

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 23-020

HAMPSTEAD AREA WATER COMPANY, INC.

Request for Step II Adjustment

Step Adjustment Rate Expenses and Denying Motion to Clarify

Order No. 26,902 (November 8, 2023 and modified on December 5, 2023) required the parties to file legal briefing to support the request by Hampstead Area Water Company (HAWC) to recover expenses related to the Step I and Step II Adjustment proceedings. On December 7, 2023 both the New Hampshire Department of Energy (DOE) and HAWC submitted legal briefs. The Commission reviewed the legal briefs and its prior orders concerning step expenses in this docket and Docket No. DW 20-117. The Commission orders as follows.

First, the Commission finds HAWC's argument that rate expenses for its step proceeding dockets are authorized by New Hampshire Code of Administrative Rules, Puc chapter 1900 unpersuasive. Utilities are only authorized to recover expenses for "full rate expenses." *See* Puc 1906.01. Adjudication of step increases, even if contemplated in the permanent rate proceeding, are not "full rate case proceedings." Therefore, HAWC's reliance on Puc 1903 is misplaced because the definition of "full rate case proceeding" is not inclusive of all rate mechanisms and adjustments contained in a permanent rate settlement. The DOE has accurately reflected that expenses associated with step increases do not fall within the ambit of Puc chapter 1900. *See* DOE's Legal Brief at 5.

Second, as the parties demonstrated in their briefs, small water utilities have historically relied on incremental steps in ratemaking dockets as a tool to limit rate shock and provide time between rate cases. The Commission agrees that in a prior HAWC

permanent rate docket, Docket No. DW 08-065, HAWC was authorized to recoup expenses associated with a step proceeding. Furthermore, the Commission has approved expenses attributed to step proceedings for similarly situated small water utilities. *See, e.g.*, Order 25,226 (May 27, 2011) in Docket No. DW 08-070.

Third, the DOE request for clarification is DENIED. The DOE requested the Commission clarify when it is appropriate to seek a step adjustment. The DOE takes issue with the word “similar” in the following sentence:

Step adjustments are **generally** limited in scope and permit recovery for investments **similar** to those that have been reviewed in the underlying rate case that established the step adjustment provision.

Order No. 26,902 at 9. The DOE argues that step increases are appropriate for any capital investment that is non-revenue producing and is being made in furtherance of safe and reliable service. *See* DOE December 7, 2023 legal brief at 9. The DOE argues that the quoted sentence limits when step increments may be used. However, the DOE’s analysis fails to acknowledge the word “generally” in the above sentence. The sentence was not exclusionary. The sentence anticipates that other reasons may exist to seek a step adjustment. Order No. 26,902 was not intended to be precedential, limiting the applicability of step adjustments. Therefore, the requested motion to clarify is DENIED as we find that no clarification is necessary.

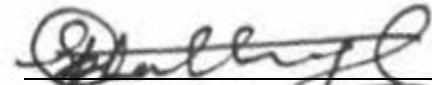
Fourth, the Commission agrees that in this matter the parties have requested an implied waiver of Puc chapter 1900 by containing terms of the submission and review of the step expenses in the Step I rate settlement proceedings. Furthermore, the Commission agrees that it granted the implied waiver by authorizing the submission of rate case expenses for the Step I and Step II proceedings in its final order on the Step I settlement. However, in future proceedings parties will be required to file motions to waive the Commission’s rules if waiver is necessary.

Fifth, the parties shall submit a proposed procedural schedule for discovery related to HAWC's request for step expenses by January 2, 2024 and the DOE shall file its analysis and recommendation as to whether the request is just and reasonable on or before February 29, 2024.

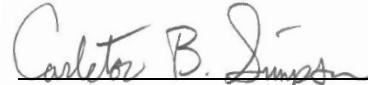
So ordered, this twentieth day of December, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-020

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Email Addresses

ClerksOffice@puc.nh.gov
japple@atkinson-nh.gov
aaugeri@lewisbuilders.com
douglas.brogan@gmail.com
bethc@atkinson-nh.gov
Energy-Litigation@energy.nh.gov
thomas.c.frantz@energy.nh.gov
donald.m.kreis@oca.nh.gov
jayson.p.laflamme@energy.nh.gov
charlie@hampsteadwater.com
anthony.j.leone@energy.nh.gov
harold@lewisbuilders.com
chris@atkinsoncc.com
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
mary.e.schwarzer@energy.nh.gov
Robert.R.Scott@des.nh.gov
sspyveewater@gmail.com
stephenpstcyr@yahoo.com
karen.sue.steele@gmail.com
john@lewisbuilders.com
htombarell@lewisbuilders.com
rawlew04@comcast.net
Lwarnock@hampsteadnh.us