

DW 00-059

HAMPSTEAD AREA WATER COMPANY, INC.

Petition to Establish Rates

Order Approving and Implementing Rates

O R D E R N O. 23,577

October 30, 2000

APPEARANCES: Stephen J. Noury for Hampstead Area Water Company, Inc.; Lynmarie Cusack, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 21, 2000 Hampstead Area Water Company, Inc. (Hampstead) filed a petition to expand its franchise area into a limited area in the Town of Chester, New Hampshire to provide water service to Oak Hill, a subdivision under construction. The petition also requested that the Commission establish permanent rates pursuant to RSA Chapter 378, *et seq.*

On April 20, 2000 the Commission issued an Order of Notice which scheduled a prehearing conference for May 23, 2000 on the issues related to RSA 374:22, 26, regarding the authority to engage in the business of a public utility in a town not already authorized; and RSA 378 regarding the setting of permanent rates. The Staff and Company met after the hearing and set a procedural schedule for the case. The schedule provided for discovery which was completed and led to a settlement agreement between Staff and the Company.

A hearing on the settlement was held on September 27, 2000. The testimony presented at the hearing established that Oak Hill is a housing development built by Kasher Corporation of Billerica, MA. The subdivision was approved by the Chester Planning Board as a cluster subdivision to be serviced by a community water system. The Kasher Corporation has no previous experience with water systems, and contributed the system to Hampstead with the understanding that Hampstead would operate the water system as a division of their own.

Staff testified that for the Oak Hill customers, Hampstead was entitled to annual revenues in the amount of \$11,698 based on net plant in service of \$19,532, a cash working capital allowance of \$1,796, a rate of return of 8.5% and annual operating expenses of \$9,885. Hampstead concurred in this recommendation. Hampstead plans to bill its customers on a quarterly basis. The quarterly bills will consist of a volumetric charge of \$3.52 per 100 cubic feet and a fixed charge of \$9.54. These rates will result in a typical quarterly bill of \$97.54 (assuming usage of 2,500 cubic feet per quarter) or an annual charge of \$390.16.

II. COMMISSION ANALYSIS

Based on the record evidence, we find that the recommended rates result in a reasonable return on the prudently constructed utility plant which we find used and useful in service to the public.

At the hearing, Commissioner Geiger raised some concerns over the affiliate relationship between Lewis Builders and the water company, as well as concern about a provision in paragraph 18 of the September 21, 2000 Stipulation and Settlement Agreement that would allow the Company to file for an increase in rates after one year of operation with a review and recommendation from Staff and implementation of the rate by the Commission without a hearing. The revised settlement agreement submitted by the parties on October 17 conveys the fact that Staff has reviewed the Management Agreement and contends that the relationship is in the public interest with benefits flowing to the Hampstead Area Water Company, Inc. ratepayers. In addition, the revised Settlement Agreement does not contain the aforementioned provision in paragraph 18. We therefore find that the revised Stipulation and Settlement Agreement is in the public interest.

Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company, Inc. may bill its 30 Oak Hill customers a quarterly fixed charge of \$9.54 and a volumetric charge of \$3.52 per 100 cubic feet, designed to result in annual revenues of \$11,704.80; and it is

FURTHER ORDERED, that the Company is authorized to operate a water system in the Oak Hill subdivision; and it is

FURTHER ORDERED, that the Stipulation and Settlement

Agreement dated October 17, 2000 is approved; and it is

FURTHER ORDERED, pursuant to RSA 374:27, that the franchise authority granted by this Order shall be exercised within two years, and shall not be exercised thereafter without further order of the Commission.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary