

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 17-118

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Change in Rates

Order Approving Temporary Rates

ORDER NO. 26,131

May 3, 2018

APPEARANCES: Robert C. Levine, Esq., on behalf of Hampstead Area Water Company, Inc.; and Alexander F. Speidel, Esq., on behalf of Commission Staff.

In this order, the Commission authorizes Hampstead Area Water Company, Inc., to implement temporary rates on a service rendered basis effective October 17, 2017. Under the temporary rates, average monthly bills for residential customers will increase by \$3.04. The temporary rates are subject to reconciliation based on the outcome of the permanent rate case.

I. PROCEDURAL HISTORY

Hampstead Area Water Company, Inc. (HAWC or the Company), is a water utility serving approximately 3,600 customers in Hampstead, Atkinson, and other communities in Rockingham County. The Commission granted HAWC's last request for a permanent rate increase on June 7, 2013. *See Hampstead Area Water Company, Inc.*, Order No. 25,519.

On September 7, 2017, HAWC filed for a permanent rate increase and step adjustment. In the event the Commission suspended the request for increased permanent rates, HAWC also filed a request for temporary rates on the same day. In support, HAWC filed the testimony of Stephen P. St. Cyr. The Commission suspended the tariff and scheduled a prehearing conference for October 31, 2017. *See Hampstead Area Water Company, Inc.*, Order No. 26,061

(October 5, 2017). HAWC testified at the prehearing conference that it anticipated reaching a settlement agreement with the Commission Staff (Staff).

On December 28, 2017, Staff filed a Stipulation Agreement on Temporary Rates between Staff and HAWC (Stipulation). The Commission later held a hearing on temporary rates on January 9, 2018, and Staff and HAWC participated in the hearing. No other interested party attended. The Office of the Consumer Advocate (OCA) filed a participation letter on behalf of residential ratepayers in accordance with RSA 363:28 on January 29, 2018.

HAWC's 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 <https://www.puc.nh.gov/Regulatory/Docketbk/2017/17-118.html>.

II. SUMMARY OF STIPULATION

HAWC originally requested a temporary revenue increase of \$131,780, representing a 7.36 percent increase for customers. The requested increase would bring the total revenue requirement to \$1,922,247. The temporary rate was established using a pro forma rate base of \$5,110,495, and a 5.44 percent rate of return, including a 9.6 percent return on equity.

New capital investments by HAWC to the water systems, water loss reduction efforts, and increases in its operating costs and property taxes, provided the impetus for the temporary and permanent rate increases. Mr. St. Cyr. stated that the increase is "fair and manageable, and allows the Company to earn a fair and reasonable rate of return on its prudently incurred investments and to pay for its necessary operating expenses. St. Cyr, Testimony on Temporary Rates, September 7, 2017. Direct, 2018, at 3.

The Stipulation contained six terms to be used for the calculation and implementation of the temporary rate: (1) a pro forma rate base of \$5,009,572; (2) a rate of return of 5.44 percent,

including return on equity of 9.60 percent; (3) a total revenue requirement of \$1,845,496, an increase of \$124,329 or 7.22 percent; (4) a temporary rate that will maintain the base rate and increase the consumption rate to \$5.56 per 100 cubic feet of water consumed; (5) an effective date of October 17, 2017; and (6) reconciliation after final determination of permanent rates in this docket, pursuant to RSA 378:29. Effectively, the stipulated rate increase would raise the average residential customer's bill by \$3.04 monthly and \$36.53 yearly. Schedules attached to the Stipulation contained the calculations supporting the revenue increase.

At the January 9, 2018 hearing, Staff and HAWC testified in support of the Stipulation, noting that the agreed-upon temporary rates are lower than those originally proposed. Staff and HAWC further testified that the terms of the Stipulation are just, reasonable, and in the public interest.

III. COMMISSION ANALYSIS

Unless precluded by law, informal disposition by stipulation may be made of any contested case at any time prior to the entry of a final decision or order. RSA 541-A:31, V(a). Pursuant to N.H. Code Admin. Rules Puc 203.20(b), the Commission shall approve the disposition of any contested case by stipulation if it determines that the result is just and reasonable and serves the public interest. The Commission encourages parties to settle disagreements through negotiation and compromise because it is an opportunity for creative problem solving, allows parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Pennichuck Water Works, Inc.*, Order No. 26,070 at 14-15 (November 7, 2017). Nonetheless, the Commission cannot approve a settlement, even when all parties agree, without independently determining that the result comports with applicable standards. *Id.* at 14.

After conducting a hearing, the Commission may fix temporary rates provided that the rate is sufficient to yield a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the Commission, unless there appears to be reasonable ground for questioning the figures in such reports. RSA 378:27. “This is ‘less stringent’ than the standard for permanent rates, in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates.” *Unitil Energy Systems, Inc.*, Order No. 25,124 at 6 (June 29, 2010), quoting *Appeal of the Office of Consumer Advocate*, 134 N.H. 651, 660 (1991). The effective date of temporary rates “fixes and determines the period during which the rates allowed in the underlying permanent rate proceeding may apply.” *Id.* (quoting *Appeal of Pennichuck Water Works*, 120 N.H. 562, 564 (1980)).

HAWC argues that it has made a number of improvements in its systems since the previous permanent rate case almost five years ago; improvements not reflected in the current rates. Furthermore, HAWC incurred a revenue deficiency of \$95,894 for the test year ending on December 31, 2016. Mr. St. Cyr testified that this deficiency represents the difference between the operating income requirement of \$285,791 (derived from the 13-month average rate base balance for 2016 of \$5,105,137 multiplied by a 5.60 percent actual rate of return) and the actual net operating income of \$189,897.

HAWC proposed a temporary increase of \$131,780 or 7.36 percent. After Staff’s inquiry and discussions with HAWC, the Company and Staff stipulated to an increase of \$124,329 or 7.22 percent. The resulting rate increase would raise the average residential customer’s bill by \$3.04 monthly. The increase in average residential customer bills, while not insignificant, is

reasonable under the circumstances and the Company is authorized to collect the temporary rate on or after the date of this order.

HAWC requested temporary rates beginning October 17, 2017. We approve current rates as temporary between October 17, 2017, and the date on which the Company begins to collect the temporary rates approved herein. We note that the permanent rates ultimately determined in this proceeding will be reconciled back to October 17, 2017.


Based upon the foregoing, it is hereby

ORDERED, that the Stipulation on Temporary Rates is **APPROVED**, and shall be collected on or after the date of this order; and it is

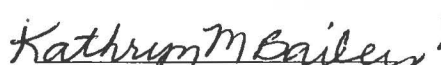
FURTHER ORDERED, that the temporary rates between October 17, 2017 and the date on which the Company begins collecting the rates approved herein shall be set at the current rate; and it is

FURTHER ORDERED, that HAWC shall submit with the Commission properly annotated tariff pages consistent with the Stipulation Agreement within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this third day of May, 2018.



Martin P. Honigberg
Chairman

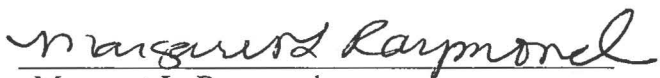


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Margaret L. Raymond
Assistant Secretary