

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-355

DOCKHAM SHORES WATER COMPANY, INC.

Notice of Intent to File a Change in Rate Schedules

Order *Nisi* Approving Stipulation Agreement

ORDER NO. 25,582

October 14, 2013

APPEARANCES: David W. Jordan, Esq. for Dockham Shores Water Company, Inc.; Marcia A. Brown, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On December 11, 2012, Dockham Shores Water Company, Inc. (Dockham Shores or Company), a water utility serving 60 residential customers in Gilford, New Hampshire, filed a notice of its intent to file rate schedules. On February 11, 2013, Dockham Shores filed its rate schedules and revised tariff pages indicating its intent to increase its annual revenues by \$23,844 or 129%.

On March 8, 2013, by Order No. 25,470, the Commission suspended Dockham Shores' proposed tariff provisions pursuant to RSA 378:6 and scheduled a prehearing conference for April 4, 2013. The Commission received no intervention requests. Following the prehearing conference, the Commission approved the parties' proposed procedural schedule.

On August 12, 2013, following discovery, technical sessions, and discussions among the parties, Staff and Dockham Shores filed a stipulation agreement on permanent rates, which was presented at the hearing on August 20, 2013. Chairman Ignatius excused herself from

participating in the deliberations and decision in this case, citing a personal relationship with a customer who had submitted comments to the Commission.

At hearing, an issue arose as to the accuracy of the proposed tariff. Dockham Shores had inadvertently omitted the word “reasonable” in its paragraph 17 regarding the time when right of access to a customer’s premises is required. On September 18, 2013, Staff filed a letter with the Commission stating that it had reviewed the tariff in light of the error identified at hearing, and that Staff had found no additional typographical errors.

II. POSITIONS OF STAFF AND DOCKHAM SHORES

The positions of Staff and Dockham Shores are contained in the stipulation agreement, which is described below. At hearing, Mr. Colin Robertson, President of Dockham Shores and Ms. Robyn Descoteau on behalf of Staff, testified in support of the stipulation agreement.

III. TERMS OF STIPULATION AGREEMENT

Staff and Dockham Shores reached agreement on the following issues:

A. Income Requirement

The settling parties recommend the Commission grant Dockham Shores an increase of \$22,563, or 122.10%, in its annual revenue requirement, resulting in a new revenue requirement of \$41,042. This amount was calculated using a stipulated rate base of \$66,877; total operating expenses of \$34,622; and an overall rate of return of 9.60% yielding an operating income requirement of \$6,420.

B. Customer Rate Impact

Dockham Shores provides metered service; it bills its 60 customers on a quarterly basis. The Settling Parties propose no changes to Dockham Shores’ rate design. The Settling Parties agree and recommend the new revenue requirement be distributed among the residential customers equally. The resulting quarterly fixed customer charge will be \$41.27, with a usage rate of \$1.0501 per one hundred gallons. This is a \$22.69 increase from the existing quarterly fixed charge of \$18.58 and a \$0.5773 increase from the existing usage rate of \$0.4728.

C. Tariff Revisions

The Settling Parties recommend the Commission approve the Tariff NHPUC No. 2 – Water, Superseding NHPUC No. 1 – Water, as presented by the Company.

D. Uniform System of Accounts**1. Records**

Dockham Shores agrees, for its fiscal year beginning January 1, 2013, to maintain its books of account on an accrual basis pursuant to the Uniform System of Accounts prescribed in Puc Rule 607.07.

2. General Numbering

Dockham Shores agrees, for its fiscal year beginning January 1, 2013, to conform to the General Numbering system pursuant to the Uniform System of Accounts prescribed in Puc Rule 607.07.

3. Continuing Property Records

Dockham Shores agrees to re-create a comprehensive set of Continuing Property Records in accordance with Puc Rule 607.08. Dockham Shores agrees to submit to Staff its completed Continuing Property Records no later than December 1, 2013.

E. Rate Case Expenses

Dockham Shores agrees to file within fifteen days from the date of a final order in this docket documentation of its rate case expenses as well as a proposed surcharge to recover those expenses. As of the date of this agreement, the Settling Parties estimate that the Rate Case Expense will be \$9,000.00.

F. Effective Date

The Settling Parties recommend the proposed revenue requirement and rates be effective for service rendered on and after July 1, 2013.

IV. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to fix rates after a hearing upon determining that the rates, fares, and charges are just and reasonable. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required with the investors' interest in obtaining a reasonable return on their investment.

Eastman Sewer Company, Inc., 138 N.H. 221, 225 (1994). Additionally, in circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. Pursuant to RSA 541-A:31, V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order or default. N.H. Code Admin. Rules Puc 203.20(b)

requires the Commission to determine, prior to approving disposition of a contested case by settlement, that the settlement results are just and reasonable and serve the public interest.

A. Revenue Increase

According to the agreement, the settling parties propose an annual revenue requirement of \$41,042. The settling parties represent that the revenue requirement is a reasonable compromise of all issues relating to the revenue requirement including overall rate of return, return on equity, capital structure, pro forma adjustments, capital additions to rate base, and operating expenses. In fact, the schedules contained in the agreement include adjustments to the test year rate base, revenues, and expenses. Staff explained the need for these adjustments at hearing. The agreed upon revenue requirement is an increase of \$22,563, or 122.10%, over test year water revenues. The high percent increase in rates is partly due to the fact that Dockham Shores's last rate increase occurred in 1989. See, *Dockham Shores Estates Water Company, Inc.*, Docket No. DE 89-003, Order 19,466, 74 NH PUC 241 (1989). In that docket, the Commission approved a revenue requirement of \$18,479.

The settling parties used an overall rate of return of 9.60%. This is the same percentage as the cost of equity applied because Dockham Shores does not have debt in its capital structure. The settling parties propose a total rate base of \$66,877. Exh. 2 at 5. This rate base has been audited by Staff and Staff testified that it considers the rate base to be used and useful in the provision of service which is a requirement of RSA 378:28. 8/20/13 Tr. at 19 lines 11-18. Mr. Robertson testified that Dockham Shores is currently in compliance with regulations of the N.H. Department of Environmental Services (DES). 8/20/13 Tr. at 13 lines 18-21. He explained that the only capital improvement presently planned is to add a float to a tank and to add a relay in

the control panel at the well head. 8/2013 Tr. at 14 lines 8 to 18. He stated Dockham Shores plans to pay for the improvements out of its revenue stream. Id. at lines 21-23.

Having reviewed the proposed revenue requirement and its components, as well as the proposed pro-forma adjustments, we find that the revenue requirement presented by Staff and Dockham Shores is just and reasonable. Further we find that the rate base used in calculating the revenue requirement is prudent, used, and useful in accordance with RSA 378:28.

B. Rate Impact

The revenue requirement results in an overall increase of 122.10% and this revenue increase is to be collected from Dockham Shores' 60 customers. Dockham Shores has no commercial or industrial customers and provides only residential metered service. The settling parties propose no change in the rate design. No cost of service study was performed due to the small size of the company, and thus the settling parties applied the overall percentage increase to both the fixed and volumetric charges. Exh. 2 at 16. Staff and Dockham Shores propose a quarterly charge of \$41.27 and a usage rate of \$1.0501 per 100 gallons. This represents an increase of \$22.69 from the existing quarterly rate of \$18.58 and a \$0.5773 increase from the existing usage rate of \$0.4728. We deem this to be a reasonable means of distributing the revenue requirement among customers. Mr. Robertson testified that Dockham Shores does not expect any expansion of the system; Dockham Shores has no current plans to take on new customers, especially given the state of the current real estate market. 8/20/13 Tr. at 25 lines 21-22 and at 26 lines 1-4. Thus, the customer count and class will likely remain at 60 residential customers. In light of the evidence presented, we find the proposed rate design and rates to be just and reasonable.

C. Effective Date

The settling parties recommend an effective date for rates of July 1, 2013. There are no temporary rates currently in effect for Dockham Shores. The Commission required Dockham Shores to notify customers, known prospective customers, and the town clerk for the town of Gilford of the proposed rate increase by March 21, 2013 and to do so by first class mail. Dockham Shores filed its affidavit of service on March 22, 2013. Thus, customers had notice of the proposed rates and of this proceeding prior to the proposed effective date of July 1, 2013. Accordingly, we find the effective date of July 1, 2013 to be consistent with *Appeal of Pennichuck Water Works* 120 N.H. 562, 567 (1980). We will authorize Dockham Shores to implement the rate increase for service rendered on or after July 1, 2013.

D. Tariff Revisions

Dockham Shores Tariff, NHPUC No. 2 – Water, Superseding NHPUC No. 1 – Water, proposes several tariff changes which update service fees and charges last approved in its 1989 rate case. Exh. 2 at 17-34. The settling parties propose: increasing the cross-connection testing fee from \$25 to \$100, as specified in Section 8 of the tariff; increasing the service connection charge from \$20 to \$100 in Section 16; and increasing the returned check charge from \$5 to \$25 in Section 13e. Having reviewed these charges, we find them reasonable and will approve them. At hearing, Dockham Shores testified that in Section 17, “Right of Access”, it inadvertently left out the word “reasonable” and asked that it be inserted between “any” and “time” located on the second line of that section. 8/20/13 Tr. at 37. On September 18, 2013, Staff filed a letter indicating that it had reviewed the tariff again and did not find any other typographical errors. We find that in addition to adding the concept of reasonable access, the Company’s inspection rights should be related to utility property consistent with N.H. Code of Admin. R. Puc

1203.11(f)(4) which allows termination of service if a customer refuses a utility access for inspection of utility property. Accordingly, we direct Dockham Shores to file a compliance tariff containing the following paragraph 17:

17. Right of Access. As a condition of water service, any authorized Company representative shall have the right to enter upon, and be permitted access to, the premises served at any reasonable time to inspect, maintain, repair or replace any utility property used to supply water; to set, read, remove, replace or repair meters; and to enforce these terms and conditions.

E. Uniform System of Accounts

As to the compliance issues regarding the uniform system of accounts, we find these terms to be reasonable and appropriate to bring Dockham Shores into compliance with current accounting regulations. We approve the compliance deadlines specified in section D of the stipulation agreement for Dockham Shores .

F. Rate Case Expenses

The settling parties provide for Dockham Shores to file documentation of its rate case expenses for review within fifteen (15) days from the order date, as well as its recommendation for a recovery surcharge. We find this reasonable and we will entertain final recommendations on this issue at a later date.

G. Conclusion

Having reviewed the record, including the stipulation and evidence presented at hearing, we find that the proposed revenue requirement is reasonable and will produce just and reasonable rates pursuant to RSA 378:7. We find that the terms of the stipulation agreement represent an appropriate balancing of ratepayer interests and the interests of Dockham Shores' proprietors under current economic circumstances and are consistent with the public interest. We further find that Dockham Shores' capital additions to rate base used to serve its customers are prudent, used, and useful, pursuant to RSA 378:28. We find that the stipulation agreement results are just

and reasonable and serve the public interest, pursuant to N.H. Code Admin. R. Puc 203.20 (b). We will adopt and approve the terms of the stipulation agreement, including the proposed tariff, as corrected at hearing.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, the terms of the stipulation agreement are hereby adopted and approved as discussed herein; and it is

FURTHER ORDERED, that subject to the effective date below, Dockham Shores is authorized a permanent revenue requirement of \$41,042, which is a 122.10% increase over Dockham Shores' pro forma test year water revenues; and it is

FURTHER ORDERED, that subject to the effective date below Dockham Shores is authorized to collect from customers permanent rates, as discussed herein; and it is

FURTHER ORDERED, that subject to the effective date below Dockham Shores's proposed tariff, corrected as discussed above is hereby approved; and it is

FURTHER ORDERED, that Dockham Shores shall file within fifteen days from the effective date of this order a calculation of its rate case expenses and proposed surcharge; and it is

FURTHER ORDERED, that Dockham Shores shall file with the Commission a compliance tariff within fifteen days from the effective date of this order; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be mailed by first class mail to each of its customers no later than October 21, 2013 and to be documented by affidavit filed with this office on or before October 28, 2013; 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 which states

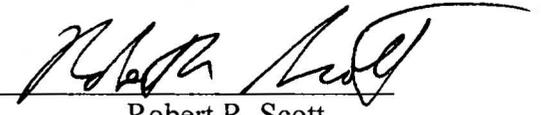
the reason and basis for a hearing no later than October 28, 2013 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than November 4, 2013; and it is

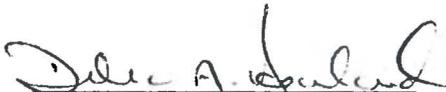
FURTHER ORDERED, that this Order *Nisi* shall be effective November 6, 2013, unless the Petitioner fails to satisfy the customer notice obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of October, 2013.


Michael D. Harrington (KMS)
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director