

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 20, 2017 - 1:30 p.m.
Concord, New Hampshire

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RE: DW 17-128
PENNICHUCK EAST UTILITY, INC.:
Request for Change in Rates.
(Prehearing conference)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Jody Carmody, Clerk

APPEARANCES: Reptg. Pennichuck East Utility, Inc.:
Richard W. Head, Esq. (Rath Young...)

Michael Ranaldi, *pro se*

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Mark Naylor, Dir./Gas & Water Division
Jayson Laflamme, Gas & Water Division
Robyn Descoteau, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52

**CERTIFIED
ORIGINAL TRANSCRIPT**

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here today in Docket DW 17-128, which is Pennichuck East Utility's Petition for a Change in Rates. They had filed proposed tariffs, which the Commission suspended and scheduled a prehearing conference to discuss how to go about investigating the proposed rates.

We've received a number of public comment. Although, as far as I know, no motions to intervene.

Before we do anything else, let's take appearances from the Company, the Consumer Advocate, and Staff.

MR. HEAD: Thank you, Mr. Chairman. My name is Richard Head, with the law firm Rath, Young & Pignatelli, on behalf of Pennichuck. At the table with me is Larry Goodhue, the CEO -- sorry. Is this on or -- oh, sorry about that. Let me start again.

Thank you, Mr. Chairman. My name is Richard Head, with Rath, Young & Pignatelli, here on behalf of Pennichuck. With me at the table is Larry Goodhue, the CEO of Pennichuck,

1 Pennichuck East Utility; also here is Donald
2 Ware, the COO; behind me, in the table behind
3 us, is Carol Ann Howe and Jay Kerrigan, also
4 with Pennichuck East.

5 MR. BUCKLEY: Good morning, Mr.
6 Chairman and Commissioners. My name is Brian
7 D. Buckley. I'm staff attorney with the Office
8 of the Consumer Advocate. To my left is Dr.
9 Pradip Chattopadhyay, and to his left is
10 Mr. James Brennan. And we are here
11 representing the interests of residential
12 ratepayers.

13 MR. SPEIDEL: Good afternoon,
14 Commissioners. Alexander Speidel, representing
15 the Staff of the Commission. And I have with
16 me the Director of the Water Division -- Gas &
17 Water Division, Mr. Mark Naylor; and on his
18 left we have Jayson Laflamme, a Utility
19 Analyst; and also Robyn Descoteau, a Utility
20 Analyst.

21 And I would like to alert the
22 Commission to the fact that, on 14 December,
23 the Locke Lake Association, L-o-c-k-e, Locke
24 Lake Association, with their representative,

1 Mr. Michael Ranaldi, filed a handwritten
2 letter, which appears to be in the form of a
3 motion to intervene.

4 Thank you.

5 CHAIRMAN HONIGBERG: Mr. Speidel, is
6 that the only intervention motion of which
7 you're aware?

8 MR. SPEIDEL: Yes.

9 CHAIRMAN HONIGBERG: Is Mr. Ranaldi
10 here?

11 MR. RANALDI: Yes, I am. I'm back
12 here. Yes, I did ask for a motion for me to
13 intervene.

14 CHAIRMAN HONIGBERG: Would you be
15 intervening for yourself or on behalf of the
16 Association?

17 MR. RANALDI: Well, the Association
18 is a corporation, which they, as a corporation
19 refused to intervene, even though the
20 corporation itself did sign the stipulation in
21 I believe it was in '06. And they then, as
22 President, I also intervened in '09, as
23 President, along with the Business
24 Administrator, Deana Cowan. And, in 2013, the

1 Board at that time refused to carry the ball,
2 even though I suggested that they were legally
3 obligated to.

4 This time here, once again, I
5 attempted to get the Board to intervene, which
6 they refused to, as a Board, live up to their
7 obligation. Therefore, I'm representing not
8 only myself, but others in Locke Lake. And
9 even though I am part owner of the Association,
10 so I will be representing the Association from
11 afar, let's say.

12 CHAIRMAN HONIGBERG: Okay. There's a
13 number of things in what you just said.

14 MR. RANALDI: Yes.

15 CHAIRMAN HONIGBERG: But the bottom
16 line for our purposes right now, though, is
17 that you're just speaking for yourself?

18 MR. RANALDI: Yes.

19 CHAIRMAN HONIGBERG: Okay. To the
20 extent that what you do benefits the others and
21 benefits the corporation, they will benefit
22 from the work that you do, but you are not here
23 today speaking for them?

24 MR. RANALDI: Yes.

1 CHAIRMAN HONIGBERG: Okay. There's a
2 lot of other people here who appear to be
3 interested in this. I guess I'm not going to
4 ask you to say what it is you want to do. When
5 we're done with the prehearing conference,
6 there's going to be what's called a "technical
7 session", where you can talk with
8 representatives of the Company, the OCA, and
9 Staff about what kind of role you want to play
10 in this. If you just want to monitor what's
11 going on, if you want to participate fully as a
12 party, you can seek to get intervenor status.

13 We don't need to make decisions about
14 that today, really, nor do you. But you'll
15 need to make a decision fairly soon about how
16 you want to deal with this matter.

17 With respect to Mr. Ranaldi, does the
18 Company have a position on his request to
19 intervene?

20 MR. HEAD: Yes. We do not object to
21 his request to intervene. There are some -- I
22 think within the content of his motion, there
23 were some factual issues. Mr. Ware had reached
24 out to him and we've continued to talk with him

1 and make sure that he has the accurate
2 information.

3 But, in terms of the intervention, we
4 have no objection.

5 CHAIRMAN HONIGBERG: Yes. He's a
6 ratepayer, and would seem to have every right
7 to intervene.

8 MR. HEAD: Right. Absolutely.

9 CHAIRMAN HONIGBERG: So, we'll grant
10 that motion to intervene, Mr. Ranaldi.

11 MR. RANALDI: Thank you.

12 CHAIRMAN HONIGBERG: See, it's that
13 easy. But, once you've done that, there are
14 certain obligations, responsibilities. It
15 sounds like Mr. Ranaldi has some experience
16 with it as well. But, again, there's a lot of
17 other people in the room who can help explain
18 the process, without Mr. Buckley's and
19 Mr. Speidel's and Mr. Head's cases giving you
20 any legal advice, they can explain the process
21 and how it works and what's involved.

22 Is there anything we need to do
23 before taking the parties' preliminary
24 positions on what we're going to be doing here?

1 MR. HEAD: I don't think so.

2 CHAIRMAN HONIGBERG: All right.

3 Mr. Head, why don't you start us off.

4 MR. HEAD: Thank you. Thank you,
5 members of the Commission. Again, my name is
6 Richard Head, on behalf of Pennichuck East
7 Utilities.

8 The proceeding before you is to
9 approve rates that are requested to implement
10 the -- request to implement the rate
11 methodology that was approved recently in
12 Docket Number DW 16-806, and have that same
13 methodology apply to PEU.

14 As you know, Pennichuck Corporation
15 is the parent company of three regulated
16 subsidiaries: Pennichuck Water Works,
17 Pennichuck Aqueduct Company, also referred to
18 as "PAC", or "P-A-C"; and Pennichuck East
19 Utility, PEU. And it is Pennichuck East
20 Utility that is before you today.

21 And also, as you know, in 2012, the
22 City of Nashua acquired the parent company,
23 Pennichuck Corporation. And as a result of
24 that transaction, PEU, PWW, and PAC, the three

1 subsidiaries, no longer have access to equity
2 markets that existed prior to that takeover,
3 now that the City of Nashua is the sole owner
4 of Pennichuck Corporation as a shareholder.

5 So, as a result of that, and as a
6 result of that occurring, all of the financing
7 must occur through debt and rates. And they do
8 not have access to the equity market. So, it's
9 only through debts that money is raised. And
10 as a result of that, there is a distinct
11 benefit that results, in terms of ratemaking,
12 which is that there is no request for a rate of
13 return that you see in an equity type of
14 situation.

15 So, in a normal investor-owned
16 utility, you would have on average, and was in
17 the testimony that was presented, generally
18 about an optimal 50/50 debt-to-equity ratio.
19 And as a result of taking out the equity
20 portion of that ratio, the cost of debt is
21 really significantly lower, in that you're only
22 talking about repayment of that debt in the 2
23 and a half to 5 percent interest rate, and
24 you're no longer dealing with the 15-16 percent

1 rates of return on investment. So, if you're
2 at a 50/50 -- 50/50 ratio, that 16 percent
3 would be applied to about half of the
4 investment on infrastructure. And that does
5 not apply in this case now, because we've taken
6 that equity investment rate of return out of
7 the picture, and we're only dealing with the
8 cost of debt, which is the interest rate and
9 the payment of that debt.

10 So, since 2012, though, and as had
11 been discussed with the sister company,
12 Pennichuck Water Works in DW 16-806, the
13 Company has had significant opportunities to
14 learn about the rate methodology that was put
15 into place in 2012 and the problems that are
16 associated with that rate methodology. And
17 that resulted last year in about a year long
18 proceeding that involved Pennichuck Water
19 Works, in which an alternative and updated
20 methodology for ratemaking was applied. It was
21 ultimately approved by this Commission.

22 And during that process with
23 Pennichuck Water Works, there had been a
24 discussion, and it was incorporated ultimately

1 into the Settlement Agreement, that we would
2 try to apply that same rate methodology to the
3 other two subsidiaries, and is now one of our
4 requests that is before you is to, in fact,
5 apply the similar methodology that now applies
6 to Pennichuck Water Works to PEU. And that is
7 a significant aspect of the request, because,
8 at least under the current methodology, the
9 Company is unable to meet its cash flow needs,
10 and the methodology from the 16-806 proceeding
11 is -- it is now an appropriate time to consider
12 that and apply it to PEU, as it also comes
13 before you for its ratemaking -- its own rate
14 case.

15 And really what we anticipate the
16 application of the 16-806 methodology, the one
17 that is now applied to PWW, is that it's going
18 to improve PEU's access to the credit markets.
19 And it's going to allow the Company to be in a
20 better position to meet lender covenants so
21 it's not in a negative position relative to
22 those covenants.

23 So, one significant aspect of this
24 proceeding will be to work with the Commission,

1 work with the Staff, and work with the OCA in
2 ensuring that that methodology does, in fact,
3 apply to PEU and implement that appropriately.

4 The obvious other aspect of this case
5 is the request for a rate increase. The rate
6 increase is in two steps; one is based upon --
7 is based upon the last four years of expenses
8 and investments that have occurred by the
9 Company, and also a step increase relative to
10 the 2017 infrastructure improvements that are
11 ongoing.

12 That results in a requested rate
13 increase between the step and the annual
14 increase of about 21.50 percent, which is not,
15 obviously, being implemented in one step, but
16 this is over the course of approximately four
17 years. And really, on average, about
18 4.6 percent annual increase in rates, if you
19 take that out over time. And that rate
20 increase is necessary to meet the cash flow
21 needs of the Company, since in the last --
22 since 2013, the Company has invested about
23 seven and a half million dollars in capital
24 improvements and infrastructure with the

1 system, which have been necessary and are
2 ongoing. And those are the steps that are
3 necessary in order to provide reliable, clean
4 water to the residents and the consumers of
5 Pennichuck. And as I said, that's an ongoing
6 process. And as the Company evaluates the
7 needs of Pennichuck and its customers, those
8 improvements will be ongoing and will continue.

9 But what we're asking for is to allow
10 for rates that would cover the costs of those
11 improvements and infrastructure replacements,
12 and also would be covering the debt that was
13 approved in 2014, 2015, and 2016. And as I
14 said before, the current rates simply will not
15 cover the debt that has now been approved, and
16 then, finally, to cover operating expenses.

17 And generally, operating expenses are
18 at the rate of inflation. There's perhaps one
19 significant outlier to that, and that is the
20 property taxes. Pennichuck East Utility has to
21 pay property taxes, and those have risen
22 significantly above the rate of inflation. And
23 that is within the current operating expenses
24 that the rate increase is seeking to recover.

1 Pennichuck East Utility is very
2 aggressive in seeking abatements of property
3 taxes where appropriate. They have been
4 successful in their efforts to get property tax
5 abatements. And those efforts are ongoing, and
6 they still have one pending abatement case that
7 they're seeking a reduction in their property
8 taxes, but that has not yet come to a
9 conclusion. And we can't predict at this time
10 at least whether that will come to a conclusion
11 during the course of this rate case.

12 The Company recognizes that this is
13 not an insignificant burden upon the customers
14 of the Company. They understand and have
15 regular conversations with their customers
16 about what this means, and will continue to
17 have those conversations. We recognize and
18 appreciate that water is an essential commodity
19 and its need, and the costs that are associated
20 with that, and they take that very seriously.
21 And in putting together this rate case, they
22 worked very hard to determine where it is that
23 they could reduce the rates and not seek
24 excessive rates.

1 And they took three primary steps in
2 order to try to reduce the rate to come to what
3 is the actual request. One of those steps is
4 to eliminate the 4 CCF minimum on the North
5 Country systems. There are three systems in
6 the North Country that fall within or are
7 within the North Country systems: Birch Hill,
8 in North Conway; Sunrise Lake Estates, in
9 Middleton; and Locke Lake, in Barnstead. And
10 those -- and the Company has recognized that,
11 from the time when that 4 CCF minimum was put
12 into place, those systems had a significant
13 number of seasonal residents, as opposed to
14 year-round residents. And really, that
15 demographic has switched, and has moved more
16 towards a full year-round residency. And the
17 Company has been -- has worked hard to find a
18 way in which it could eliminate that 4 CCF
19 minimum. And in this rate case, they are
20 proposing that they would eliminate that
21 minimum.

22 The second way the Company has worked
23 to try to reduce this rate increase was with
24 regard to the Capital Recovery Surcharge that

1 applies also to the North Country systems. And
2 with this, they were able to do that with two
3 of the systems, with Birch Hill and Locke Lake,
4 by refinancing the existing intercompany loans,
5 and were able to, as a result of that, effect
6 significant reductions in that surcharge for
7 Birch Hill and Locke Lake.

8 Sunrise Estates is not included in
9 that, and that is because, if they were, it
10 would actually result in an increase in their
11 surcharge.

12 Currently, Locke Lake's [Sunrise's?]
13 I think is around \$10.81 on the surcharge. And
14 the reduced surcharge, for Birch Hill and Locke
15 Lake, would bring it down to \$12.81. In Birch
16 Hill, that's from \$46.05, to 12.81. And, for
17 Locke Lake, that's \$16.36, to 12.81. So,
18 that's the reason why Sunrise is not included
19 in that, because it would actually result in an
20 actual increase.

21 So, with those two, they were able to
22 effectuate a significant reduction in what
23 would have otherwise been an even greater rate
24 increase request in this application.

1 And then, finally, the third way in
2 which the Company has sought to reduce the
3 increase that is being sought in this
4 application is with regard to the five-year
5 trailing average that was adopted in 16-806.
6 Normally, there would be the test year, and
7 that test year would be the year upon which we
8 are taking revenue estimates. And instead,
9 under the proposal that is before the
10 Commission and adopting the 16-806 methodology
11 that's used for Pennichuck Water Works, there
12 would be a five-year test revenue averaging.

13 And in looking at that, one of the
14 aspects of what's included in that, in the
15 order in Pennichuck Water Works, 16-806, is an
16 ability to not only do the five-year averaging,
17 but to look at that on a case-by-case basis,
18 and adopt it to the specific circumstances on
19 the case. So, it does not require a five-year
20 averaging. It only starts with that, and then
21 the Staff and OCA are able to work with the
22 Company in terms of modifying that. So, up
23 front the Company has modified that five-year
24 trailing average, and is seeking only

1 50 percent of the trailing average, which, as a
2 result, brings the -- reduced the rate increase
3 request by about two and a half percent.

4 And the Company was, as it was
5 proposing this rate case, was really looking
6 for ways in which it could reduce the rates to
7 what is actually contained within the Petition
8 that is before you.

9 The Company is also seeking a
10 temporary rate of about 80 percent -- of 80
11 percent of the permanent rate, without the --
12 not including the step increase. And that is
13 necessary, given where we are relative to the
14 existing rate methodology and the existing
15 funds that the existing rate methodology brings
16 in, and is necessary for the Company, in the
17 short-term, until a permanent order is in
18 place.

19 Ultimately, the approval of an
20 80 percent temporary rate we think would help
21 smooth out the total impact upon customers.
22 And at the end of the day is not an attempt to
23 obtain more than what's being requested. It's
24 simply an attempt to smooth out and prevent

1 sort of "sticker shock" should the Commission
2 ultimately approve rates when a permanent order
3 is in place.

4 We believe that the Company is going
5 to be able to demonstrate that its rates are
6 just and equitable, and that it is in the
7 public's interest to adopt the 16-806
8 methodology that was approved for Pennichuck
9 Water Works.

10 Thank you very much.

11 CHAIRMAN HONIGBERG: Thank you,
12 Mr. Head.

13 What we're going to do, I think, is
14 have Mr. Buckley and Mr. Speidel state their
15 preliminary positions. Then, Mr. Ranaldi, if
16 you have something you want to add to what
17 you've already filed.

18 And then, understanding that we are
19 at the beginning of this process, rather than
20 the end, if people want to offer comments at
21 this point, they can, in addition to whatever
22 they may have submitted in writing. They may
23 also choose to just have their discussions with
24 the Company, with the OCA, and with Staff. But

1 you guys can think about that as we hear from
2 Mr. Buckley and Mr. Speidel.

3 So, Mr. Buckley.

4 *[Court reporter interruption.]*

5 MR. BUCKLEY: Thank you, Mr. Chairman
6 and Commissioners. The Office of the Consumer
7 Advocate is still evaluating the Petition and
8 testimony, but will today flag for the record
9 several items that we believe may require
10 further investigation. And some of these have
11 been flagged by Attorney Head already.

12 First, their request to recover
13 80 percent of the \$1.3 million permanent rate
14 increase on a temporary basis, beginning with
15 bills rendered on January 1st.

16 Second, the elements driving the
17 variation between the revenue requirements
18 under the 11-026 and 16-806 methodologies,
19 though, we would note that, as Attorney Head
20 has, that now the 16-806 methodology has, in
21 fact, been approved by the Commission for PWW.

22 Third, the impact that eliminating
23 the 4 CCF minimum for the North Country systems
24 may have on the rest of the Company's

1 customers, particularly in light of the fact
2 that there is no cost of service study
3 accompanying this Petition. Though, we would
4 also note that we do appreciate the fact that
5 such an action might move more of the Company's
6 cost recovery toward volumetric rates,
7 encouraging conservation and eliminating that
8 particular burden for low-usage customers.

9 And, fourth, the impact that
10 refinancing the debt obligation associated with
11 the Capital Recovery Surcharge in Birch Hill
12 and Locke Lake will have on the expected
13 lifetime of that debt.

14 That said, the OCA looks forward to
15 working with the parties to reach an expedient
16 and amicable resolution of these and any other
17 issues that may arise during the course of
18 discovery.

19 Thank you.

20 CHAIRMAN HONIGBERG: Thank you,
21 Mr. Buckley. Mr. Speidel.

22 MR. SPEIDEL: Thank you, Mr.
23 Chairman. The Staff expects that, during the
24 pendency of this review proceeding, we'll be

1 engaging in a great deal of examination of the
2 factual record and analysis of the different
3 aspects of the law as it pertains to this rate
4 increase request.

5 In particular, we're going to be
6 taking a very careful look at the accuracy of
7 the data and the numbers that are being
8 provided to the Commission in the context of
9 this rate request. We're going to make sure
10 that the books and records are as accurate as
11 they possibly can be. And, if there are
12 inaccuracies, that they be addressed quickly
13 and promptly, because the burden of proof is
14 borne by the Company to justify its rate
15 increase.

16 In particular, we have heard from a
17 number of ratepayers, members of the public
18 that are customers of Pennichuck East, that
19 this expected rate increase is rather high, and
20 that it would serve as a burden on their
21 budgets. And we hear that message loud and
22 clear. And therefore, it's doubly important
23 that the Company properly justify its rate
24 request with accurate books and records and

1 accurate information.

2 So, in light of that, we're going to
3 be working together with the various parties
4 and the Company. We're going to be crafting a
5 technical session schedule and a discovery
6 schedule, and also a hearing schedule that will
7 give everybody an opportunity to examine the
8 facts at hand very carefully in advance of the
9 final Commission hearing.

10 So, we appreciate the Commission's
11 consideration of this matter. And we look
12 forward to looking -- we're looking forward to
13 working with the other parties.

14 Thank you.

15 CHAIRMAN HONIGBERG: What's the
16 expectation for when we would be considering
17 the temporary rate request?

18 MR. SPEIDEL: I believe that there
19 would be consideration of the request in mid
20 February of next year.

21 CHAIRMAN HONIGBERG: And
22 understanding that this is, as I said, the
23 beginning, any sense of how long it will be
24 before we're ready to hear the merits of the

1 permanent rate increase?

2 MR. SPEIDEL: Staff is targeting mid
3 September of next year.

4 CHAIRMAN HONIGBERG: When --
5 Mr. Head, is that consistent with your
6 expectations, in terms of timing? You'd rather
7 see it earlier than that, but --

8 MR. HEAD: We'd rather see it
9 earlier, obviously. I think, you know, a lot
10 of the issues relative to the rate methodology,
11 we obviously have worked out in large scale
12 with the Pennichuck Water Works case. That
13 took about a year. Our hope was and
14 expectation was that, having gone through that
15 process, this could be somewhat more expedited.
16 And we were looking more in the summer.

17 CHAIRMAN HONIGBERG: All right.
18 Well, that's something you all can discuss
19 during the technical session.

20 *(Chairman and Commissioners*
21 *conferring.)*

22 CHAIRMAN HONIGBERG: Mr. Ranaldi, you
23 shook your head at me when I said that you'd be
24 given a chance to say something else at this

1 time, if you wanted. Is there anything you
2 want to add at this time?

3 MR. RANALDI: No. I prefer to wait
4 till the tech session, especially so I can talk
5 to the OCA --

6 CHAIRMAN HONIGBERG: Fair enough.

7 MR. RANALDI: -- about some of the --
8 the two items he brought up.

9 CHAIRMAN HONIGBERG: Fair enough.

10 MR. RANALDI: Thank you.

11 CHAIRMAN HONIGBERG: Is there any
12 member of the public who wishes to say anything
13 at this time, understanding that you can stay
14 for the technical session and participate in
15 that as well?

16 Yes, sir. Why don't you make sure
17 you have a microphone that's on, in front you,
18 and identify yourself for the record.

19 MR. GIEBINK: There we go. John
20 Giebink and Tom Getz, representing the White
21 Rock Senior Living Community, in Bow. It is a
22 low-income housing tax credit project of about
23 160 units that is regulated under and by the
24 New Hampshire Housing Finance Authority.

1 The project, we live by HUD-issued
2 rent increases, that are not based upon the
3 project's expenses at all; they're based upon
4 cost of living. And in the area that has been
5 averaging zero to 2 percent a year over the
6 past years.

7 As part of our project's offerings
8 are services offered to the elderly on-site,
9 because New Hampshire housing in the state has
10 limited availability of those services. So,
11 this water increase is far above our permitted
12 rent increases and will affect the other
13 services that we are able to offer now to the
14 residents.

15 CHAIRMAN HONIGBERG: Can someone tell
16 me what the rate increase history is for this
17 company, the last few rate increases? Does
18 someone know?

19 MR. WARE: The previous increase --

20 CHAIRMAN HONIGBERG: This is Mr. Ware
21 talking, correct?

22 MR. WARE: Yes. So, the previous
23 increase, prior to this one, was based on a
24 2012 test year, filed in the May-June timeframe

1 in 2013, went into effect in 2014. And I think
2 that was 9.1, 9.2 percent at that stage.

3 Prior to that, the rate case had a
4 test year of 2008, and I can't tell you what
5 the result of that filing was.

6 *(Mr. Ware and Mr. Goodhue*
7 *conferring.)*

8 MR. WARE: So, Mr. Goodhue is
9 refreshing my memory, which isn't as good as it
10 used to be. Actually, the last test year for
11 PEU was 2006, prior to the 2012 test year
12 filing.

13 CHAIRMAN HONIGBERG: Okay. That's
14 helpful. Thank you.

15 Is there anyone else who wishes to
16 say anything at this time?

17 *[No indication given.]*

18 CHAIRMAN HONIGBERG: Commissioner
19 Bailey.

20 CMSR. BAILEY: Attorney Head, in your
21 remarks you mentioned a "15 to 16 percent
22 return on equity". Is that something that has
23 been approved by this Commission?

24 MR. HEAD: I guess I had thought so.

1 But maybe, if I'm wrong about that, I
2 apologize.

3 My only point was that there is no
4 return on equity investment that's being sought
5 in this case. And if my number was inaccurate,
6 then I apologize.

7 If it's -- Mr. Goodhue would be able
8 to speak to that question, if that's all right?

9 CHAIRMAN HONIGBERG: Sure.

10 MR. GOODHUE: Prior to the City's
11 ownership of Pennichuck Corporation, when we
12 were part of a publicly traded company, the
13 allowed return on equity that the Company had
14 was 9.75 percent post-tax, which equates to
15 about 16 percent pre-tax.

16 CMSR. BAILEY: I see.

17 MR. GOODHUE: So, that was included
18 in our rate structure prior to DW 11-026
19 approving the acquisition of Pennichuck
20 Corporation by the City of Nashua.

21 CMSR. BAILEY: And what are your
22 rates based on today?

23 MR. GOODHUE: They're based just on a
24 debt return.

1 CMSR. BAILEY: Okay.

2 MR. GOODHUE: Yes. I mean, if you
3 look at the schedules that are filed, it's
4 about -- I think it's about a 5 to 6 percent
5 weighted average cost of capital, which is all
6 basically debt.

7 CMSR. BAILEY: Thank you.

8 MR. GOODHUE: Yes.

9 CHAIRMAN HONIGBERG: All right. Is
10 there anything else then, before we adjourn the
11 prehearing conference and leave you to your
12 technical session?

13 *[No indication given.]*

14 CHAIRMAN HONIGBERG: All right.
15 Well, thank you all. We will adjourn.

16 MR. HEAD: Thank you.

17 ***(Whereupon the prehearing***
18 ***conference was adjourned at 2:13***
19 ***p.m., and a technical session***
20 ***was held thereafter.)***

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