STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6324

Tariff filing of Forrestbrook Water Corporation)
requesting an increase in its rates in the amount of)
142%, to take effect January 1, 2000)

Order entered: 5/26/2000

SUMMARY

The Public Service Board ("Board") opened this docket to investigate the rates proposed by Forrestbrook Water Corporation ("the Company") to take effect on January 1, 2000.[1] The Company and the Vermont Department of Public Service ("Department"), the only parties to this investigation, have stipulated to a lesser increase than initially proposed by the Company. Based on the evidence presented in this docket, I recommend that the Board approve the Stipulation and conclude that the resulting rates are just and reasonable. In support of that conclusion, I adopt the substance of the findings proposed by the Company and the Department.

PROCEDURAL HISTORY

On October 25, 1999, the Company filed a petition with the Board pursuant to 30 V.S.A. § 225, requesting to increase its rates by 142%, effective for services rendered on and after January 1, 2000. The Board suspended the rate increase and opened this investigation into the rates pursuant to 30 V.S.A. § 227(b), and appointed me as Hearing Officer.[2]

I convened a prehearing conference in this matter on February 16, 2000, at the Brandon Fire Station conference room in Brandon, Vermont, which was summarized in a prehearing conference memorandum issued March 2, 2000.

A public hearing was held in Brandon on March 22, 2000.

---

1. The Board suspended the rate increase by Order entered 12/23/99.
2. Order of 12/23/99.

STIPULATION

On April 18, 2000, the Department filed on behalf of itself and the Company a stipulation that settles all issues in this case ("the Stipulation"), and requested its approval by the Board.[3] Attached to the Stipulation is a cost of service that supports a 122% increase in rates. Under the Stipulation, the Company would bill customers June 1, 2000, for service rendered between January 1, 2000, and May 31, 2000, and issue bills on the first day of June and January thereafter.[4]

By the Stipulation, the Company and Department further agreed to waive their rights under 3 V.S.A. Chapter 25 to an evidentiary hearing, and to provide written comments or request oral argument on a proposal for decision, provided the Stipulation is approved in its entirety.

FINDINGS

Based upon the evidence of record, including the Stipulation, I submit the following findings to the Board in accordance with 30 V.S.A. § 8.

1. The Company serves 43 residential homes in the community of Forest Dale in the Town of Brandon, Vermont. Stipulation at ¶ 3.

2. On October 25, 1999, the Company filed proposed tariff revisions that would increase rates by 142%, effective with service rendered on and after January 1, 2000. Stipulation at ¶ 1.

3. The Company and Department entered a Stipulation, which is described above. Stipulation.

4. As a result of the Department's investigation and negotiation between the parties, the parties agree that the revenue requirement and resulting rates, indicated in Exhibit A to the Stipulation, are just and reasonable. Stipulation at ¶ 4.

5. The Company's annual revenue requirement is $11,434. Currently-effective rates would generate $5,262 in revenue annually. Stipulation at Exhibit A.

---

3. The Stipulation, dated 4/17/2000 by Mr. Brooks, and 4/18/2000 by Mr. Adler, is attached to this Order.

4. I note that the service intervals for semi-annual billing are unequal -- 5 months for January through May and 7 months for June through December. While unusual, the unequal intervals do not, in this particular circumstance, appear problematic.

6. The Company presently charges $120 per household per year. The parties stipulated to a rate of $266 per household per year, billed in semi-annual installments, plus $0.04 per cubic foot of water in excess of 10,000 cubic feet per year. Stipulation at Exhibit A.

7. The stipulated rates take effect beginning with semi-annual bills for service rendered January 1, 2000, through May 31, 2000. Bills will be rendered semi-annually on or about June 1 and January 1. Stipulation at ¶ 5.

8. The rates proposed in the Stipulation are just and reasonable. Findings 2 through 7, *supra*.

9. At the end of each calendar year, any amount remaining from the "Supplies, Expenses, Repairs" cost of service amount of $3,250 shall be carried forward and placed in an interest bearing account for future emergency repairs. Stipulation at ¶ 6 and Exhibit A.

DISCUSSION AND CONCLUSIONS

The Board opened this investigation into the rates charged by the Company pursuant to 30 V.S.A. Sections 225, 226 and 227. The standard for review of rates, under those sections, is whether the rates are just and reasonable.

The Department examined the Company's cost of service and its rate request, and has conducted discovery on these matters. Following that examination, the Department and the Company entered into a Stipulation resolving the issues in this proceeding and agreeing that a 122% increase in metered rates was reasonable. The settled rates are lower than those requested by the Company, and are the result of negotiation between the parties. The Department and Company agree that the rates prescribed by the Stipulation, and the cost of service by which the rates were determined, are just and reasonable.

I have reviewed the Company's initial filing, including the cost of service information filed in its support. Based on my review of the evidence, I concur with the parties' position that the cost of service presented in the Stipulation results in a reasonable determination of the Company's revenue requirement. Further, I conclude that the agreed rates will be just and reasonable.

In concluding that the Company's agreed rates will be just and reasonable, I rely in part upon the expertise and judgment of the Department's staff, and their depth of knowledge about

the Company's obligations, operations and finances. I have also considered the responses of the Company to questions posed by customers at the prehearing conference and public hearing. It is worth noting, as well, that most customers who attended the public hearing, after discussing with the Company the regulations applicable to a public water system, as well as the Company's operations and finances, expressed support for allowing the Company to increase rates for effect with service rendered January 1, 2000.

Many of the comments of the public noted that, after many years of stable rates, the magnitude of the requested rate increase (in excess of 100%) was abrupt and burdensome. These comments are understandable and well-taken. The size of the increase is, in part, the result of the system owner's choice to defer rate requests. Several customers expressed a preference for more frequent, smaller rate increases. If the Company believes that its costs are increasing, I encourage it to consider this approach -- to frequently review the adequacy of its rates, and to file proposed rate adjustments accordingly. The Company and its customers, alike, should benefit; the Company will be better assured of earning an adequate return and generating capital sufficient to meet its service obligations, while customers will not be burdened by unexpected and large rate increases.

The billing schedule proposed by the Company is unusual, given that the semi-annual bills would not be issued at 6-month intervals, but rather at intervals of 5 and 7 months. This will be reasonable, on the condition that the Company's tariffs state clearly the manner in which these intervals bear on calculation of charges. The tariffs must clarify how fixed charges will be applied. Two possibilities are apparent, either of which would be acceptable. For simplicity, the fixed charge could equal for the two periods. In the alternative, the fixed charge could be pro-rated by the number of months in each period. Either method is acceptable, so long as the method is clearly stated in the tariff. In addition, the Stipulation establishes that the threshold for usage charges, under the metered usage rate, is 10,000 cubic feet per year. For inclusion in the tariff, that figure should be converted either to semi-annual amounts or, in the alternative, the tariff should state clearly what period will be used for calculating a customer's usage relative to the annual usage threshold. I encourage the Company to consult the staff of the Department in developing this language for inclusion in the Company's tariff.

The foregoing is hereby reported to the Public Service Board in accordance with the provisions of 30 V.S.A. § 8.

The parties to this proceeding have waived the opportunity to an evidentiary hearing, and to provide written comments or request oral argument on this Proposal for Decision in accordance with the provisions of 3 V.S.A. § 811, in the event that this Proposal or the final Board decision is consistent in all respects with the Stipulation and approves the Stipulation in its entirety. This proposal is consistent with, and adopts in its entirety the Stipulation.

DATED at Montpelier, Vermont, this 26th day of May, 2000.

s/Lawrence F. Lackey

Lawrence F. Lackey,
Hearing Officer

ORDER

IT IS HEREBY ORDERED, JUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and recommendations of the Hearing Officer are adopted, and his recommendations and conclusions are affirmed.

2. The Stipulation between Forrestbrook Water Corporation and the Vermont Department of Public Service, dated April 17 and 18, 2000, is approved.

3. Forrestbrook Water Corporation is entitled to a revenue increase in an annual amount of $6,172, to be implemented by means of an increase of 122% to all existing rates.

4. Forrestbrook Water Corporation shall file revised tariffs consistent with this Order and incorporating the rates contained in Exhibit A to the Stipulation within 30 days from the date of this Order, for effect with bills rendered on or about June 1, 2000, for service rendered between January 1, 2000, and May 31, 2000.

DATED at Montpelier, Vermont, this 26th day of May, 2000.

s/Michael H. Dworkin	)	
	)	PUBLIC SERVICE
	)	
s/Suzanne D. Rude	)	BOARD
	)	
	)	OF VERMONT
s/David C. Coen	)	

OFFICE OF THE CLERK

Filed: May 26, 2000

Attest: s/Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any technical errors, in order that any necessary corrections may be made. (E-mail address: clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.