

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**

**DW 25-034**

**HAMPSTEAD AREA WATER COMPANY, INC.**

**Request for Change in Rates**

**Order Setting Permanent Rates**

**ORDER NO. 28,235**

**June 25, 2026**

The Commission convened this proceeding to review the petition filed by Hampstead Area Water Company, Inc. (HAWC) to adjust its permanent rates and make several additional changes to its tariff and affiliate service agreement. In addition to HAWC, the New Hampshire Department of Energy (DOE), the Office of the Consumer Advocate (OCA), and the Town of Atkinson (Atkinson) are parties to the proceeding. HAWC and the DOE (jointly, the Settling Parties) filed a settlement agreement (the Settlement Agreement) that included proposed increases in HAWC's permanent rates, several additional changes to the tariff, and an amendment to an affiliate service agreement. The Commission held a hearing on the Settlement Agreement on March 12, 2026. Both the OCA and Atkinson objected to specific terms in the Settlement Agreement. For the following reasons, except for one term discussed below, the Commission approves the settlement agreement, sets the permanent rates, approves the proposed

service agreement amendment, and authorizes other adjustments to the tariff as laid out in this order. In addition, consistent with the ordering clauses below, the Commission directs HAWC to submit supplemental filings related to its ongoing efforts to establish a more balanced capital structure and ensure it is receiving competitive bids when it contracts out projects.

## **I. BACKGROUND AND PROCEDURAL HISTORY**

HAWC is a regulated water utility that provides water service to residential, commercial, and municipal customers in southern New Hampshire. To serve its customers, HAWC maintains wells, water treatment facilities, and water distribution systems, including both a larger core system and several smaller community systems. Per its 2024 Annual Report, it served approximately 4,175 metered customers, the vast majority of whom are residential. In addition to metered general service customers, HAWC also provides water for private and municipal fire protection services to the towns of Hampstead and Atkinson.

The Commission last approved a permanent rate adjustment for HAWC in Docket No. DW 20-117. *See* Order No. 26,635 (June 2, 2022). In this proceeding, HAWC filed a petition for a permanent rate increase on June 18, 2025. On June 25, 2025, the Commission suspended HAWC's proposed rates for twelve months pending investigation pursuant to RSA 378:6, I(a). After this docket opened, the DOE and the OCA filed notices of appearance. Atkinson filed a petition to intervene as an interested party, which the Commission subsequently granted.

Together with its petition for permanent rates, HAWC filed a petition for temporary rates during the pendency of the rate case pursuant to RSA 378:27. The Commission held a hearing on the petition for temporary rates on August 19, 2025, and issued an order on the same on August 29, 2025. In that order, the Commission granted HAWC's petition with respect to the proposed increase in temporary rates. However, the Commission denied the petition to the extent it

requested an effective date for the purposes of reconciliation of July 18, 2025, and instead set the effective date as September 1, 2025. After the Commission issued the order, HAWC filed a limited motion for rehearing, asking that the Commission reconsider its decision regarding the effective date. The Commission determined that it would take the motion under advisement and decide the issue when reviewing the reconciliation of temporary and permanent rates after the conclusion of the rate case pursuant to RSA 378:29.

In February 2026, HAWC and the DOE filed the Settlement Agreement to resolve all issues related to HAWC's petition in this proceeding, including an agreement on permanent rates, which neither the OCA nor Atkinson joined. The Commission held a hearing on the Settlement Agreement on March 12, 2026.

## **II. ISSUES AND POSITIONS OF THE PARTIES**

The Settling Parties' position is contained within the Settlement Agreement. The Settlement Agreement makes the following requests of the Commission:

(A) Approve an increase to HAWC's permanent revenue requirement pursuant to RSA 374:2, RSA 378:7, and RSA 278:28, including finding that

1. HAWC's reported operating expenses, taxes, and depreciation are accurate and reasonable;
2. HAWC's rate base was prudent, used, and useful pursuant to RSA 378:28; and
3. HAWC's proposed rate of return is reasonable;

(B) Approve its proposed permanent rates to recover the proposed revenue requirement pursuant to RSA 374:2 and RSA 378:7, including finding that

1. HAWC's proposal to adjust its rate design to implement a per-hydrant charge for municipal fire service protection, rather than the flat charge currently in place, is appropriate;

- (C) Approve an increase to HAWC's miscellaneous service fee rates;
- (D) Approve an amendment of a service agreement between HAWC and its affiliate, Lewis Builders, Inc. (Lewis Builders); and
- (E) Authorize HAWC to submit three separate petitions for step adjustments to allow the company to increase its rate base for infrastructure placed in service in calendar years 2025 through 2027, subject to further review and approval by the Commission.

Neither the OCA nor Atkinson signed the Settlement Agreement, and both parties objected to several of its terms. Specifically, the OCA raised issues with the Settlement Agreement's proposed rate of return, the competitive nature of the Service Agreement, and part of the step adjustment proposal that would allow HAWC to recover expenses related to its proposed step adjustments. Atkinson echoed most of the OCA's concerns and further argued that the Commission should not approve the Settlement Agreement's proposal to implement a per-hydrant rate for municipal fire service rates on the grounds that doing so would hinder the town's ability to adequately control and budget for municipal fire service costs.

### **III. STATUTORY AUTHORITY AND STANDARD OF REVIEW**

The most significant part of the Settlement Agreement is the request to adjust HAWC's permanent water service rates. The Commission has the authority to set the rates public utilities charge their customers for the provision of services. RSA 374:2; RSA 378:7. All rates that the Commission approves must be just and reasonable. RSA 374:2. Among other things, a just and reasonable rate is one that allows a utility to earn a reasonable rate of return on its investments. *See* RSA 378:28; *see also In re Public Serv. Co.*, 130 N.H. 265, 274–75 (1988); *Appeal of Public Serv. Co.*, 130 N.H. 748, 751 (1988). A utility that requests a rate increase bears the burden of demonstrating that the request is necessary. RSA 378:8; N.H. Code of Admin. R., Puc 204.16; Puc 204.10 (stating that the Commission must approve a settlement agreement if “it determines

the settlement agreement is consistent with applicable law, is just and reasonable, and serves the public interest”).

#### **IV. FACTS**

The following evidence comes from the record submitted at the March 12, 2026, hearing. This evidence included: (1) a Cost of Service Study (COSS) prepared for HAWC by Raftelis Financial Consultants and the testimony of David Fox, an employee of Raftelis; (2) schedules detailing HAWC’s expenses and revenues; (3) schedules detailing the calculations of the revenue requirement and resulting rates proposed in the Settlement Agreement; (4) the testimony of Stephen St. Cyr, a rate consultant retained by HAWC; (5) the testimony of Charles Lanza, HAWC’s general manager; (6) the DOE’s Final Audit Report; and (6) the testimony of Jayson Laflamme, a DOE employee with almost 30 years’ experience in utility regulation and director of the water group within the agency’s regulatory support division. Neither the OCA nor Atkinson presented any evidence at the hearing.

The Commission divides this section based on the facts introduced to support each of the requests within the Settlement Agreement, namely facts relevant to: (A) the proposed revenue requirement; (B) the proposed rate design and allocation between rate classes; (C) the proposed increase in service fees; (D) the proposed changes to a service agreement between HAWC and Lewis Builders; and (E) the proposed step adjustments.

##### **A. Revenue Requirement**

The traditional formula for setting just and reasonable rates requires the utility to first determine the revenue requirement it needs to earn a reasonable return on its investments. *See Appeal of Public Serv. Co.*, 130 N.H. 748, 751 (1988). The second step is to calculate the rates it needs to charge its customers to recover this amount, given its annual sales. *Id.* To determine the

revenue requirement, the Commission must review three variables. *Id.* These are: (1) the utility's annual operation costs, including its expenses, taxes, and depreciation; (2) its "rate base," or the total amount of capital investment in distribution infrastructure the utility has in service, and to which it is entitled to earn a rate of return; and (3) what a reasonable rate of return on its rate base would be. *Id.* In this proceeding, HAWC used a 13-month test year ending on December 31, 2024, subject to several pro forma adjustments (the 2024 Test Year), to gather data for its expenses, sales, and rate base in its initial petition. The Settling Parties also used the 2024 Test Year, subject to several adjustments, including recommendations in the Final Audit Report. The record supports the following facts on each variable of the revenue requirement.

### **1. Operating Expenses, Taxes, and Depreciation**

The Settling Parties represented that HAWC's annual operating expenses, taxes, and depreciation for the 2024 Test Year were \$4,009,764. These expenses include, among other categories, HAWC's payroll, rental payments, transportation costs, utility costs, office supply costs, legal costs, consulting costs, local property taxes, and state and federal taxes. To support its reported expenses, the Settling Parties presented as evidence Exhibit 9, Attachment A, Schedule 3, which details HAWC's costs for the 2024 Test Year. This figure reflects the DOE's recommended adjustments from the Final Audit Report. There was no evidence contradicting these reported figures.

### **2. Rate Base**

A utility's rate base consists of all the capital investments the utility has made in its distribution infrastructure on which it is entitled to earn a reasonable rate of return, minus any accumulated depreciation. This infrastructure is referred to as "plant." HAWC's rate base includes its wells, pumps, water treatment facilities, water mains, pipes, hydrants, and other

infrastructure needed to provide water to its customers. Mr. Lanza testified that, since its last rate case, HAWC made substantial investments in additional plant to improve supply, reliability, operational control, regulatory compliance, and service across both its core and satellite systems.

These projects include:

- The completion of the wholesale interconnection with the Southern New Hampshire Regional Water Interconnection Project, together with the construction of a related one-million-gallon storage tank. Mr. Lanza testified that creating this link to the regional water system improved HAWC's ability to meet peak demand, added redundancy to the system, and strengthened overall system resiliency. Mr. Lanza testified that this was the most significant of HAWC's plant investments;
- Updates to HAWC's SCADA (or Supervisory Control and Data Acquisition) capabilities and implementation of a GIS (or Geographic Information System)-based asset management platform across its water systems, which Mr. Lanza testified improved monitoring, maintenance, planning, and long-term capital forecasting;
- Improvements to HAWC's PFAS monitoring and treatment planning systems, as well as improvements to comply with revised lead and copper regulations;
- Upgrades to the water system at Lancaster Farms in Salem, including relining a 20,000-gallon storage tank and installing new booster pumps, pressure tanks, and a modern control panel, which would allow for future PFAS treatment;
- The installation or replacement of residential and production meters in the water systems at Snow's Brook, Little River, and Sargent Woods to improve meter accuracy, leak detection, and customer service; and
- Upgrades at the Stanford and Rainbow Ridge satellite systems, including the installation of new booster pumps, controls, and integration into HAWC's SCADA system.

Considering these capital investments, and subject to several pro forma adjustments, the Settling Parties report that HAWC had a rate base of \$7,392,759 at the close of the 2024 Test Year. In support of this figure, the Settling Parties presented Exhibit 1, Attachment A, Schedule 2, which details how the Settling Parties calculated the rate base.

Both Mr. Lanza and Mr. St. Cyr testified that all the infrastructure included in HAWC's rate base was placed in service prior to December 31, 2024, and was prudent, used, and useful. Mr. Laflamme, citing the findings in the Final Audit Report, likewise testified that all the plant included in HAWC's rate base was placed in service before December 31, 2024, and was prudently incurred, and used and useful.

### **3. Rate of Return and Capital Structure**

The objectives of setting a reasonable rate of return on a utility's rate base include compensating the company's investors for the risks they assume when they lend to the company and buy its stock. *Appeal of Public Serv. Co.*, 130 N.H. at 751 (citations omitted). Those risks include, for example, New Hampshire's anti-CWIP statute, which places the entire risk of loss from an uncompleted plant on the company's investors. *Id.* (citations omitted). The same is true when a plant has been completed but never placed in operation. *Id.* (citations omitted). The constitutional consequence of this type of risk allocation is that those who bear the risk must be compensated with a return on their investment that reflects the risk the statutory scheme imposes on them. *Id.* (quotations and citations omitted).

The Settling Parties here propose an overall rate of return of 6.90 percent. A utility's threshold entitlement is to a rate of return equal to its cost of capital. *Id.* (citations omitted). The cost of capital is understood to be what a utility must receive to maintain its credit, to pay a return to its owners, and to ensure the attraction of capital in amounts adequate to meet future needs. *Id.* (quotation and citations omitted). Any overall capital cost must necessarily be a weighted average of the costs of the various debt and equity components of the utility's capital structure, with the consequence that in a rate proceeding, the cost of each such component must be separately identified. *Id.* at 751-52 (quotations and citations omitted).

In support of their proposed rate of return, the Settling Parties introduced Exhibit 10, Attachment A, Schedule 1-A. As Mr. St. Cyr explained in his testimony, this schedule shows that HAWC's overall rate of return is 6.90 percent, based on HAWC's calculated average cost of debt and a return on equity agreed to with the DOE, weighted by HAWC's capital structure. Specifically, Schedule 1-A shows that HAWC calculated a cost-of-debt of 3.88 percent, which was based on HAWC's actual long-term debt and the actual interest HAWC paid on that debt during the 2024 Test Year. In addition, HAWC and the DOE agreed on a 9.50 percent return on equity. Mr. St. Cyr testified that to determine the overall rate of return, the Settling Parties used a debt-to-equity ratio of 42.5 percent debt and 57.5 percent equity, which was based on HAWC's actual 2024 Test Year capital structure. In light of this capital structure, the Settling Parties calculated a weighted cost of debt of 1.44 percent and a weighted cost of equity of 5.46 percent, the net of which yields the proposed overall rate of return of 6.90 percent.

The primary issues of contention during cross-examination were the proposed return on equity and HAWC's capital structure. With respect to the 9.50 percent return on equity, Mr. St. Cyr and Mr. Laflamme both testified that this figure resulted from negotiations and represented a compromise from HAWC's initial request of a return on equity of 10.13 percent. The Settling Parties did not retain an investment or financial consultant to advise them on the appropriate return on equity. Although neither witness would testify to how they specifically calculated the proposed return on equity, both testified that it was an appropriate return on equity for a small water company, given current market and investment conditions. Mr. St. Cyr testified that small water companies typically require higher rates of return than those received by investors in larger utilities, because they are riskier investments.

While Mr. St. Cyr would not provide the exact basis for the 9.50 percent return on equity rate, he provided some insight into how the Settling Parties arrived at that figure. Mr. St. Cyr testified that it reflected historical discussions between the regulatory authorities and water companies about how to calculate rates of return for small water companies, although he acknowledged that HAWC does not qualify as a small water company under the Commission's rules. Mr. St. Cyr testified that HAWC's initial proposal of a 10.13 percent return on equity was based on HAWC's approved return on equity in its last rate case, with adjustments made to reflect current conditions, as well as an increase in the return to reflect that HAWC did not hire a consultant, which reduced its rate case expenses. While the proposed return in the Settlement Agreement is lower than the initial proposal, these considerations were also factored into the agreed-upon rate.

With respect to the capital structure, the Settlement Agreement itself states that a 50-50 debt-to-equity ratio would be preferable, and that HAWC would take actions to create a more balanced capital structure prior to its next rate case. A more equally balanced capital structure is preferable, in part because, as Mr. St. Cyr testified on cross-examination, debt is historically less expensive than equity, and thus an equity-dependent capital structure may increase costs for ratepayers. Although the Settlement Agreement states that HAWC will take reasonable measures to maintain a more balanced capital structure, it does not impose any hard requirements or concrete steps for HAWC to do so. Notably, Mr. St. Cyr testified that the proposed step adjustments, discussed below, will not affect HAWC's capital structure.

Both Mr. St. Cyr and Mr. Laflamme testified that the capital structure proposed in the Settlement Agreement is appropriate to use for the calculation of the rate of return. Mr. St. Cyr testified that while a more balanced capital structure may be ideal, it is difficult for a small water

utility to achieve that balance because individual financings have a significant impact on its overall capital structure. He testified that deciding whether taking out debt or raising equity is more beneficial in financing a particular project is fact-dependent, and that it would therefore not be appropriate to require HAWC to use any specific financing mechanism in the future.

For his part, Mr. Laflamme testified that, while a 50-50 capital structure was optimal, his experience has shown that it is difficult for small water companies to achieve or maintain this balance. Mr. Laflamme testified this is due to their small size and the limited avenues available to them to obtain capital funding. According to Mr. Laflamme, his experience is that a 10-percentage-point deviation from a balanced capital structure, in either direction, is not out of the ordinary for small water utilities.

Accounting for HAWC's annual expenses, taxes and depreciation of \$4,009,764, and a 6.9 percent return on a rate base of \$7,392,759, the Settlement proposes a test year revenue requirement of \$4,519,759.

### **B. Rate Design and Allocation of Rates**

The second part of calculating just and reasonable rates is to determine what rates a utility must charge its customers to earn its annual revenue requirement considering its annual sales. *Id.* at 751. This determination also includes an allocation of the total costs between classes of customers depending on the nature of the service they receive, as well as different rates for those customer classes. HAWC has different rates for several classes of metered customers depending on the size of their connections, as well as for classes of private and municipal fire protection services. For its metered-customers, HAWC uses a fixed, monthly customer charge, to cover its fixed per-customer charges that are not affected by water usage, and a volumetric consumption charge to cover its variable expenses.

The Settlement Agreement proposes permanent rates for each of HAWC's rate classes to recover the proposed revenue requirement. Notably, however, the Settlement Agreement also contains a proposal to change HAWC's rate design for municipal fire service, which Atkinson has objected to. Because the proposed permanent rates assume that the Commission will approve the change to a per-hydrant model, the Commission first lays out the facts relevant to the proposed change in the rate design for municipal fire service and then lays out the facts relevant to the calculation of all permanent rates, including the proposed municipal fire service rates.

### **1. Per-Hydrant Model for Municipal Fire Service Rates**

Under HAWC's current tariff, the towns of Hampstead and Atkinson pay an annual flat fee for municipal fire service. The current flat fee was set during HAWC's last rate case and adjusted in the temporary rate proceeding in this docket. The Settling Parties propose changing this model to a per-hydrant fee, in which towns pay an annual amount based on the number of fire hydrants in service in each town on December 31 of the previous year. If HAWC installs a fire hydrant during the calendar year, the cost will be prorated for the months it is in service. As the Commission understands it, the service HAWC provides through the municipal fire service rate is not the installation of a hydrant, which is included in plant, but rather the guarantee of a sufficient supply of pressurized water for each hydrant in the event it is needed. Mr. Fox, relying on HAWC's COSS, testified that the proposed per-hydrant rate model is more consistent with the actual costs of providing fire protection services than the prior fixed-cost rate model.

Atkinson's primary concern, which it raised during cross-examination, is that the per-hydrant rate model will hamper the town's ability to control and budget for municipal fire service costs because, under the proposed per-hydrant model, fire service rates could increase every year if additional hydrants are placed in service. In addition, because rates would be pro-

rated if hydrants for hydrants placed in service after December 31, municipal fire service rates could also increase part way through the year and fall outside of the standard annual budgetary cycle of municipalities. According to Mr. Lanza, Atkinson's concerns are unfounded because there is a process for placing new hydrants in-service for both Atkinson and Hampstead.

Specifically, HAWC's current tariff states that it will only place new hydrants in Atkinson if it receives approval from the town government, and that the "approving authority for the placement of new hydrants shall be the Town fire chief or their designee in cooperation with the Planning Board provided the fire chief or their designee signs the company form authorizing the hydrant placement and payment for the hydrant in accordance with the existing tariff prior to installation." *See* Hampstead Area Water Company, Inc., Tariff No. 3 at 36a–c. There is no dispute that, since its last rate case, HAWC has placed 11 hydrants in service in Atkinson, and that the Atkinson fire chief approved each of the hydrants under the fixed-cost rate model.

## **2. Proposed Permanent Rates**

Based on the proposed revenue requirement in the Settlement Agreement, and 2024 Test Year sales data, the Settling Parties propose the permanent rates in Tables 1 through 3 below, which include municipal fire protection rates under the per-hydrant model. According to HAWC's witnesses, these rates reflect an appropriate cost allocation between the rate classes based on the costs of providing these services in the COSS. In addition, with respect to the general service rates, Mr. St. Cyr testified that the proposed rate adjustment includes a significantly higher increase in the fixed charges than the volumetric consumption charge because this more accurately reflects the fixed costs of serving these customers according to the COSS. In addition, Mr. St. Cyr testified that the increase in fixed rates, in comparison to consumption charges, is consistent with industry trends, is more beneficial to HAWC as a utility,

and is preferred by investors and ratings agencies, because it provides more consistent revenue regardless of fluctuations in usage resulting from unseasonable temperatures or variable precipitation conditions.

In light of these considerations and the proposed revenue requirement, the Settling Parties propose the following permanent rates:

Table 1: Proposed General Service Rates<sup>1</sup>

Rate Class	Current Rate	Proposed Rate	Percent Change
5/8-inch meter	\$14.24/month	\$20.32/month	42.7%
3/4-inch meter	\$33.30/month	\$47.54/month	42.8%
1-inch meter	\$65.07/month	\$92.91/month	42.8%
1 ½-inch meter	\$128.61/month	\$183.66/month	42.8 %
2-inch meter	\$166.73/month	\$238.10/month	42.8%
Consumption Charge	\$8.41/ccf	\$10.20/ccf	21.3%

Table 2: Proposed Private Fire Service Rates

Rate Class	Current Rate	Proposed Rate	Percent Change
1-inch pipe	N/A	\$1.02/month	N/A
1 ½-inch pipe	\$2.49/month	\$2.98/month	19.7%
2-inch pipe	\$5.31/month	\$6.34/month	19.4%
3-inch pipe	\$15.43/month	\$18.43/month	19.4%
4-inch pipe	\$32.87/month	\$39.27/month	19.5%

<sup>1</sup> Most of HAWC's general service customers fall within the 5/8-inch meter customer class.

6-inch pipe	\$95.49/month	\$114.08/month	19.5%
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Table 3: Proposed Municipal Service Rates

	Current Rate	Proposed Rate	Percent Change
Per hydrant rate	N/A	\$1,553.00/ year	N/A

### C. Miscellaneous Service Fees

HAWC's tariff includes rates for service calls, connections, and disconnections. The discrete costs of those services are calculated and charged separately to recover the actual costs of providing them. Currently, the service call rate is \$45.00 during regular business hours (Monday through Friday, 8:00 a.m. to 4:30 p.m.) and \$65.00 outside of regular business hours to reflect overtime pay. Based on HAWC's COSS, the Settlement Agreement proposes raising the rate for service calls during regular business hours to \$67.50 and raising the rate for service calls outside of regular business hours to 1.5 times the regular business hour service rate, or \$97.50, to recover overtime pay.

### D. Management, Service, and Rental Agreement Revisions

Since 2013, HAWC has maintained a management, service, and rental agreement (Service Agreement) with its affiliate Lewis Builders. Pursuant to the Service Agreement, Lewis Builders provides several services to HAWC at fixed rates, including renting office and storage space in buildings owned by Lewis Builders and retaining Lewis Builders for management and professional services, such as payroll, accounting, legal, and engineering services. In addition, the Service Agreement contains rates for Lewis Builders to perform construction and maintenance services, which HAWC may utilize at its election. However, HAWC can also hire

independent contractors for these services if it chooses. As part of the Service Agreement, HAWC pays Lewis Builders an annual management fee that includes a 5 percent annual escalator. Consistent with RSA 366:3, HAWC has filed the Service Agreement with the Commission.

In the Settlement Agreement, the Settling Parties propose to reduce the annual fee escalator from 5 percent to 3.575 percent in future years, starting in 2025, based on the 2024 Test Year compensation amount of \$197,540. According to HAWC's witnesses and Mr. Laflamme, the Settling Parties agreed to this reduction as part of the settlement. Mr. Laflamme testified that the DOE believed the reduction was appropriate due to its internal analysis of recent inflation rates.

Mr. Lanza and Mr. Laflamme testified that one of the purposes of the Service Agreement is to ensure that HAWC pays amounts similar to those it would pay if it competitively bid its projects. They testified that the rates in the Service Agreement were competitive with market rates from comparable vendors. Mr. Laflamme testified that the Final Audit Report demonstrated that the rates that HAWC paid Lewis Builders for projects were both competitive and reasonable. Mr. Lanza and Mr. Laflamme further testified that the Service Agreement was beneficial to HAWC's ratepayers because Lewis Builders was more familiar with HAWC's system and thus able to provide more efficient service than a comparable vendor would. Mr. Lanza testified that HAWC occasionally bid out projects to competitive vendors and represented that, over the past three years, HAWC had bid out five projects and found that Lewis Builders was the most competitive bidder for each project, and the winning bidder.

## **E. Step Adjustments**

In addition to the proposed permanent rate change, the Settlement Agreement also contains several proposed step adjustments. A step adjustment is a rate mechanism that allows a utility to begin earning a rate of return on capital investments placed in service between rate cases, provided that the Commission first authorizes the utility to petition for a step adjustment in a rate case order and then separately determines that the investments were prudent, used, and useful after they have been placed in service. *See, e.g.*, Order No. 26,635. The Settling Parties propose that HAWC be allowed to make 3 separate step adjustments. Notably, the Settlement Agreement would allow HAWC to recover its expenses for filing and litigating each of the step adjustments in the same manner that utilities can recover their rate case expenses under N.H. Admin. R., chapter Puc 1900. The 3 proposed step adjustments are as follows:

### **1. Step I Adjustment**

The Step I Adjustment will allow HAWC to recover for the additional plant placed in service during 2025. The current projected actual cost of this plant is \$655,135. If approved, this additional plant would require an increase to HAWC's overall revenues of 2.65 percent and an increase to general customer rates of 3.17 percent. If approved by the Commission, HAWC will file a petition to recover these additional plant costs within 60 days of the Commission's order approving the Step I Adjustments. The petition will also be subject to further review by parties to the step adjustment proceedings.

Mr. Lanza testified that the plant additions in the Step I Adjustment include a variety of structures and improvements related to water distribution, including wells and springs, pumping equipment, water treatment equipment, filter equipment, pressure tanks, distribution reservoirs, transmission and distribution mains, metering equipment, hydrants, transportation equipment,

and computer software. He testified that the largest categories were metering equipment, pumping equipment, software, and improvements to distribution reservoirs. Both Mr. Lanza and Mr. St. Cyr testified that all the plant additions included in the Step I Adjustment were prudently incurred, used, and useful.

## **2. Step II Adjustment**

The Step II Adjustment will allow HAWC to recover for plant additions that either have been or will be placed in service during calendar year 2026. This additional plant includes production meters and replacement customer meters. The current projected cost of these plant investments is \$275,000. The Settling Parties estimate that the Step II Adjustment will increase HAWC's overall revenue requirement by 1.61 percent and general customer rates by 1.92 percent. If approved by the Commission, HAWC will file a petition to recover these costs by April 1, 2027. The petition will also be subject to further review by parties to the step adjustment proceedings. The Settlement Agreement states that HAWC will retain the customer meters replaced in 2026 for at least 6 months. It also requires HAWC to maintain a record of the corresponding customer name and location for each replaced meter, in the event that such a customer inquires about the accuracy of the replaced meter.

Mr. St. Cyr, Mr. Lanza, and Mr. Laflamme testified that the Commission could find that the proposed Step II Adjustment is an appropriate planned expense and recommended that the Commission authorize HAWC to file the Step II Adjustment, subject to further review as to the actual costs and whether the additional meters are prudently incurred, and used and useful in rendering water services to HAWC's customers.

### **3. Step III Adjustment**

Like the Step II Adjustment, the Step III Adjustment will allow HAWC rate recovery for production meters and customer meter replacements. However, the Step III Adjustment would cover meters planned for placement in service in calendar year 2027. The current projected cost of this plant is \$275,000. The Settling Parties estimate that the Step III Adjustment will increase HAWC's overall revenue requirement by 1.37 percent and general customer rates by 1.64 percent. If approved by the Commission, HAWC will file a petition to recover these costs by April 1, 2028. The petition will also be subject to further review by parties to the step adjustment proceedings. However, Mr. St. Cyr testified that HAWC may not file for the Step III Adjustment in 2028 if, instead, it files a new rate case during that year, in which case HAWC would likely include the capital costs of the Step III Adjustment in its prospective rate case. The Settlement Agreement requires HAWC to retain the customer meters replaced in 2027 for at least 6 months. It also requires HAWC to maintain a record of the corresponding customer name and location for each replaced meter, in case a customer inquires about the accuracy of the replaced meter.

Mr. St. Cyr, Mr. Lanza, and Mr. Laflamme testified that the Commission could find that the proposed Step III Adjustment is an appropriate planned expense and recommended that the Commission authorize HAWC to file the Step III Adjustment, subject to a future prudence review.

## **V. COMMISSION ANALYSIS**

As noted above, HAWC and the DOE argue that the Commission should approve the Settlement Agreement in full. Neither the OCA nor Atkinson joined the Settlement Agreement, and each party raised concerns about particular terms contained therein. For clarity, the Commission will divide its analysis of the Settlement Agreement using the same structure as in

Section IV, addressing the relevant standard for each request and the parties' arguments in the relevant section.

### **A. Revenue Requirement**

The Commission first addresses the Settling Parties' request to approve a revenue requirement of \$4,519,759. The Commission has the authority to set the rates and charges of all public utilities and the obligation to ensure that all rates are just and reasonable. RSA 374:2; RSA 378:7. A just and reasonable rate is one that allows a utility to earn a reasonable rate of return on its capital investments that the Commission finds to be prudent, used, and useful. *See* RSA 378:28. When setting rates, the first step is to determine the utility's revenue requirement, or the total amount of money the utility must raise to earn a sufficient rate of return on its investments. *Appeal of Public Serv. Co.*, 130 N.H. at 751. This is calculated by first determining the income the utility is entitled to earn, then adding its costs, including operating expenses, taxes, and depreciation. *Id.* Thus, there are three variables for determining the revenue requirement: the utility's costs, including its operating expenses, the utility's rate base, and the reasonable rate of return on that rate base. *Id.* The Commission reviews each of these three variables below.

#### **1. Operating Expenses, Taxes, and Depreciation**

One element in determining the revenue requirement is HAWC's annual operating expenses, taxes, and depreciation costs. The Settling Parties represent that these costs amount to \$4,009,764, based on the 2024 Test Year data, and argue that the Commission should find that these costs are accurate and reasonable for the purpose of determining HAWC's operating expenses, taxes, and depreciation costs. Neither the OCA nor Atkinson argues that any portion of these costs is unreasonable or inaccurate.

To be included in the calculation of just and reasonable rates, a utility's operating expenses, taxes, and depreciation must accurately reflect its actual costs, as supported by test year data, and be otherwise reasonable expenses for the utility as part of its operations. *See* RSA 374:2; RSA 378:7. Based on the evidence in the record, including the testimony of the Settling Parties' witnesses, the COSS, and the Final Audit Report, the Commission finds that HAWC's reported operating expenses, taxes, and depreciation costs accurately reflect its costs during the 2024 Test Year and were reasonably incurred. There is no evidence that any of the reported costs were inaccurate or unreasonable. Therefore, the Commission finds it appropriate to use these reported costs to calculate HAWC's revenue requirement.

## **2. Rate Base**

The second element, necessary to calculate the company's return on capital, is its rate base. The Settling Parties represent that HAWC had a rate base of \$7,392,759 during the 2024 Test Year. The Settling Parties argue that the agreed-to rate base was prudently incurred and is used and useful in rendering water services to its customers, and that the Commission should therefore authorize HAWC to earn a reasonable rate of return on it. For their part, neither the OCA nor Atkinson disputes that any part of the rate base was prudent, used, and useful.

A utility is entitled to earn a reasonable rate of return on its capital investments that are prudently incurred and used and useful in rendering its utility services to its customers. RSA 378:28. Based on the evidence in the record, including the testimony of Mr. Lanza, Mr. St. Cyr, and Mr. Laflamme, as well as the Final Audit Report, the Commission finds that all the costs of the utility plant and equipment in HAWC's agreed-to rate base, on which HAWC seeks a reasonable rate of return, were prudently incurred and used and useful in rendering water

services to its customers. Therefore, HAWC is entitled to seek a reasonable rate of return on its reported rate base of \$7,392,759.

### **3. Rate of Return and Capital Structure**

The final variable is the rate of return on capital. The Settling Parties propose a rate of return of 6.50 percent, which is based on the calculated cost-of-debt of 3.88%, proposed return on equity of 9.50, and HAWC's debt-to-equity ratio. The Settling Parties argue that all three of these figures should be approved, and that the Commission should therefore authorize HAWC to earn an overall rate of return of 6.50 percent on its approved rate base.

Neither the OCA nor Atkison argues that the Settlement Agreement miscalculated HAWC's cost-of-debt. However, both parties raise concerns about the proposed return on equity and capital structure in the Settlement Agreement. With respect to the proposed return on equity, the OCA argues that the 9.50 percent return on equity is too generous in light of comparable investments and does not appear to be based on any rationale or analysis, especially in light of the Settling Parties' witnesses testifying that they were unable to disclose their exact basis for the figure given the confidentiality of their settlement discussions. The OCA maintained that the Commission should use recently approved returns on equity for larger public utilities, such as the electric utilities, as benchmarks, but averred that the risk for water companies may be smaller than the risk for larger utilities because customers are less able to switch away from their services and thus there is less need for a high rate of return to secure investment. The OCA therefore argued that the Commission should approve a return on equity below 9.50 percent, although it acknowledged that there was no evidence of what an appropriate alternative return on equity would be and that it presented no evidence on this matter at the hearing. Alternatively, the

OCA proposed that HAWC be required to submit additional support of its proposed return on equity to justify its proposal. Atkinson largely echoes the OCA's concerns.

With respect to the capital structure, while the OCA did not dispute that the debt-to-equity ratio used in the Settlement Agreement reflected HAWC's actual capital structure, or that this capital structure should be used in the calculation of the overall rate of return, it argued that the current equity-heavy capital structure was not beneficial to ratepayers because equity is more expensive than debt. The OCA noted that the Settlement Agreement vaguely stated that HAWC would work toward a more balanced capital structure but did not require HAWC to take any concrete steps to achieve it. The OCA therefore recommended that the Commission condition its approval on HAWC taking specific steps to increase the debt-to-equity ratio. Atkinson again joined in the OCA's concerns.

A utility is entitled to earn a "reasonable" rate of return on its capital investments. RSA 378:28. A "just and reasonable rate is one which reflects, among other things, a rate of return commensurate with returns on investments in other enterprises having corresponding risks." *Appeal of Public Serv. Co.*, 130 N.H. at 751. "The objectives of setting a reasonable rate of return on a utility's rate base . . . include compensating the company's investors for the risks they assume when they lend to the company and buy its stock." *Id.*; see also *See In re Public Serv. Co.*, 130 N.H. at 274–75. This is a factual question and, according to the New Hampshire Supreme Court, "what is reasonable in ratemaking cannot be pinpointed" because "[t]here is a range of what is reasonable" that will depend on the facts of a particular case. *Appeal of Public Serv. Co.*, 130 N.H. at 751. "This general standard has been reflected over the years in the rule that a utility's threshold entitlement is to a rate of return equal to the cost of capital." *Appeal of Public Serv. Co.*, 130 N.H. at 751. "The cost of capital is understood to be what a utility must

receive to maintain its credit, to pay a return to the owners of the enterprise, and to ensure the attraction of capital in amounts adequate to meet future needs." *Id.* (quotations and citations omitted). "Any overall capital cost must necessarily be a weighted average of the costs of the various debt and equity components of the utility's capital structure, with the consequence that in a rate proceeding the cost of each such component must be separately identified." *Id.* at 751–52 (quotations and citations omitted).

Based on the evidence in the record, the Commission finds that the proposed overall rate of return of 6.50 percent, which assumes a 9.50 percent return on equity and the proposed capital structure, is reasonable. As an initial matter, the Settling Parties presented schedules demonstrating their calculation of HAWC's cost of debt, and there is no dispute that they accurately calculated this figure. Therefore, the Commission finds that this figure can be used to determine the appropriate rate of return.

With respect to the return on equity, the Commission notes that it partly agrees with the OCA that the Settling Parties could have introduced more substantial evidence to support their proposal, given that the witnesses could not disclose the exact rationale for their proposal due to settlement confidentiality. While the Commission appreciates that the proposed return on equity was agreed to as part of settlement negotiations, it is the Commission's view that the Settling Parties still have the obligation to present evidence in support of the settled amount. The Commission is obligated to find that proposed rates are just and reasonable, and it cannot rest its findings solely on the fact that the parties reached a settlement, particularly on a core issue such as the reasonable rate of return. *See* N.H. Code of Admin. R., Puc 204.10 (stating that the Commission shall approve a settlement agreement if it determines that the settlement is consistent with applicable law, is just and reasonable, and is in the public interest).

That said, the Commission finds that the record supports a 9.50 percent return on equity. Both Mr. St. Cyr and Mr. Laflamme testified that, in their opinions, a 9.50 percent was an appropriate return on equity considering market conditions and similar investments. Mr. Laflamme is an experienced regulator with at least two decades of experience working with water utilities in New Hampshire, including reviewing appropriate returns on equity. The Commission finds that his testimony carries significant weight in determining the appropriate return on equity in this proceeding. By contrast, there was no evidence that an alternative return on equity would be more appropriate. Thus, considering the evidence in the record, the Commission finds that the proposed return on equity is reasonable.

With respect to the HAWC's capital structure, the Commission finds that it is appropriate to use the agreed-to 42.50 percent debt to 57.50 percent equity structure in the Settlement Agreement, for the purposes of determining the revenue requirement, because it reflects HAWC's actual capital structure in the 2024 Test Year. Moreover, the Commission credits the testimony of both Mr. St. Cyr and Mr. Laflamme that, while a more balanced capital structure would be optimal, the existing capital structure is within the norm of small water utilities in the state. Therefore, the Commission finds it appropriate to use the proposed capital structure to determine the revenue requirement.

Nevertheless, the Commission agrees with the OCA and Atkinson that HAWC should take more active steps to create a more balanced capital structure, or at the very least provide better explanation as to why the capital structure it maintains is appropriate and beneficial to ratepayers when it seeks approval for the Commission in the future financings. In addition, the Commission does not find the provision in the Settlement Agreement that HAWC will take actions to create a more balanced capital structure sufficient to address this issue because it does

not impose any specific requirements or metrics. Consistent with the ordering clauses below, HAWC shall submit a filing indicating what steps it can take to create a more balanced capital structure between now and the time it files its next rate case.

In summary, the Commission finds that the overall rate of return of 6.50 percent is reasonable and therefore approves the use of this percentage in determining HAWC's revenue requirement. *See Appeal of Public Serv. Co.*, 130 N.H. at 751.

Since the Commission has approved the agreed-upon proposed operating expenses, taxes, and depreciation costs, the rate base, and the return on capital, the Commission finds the proposed revenue requirement of \$4,519,759 to be reasonable. *See id.*

#### **B. Rate Design and Allocation**

Having determined the appropriate revenue requirement, the next step in setting just and reasonable rates is reviewing the actual rates that the Settling Parties have proposed to collect the revenue requirement from HAWC's customers, considering HAWC's sales. *Id.* This includes a review of the allocation of costs across HAWC's customer classes to ensure there is no undue cross-subsidization between rate classes and that each rate class pays its approximate share of HAWC's total costs. RSA 378:10; *see also* RSA 374:2; RSA 378:7. Notably, the Settlement Agreement contains a proposal to change HAWC's rate design relevant to the rates for municipal fire service, which Atkinson has objected to. Because the proposed permanent rates assume that the Commission will approve the change to a per-hydrant model, the Commission first reviews the proposed change to the rate design for municipal fire service, then reviews the proposed permanent rates, including the proposed municipal fire service rates.

### **1. Per-Hydrant Model for Municipal Fire Protection Service**

The Settling Parties propose replacing the current annual fixed-rate charge for municipal fire service with a per-hydrant model that would charge municipalities based on the number of hydrants in service. Relying on the COSS, the Settling Parties maintain that this model more accurately reflects HAWC's costs in providing this service and is thus a just and reasonable rate and a fair allocation of costs. The Settling Parties further note that HAWC has a process for obtaining municipal approval that provides municipalities with both sufficient notice and control over the hydrants installed in their towns. For its part, Atkinson objects to the change to a per-hydrant model on the grounds that it is difficult for the town to control and budget for fire service if the rate can increase based on the number of hydrants in service, because it has no direct control over the increase in costs, the rates could increase every year, and rate increases might occur outside of the standard municipal budgetary cycle. Relatedly, Atkinson requests clarity on the tariff language over who has the authority to approve the placement of new hydrants.<sup>2</sup>

Based on the evidence in the record, the Commission finds that the per-hydrant model is appropriate, particularly considering the COSS showing that it more accurately reflects HAWC's costs in providing the service and is thus a just and reasonable method of allocating the cost of providing these services. Moreover, while the Commission appreciates Atkinson's budgeting concerns, it appears from the record that there is sufficient notice and process to ensure that Atkinson can determine whether hydrants are placed in the town and thus plan and budget for them. Specifically, the tariff provides for town officials, namely the fire chief working with the planning board, to review and approve any new hydrants before HAWC places them in service.

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<sup>2</sup> In its closing statement, Atkinson also sought clarity on who is responsible for paying for costs related to hydrants that are in a private way rather than a public way. The Commission finds that this request is beyond the purview of this proceeding and was not properly presented to the Commission for consideration.

For this reason, the Commission does not find the proposed per-hydrant model unjust or unreasonable on this basis. The Commission therefore approves the proposed rate design change to allow for a per-hydrant model.

Finally, the Commission is unable to resolve Atkinson's request for clarity over which town agency in Atkinson has the authority to approve the placement of new hydrants based on the current record. Most importantly, the Commission does not know which entity in Atkinson has the ultimate authority to approve fire hydrants under state or local law, and no legal or factual briefing was presented on this issue. In addition, the current tariff states that the fire chief has that authority, and there is no evidence for why that term is included. For example, it is unclear whether HAWC and Atkinson had previously agreed that the fire chief would be the authorized party. For these reasons, the Commission does not have a sufficient record to determine that the designee named in the tariff should be changed at this time. Nevertheless, HAWC should work with Atkinson to ensure that the appropriate legal authority, or its designee, authorizes the placement of new hydrants and, if appropriate, update its tariff accordingly.

## **2. Permanent Rates**

As the Commission has approved the revenue requirement and the change to the rate design, the final step in approving permanent rates is determining the rates needed to collect the revenue requirement. The Settling Parties maintain that the proposed rates, contained in Tables 1 through 3, above, accurately reflect each classes' proportionate share of the total costs and are correctly calculated given HAWC's projected sales. Notably, beyond their objections to the calculation of the revenue requirement and the change in rate design, neither the OCA nor Atkinson argues that the Settling Parties improperly allocated costs between rate classes or

otherwise failed to correctly calculate the rates, assuming that the Commission approved the Settlement Agreement's proposals.

Based on the record and the Commission's earlier findings regarding the revenue requirement, the Commission finds that the proposed rates contained in Tables 1 through 3 are correctly calculated, given the approved revenue requirement and projected sales, and are just and reasonable. The Commission, therefore, authorizes HAWC to assess those rates on a permanent basis.

### **C. Utility Service Fees**

The next issue is whether to approve the proposed increase in service fees for service calls, connections, and disconnections. No party has objected to the increase in service fees. A utility is entitled to earn a reasonable rate of return on its investments, RSA 378:28, but not on the services it provides its customers as part of the cost of operating a utility, *see Appeal of Eastman Sewer Co.*, 138 N.H. 221, 225 (1994) (noting that just and reasonable rates require customers to pay no more than necessary for services received and to provide the utility a rate of return on capital investments). Therefore, service fees should allow a utility to cover the cost of providing a particular service and no more. Based on the evidence in the record, particularly the COSS and the Final Audit Report, the Commission finds that proposed service fees, including the rates for regular and non-regular business-hour calls, accurately reflect HAWC's costs in providing these services. The Commission, therefore, authorizes HAWC to implement the proposed service fees.

#### **D. Affiliate and Service Agreement**

The next issue is whether to approve the proposed amendments to the Service Agreement between HAWC and Lewis Builders, which, according to the Settlement Agreement, include reducing the annual escalator for the management fee from 5 percent to 3.575 percent. The Settling Parties argue that this is an appropriate adjustment that reflects current market trends. Neither the OCA nor Atkinson objects to reducing the escalator, but both parties argue that more action should be taken to ensure that HAWC's relationship with Lewis Builders is competitive and beneficial to ratepayers. In particular, the OCA argues that the Commission should require HAWC to bid out all its contracts to ensure competitive pricing.

Pursuant to RSA 366:3 and N.H. Admin. R., chapter Puc 2100, public utilities are required to file any service agreements they have with their affiliates that are valued at more than \$500. Affiliate contracts must be just and reasonable and in the public interest. RSA 366:5. One of the purposes of this requirement is to ensure that utilities do not abuse their monopoly power to confer undue benefits on their affiliates to the detriment of ratepayers, including by procuring services at uncompetitive rates.

As an initial matter, the Commission finds that the proposed change to the escalator for the management fee appears to be reasonable and beneficial to ratepayers, and it does not appear to offer any benefit to Lewis Builders that violate the intent of RSA 366:1-5 or Puc chapter 2100. The Commission therefore authorizes HAWC to amend the changes outlined in the Settlement Agreement accordingly.

With respect to the larger concerns about whether HAWC's relationship with Lewis Builders is market competitive, that would not affect the Commission's approval of the requested reduction to the escalator fee in this proceeding. The Commission agrees, however, that HAWC

should take additional steps to ensure that its relationship with Lewis Builders is market-competitive and beneficial to ratepayers. While the Commission appreciates the testimony of Mr. Lanza and Mr. Laflamme, as well as the findings in the Final Audit Report, that Lewis Builders' rates are market competitive and comparable to similar vendors in the region, the Commission notes that the record supports that HAWC only bid out five projects to outside vendors in the past three years and that it selected Lewis Builders in each instance. The Commission would appreciate greater insight into the steps HAWC takes to ensure its procurement and bidding processes are competitive. Consistent with the ordering clauses below, HAWC shall submit a filing detailing how it procures projects and ensures it is receiving competitive bids from the highest number of bidders possible.

#### **E. Step Adjustments**

The final issue is whether to approve the Settlement Agreement's proposals regarding the step adjustments and thereby allow HAWC to file three petitions, as specified in Section IV(E) above, to increase its rates to account for increases in plant placed in service after the 2024 Test Year before it files its next rate case. Notably, in addition to allowing HAWC to increase its revenue requirement to account for the new plant, the Settlement Agreement would allow HAWC to recover its expenses for filing these petitions, in a similar manner to rate case expenses under N.H. Admin. R., chapter Puc 1900. The Settling Parties argue that the terms regarding step adjustments in the Settlement Agreement are appropriate and that the Commission should approve them. Neither the OCA nor Atkinson objects to the proposed step adjustments themselves. However, the OCA argues that HAWC should not be able to recover its expenses for filing the step adjustment petitions on the grounds that, unlike with rate case expenses, there is no statute or rule that expressly authorizes a utility to recover its costs for filing a step adjustment

petition and that, while HAWC has done so in the past, there is no evidence that any other utilities have done so.

With respect to approving the step adjustments themselves, there is no statutory standard for reviewing step adjustments. Significantly, any added plant must ultimately be found by the Commission to be prudently incurred, and used and useful in rendering water services per RSA 378:28, and any resulting increase in rates must be just and reasonable under RSA 374:2 and RSA 378:7. Therefore, the Commission's initial approval of a step adjustment simply authorizes the utility to file a petition to add new plant between rate cases. One of the benefits of step adjustments is that they may help reduce the frequency with which utilities require rate cases by allowing planned, specific additions to their rate base outside of a rate case. The Commission has generally authorized step increases based on findings that the proposed plant could be found reasonable and beneficial to ratepayers. *See* Order No. 26,635 (June 2, 2022).

Here, based on the evidence in the record, the Commission finds that the 3 step adjustments appear facially reasonable and beneficial to ratepayers. In particular, the identified projects appear to be appropriate expenditures for a water utility. Moreover, the Commission credits the testimony of HAWC and the DOE witnesses that the projected expenses appear on their face to be reasonable. Therefore, the Commission authorizes HAWC to file the 3 step adjustments outlined in Section IV(E) above, subject to further review by the Commission and any interested parties.

However, the Commission does not approve the portion of the Settlement Agreement that would allow HAWC to recover its expenses for filing the step adjustment petitions with the Commission, as they would be able to recover rate case expenses under N.H. Admin. R., chapter Puc 1900. Simply put, the Commission does not find that HAWC has sufficiently shown a legal

or factual entitlement to these costs under the current record. Moreover, because these costs have not yet been incurred and are proposed to be collected separately from this rate case order, the Commission does not need to decide this issue at this time. In future petitions for the step adjustments, HAWC may petition to recover its expenses related to the step adjustments, but it must provide an adequate legal and factual basis for the Commission to grant this relief. With this exception, the Commission approves the conditions on the step adjustments contained in the Settlement Agreement, as outlined in Section IV(E).

In sum, the Commission approves the Settlement Agreement filed by HAWC and the DOE, with the limited exception of reserving a ruling on HAWC's entitlement to expenses in filing its step adjustment. In addition, the Commission directs HAWC to submit additional filings consistent with the ordering clauses below.

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

**ORDERED**, that the Commission approves in part the Settlement Agreement submitted by HAWC and the DOE, subject to the limited modifications outlined in this order; and it is

**FURTHER ORDERED**, that the Commission authorizes HAWC to implement permanent rates laid out in Tables 1 through 3 of this order; and it is

**FURTHER ORDERED**, that pursuant to N.H. Code Admin. Rules Puc 1603, HAWC shall submit properly annotated revised tariff pages within 15 days of the date of this order; and it is;

**FURTHER ORDERED**, that HAWC shall file an updated Service Agreement consistent with the changes approved in this order within 15 days of the date of this order; and it is;

**FURTHER ORDERED**, that HAWC shall file, within 30 days of the date of this order, documentation of the difference between temporary rates and the permanent rates approved herein, and a proposed surcharge for recovering the difference from customers pursuant to RSA 378:29; and it is

**FURTHER ORDERED**, that HAWC is authorized to file a request for recovery of its rate case expenses with the Commission when its rate case expenses are finalized pursuant to N.H. Code of Admin. R., chapter Puc 1900; and it is

**FURTHER ORDERED**, that HAWC shall file a petition for the proposed Step I Adjustment, within 60 days of the date of this order, to be reviewed in a separate proceeding with the participation of the DOE; and it is

**FURTHER ORDERED**, that HAWC shall file a petition for the proposed Step II Adjustment by April 1, 2027, to be reviewed in a separate proceeding with the participation of the DOE; and it is

**FURTHER ORDERED**, that HAWC shall file a petition for the proposed Step III Adjustment by April 1, 2028, to be reviewed in a separate proceeding with the participation of the DOE. If HAWC does not file a Step III Adjustment, it must notify the Commission that it does not intend to do so by April 1, 2028; and it is

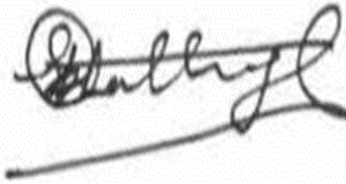
**FURTHER ORDERED**, that consistent with the requirements laid out in Section V(A)(3), above, HAWC shall submit a filing detailing what steps it can take to create a more balanced capital structure between now and the time it files its next rate case by August 20, 2026; and it is

**FURTHER ORDERED**, that consistent with the requirements laid out in Section V(E), above, HAWC shall submit a filing detailing its procurement and bidding processes and the steps it takes to ensure it receives competitive bids from the highest number of bidders possible by August 20, 2026.

So ordered, this twenty-fifth day of June 2026. .



Christopher J. Ellms, Jr.  
Chairman



Pradip K. Chattopadhyay  
Commissioner



Mark W. Dell'Orfano  
Commissioner

## Service List - Docket Related

Docket#: 25-034

Printed: 6/25/2026

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