

January 9, 2013

**PENNICHUCK EAST UTILITY, INC.**

## Request for Fee Proposal – Cost of Service Consulting Services

Cost of Service Allocation and Rate Design and Representation before the  
New Hampshire Public Utilities Commission

Pennichuck East Utility, Inc. (“PEU” or “Company”) is requesting fee proposals from your firm associated with cost of service allocation and rate design “COSS” and representation before the New Hampshire Public Utilities Commission.

PEU provides water service to approximately 6,900 customers via 44 water systems spread among 19 communities. Of the total customers, the customers are primarily residential of approximately 6,550 with the remainder commercial and municipal customers. The systems are relatively small, ranging in size from 5 customers to just over 1,860 customers. Some of the water systems have municipal and private fire protection, some of the water systems have only private fire protection and some of the systems do not have any fire protection. Please note that the rates for all customer classes will be uniform across all of the PEU water systems. PEU serves water customers in Atkinson, Bow, Chester, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Pelham, Plaistow, Raymond, Sandown, Weare, Windham, Barnstead, Middleton, Conway and Tilton, New Hampshire.

In terms of assets, the Company either has small ground water wells or purchased water as the source of supply for its community water systems. Associated with the wells are small treatment systems that remove arsenic, hardness, iron and manganese. For water storage, PEU has 3 precast, prestressed above ground concrete tanks ranging in size from 0.25 to 0.9 million gallons and 38 underground storage tanks of steel or concrete ranging in size from 1,500 to 30,000 gallons in size. PEU has approximately 162 miles of water main with the oldest system dating back to the early 1970’s. PEU’s water mains consist of a mix of cement lined ductile iron water main, PVC and HDPE.

Order No. 25,292 issued by the Public Utilities Commission on November 23, 2011 requires PEU to file a rate case by no later than June 1, 2013 with the test year being 2012. The company expects to commence the preparation for the filing process in the first quarter of 2013, including the completion of the Annual Report filing with the Public Utilities Commission. The Company expects to have following data for the COSS on the following timeline:

1. Preliminary NHPUC Annual Report – March 1, 2013
2. Final NHPUC Annual Report – March 31, 2013
3. Proforma Adjustments to 2012 Year End Financials – March 31, 2013
4. Final Rate Filing with Revenue Requirement – May 17, 2013

The Company requires that the COSS be prepared and ready for filing on or before May 24, 2013. The COSS shall be prepared in an electronic format and all tables shall be flexible and allow changes in data that will ripple through the tables and produce the final distribution of revenues among the revenue classes.

The selected firm shall provide the following services:

1. Prepare the COSS for submission to the New Hampshire Public Utility Commission.
2. Prepare data responses to data requests regarding the COSS. Temporary rate data requests are expected to occur between early July and late September. Historically, COSS data requests occur as part of two rounds of permanent rate data requests that are expected to occur between December 2013 and April 2014.

3. Attend, if necessary, a technical session at the New Hampshire Public Utility to discuss the COSS.
4. Review of staff / intervenor testimony – temporary and permanent rates – to develop data requests
5. Review and develop rebuttal testimony (if required)
6. Revise the initial cost of service allocation and rate design study, as necessary during discovery process or as a result of settlement.
7. Revise the COSS, if necessary to reflect the revenue class distribution for temporary rates.
8. Prepare the final COSS to reflect the revenue class distribution reflecting the final approved expenses and revenue requirement.

In your response, please provide the following general information:

- Name of the firm
- Name of individual who would be responsible for the services
- Location of the office which would service the account
- Experience with the New Hampshire Public Utilities Commission or other states' regulatory bodies
- A list of Cost of Service studies prepared for water utilities

Additionally, the Company requests the following information be provided for the fee proposal:

- Fixed fee for the initial cost of service allocation and rate design study. Attached is the initial cost of service allocation and rate design study from the Company last rate filing in DW 07-032 based on a 2006 test year. Additionally, please note that the Barnstead, Middleton and Conway water systems were transferred from an affiliated company, Pittsfield Aqueduct, to the Company under Order 25,051 in DW 08-052.
- Hourly rates to be charged for each level of consultant who is expected to provide services to the Company for services 2 through 8 as detailed above.
- Does your firm bill a fixed administrative fee for each billing? If yes, what is the percentage?

The Company expects the quoted fees to be in place through the end of the 2013 rate making process which is expected to extend until June 1, 2014.

Please forward the requested information by no later than January 25, 2012 to:

Charles T. Hoepper  
Director of Regulatory Affairs  
Pennichuck Corporation  
25 Manchester Street  
Merrimack, NH 03054

or by email to: [charles.hoepper@pennichuck.com](mailto:charles.hoepper@pennichuck.com).

Once the fees are provided, the Company will ask two finalists to teleconference with the Company's management team possibly on February 4, 5 or 6.

A final decision will be made on February 15, 2013.

Donald L. Ware  
Chief Operating Officer  
Pennichuck Corporation  
(603) 913-2330



## M E M O

July 29, 2014

TO: File

FROM: Charlie Hoepper

RE: Consultant for Pennichuck East Utility, Inc. (PEU) Cost of Service Study (COSS)

Order number 25,292 issued by the New Hampshire Public Utilities Commission and the Settlement Agreement thereunder requires rate cases for Pennichuck Water Works, Inc. (PWW), Pennichuck East Utility, Inc. (PEU) and Pittsfield Aqueduct Company (PAC) to be filed by June 1, 2013. As part of the process in preparing for the rate cases, we have gone through a process to select a consultant who will prepare a Cost of Service Study (COSS) to be submitted as part of the PEU rate filing. The process is being utilized to aid in the justification of the recovery of rate case expenses.

The process followed by the Company in selecting a consultant as follows:

Request for Fee Proposal (RFP) was provided to three qualified firms. Attached is the RFP.

An analysis of comparative costs was performed based on the fee structure provided by the consulting firms and the mix of individuals involved.

One firm was excluded as a finalist as the quoted fixed fee for the preparation of the COSS was significantly higher than the other firms.

The two firms chosen as finalists were very close in fees and experience. RFS/Woodcock was chosen as their experience more closely related to the Company needs. Additionally, the primary consultant, Mr. Woodcock, was located within driving distance to the Company and that, in turn, resulted in reduced travel costs. Attached is the signed agreement with RFS.