

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 07-105, DW 10-43, DW 10-141, DW 11-021

LAKES REGION WATER COMPANY, INC.

**Investigation into Quality of Service, Affiliate Agreement with LRW Water Services, Inc.,
Permanent Rate Proceeding, and Petition to Approve Long-Term Debt**

Order Approving Temporary/Permanent Rate Recoupment

ORDER NO. 25,423

October 12, 2012

I. PROCEDURAL HISTORY

On July 13, 2012, by Order No. 25,391, the Commission established new permanent rates for Lakes Region Water Company, Inc. (Lakes Region), and called for Lakes Region to file a calculation of the recoupment of the difference between temporary and permanent rates in the proceeding. Order No. 25,391 specified that this recoupment would be made through a surcharge to customer bills over a period of 12 months, as reconciled to the effective date of September 17, 2010, but also specified that rates applied in Lakes Region's Step Increase were not reconcilable back to September 17, 2010, but rather, were effective as of the date of Order No. 25,391, or July 13, 2012. *See* Order No. 25,391 at 27.

On July 25, 2012, Lakes Region filed a supplemental tariff concerning recoupment of the difference between temporary and permanent rates, with supporting calculations; on July 31, 2012, Lakes Region filed its general tariff pages for permanent rates. In its initial July 25, 2012 recoupment filing, Lakes Region sought to recoup \$38,636 from its customers. On September 7, 2012, Staff filed a report recommending adjustments to Lakes Region's recoupment proposal,

with the concurrence of Lakes Region. On September 12, 2012, the Office of the Consumer Advocate (OCA) filed a letter outlining OCA's position on the recoupment filing by Lakes Region and Staff's proposed adjustments.

II. POSITIONS OF THE PARTIES

A. Staff

Staff, in its September 7, 2012 recommendation, outlined a number of suggested adjustments to Lakes Region's July 25, 2012 recoupment proposal. Specifically, through its analysis of the proposal and subsequent discovery, Staff discovered that the methodology employed by Lakes Region to determine its revenues under temporary rates did not coincide with Lakes Region's actual temporary rate billings during the effective time period. As a result, Staff determined that Lakes Region had calculated a revenue recovery amount that was less than it should have been. In response, Lakes Region submitted, in discovery, a revised recoupment request of \$53,498, an increase of \$14,862. *See* Staff Recommendation of Jayson Laflamme, September 7, 2012, at 2-3. Staff reviewed Lakes Region's revised calculations using revenue and billing information provided to Staff, together with Lakes Region's discovery responses. On the basis of this review, Staff calculated an alternative recovery amount of \$52,203, which Staff adopted as its recommendation for Lakes Region's recoupment, or \$1,295 less than the revised amount proposed by Lakes Region.

A primary driver of Staff's adjustments to Lakes Region's revised recoupment figure of \$53,498 was Staff's rejection of Lakes Region's application of a category of revenue adjustments identified under the general title of "Unaccounted for Differences." In the aggregate, these

“Unaccounted for Differences” resulted in Lakes Region’s revenues being \$1,784 less than its calculated customer billings during the recoupment period. Staff took the view that these represent clerical adjustments to various individual bills that should not be incorporated into the recoupment calculations, and Staff removed the effect of these “Unaccounted for Differences” from Lakes Region’s recorded revenues during the recoupment period. *See* Staff Recommendation of Jayson Laflamme at 3-4.

Staff also accepted Lakes Region’s proposed methodology for temporary/permanent rate recoupment through various surcharges calculated for individual water systems, as consistent with Lakes Region’s temporary rate calculation methodology, where such individual-system calculations are also applied, and also consistent with its quarterly billing system.

Staff’s proposal for recoupment of \$52,202.62 would produce the following recoveries and bill impacts for Lakes Region customers, by system:

BILL IMPACTS				
<u>Division</u>	<u>Customers</u>	<u>Total Recovery</u>	<u>Per Customer</u>	<u>Per Quarter</u>
# 1: Far Echo Harbor	85	\$ 2,167.13	\$ 25.50	\$ 6.37
# 2: Paradise Shores	390	13,759.68	35.28	8.82
# 3: West Point	41	1,111.43	27.11	6.78
# 4a: Waterville Valley Gateway	83	3,798.91	45.77	11.44
# 4b: WVG – Pool	1	126.44	126.44	31.61
# 5: Hidden Valley	118	3,103.02	26.30	6.57
# 6: Wentworth Cove	54	2,567.37	47.54	11.89
# 7: Pendleton Cove	71	3,277.89	46.17	11.54
# 8: Deer Run	59	2,341.89	39.69	9.92
# 9: Woodland Grove	74	3,403.16	45.99	11.50
# 10: Echo Lake Woods	44	1,780.07	40.46	10.11
# 11: Brake Hill	47	2,309.76	49.14	12.29

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# 12: Tamworth Water Works	101	2,269.78	22.47	5.62
# 13: 175 Estates	44	702.01	15.95	3.99

BILL IMPACTS

<u>Division</u>	<u>Customers</u>	<u>Total Recovery</u>	<u>Per Customer</u>	<u>Per Quarter</u>
# 14: Deer Cove	51	1,715.42	33.64	8.41
# 15: Lake Ossipee Village	228	3,815.14	16.73	4.18
# 16: Indian Mound	98	3,121.81	31.86	7.96
# 17: Gunstock Glen	54	831.73	15.40	3.85
Totals	<u>1,643</u>	<u>\$52,202.62</u>		

B. Lakes Region

As indicated by Staff in its September 7, 2012 recommendation, Lakes Region concurs with Staff's recoupment proposal outlined above.

C. Office of the Consumer Advocate

In its September 12, 2012 letter, OCA indicated its support for Staff's recoupment proposal. OCA did recommend future enhancements to Lakes Region's temporary and recoupment rate structures, through the application of a consolidated billing approach, designed to reduce the potential for computational errors by Lakes Region. OCA also questioned whether the recoupment recovery period should be longer than 12 months, given the potential bill impacts on Lakes Region's customers, and raised concerns regarding the magnitude of the computational errors in Lakes Region's original recoupment filing, and the implications for Lakes Region's management. *See* Letter of Rorie E.P. Hollenberg, September 12, 2012.

III. COMMISSION ANALYSIS

Upon the final disposition of a rate proceeding in which temporary rates were in effect, RSA 378:29 requires the utility to reconcile the difference between temporary rates and the permanent rates finally determined in the proceeding. The proposed surcharges for the various divisions of Lakes Region are to be collected over 12 months, consistent with the terms of Order No. 25,391. Having reviewed all specific elements of Staff's recommendation, including the bill impacts on Lakes Region's customers, and noting Lakes Region's and OCA's concurrence with Staff's proposal, we find these temporary/permanent recoupment amounts to be just and reasonable and consistent with RSA 378:29 and RSA 378:7. Based on the above, we will approve the rate recoupment surcharges proposed by Staff.

For future rate cases, however, we support OCA's suggestion that Lakes Region should develop, in collaboration with Staff, OCA, and interested parties, a more simplified, consolidated approach for the assessment of Lakes Region's temporary rates and temporary/permanent rate recoupments. Such an approach will simplify Lakes Region's calculations of future recoupment filings.

Based upon the foregoing, it is hereby


ORDERED, that Lakes Region Water Company, Inc. is authorized to recover a total of \$52,202.62, which represents the difference between the temporary rates approved in Order No. 25,196 and the permanent rates approved in Order No. 25,391, through a 12-month surcharge to customer bills as discussed above; and it is

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FURTHER ORDERED, that Lakes Region Water Company file a compliance tariff within 10 days of the date of this order.

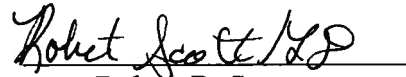
By order of the Public Utilities Commission of New Hampshire this twelfth day of October, 2012.



Amy L. Ignatius
Chairman

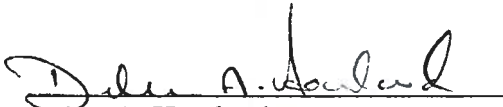


Michael D. Warrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director