

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-254

FOREST EDGE WATER COMPANY, INC.

Temporary and Permanent Rate Proceeding

**Order Authorizing Recovery of Rate Case Expenses and Revenue Differential Between
Temporary and Permanent Rates**

ORDER NO. 25,612

December 23, 2013

I. BACKGROUND

On February 19, 2013, the Commission issued Order No. 25,464 approving temporary rates for Forest Edge Water Company, Inc. (Forest Edge) at its then authorized rates on a service rendered basis effective November 1, 2012. On September 20, 2013, the Commission issued Order No. 25,575 approving a settlement agreement on permanent rates. On October 4, 2013, Forest Edge submitted to Commission Staff (Staff) a proposal along with supporting documentation for recovery of \$15,588 in rate case expenses as well as \$3,454 in revenue differential between temporary and permanent rates, for a combined recovery amount of \$19,042. Forest Edge proposed that this amount be collected via a combined quarterly surcharge of \$56.67 per customer over eight quarterly billing periods.

On November 19, 2013, the Staff filed a recommendation on Forest Edge's request. Staff stated that it had reviewed the information submitted by Forest Edge and that it had conducted discovery in the form of data requests. Staff attached this discovery to its recommendation letter.

Staff concurred with the calculated revenue differential between temporary and permanent rates of \$3,454. With respect to rate case expenses, Staff stated that Forest Edge amended its request in discovery and reduced its request by \$505. This change reduced Forest Edge's request to \$15,083 and Staff agreed to that amount. Staff, therefore, recommended the Commission approve \$15,083 in rate case expenses and \$3,454 in temporary rate recoupment, for a total of \$18,537. Forest Edge requested recovery of this total from its 42 customers over eight billing quarters. According to this schedule, the quarterly surcharge would be \$55.17 per customer.

Staff stated that it believed that a \$55.17 quarterly surcharge would be overly burdensome to customers and proposed recovering the combined amount over sixteen billing quarters in an amount of \$27.58 per customer per quarter. Staff stated that customers recently experienced a rate increase of \$30.84 per quarter and could realize another rate increase in the amount of \$6.50 per quarter charge for an expected step increase for capital additions in 2014. Staff believed that spreading the rate case expense and temporary rate recoupment surcharge over sixteen quarters would help mitigate rate shock to customers. Staff acknowledged Forest Edge's desire to recover these costs as quickly as possible, especially since the proceeding had been particularly lengthy, but felt its recommendation was a fair balance between the interest of the customers and Forest Edge.

In its recommendation letter, Staff noted that Forest Edge did not agree with the sixteen quarter recovery period. Forest Edge argued that the proceeding had been long and costly and that rate case vendors had not yet been paid for their services. Staff further noted that, while Forest Edge concurred with Staff's recommendations except for the recovery period, Staff had

provided its draft recommendation to the intervenors in this docket and did not receive any responses.

The Commission has not received any other comments on Forest Edge's request following Staff's recommendation.

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 it is found that, upon the final disposition of the rate proceeding, the rates ultimately approved are in excess of the earlier imposed temporary rates. We previously approved temporary rates for Forest Edge effective November 1, 2012 and we subsequently approved permanent rates for Forest Edge. The revenue shortfall when compared with the temporary rates charged since the November 1, 2012 effective date, totals \$3,454. We have reviewed the proposed revenue differential between temporary and permanent rates and we concur with the recommendation of Forest Edge and Staff. We, therefore, approve the proposed revenue differential for recovery in the amount of \$3,454.

We have long considered that prudently incurred rate case expenses are legitimate costs of service of a utility that should be included in rates. Consistent with that policy, we have reviewed Forest Edge's rate case expense request as modified. Forest Edge's revised request appears reasonable, and Staff and the company are in agreement. We will, therefore, approve the amount of rate case expenses of \$15,083.

Lastly, we address the duration of the surcharge. We have reviewed the recovery recommendation by Staff of sixteen billing quarters versus the eight proposed by Forest Edge.

We agree that, considering the permanent rate increase of just over 26% previously approved in this docket, as well as the rate increase associated with a future step adjustment, that a sixteen quarter recovery period will be much less burdensome to customers. Under the company's proposal, combined with the new permanent rates, customers would experience a bill increase of approximately 74%. A sixteen quarter recovery mitigates this impact to a combined increase of just over 50%, still a substantial increase. We, therefore, find that spreading the combined surcharge over sixteen quarterly billing periods results in just and reasonable rates for customers and allows Forest Edge to recover expenses associated with this rate proceeding. Accordingly, we will approve Forest Edge's imposition of a surcharge in the amount of \$27.58 per customer per quarter over sixteen quarterly billing periods.

Based upon the foregoing, it is hereby

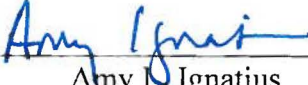
ORDERED, that Forest Edge Water Company, Inc. is authorized to recover \$3,454, representing the difference between its temporary rates approved in Order No. 25,464 and the permanent rates approved in Order No. 25,575; and it is

FURTHER ORDERED, that Forest Edge Water Company, Inc. is authorized to recover \$15,083, representing its prudently incurred rate case expenses; and it is


FURTHER ORDERED, that Forest Edge Water Company, Inc. is authorized to charge a quarterly surcharge in the amount of \$27.58 per customer over sixteen quarterly billing periods or until the full amount is collected, whichever is earlier; and it is

FURTHER ORDERED, that Forest Edge 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 twenty-third day of
December, 2013.



Amy L. Ignatius
Chairman

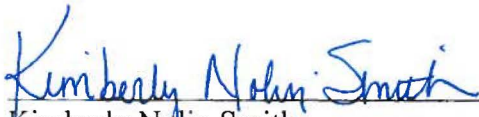


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary