

**DW 04-056**

**PENNICHUCK WATER WORKS, INC.**

**Petition for Rate Increase**

**Order Approving Rate Case Expenses and Temporary Rate Recoupment**

**ORDER NO. 24,469**

**May 27, 2005**

**I. BACKGROUND**

On April 29, 2005, by Order No. 24,465, the Commission approved a Settlement Agreement (Agreement) and new permanent rates for Pennichuck Water Works, Inc. (PWW) for all customers, except fire protection service. In connection with the rate case, on April 14, 2005, PWW filed with the Staff of the New Hampshire Public Utilities Commission (Staff) a letter and supporting documentation requesting recovery of its rate case expenses in the amount of \$133,990.98. On May 12, 2005, Staff filed a letter with the Commission recommending that PWW be authorized to recover \$130,437.00 in rate case expenses. Staff stated that the amounts it recommended be disallowed relate to the Staff's audit work, and that the Commission has traditionally not considered such expenses as rate case expenses. According to the terms of the approved Agreement, approved rate case expenses are to be recovered through a surcharge to PWW customers over a 12-month period. Staff calculated the rate case expense surcharge to be \$130,437.00, which results in a rate case surcharge of \$0.45 per customer per month for 12 months.

On May 12, 2005, PWW also filed its calculation of the reconciliation of temporary rates which we approved in Order No. 24,377 (September 30, 2004) with the approved permanent rates. PWW estimated that the average temporary rate surcharge will vary

for residential customers from \$0.71 to \$1.63 per month and for commercial, industrial and municipal customers from \$3.91 to \$12.22 per month for 12 months. PWW states these estimates are based on the timing of meter reading cycles and estimated customer usage. The actual surcharge for each customer will be based on that customer's actual usage. On May 18, 2005, Staff filed a letter with the Commission indicating it had reviewed PWW's calculations and recommended approval of PWW's temporary rate recoupment.

## **II. COMMISSION ANALYSIS**

We have long considered that prudently incurred rate case expenses and other legal and regulatory expenses are legitimate costs of service of a utility that should be included in rates. Consistent with that policy, we have reviewed PWW's rate case expense summary and the proposed surcharge. We agree with Staff's recommendation to remove costs associated with the Staff audit, as those are not customarily recovered as rate case expenses. Based on our review, we find PWW's recovery of \$130,437.00 to be reasonable and we will authorize PWW to recover the amount over 12 months through a surcharge estimated to be at \$0.45 per customer per month.

Pursuant to RSA 378:29 if, upon the final disposition of the rate proceedings, the rates as finally determined are in excess of the temporary rates, then the utility shall be permitted to amortize and recover the difference between temporary rates and permanent rates over the effective period. We have reviewed the temporary rate recoupment recommendations from PWW and Staff. We find PWW's estimate that the average surcharge will vary for residential customers from \$0.71 to \$1.63 per month and for commercial, industrial and municipal customers from \$3.91 to \$12.22 per month is reasonable and consistent with RSA 378:29. We

will thus approve the recovery of the difference between temporary rates and permanent rates, through a surcharge to customer bills, again over a 12-month period.

For the foregoing reasons, we find that PWW's recovery of rate case expenses and temporary rate recoupment will result in just and reasonable rates and is in the public interest.

**Based upon the foregoing, it is hereby**

**ORDERED**, that Pennichuck Water Works, Inc. is authorized to recover \$130,437.00 in rate case expenses over a 12-month period in a surcharge amount of \$0.45 per customer per month; and it is

**FURTHER ORDERED**, that Pennichuck Water Works, Inc. is authorized to recover the difference between its temporary rates approved in Order No. 24,377 and the permanent rates approved in Order No. 24,465 through a surcharge to customer bills over a 12-month period, said surcharge shall be calculated based on the actual usage of each customer as described herein; and it is

**FURTHER ORDERED**, that Pennichuck Water Works, Inc. shall file a compliance tariff within five business days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of May, 2005.

---

Thomas B. Getz  
Chairman

---

Graham J. Morrison  
Commissioner

---

Michael D. Harrington  
Commissioner

Attested by:

---

Debra A. Howland  
Executive Director & Secretary