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November 4, 2019

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street  
Concord, NH 03301

Re: IR 19-005 Investigation to Determine a Method for Setting a  
Generic Return on Equity for Small Water Utilities  
Commission Staff Report on Technical Session

Dear Ms. Howland:

Commission Staff (Staff) met with representatives of Lakes Region Water Company, Abenaki Water Company, Hampstead Area Water Company and the Office of Consumer Advocate at a technical session held at the Commission's offices on October 1, 2019. The parties reviewed written comments from the water companies and discussed further changes and clarifications to the draft rule N. H. Code of Admin. Rules, Puc 610.

As a result of discussions held at the technical session, Staff has further revised its suggested rule and submits the attached rule for the Commission's consideration. Changes to calculating the generic return on equity (ROE) include, using the minimum number of quarters that total at least 10 rate cases, using a weighted average of the prior ROEs and updating the ROE before hearing.

Staff believes that these changes further clarify and improve the rule and recommends that the Commission adopt this draft rule as its initial proposal.

Very truly yours,

A handwritten signature in blue ink, appearing to read "F. Anne Ross".

F. Anne Ross

cc: Service List  
Stakeholder List

Attachments

**Readopt with amendments Puc 600, effective 9-10-13 (Document #10407), cited and to read as follows:**

CHAPTER Puc 600 RULES FOR WATER SERVICE

**REVISION NOTE:**

Document #6475, effective 3-25-97, made extensive changes to the wording and numbering of rules in Chapter Puc 600. Document #6475 supersedes all prior filings for the sections in this chapter. The prior filings for former Chapter Puc 600 include the following documents:

- #2011, eff 5-4-82
- #2059, eff 6-22-82
- #2549, eff 12-26-83
- #2601, eff 1-24-84
- #2784, eff 7-27-84, EMERGENCY
- #2912, eff 11-26-84
- #4341, eff 11-24-87
- #4782, eff 3-5-90
- #5002, eff 11-26-90
- #5616, eff 4-20-93
- #5818, eff 4-27-94
- #5866, eff 7-6-94
- #6245, eff 5-14-96
- #6365, INTERIM, eff 11-18-96, EXPIRED: 3-18-97

Puc 601.01 Application of Rules. Puc 600 shall apply to any utility as defined in Puc 602.16.

PART Puc 602 DEFINITIONS

Puc 602.01 "Class A utility" means a utility having annual water operating revenues of \$750,000 or more.

Puc 602.02 "Class B utility" means a utility having annual water operating revenues of \$150,000 or more, but less than \$750,000.

Puc 602.03 "Class C utility" means a utility having annual water operating revenues of less than \$150,000.

Puc 602.04 "Commission" means the New Hampshire public utilities commission.

Puc 602.05 "Customer" means any person, firm, corporation, cooperative marketing association, utility or governmental unit or subdivision of a municipality or of the state or nation supplied with water service by a utility.

Puc 602.06 "Customer service pipe" means that section of service pipe from the customer's property line or the curbstop to the customer's place of consumption.

~~Puc 602.07 "Discounted cash flow methodology" or "DCF" means a method of computing the cost of equity capital via the estimation of the expected flow of dividends in relation to the current market price of the stock computed by dividing the expected annual dividend by the current market price of a share of common stock and adding the expected rate of growth in dividends, as represented in the equation below, where:~~

~~—— (a) "k" means the cost of equity capital:~~

~~— (b) "Div<sub>1</sub>" means the annual dividend expected in year 1 which is calculated by multiplying the dividends paid over the current year just ended by the product of 1 plus the expected rate of growth in dividends, as shown in the following formula:~~

$$\text{Div}_1 = \text{Div}_0(1 + g)$$

~~— (c) "Div<sub>0</sub>" means the dividends paid over the current year just ended;~~

~~— (d) "P<sub>0</sub>" means the current market price of a share of common stock;~~

~~— (e) "g" means the expected rate of growth in dividends, which is assumed to be constant; and~~

~~— (f) "k" is derived by dividing "Div<sub>1</sub>" by "P<sub>0</sub>" and adding "g" to the product, as shown in the following formula:~~

$$k = (\text{Div}_1 / P_0) + g$$

~~— Puc 602.08 "Franchise" means the right to conduct business as a utility pursuant to RSA 374:22 and RSA 374:26.~~

Puc 602.089 "Meter" means a device installed by a utility for the measurement of water quantities to be used as a basis for determining charges for water service.

Puc 602.109 "Normal operating pressure" means pressure occurring between that when system storage is at the:

- (a) Lowest point of its normal operating range during maximum day demand; and
- (b) Highest point of its normal operating range during minimum day demand.

Puc 602.110 "Order nisi" means an order that will ripen or take effect at some set date in the future unless the order is rescinded by the commission before that date.

Puc 602.112 "Service connection" means the point of connection between the customer's service pipe and the utility's service line.

Puc 602.123 "Service entrance" means the point at which the customer service pipe enters the customer's building.

Puc 602.134 "Service pipe" means the connection between the utility's main and the customer's place of consumption and includes all of the pipe, fittings and valves necessary to make the connection.

Puc 602.145 "Small water system" means any water distribution system that sells fewer than 400,000,000 gallons of water annually ~~that sells fewer than 600 customers:~~

- (a) Which has received a franchise and established an initial revenue requirement pursuant to Puc 1600;
- (b) Which is not interconnected with any other water distribution system owned, operated by or affiliated with the same individual or entity; and
- (c) Whose revenue requirement is established based on the value of the assets used to serve only those customers served by that water distribution system.

Puc 602.156 "Utility" means any "public utility" as defined in RSA 362:2 and RSA 362:4 owning, operating or managing any plant or equipment or any part of the same for supplying of water to the public, or engaged in the transmission or sale of water ultimately sold to the public within New Hampshire except:

- (a) Municipal corporations operating within their corporate limits;
- (b) Municipal corporations which are exempt pursuant to RSA 362:4, to the extent of any such exemption;
- (c) Any landlord supplying water to tenants which service is included in a rental fee; or
- (d) Any association of residents supplying water to themselves.

Puc 602.167 "Utility service pipe" means that portion of the service pipe not characterized as customer service line or pipe.

Puc 602.178 "Water service" means the furnishing of water to a customer in this state by a utility.

#### PART Puc 603 SERVICE PROVISIONS

Puc 603.01 Filing of Tariffs. No utility shall render service until a complete tariff, containing rate schedules, shall have been filed with the commission and published in accordance with Puc 1600.

Puc 603.02 Information to Customers.

- (a) Each utility shall, upon request, provide a customer with a copy of the most recent chemical analysis of the water supplied.
- (b) Not more than one chemical analysis per customer per year shall be required pursuant to (a) above.

Puc 603.03 Measurement of Service.

- (a) All water sold by a utility shall be billed on the basis of metered volume sales unless a waiver is granted by the commission pursuant to Puc 201.05 for unmetered service.
- (b) Temporary service may be provided on a flat rate basis when the use of water can be readily estimated.
- (c) Service of a character for which there is no rate of general application may be rendered under a special contract between the utility and the applicant to become effective only after order of the commission pursuant to RSA 378:18.

Puc 603.04 Meter Reading and Bill Forms.

- (a) All meters used for metered sales shall have registration devices indicating the volume of water in either cubic feet or United States gallons. Where a constant or multiplier is necessary to convert the meter reading to cubic feet or gallons, the constant shall be plainly marked on the face of the meter.
- (b) In instances where the utility installs a remote meter read device, the meter having actual contact with water shall serve as the primary registrant and shall be the determinant for all billing and billing adjustments.
- (c) A utility shall, except as a result of weather-related emergencies or other extenuating circumstances, read the meter or remote read device of its metered customers every billing period. In no case shall it do so less than every third billing period, except as provided in (d) below.
- (d) If the billing period is 6 months or longer, the utility shall, except as a result of weather-related emergencies or other extenuating circumstances, obtain a reading of the meter or remote read device of its metered customers each billing period. In no case shall it do so less than annually.

(e) When a remote meter read device is a pulse or other non-encoder type, the utility shall obtain a reading from the water meter itself at least every 2 years.

Puc 603.05 Customer Relations. Each utility shall comply with the additional rules governing provision of service to customers contained in Puc 1200, uniform administration of utility customer relations.

#### PART Puc 604 QUALITY OF WATER SERVICE

##### Puc 604.01 Quality of Water.

(a) Each utility shall conform to all requirements of the New Hampshire department of environmental services for construction and operation of its water systems regarding sanitation and potability of the water.

(b) When a utility is notified that its water quality is being investigated by the department of environmental services, the utility under investigation shall notify the commission in writing within 10 business days.

(c) The utility referred to in (b) above shall submit to the commission a final report on any such investigation or review within 10 days after final disposition of the matter.

Puc 604.02 Cross-Connections. Each utility shall conform to all requirements of the department of environmental services relative to cross-connections.

##### Puc 604.03 Pressure.

(a) Each utility shall maintain normal operating pressures of not less than 20 pounds per square inch (psi) nor more than 125 psi at the service connection, subject to (b) below.

(b) For new services connected after the effective date of these rules, each utility shall maintain normal operating pressures of not less than 30 psi nor more than 100 psi at the service entrance to each building, measured with no water flow inside the building, unless the requirements of Puc 604.04 (d) and (f), or (g) are met.

(c) Utilities shall make every reasonable effort to deliver normal system operating pressures within the 30 to 100 psi range to customer service locations connected prior to the effective date of these rules.

##### Puc 604.04 Pressure Variation.

(a) Variations in pressure under normal operating conditions shall not exceed by one-third, either above or below, the average operating pressure, but in no case shall exceed 20 psi above or below the average operating pressure, unless the utility obtains a waiver pursuant to Puc 201.05.

(b) The average operating pressure shall be determined by computing the arithmetical average of at least 24 consecutive hourly pressure readings.

(c) Pressure variations outside the limits specified shall not be considered a violation of this rule when they:

- (1) Arise from unusual or extraordinary conditions;
- (2) Are infrequent fluctuations not exceeding 5 minutes duration; or
- (3) Arise from the operation of the customer's equipment.

(d) In systems of widely varying elevations a utility may undertake to furnish a new service which does not comply with the specifications contained in either (a) and (c) above or the minimum or maximum pressure requirements of Puc 604.03(b), if:

- (1) The customer is fully advised of the conditions under which average service may be expected; and
- (2) The customer's agreement is secured in writing.

(e) The utility may require in the agreement referred to in (d) (2) above that its terms shall be binding on future customers served at the same location under similar circumstances.

(f) The utility shall record the agreement referred to in (d)(2) above at the appropriate registry of deeds.

(g) Except as provided in (d) above, where a utility is providing new water service where pressures or pressure variations fail to meet the above limits, the utility shall require installation of booster pumps, if permitted by the department of environmental services, on a case by case basis, or pressure reducing devices, by and at the expense of the customer.

(h) The utility shall provide the appropriate remediation device as described in (g) above at its own expense for the following:

- (1) A service connected on or after the effective date of these rules which:
  - a. Fails to meet:
    1. The minimum and maximum pressure requirements of 30 psi and 100 psi established by Puc 604.03 (b); or
    2. The pressure variation criteria of this section; and
  - b. Is a location where the utility has failed to apply the requirements of paragraph (d) or (g) above; or
- (2) A service connected between May 4, 1982 and the 2013 effective date of these rules which:
  - a. Fails to meet either:
    1. The older 20 psi minimum or the 125 psi maximum pressure criteria of Puc 604.03 (a); or
    2. The pressure variation criteria of this section.

(i) Services connected as provided in (h)(2) above shall be exempt from the remediation device requirement to the extent that the pressure or pressure variation requirements of (h)(2)a were waived by an agreement recorded pursuant to paragraph (f) above or if the service was previously remediated by the customer.

**Puc 604.05 Pressure Surveys and Records.**

(a) Each utility serving 300 or more customers shall provide itself with one or more recording pressure gauges for the purpose of making pressure surveys as required by these rules.

(b) These gauges shall be suitable to record the pressure experienced on the utility's system and shall be able to record a continuous 24-hour test.

(c) One of these recording pressure gauges shall be maintained in continuous service at some representative point on the utility's mains in each individual service area containing 200 or more customers.

(d) At regular intervals, but not less than once in every 5 years, and when substantial changes either in demand or distribution system occur, each utility shall make a survey of pressures in its distribution system sufficient to determine the pressures maintained at representative points on its system and to indicate compliance with the pressure requirements herein.

(e) Such surveys shall be made at or near the period of maximum usage.

(f) Utilities serving less than 300 customers may make such tests with an indicating pressure gauge, provided however, that when no recording gauge is maintained on the system such tests shall be made annually.

(g) Each utility shall retain for at least 2 years and shall make available for inspection by the commission or its representative all pressure records obtained under this section.

(h) Reports of pressure complaints shall be made to the commission on Form E-14, which is described at Puc 609.07, once a month, if any occur.

Puc 604.06 Interruptions of Service.

(a) Each utility shall use all reasonable means to avoid interruptions to service, but should interruption occur service shall be re-established within the shortest time practicable, consistent with safety.

(b) When an emergency interruption of service affects any portion of the fire protection system, the utility shall promptly notify the fire chief or other public official responsible for fire protection of such interruption and of subsequent restoration to normal service.

(c) Each utility shall keep a record of all interruptions to service of over 30 minutes duration affecting any portion of the distribution system.

(d) A utility shall include in the record of service interruptions required by (c) above the following:

- (1) Date and time of interruption;
- (2) Approximate number of customers affected;
- (3) The date and time of service restoration;
- (4) The cause of such interruption when known; and
- (5) Steps taken to prevent its recurrence.

(e) When service is interrupted to perform scheduled work on mains or equipment, such work shall be done at a time causing minimum inconvenience to customers, consistent with the circumstances.

(f) Customers affected by such interruption shall be notified in advance, if practicable.

(g) Where any main supplying public fire protection service is interrupted, the utility shall promptly notify the fire chief or other official responsible for fire protection, stating the approximate time and anticipated duration.

(h) The fire chief or other official responsible for fire protection shall be notified promptly upon restoration of service.

(i) Reports of service interruptions shall be made to the commission on Form E-18, which is described in Puc 609.11, once a month, if any occur.

Puc 604.07 Shortage of Supply.

(a) The utility shall furnish a continuous and adequate supply of water to its customers and to avoid any shortage or interruption of delivery thereof except when prevented from doing so by emergencies the effect of which prudent planning would not have avoided.

(b) If a utility finds that it is necessary to restrict the use of water it shall give the commission and its customers written notice, except in emergency conditions, no less than 24 hours in advance, before such restriction becomes effective.

(c) Such notifications shall specify:

(1) The reason for the restriction;

(2) The nature and extent of the restriction, such as restrictions on outdoor use of water or use by certain classes of customers;

(3) The date such restriction is to go into effect; and

(4) The probable date of termination of such restriction.

(d) During times of threatened or actual water shortage each utility shall equitably apportion its available water supply among its customers with due regard to public health and safety.

Puc 604.08 Conservation. Each utility shall comply with water conservation rules promulgated by the department of environmental services pursuant to RSA 485:61.

PART Puc 605 METER ACCURACY AND TESTING

Puc 605.01 Inspection of Meters.

(a) All new meters shall be inspected for correctness of register size and multiplier before being installed on a customer's premises.

(b) All meters removed from service which are to be reinstalled shall be inspected for correctness of register size and multiplier.

Puc 605.02 Meter Installations.

(a) All meters shall be in good mechanical condition and of adequate size and design for the type of service which they measure. All meters shall be checked to insure correctness of operation when installed.

(b) Each utility shall adopt a standard method of meter installation which includes:

(1) Providing a written description and/or drawings to the extent necessary to provide a clear understanding of the requirements; and

(2) Making available copies of these methods of installation to prospective customers and contractors or others engaged in the business of placing pipe for water utilization.

(c) The customer shall provide an accessible area protected from temperature variation and weather in which to set the meter which shall be located as nearly as practical to where the service pipe enters the building.



(d) If an adequate space is not provided in which to install a meter, the utility may:

- (1) Refuse service; or
- (2) At the option of the customer, install an outside meter pit at the expense of the customer.

Puc 605.03 Test and Calibration of Meters.

(a) All meters shall be tested and calibrated in accordance with the requirements set forth in this section.

(b) No meter shall be placed in service or permitted to remain in service if the error of registration exceeds specifications in (d) below.

(c) A utility shall test all meters as specified by size in the left column, at the 3 rates of flow specified in Table 6.5.1 below:

Table 6.5.1 Test Flows Required by Size of Meter

Meter Size - Inches	Test Flow - Gallons per Minute		
	Minimum	Medium	Maximum
5/8	1/4	2	15
5/8 x 3/4	1/4	2	15
3/4	1/2	3	25
1	3/4	4	40
1 1/2	1 1/2	8	50
2	2	15	100
3	4	20	150
4	7	40	200
6	12	60	500

(d) A meter shall be determined inaccurate and shall not be placed or returned to service if:

- (1) The percent error of registration exceeds 103% or is less than 97%; or
- (2) The registration at the minimum flow exceeds 103% or is less than 90%.

(e) The percent error of registration shall be taken as the algebraic sum of the errors at the intermediate and maximum rates of test flow, as set forth in the table above, divided by 2.

(f) Upon completion of and adjustment of any meter under the provisions of these rules, the utility shall affix thereto a suitable seal in such a manner that the adjustment of registration of the meter cannot be tampered with without breaking the seal.

(g) At the option of the utility, the larger size meters may be tested in place after installation.

Puc 605.04 Test Schedules for Meters.

(a) All new meters shall be tested and calibrated before being put into service.

(b) A utility shall not be required to report to the commission new meter tests referred to in (a) above nor shall these tests be considered as periodic tests of meters in service.

(c) A utility shall conduct tests on meters in service, according to the size of the meter in inches, in accordance with the schedule established by Table 6.5.2 below:

Table 6.5.2 Testing Interval Required By Size of Meter

Size of Meter - Inches	Maximum Interval Between Tests
5/8	10 years
3/4	10 years
1	4 years
1 1/2	4 years
2	4 years
3	2 years
4	1 year
6	1 year

(d) All meters removed from service and not due for periodic test shall be tested before being put back into service.

(e) Source meters shall be calibrated at least every 10 years.

(f) When a customer requests that the customer's meter be tested, a utility:

- (1) Shall test the accuracy of the customer's meter within 15 days from the time the request is made;
- (2) May require a deposit and charge for meter testing in an amount in accordance with tariff provisions;
- (3) Shall promptly refund the deposit and charge if on testing the meter is found to be over-registering by more than 3% or under-registering as described in Puc 605.03(d);
- (4) May retain the deposit amount if the meter is found to meet the accuracy requirements of Puc 605.03(d);
- (5) Shall permit a customer to be represented in person or by his agent when the utility conducts the test of the meter; and
- (6) Shall provide to the customer within 15 days after completion of the test a report giving:
  - a. The name of the customer requesting the test;
  - b. The date of the request;
  - c. The location, type, make, size and serial number of the meter;
  - d. The date tested; and
  - e. The result of the test.

(g) When a customer makes written application to the commission for testing of a meter, sometimes called referee testing, the commission staff shall arrange to have the meter tested in staff's presence as soon as is practicable.

(h) When notified of an application submitted to the commission by a customer for a referee test as provided in (g) above, the utility shall not remove, interfere with, or adjust the meter to be tested without the written consent of the customer, and approval by the commission pursuant to Puc 201.05.

(i) A complete record of all tests and adjustments and data sufficient to allow checking of test calculations shall be recorded by the meter tester.

(j) The test record referred to in (i) above shall include:

- (1) The identifying number of the meter;
- (2) The type of the meter;
- (3) The date and kind of tests made;
- (4) The reading of that meter before making any test;
- (5) The error as found at each test; and
- (6) If repaired the accuracy of the meter after the final test.

(k) The complete record of tests of each meter shall be continuous for at least 2 periodic tests, and in no case for less than 2 years.

(l) Each utility shall report to the commission periodic tests of meters on Form E-15, which is described in Puc 609.08, once a year.

(m) Each utility shall report request or referee tests, referred to in (f) and (g) above, to the commission on Form E-16, which is described in Puc 609.09, once a month, if any occur.

Puc 605.05 Customer's Bill Adjustments.

(a) In meter tests made by the utility or monitored by the commission as provided by Puc 605.04, the correctness of registration of the meter and its performance in service shall be judged by its average error, determined in accordance with Puc 605.03.

(b) Any adjustment of charges which is made in accordance with this section shall be based on the average error thus derived.

(c) Whenever a meter is found to register in excess of 103% of the correct amount, the utility shall refund to the customer an amount equal to the charge for the excess billed for the shorter of the following:

- (1) The previous 12 months;
- (2) A period equal to 1/2 of the time elapsed since the last test; or
- (3) The period of occupancy by the customer.

(d) If the time when the error, referred to in (c) above, first developed or occurred can be definitely fixed, the amount to be refunded shall be based thereon.

(e) Whenever a meter is found to under-register as outlined in Puc 605.03(d), the utility may make a charge to the customer for the unbilled amount supplied for the shorter of:

- (1) The previous 12 months;
- (2) A period equal to 1/2 of the time elapsed since the last test; or
- (3) The period of occupancy by the customer.

(f) If a meter or remote register is found which does not register properly, the bill for the period of improper registration shall be based upon information recorded by a meter or remote register, during a period during which the device is determined to accurately record use, prior or subsequent to the period of improper registration, and any other pertinent information supplied by the customer or known to the utility.

(g) The period for recovery of the difference between previously billed amounts and estimated actual consumption under (f) above shall not exceed 12 months.

Puc 605.06 Test Facilities and Equipment.

(a) Each utility furnishing metered water service shall either:

(1) Provide the necessary standard facilities, instruments and other equipment for testing meters in compliance with these rules; or

(2) Enter into satisfactory arrangements for the testing of its meters by another utility or agency equipped to test meters in compliance with these rules, subject to approval by the commission pursuant to Puc 201.05.

(b) Each utility shall maintain or arrange for the use of a meter test shop which, insofar as practicable, shall simulate the actual service conditions.

(c) The meter test shop required by (b) above shall be provided with:

(1) The necessary fittings, including a quick-acting valve for controlling the starting and stopping of the test; and

(2) A device for regulating the flow of water through the meter under test.

(d) The accuracy of the test equipment and test procedures shall be sufficient to enable shop test of displacement meters with an error not to exceed 0.5%.

(e) Each utility shall maintain or arrange for the use of measuring devices for test of meters.

(f) The measuring devices required by (e) above shall consist of calibrated tanks for volumetric measurements, tanks mounted upon scales for weight measurement or standard meters.

(g) In using the measuring devices required by (e) above the utility shall adhere to the following test measurement standards:

(1) When a volumetric tank is used it shall be certified by the New Hampshire or local sealer of weights and measures;

(2) When a weight standard is used the scales shall be tested and certified at least once every year by the New Hampshire or local sealer of weights and measures, and a record maintained of the results of such test;

(3) Basic standards used for meter tests shall be of sufficient capacity to insure accuracy of the test;

(4) Standard meters may be used for the purpose of testing meters in place provided they have been tested and calibrated within the limits of accuracy required by Puc 600, either by the utility with its volumetric or weight standard equipment or by an approved laboratory, within the previous 60 days; and

(5) The utility shall keep a record of tests referred to in (4) above for a period of not less than 5 months.

Puc 605.07 Underground Utility Damage Prevention Program. All utilities shall comply with Puc 800, the underground utility damage prevention program rules.

#### PART Puc 606 EQUIPMENT AND FACILITIES

##### Puc 606.01 Standard Practice.

(a) Each utility shall construct, install, operate and maintain its plant, structures, equipment and mains:

(1) In accordance with applicable American Water Works Association Standards copyrighted by the American Water Works Association, pursuant to the applicable standards described in N.H Code Admin. Rule Env-Ws 307.01, Standards of the American Water Works Association; and

(2) In such manner, insofar as practical:

a. To best accommodate the public; and

b. To prevent interference with service furnished by other underground facilities, including gas, electric, telephone, steam, sewer and other underground and above ground facilities.

##### Puc 606.02 Distribution System and Mains.

(a) Water mains shall be installed below the normal frost line or otherwise protected to prevent freezing. Mains used exclusively to provide temporary or seasonal service shall be excluded from this requirement.

(b) Insofar as practicable, the utility shall design its distribution system so as to avoid dead ends on its mains.

(c) Where dead ends are unavoidable the utility shall provide hydrants or valves for the purpose of flushing the mains.

(d) Where dead ends are unavoidable the utility shall adhere to the following standards:

(1) Mains with dead ends shall be flushed as often as necessary to maintain the proper quality of the water;

(2) Records shall be kept of all flushings of mains, showing the date, place and duration; and

(3) Flushing records shall be used as a guide in determining the necessary frequency of flushing of the same mains thereafter.

(e) Valves shall be provided at intervals in the mains sufficient to allow the utility to facilitate repairs and minimize interruptions of service.

(f) Whenever feasible, the distribution system shall be laid out in a grid segmented so that in case of breaks or repairs the number of customers affected can be minimized.

##### Puc 606.03 Fire Protection and Hydrants.

(a) A utility and an applicant may negotiate regarding fire hydrants, public and private fire protection facilities and connecting mains, as to the following:

(1) Specifications;

- (2) Location;
- (3) Installation;
- (4) Responsibility for maintenance; and
- (5) Ownership.

(b) Fire hydrants and public and private protection facilities shall be installed in conformity to the requirements of the utility.

(c) Hydrants maintained by the utility shall be inspected and flushed at least once each year, and shall be checked for freezing as often as necessary to insure that they are functioning properly.

(d) A record of each hydrant shall be maintained showing the size, type, location, date of inspection and flushing and the results thereof.

(e) Reports of periodic inspection of flushing of hydrants shall be reported to the commission on Form E-17, described at Puc 609.10 once a year.

Puc 606.04 Valves and Service Connections.

(a) Each utility shall locate, operate and inspect each valve on its distribution system at least once every 5 years.

(b) A utility annually shall locate, operate and inspect valves which are:

- (1) Larger than 12 inches in diameter;
- (2) Located on major transmission lines; or
- (3) Otherwise critical to system operation.

(c) A utility shall keep a record of each valve showing the size, type, location, date of inspection and the results of each inspection.

(d) Each utility shall require that the size, design, material and installation of the service pipe shall conform to such requirements of the utility as may be incorporated in its rules and regulations.

(e) The utility shall require that the minimum size of the service pipe shall not be less than 3/4 inch nominal size except under unusual circumstances, such as might exist in a residence with very low demand located very close to the main.

(f) All service pipes shall be laid at a depth sufficient to prevent freezing, except where services are not intended for use during freezing weather and are actually drained during such periods.

(g) Curb stops shall be placed at the customer's property line except in unusual situations such as service to an apartment or to a condominium.

(h) Each utility shall require that the customer shall not install any tree or branch connection in the service pipe.

(i) A utility may require the customer to leave the trench open and customer service pipe uncovered until it is inspected by the utility and shown to be free from any irregularity or defect.

(j) Each utility shall require the following in relation to individual service connections:

- (1) Each service connection shall be provided with an individual shut-off;
- (2) No tandem services shall be permitted; and
- (3) Where such tandem services exist, the shut-offs necessary to comply with this requirement shall be installed.

Puc 606.05 Disinfection of Facilities. Disinfection of facilities shall be as approved by the New Hampshire department of environmental services.

#### PART Puc 607 RECORDS, REPORTS AND ACCOUNTING REQUIREMENTS

Puc 607.01 Station Records. Each utility shall keep sufficient records of the operation of its pumping, filtering, chlorinating and other units to show the characteristics and performance of each.

##### Puc 607.02 Water Supply Measurement.

(a) Each utility shall install a suitable measuring device at each source of supply in order that a record can be maintained of the quantity of water produced at each source.

(b) At least once each month each utility shall determine the quantity produced from each source of supply.

(c) A utility shall record and transmit to the commission in the utility's annual report to the commission its 12 month totals of water supply by sources.

##### Puc 607.03 System Maps.

(a) Each utility shall have on file at its principal office located within New Hampshire a map, maps or drawings showing the following:

- (1) The size, character and location of all mains including hydrants and valves;
- (2) The size and location of each service connection, where practicable; and
- (3) The layout of all principal pumping stations, filter and chlorinating plants to show size, location and character of all major equipment, pipe lines, connections, valves and other equipment used.

(b) In lieu of showing service locations on maps, referred to in (a)(2) above, a card record or other suitable means may be used.

##### Puc 607.04 Meter Records.

(a) Each utility shall keep records numerically arranged and classified by meter type presenting, for each meter owned and used by the utility for any purpose, the following:

- (1) Identification number;
- (2) Date of purchase;
- (3) Name of manufacturer;
- (4) Serial number;
- (5) Type;
- (6) Rating; and

(7) Information as to each premises where the meter has been in service, as follows:

- a. The name and address of each customer on whose premises the meter has been in service;
- b. Date of installation; and
- c. Date of removal.

(b) These records shall be maintained in a manner such that the date of the last test is readily ascertainable.

Puc 607.05 Preservation of Records.

(a) All records shall be preserved by the utility for a period of 2 years unless otherwise designated by the commission's rules governing the preservation of records, including Puc 607.07(b).

(b) The utility shall make such records available to the commission or its staff upon request at the utility's office located in the state of New Hampshire.

Puc 607.06 Reports to Commission.

(a) The utility shall furnish the commission with any information concerning the utility's facilities or operations which the commission shall request and need for determining rates or judging the practices of the utility.

(b) Each utility shall file periodic reports with the commission as required by Puc 609 on the forms, as described in Puc 609, which shall be furnished by the commission upon request.

Puc 607.07 Uniform System of Accounts.

(a) Each utility shall maintain its accounts and records in conformity with the "Uniform Classification of Accounts for Water Utilities" established and issued by the commission as a uniform system of accounts pursuant to RSA 374:8.

(b) Each utility shall keep and preserve all accounts and records as provided in the "Regulations to Govern the Preservation of Records of Electric, Gas and Water Utilities Regulation", governing the preservation of records of water utilities, issued by the National Association of Regulatory Utility Commissioners, which is established and designated by the commission as part of its uniform system of accounts pursuant to RSA 374:8.

REVISION NOTE:

Document #6475 removed the former Puc 610 entitled "Uniform System of Accounts for Water Utilities" and amended the former Puc 607.08 governing accounting records, previously adopted under Document #5818, effective 4-27-94.

Pursuant to RSA 374:8, II and RSA 541-A:21, I(q), as amended effective 7-23-94 by 1994, 193:3 and 193:4, the uniform system of accounts (USOA) for regulated utilities as referenced in Puc 607.07 is exempt from the rulemaking requirements of RSA 541-A. The text of the USOA is not included in Puc 607.07 above because the publication requirement for rules in RSA 541-A:15, I does not apply.

By Order No. 21,310 dated August 8, 1994, the New Hampshire Public Utilities Commission (Commission) ordered, because of 1994, 193, that the USOAs, including the USOA for water utilities, "shall remain in effect until such time as the Commission shall prescribe, amend, rescind or otherwise affect the USOAs currently prescribed for regulated utilities".



The Commission must still file in the Office of Legislative Services a copy of all USOA rules adopted, amended or repealed under RSA 374:8. The text of the USOA for water utilities subject to Order No. 21,310 was last filed in Document #6624.

A copy of the USOA as referenced in Puc 607.07 may be obtained at the New Hampshire Public Utilities Commission, 21 South Fruit Street, Suite 10, Concord, New Hampshire 03301.

Puc 607.08 Work Order and Continuing Property Records. Each utility shall maintain a work order system and continuing property records according to the "Uniform Classification of Accounts for Water Utilities" and shall provide the commission access to such records when requested.

#### PART Puc 608 SAFETY, INSPECTIONS AND SHORT TERM DEBT

Puc 608.01 Safety Instructions. Each utility shall adopt comprehensive instructions for the safety of employees in regard to the operation, construction and maintenance of its plant facilities, and shall require that such employees have been properly informed of safe practices and are cognizant of all hazards involved.

##### Puc 608.02 Resuscitation.

(a) Each utility shall institute and maintain a program instructing its employees engaged in electrical work or work in hazardous atmospheres, such as in-ground pump stations or meter vaults, in safety procedures for resuscitation emergencies.

(b) Copies of safety procedures shall be furnished to each such employee.

(c) Electrical work as used herein shall be construed to mean work on all live electric conductors and equipment.

##### Puc 608.03 Accidents.

(a) Each utility shall report to the commission as soon as possible after each accident occurring in connection with the operation of its property, facilities or services, wherein any person shall have been killed or seriously injured or whereby any serious property damage shall have been caused.

(b) The first report of an accident may be preliminary, but if so, shall be followed later by as full a statement as possible of the cause and details of the accident and precautions taken, if any, to prevent recurrence.

(c) Accidents resulting in slight injuries which do not incapacitate the person injured from active work for more than 6 days in the aggregate during the 10 days immediately following injury shall not be required to be reported.

(d) The utility shall report to the commission on form E-5, "NHPUC Accident Form", described in Puc 609.06, any accident related to its utility operations which is not a slight accident as described in (c) above.

Puc 608.04 Commission Inspection. The commission shall, from time to time, inspect the works and system of each utility and the manner in which it has conformed and presently conforms to commission rules.

Puc 608.05 Short Term Debt. No utility shall issue or renew any notes, bonds or other evidence of indebtedness payable less than 12 months after the date thereof if said short term debt exceeds 10% of the utility's net fixed plant without prior commission approval pursuant to Puc 201.05.

PART Puc 609 FORMS TO BE FILED BY ALL UTILITIES

Puc 609.01 F-1C Quarterly Statement of Operations.

(a) Any utility which does not file a statement of operations with the commission on a monthly basis shall file form F-1C on a quarterly basis.

(b) Utilities shall include in form F-1C:

- (1) A caption indicating the title of the form as "Form F-1C" along with the name of the utility filing the report;
- (2) A statement of operation taking operating revenues, subtracting all expenses, leaving the net income;
- (3) A reconciliation of retained earnings composed of balance at the beginning of the period and balance at end of the period;
- (4) A balance sheet listing the assets and liabilities with a final result of total capital and liabilities; and
- (5) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.02 F-3 Pro Forma Income Statement at Present and Proposed Rates for Year Ended.

(a) Each utility which requests a rate increase shall file form F-3 with the commission.

(b) Form F-3 shall include:

- (1) A caption identifying the report as "F-3 Pro Forma Income Statement" along with the name of the utility filing the report;
- (2) A breakdown of operating revenues and expenses for:
  - a. Actual year ended;
  - b. Adjustments and pro forma at present rates;
  - c. At proposed rates with additional requirements; and
  - d. Total requirements;
- (2) A calculation of rate base and a calculation of rate of return; and
- (3) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.03 F-4 Petition For Authority To Issue Securities.

(a) Each utility shall file form F-4 with the commission when it seeks authority to issue securities.

(b) Form F-4 shall include the following:

- (1) A petition which shall include:

- a. A caption which shall identify the report as "F-4 Petition for Authority to Issue Securities" along with the name of the utility filing the report;
  - b. Description of authorized and outstanding long term debt and capital stock;
  - c. Amount of short term notes outstanding;
  - d. Description of new securities;
  - e. Description of what proceeds will be used for;
  - f. List of exhibits attached;
  - g. Certification statement as contained in Puc 609.04 (d);
  - h. Petitioner's prayer asking for the relief requested; and
  - i. The signature, full name and title of the utility employee who supervised the preparation of the form;
- (2) Application for leave to issue securities pursuant to RSA 369:3 including a statement in reasonable detail of any proposed additions, construction or working capital requirements together with any proposed construction budget;
  - (3) Exhibit 2, showing the estimated cost of financing including, for example, legal costs, printing, documentary tax, trustee services, financial services;
  - (4) Exhibit 3, current balance sheet adjusted for financing with journal entries and explanations for actual, adjustments and as adjusted;
  - (5) Exhibit 4, current income statement adjusted for financing including new interest, depreciation and taxes with entries for actual, adjustments and as adjusted;
  - (6) Exhibit 5, statement of capitalization ratios after giving effect to the proposed financing; and
  - (7) Exhibit 6, weighted average cost of debt.
- (c) The utility shall also provide the following:
- (1) A copy of the purchase and sale agreement for long term financing including any letter of commitment from a lender stating the details of financing;
  - (2) A copy of the mortgage indenture;
  - (3) A copy of terms of new common or preferred stock;
  - (4) A resolution of petitioner's stockholders, board of directors or other governing body of petitioner, as appropriate, authorizing the proposed financing; and
  - (5) An original and 6 copies of the petition and exhibits.
- (d) By submitting or signing a Form F-4 petition, the persons submitting the form agree to comply with the certification requirement as set forth in Puc 609.04 (d).

Puc 609.04 F-16-Water Annual Report.

(a) Each utility which maintains its books on a calendar year basis shall complete the "Annual Report for Water Utilities," dated July 2013, form available on the commission website at [www.puc.nh.gov/forms](http://www.puc.nh.gov/forms), and file one signed original and one electronic copy with the commission annually on or before March 31<sup>st</sup>.

(b) Each utility which maintains its books on a fiscal year which does not coincide with a calendar year shall complete the commission's Form F-16 "Annual Report for Water Utilities," dated July 2013, available on the commission website at [www.puc.nh.gov/forms](http://www.puc.nh.gov/forms), and file with the commission one signed original and one electronic copy by email or through the commission's electronic records filing system no later than 90 days following the close of each fiscal year.

Puc 609.05 F-22 - Information Sheet.

(a) Each utility shall file Form F-22:

- (1) Annually; and
- (2) Whenever any changes occur to the information included in the Form F-22 filing.

(b) Each utility shall include the following on form F-22:

- (1) A caption identifying the form as "Form F-22" along with the name of utility;
- (2) Person's name and address to receive annual report form;
- (3) Person's name and address to receive the utility assessment tax;
- (4) The names and titles of the principal officers of the company; and
- (5) The signature, full name and title of the utility employee who supervised the preparation of the form.

Puc 609.06 E-5 - Utility Accident Report.

(a) Each utility shall file a completed "NHPUC Accident Form" within 10 working days of when a utility accident, as described in Puc 608.03(a) and (c), occurs.

(b) The "NHPUC Accident Form" shall include a caption identifying it as the "NHPUC Accident Form" and the following:

- (1) Report number, date and name and address of utility;
- (2) Date and location of accident;
- (3) Description of person injured including:
  - a. Name;
  - b. Age;
  - c. Residence;
  - d. Employer; and
  - e. Status of injured person, whether employee, person under contract, invitee, licensee, trespasser or other;

- (4) Description of injury, current condition, duration of disability and, if applicable, anticipated return to work date;
- (5) Description of cause and manner of accident;
- (6) If applicable, cause of death, previous accident report number of the report filed prior to the death;
- (7) Designation of federal or state statute violated, if known;
- (8) Recommendation for guarding against repetition of accident; and
- (9) Signature and title of signatory.

Puc 609.07 E-14 - Report of Pressure Complaints.

(a) Each utility shall report pressure complaints to the commission on form E-14 on a monthly basis if they occur.

(b) A utility shall include on form E-14 the following:

- (1) A caption identifying the report as "E-14 Report of Pressure Complaints" along with the name of the utility filing the report;
- (2) Name of complainant and location;
- (3) Date of test and average pressure;
- (4) Pressure recorded including the minimum, time of day, maximum, time of day;
- (5) Total minutes below allowable minimum and above allowable maximum; and
- (6) The signature, full name and title of the utility employee responsible for supervising the preparation of the report.

Puc 609.08 E-15 Annual Report of Water Meter Tests.

(a) Each utility shall file with the commission a report of water meter tests on form E-15 on an annual basis.

(b) A utility shall include on form E-15 a caption identifying it as "E-15 Annual Report of Water Meter Tests" and the following:

- (1) The utility name and year reported;
- (2) The total meters installed at end of year by size;
- (3) The number of 5/8 through 2-inch meters tested with a breakdown of the number meeting the standards specified in Puc 605.03(b), the number with no registration and the number failing the standards of Puc 605.03(b);
- (4) Individual test results for larger meters; and
- (5) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.09 E-16 Report of Water Meter Complaint Tests.

(a) Each utility shall file form E-16 summarizing water meter complaint tests on a monthly basis if complaints occur.

(b) A utility shall include on form E-16 a caption identifying the report as “E-16 Report of Water Meter Complaint Tests” and the following:

- (1) The name of the company and the month reported;
- (2) The customer's name and address;
- (3) The meter manufacturer, manufacturer's number, company number, type, size;
- (4) The percent of registration that are fast and percent of registration that are slow;
- (5) If a bill adjustment occurs, the amount refunded or collected and the period covered by the bill adjustment; and
- (6) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.10 E-17 Annual Report of Hydrant Inspection.

(a) Each utility shall file form E-17 describing its inspections of hydrants on an annual basis.

(b) A utility shall include on form E-17 a caption identifying the report as “E-17 Annual Report of Hydrant Inspection” and the following:

- (1) The name of the company and the year of the report;
- (2) The number of hydrants maintained, number of hydrants inspected and flushed, and number of hydrants found defective;
- (3) A breakdown of defective hydrants as follows:
  - a. The date, location, date of last inspection;
  - b. The nature of the defect, the cause of the defect; and
  - c. The corrective steps taken; and
- (4) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.11 E-18 Report of Interruptions of Service Over 30 Minutes Duration.

(a) Each utility shall file Form E-18 on a monthly basis summarizing interruptions to service of over 30 minutes duration, if any occur.

(b) A utility shall include on form E-18 a caption identifying the report as “E-18 Report of Interruptions of Service Over 30 Minutes Duration” and the following:

- (1) The name of the company and the month reported;
- (2) The date, time and duration of interruption;

- (3) The location and number of customers affected;
- (4) The cause of the interruption; and
- (5) The signature, full name and title of the utility employee who supervised the preparation of the report.

Puc 609.12 E-22 - Report of Proposed Expenditures for Additions, Extensions and Capital Improvements to Fixed Capital.

(a) Except as provided in (i) below, each utility shall file an annual report of proposed expenditures for addition, extensions and capital improvements to fixed capital on or before May 15 of each year.

(b) The report shall include a caption identifying the report as "E-22 Report of Proposed Expenditures for Additions, Extensions and Capital Improvements to Fixed Capital" along with the name of the utility filing the report.

(c) The utility shall report the following on Form E-22 with respect to any proposed expenditures for additions, extensions and capital improvements which meet the conditions of (d) below:

- (1) A description of the addition, extension or capital improvement;
- (2) The location of the proposed addition, extension or capital improvement;
- (3) The total estimated cost of the proposed addition, extension or improvement by work category; and
- (4) The signature, full name and title of the utility employee who supervised the preparation of the report.

(d) Each utility shall report to the commission when the probable cost of any addition, extension or capital improvement to its utility plant will exceed the reportable amounts shown in Table 6.9.1 below:

Table 6.9.1 Reportable Amounts by Utility Plant Range

UTILITY PLANT RANGE	REPORTABLE AMOUNT
\$ 400,000 and under	\$5,000
400,001 to \$ 1,000,000	10,000
1,000,001 to 2,000,000	15,000
2,000,001 to 3,000,000	22,500
3,000,001 to 50,000,000	30,000
50,000,001 to 100,000,000	50,000
100,000,001 and over	100,000

(e) The reportable amount shall be based on the gross fixed capital, as of December 31st of the calendar year immediately preceding, of each core stand-alone or satellite system with an independent source of supply.

(f) Companies with more than \$10,000,000 in fixed capital may use the next higher reporting limit for their satellite systems.

(g) The reporting limits shall apply to total project cost including contributions in aid of construction.

(h) For purposes of (d) above, reporting to the commission shall consist of:

- (1) A completed E-22 form; or

- (2) With written approval of the commission, a construction budget.
- (i) The commission shall accept a construction budget in place of individual E-22 forms if the proposed budget:
- (1) Highlights all projects above the utility's reporting limit;
  - (2) Contains a level of detail appropriate to the expenditures anticipated and to identification of potential project-specific issues; and
  - (3) Covers a period of no longer than one year.
- (j) A utility shall file an original and duplicate copy with the commission engineering department as follows:
- (1) An individual E-22 form no fewer than 30 days before starting actual construction or expenditure of funds; or
  - (2) A construction budget no fewer than 60 days before starting actual construction or expenditure of funds.
- (k) A utility may provide an additional copy of its filing and request that it be date-stamped and returned by the commission to confirm filing.
- (l) If the cost of a project is anticipated to fall below the applicable reporting limit but later exceeds it, the utility shall immediately file an E-22 form at whatever time or phase of the project it becomes apparent the limit will be exceeded. This requirement shall include projects listed in a construction budget but not highlighted in accordance with (i)(1) above.
- (m) Investigation of or comment on a construction budget or E-22 by the commission or failure of the staff to identify prudence review issues shall not constitute a final prudence review and the commission shall not be precluded from analyzing the merit of any expenditure in a future rate case.
- (n) If a project not included in an approved construction budget arises which will exceed a utility's reporting limit, the utility shall file an E-22 form.

Puc 609.13 E-25 Water - Report of Proposed Changes in Depreciation Rates.

- (a) Each utility shall file Form E-25 Water when it proposes any change in depreciation rates.
- (b) A utility shall include on form E-25 Water:
- (1) A caption identifying the report as "E-25 Water Report of Proposed Changes in Depreciation Rates" along with the name of the company;
  - (2) The date;
  - (3) The account number and title;
  - (4) The estimated life, both present and proposed, in years;
  - (5) The net salvage, both present and proposed, by percentage;
  - (6) The depreciation rate, both present and proposed, by percentage;
  - (7) The net annual change in dollars;



(8) The reasons for the proposed changes; and

(9) The signature, full name and title of the utility employee who supervised the preparation of the report.

(c) A utility shall not implement any change in depreciation rates until the proposed change has been approved by the commission.

Puc 609.14 Electronic Filing Requirements, Annual Report.

(a) "Electronic filing" means the filing with the commission of an electronic version of a document or form.

(b) Each utility shall, in addition to filing a completed and executed "Annual Report" in paper as required by Puc 609.04, electronically file with the commission, to the extent practicable, in an electronic file format compatible with the computer system of the commission, a completed "Annual Report" form.

(c) The commission shall maintain a list on its web site of the types of electronic file formats compatible with its computer system.

~~(d) Any small water system as defined in Puc 602.15 shall be exempt from the requirements of this section.~~

(ed) Any utility may petition for a one year waiver from the electronic filing requirement pursuant to the waiver provisions of Puc 201.05.

(fe) In its application for a waiver under (e) above, a utility shall describe and provide evidence to demonstrate that:

(1) It does not have the computer capability to generate electronic reports or filings due to the small size of its overall operations or its lack of computer equipment and/or expertise;

(2) Its existing available computer systems are not compatible with the computer systems of the commission and because of this incompatibility it would be prohibitively expensive or cumbersome to file electronically; or

(3) Other circumstances would make electronic filing prohibitively expensive or cumbersome.

(gf) The commission shall issue a waiver under (e) and (f) above if it determines that the burden on the utility of electronic filing outweighs the benefit to the administrative process.

(hg) The commission shall make available to each utility upon request an electronic version of the "Annual Report" form when the commission has prepared and has available an electronic version.

PART Puc 610 RETURN ON EQUITY FOR SMALL WATER UTILITIES

Puc 610.01 Purpose. The purpose of Puc 610 is to provide a generic return on equity ~~an expedited rate making mechanism for that a small water distribution systems may elect to use in a rate filing to:~~

(a) ~~Ensure safe and adequate service to customers that might be threatened from time to time by severe revenue erosion caused by unexpected capital additions and state and federally mandated programs that increase operating expenses~~ Provide an economical and straightforward methodology for setting a return on equity for small water distribution systems; and

(b) Reduce rate case expenses. Avoiding the use of outside consultants as expert witnesses on return on equity in a rate filing will lower rate case expenses that are currently paid for in their entirety by customers and have at times far exceeded the requested rate relief.

(c) Reduce customer bill impact. Rate case expenses are recovered through a surcharge on customer bills. The surcharge is determined by dividing rate case expense by either the number of customers or the gallons sold by the water distribution system, therefore, a small customer base requires a higher surcharge and has a greater customer bill impact. Customers of a small water distribution system will see a greater reduction in bill impact from avoided rate case expenses than customers of larger water distribution systems.

Puc 610.02 Expedited Proceeding:

~~— (a) In the alternative to a full rate proceeding filed pursuant to Puc 1600, a small water system may request an increase in revenues to recover the cost of any capital additions, or any operating costs that are the result of any state or federal mandate, that result in annual earnings, based on the small water system's fiscal year, below a generic return on equity set pursuant to Puc 610.03, subject to the following conditions:~~

~~(1) The small water system shall file a petition with the commission containing the following:~~

~~a. The small water system's last established rate base and rate of return, with a citation to the docket establishing said rate base and rate of return;~~

~~b. The small water system's and the utility's realized rate of return established from its last filed annual report in combination with any increased or decreased costs and capital additions that were not included in that annual report;~~

~~c. The small water system's proposed cost of capital utilizing the generic return on equity contained in Puc 610.03 and its most recent cost of debt;~~

~~d. Copies of all invoices substantiating the capital additions requested to be added to rate base;~~

~~e. An explanation signed under oath and notarized of each capital addition's usefulness, necessity and purpose;~~

~~f. An explanation signed and sworn to under oath and notarized of all increased operating costs incurred as a result of a federal or state mandate including a specific citation to the federal or state mandate that required the increase in costs;~~

~~g. The requested increase in revenues, and its effect upon the average customer's annual bill; and~~

~~h. An amended tariff page reflecting the proposed increase;~~

~~(2) The small water system shall make itself available for an audit at the location where its books and records are kept;~~

~~(3) The small water system shall maintain its books and records pursuant to the uniform system of accounts which is described at Puc 607.07;~~

~~(4) Subsequent to the filing, the small water system shall provide notice to all of its customers, all municipalities in which those customers are served and the office of the consumer advocate by first class mail of:~~

~~a. The requested rate increase;~~

~~b. The rate impact on the average customer's annual bill;~~

~~e. The capital additions and the federal or state mandates that necessitated the need for rate relief; and~~

~~d. The customers' right to participate in the review of the requested rate increase;~~

~~(5) A copy of the notice required in (4), along with an affidavit of mailing, shall be filed with the commission within 15 days of the acceptance of the petition as referred to in (b) below.~~

~~(b) Failure to comply with any of the provisions and requirements set forth in (a) shall result in the immediate rejection of the petition if the utility has failed to respond to any notice issued by the commission required by RSA 541-A:29.I.~~

~~Puc 610.03 Generic Return on Equity.~~

~~(a) At least once during any 12 month period following the adoption of these rules the commission shall establish a generic return to be applied to the equity invested in the small water distribution system using the discounted cash flow methodology. A small water distribution system may elect to use the generic rate of return in any rate proceeding and, if it elects to use the generic rate of return, it shall update the calculation before a final hearing in the rate case.~~

~~(b) For the purposes of this section, the commission shall assume that the return on equity for regulated gas and water utilities as published by the Regulatory Research Associates for recent calendar years DCF model is based on the concept that are representative of what value stockholders currently value place on a share of stock for water distribution systems at the present value of the expected cash flow from that share of stock, and that cash flow will grow at the same rate from the present to perpetuity.~~

~~(c) For purposes of this section, the commission shall assume that the value placed on utility preferred stock plus 350 basis points as published by Value Line is representative of what value stockholders place on a share of stock for water distribution systems.~~

~~(de) For the purposes of this section, the generic return on equity, rounded down to 2 decimal places, shall be derived as follows: sample of companies used in computing k shall consist of non-California water utilities listed in the most current issue of Value Line Investment Survey or other recognized financial source that have consistent data for at least a 10-year period of time.~~

~~(1) The baseline return on equity will be calculated using the average of the weighted average of the authorized return of water utility rate cases during the most recent calendar quarters with a total minimum of 10 observations and the weighted average of the median authorized return on equity for gas utilities during the most recent calendar quarters with a total minimum of 10 observations. Observations are the number of rate cases in the quarter used to calculate the average water and median gas returns on equity and weighted by the number of observations in a quarter divided by the total observations over the number of quarters with a minimum of 10 observations. Following that calculation, the resulting return will be averaged with an amount resulting from adding 350 basis points to the value of the preferred utility stock as most recently reported by Value Line. The result of the 2 calculations shall yield the baseline return on equity for this section.~~

~~(2) For purposes of this section, the authorized average return of equity for water utilities and the number of cases will be as reported by the Regulatory Research Associates, 'RRA Water Advisory: Major Rate Case Decisions.' The median of authorized return on equity for gas utilities will be as reported by the Regulatory Research Associates, 'RRA Regulatory Focus: Major Rate Case~~

Decisions.<sup>34</sup> Utility preferred stock values will be the Value Line estimated yield on "Utility A" preferred stocks published weekly.

(3) Rate Case Expense Savings Adder: 50 basis points will be added to the baseline return on equity:

(4) Capital Structure Adder will be added to the baseline return on equity for a balanced capital structure:

a. For a capital structure with equity of 35 to 40 percent, the adder will be 10 basis points:

b. For a capital structure with equity of 40 to 44 percent, the adder will be 15 basis points:

c. For a capital structure with equity of 45 to 55 percent, the adder will be 25 basis points; and

d. For a capital structure with equity of 56-60 percent, the adder will be 10 basis points.

(5) An Exemplary Performance Adder of up to 50 basis points shall be added to the baseline return on equity if the commission determines that a small water utility substantially exceeds utility performance of similarly situated small water utilities in a rate filing in any of the following areas:

a. Development of an Asset Management Program for achieving and maintaining the desired level of service at the lowest appropriate cost to customers;

b. Reduction in system leaks and unaccounted for water;

c. Cost containment initiatives;

d. Improved water quality;

e. Improved customer service.

(6) A Non-compliance Deduction: up to 50 basis points may be deducted from the baseline return on equity when a small water utility files for a rate increase if the commission determines that the utility has repeatedly not complied with regulatory requirements within the past 2 years.

a. Staff or any party to the rate proceeding may request a deduction for non-compliance;

b. There will be no deduction for non-compliance of an acquired utility if the acquired utility was materially out of compliance when acquired and the acquiring utility has implemented an approved plan to achieve compliance. Compliance plans must be approved by the by the regulatory authority with jurisdiction.

~~—— (d) For the purposes of this section cash flow shall be measured using both dividends and earnings, with a 3:1 weighting of dividends to earnings, reflecting the view that investors discount that which they receive, but are also concerned with the source of the cash flow.~~

Puc 610.034 Eligibility Right to Challenge Use of the Generic Return on Equity. The commission staff, the office of consumer advocate, a customer or other interested party, may challenge the generic return on equity used by a small water distribution system in a rate filing with the commission. A small water system shall not be eligible for rate relief pursuant to this section within 2 years after the issuance of a final order under Puc 610 or Puc 1600.

~~— Pue 610.05 Rate Design.~~

~~(a) There shall be no change to a small water system's allocation of revenue responsibility between classes of customers as part of a proceeding brought before the commission pursuant to this section.~~

~~(b) Changes to revenue allocations shall include:~~

~~(1) Changes between or among residential, commercial, wholesale or industrial customers;~~

~~(2) Fixed charges for service regardless of the amount of water consumed unless the system bills on an unmetered basis;~~

~~(3) Availability charges; or~~

~~(4) Any other charge that is not based on the amount of water consumed for metered rates as a result of a rate request pursuant to this section.~~

~~(c) Such changes shall be allowed, however, where a small water system has installed meters since its last revenue requirement was set by the commission at which time a volumetric charge shall be established along with a fixed charge.~~

~~— Pue 610.06 Staff Review and Recommendation.~~

~~(a) Upon the filing of a request for rate relief pursuant to this section the commission staff shall:~~

~~(1) Verify that the small water utility has complied with the requirements set forth in Pue 610.02 and Pue 610.03;~~

~~(2) Review all information acquired pursuant to the requirements of Pue 610.02; and~~

~~(3) Make a recommendation to the commissioners that the requested increase, or some modification thereof, be approved or denied based on the criteria set forth by these rules, RSA 378 and the opinions of the New Hampshire supreme court.~~

~~(b) The staff shall serve a copy of the staff recommendation on the petitioning small water utility and the office of the consumer advocate.~~

~~(c) The petitioning small water utility shall serve a copy of the staff recommendation upon the customers of the small water utility and the municipalities in which those customers reside at the time the petition is filed with the commission.~~

~~— Pue 610.07 Right to Challenge Recommendation.~~

~~(a) The small water system, the office of the consumer advocate, a customer or other interested party may challenge the staff recommendation to approve, modify or deny the requested rate increase by filing with the commission's executive director, within 15 days of mailing of the staff recommendation, a request to hold a conference with the relevant staff members to discuss the recommendation.~~

~~(b) Any such request shall set forth the basis of the objection to the recommendation of the commission staff and the issues discussed at any such meeting shall be limited to those issues raised in the request.~~

~~(c) The conference referred to in (a) above shall:~~

~~(1) Occur within 25 days of the mailing of the staff recommendation; and~~

~~(2) If agreed to by the challenging party and the commission staff, be conducted by telephone conference.~~

~~— (d) If staff, the small water system, the office of the consumer advocate, or any other interested party resolve any disagreement regarding staff's original recommendation they shall so notify the commission in writing.~~

~~— (e) If staff, the small water utility, the office of the consumer advocate, or any other interested party are unable to resolve their differences and they wish to express their position to the commission, they shall present their positions to the commission by filing a written statement with the executive director within 15 days of the conference with staff.~~

~~— (f) If staff or any party wishes to respond to the statements filed pursuant to section (e), they shall do so by filing a written response with the executive director within 25 days of the conference referred to in (e) above.~~

~~— (g) Copies of all documents filed with the commission pursuant to this section shall be served upon all of the small water system customers, the office of the consumer advocate, the small water system or any other party that has participated in the proceeding.~~

~~— Puc 610.08 Commission Decision.~~

~~— (a) After review and consideration of the staff recommendation and any position statements and responses thereto filed by the parties or the staff, the commission shall:~~

~~(1) Issue an order nisi approving a rate increase, if the commission finds the rate increase just and reasonable pursuant to the standards set forth in RSA 378 and by the New Hampshire supreme court, and the request is related to a matter under the commission's jurisdiction as set forth in this chapter;~~

~~(2) Issue an order denying the rate increase, if the commission finds the requested rate increase to be unjust and unreasonable pursuant to the standards set forth in RSA 378 and by the New Hampshire supreme court, or the request is outside the ambit of these rules; or~~

~~(3) Issue an order initiating a full rate proceeding pursuant to RSA 378:7 and Puc 1600 should the commission believe the utility is over-earning, or under-earning to a degree that threatens safe and adequate service to customers.~~

~~— Puc 610.09 Service and Publication of Order.~~

~~— (a) A copy of the order nisi granting the small water utility any increase in revenues shall be served by the utility upon each of the utility's customers via first class mail and the municipalities in which the rate increase shall take effect.~~

~~— (b) The small water utility shall also publish an attested copy of the order nisi in a newspaper having general circulation distributed in that part of the state in which the rate increase shall take effect.~~

~~— Puc 610.10 Procedural Expenses.~~

~~— (a) A small water utility seeking rate relief pursuant to this section may recover the following expenses:~~

~~(1) All administrative costs, including, but not limited to:~~

~~a. Postage costs;~~

~~b. Publication costs;~~

~~e. Photocopying expenses; and~~

~~d. Transcription costs; and~~

~~(2) One of the following 2 expense categories:~~

~~a. The fees of one professional, such as, an accountant, economist, engineer or attorney provided they are prudently incurred and just and reasonable; or~~

~~b. All mileage and hourly fees of utility employees used to prosecute a rate proceeding pursuant to this section.~~

## Appendix

Rule	Specific State Statute the Rule Implements
Puc 601.01 - 602.178	RSA 365:8, <del>XH(1)</del>
Puc 603.01	RSA 365:8, <del>XH(1)</del> ; 378:3
Puc 603.02 - 603.05	RSA 365:8, <del>XH(1)</del> ; 370:1-3; 374:3
Puc 604.01 - 604.08	RSA 365:8, <del>XH(1)</del> ; 374:3
Puc 605.01 - 605.06	RSA 365:8, <del>XH(1)</del> ; 370:1-8
Puc 605.07	RSA 365:8, <del>XH(1)</del> ; 374:48-56
Puc 606.01 - 606.05	RSA 365:8, <del>XH(1)</del> ; 374:3, 15
Puc 607.01 - 607.08	RSA 365:8, <del>XH(1)</del> ; 374:3, 5 and 15
Puc 608.01 - 608.05	RSA 365:8, <del>XH(1)</del> ; 374:3, 4 and 37-39
Puc 609.01 - 609.02	RSA 365:8, <del>XH(1)</del> ; 374:15
Puc 609.03	RSA 365:8, <del>XH(1)</del> ; 369:1, 3
Puc 609.04 - 609.05	RSA 365:8, <del>XH(1)</del> ; 374:15
Puc 609.06	RSA 365:8, <del>XH(1)</del> ; 374:37-39
Puc 609.07 - 609.09	RSA 365:8, <del>XH(1)</del> ; 370:2-5
Puc 609.10 - 609.15	RSA 365:8, <del>XH(1)</del> ; 374:3, 15
Puc 610.01 - 610.10	RSA 365:8, <del>XH(1)</del> ; 374:3, 15; 378:3



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