

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 16-619

**LAKES REGION WATER COMPANY, INC. AND
DOCKHAM SHORES ESTATES WATER COMPANY, INC.**

Petition to Transfer Utility Assets and Franchise and for Related Approvals

Order *Nisi* Authorizing Step Adjustment

ORDER NO. 26,272

July 11, 2019

This order approves a \$6,620 step adjustment in the rates for Lakes Region Water Company's Dockham Shores customers. As a result, an average single-family residential customer's water bill will increase by 17.41 percent, or \$27.13 per quarter. The Commission is issuing this order on a *nisi* basis to ensure that interested persons receive notice of the decision and have the opportunity to request a hearing before the order becomes effective.

I. PROCEDURAL HISTORY

Order No. 25,964, issued on November 10, 2016, allowed Lakes Region Water Company, Inc. (Lakes Region or the Company), to file for a step adjustment of no greater than \$6,620 by December 31, 2017, to reflect capital improvements in the Dockham Shores system completed after that Order's issuance. Order No. 25,964 at 9. The Commission subsequently granted Lakes Region two deadline extensions. On December 4, 2018, the Company filed for authorization to implement a step adjustment in billing rates for its Dockham Shores customers.

Commission Staff (Staff) submitted its recommendation on June 21, 2019. The Office of the Consumer Advocate, which filed a letter of participation on June 10, 2016, did not submit a position on this matter. 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/2016/16-619.html>.

II. POSITIONS

A. Lakes Region

Lakes Region initially petitioned for a step adjustment of \$53,894, or 141.70 percent greater than the Dockham Shores customer revenues accumulated from July 1, 2017, through June 30, 2018. That request was based on \$300,599 of total plant additions completed after the issuance of Order No. 25,964. The \$300,599 included state and federally mandated structural improvements to Dockham Shores' well meter pits and pump station. While Lakes Region noted that Order No. 25,964 limited the step increase to \$6,620, the Company argued that unanticipated capital improvements, detailed in an April 2018 engineering design report attached to their filing, required greater investment. As such, Lakes Region requested a larger step increase to reflect the unanticipated costs.

Lakes Region ultimately assented to Staff's recommendation to limit the step adjustment to the previously approved amount of \$6,620. The Company, however, argued that it periodically updated Staff concerning the increased costs and that costs associated with the previous acquisition of Dockham Shores should be reviewed and added to rate base for recovery at some point.

B. Staff

Staff argued in its recommendation that, despite an increase in unanticipated costs, Order No. 25,964 capped the allowable step adjustment at \$6,620. Staff noted the absence of additional filings by the Company informing the Commission of the increased costs, pursuant to RSA 374:5, which states:

For the purpose of enabling the commission to perform its duty to keep informed ... every public utility, before making any addition, extension, or capital improvement to its fixed property ... shall report to the commission the probable cost of such addition, extension, or capital improvement whenever the probable cost thereof exceeds a reasonable amount to be prescribed by general or special order of the commission.

Staff further noted that Lakes Region did not submit anything to the Commission under N.H. Code Admin. Rule Puc 609.12(d), which requires water utilities like Lakes Region to file Form E-22 regarding significant capital improvements that exceed \$30,000. Staff also objected to the Company's inclusion of franchise costs in the step adjustment.

Staff did acknowledge, however, that the Company has made great efforts to improve the quality of water service at Dockham Shores and that the upgrades to plant have addressed state and federally mandated structural improvements. Staff further observed that the new facilities provide improved water quality, all of which have been inspected and approved by the New Hampshire Department of Environmental Services. The Commission's Audit Staff reviewed the associated costs and confirmed that the total requested plant improvements have been placed in service and are used and useful.

Staff calculated that a step adjustment in the amount of \$6,620 would cause an average single-family residential customer's bill to increase by 17.41 percent, or approximately \$27.13 per quarter. Staff argued that, because a step adjustment up to \$6,620 had been previously found reasonable by the Commission, the Commission should find the step adjustment of \$6,620 just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7. Staff concluded that a step adjustment of \$6,620 should be approved as consistent with Order No. 25,964.

Staff recommended that recovery above \$6,620 sought by Lakes Region should be deferred and examined in a future rate proceeding.

III. COMMISSION ANALYSIS

“Step adjustments are a mechanism the Commission has approved for limited use between rate cases to allow a utility to collect additional revenue on investments that are generally non-revenue producing and are made to improve safe and reliable service.” *Northern Utilities, Inc.*, Order No. 26,246 at 6 (May 2, 2019). Step adjustments are generally limited in scope, allowing for recovery of investments similar to those reviewed in the underlying rate case that established the step adjustment mechanism. *Id.* The Commission is authorized to implement step adjustments based on its power to set just and reasonable rates, fares, and charges, pursuant to RSA 374:2 and RSA 378:7.

The Commission previously approved the maximum amount of this step adjustment in Order No. 25,964. Therefore, based on Staff’s recommendation, Commission Audit Staff’s confirmation that the additions are in service and used and useful, we find that an adjustment to the revenue requirement of \$6,620 is in conformity with Order No. 25,964, and that the resulting rates are just and reasonable, as required by RSA 374:2, RSA 378:5, and RSA 378:7. The step adjustment will result in an approximate increase of \$27.13 per quarter for an average residential Dockham Shores customer.

We note that the Company is not precluded from filing for additional recovery, including acquisition costs, in either a future Dockham Shores or Lakes Region rate case. That recovery, however, is subject to Commission examination and approval, and, furthermore, is not guaranteed.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Lakes Region’s request to include certain plant in rate base and increase its Dockham Shores customers’ annual revenue requirement by \$6,620 is hereby APPROVED; and it is

FURTHER ORDERED, that Lakes Region shall cause a copy of this Order *Nisi* to be mailed by first class mail to all customers no later than July 22, 2019, and to be documented by affidavit filed with this office on or before August 5, 2019; and it is

FURTHER ORDERED, that all persons interested in responding to this order *nisi* be notified that they may submit their comments or file a written request for a hearing that states the reason and basis for a hearing no later than July 29, 2019, for the Commission’s consideration; and it is

FURTHER ORDERED, that any person interested in responding to such comments or request for hearing shall do so no later than August 5, 2019; and it is

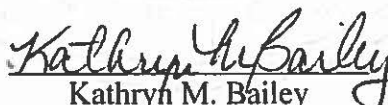
FURTHER ORDERED, that this order shall be effective on August 12, 2019, unless Lakes Region fails to satisfy the mailing obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Lakes Region shall file a compliance tariff with the Commission on or before July 25, 2019, in accordance with N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this eleventh day of July, 2019.



Martin P. Honigberg
Chairman

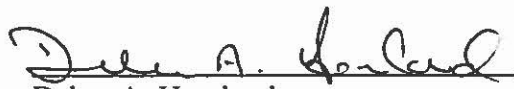


Kathryn M. Bailey
Commissioner



Michael S. Gaimo
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Attested by:



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