

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 19-084**

**PENNICHUCK WATER WORKS, INC.**

**Request for Change in Rates**

**Order Approving Final Revenue Requirement and Resulting Rates**

**ORDER NO. 26,425**

**November 24, 2020**

In this order, the Commission authorizes a final revenue requirement of \$35,819,773 and resulting rates for Pennichuck Water Works, Inc. This will result in a revenue increase of \$3,749,745, or 11.85 percent. After deducting the previously approved Qualified Capital Project Adjustment Charge of 4.06 percent, the resulting net revenue increase is \$2,501,648, or 7.90 percent. The average residential customer using 7.77 hundred cubic feet of water and currently paying \$53.09 monthly, will see an increase of \$2.59 per month.

**I. PROCEDURAL HISTORY**

Pennichuck Water Works, Inc., (PWW or the Company), is a regulated water utility that is wholly-owned by the City of Nashua. The Company serves customers in Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow, and Salem. PWW is also an all-debt utility with a unique ratemaking structure. The Company does not have access to equity markets. *See Pennichuck Water Works, Inc.*, Order No. 26,070 (November 7, 2017) (approving PWW's current ratemaking structure).

On July 1, 2019, PWW filed a petition seeking a permanent rate increase for all customer classes and modifications to its ratemaking structure. On June 30, 2020, the Commission approved temporary rates set at current rates, with an April 14, 2020, effective date. *Pennichuck*

*Water Works, Inc.*, Order No. 26,373 (June 30, 2020). On July 24, 2020, the Commission approved a maximum revenue requirement of \$35,839,461, pending the outcome of PWW's \$75 million bond issuance in Docket No. DW 20-055, authorized by the same order.

*Pennichuck Water Works, Inc.*, Order No. 26,383 (July 24, 2020). See Order No. 26,373 and Order No. 26,383 for additional procedural history.

PWW filed a proposal for its final revenue requirement along with a calculation of final rates on September 18, 2020, as directed by Order No. 26,383. Commission Staff (Staff) filed its recommendation on October 9, 2020.

PWW's initial filings and any subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at <https://www.puc.nh.gov/Regulatory/Docketbk/2019/19-084.html>.

## II. POSITIONS

### A. PWW

The Company reported that, as a result of the bond issuance on September 2, 2020, the net annual debt service savings in 2021 for PWW will be \$826,153.74. The bond issuance, consisting of serial bonds and term bonds with annual sinking fund payments, resulted in a total interest cost of 4.01 percent.

According to PWW the interest costs associated with the bond issuance resulted in an 11.85 percent increase in the Company's revenue requirement, inclusive of its previously approved Qualified Capital Project Adjustment Charge (QCPAC) of 4.06 percent.<sup>1</sup> That increase

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<sup>1</sup> The QCPAC is an annual surcharge mechanism the Company employs to fund assets placed in service during each fiscal year between general rate proceedings. See *Pennichuck Water Works, Inc.*, Order 26,128 (May 3, 2018) (providing additional QCPAC background). The Commission approved the current QCPAC at 4.06 percent. See *Pennichuck Water Works, Inc.* Order No. 26,298 (October 9, 2019) (approving current QCPAC charge).

included a Material Operating Expense Factor (MOEF) of 9.50 percent, the maximum amount authorized. *See* Order No. 26,383 at 5 (defining the MOEF as “a percentage factor applied to PWW’s Material Operating Expense Revenue Requirement ... determined in conjunction with the amount available in the Material Operating Expense Revenue Requirement – Rate Stabilization Fund Account” to provide adequate cash coverage).

The Company also calculated the impact of the revenue requirement increase upon customer rates, pursuant to the provisions of the settlement agreement approved by Order No. 26,383. The calculations provided include the approved phase-in of Municipal Fire Protection rates and concurrent impact on Other G-M Charges. *See Pennichuck Water Works, Inc., Settlement Agreement, June 24, 2020, at 42-44.*<sup>2</sup> PWW determined the initial increase in rates for each of the Company’s rate classes, including its five special contracts, are as follows:

<u>General Metered (G-M) Charges:</u>	
G-M Residential Fixed Charges	7.81%
Other G-M Charges	10.17%
Private Fire Protection	71.74%
Municipal Fire Protection	10.17%

<u>Anheuser-Busch, Pennichuck East Utility, Inc., Town of Milford, Town of Hudson, and Town of Tyngsborough Special Contracts:</u>	
Contract Charges	0.00%
Volumetric and Meter Charges	10.17%

The Company indicated that the average residential customer using 7.77 hundred cubic feet of water per month, and currently paying \$53.09 monthly, (including the QCPAC surcharge) will see an increase of \$2.59 per month.

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<sup>2</sup> The settlement agreement set the initial increases of Municipal Fire Protection and Other G-M Charges at the same percentage, 10.17 percent, which subsequently adjusted each year thereafter for six years. The Municipal Fire Protection Service rate will increase by 3.00 percent over the prior year’s rate, while the Other G-M Charges rate will decrease by a corresponding percentage designed to equalize the previously approved revenue requirement.

PWW also submitted illustrative tariffs of resulting customer rates, revised rate case schedules, and an updated attachment to the settlement agreement approved by Order No. 26,383 demonstrating the impact of various rate changes on customer bills. PWW proposed that its tariffs be effective for service rendered as of October 1, 2020, so that the new rates would be effective on the November 2020 bills.

### **B. Staff**

Staff agreed with PWW's calculations and recommended approval of the final revenue requirement and proposed rates. Staff further recommended that the Commission approve implementation of the rate increase at a date no sooner than issuance of this Order, and not October 1, 2020, as initially requested by PWW. PWW concurred with Staff's recommendation.

### **III. COMMISSION ANALYSIS**

We find that PWW's request is appropriate and conforms to the Commission's previous authorization and direction provided in Order No. 26,383. The determination of a final revenue requirement after the issuance of the Company's bond financing was previously anticipated and authorized by the Commission. *See* Order No. 26,383 at 17-18 (“[w]e withhold final determination, however, of the rates, until the bond financing is complete and its effect on the reduction of PWW's debt service is determined”).

We find that the final revenue requirement and resulting rates conform with the mechanism previously approved in Order No. 26,383 and are just and reasonable. As such, we approve a final revenue requirement of \$35,819,773 and the resulting rates. We agree with

Staff's recommendation and allow PWW to implement the rate increase on or after the effective date of this Order.

Pursuant to the settlement agreement approved in Order No. 26,383, we direct PWW to file its final rate case expense request and temporary-to-permanent rate recoupment calculation and proposed surcharges no later than 30 days from the date of this Order for review.

**Based upon the foregoing, it is hereby**

**ORDERED**, that PWW's requested revenue requirement for permanent rates of \$35,819,773 is APPROVED; and it; and it is

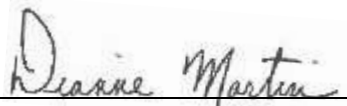
**FURTHER ORDERED**, that PWW is hereby authorized to begin recovery of the increase to its revenue requirement in rates effective with service rendered on and after the date of this order, to be reconciled to temporary rates approved in Order No. 26,373 (June 30, 2020); and it is

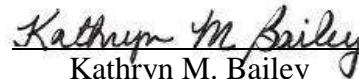
**FURTHER ORDERED**, that PWW shall promptly file properly annotated tariff pages for permanent rates in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Admin. R., Part Puc 1603; and it is

**FURTHER ORDERED**, that PWW shall file within 30 days of the date of this order, documentation of the difference between temporary rates which went into effect on April 14, 2020, and permanent rates as finally determined herein, and file a proposed surcharge for recovering the difference from customers; and it is

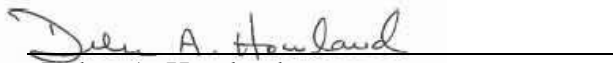
**FURTHER ORDERED**, that PWW shall file its final rate case expense request pursuant to N.H. Admin. R., Puc 1905.02, no later than 30 days from the date of this order.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of  
November, 2020.

  
Dianne Martin  
Chairwoman

  
Kathryn M. Bailey  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director

## Service List - Docket Related

Docket#: 19-084

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