

STATE OF NEW HAMPSHIRE

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January 21, 2020

Attn: Carole Ann Howe
Pennichuck East Utility, Inc.
25 Manchester St.
Merrimack, NH 03054

NHPUC 21JAN20PM2:18

RE: DW 19-035 NHPUC No. 1 – WATER, PEU QCPAC Compliance Tariff Filing - Pages 47 – 50.

Dear Ms. Howe:

Staff reviewed the PEU QCPAC Compliance Tariff filing received on January 17, 2020 in the above-captioned proceeding.

The recently submitted Tariff does not appear to comply with the Commission's Rules or the Commission's Order authorizing the QCPAC.

Staff cites PUC 1603.05 Revisions to Presently Effective Tariffs and PUC 1603.06 Page Designations, Tariff Revisions. Specifically, the Company's Compliance Tariff filing contains an Original Page 47 and an Original Page 48 when the Company's tariff already contains a First Revised Page 47 (cancelled) and a Fifth Revised Page 48 (effective).

In addition, Staff cites page 10, Ordering Clause #1 and #2 and page 11, Ordering Clause #8 of Order 26,313 (December 6, 2019) in Docket DW 19-035. Specifically, the first paragraph of Original Page 47 of the Company's Compliance Tariff filing uses a date of May 1, 2019 when the date should reflect as July 22, 2019.

The last paragraph of Original Page 48 of the Company's Compliance Tariff filing describes collecting the QCPAC Recoupment Charge (the charge from the effective date of the charge of July 22, 2019 to the effective date of the Order, January 6, 2020) "...as a lump sum on the first bill..." when the charge was specifically authorized to be collected over two-months. The language should also reflect that the recoupment charge is calculated from the effective date of the charge (July 22, 2019) and the effective date of the Order (January 6, 2020).

If you have any questions, please contact me at (603) 271-4081 or via e-mail at anthony.leone@puc.nh.gov.

Thank you,

A handwritten signature in black ink, appearing to read 'A. Leone', with a long horizontal flourish extending to the right.

Anthony J. Leone
Utility Analyst, Gas/Water Division

RATH YOUNG PIGNATELLI

Richard W. Head
Of Counsel
rwh@rathlaw.com
DD: 603-410-4322

Please reply to: Concord Office

January 17, 2020

VIA HAND DELIVERY AND ELECTRONIC MAIL

Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

**Re: 2019 Petition of Pennichuck East Utilities, Inc.
Docket No. DW 19-035**

Dear Ms. Howland:

Enclosed please find an original and six copies of the Qualified Capital Project Adjustment Charge for Pennichuck East Utilities, Inc.

Please contact me if there are any questions about this filing.

Very truly yours,


Richard W. Head

RHW/smw
Enclosures

cc: Service List

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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 2.98% 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 July 22, 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>
July 22, 2019	December 31, 2018

The QCPAC will be applied on a service rendered basis to all bills rendered after July 22, 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: January 16, 2020
Effective: July 22, 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 July 22, 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: January 16, 2020
Effective: July 22, 2019

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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.

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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:

<u>Effective Date</u>	<u>Reporting Date</u>
June 30	August 15
September 30	November 15
November 30	January 15

Issued: January 16, 2020
Effective: July 22, 2019

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

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