

**DW 04-001**

**ATKINSON WOODS WATER, LLC**

**Petition for Financing Approval and Permanent Rates**

**Order Approving Step Adjustment**

**O R D E R   N O. 24,593**

**March 3, 2006**

**I. BACKGROUND**

On January 5, 2004, Atkinson Woods Water, LLC (AWW) filed with the New Hampshire Public Utilities Commission (Commission) a petition requesting approval of financing and establishment of permanent rates. On November 19, 2004, the Commission issued Order No, 24,404, approving a Stipulation Agreement (the Agreement) presented by Staff of the Commission (Staff) and AWW. That Agreement established a revenue requirement for AWW of \$19,493 and a fixed quarterly charge of \$87.02 for the 56 customers of this water system.

Among other things, the Agreement provided for a step adjustment to AWW's rates for three items: (a) property taxes from the Town of Atkinson; (b) costs related to more frequent flushing of water mains; and (c) additional State Utility Property Tax.

On December 27, 2005, AWW requested a step adjustment to recover \$2,235 in property taxes, and \$15 in additional costs for the State Utility Property Tax not included when rates were set in late 2004. AWW indicates that, on November 4, 2005, it received a bill from the Town of Atkinson in the amount of \$2,235 to be paid by December 16, 2005. In addition, because the 2005 tax bill was required to be paid in December of 2005, AWW also requests a surcharge to customer bills over the next four billing quarters, which amounts to \$9.98 per quarter per customer. The new revenue requirement for AWW, exclusive of the surcharge,

would be \$21,743, and customer rates would be \$97.07 per quarter. AWW requested that the Commission approve this new rate for effect in the first quarter of 2006.

On February 23, 2006, Staff filed a letter recommending approval of AWW's requests. Staff indicated that the requests were within the scope of the Agreement as approved by the Commission. Staff, however, corrected AWW's calculation of the deficiency in the State Utility Property Tax from \$15 to \$13. Staff therefore recommended a revised revenue requirement of \$21,741 and a quarterly customer water rate of \$97.06. As for AWW's request for approval of a surcharge to recover the 2005 property tax assessed by the Town of Atkinson, Staff noted that, while the Agreement did not specifically provide for such surcharge, the Agreement did recognize that recovery of property tax expense from customers is appropriate as a cost of providing service. Staff averred that denial of the surcharge would therefore be contrary to the Agreement and also to accepted ratemaking principles. Staff thus supports the surcharge and the revised revenue requirement amount of \$21,741. Finally in its letter, Staff indicated that it had contacted the Atkinson Woods Owners Association (AWOA) regarding the filing. AWOA was a party to the AWW rate case, although not a signatory to the Agreement, and the Commission directed in Order No. 24,404 that AWOA be copied on all correspondence between AWW and Staff on all matters arising from the Agreement such as a step adjustment. Staff indicated that it was authorized by Mr. William Hornby, a member of the AWOA Board of Directors, to report that AWOA understands the need for the step adjustment and the proposed surcharge for property taxes and does not oppose AWW's requests.

## II. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to establish rates for utilities that are lawful, just and reasonable. We have reviewed AWW's requests as contained in its December 27, 2005 filing as well as the Staff recommendation submitted on February 23, 2006 and find that the proposed step adjustment, as modified, meets the standard for approval.

AWW's request is consistent with the Agreement approved in Order No. 24,404 (November 19, 2004). In that order, the Commission specifically found it appropriate to consider a step adjustment for certain expense items that were unknown at the time of AWW's rate case. In addition, the use of a step adjustment for this small utility eliminates the need for a full rate proceeding, which carries additional costs to the utility and thus to its customers. In this particular case, AWW seeks recovery of a legitimate expense, i.e., local real estate taxes, which had yet to be assessed by the Town of Atkinson at the time AWW's rate case was concluded.

Accordingly, we approve AWW's request for a step adjustment in the amount of \$2,248, as modified, resulting in a new revenue requirement of \$21,741. Quarterly customer rates will be \$97.06 effective for service rendered January 1, 2006. We also approve the requested surcharge for the 2005 property tax in the amount of \$9.98 per customer per quarter, to recover AWW's 2005 property tax bill from the Town of Atkinson. As Staff noted in its February 23, 2005 letter, although this surcharge was not specifically provided for in the Agreement, its approval is consistent with provisions in the Agreement to the effect that AWW is entitled to recovery of local property taxes as a legitimate business expense. Accordingly, we approve the surcharge amount, to be added to customer bills for the four billing quarters of 2006.

In Order No. 24,404, we directed AWW to provide AWOA with copies of all correspondence with Staff on expense items that may result in a step adjustment. We note that AWW and Staff have worked with AWOA on this matter, sought comments from the AWOA and that AWOA does not oppose the filing. We conclude as a result that adequate notice was provided.

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

**ORDERED**, that Atkinson Woods Water, LLC is authorized, pursuant to RSA 378, to increase its permanent rates, effective for service rendered January 1, 2006, to \$97.06 per quarter; and it is

**FURTHER ORDERED**, that AWW is authorized to recover its 2005 property tax expense through a surcharge to its customers of \$9.98 per quarter for four quarters beginning with the first quarter of 2006; and it is

**FURTHER ORDERED**, that AWW provide a copy of this Order to each of its customers within ten days of the date of this Order; and it is

**FURTHER ORDERED**, that AWW file a compliance tariff with the Commission within ten days of the date of this Order.

By order of the Public Utilities Commission of New Hampshire this third day of  
March, 2006.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary