

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 15-133

PENNICHUCK WATER WORKS, INC.

Special Contract with Tyngsborough Water District

Order *Nisi* Approving Special Contract

ORDER NO. 25,800

July 28, 2015

In this Order *Nisi*, we approve a petition of Pennichuck Water Works, Inc. (PWW), for a special contract with the Tyngsborough (Massachusetts) Water District (TWD). We find that special circumstances exist which render a departure from PWW's general rate schedules just and consistent with the public interest.

I. BACKGROUND

PWW is a subsidiary of Pennichuck Corporation, which is wholly owned by the City of Nashua. PWW provides retail water service to approximately 27,000 customers in the City of Nashua and in the Towns of Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Plaistow, Newmarket, and Salem. As a consequence of Docket No. DE 98-191, PWW acquired certain property interests at the Pheasant Lane Mall (Mall) in Nashua, which is located in both Nashua, New Hampshire, and Tyngsborough, Massachusetts. The Mall buildings and PWW's retail customers are located in New Hampshire. PWW provides water service to TWD at retail rates, according to Schedule G-M of its tariff. TWD needs to replace a 6-inch meter in its booster station and wants to purchase more water from PWW at a rate that is lower than both PWW's tariff rate and the rate that TWD currently pays to the City of Lowell (Massachusetts) for water.

On May 1, 2015, PWW filed for approval of a special contract with TWD that, if approved, will fully recover the costs of serving TWD and will contribute more fixed-costs revenue than TWD currently contributes under the G-M tariff rate. Along with the special contract, PWW's filing included testimony, a cost of service study, and a statement of special circumstances. The terms of the special contract are based on the results of the cost of service study: essentially, a rate of \$2.094 per hundred cubic feet (CCF); a minimum daily purchase of 250,000 gallons of water; a base monthly fixed fee of \$21,287.60; a fixed monthly charge of \$38.75 for administrative costs; an upfront payment of \$30,000 for replacement of the 6-inch meter and the costs associated with this proceeding; and a limit to TWD's peak day demand and peak hourly demand of 400,000 gallons and 400 gallons per minute, respectively. PWW estimated the expenses to serve TWD as \$63,733, and that the special contract would generate \$255,916 in annual revenue, an increase of \$176,680 over the net revenues TWD pays under the tariff.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2015/15-133.html>.

On May 14, 2015, the Office of the Consumer Advocate (OCA) filed a participation letter. Thereafter, the Commission Staff and the OCA engaged in discovery and held a technical session with PWW. During discovery, PWW corrected the special contract's volumetric rate to \$2.101 per CCF. The increase in that rate results in annual revenues of \$256,305. On July 10, 2015, Staff filed a report of its investigation and the recommendation of Staff and the OCA for approval of the special contract.

II. COMMISSION ANALYSIS

Pursuant to RSA 378:14, no public utility “shall charge or receive a greater or different compensation for any service rendered to any person, firm or corporation than the compensation fixed for such service by the schedules on file with the commission and in effect at the time such service is rendered.” The Commission may deviate from this general rule and approve special contracts for services by a public utility “if special circumstances exist which render such departure from the general schedules just and consistent with the public interest.” RSA 378:18.

Based on our review of the special contract and the Staff and OCA’s recommendation, we find that service to TWD constitutes a special circumstance because of its high level of consumption and the low level of cost associated with providing that service. Importantly, the special contract pricing is based on a recently completed cost of service study, the result of which was that the sales to TWC will generate a net contribution to PWW’s fixed costs. In addition, while TWD can ask to purchase greater quantities in the future, it must provide PWW advance notice. This provision allows PWW to evaluate its capacity to provide the additional demand, and adjust the contract pricing accordingly if necessary. We recognize PWW’s need for stability in usage and revenues and conclude that the provisions of the special contract regarding minimum payment obligations and maximum water use address those needs. Accordingly, we find that special circumstances exist which justify departure from PWW’s schedules of general application. We further find that the terms and conditions of this contract with TWD are just and reasonable, and consistent with the public good in accordance with RSA 378:18.

Based upon the foregoing, it is hereby

ORDERED, that Pennichuck Water Works’ special contract with Tyngsborough Water District is APPROVED; and it is


FURTHER ORDERED, that Pennichuck Water Works shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to no later than August 7, 2015, and to be documented by affidavit filed with this office on or before August 24, 2015; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* may submit written comments or file for the Commission's consideration a written request for a hearing which states the reason and basis for a hearing no later than August 14, 2015; and it is

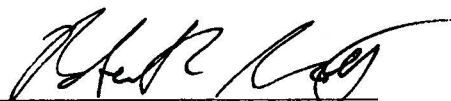
FURTHER ORDERED, that any person interested in responding to such comments or request for hearing shall do so no later than August 21, 2015; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective August 27, 2015, unless Pennichuck Water Works fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of July, 2015.

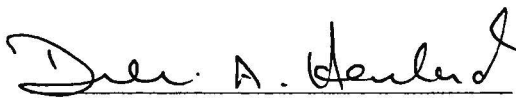


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director