

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 19-084**

**PENNICHUCK WATER WORKS, INC.**

**Request for Change in Rates**

**Order Suspending Tariff and Scheduling Prehearing Conference**

**ORDER NO. 26,279**

**July 31, 2019**

This order suspends Pennichuck Water Works, Inc.'s, proposed tariff for a permanent rate increase for 12 months, pending further investigation. It also schedules a Prehearing Conference on Thursday, October 3, 2019.

On May 14, 2019, Pennichuck Water Works, Inc. (PWW or the Company), filed a Notice of Intent to File Rate Schedules pursuant to RSA 378:3 and N.H. Code Admin. Rules Puc 1604.05. PWW is a regulated water utility owned by Pennichuck Corporation, which, in turn, is wholly owned by the City of Nashua.

Given PWW's current corporate structure, it does not have access to equity markets and relies on debt to finance its needs. Consequently, PWW uses a different ratemaking methodology than publicly-traded utilities do. The Commission approved this unique ratemaking structure in *Joint Petition of City of Nashua, Pennichuck Corp., et al.*, Order No. 25,292 at 27, 44-45 (November 23, 2011); and PWW's ratemaking structure was further modified in *Pennichuck Water Works, Inc.*, Order No. 26,070 at 15-17 (November 7, 2017).

On July 1, 2019, PWW filed a petition seeking a permanent rate increase for all customer classes and further modification to its ratemaking structure. With its petition, PWW submitted documents including proposed tariffs, rate schedules, supporting testimony, and related exhibits.

In addition, PWW filed a motion for protective order to protect certain officer and director compensation information from public disclosure. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at <http://puc.nh.gov/Regulatory/Docketbk/2019/19-084.html>.

PWW seeks an increase of \$3,778,139, or 11.91 percent, in its revenue requirement, effective August 1, 2019. The proposed permanent rate increase of 11.91 percent includes a 2018 Qualified Capital Project Adjustment Charge (QCPAC) surcharge of 1.69 percent<sup>1</sup> and a proposed 2019 QCPAC of 2.37 percent.<sup>2</sup> PWW stated the increase is required as a result of its increased operating expenses and investment in plant and treatment systems to ensure its continued compliance with the Safe Drinking Water Act. According to the Company, its operating expenses have increased since its last rate filing in Docket No. DW 16-806 due to inflation, among other factors. PWW stated that its inadequate cash reserves have led to Standard and Poor's downgrading PWW's credit rating. PWW is not seeking temporary rates in light of its ongoing QCPAC program. The Company, furthermore, is not seeking a step increase in the instant filing and instead will petition for its 2020 QCPAC, for approximately an additional \$1.5 million in revenues, sometime within the next year.

Currently, PWW's average residential customer uses 7.77 hundred cubic feet of water (ccf) and pays \$22.58 for a 5/8 inch meter and a volumetric charge of \$3.66 per ccf, or \$28.44 monthly, totaling \$51.02. Combined with the QCPAC 2018 surcharge of 1.69 percent, the average residential customer's monthly bill is approximately \$51.88.

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<sup>1</sup> The Commission approved the 1.69 percent 2018 QCPAC in Docket No. DW 18-022. Order No. 26,183 (October 29, 2018).

<sup>2</sup> PWW has requested approval of the 2019 QCPAC in Docket No. DW 19-029.

PWW proposes to increase the 5/8 inch meter charge to \$24.35 and the volumetric rate to \$3.95 per ccf. Under PWW's proposal, the average residential customer's current bill will increase by \$3.16 per month to \$55.04, a 6.09 percent increase which includes the 2018 QCPAC. PWW, furthermore, proposes an increase of 72.09 percent in its private fire protection rate and an increase of 24.20 percent in its fire hydrant rate.

PWW also proposes several modifications to its current ratemaking structure. The modifications are designed to provide adequate and timely cash coverage of operating expenses so that PWW can avoid incurring additional debt. The proposed modifications include:

- (1) creating a Material Operating Expense Surcharge (MOES), a separate surcharge in addition to the QCPAC, for which the Company could file a request annually between rate cases to cover inflationary increases in material operating expenses;
- (2) including the actual cost of Federal and State corporate income taxes in the Company's Operating Expense Revenue Requirement component of allowed revenues;
- (3) reprioritizing the use of 0.1 Debt Service Revenue Requirement funds;
- (4) reallocating the value of the aggregate Rate Stabilization Fund;
- (5) implementing the QCPAC and proposed MOES process at the same time each year; and
- (6) changing the treatment of debt issuance costs for long-term debt, other than tax exempt and taxable bond issuances.

The filing raises, inter alia, issues related to modifications of the ratemaking methodology agreed to in settlement and approved by the Commission in Order No. 25,292, and modified in Order No. 26,070; whether the proposed ratemaking modifications represent a request to modify Order Nos. 25,292 and/or 26,070; what standards would apply to a modification of the settlement agreement(s) and/or order(s); whether PWW appropriately calculated its revenue requirement and whether the resulting rates are just and reasonable, as required by RSA 374:2, RSA 378:5,

and RSA 378:7, including all ratemaking sub-components and the accuracy of all rate petition schedules; whether the rate design proposed by PWW is fair and equitable; whether the Company's reliance on the QCPAC program in lieu of temporary rates and a step increase, results in just and reasonable rates, given the timing of a possible QCPAC increase in 2020 on the heels of the relief requested in the instant proceeding; and whether the requested protection of officer and director compensation information from public disclosure is appropriate.

We will suspend PWW's proposed tariff pursuant to RSA 378:6, I(a) for 12 months, to allow the filing to be investigated. Each party has the right to have an attorney represent the party at the party's own expense.

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

**ORDERED**, that NHPUC No. 6 Water, PWW's proposed revised tariff pages 43, 44, 45, and 47 are hereby suspended for a period of 12 months, pursuant to RSA 378:6, I(a), pending investigation and further order of the Commission; and it is

**FURTHER ORDERED**, that a Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on Thursday, October 3, 2019, at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Code Admin. Rules Puc 203.15; and it is

**FURTHER ORDERED**, that, immediately following the Prehearing Conference, PWW, the OCA, and the Staff of the Commission, and any Intervenors hold a Technical Session to review the petition; and it is

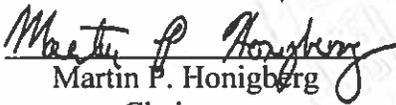
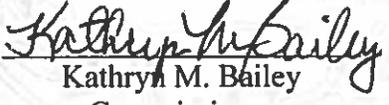
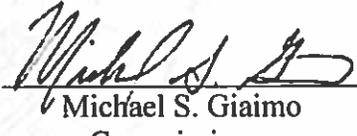
**FURTHER ORDERED**, that pursuant to N.H. Code Admin. Rules Puc 203.12, PWW shall notify all persons desiring to be heard at this hearing by publishing a copy of this order no

later than August 10, 2019, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before September 30, 2019; and it is

**FURTHER ORDERED**, that consistent with N.H. Code Admin. Rules Puc 203.17 and Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to PWW and the OCA on or before September 30, 2019, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Code Admin. Rules Puc 203.17; and it is

**FURTHER ORDERED**, that any party objecting to a Petition to Intervene make said Objection on or before October 3, 2019.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2019.

 Martin P. Honigberg Chairman	 Kathryn M. Bailey Commissioner	 Michael S. Giaimo Commissioner
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Attested by:

  
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