D.T.E. 98-80

Investigation by its own motion as to the propriety of the rates and charges set forth in the following tariff: M.D.P.U. No. 1-A, filed with the Department on August 3, 1998, to become effective March 1, 1999, subsequently extended to October 1, 1999, by Hutchinson Water Company.

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APPEARANCES: Ralph W. Hutchinson

President

Hutchinson Water Company

108 Hutchinson Lane

Cheshire, MA 01225

FOR: HUTCHINSON WATER COMPANY

Petitioner

Donna Makavos

57 Ingalls Road

Cheshire, MA 01225

FOR: CHESHIRE HILLS WATER ASSOCIATION

Intervenor

## I. INTRODUCTION

On August 3, 1998, the Hutchinson Water Company ("Hutchinson" or "Company") filed new rates and tariffs with the Department of Telecommunications and Energy ("Department"), designed to collect additional annual revenues of $51,032, pursuant to G.L. c. 164, § 94, and G.L. c. 165, § 2. This petition represented an increase of 143.2 percent over rates in effect on August 30, 1998. By Department Order dated August 6, 1998, the Department suspended the proposed rates until March 1, 1999. The Department appointed Settlement Intervention Staff ("SIS") to act as a full intervenor in the proceeding in order to promote negotiations and effect a settlement if feasible. A public hearing was held in the Town of Cheshire on October 1, 1998. Also on that date, representatives of the Company, SIS, and the Department conducted a site visit of the Company's facilities. Donna Makavos, Ken Bissaillon,[(1)] Robert Huberdeau, Scott Carpenter, and Paul McMartin[(2)] ("Intervenors) petitioned for intervenor status, which was granted. On February 11, 1999, the Company, the Department, and the Intervenors (Collectively "Parties" or "Settling Parties") submitted a Joint Motion to withdraw the proposed tariffs under suspension and simultaneously file identical tariffs with an effective date of September 1, 1999, which was granted by Hearing Officer Ruling dated February 18, 1999. On April 27, 1999, the Parties submitted a second Joint Motion to withdraw the proposed tariffs under suspension and simultaneously file identical tariffs with an effective date of November 1, 1999, which was granted by the Hearing Officer on May 3, 1999. On August 18, 1999, SIS, on behalf of the Parties, submitted a Joint Motion for Approval of Offer of Settlement and an Offer of Settlement ("Settlement") with an expiration date of September 30, 1999.

## II. PROPOSED SETTLEMENT

By its terms, the Settlement filed by the Settling Parties on August 18, 1999, with the Department is intended to resolve all issues in D.T.E. 98-80 and is expressly conditioned upon the Department's acceptance without change or condition by September 30, 1999, of all of the provisions therein (Settlement at 5).

The key provisions of the proposed Settlement are as follows:

First, the Settlement specifies that the additional annual revenues shall be $25,905 representing an increase of 72.69 percent over rates in effect on August 30, 1998. The overall rate of return on rate base shall be 10.0 percent, based on a return on common equity of 10.0 percent and a capital structure consisting of 100 percent common equity (id. at 3).

Second, within one year of the date of approval of the Settlement, the Company agrees to consult with local municipal water systems and the Northeast Rural Water Association and report to the Department with respect to the feasibility of implementing a cost-effective meter replacement program and a cost-effective leak detection program (id. at 3-4).

Third, within one year of the date of approval of the Settlement, the Company agrees to consult with the Towns of Adams and Cheshire and report to the Department on water softening remedies used by those municipal water systems (id. at 3-4).

Fourth, the Company agrees to review its present bookkeeping and recordkeeping practices to insure compliance with Department regulations, as provided in 220 C.M.R. §§ 52.00 et seq (id. at 4).

Fifth, the Company agrees to investigate the feasibility of adopting a quarterly billing system (id. at 4).

## III. STANDARD OF REVIEW

The Department instituted the settlement intervention process to reduce administrative costs incurred by small water companies and their ratepayers in adjudicating rate cases. East Northfield Water Company, D.T.E. 98-127, at 3 (1999). In assessing the reasonableness of the settlement and the revenue increase reflected in it, the Department must review the entire record presented in the Company's filing and other record evidence to ensure that the settlement is consistent with Department precedent and the public interest. See Western Massachusetts Electric Company, D.P.U. 92-13, at 7 (1992); Barnstable Water Company, D.P.U. 91-189, at 4 (1992); Cambridge Electric Light Company, D.P.U. 89-109, at 5 (1989); Southbridge Water Supply Company, D.P.U. 89-25 (1989); Eastern Edison Company, D.P.U. 88-100, at 9 (1989).

## IV. ANALYSIS AND FINDINGS

Based on the Department's review of the record in this proceeding, the Department finds that the Settlement submitted by the Settling Parties results in just and reasonable rates, and is consistent with Department precedent and the public interest. The Department finds that the Settlement includes a rate structure that balances the competing goals of allocating costs the rate class while maintaining rate continuity. See Boston Gas Company, D.P.U. 96-50-A at 4 (1996); see also Whitinsville Water Company, D.P.U. 96-111, at 6 (1997). Therefore, the Department approves the Settlement. We note that our

acceptance of the Settlement does not set a precedent for future filings whether ultimately settled or adjudicated.

V. ORDER

After due notice, hearing and consideration, it is

ORDERED: That the Joint Motion for Approval of Offer of Settlement, as filed by Hutchinson Water Company, the Cheshire Hills Water Association, and Settlement Intervention Staff is hereby granted; and it is

FURTHER ORDERED: That the Hutchinson Water Company's tariffs as set forth in the August 3, 1998 filing as amended by the February 11, 1999, Joint Motion to Stay the Proceeding, and as further amended by the April 27, 1999, Joint Motion to Stay the Proceeding are rejected; and it is

FURTHER ORDERED: That the Hutchinson Water Company's exiting tariff, M.D.P.U. No. 1-A, be amended to reflect the tariff attached to the Offer of Settlement to become effective October 1, 1999.

By Order of the Department,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Paul B. Vasington, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission,

or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

1.

- Ken Bissaillon filed a notice of withdrawal on August 11, 1999.

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