

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-065

HAMPSTEAD AREA WATER COMPANY, INC.

Notice of Intent to File Rate Schedules

Order Authorizing Recovery of Rate Case Expenses and Temporary Rate Recoupment

ORDER NO. 25,025

October 9, 2009

I. BACKGROUND

On January 16, 2009, the New Hampshire Public Utilities Commission (Commission) issued Order No. 24,932 approving temporary rates for Hampstead Area Water Company, Inc. (HAWC) at its then authorized levels on a service rendered basis effective September 1, 2008. On August 4, 2009, the Commission issued Order No. 25,000 approving a Stipulation Agreement on Permanent Rates. Contained in that Stipulation Agreement were provisions pertinent to the reconciliation and recovery of permanent rates in excess of temporary rates charged subsequent to September 1, 2008 as well as recovery of rate case expenses. Specifically, HAWC agreed to submit proposals for both temporary rate recoupment as well as rate case expense recovery within fifteen days from the date of the Commission's final order.

On August 19, 2009, HAWC submitted to Commission Staff (Staff) and the Office of the Consumer Advocate (OCA) a proposal along with supporting documentation for recovery of \$49,685 in rate case expenses as well as \$113,544 in revenue differential between temporary and permanent rates, for a combined recovery amount of \$163,229. HAWC proposed that this

amount be collected via a combined monthly surcharge of \$4.67 per customer over 12 monthly billing periods.¹

On September 17, 2009, Staff filed its recommendations concerning HAWC's proposals for recovery of rate case expenses as well as the revenue differential between temporary and permanent rates. Staff stated that it had thoroughly reviewed the information submitted by HAWC and conducted discovery in the form of data requests.

Staff agreed with the \$113,544 recovery proposed by HAWC as the revenue differential between temporary and permanent rates. With regard to the rate case expenses proposed by HAWC, however, Staff recommended a net reduction of \$4,576 and recommended the Commission allow HAWC to recover \$45,109. Staff explained that its proposed adjustment consisted in part of \$3,694 in charges related to Staff's audit of HAWC because such costs have historically been disallowed by the Commission from rate case expense recovery. Staff's recommended adjustment also included the disallowance of \$264 in misclassified charges as well as \$1,281 of various other expenditures relating to services deemed not germane to the establishment of rates in this case. Staff's recommendation further included the addition of \$663 in rate case related charges that were submitted by HAWC subsequent to its original proposal.

Staff agreed with the 12 month recovery period proposed by HAWC and proposed a revised monthly surcharge amount of \$4.54 per customer. In its letter, Staff stated that both HAWC and the OCA concurred with its recommendations.

¹ The number of customers upon which HAWC based the monthly surcharge was the 2,909 customers agreed to by the settling parties in the Stipulation Agreement.

II. COMMISSION ANALYSIS

RSA 378:29 requires the Commission to allow utilities to amortize and recover the difference between temporary rates and permanent rates over the effective period of the temporary rates if, upon the final disposition of the rate proceeding, the rates ultimately approved exceed the earlier imposed temporary rates, which is the case here. The revenue shortfall, when compared with the temporary rates actually charged since the September 1, 2008 effective date, totals \$113,544. We have reviewed the temporary rate recoupment recommendation and we concur with that recommendation. Therefore, we approve the proposed revenue differential between temporary and permanent rates in the amount of \$113,544.

Prudently incurred rate case expenses are legitimate costs of service of a utility and are properly recovered through rates. Consistent with that policy, we have reviewed HAWC's rate case expense summary as well as Staff's recommendations. We agree with Staff that the costs amounting to \$3,694 for expenses related to the Commission Audit should be disallowed. Responding to audit requests is a continuing obligation of utilities under RSA 374:18 and is recognized in calculating the permanent rate in RSA 378:28. Allowing expenses associated with responding to audit requests as a surcharge for rate case expenses would, in effect, amount to a double recovery of these expenses. Likewise, with regard to the costs deemed as either misclassified or not germane to the rate making process by Staff, we agree that it would be inappropriate to include such costs in the rate case expense surcharge as they do not meet the standard of being legitimate rate case costs prudently incurred. Therefore, we approve HAWC's recovery of \$45,109 in rate case expenses as proposed by Staff and supported by HAWC and OCA.

Lastly, we address the proposed surcharge to recover the temporary rate recoupment and rate case expenses. We have reviewed the recovery recommendations of both HAWC and Staff and we find the proposal to spread the combined surcharge over 12 monthly billing periods to be just and reasonable. We find that such recovery will not be unduly burdensome to customers. Accordingly, we will approve HAWC's imposition of a surcharge in the amount of \$4.54 per customer per month over 12 monthly billing periods.

Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company, Inc. is authorized to recover \$113,544, representing the difference between its temporary rates approved in Order No. 24,932 and the permanent rates approved in Order No. 25,000; and it is

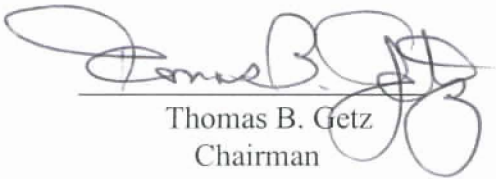
FURTHER ORDERED, that Hampstead Area Water Company, Inc. is authorized to recover \$45,109, representing its prudently incurred rate case expenses; and it is

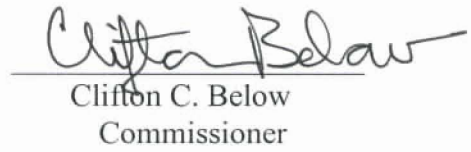
FURTHER ORDERED, that Hampstead Area Water Company, Inc. is authorized to charge a monthly surcharge in the amount of \$4.54 per customer over 12 monthly billing periods or until the full amount of the temporary and permanent rate recoupment and rate case expenses are collected, whichever is earlier; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. shall file a compliance tariff within fourteen calendar days of the date of this order.

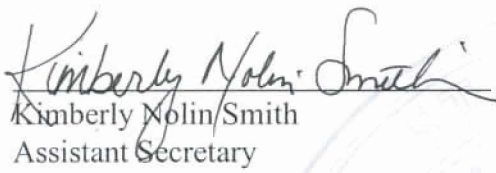
By Order of the Public Utilities Commission of New Hampshire this ninth day of

October, 2009.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner

Attested by:


Kimberly Nolin/Smith
Assistant Secretary

