

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 22-005

PENNICHUCK EAST UTILITY, INC.

Petition for 2022 Qualified Capital Project Adjustment Charge

Order *Nisi* Approving Settlement

ORDER NO. 26,767

January 27, 2023

In this order, the Commission approves the request of Pennichuck East Utility, Inc. (PEU, or the Company) to implement a 2022 Qualified Capital Project Adjustment Charge (QCPAC) in the amount of 0.94 percent of base revenue for capital projects placed in service in 2021, effective October 18, 2022. Billing of this charge will begin on the effective date of this order *nisi*. The Commission also approves recovery of a monthly QCPAC recoupment surcharge of \$0.79 per month, to be applied over the course of three months, subject to a final calculation submitted within 30 days of this order, for service rendered from October 18, 2022, until the date of this order approving the 2022 QCPAC. The cumulative 2022 QCPAC surcharge of 4.96 percent will increase the average residential customer's monthly bill by \$4.18 per month.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of, and granted by, the Commission, are posted on the Commission's website at www.puc.nh.gov/Regulatory/Docketbk/2022/22-005.html.

I. PROCEDURAL HISTORY

PEU is a regulated public utility that provides water service to customers in southern and central New Hampshire. On February 10, 2022, PEU filed a petition for approval of a 2022 QCPAC to reflect eligible capital investments completed in 2021

and preliminary approval of its 2022 budget for further capital improvements (Petition). The filing also included, for informational purposes, forecasted capital project expenditures for 2023 and 2024. The Petition was supported by the direct testimonies of Chief Operating Officer Donald L. Ware and Chief Engineer John J. Boisvert.

The NH Department of Energy (DOE) filed a notice of appearance pursuant to RSA 12-P:9 on March 28, 2022. The DOE's Audit Staff completed a Final Audit Report of PEU's 2022 Qualified Capital Project Adjustment Charge dated June 23, 2022.¹ No other appearances or petitions to intervene were filed. On December 12, 2022, PEU filed a settlement agreement reached with the DOE (Settlement).

II. SETTLEMENT

The Settlement proposes a 2022 QCPAC in the amount of 0.94 percent of base revenue for capital projects placed in service in 2021. The resulting surcharge is proposed to be applied to current rates approved in Docket DW 20-156 by Order No. 26,586 on February 18, 2022 and added to the 4.02 percent 2021 QCPAC as approved in Docket DW 21-022 by Order No. 26,608 on April 8, 2022. The average aggregate QCPAC surcharge will be \$4.18 per month, resulting in an average single-family residential bill of \$88.49 per month. In addition, the Settlement recommended that the Commission approve recoupment of the 2022 QCPAC effective for service rendered as of the date of the 2022 loan closing of October 18, 2022, until the date of the Commission's order approving the 2022 QCPAC. The Company and DOE proposed approval of an additional charge of \$0.79 for a period of three months to permit

¹ See Settlement, Attachment B.

recoupment of 2022 capital project costs from October 18, 2022, based on an anticipated order issuance date of January 18, 2023 in this proceeding.² Finally, under the terms of the Settlement, the proposed 2022 capital project budget of \$2,151,928 would result in a 2.04 percentage point increase in PEU's cumulative QCPAC to 7.00 percent in 2023. This would result in a projected cumulative surcharge of \$5.90 per month, which when added to the average base rate charge of \$84.31, would result in projected monthly bill of \$90.21.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2, RSA 378:7, and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PEU. The Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. *See, e.g.*, Order No. 26,070 (November 7, 2017) at 15-17; and Order No. 26,313 (December 6, 2019) at 7. The QCPAC mechanism enables PEU to make necessary capital improvements to its systems while maintaining sufficient cash flow to meet debt service and operating requirements. *See* Order No. 26,608 (April 8, 2022) at 7.

PEU filed data regarding the capital projects it placed in service during 2021. The DOE's Regulatory and Audit Staff reviewed those projects and determined that each project is used and useful in service to PEU customers. *See* Settlement at Attachment B (Final Audit Report – DW 22-005, June 23, 2022). Accordingly, we find that the 2021 qualified capital project expenditures of \$984,249 were prudently incurred and are used and useful. We further preliminarily approve the proposed 2022

² The recoupment charge will differ slightly from the proposed amount, based on the date of issuance of this order.

capital budget of \$2,151,928 and will review the prudence of those projects in the next QCPAC filing. We accept for informational purposes PEU's 2023 and 2024 capital project budgets of \$1,213,510 and \$1,493,200, respectively.

Based on our review of the filings and the Settlement reached between PEU and the DOE, we approve the petition as modified by the Settlement. Accordingly, we approve a 2022 aggregate QCPAC of 4.96 percent for a surcharge of \$4.18 per month for an average single-family residential customer above the current rates approved on February 18, 2022, in Docket No. DW 20-156, resulting in a monthly bill of \$88.49. We approve adding the proposed 2022 QCPAC surcharge to customer bills so that PEU may begin recovery of debt and property tax expenses associated with the completed projects on the effective date of this order.

We also approve the recoupment of revenues from the date of PEU's refinancing, for the purpose of paying off debt and interest incurred for investments associated with 2021 eligible QCPAC assets, on October 18, 2022, to the effective date of this order *nisi* approving the 2022 QCPAC for inclusion in customer rates. The recoupment amount calculated as agreed to in the Settlement and recovered over a three-month period, as recommended in the Settlement, will result in a monthly recoupment charge for the average single family residential home of approximately \$0.79. Accordingly, the Commission approves a monthly recoupment surcharge as described herein as of the effective date of this order.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that, subject to the effective date below, the request of Pennichuck East Utility, Inc. to recover a 2022 QCPAC for projects placed in service in 2021, effective October 18, 2022, in the amount of 0.94 percent of base revenue, as

described in this order, with billing of this charge to begin on the effective date of this order is **APPROVED**; and it is

FURTHER ORDERED, that the proposed recoupment from October 18, 2022, through the effective date of this order of 2022 QCPAC surcharges through an additional customer surcharge to be collected over a three-month period is **APPROVED**; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall submit to the New Hampshire Department of Energy and the New Hampshire Public Utilities Commission a final calculation of the recoupment surcharge to be applied to customer bills within 14 days of the date of this order *nisi*; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc.'s proposed 2022 capital budget is **APPROVED** on a preliminary basis and subject to further audit and review; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc.'s preliminary 2023 and 2024 capital budgets are **ACCEPTED** for informational purposes only; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this order to be published in a newspaper within 10 calendar days and on the Company's website within two business days of the issuance of this order, to be documented by an affidavit filed with the Commission on or before February 24, 2023; and it is

FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing, which states the reason and basis for a hearing, no later than February 13, 2023; and it is

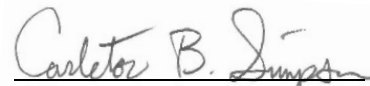
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than February 20, 2023; and it is

FURTHER ORDERED, that this order shall be effective February 27, 2023, unless Pennichuck East Utility, Inc. fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall file a compliance tariff with the Commission on or before February 10, 2023.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of January 2023.


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 22-005

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