

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 15-199

ABENAKI WATER COMPANY, INC.

Permanent and Temporary Rate Proceeding

Order Approving Temporary Rates

ORDER NO. 25,858

January 11, 2016

APPEARANCES: Upton & Hatfield, LLP, by Justin C. Richardson, Esq., for Abenaki Water Company, Inc.; David Laflamme, *pro se*, for Village Shore Estates Association; Office of the Consumer Advocate by Susan W. Chamberlain, Esq., on behalf of residential ratepayers; and Staff of the Public Utilities Commission by Rorie E. Patterson, Esq.

In this Order, the Commission approves a settlement agreement granting Abenaki authority to implement temporary rates pursuant to RSA 378:27, for service rendered on or after September 8, 2015. As a result of these temporary rates, Abenaki's residential sewer customers in Belmont and residential water customers in Bow will experience yearly bill increases of approximately \$68 and \$88 respectively, depending on usage.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2015/15-199.html>.

I. PROCEDURAL HISTORY AND POSITIONS OF THE PARTIES

On July 24, 2015, Abenaki Water Company, Inc. (Abenaki), submitted a permanent rate filing including revised tariff pages designed to consolidate the separate water rates for the Bow and Belmont systems, and to increase the Company's annual water revenue by a total of \$45,393,

or 23.41%. Abenaki also proposed to increase its annual sewer revenue for its Belmont customers by a total of \$39,246, or 50.11%.

On August 17, the Company filed a Petition for Temporary Rates (Petition) seeking an increase in Bow water revenues of \$11,974, or 18.09%; and an increase in Belmont sewer revenues of \$17,237, or 22.01%; with both increases to take effect with service-rendered on and after September 8, 2015. Abenaki proposed no temporary change in rates for Belmont water customers.

On November 10, Commission (Staff) Staff filed testimony recommending a temporary revenue requirement increase for Bow water of \$10,585 or 15.99%; and Belmont sewer of \$15,054, an increase of 19.22%. Staff supported Abenaki's request that temporary rates for Belmont water customers be set at current levels. On November 12, Village Shore Estates filed the testimony of David Laflamme, recommending that the Commission closely scrutinize the rate increase request to ensure a fair outcome. Mr. Laflamme asked the Commission to pay particular attention to the debt to equity ratio, and to the truthfulness and accuracy of information Abenaki has given to their customers and the Commission.

On December 11, Abenaki, the Office of the Consumer Advocate (OCA), and Staff (Settling Parties) filed a settlement agreement on temporary rates, the merits of which the Commission heard on December 21.

The final positions of the Settling Parties are embodied in the settlement agreement described below. At the hearing, Mr. Laflamme stated that he did not oppose the settlement agreement.

II. TERMS OF THE SETTLEMENT AGREEMENT

The Settling Parties recommend that the Commission authorize the Company to implement temporary rates under RSA 378:27 according to the following terms:

- For Belmont water customers, the Company will charge current rates as temporary rates;

- For Bow water customers, the Company will charge rates sufficient to yield a temporary increase in annual revenues of \$10,740, or 16.22%;

- For Belmont sewer customers, the Company will charge rates sufficient to yield a temporary increase in annual revenues of \$15,158, or 19.36%;

The temporary rate increases will be spread uniformly across all customer classes and will be computed using the Company's last approved cost of equity of 9.75%, without prejudice to the ability of any party or Staff to recommend otherwise for the purpose of permanent rates.

The temporary rates will be effective for service rendered on and after September 8, 2015.

Any difference between the approved temporary rates and the approved permanent rates may be reconciled back to September 8, 2015, upon the implementation of the new permanent rates (pursuant to RSA 378:29).

III. COMMISSION ANALYSIS

Under RSA 378:27, the Commission may approve reasonable temporary rates for the duration of a proceeding if the reports of the public utility on file with the Commission indicate the utility is not earning a reasonable return on its property used and useful in the public service, and if the public interest so requires. The standard for approval of temporary rates is less stringent than that for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651,

660 (1991). RSA 378:27 also contemplates that, in fixing temporary rates, the necessary allocation of costs shall be made by reasonably practical and expeditious means, without such investigation as might be deemed necessary to a determination of permanent rates. *New England Telephone & Telegraph Co. v. State*, 95 N.H. 515, 518 (1949). Neither the method of allocation nor its result needs to be adopted in the final establishment of permanent rates. *Id.*

Temporary rates serve to mitigate potential rate shock to customers between current rates and the permanent rates established at the conclusion of a proceeding. Both the utility and its customers are protected because, pursuant to RSA 378:29, the temporary and permanent revenue requirements and rates will be fully reconciled upon final disposition of the issues. As a result of reconciliation, the utility will only recover the revenue requirement finally determined, and customers will pay rates no higher than those ultimately authorized.

The record supports the conclusion that it is likely not earning a reasonable return on its property used and useful in the public service. Abenaki's last authorized rate of return on net plant in service was 9.07% for Belmont water, 9.75% for Belmont sewer, and 9.15% for Bow water. According to Abenaki, the pro forma test year reflects a 5.65% overall rate of return. Allowing the Company to receive a return closer to its last authorized rate of return during the process of establishing permanent rates is warranted and in the public interest. The temporary rate request before us includes proposals for increases in Abenaki's Bow water and Belmont sewer revenue requirement totaling \$25,898, with Belmont water rates remaining at current levels. The temporary rate increases proposed by the Settlement are approximately one-third of the permanent revenue increase sought by Abenaki, which is \$84,639. The overall rate of return associated with the temporary rates in the settlement agreement is 7.41%. We find those levels

of customer rates and investor return to be reasonable on a temporary basis during this proceeding.

The Settling Parties recommend that the temporary rates go into effect for service taken on or after September 8, 2015. On September 11, 2015, Abenaki filed an Affidavit of Publication, dated September 8, 2015, stating that Abenaki sent a copy of the Order of Notice to all current and known prospective customers, as well as the Clerk of the Towns of Belmont and Bow, by first class U.S. mail. Thus, the temporary rate effective date coincides with the date that customers and the towns were notified of the proposed rate changes, and, consequently, they have had an opportunity to adjust their consumption or adjust to the proposed increased rate. We find this effective date to be reasonable and consistent with *Appeal of Pennichuck Water Works, Inc.*, 120 N.H. 562, 567 (1980). Also, the effective date for temporary rates shall be the same for all customers and shall not depend upon the vagaries of a utility's billing procedures.

In conclusion, we find reasonable and therefore approve on a temporary basis an increase of \$10,740, or 16.22%, to Bow water's revenue requirement; an increase of \$15,158, or 19.36%, to Belmont sewer's revenue requirement; and the rates necessary for Abenaki to receive those revenues. We also approve current rates as temporary rates for Belmont water. The temporary rates will be effective for service taken on or after September 8, 2015. Any recoupment required by RSA 378:29 (i.e., of the difference between the permanent rate and temporary rate levels), including amounts associated with the period between the effective date of September 8, 2015, and the effective date of this order, shall be recovered by the Company after the Commission sets the new permanent rates.

Based on the temporary rates as proposed in the settlement, Staff calculated that the bill for an average residential customer using 3,000 gallons of water in Bow will rise by \$7.32, from

\$50.90 to \$58.22 monthly. An average residential Belmont sewer customer's bill will rise by \$5.69, from \$34.55 to \$40.24 monthly. Temporary rates for Belmont water customers will be kept at current levels.¹

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement between Abenaki, Staff and the Office of Consumer Advocate is hereby APPROVED; and it is

FURTHER ORDERED, that pursuant to RSA 378:27, Abenaki Water Company, Inc., is authorized to raise customer rates by 16.22% for Bow water customers and 19.36% for Belmont sewer customers as indicated in the attachments to the settlement agreement. Belmont water customer temporary rates will remain at current rates; and it is

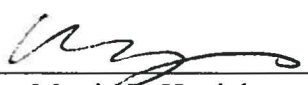
FURTHER ORDERED, that this temporary increase in Abenaki Water Company, Inc.'s, revenue requirement and customer rates is effective for service rendered on or after September 8, 2015; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 1603, Abenaki Water Company, Inc., shall submit properly annotated tariff pages consistent with the Settlement Agreement within 10 days of the date of this order.

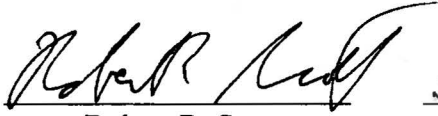
¹ We recognize that the actual and percentage increases in customer rates may ultimately change as we consider Abenaki's proposed allocation of its revenue requirement among the customer classes in the permanent rate phase of this proceeding. The permanent increase request includes a proposal to increase rates in Belmont sewer as well as a proposal to combine and increase the rates of Bow water and Belmont water. For the purpose of temporary rates, there is no change to the allocation of Abenaki's revenue requirement to customers approved in the Company's last distribution rate cases for these systems. See DW 10-306 for Belmont and DW 06-101 for Bow.

By order of the Public Utilities Commission of New Hampshire this eleventh day of

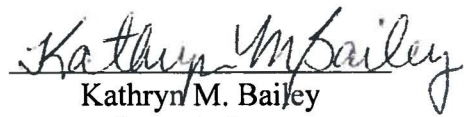
January, 2016.



Martin P. Honigberg
Chairman

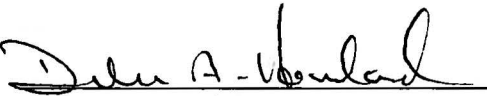


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director