill and the actual consumption charge. Rosebrook stated the bills are calculated correctly by going into the Billing IT system and manually adding the extra 3.

**Operation and Maintenance Expenses (O&M)**

The filing schedule 1 shows the Operations and Maintenance expense ending balances as of December 2016 and September 2017 resulting in the total combined balances as of September 30, 2017 of \$212,574. However, the general ledger for the period January 1, 2017 through September 30, 2017 totals \$212,874, a difference of \$300.

Acct #	Account Name	Charge
623	Fuel/Power Purchased for Pumping	\$ 24,042
624	Pumping Labor & Expenses	\$ 21,739
626	Pumphouse Heat Fuel	\$ 1,726
631	Maint. of Structures & Improvements	\$ 1,748
633	Maint. of Pumping Equipment	\$ 19,030
641	Chemicals	\$ 7,296
642	Treatment Expense	\$ 21,903
652	Maint. of Water Treatment Equipment	\$ 5,325
663	Meter Expenses	\$ 1,550
664	Emergency Call	\$ 300
673	Maint of T&D Mains	\$ 488
675	Maint. of Services	\$ 4,330
676	Maint. of Meters	\$ 1,603
677	Maint. of Hydrants	\$ 10,066
902	Meter Reading Expenses	\$ 5,961
903	Customer Records & Collection Expenses	\$ 3,526
920	General & Administrative Expenses	\$ 35,688
921	Office Supplies & Expenses	\$ 14,204
923	Outside Services Employed	\$ 11,355
924	Property Insurance Expense	\$ 893
926	On-Call Pay	\$ 8,401
928	Regulatory Commission Expense	\$ 1,906
930	Miscellaneous General Expenses	\$ 4,952
934	Vehicle Maint. Expense	\$ 4,241
950	Maint. of General Plant	\$ 601
	General Ledger	\$ 212,874
	Filing Schedule 1	\$ 212,574
		\$ 300

The filing schedule 1, column (b) reports the December 2016 O&M balance of \$59,300. The general ledger reports operation & maintenance expenses totaling \$63,566,