

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-117

Request for Change in Rates

Technical Statement of Anthony J. Leone, Utility Analyst. Water Group
New Hampshire Department of Energy, Division of Regulatory Support

***Technical Statement in Support of DOE's Objection to HAWC's Motion to Recover Lost Step I
Revenue During 65 Day Suspension of Order No. 26,809***

November 27, 2023

Pursuant to RSA 12-P:2, IV, please accept this Technical Statement as the New Hampshire Department of Energy's ("DOE") preliminary position with emphasis on the Company's proposed method of calculating and recovering the "lost" revenue in the above-referenced matter.

On Friday, November 17, 2023, the Hampstead Area Water Company, Inc. ("HAWC" or "Company") filed a motion, "Motion to Recover Lost Step I Revenue During 65 Day Suspension of Order No. 26,809" ("Motion"). As addressed in the DOE's objection, in the opinion of the DOE, HAWC is not legally entitled to recover what the Company has identified as "lost revenue." However, for the sake of argument, if the Commission were to conclude that HAWC is entitled to seek recovery, the DOE would wish to conduct discovery on HAWC's calculations and proposed method of recovery. For the comments that follow, to the extent possible, and in absence of any formal technical session or discovery, the Company's filing was reviewed, with a particular emphasis on the proposed method of calculating, and recovering, the "lost" revenue.

Regarding the Company's proposed method of calculating the "lost" revenue, there are questions regarding the list of accounts included, and their corresponding usage. Specifically, the worksheet submitted by the Company includes accounts with notations such as "Back Flow Info Only", "Base Only – Usage Tracking", "No Charge Billing", "Zero Charge". It is questionable if such accounts should be included in the list for deriving the alleged lost revenue.

Regarding the Company's proposed method of recovering the alleged lost revenue, the filing proposes a flat fee per customer, but it does not appear there is a calculation explicitly indicating the number of customers used, the date of that customer count, and how the number of customers corresponds to the number of accounts used in the revenue calculation.

In addition, it is not explained why the Company proposed a flat fee per customer for recovery, when the majority of the calculated alleged lost revenue (\$45,689.09 of \$55,615.64) is

based upon individual customer usage during the approximate 65-day duration. Such a “flat fee” method may result in an outcome where one customer’s excessive usage is subsidized by other customers with average or below-average usage. The DOE previously expressed concerns with such a method of recovery relative to reconciliations in its “Report on Rate Case Expenses”, dated September 30, 2022, and submitted in the instant docket, and filed as Tab #143. In that filing, the Company indicated that relative to such a reconciliation, its system can be modified to align each customer’s charges with that customer’s historical usage¹. The DOE strongly encouraged the Company to put the necessary modifications in place for its next rate case filing² and would likely recommend system modification here. Lastly, the DOE believes there is insufficient discussion and evidence that a two-month recovery period is the most appropriate timeframe. *See* referenced “Report on Rate Case Expenses” where an initially proposed 12-month timeframe was expanded to an 18-month timeframe.

DOE Recommendation

In summary, after a preliminary review of HAWC’s November 17, 2023 filing, and in the absence of further information, the DOE believes that concerns and questions exist regarding both the proposed method of calculating the revenue, as well as the proposed method of collecting that revenue. The DOE is also concerned by the lack of detail, description, and testimony, regarding the specific calculation and recovery methods proposed. In light of such, if the Commission concludes that HAWC is entitled to seek recovery of “lost” revenue, over DOE’s objection, then DOE recommends that the Commission direct the parties to submit a formal procedural schedule(s) in order to ensure a complete record is presented for the Commission’s review, per RSA 12-P:2, IV, and that a hearing be scheduled.

¹ See Company response to DOE Discovery 7-13, 8-4, and specifically, 8-4(c). (Attachment B to DOE’s Objection).

² See “Report on Rate Case Expenses”, Docket No. DW 20-117, Tab #143. (Attachment B to DOE’s Objection).

STATE OF NEW HAMPSHIRE

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September 30, 2022

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, New Hampshire 03301-2429

Re: Docket No. DW 20-117 (Hampstead Area Water Company, Inc.)
Request for Change in Rates
Department of Energy's Report on Rate Case Expenses and Temporary to Permanent
Rate Reconciliation

Dear Chairman Goldner:

Pursuant to the Procedural Order Re: Rate Case Expenses and Reconciliation Review, issued by the Public Utilities Commission (Commission) on September 1, 2022, please accept the following Department of Energy's (DOE) Report on Rate Case Expenses and Temporary to Permanent Rate Reconciliation for the above-referenced matter.

On June 30, 2022, the Hampstead Area Water Company, Inc. (HAWC or the Company) filed its request for recovery of rate case expenses and temporary to permanent rate reconciliation as required by Order No. 26,635, dated June 2, 2022, and subsequently revised. The Company further updated its filing regarding the recoupment of the temporary to permanent rate reconciliation of its Municipal Fire Protection Service class for Atkinson and Hampstead on July 5, 2022.¹ In those filings, HAWC made one request for rate case expense recovery and five separate and distinct requests for temporary to permanent rate recoupment related to the following groups of its customers: (1) all metered customers; (2) residential fire protection customers; (3) commercial fire protection customers; (4) municipal fire protection for Atkinson; and (5) municipal fire protection for Hampstead.

The DOE reviewed the filing, conducted discovery, and met with HAWC in a technical session on September 12, 2022. As a result of that process, the DOE provides the following updates relative to the Company's six requests:

- 1) HAWC proposed a rate case expense surcharge for all customers of \$6.64 per month for 12 months based upon \$323,411.74 of rate case expenses. The DOE and the Company

¹ The DOE notes that while the Company's June 30 and July 5, 2022, filings refer to the customer class as "Public Fire Protection (Hydrants)" for both Hampstead and Atkinson, individually, the accepted tariffs reflect the customer class as "Municipal Fire Protection" for both municipalities, individually.

subsequently agreed to a reduction of that amount by \$636.44 due to duplicative billing, resulting in \$322,775.30 of total rate case expenses eligible for recovery. HAWC and the DOE further agreed to extend the rate case expense surcharge period to 18 months, and updated the customer count to that as of August 24, 2022, from 4,061 to 4,099 customers. The resulting rate case expense monthly surcharge to customers is \$4.37 for 18 months.

- 2) The Company proposed a temporary to permanent rate recoupment surcharge for all general service metered customers of \$3.82 per month for 12 months based upon a reconciliation amount of \$186,036.45. The DOE and the Company subsequently agreed to use the updated customer count as of August 24, 2022, of 4,099 customers, in its calculation of a per customer surcharge. Both the DOE and HAWC agreed to a resulting surcharge of \$3.78 per customer per month for 12 months.

Additionally, the Company indicated in discovery response DOE 8-4(c) that it has the ability to modify its billing system to capture the data necessary to charge a temporary to permanent rate recoupment to its customers based upon each customer's actual, historical usage, rather than a per customer flat fee. The DOE strongly encourages the Company to engage in this practice for its next rate case filing as it would align HAWC to other New Hampshire Class A water utilities.²

- 3) HAWC proposed a temporary to permanent rate recoupment surcharge to Hampstead for its Public Fire Protection (Hydrants) charge of \$6,983 per month for 12 months, which the Company subsequently updated on July 5, 2022, to \$6,840 per month for 12 months. The DOE does not have concerns with this request at this time.
- 4) HAWC proposed a temporary to permanent rate recoupment surcharge to Atkinson for its Public Fire Protection (Hydrants) charge of \$9,477 per month for 12 months, which the Company subsequently updated on July 5, 2022, to \$9,287 per month for 12 months. The DOE does not have concerns with this request at this time.
- 5) HAWC proposed a temporary to permanent rate recoupment credit for its commercial fire protection customers, 29 in total, of \$7,480 distributed among each customer according to pipe size.³ The DOE does not have concerns with this request at this time.
- 6) The Company proposed a temporary to permanent rate recoupment surcharge for its residential fire protection customers, 1,102 in total, of \$4.79 per month for 12 months based upon a reconciliation amount of \$63,388.⁴ However, the DOE disagrees with the proposed recovery of this amount at this time. This stems from the DOE's understanding

² See *Pennichuck Water Works, Inc.*, Order No. 26,469 (April 8, 2021) and *Pennichuck East Utility, Inc.*, Order No. 26,637 (June 6, 2022).

³ The DOE notes that while the Company's June 30 and July 5, 2022, filings refer to the customer class as "Commercial Fire Protection" and "Residential Fire Protection," individually, the accepted tariffs reflect these customer classes as "General Private Fire Protection" as indicated on First Revised Page 37 of the Company's Tariff dated November 24, 2020.

⁴ See Footnote 3 above.

that the Company's General Private Fire Protection Service expanded by the 1,102 customers at the resolution of the rate case by Order No. 26,635 dated June 2, 2022.

As such, the DOE contends that the reduced rates set in its General Private Fire Protection Service tariff only applies prospectively to these 1,102 customers as of the date of the Commission Order on June 2, 2022.⁵ Thus, these charges should not be allowed per RSA 378:27 and RSA 378:29. Furthermore, these customers received no notice that the new charge would be sought retroactively by means of a temporary to permanent rate recoupment by the Company.⁶

The DOE and the Company, however, have agreed to a joint request of the Commission for postponement of resolution of this issue until after an order is rendered regarding the five preceding requests for rate case expense and temporary to permanent rate recovery, discussed above. The DOE and the Company make this proposal in the event that the Commission determines that further consideration of the matter, via an alternative process, is necessary.

In conclusion, the DOE and the Company respectfully request that the Commission issue an order as soon as possible. As stated, if the Commission determines that an additional process is necessary regarding the matter described in Paragraph 6 above, the DOE and HAWC request that the Commission issue an order regarding the prior five agreed-upon proposals, which total approximately \$700,000 in rate case expense and temporary to permanent rate recoveries and credits.

⁵ See Settlement Agreement, May 9, 2022, at 9-10 ("The Settling Parties note that the private fire protection charge will decrease from its currently approved rate as the customer group will expand by approximately 1,000 customers, to include residential ratepayers who have not been previously charged the existing rate."); and Hearing Transcript of May 11, 2022 (Morning Session) at 113 (response by General Manager Charlie Lanza to Commissioner Simpson's question regarding the increase in size of the private fire protection customer class "As far as the conditions go, relative to the 1,000 some odd customers, there really is no material change to the customers, obviously, other than we're proposing that they will be billed under this Agreement.").

⁶ See *Hampstead Area Water Company, Inc.*, Order No. 26,437 (December 18, 2020).

The DOE provided a draft of this letter to the Company prior to its filing. In response, the Company indicated its assent to the proposals made therein, including the joint request to postpone resolution of the disagreement between the DOE and HAWC regarding the recoupment of temporary to permanent rates for the private fire protection customers, in Section 6 above, until after an order is rendered regarding the five preceding requests for rate case expense and temporary to permanent rate recovery, discussed in Sections 1 through 5 above. The DOE further recommends that the Commission allow the record to remain open for 10 days after this submission to allow for any additional comments by the other Parties that were part of the Permanent Rate Settlement Agreement.

Thank you for your consideration.

Sincerely,

/s/ Anthony J. Leone

Anthony J. Leone
Utility Analyst, Water Group
Regulatory Support Division

Attachment: Hampstead Area Water Company, Inc. responses to DOE Data Requests Set 7 & 8
cc: Service List

Date Request Received: 8/23/22
Request No. DOE 8-4

Date of Response: 8/29/22
Witness: John Sullivan

**Temp to Perm Reconciliation
Referencing DOE 7-13**

- a. Please provide the total dollar amount associated with the Company's earlier response.
- b. Please provide further justification as to why a flat fee would be more appropriate in this case.
- c. Rather than a flat fee, has the Company researched the cost to add / provide the functionality to recover the Temp to Perm difference based on historical usage for future rate cases? If not, would the Company be amenable to doing so for future rate proceedings.

RESPONSE: 8-4:

- a. The Company did not calculate the hours needed to complete this task in its response to DOE 7-33 for the following reasons. The Company cannot accurately determine the number of hours necessary to manually determine these charges based on historical usage. A ballpark estimate would be one person working 40 hours per week for 3 to 4 weeks. But it could be more or less. The Company does not have the staffing to devote a staff person to do this full time. It may be able to have one of its staff work on preparing this information for 1 day per week. Based on the 3-to-4-week estimate, the calculations would be done in 15 to 20 weeks plus an additional week for management to review the schedules.

The cost per week for the HAWC staff person to do this work is \$1,200 per week. 3 to 4 weeks at \$1,200 per week is \$3,600 to \$4,800 plus approximately 35 hours for management assistance and review (\$4,200) plus approximately 5 hours for Steve St Cyr's review (\$700). In total that would be approximately \$8,500 to \$9,700.

- b. A flat fee is simpler, less amount of time to calculate, less costly and consistent with past practices.
- c. We contacted the software provider again this week to see if they can add the functionality to their software. The person we spoke to this time said the program can be made to do what we need. Their cost to us would be minimal. The Company would still need to do some work to compile the data and put it in the proper form to finalize the calculations. Our estimate is about 1 person for 1 week (\$1,200) plus management assistance and review (\$2,000). The Company still does not think it would be the proper way to recover the costs. The Company's reasoning was explained in its response to DOE 7-13. In addition, to do it now would just extend this rate case unnecessarily thereby increasing time and costs for everyone.

To answer your question "would the Company be amenable to doing so for future rate proceedings?" The Company's opinion would not change for future rate cases. The explanations we gave in our response to DOE 7-13 would still apply.

We presume that DOE is concerned that the customers who don't use a lot of water are subsidizing those customers that use a lot of water. Therefore, DOE's suggestion would allocate the rate recoupment more towards the customers who use a lot of water. This is the reason the Company wanted to go to a two-tiered rate which would have had the larger water users pick up more of their fair share of the costs. But DOE did not support the Company's request.

Date Request Received: 7/21/22
Request No. DOE 7-13

Date of Response: 7/29/22
Witness: John Sullivan

Temporary to Permanent Rate Reconciliation

It appears that the Company has requested to recover the reconciliation of residential temporary to permanent rates as a flat fee of \$3.82 per customer per month for 12 months.

- a. Please provide an estimate of the time and expense for the Company to determine these charges by individual customer based on their actual historical usage and billing data during the recoupment period.
- b. Would the Company be amenable to determining its temporary to permanent rate reconciliation on an individual customer basis, based on actual historical usage and billing during the recoupment period? Please explain.

RESPONSE DOE 7-13

a. To determine charges by individual customer we would need to recalculate and reprint (to a pdf) each bill over the 12-month period. An Excel spreadsheet would need to be created and the original bill information and the revised bill information would need to be entered manually into the spreadsheet. We have just over 4,000 customers so we would need to enter the information for over 48,000 bills. This would take a very significant amount of time as our system does not have a feature to do this and it would need to be done manually.

b. As stated in response to a., the calculations would need to be done manually and would take an excessive amount of time and money to complete. In addition, some of the customers during that time frame are no longer customers (sold their houses, renters who moved away, customers who died, etc.). The company would have no way to collect from those customers. Also, what if a customer moves after the rate case recoupment period begins? Who would pay the remaining charge due from that customer?