

## **Attachment A**

### **Pennichuck East Utility Qualified Capital Project Adjustment Charge (QCPAC)**

Pennichuck East Utilities, Inc.'s ("PEU") primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. DW 17-128, PEU's 2016/2017 rate proceeding before the New Hampshire Public Utilities Commission (PUC), granted approval for PEU to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows PEU to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge will recover the costs of PEU's ongoing investment in Qualified Capital Projects (QCPs) necessary to provide service to its customers, in compliance with State and Federal regulations, and to maintain its overall water supply and treatment infrastructure in a proactive and responsive manner.

The PUC order for DW17-128 can be viewed at [http://puc.nh.gov/Regulatory/Docketbk/2017/17-128/ORDERS/17-128\\_2018-10-04\\_ORDER\\_26179.PDF](http://puc.nh.gov/Regulatory/Docketbk/2017/17-128/ORDERS/17-128_2018-10-04_ORDER_26179.PDF)

The QCPAC surcharge allows PEU to recover 1.10 times the annual principal and interest for the debt issued to pay for PEU's Qualified Capital Projects (QCPs) expenditures made on plant and equipment placed into service during the prior year plus the property taxes associated with those QCPs. As a part of this annual process, PEU's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels.

Our customers benefit from the QCPAC program as it provides the necessary funding for PEU to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program will also result in smaller annual rate changes for customers by permitting PEU to recover expenses associated with the replacement of aging infrastructure between rate cases rather than seeking large periodic rate increases to cover multiple years of these infrastructure investments.

PEU will be filing a proposed three-year capital expenditure plan for 2019-2021 QCPs with the PUC on or before February 15, 2019. The proposed 2019-2021 QCPs will update a submission of PEU's 2018 through 2020 proposed QCP expenditures, previously filed with the PUC in November of 2018 as required by the PUC order in DW17-128. As part of the February 2019 QCPAC filing, PEU will be requesting the PUC to allow it to implement a QCPAC surcharge of up to 3.5% associated with the QCPs placed in service during 2018. The QCPAC surcharge will apply to meter classes and charges for bills issued to customers on or after April 1, 2019, and, if approved, will be subject to a final order allowing for the assessment of this surcharge beginning in the latter part of 2019.

The requested QCPAC surcharge for 2018 QCPs, if approved, would result in a total QCPAC surcharge of about \$2.64 per month on the average single-family residential bill of \$75.45, resulting in a total monthly bill of \$78.09.

If you have any questions or concerns related to PEU's February 2018 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.

**QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE**

In addition to the net charges provided for in this Tariff, a Qualified Capital Project Adjustment Charge ("QCPAC") surcharge of 2.95% will apply on a service rendered basis to all bills issued after May 1, 2019.

I. General Description

Purpose: To recover the fixed costs (1.1 times principal and interest plus property taxes) of Commission-approved capital expenditures needed to operate maintain, insure regulatory compliance and to replace aging infrastructure which were completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, QCPAC provides the Company with the resources to complete essential asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

QCPAC Eligible Property will encompass all Assets acquired by the Company as part of its annual capital improvements plan. Any regulatory asset that is recovered through an amortization expense is not eligible for QCPAC treatment.

Computation of the QCPAC

The charge effective for all bills issued after May 1, 2019 will be calculated to recover the fixed costs of eligible plant additions not previously reflected in the Company's rate base and placed in service between January 1, 2018 and December 31, 2018. Thereafter, the QCPAC will be updated on an annual basis to reflect eligible plant additions placed in service during the prior calendar year. Thus, changes in the QCPAC surcharge percentage will occur as follows:

<u>Effective Date of QCPAC Change</u>	<u>Date To Which QCPAC Eligible Plant Additions Reflected</u>
May 1, 2019	December 31, 2018

The QCPAC will be applied on a service rendered basis to all bills rendered after May 1, 2019. The QCPAC will be applied uniformly to all customer classes and charges with the exception that the QCPAC will not be applied against the North Country Capital Recovery Surcharge.

Issued: September 30, 2019  
Effective: May 1, 2019

Issued by: \_\_\_\_\_  
Name: Donald L. Ware  
Title: Chief Operating Officer

The fixed costs of eligible infrastructure system improvement projects will consist of principal and interest payments and property taxes calculated as follows:

**Principal and Interest:** The principal and interest expense will be based on the annual principal and interest associated with the financings received the Drinking Water and Groundwater Trust Fund, the New Hampshire Department of Environmental Services State Revolving Loan Fund and a term loan with CoBank, all of which were closed on before or on May 1, 2019 to pay for the QCPAC qualified projects that were completed and used in useful by December 31, 2018. The Principal and interest associated with these various financings will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The revenues collected via the QCPAC surcharge shall be divided into two revenue streams with the revenues associated with 1.0 times the QCPAC principal and interest being part of the Company's Debt Service Revenue Requirement ("DSRR") and the revenues associated with 0.1 times the QCPAC principal and interest being part of the Company's 0.1 Debt Service Revenue Requirement ("0.1 DSRR").

**Property Taxes:** Incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. The property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect at the end of the year the QCP was used and useful times the final audited cost of the eligible QCP's.

**QCPAC Surcharge Amount:** The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

The QCPAC Surcharge Amount approved by the Commission will be recouped back to the effective date of this tariff. The recoupment will be calculated based on actual charges incurred between the effective date of this tariff and the issued date of this tariff and shall be collected as a lump sum on the first bill rendered after the issuance date of this tariff.

Issued: September 30, 2019

Effective: May 1, 2019

Issued by: \_\_\_\_\_

Name: Donald L. Ware

Title: Chief Operating Officer

Formula: The formula for calculation of the QCPAC surcharge is as follows:

$$\text{QCPAC} = \frac{1.1 \times (\text{AP} + \text{AI}) + \text{PT}}{\text{BRWR}}$$

Where:

AP = the annual principal payments associated with the financings issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year.

AI = the annual interest payments associated with the financings issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year the pre-tax return rate applicable to eligible infrastructure system improvement projects.

PT = annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 17-128, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate no later than February 15th of each year.

Audits: The QCPAC will be subject to audit prior to the determination by the Commission.

New Base Rates: The QCPAC charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the QCPAC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in the annual updates of the QCPAC.

Issued: September 30, 2019

Effective: May 1, 2019

Issued by: \_\_\_\_\_

Name: Donald L. Ware

Customer Notice: At least thirty (30) days in advance of a QCPAC filing, the Company will notify Customers of the filing by including an explanatory bill insert with the bills. Before sending, the Company will review the notice with the Commission’s Consumer Services and External Affairs division. Customers shall also be notified of changes in the QCPAC by including appropriate information with the first bill they receive following any change.

Notice of Project Substitution: If, after the Company has received Commission approval for Year 1 QCPAC projects, because of changed circumstances or significant new information the Company plans to undertake projects in Year 1 that were not included on the list of approved QCPAC projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall notify the Commission and all parties to the proceeding in which the list of QCPAC projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved QCPAC projects for that year, based upon information known on a year-to-date basis, from the beginning of the year through the following effective dates, on the associated reporting dates:

**Effective Date**

June 30  
September 30  
November 30

**Reporting Date**

August 15  
November 15  
January 15

Issued:  
Effective: May 1, 2019

Issued by: \_\_\_\_\_  
Name: Donald L. Ware  
Title: Chief Operating Officer

## Attachment C

### **Pennichuck East Utility Qualified Capital Project Adjustment Charge (QCPAC)**

Pennichuck East Utilities, Inc.'s ("PEU") primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. DW 17-128, PEU's 2016/2017 rate proceeding before the New Hampshire Public Utilities Commission (PUC), granted approval for PEU to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows PEU to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge will recover the costs of PEU's ongoing investment in Qualified Capital Projects (QCPs) necessary to provide service to its customers, in compliance with State and Federal regulations, and to maintain its overall water supply and treatment infrastructure in a proactive and responsive manner.

The PUC order for DW17-128 can be viewed at [http://puc.nh.gov/Regulatory/Docketbk/2017/17-128/ORDERS/17-128\\_2018-10-04\\_ORDER\\_26179.PDF](http://puc.nh.gov/Regulatory/Docketbk/2017/17-128/ORDERS/17-128_2018-10-04_ORDER_26179.PDF)

The QCPAC surcharge allows PEU to recover 1.10 times the annual principal and interest for the debt issued to pay for PEU's Qualified Capital Projects (QCPs) expenditures made on plant and equipment placed into service during the prior year plus the property taxes associated with those QCPs. As a part of this annual process, PEU's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels.

Our customers benefit from the QCPAC program as it provides the necessary funding for PEU to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program will also result in smaller annual rate changes for customers by permitting PEU to recover expenses associated with the replacement of aging infrastructure between rate cases rather than seeking large periodic rate increases to cover multiple years of these infrastructure investments.

PEU will be filing a proposed three-year capital expenditure plan for 2019-2021 QCPs with the PUC on or before February 15, 2019. The proposed 2019-2021 QCPs will update a submission of PEU's 2018 through 2020 proposed QCP expenditures, previously filed with the PUC in November of 2018 as required by the PUC order in DW17-128. As part of the February 2019 QCPAC filing, PEU will be requesting the PUC to allow it to implement a QCPAC surcharge of up to 3.5% associated with the QCPs placed in service during 2018. The QCPAC surcharge will apply to meter classes and charges for bills issued to customers on or after April 1, 2019, and, if approved, will be subject to a final order allowing for the assessment of this surcharge beginning in the latter part of 2019.

The requested QCPAC surcharge for 2018 QCPs, if approved, would result in a total QCPAC surcharge of about \$2.64 per month on the average single-family residential bill of \$75.45, resulting in a total monthly bill of \$78.09.

If you have any questions or concerns related to PEU's February 2018 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.

PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolution was adopted by the Board of Directors of the Company on January 25, 2019; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the revised 2019 Capital Expenditure Budget and 2020/2021 Capital Expenditure Plans, as presented at this meeting, are hereby approved.

2. Attachment A to this Corporate Secretary's Certificate is a true copy of the Pennichuck East Utility, Inc. 2019 Capital Expenditure Budget and 2020/2021 Capital Expenditure Plans presented to the Board of Directors of the Company on January 25, 2019 and approved by said Board.

In Witness Whereof, I have hereunto set my hand this 4th day of February, 2019.

  
Suzanne L. Ansara  
Corporate Secretary

# 2019 Capital Budget and 2020/2021 Capex Plans – Pennichuck East Utility

	<u>Total Budgeted for 2018</u>	<u>Total Budgeted in 2019 for Carryover/Multi- year Projects</u>	<u>Total Budgeted in 2019 for New Projects</u>	<u>Total Budgeted for 2019</u>	<u>Total Planned in 2020 for Carryover &amp; New Projects</u>	<u>Total Planned in 2021 for Carryover &amp; New Projects</u>
<b>Main Replacements and Main Replacements</b>	\$ 622	\$ -	\$ 1,663	\$ 1,663	\$ -	\$ 1,223
<b>Booster Stations, Tanks, Generators and Pumps</b>	60	-	120	120	90	90
<b>Water Treatment Media and Miscellaneous Water Supply Upgrades</b>	535	-	70	70	110	85
<b>Service, Hydrants and Meters</b>	270	-	258	258	245	221
<b>North Country Operations Facility</b>	-	-	-	-	-	-
<b>All Other</b>	40	75	311	386	132	132
<b>Subtotals</b>	<u>1,528</u>	<u>75</u>	<u>2,422</u>	<u>2,497</u>	<u>577</u>	<u>1,751</u>
<b>Merrimack River Interconnection with PWW</b>	3,300	-	-	-	-	-
<b>New Londonderry Tank - Woodmont Commons</b>	-	-	700	700	694	-
<b>Locke Lake - Surface Water Intake, Treatment and Mains Upgrade</b>	-	-	200	200	2,400	-
<b>Total Capex Budgeted 2019-2021</b>	<u>\$ 4,826</u>	<u>\$ 75</u>	<u>\$ 3,322</u>	<u>\$ 3,397</u>	<u>\$ 3,671</u>	<u>\$ 1,751</u>