

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 08-160**

**FOREST EDGE WATER COMPANY**

**Petition for Temporary and Permanent Rates**

**Order Approving Temporary Rate Recoupment  
and Authorizing Recovery of Revised Rate Case Expenses**

**ORDER NO. 25,040**

**November 4, 2009**

**I. BACKGROUND**

Forest Edge Water Company (Forest Edge or Company) is a water utility serving approximately 38 customers in North Conway, New Hampshire. On February 10, 2009, Forest Edge filed a petition seeking an increase in its annual revenues. On March 3, 2009, the Commission issued Order No. 24,946 suspending Forest Edge's proposed tariff revisions and, on May 22, 2009, the Commission issued Order No. 24,971 granting Forest Edge's request for temporary rates. At a hearing held on September 2, 2009, Forest Edge and Staff presented a settlement agreement regarding the requested permanent rate increase and other matters regarding the Company, in particular a proposed shift from semi-annual to quarterly billing.

By Order No. 25,017 (September 23, 2009) the Commission approved the settlement agreement. The Commission approved an increase of \$10,800, or 131.68 percent, over the Company's test year water revenues. The Commission also authorized the Company to recover, via a surcharge, the difference between its temporary and permanent rates and its reasonable rate case expenses, subject to the submission of its calculations and requests relative to those items.

On October 13, 2009, Forest Edge submitted its calculations as contemplated by the settlement agreement and Commission order. Forest Edge calculated a total of \$2,502 as the revenue differential between temporary and permanent rates, and submitted \$5,792 in rate case expenses. Forest Edge proposed a combined recovery of both components totaling \$8,294 from its 38 customers over 8 billing quarters, at a rate of \$27.28 per customer per quarter.

On October 26, 2009, Staff submitted a memorandum that, based on the documentation submitted by Forest Edge, concurred with the Company's calculation of the differential between temporary and permanent rates, which took into account the shift from semi-annual to quarterly billing. Therefore, Staff recommended that the Commission approve recovery of \$2,502 as the difference between temporary and permanent rates.

Regarding rate case expenses, Staff noted that Forest Edge had actually submitted invoices totaling \$9,654 in this case. Since, however, this docket also involved a request for financing authority, Forest Edge believed it appropriate to reclassify some costs as financing costs. Specifically, Forest Edge determined that 60 percent of its costs should be considered as rate case expense, recovered through a surcharge, and 40 percent should be reclassified and deferred until it applies for the step adjustment authorized by the Commission, at which time the costs would be a factor in determining the total cost of financing upon which the step increase would be based. Staff supported the reclassification and deferral.

As to the amounts included in Forest Edge's invoices, Staff recommends a reduction of \$787, which is attributable to expenses associated with the Commission's audit of Forest Edge. The amount of the recovery pursuant to Staff's recommended revision, then, would be 60 percent of \$8,867, or \$5,320.

Lastly, as to the schedule for recovery of the above amounts, Staff agreed with the Company's proposal to combine the amounts from the reconciliation and the rate case expenses and to collect the total from customers over 8 billing quarters. By Staff's calculations, the revised amount subject to surcharge recovery, should its recommendation on the reduction to expenses be adopted, is \$7,822. Recovery of this amount over 8 billing quarters would result in a total surcharge per customer of \$205.84, or \$25.73 per customer per quarter.

## II. COMMISSION ANALYSIS

The Commission has historically treated prudently incurred rate case expenses as a legitimate cost of business and thus appropriate for recovery through rates. *Lakes Region Water Company, Inc.*, Order No. 24,954 (March 27, 2009); *see also* RSA 365:38-a. Moreover, the Company is entitled to the recovery of the reconciled difference between its temporary and permanent rates. *See* RSA 378:27-29. As to the reconciliation of temporary and permanent rates, we agree with the parties that Forest Edge may recover \$2,502 representing the reconciled difference between its temporary and permanent rates.

As to the rate case expenses, the Company has a continuing obligation to respond to audit requests regarding its books and records, *see* RSA 374:18, and such responses are normal costs of the utility which are recovered in rates under RSA 378:28. Thus, they should not be included as a surcharge. *See Aquarion Water Company of New Hampshire*, Order No. 24,665 (Sept. 12, 2006). Accordingly, we agree with Staff that the amount of expenses attributable to the audit, \$787, ought to be subtracted from the rate case expenses. This results in a total of \$7,822, which we find to have been legitimately incurred and appropriate for recovery via a surcharge.

Regarding expenses related to the financing, the Company and Staff both recommend that they be reclassified as relating to the Company's financing, and deferred for collection as part of the costs of financing at the time Forest Edge applies for a step adjustment. We agree with such treatment, as costs relating to approval of a financing are not part of a rate case and should not, therefore, be recovered through a rate case expense surcharge. Deferral of these costs will not prevent the Company from recovering them, as the Company can seek recovery at another time. Given that this reclassification and deferral will still allow the Company to recover its expenses, while lessening the burden on ratepayers, we agree with this treatment of the financing expenses.

Finally, as to the timeframe for recovery of the reconciled rates and the rate case expenses, Staff calculates that recovery of this amount over 8 billing quarters results in a surcharge of \$25.73 per customer per quarter. We find that this charge will not unduly burden customers and will result in just and reasonable rates. Accordingly, we approve the surcharge in this amount.

**Based upon the foregoing, it is hereby**

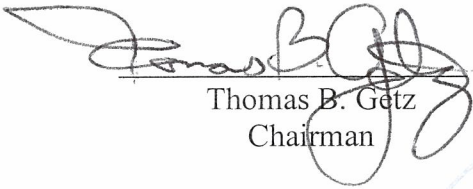
**ORDERED**, that Forest Edge Water Company is authorized to recover \$2,502 in the reconciliation of temporary and permanent rates; and it is


**FURTHER ORDERED**, that Forest Edge Water Company is authorized to recover \$5,320 in rate case expenses; and it is

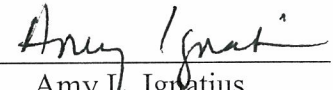
**FURTHER ORDERED**, that Forest Edge Water Company is authorized to collect the total of \$7,822 from customer through a surcharge of \$25.73 per customer per quarter for 8 billing quarters; and it is

**FURTHER ORDERED**, that Forest Edge Water Company shall file a compliance tariff within 10 business days of the date of this order.

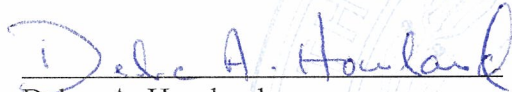
By order of the Public Utilities Commission of New Hampshire this fourth day of November, 2009.

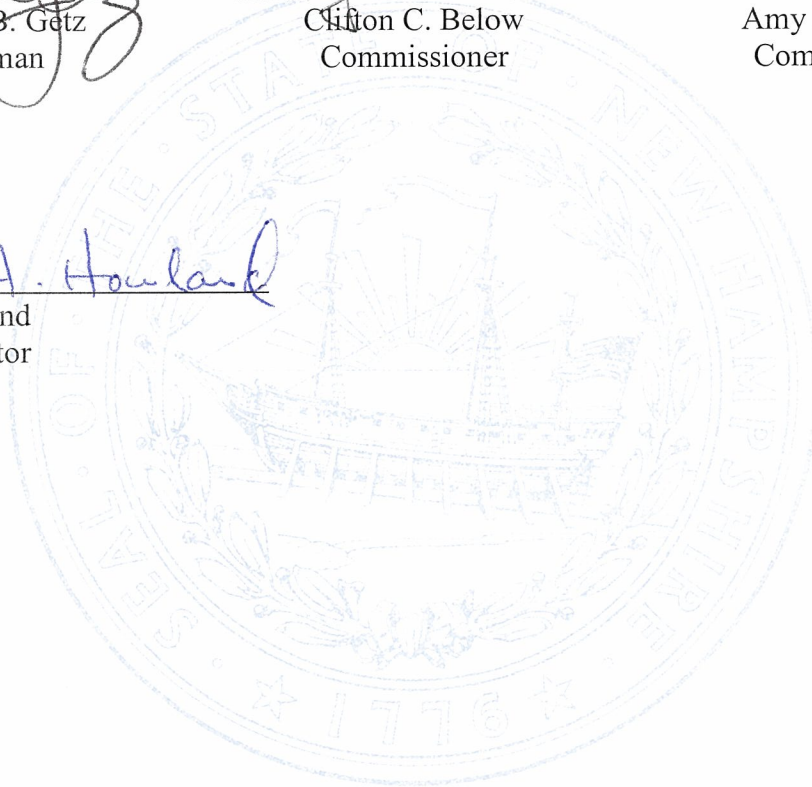
  
Thomas B. Getz  
Chairman

  
Clifton C. Below  
Commissioner

  
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Attested by:

  
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Docket #: 08-160      Printed: November 04, 2009

**FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**  
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