

DG 02-125

CONCORD STEAM CORPORATION

Notice of Intent to File Rate Schedules

Order Approving Temporary Rates

O R D E R N O. 24,073

October 25, 2002

APPEARANCES: Sarah B. Knowlton, Esq., McLane, Graf, Raulerson and Middleton, for Concord Steam Corporation; Jack K. Ruderman, Esq. for the Governor's Office of Energy and Community Services; Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On June 17, 2002, Concord Steam Corporation (Concord Steam or Company) filed with the New Hampshire Public Utilities Commission (Commission) a notice of intent to file rate schedules. On July 23, 2002, Concord Steam filed its proposed rate schedules, supporting material, and Petition for Authority to Establish Permanent Rate Increase. The filing requested an annual revenue increase of \$501,702, which represents a 13.9 percent increase over weather-normalized pro forma test year revenues.

On August 8, 2002, Concord Steam filed a Petition for Temporary Rates in the amount of \$496,405, or 13.7 percent over test year revenues.

On August 19, 2002, the Commission issued an Order suspending the proposed tariffs and scheduling a Prehearing Conference and Technical Session for September 11, 2002.

On September 9, 2002, the Governor's Office of Energy and Community Services (GOECS) filed a Motion for Intervention.

A Prehearing Conference and Technical Session were held on September 11, 2002. On September 26, 2002, the Commission issued Order No. 24,058, approving the proposed procedural schedule and GOECS' Motion for Intervention.

On September 30, 2002, Concord Steam submitted its testimony and schedules in support of its temporary rate filing. Also on September 30, the Commission issued a secretarial letter correcting certain dates in Order No. 24,058.

Commission Staff filed its testimony regarding temporary rates on October 4, 2002.

On October 15, 2002, Commission Staff filed a Settlement Agreement on Temporary Rates (Settlement Agreement) on behalf of itself and Concord Steam, together with a request for waiver of Puc 203.09(d), which requires that settlements be filed no less than five days prior to hearing. The Settlement Agreement became the focus of the hearing held on October 15 regarding Concord Steam's request for temporary rates.

II. POSITIONS OF THE PARTIES AND STAFF

Concord Steam stated that it filed its rate case because it has earned substantially less than its authorized rate of return during the past three years;¹ instead, the Company has been earning a rate of return of approximately 2 percent since 1999. For the test year ended December 31, 2001, Concord Steam reported a \$99,000 loss, which translates to a weather-normalized, overall rate of return of approximately negative 3 percent and a return on equity of approximately negative 3.9 percent. Concord Steam also stated that base rates for the Company were last established on September 1, 1996. See *Concord Steam Corporation*, Order No. 22,298, 81 NHPUC 664 (1996) cited in footnote 1. Concord Steam advocated approval of the Settlement Agreement which stipulates a temporary rate increase designed to yield an increase in annual revenues of \$422,404, *i.e.*, an increase of 11.8 percent.

Puc 1203.05(b) requires rate changes implemented as a result of a Commission order to be implemented on a service rendered basis. In support of a requested waiver of this rule pursuant to Puc 201.05 and 1203.05(c), the Company's witness testified at hearing that it has notified its customers of the

¹ Pursuant to an approved settlement, the Commission allowed the Company an overall rate of return of 8.63 percent, including a return on equity of 8.5 percent in *Concord Steam Corporation*, Order No. 22,298, 81 NH PUC 664 (1996).

rate case by individual letters sent out at the end of August and by newspaper notices. The Company said it also gave specific notice to the Concord City Clerk. According to the Company, no customer confusion will result from a bills rendered rate change. In addition, the Company testified it had requested a permanent rate increase effective September 1 on a service rendered basis, and under the Company's billing practices, a rate increase effective November 1 on a bills rendered basis is equivalent to a rate increase effective October 1 on a service rendered basis. The Company's witness testified that October is the start of the winter heating season which produces most of the Company's revenues. The Company said it is concerned about its overall cash flows since the Company would not receive revenues for service rendered during November until late December and its fuel cost recovery is spread over the whole year.

The Company's witness testified that if the Commission approves permanent rates following the end of the heating season that are significantly less than temporary rates, the Company would have to recalculate the bills of its winter season customers. If, on the other hand, the Company's permanent rates turn out to be more than its temporary rates, the Company said

it did not plan to re-bill its winter customers if the difference was not more than \$75,000 to \$80,000.

GOECS took no position on the merits of the Settlement Agreement.

In its pre-filed testimony, Staff recommended making several adjustments to the Company's test year for purposes of calculating the revenue requirement for temporary rates, including weather-normalizing sales, reducing rate base, and increasing the allowed rate of return from that proposed by the Company. Staff advocated for Commission approval of the Settlement Agreement.

III. SUMMARY OF SETTLEMENT AGREEMENT

The terms of the Settlement Agreement are summarized below:

A. Temporary Rate Level

Concord Steam and Staff agree that the stipulated temporary increase shall be designed to yield an increase in annual revenues of \$422,404. This is an increase of approximately 11.8 percent.

B. Reconciliation

Concord Steam and Staff agree that the difference between the revenues under temporary rates and the permanent revenue levels to be approved by the Commission at the end of

this proceeding shall be adjusted and either charged to customers via a Commission approved surcharge or returned to customers via a Commission approved refund.

C. Effective Date of Temporary Rates

The Staff and NHGC agreed temporary rates should become effective on a bills rendered basis on or after November 1, 2002.

IV. COMMISSION ANALYSIS

RSA 378:27 authorizes the Commission to grant temporary rates, if, in its opinion, the public interest so requires; such rates must be sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the Commission, unless there appears to be reasonable ground for questioning the figures in such reports. Further, the statute contemplates the setting of temporary rates by reasonably practical and expeditious means, without such investigation as might be deemed necessary to a determination of permanent rates. See New England Telephone & Telegraph v. State, 95 N.H. 515, 518 (1949).

We have reviewed the terms of the Settlement Agreement as well as Concord Steam's filing and supporting testimony and

exhibits presented at the October 15, 2002 hearing. Concord Steam demonstrated that it is currently under-earning. Based on the record before us, we are persuaded that the \$422,404 in additional revenue is reasonable, taking into consideration the need to balance the respective concerns of the Company and its ratepayers.

We further find Concord Steam's temporary rates, as agreed to in the Settlement Agreement, produces usage rates that are just and reasonable and in the public good. We note that these rates are subject to reconciliation at the conclusion of the permanent rate case.

Finally, we conclude that waivers of Puc 203.09(d) and 1203.05(b) are appropriate under the special circumstances of this case.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement proposed by Concord Steam Corporation and Commission Staff is APPROVED; and it is

FURTHER ORDERED, that the temporary rates be implemented on a bills rendered basis effective November 1, 2002; and it is

FURTHER ORDERED, that Concord Steam Corporation shall submit tariff pages in compliance with this Order within 15 days

of the date of this order.

By order of the Public Utilities Commission of New
Hampshire this twenty-fifth day of October, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary