STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 10-217

TIOGA RIVER WATER COMPANY, INC.

Permanent Rate Proceeding

Order Granting Recovery of Certain Rate Case Expenses

O R D E R N O. 25,359

May 7, 2012

I. PROCEDURAL BACKGROUND

On January 30, 2012, by Order No. 25,322 issued in this docket, the Commission approved a settlement agreement that, among other things, established new permanent rates for Tioga River Water Company, Inc. (Tioga). That order also authorized Tioga to recover rate case expenses incurred in the proceeding, and directed Tioga to file a calculation of its rate case expenses to the Commission.

II. POSITIONS OF THE PARTIES

A. TIOGA

On February 23, 2012, pursuant to the settlement agreement and Order No. 25,322, Tioga submitted to Staff its proposal to recover $18,402.28 in rate case expenses. Tioga also supplied copies of invoices supporting its request. On its own initiative, Tioga determined that the proposed rate case expense charge should be assessed on a per-billable-unit[1] basis; based on $18,402.28 in proposed expenses, Tioga proposed an eight-quarter assessment for each billable unit of $20.91, beginning on April 1, 2012. Tioga accepted Staff's recommended disallowances

[1] A 'billable unit' corresponds with a single discrete user of Tioga's water, such as a home or a single unit within a multi-family building served by Tioga.

related to costs incurred for establishing Tioga's work order system and continuing property records, as well as Tioga's request for recoupment of certain estimated data-request response costs. Tioga's acceptance of these adjustments resulted in reducing its proposed recovery by $1,378.12 to $17,024.16 in rate case expenses, over eight quarters, with a proposed per-billable-unit surcharge of $19.35. *See* Staff Recommendation of Jayson P. Laflamme, February 29, 2012, at 2-3. Tioga, however, rejected the other $1,194.38 of disallowances proposed by Staff related to costs incurred by Tioga in relation to Staff's audit of Tioga (as discussed below) and increasing rate case recovery period from 8 to 12 billing quarters.

B. STAFF

In a letter filed with the Commission on February 29, 2012, Staff recommended that the Commission disallow $2,572.50 in expenses and authorize Tioga to recover $15,829.78 in expenses. Staff recalculated the rate case surcharge on the basis of these proposed disallowances, and recommended that the surcharge be assessed over 12 quarters, instead of eight quarters, in order to reduce the quarterly bill impacts on Tioga customers. The resulting surcharge recommended by Staff, for both Tioga divisions, would be $11.99 per billable unit, assessed for 12 quarters. (Staff supported Tioga's proposal for per-billable-unit assessment of the rate case surcharge). *See* Staff Recommendation of Jayson P. Laflamme, February 29, 2012, at 2. Staff has calculated that this rate case expense surcharge would increase the average quarterly bills of Tioga's Gilford division customers by 15.8 percent (from $76.00 per quarter to $87.99 per quarter), and the bills of Tioga's Tioga division customers by 5.1 percent (from $235.50 per quarter to $247.49 per quarter). (*See* Order No. 25,322 at 4-5 for base rate increase bill impacts).

The majority of Staff's proposed adjustment, or $2,467.50, related to costs incurred in connection with Staff's audit of Tioga's books and records. Staff noted that such costs are customarily excluded from rate case expense recovery because they are deemed to already be included in a utility's normal operating expenses. Additionally, $1,273.13 of these audit costs related to Tioga's efforts towards creating a work order system and continuing property records in compliance with the Commission's rules and regulations. Staff argued that it would be especially improper to include the costs incurred by Tioga to create its work order system and continuing property records in its recovery of rate case expenses because those records should already have been established and maintained by Tioga prior to its rate proceeding, in accordance with Commission rules. Staff also proposed disallowance of an estimated charge of $105.00 for Tioga to respond to data requests from Staff regarding its rate case expense submission; Staff argued that, as Staff did not propound such data requests, this estimated charge should be eliminated. In fact, no party propounded data requests in connection with Tioga's rate case expense filing. As stated above, Tioga did not accept $1,194.38 of these disallowances, as related to the Staff audit costs, nor did Tioga accept the increase to 12 billing quarters.

III. COMMISSION ANALYSIS

The Commission has historically treated prudently incurred rate case expenses as a legitimate cost of business appropriate for recovery through rates. *Hampstead Area Water Company, Inc.*, Order No. 25,025 (Oct. 9, 2009). We accept the adoption of Staff's recommended disallowances, as assented to by Tioga, in the amount of $105.00 for data responses and $1,273.13 for work-order system development. We also adopt Staff's disallowance of costs related to Staff's audit of Tioga's books and records. We have historically

denied recovery of such costs in connection with rate case expense recovery, as they are appropriately considered to be part of a utility's normal operating expenses. *See Pittsfield Aqueduct Company, Inc.*, Order No. 25,076 (Feb. 24, 2010), at 5.

In conclusion, we will approve Tioga's requested rate case expenses, as reduced by Staff in the amount of $2,572.50. This results in a total approved rate case amount of $15,829.78. We approve of Tioga's proposal, supported by Staff, for a per-billable-unit surcharge, as equitable. We also approve Staff's recommended timing modification for rate case expenses recovery, in which Tioga would recover its expenses over 12 quarters, as just and reasonable, and as a useful aid in reducing Tioga customers' rate burden. The surcharge to Tioga's customers would amount to $11.99 per billable unit for 12 quarters. We find this surcharge to be just and reasonable, and we will authorize Tioga to recover this amount via surcharges to customer bills as of April 1, 2012.

Based upon the foregoing, it is hereby

ORDERED, that Tioga River Water Company, Inc. is authorized to recover a total of $15,829.78 in rate case expenses through a surcharge to customer bills of $11.99 per billable unit, for twelve consecutive quarters as of April 1, 2012; and it is

FURTHER ORDERED, that Tioga River Water Company, Inc. file a compliance tariff within 10 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this seventh day of May, 2012.

Amy L. Ignatius	Michael D. Harrington (KNS)	Robert R. Scott
Chairman	Commissioner	Commissioner

Attested by:

Debra A. Howland
Executive Director