

THE STATE OF NEW HAMPSHIRE

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NHPUC 40CT17-3:08

October 4, 2017

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, N.H. 03301

**Re: DW 17-119 Pennichuck East Utility, Inc.
DW 17-120 Pennichuck Water Works, Inc.
Petition to Modify Collection of Merrimack Source Development Charge**

Dear Ms. Howland:

On July 21, 2017, both Pennichuck East Utility, Inc. (PEU) and Pennichuck Water Works, Inc. (PWW) (together the Pennichuck Utilities) filed petitions seeking authority to modify how the Pennichuck Utilities collect the Merrimack Source Development Charge (MSDC) paid to Manchester Water Works (MWW). After review, Staff recommends approval.

The MSDC charged by MWW was first approved by this Commission in 1987 in Docket No. DR 86-80. Initially the MSDC was a one-time charge assessed to new customers in new franchise areas outside Manchester acquired as of May 1, 1987. Order No. 18,628, 72 NH PUC 138 (1987). The funds were to be used for the cost of developing the Merrimack River as a supplemental source of water supply. In 1991, the Commission approved expanding the MSDC to all new customers regardless of location. See *Manchester Water Works*, Docket No. DR 91-113, Order No. 20,332, 76 NH PUC 778 (1991). In Docket No. DW 02-161, the Commission conditionally exempted MWW from rate regulation. *Manchester Water Works*, (Order No. 24,138 (March 14, 2003)). Pursuant to the settlement agreement in that docket, MWW renegotiated its wholesale water agreements with the Pennichuck utilities; those agreements govern how the MSDC is calculated and remitted. The MSDC applies to all franchises where the Pennichuck Utilities purchase water from MWW.

At present, the Pennichuck Utilities pay any MSDC due each year out of company cash flow, and establish those amounts as a deferred debit on the balance sheet. An amortization expense is then calculated and recognized on the income statement, based on a twenty year amortization schedule. This amortization expense has been included in each company's cost of service for ratemaking. This means that all of each company's customers share in the MSDC. The Pennichuck Utilities now propose, effective January 1, 2018 to collect the applicable MSDC directly from each new customer who connects to a water system that purchases its supply from MWW. The company would collect the MSDC before the customer service is installed, similar

DW 17-119 Pennichuck East Utility, Inc.
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Petition to Modify Collection of Merrimack Source Development Charge
Staff Recommendation for Approval

to how the company collects other fees from new customers. This change would create a direct pass-through of MWW's MSDC to these customers and eliminate the expense that is ultimately shared by all customers, even those who are not taking service from company water systems using MWW supply.

Staff has reviewed this request and issued discovery requests; the responses are attached to this letter. Staff supports this change. A direct charge to new customers is consistent with how the MSDC is collected within the City of Manchester. Further, it eliminates an expense that is currently shared by all customers regardless of location.

If there are any questions regarding this, please let me know.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Cc: Service list

Discovery

DW 17-120
PENNICHUCK WATER WORKS, INC.
PETITION TO MODIFY COLLECTION OF MSDC
STAFF DATA REQUESTS – SET 1

Date Request Received: August 23, 2017
Request No.: Staff 1-1

Date of Response: September 5, 2017
Witness: John Boisvert

REQUEST: Regarding the Amendment to PWW's wholesale water agreement with Manchester Water Works executed in 2004, please provide the calculations and all details of the January 2016 and January 2017 MSDC payments under the terms of the amended Section 303.1.

RESPONSE: PWW made no payments in January 2016 and January 2017. During the summer of 2016, PWW and PEU's 2 month average day usage exceeded the MSDC allotment it had purchased in 2011. As a result PWW and PEU made a payment to Manchester Water Works in November of 2016 for the additional MSDC allotment needed in accordance with the PWW wholesale water agreement with Manchester Water Works. A copy of the calculation of the payment made in November 2017 is attached to this data request.

This clarification also applies to Docket No. DW 17-119.

DW 17-120
PENNICHUCK WATER WORKS, INC.
PETITION TO MODIFY COLLECTION OF MSDC
STAFF DATA REQUESTS – SET 1

Date Request Received: August 23, 2017
Request No.: Staff 1-2

Date of Response: September 5, 2017
Witness: John Boisvert

REQUEST: Should the proposed new tariff page provisions included as Attachment JJB-3 specify that the MSDC charge applies only to customers in systems served with water purchased from Manchester WW?

RESPONSE: Yes. Please see the attached Revised Attachment JJB-3 for PWW. This change also applies to Docket No. DW 17-119 and revised tariff pages for PEU are attached for Staff's review.

DW 17-120
PENNICHUCK WATER WORKS, INC.
PETITION TO MODIFY COLLECTION OF MSDC
STAFF DATA REQUESTS – SET 1

Date Request Received: August 23, 2017
Request No.: Staff 1-3

Date of Response: September 5, 2017
Witness: John Boisvert

REQUEST: Re: Mr. Boisvert's testimony at page 6 lines 1-7.

- a) Why would PWW consider collections of MSDC charges from new customers to be CIAC?
- b) Under this accounting proposal, what account would be charged when the Company withdraws funds at the end of each year to pay over to Manchester?

RESPONSE: PWW is amenable to accounting treatment preferred by Staff that achieves the Company's goal of having customer MSDC payments pass through the Company's books with no effect on the Company's need for revenue.

To that end, PWW proposes that MSDC payments from customers be held in a deferred liability account and be booked as a debit to cash. Company payments to Manchester Water Works would then be booked as a debit to the deferred liability.

This response also applies to PEU's proposed accounting treatment in Docket No. DW 17-119.

Manchester Water Works
Schedule of Pennichuck 80 day average daily consumption
2018

Attachment to Staff 1-1

	Total	PEU Portion	PWW Portion
Average Daily Flow (Gal.) - Max. allowed	2,100,000		
Average Daily Flow (Gal.) - (2011)	1,221,306	718,802	502,704
Average Daily Flow (Gal.)	1,358,078	787,073	569,005
Increase In 2018 (Gal.)	134,772	68,471	66,301
Current MSDC rate per gallon -2018	\$ 3.37	\$ 3.37	\$ 3.37
MSDC additional charge	\$ 454,182	\$ 230,747	\$ 223,435

Consumption (Gal.):	# days in billing cycle	Consumption current period	Consumption prior period	Two (2) month Average Daily flow
Month:				
2016 January	31	-	-	-
February	28	-	-	-
March	31	-	-	-
April	30	-	-	-
May	31	-	-	-
June	30	39,843,351	-	-
July	31	42,877,420	39,843,351	1,358,078
August	31	37,666,073	42,877,420	1,299,089
September	30	25,738,795	37,666,073	-
October	31	-	25,738,795	-
November	30	-	-	-
December	31	-	-	-

Month:	Pennichuck East Utility, Inc. (PEU)					Pennichuck Water Works, Inc. (PWW)		PEU CCF Total	PWW CCF Total	Gallons Total
	Cust #95593 Loc #89834 Joanne Dr. Smythwoods	Cust #95583 Loc #89604 Harvey Rd.	Cust #95515 Loc #89658 Mammoth Rd.	Cust #95741 Loc #84788 Rockingham @ Coteville Rd	Cust #143619 Loc #207920 Pine Ave. Meter Pit	Cust #85663 Loc #89738 Patten and County Rd.	Cust #107228 Loc #200378 Donald Street			
January										
February										
March										
April										
May										
June	## 782	4,192	23,813	1,820	189	3,816	19,255	30,398	22,871	39,843,351
July	## 842	4,322	26,715	1,691	220	3,589	19,943	33,791	23,532	42,877,420
August	## 668	3,498	24,881	1,599	285	2,985	16,489	30,892	19,484	37,666,073
September	## 503	2,333	17,086	1,088	12	2,218	11,171	21,021	13,389	25,738,795
October										
November										
December										
proof	2,798	14,345	92,275	5,997	685	12,419	66,838	110,099		146,125,640

Beg Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept
27-May	28-Jun	32	830	28				726.25			726
28-Jun	27-Jul	29	810	29	2	27		55.86	754.14		810
27-Jun	28-Aug	30	660	30		4			86.00	572.00	660
28-Jul	28-Sep	31	600	31		5	28			96.77	503.23
28-Sep	28-Oct	32	-	0							600
			2,900	30	31	31	28	782.11	842.14	668.77	503.23
											2,798

Beg Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept
27-May	28-Jun	32	4,484	28	28			3,906.00			3,906
28-Jun	27-Jul	29	4,148	29	2	27		286.07	3,861.93		4,148
27-Jul	28-Aug	30	3,451	30		4	26		460.13	2,990.87	3,451
28-Aug	23-Sep	28	2,840	28		5	23			507.14	2,332.86
23-Sep	27-Oct	34	-	0							2,840
			14,903	30	31	31	23	4,192.07	4,322.06	3,498.01	2,332.86
											14,345

Beg Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept
27-May	28-Jun	32	25,000	28	28			21,875.00			21,875
28-Jun	27-Jul	29	25,200	29	2	27		1,737.93	23,482.07		25,200
27-Jul	28-Aug	30	24,400	30		4	26		3,253.33	21,146.67	24,400
28-Aug	23-Sep	28	20,800	28		5	23			3,714.29	17,085.71
23-Sep	27-Oct	34	-	0							20,800
			95,400	30	31	31	23	23,612.93	26,715.40	24,860.95	17,085.71
											92,275

Beg Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept
27-May	28-Jun	32	1,728	28	28			1,510.25			1,510
28-Jun	27-Jul	29	1,591	29	2	27		109.72	1,481.28		1,591
27-Jul	28-Aug	30	1,572	30		4	26		209.60	1,362.40	1,572
28-Aug	23-Sep	28	1,324	28		5	23			236.43	1,087.57
23-Sep	27-Oct	34	-	0							1,324
			6,213	30	31	31	23	1,619.97	1,690.88	1,590.83	1,087.57
											5,997

Beg Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept
27-May	28-Jun	30	188	28	28			175.47	-	-	-

28-Jun	27-Jul	29	183	28	2	27		13.31	179.89	-	-	183
27-Jul	26-Aug	30	303	30		4	26	-	40.40	262.60	-	303
26-Aug	23-Sep	28	14	28			5	-	-	2.50	11.50	14
23-Sep	27-Oct	34	-	0				-	-	-	-	-
			698	30	31	31	23	188.78	220.09	265.10	11.50	665

Bag Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept	
27-May	28-Jun	30	3,820	28	28			3,378.67	-	-	-	3,379
28-Jun	27-Jul	29	3,440	29	2	27		237.24	3,202.76	-	-	3,440
27-Jul	26-Aug	30	2,900	30		4	26	-	386.67	2,513.33	-	2,900
26-Aug	23-Sep	28	2,700	28			5	-	-	482.14	2,217.86	2,700
23-Sep	28-Oct	29	-	0				-	-	-	-	-
			12,660	30	31	31	23	3,815.91	3,589.43	2,995.48	2,217.86	12,419

Bag Date	End Date	Days	CCF	Days June	Days July	Days August	Days Sept	Usage June	Usage July	Usage August	Usage Sept	
27-May	28-Jun	32	20,500	28	28			17,937.50	-	-	-	17,938
28-Jun	27-Jul	29	19,100	29	2	27		1,317.24	17,782.76	-	-	19,100
27-Jul	26-Aug	30	16,200	30		4	26	-	2,180.00	14,040.00	-	16,200
26-Aug	23-Sep	28	13,600	28			5	-	-	2,428.57	11,171.43	13,600
23-Sep	28-Oct	35	-	0				-	-	-	-	-
			69,400	30	31	31	23	19,254.74	19,942.76	16,468.57	11,171.43	66,838

NHPUC NO. 6 WATER

First Revised Original Page 37

PENNICHUCK WATER WORKS, INC.

Superseding Original Page 37

TERMS AND CONDITIONS, cont.

30. PUBLIC HYDRANTS

- A. Hydrants may not be used for any purpose other than the extinguishment of fires and for such other purposes as may be mutually agreed to by the Company and the municipality.
- B. In no case shall hydrants be opened by any person other than an agent of the Company or a duly authorized representative of the municipality.

31. PRIVATE FIRE PROTECTION

- A. An application for private fire service must be accompanied by a plan of the proposed piping system, together with a statement telling for what other purpose the system might be used.
- B. All water supplied through fire service pipes may, at the option of the Company, be metered and special measuring or detecting devices may be installed, and all such meters and devices shall be approved, furnished and set by the Company at the customer's expense.
- C. Where a standpipe, reservoir, tank or cistern is used it shall be constructed so as to shield and protect the water from all possible contamination in a manner satisfactory to the Company.
- D. In the construction of standpipes, reservoirs, tanks and cisterns, provision shall be made for means of easy access to their interiors by agents of the Company for the purpose of inspection and to permit cleaning as required by the Company; also, a draw-off pipe shall be fitted for the purpose of drawing off all water periodically for inspection and such draw-off pipe shall not be connected with a sewer or drain in any way that would permit pollution of the water.

32. OTHER CHARGES

A. Service Connection and Disconnection Charge

- 1. There will be a service charge for turning off or turning on water at customer's request. The service charge will be equivalent to the sum of the cost of one hour of labor time and one hour of equipment use time and will vary depending upon whether the connection or disconnection is made during regular hours or during non-regular hours.

- a. Effective until further notice, the service charge will be as set forth in the rate schedules. This service charge will apply to other sections of this tariff as specified.

- b. Effective January 1, 2018, new customers in water systems served with water purchased from Manchester Water Works will be charged the Merrimack Source Development Charge as noted in Paragraph F on Page 46.

Issued: _____, 2017

Issued by: Donald L. Ware

Effective: January 1, 2018

Title: Chief Operating Officer

NHPUC NO. 6 WATER

~~Revised~~Original Page 46

PENNICHUCK WATER WORKS, INC.

Superseding Original Page 46

RATE SCHEDULES

MISCELLANEOUS UTILITY SERVICE FEES

The following fees are associated with miscellaneous services that the Company may provide from time to time:

Type of Service	Amount
A. Initiation of Service	\$20.00
B. Service Pipe Connection	\$160.00
C. Service Connection and Disconnection of water service; Collection Charge	
During Regular Hours	\$46.00
Non-Regular Hours	\$63.00
D. Returned check fee - Administrative Cost	\$15.00
E. Inspection Fee of Main Pipe Extensions	\$3.00 per foot
F. <u>Merrimack Source Development Charge</u>	

As of January 1, 2018, new customers in water systems Served with water purchased from Manchester Water Works will be charged Manchester Water Works' Merrimack Source Development Charge (MSDC) in effect at the time of the new service request. The MSDC rates are posted on the N.H. PUC's website at: <http://www.puc.state.nh.us> as well as the Manchester Water Works website at: <http://www.manchesternh.gov/Departments/Water-Works/Rates>.

Issued: _____, 2017

Issued by: Donald L. Ware

Effective: January 1, 2018

Title: Chief Operating Officer

NHPUC NO. 1 WATER

First Revised Original Page 34

PENNICHUCK EAST UTILITY, INC.

Superseding Original Page 34

TERMS AND CONDITIONS, cont.

c. Effective January 1, 2018, new customers in water systems served with water purchased from Manchester Water Works will be charged the Merrimack Source Development Charge as noted in Paragraph F on Page 46.

B. Collection Charge

1. Whenever the Company sends an employee to the customer's premises for the purposes of disconnecting service for non-payment and the customer tenders payment in full of the bill to prevent disconnection, a service charge shall be imposed as stated under Paragraph "A" above, Service Connection and Disconnection Charge.

a. The Company may require that full payment plus the charge be paid in cash.

C. Penalty for Bad Checks

1. Whenever a check or draft presented for payment is not accepted by the institution on which it is written, or is returned for insufficient funds, the Company will impose a charge as set forth in Paragraph D on Page 46.

D. Initiation of Service

1. When a customer seeks to establish a new water account or transfer an existing water account with the Company, there shall be a charge to cover the Company's costs associated with opening and transferring water accounts as set forth in Paragraph A on Page 46.

31. RIGHT OF ACCESS

- A. Any authorized company representative shall have the right and be permitted access to customer's premises at any time to inspect the plumbing, fixtures, or appliances supplied with water: set, read, remove, replace or repair meters; enforce these Terms and Conditions.

32. AIR CONDITIONING

- A. All air conditioning equipment using water to cool the compressor or refrigerant installed or replaced after May 15, 1966, where the total installed capacity, in one or more units, is in excess of 3 tons, shall include a water conserving device, thereby limiting the use of water to that lost by evaporation.
- B. The water conserving device may be a cooling tower, spray pond, evaporating condenser, or other equipment by which water is cooled and recirculated.
- C. If a customer collects the water discharged from the air conditioning equipment and uses the entire amount so discharged in other normal manufacturing uses, the above regulation A will not apply.

Issued: _____, 2017

Issued by: Donald L. Ware

Effective: January 1, 2018

Title: Chief Operating Officer

NHPUC NO. 1 WATER

Third ~~Second~~ Revised Page 46

PENNICHUCK EAST UTILITY, INC.

Superseding ~~Second~~ First Revised Page 46**RATE SCHEDULES****MISCELLANEOUS UTILITY SERVICE FEES**

The following fees are associated with miscellaneous services that the Company may provide from time to time:

Type of Service	Amount
A. Initiation of Service (Section 30, Paragraph D.)	\$20.00
B. Service Pipe Connection (Section 19, Paragraph B.,2.)	\$160.00
C. Service Connection and Disconnection of water service; Collection Charge (Section 30, Paragraphs A. and B.)	
During Regular Hours	\$46.00
Non-Regular Hours	\$63.00
D. Returned check fee - Administrative Cost (Section 8, Paragraph B.,C.) (Section 30, Paragraph C., 1.)	\$15.00
E. Inspection Fee of Main Pipe Extensions (Section 33, Paragraph A. 2. and Paragraph C., 1., b.)	\$3.00 per foot
F. <u>Merrimack Source Development Charge</u>	

As of January 1, 2018, new customers in water systems served with water purchased from Manchester Water Works will be charged the Manchester Water Works' Merrimack Source Development Charge (MSDC) in effect at the time of the new service request. The MSDC rates are posted on the N.H. PUC's website at: <http://www.puc.state.nh.us> as well as the Manchester Water Works website at: <http://www.manchesternh.gov/Departments/Water-Works/Rates>.

Issued: _____, 2017

Issued by: Donald L. WareEffective: January 1, 2018Title: Chief Operating Officer

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 17-119-1 Printed: October 04, 2017

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**

- c) Serve a written copy on each person on the service list not able to receive electronic mail.**