

DW 00-011

RIVERSIDE WATER WORKS

Petition for Franchise and Rate Increase

Prehearing Conference Order

O R D E R N O. 23,458

May 2, 2000

Appearances: Brendon Cote for Riverside Water Works; Lynmarie Cusack, Esq. on behalf of the Staff of the New Hampshire Public Utilities Commission.

I. BACKGROUND

On January 20, 2000, Riverside Water Works Inc. (Company) filed a franchise petition and rate increase petition with this Commission. The Company is a 107-customer system with the majority of customers in Beecher Falls, Vermont. The system is owned by the Ethan Allan Furniture plant in Beecher Falls. The Company also serves approximately 36 customers in Stewartstown, NH. The system's well and pump station are in Vermont but the storage tank is located in New Hampshire. The system has been serving customers in both Vermont and New Hampshire for decades and there is no other water utility serving this area of New Hampshire.

The Company contends that it has received approval of the water system for the purpose of the franchise from the Town of Stewartstown; has satisfied the requirements of the Water Supply & Pollution Control and Water Resources Division

of the Department of Environmental Services; and has the managerial, legal, technical and financial expertise to operate the system in the area sought. The Company has already been granted authority to do business in Vermont.

On October 6, 1999, the Company filed a request to permanently increase its rates by 444%¹ with the Vermont Public Service Board (PSB). The PSB petition also requested that the Company be allowed to introduce a metered-rate option and a 1.5% late fee. The Vermont PSB opened Docket 6323. The Vermont Department of Public Service (DPS) investigated the case and entered into a Stipulation, in April 2000, with the Company regarding the rate increase. The DPS agreed that the revenue requirement and resulting rates agreed to by the Company were just and reasonable.

The DPS/Company stipulation noted that the rates currently in effect for the Company were last approved in December, 1984 and had not kept pace with rising costs and plant investment. Given the large rate increase request the DPS and Company agreed to a "phase-in" of the increase to mitigate any adverse impacts on Riverside's customers. If

1

Calculations prepared by the Commission's Finance Department show that the requested increase is actually 344.44%. A spreadsheet supporting these calculations was provided to Company representatives on April 18, 2000.

approved, the phase-in will occur over a period of three years.

The current annual rate, prior to the increase, is \$45.00. If the stipulation is approved the annual rate would be increased to \$100.00, effective on service rendered July 1, 2000 (effective date), to be billed October 1, 2000. On the first anniversary of the effective date the annual rate would be increased to \$150.00; and on the second anniversary the rate would be increased to \$200.00.² Annual rates would continue to be billed quarterly, in arrears. The Vermont PBS has yet to approve the stipulation.

On April 18, 2000, a pre-hearing conference was held here in New Hampshire on the Company's petition. Staff and the Company presented their preliminary positions relative to whether the granting of the franchise is for the public good and whether a rate increase is proper in light of the fact that the Company is a multi-jurisdictional facility.

There were no requests for intervention at the Pre-hearing Conference. The Office of Consumer Advocate did not appear.

On August 19, 2000, Staff submitted a recommended

2

The rates would go up as follows: \$55 or 122.22% on 7/01/2000; \$50 or 50% on 7/01/2001; \$50 or 33.33% on 7/01/2002.

joint proposal for procedural schedule to the Commission. The proposal indicated that Staff and the Company believed a relatively short schedule could accomplish the goals of the docket. The proposal suggested that the first goal was to attempt settlement of the docket with negotiations taking place before any formal discovery or testimony. Only if the case failed to settle would the procedural schedule call for formal data requests and Staff and Company testimony.

II. POSITION OF THE PARTIES

The Company asserted that it has been operating its water system in West Stewartstown, NH for 40 or 50 years and has never experienced any major problems with its customers. The Company noted that it is requesting the franchise because it has been brought to their attention that New Hampshire law requires that authority be granted by the PUC. The Company contends the request for rate increase is reasonable given the extremely low annual rates the Company now charges for water.

Staff acknowledged that the Company has been operating its system for approximately the last five decades and that the Company was really a subsidiary of the Ethan Allan Furniture plant. Based on those circumstances Staff would tentatively recommend approval given that it appears the Company has the financial, technical and managerial capability

to operate the system.

Staff also acknowledged that it was aware the Company had entered into a stipulation with the DPS regarding the rate increase. Staff also articulated that perhaps the Commission should treat the case as it does other multi-jurisdictional facilities. Lastly, Staff did note that there were some financial and system improvement issues that needed to be worked out before Staff would fully support the Company's petition. Staff suggested that these items might be worked out in the technical session that was scheduled for after the pre-hearing conference.

III. COMMISSION ANALYSIS

RSA 374:22 prohibits any business entity from engaging in business as a public utility in this state without first having obtained permission and approval of the Commission. Such permission is only granted when the franchise would be for the public good. It appears the schedule agreed to by Staff and the Company will allow us to determine the public good. We therefore adopt the schedule submitted on April 19, 2000, modified as follows:

Company status on suggested system improvements	05/12/00
Settlement Conference at Beecher Falls	05/31/00
Settlement Agreement to Commission	06/07/00

Hearing on Settlement (to commence at 1:30 p.m.) 06/19/00

We also find, if the case does not settle the following schedule would be needed:

Staff Testimony	06/16/00
Company Data Requests	06/30/00
Staff Responses	07/14/00
Company Rebuttal Testimony	07/28/00
Hearing on the Merits (to commence at 10:00 a.m.)	08/08/00

This schedule will allow us to evaluate both the franchise request and the request for rate increase.

We acknowledge Staff's remark regarding our evaluation process in multi-jurisdictional cases. We note that our process has in the past been aided by the decision of our neighboring state. For example, in *Re Fryeburg*, after reviewing the case, we adopted the rates set by the Maine Commission, stating that the Maine deliberations and decision of the Commission were in the best interests of the New Hampshire customers. *In Re Fryeburg*, 67 NH PUC 591 (1982); 78 NH PUC 28 (1993). We will be interested in the Vermont PSB's decision in the Riverside case before it; nonetheless, our review in this case will specifically look at the Company's commitment to provide safe and adequate service to its New Hampshire customers.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule as described above is adopted.

By order of the Public Utilities Commission of New Hampshire this second day of May, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary