

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 20-__

Pennichuck East Utility, Inc.

2020 Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge

Page

- 1. 2020 Petition of PEU for Qualified Capital Project Annual Adjustment Charge
- 9. Direct Testimony of Donald L. Ware
- 21. Exhibit DLW-1 Pages 1-6, 2018-2022 QCPAC Details
- 27. Attachment A, Sample Bill Insert Customer Notification
- 28. Attachment B, Proposed QCPAC Tariff Pages
- 33. Attachment C, Screen Shot of PEU's website Describing the Pending QCPAC Filing
- 35. Attachment D, PEU Board resolution approving the 2020, 2021 and 2022 Capital Expenditure Projects
- 37. Direct Testimony of John J. Boisvert

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Pennichuck East Utility, Inc.

2020 Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge

Pennichuck East Utility, Inc. (“PEU” or “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), and pursuant to Order No. 26,179 (Docket DW 17-128) petitions the Commission for approval of the Company’s 2019 projects as eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”). PEU also seeks preliminary approval for all capital project expenditures for the Company’s 2020 projects. Finally, PEU provides for informational purposes only the Company’s forecast of capital project expenditures for 2021 and 2022. In support of this Petition, PEU respectfully represents as follows:

Background

1. On September 9, 2017, PEU filed a Request for Change in Rates and a Petition for Specific Modifications to Ratemaking Structure, Docket No. 17-128. Among the requests made in that Petition was to establish a QCPAC enhanced step increase program similar to the one approved for Pennichuck Water Works in Docket No. 16-806.

2. On October 4, 2018 (Order No. 26,179), the Commission approved a settlement that established a QCPAC step increase program. Under the terms of Order No. 26,179, QCPAC eligible projects must meet the following criteria: 1) the capital project proposed by PEU must be

completed, in service, and used and useful within the previous fiscal year for which the QCPAC filing is made; 2) the capital project must have been financed by debt that has been approved by the Commission in accordance with RSA 369; and, 3) the capital projects must specifically correspond with a capital budget which has been previously submitted by PEU and approved by the Commission. Order No. 26,179 at p. 11.

3. Order No. 26,179 describes what should be contained in PEU's annual QCPAC surcharge petition as follows:

Within its annual filing, PEU will provide: (1) its calculation of the QCPAC surcharge associated with capital investments from the previous year; (2) budget information regarding proposed capital projects for the current year; and (3) a detailed forecast of anticipated capital project expenditures for the subsequent two years, for informational purposes only. Customers will receive notice of the proposed surcharge within 30 days of the annual QCPAC filing.

Order No. 26,179 at 11.

4. The QCPAC surcharge consists of: (1) the annual principal and interest payments with respect to the applicable capital project debt, multiplied by 1.1; and (2) incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. Order No. 26,179 at p. 11.

5. The purpose of this Petition is three-fold:

- a. First, this Petition seeks final approval of a QCPAC surcharge based on eligible projects and amounts expended for capital projects in 2019;
- b. Second, this Petition seeks preliminary approval of the capital budget for eligible capital project expenditures in 2020; and
- c. Third, this Petition provides the Commission with information regarding the Company's forecast of capital project expenditures for 2021 and 2022 for which no Commission action is required at this time.

6. Attached to this Petition are the following:
 - a. Direct testimony of Donald L. Ware;
 - (a) Exhibit DLW-1 Pages 1-6, 2018-2022 QCPAC Details;
 - (b) Attachment A, sample bill insert customer notification;
 - (c) Attachment B, Proposed QCPAC Tariff Pages¹;
 - (d) Attachment C, screen shot of PEU's website describing the pending QCPAC filing;
 - (e) Attachment D, PEU Board resolution approving the 2020, 2021 and 2022 capital expenditure projects.
 - b. Direct testimony of John J. Boisvert;

2019 Completed Projects

7. Attached as Exhibit DLW-1 Page 3 to Mr. Ware's testimony is the detailed list of Qualified Capital Projects ("QCP") that were used and useful by December 31, 2019. DLW-1, Page 3, describes, in part, the following: each project that was completed, in service and used and useful in 2019; the NHPUC order approving the debt financing associated with each project; the estimated and unaudited final project costs; and the property tax expense associated with QCPs where applicable. DLW-1, Page 3 also provides an explanation of changes, additions and deletions since the last-filed schedule DLW-1.

8. The Company seeks the Commission's approval of these 2019 projects for recovery under the Company's QCPAC mechanism in 2020, subject to the Commission's audit and prudence review of the final costs associated with those projects.

9. The Company is also requesting a QCPAC surcharge that is calculated to recover 1.1 times the principal and interest payments for the long term debt incurred to fund the capital expenditures on projects that were used and useful on or before December 31, 2019 as well as recovering the projected property taxes on the completed slate of 2019 QCP.

¹ Because the QCPAC tariff pages are all original pages, no track change versions are provided.

10. The basis for the Company's calculation of principal and interest payments, which is outlined in more detail in Mr. Ware's testimony, is as follows:

- a. CoBank Loan: Loan amount of \$803,275 with a projected effective interest rate of 5.5% for a term of 25 years. This loan is expected to close in late June 2020. Once the effective interest rate is known, Exhibit DLW-1 will be updated to reflect the final amount borrowed and the actual interest rate incurred for the CoBank loan.
- b. NHDES SRF Loan: Loan amount of \$966,252 with an interest rate of 2.704% for a term of 30 years. This loan is to fund water main improvements that were completed in 2019. This loan closed on January 9, 2020.

11. Following the issuance of a final 2020 QCPAC order by the Commission and approval of the associated tariff pages, the Company requests that the QCPAC become eligible for recoupment for service rendered after the date for which financing is issued or consummated. The estimated closing date for the CoBank loan is July 31, 2020. The SRF loan is estimated to enter repayment mode around June 1, 2020 with the first monthly principal and interest payment on these loans beginning in July 2020. Absent the ability to recoup all of the cash necessary to pay the accrued interest, as well as the first principal payments on these loans there will be a shortage of cash required to make these first interest and principal payments. It is essential that the Company begin to collect the QCPAC at the same time that interest begins accruing, and the payment obligation starts to run for principal repayments on these loans.

12. Based on the total costs as described in Mr. Ware's testimony and exhibits, and the assumed 5.5% interest rate on the long term CoBank loan, the Company estimates a QCPAC

surcharge of 1.97%. When added to the 2019 QCPAC surcharge approved in Docket DW 19-035, the combined QCPAC surcharge is 4.95%. The average monthly single family bill is \$75.45 (exclusive of the 2.98% 2019 QCPAC surcharge). When combined with the 2019 QCPAC surcharge, the 2019/2020 QCPAC surcharges will result in a QCPAC of \$3.73 per month. Of that amount, \$1.49 per month would be attributed to the surcharge proposed in this Petition.

13. This estimate will be updated once the CoBank loan has been issued and the interest rate is established.

14. The Company is seeking recoupment of the QCPAC between its implementation on a service rendered basis for bills issued after the final QCPAC order has been issued and the tariff pages are approved and the date the Company closed on its loan with CoBank. It is necessary to recoup the QCPAC back to the date of the loan closing with CoBank as interest on the CoBank loan begins accruing on the loan closing date. Interest on the SRF loan begins accruing on March 1, 2019 with the first principal payment on these loans due on August 1, 2019. Absent the ability to recoup all of the cash necessary to pay the accrued interest, as well as the first principal payments on these loans there will be a shortage of cash required to make these first interest and principal payments. The Company is requesting the recoupment be implemented on a service rendered basis in accordance with PUC 1203.05.

2020-2021 Projects

15. This Petition includes the testimony of Mr. Boisvert who provides a description of what the Company considers as major capital projects and the Company's process for developing budgets for major capital projects. Mr. Boisvert also describes the projects started in 2019 that will be completed in 2020 as well as the major projects planned for 2019-2022.

16. Attached to Mr. Ware's testimony is Exhibit DLW-1, Page 4 (Projected 2020 QCPAC Capital Expenditures). In that Exhibit DLW-1, Page 4, the Company has listed in detail the anticipated 2020 Capex projects that were approved by PEU's Board in January 2020. Exhibit DLW-1, Page 4 includes a description of each project, the estimated project cost and whether it has an associated QCPAC eligible property tax expense.

17. The Company is also providing the details regarding its 2021-2022 projects in accordance with Order No. 26,179 for informational purposes only. Details of the 2021-2022 projects are described in Mr. Ware's testimony, Exhibit DLW-1 page 4 (2020) and page 6 (2021).

Payment of FALOC Interest

18. The Company is also seeking approval as part of this petition authority to pay the interest incurred on the fixed asset line of credit ("FALOC") each year by incorporating the interest into the amount borrowed from CoBank.

19. By incorporating the interest into the long term debt, the interest incurred would be capitalized over the life of the QCP's that are subject to the debt. This would allow more cash from the 0.1 DSRR account to be used to prefund capital or refill rate stabilization funds without having to borrow cash.

20. If the Company has more cash available in the 0.1 DSRR account to prefund capital or refill rate stabilization funds without the need to borrow, ratepayers will ultimately benefit by reductions in debt payments that would be recovered through future QCPAC and rate adjustments.

Conclusion

WHEREFORE, by this petition, PEU respectfully requests that the Commission:

(a) Approve PEU's 2019 projects for recovery under the QCPAC mechanism in 2020 and authorize PEU to bill and collect a 2020 QCPAC surcharge, currently estimated to be 1.97%. The requested 1.97% QCPAC surcharge will be recouped on a service rendered basis (back to July 31, 2020);

(b) Approve on a preliminary basis PEU's proposed 2020 projects as being eligible for recovery through the QCPAC surcharge mechanism, subject to the Commission's audit and prudence review of the final costs associated with those projects; and subject to further refinement through quarterly updates filed with the Commission for the purpose of keeping the Commission apprised of the Company's progress with regard to its 2020 projects (to be filed on or before July 15, October 15 and January 15) and further subject to the Commission's review with the Company's 2021 QCPAC filing;

(c) Receive for information purposes only PEU's proposed 2021 and 2022 projects;

(d) Grant PEU authority to pay the interest incurred on the FALOC by incorporating the interest into the amounts borrowed under the for CoBank loan to be used to pay off the FALOC; and

(e) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

Respectfully submitted,

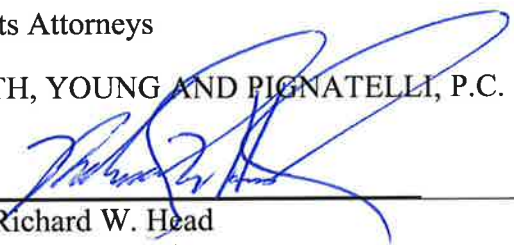
PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: February 13, 2020

By:



Richard W. Head
One Capital Plaza
Concord, NH 03302-1500
603-410-4322
rwh@rathlaw.com

Certificate of Service

I hereby certify that a copy of this petition for approval of financings, including the pre-filed testimony referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at ocalitigation@oca.nh.gov.

Dated: February 13, 2020



Richard W. Head

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**RE: PENNICHUCK EAST UTILITY, INC.
DW 20- ____**

2020 QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE FILING

**DIRECT TESTIMONY
OF
DONALD L. WARE**

February 15, 2020

1 **Professional and Educational Background**

2 **Q. What is your name and what is your position with Pennichuck**

3 **East Utility, Inc.?**

4 **A.** My name is Donald L. Ware. I am the Chief Operating Officer of Pennichuck East
5 Utility, Inc. ("Pennichuck" or the "Company"). I have been employed with the
6 Company since April 1995. I am a licensed professional engineer in New
7 Hampshire, Massachusetts, and Maine.

8 **Q. Please describe your educational background.**

9 **A.** I have a Bachelor of Science degree in Civil Engineering from Bucknell University
10 in Lewisburg, Pennsylvania. I have a Master's in Business Administration from the
11 Whittemore Business School at the University of New Hampshire.

12 **Q. Please describe your professional background.**

13 **A.** Prior to joining the Company, I served as the General Manager of the Augusta
14 Water District in Augusta, Maine from 1986 to 1995. I served as the District's
15 engineer between 1982 and 1986.

16 **Q. What are your responsibilities with the Company?**

17 **A.** As the Chief Operating Officer, I am responsible for the overall operations of the
18 Company, including water quality and supply, distribution, engineering, and
19 customer service.

20 **Q. What is the purpose of your testimony?**

21 **A.** I will be providing details of the Company's annual Qualified Capital Project
22 Adjustment Charge ("QCPAC") filing. This filing will describe the QCPAC projects
23 completed in 2019 and provide a calculation of the Qualified Capital Project

1 (“QCP”) adjustment charge that the Company seeks to implement on a service
2 rendered basis to all customer bills issued on or after July 31, 2020 (projected date
3 of borrowing long term funds necessary to complete the QCP’s from CoBank),
4 subject to the approval of the New Hampshire Public Utilities Commission
5 (“Commission”). The filing will also present the QCP’s proposed for 2020, 2021,
6 and 2022.

7 **Q. What is the authority for the Company’s filing?**

8 **A.** The Commission approved the QCPAC concept in Docket No. DW 17-128, by
9 Order No. 26,179 issued on October 4, 2018.

10 **Q. Did the Company provide notice to customers at least thirty (30) days in**
11 **advance of this QCPAC filing as required by the NHPUC rules?**

12 **A.** Yes. The Company provided notice of the pending 2020 QCPAC filing to all of the
13 Company’s customers via a notice inserted with their December 2019 or January
14 2020 bills. The last set of January 2020 bills were mailed to customers on January
15 9, 2020. A sample of the bill insert is included as Attachment A to this testimony.
16 The bill insert informed customers of the pending QCPAC surcharge filing. The
17 same QCPAC surcharge filing information was posted to Pennichuck’s website as
18 an additional form of customer outreach. A screen shot of the website page
19 describing Pennichuck’s pending QCPAC filing is attached is included as
20 Attachment C to this testimony.

21 **Q. How does this QCPAC petition compare to the QCPAC petition filed in**
22 **February of 2019?**

1 **A.** The petition follows the same format as the Company's February 2019 filing. It
2 builds on the February 2019 QCPAC petition. It advances the elements of the
3 QCPAC cycle by one year by providing a list of the proposed QCP's for the next
4 three years, 2020 through 2022, and presents the QCP's that were completed
5 during 2019, for which the Company is seeking the QCP adjustment charge. See
6 Exhibit DLW-1, page 3 of 6 for the specific list and costs associated with the
7 QCP's completed in 2019. Also found in Exhibit DLW-1 are the details and the
8 calculation of the projected QCPAC for QCP's completed in 2018 and 2019 as well
9 as the QCP's projected to be completed in 2020, 2021 and 2022.

10 **Q. Please describe the form of the Company's QCPAC filings?**

11 **A.** The Company will file a petition for a QCPAC each year sometime prior to
12 February 15th. The annual filing will present the slate of QCPs which the
13 Company filed with the Commission in the previous year, accompanied by a
14 detailed accounting of the projects that were actually completed and were used
15 and useful as of December 31st of the previous year. The filing will also present
16 the calculation of the QCPAC surcharge sought by the Company. The QCPAC
17 surcharge will be calculated to recover 1.1 times the principal and interest
18 payments for the long-term debt incurred, to fund the costs of these completed
19 and used and useful projects. The Company's debt is typically funded via loans
20 with CoBank or the New Hampshire Department of Environmental Services (via
21 either State Revolving Fund (SRF) loans or loans granted from the NH Drinking
22 Water and Groundwater Trust Fund (DWGTF). The CoBank Debt is typically
23 expected to be closed in late June of each year subject to all necessary approvals

1 being attained. The QCPAC surcharge is also structured to recover the projected
2 property taxes on the completed slate of QCPs completed in the year prior to the
3 filing. The annual QCPAC filing also presents the Company's Board approved
4 Capital Expenditures budget for the year of the filing, as well as the approved
5 Capital Expenditure forecasted for the two succeeding years. In accordance with
6 Order No. 26,179, each annual QCPAC filing will seek Commission approval of a
7 QCPAC surcharge based on the capital expenditures that were used and useful in
8 the prior year. Additionally, the Company will seek preliminary approval from the
9 Commission of the capital project expenditures for the current year and will further
10 provide, for informational purposes, the forecast of capital project expenditures for
11 the succeeding two fiscal years.

12 **Q. What expenses is the Company seeking to recover through the 2019**
13 **QCPAC?**

14 **A.** The Company is seeking to recover 1.1 times the annual principal and interest
15 payments associated with two loans totaling \$966,252 million from the SRF loan
16 program, that the Company finalized with the NHDES in January of 2019
17 (approved via Order 26,189 on November 16, 2018 in response to DW 18-132)
18 and \$799,439 of funds to be borrowed from CoBank. The loan with CoBank is
19 expected to close on in late June of 2020. The funds from these loans will be
20 used to pay off short term debt incurred by the Company in 2018 associated with
21 the investment of \$1,769,527 in assets (inclusive of short term interest incurred on
22 the funds borrowed from the CoBank fixed asset line of credit to fund these
23 assets) required to provide water service to the Company's customers. The

1 Company also seeks to recover the property taxes associated with the QCP's that
2 were placed into service during 2019.

3 **Q. What is the basis of the Company's calculation for the Principal and Interest**
4 **payment?**

5 **A. 1.** CoBank Loan – Loan amount of \$803,275 with a projected effective interest
6 rate of 5.5% for a term of 25 years. This loan amount and financing terms will be
7 the subject of a financing petition which will be filed in late February or early
8 March. The final amount of the loan will be based on the 2019 QCP's approved as
9 part of this QCPAC petition and will be used paydown the Fixed Asset Line of
10 Credit used to finance non-SRF/DWGTf QCP's during 2019.

11 **2.** NHDES SRF Loan for Locke Lake Community Water System improvements –
12 The loan amount will be for water main improvements that were completed in 2019
13 in the amount of \$966,252 with an interest rate of 2.704% for a term of 30 years.
14 This loan was approved in Docket DW 18-0132, Order No. 26,189 (November 16,
15 2018). The closing on this loan occurred on January 9, 2019.

16 **Q. When will the Company know the actual effective interest rate on the**
17 **CoBank loan?**

18 **A.** The Company hopes to close on the CoBank term loan in late June of 2020. The
19 actual effective interest rate for the loan will not be known until the loan closing.
20 Once the effective interest rate is known, Exhibit DLW-1 will be updated to reflect
21 the final amount borrowed and the actual interest rate incurred for the CoBank
22 loan.

1 **Q. What is the nature of the 2019 QCPAC eligible projects being submitted by**
2 **the Company?**

3 **A.** As is required by Order No. 26,179, the projects are limited to those that were (1)
4 completed, in service and used and useful on or before December 31, 2019; (2)
5 financed by debt that has been approved by the Commission; and (3) corresponds
6 with a capital budget that has previously been submitted by the Company and
7 reviewed by the Commission. The capital expenditures made by the Company in
8 2018 were for assets that were necessary to provide safe drinking water, fire
9 protection and to maintain customer service to its customers, as required by all
10 State and Federal regulations. The projects for which the Company is seeking a
11 QCPAC surcharge for in 2019 are detailed on Exhibit DLW-1, page 3.

12 **Q. Can you please describe the need for the QCP's detailed in Exhibit DLW-1 of**
13 **this filing?**

14 **A.** Yes. Please see the testimony of the Company's Chief Engineer regarding the
15 QCP's proposed for 2019 through 2021.

16 **Q. What was the basis of the QCP's completed in 2019?**

17 **A.** Pennichuck seeks to replace its assets in a manner that ensure that it can meet its
18 mission of delivering water of sufficient quantity to meets our customer's needs
19 and with a quality that meets all the primary and secondary Safe Drinking Water
20 Act Standards. It also maintains and replaces the assets necessary to carry out
21 the day to day operations and levels of customer service that Pennichuck's
22 customers seek and regulators require.

1 **Q. What are the primary categories of capital improvements the Company plans**
2 **to complete in 2020?**

3 **A.** The Company plans to complete capital improvements in 2020 that fall into each
4 of the following categories:

- 5 1. Replacement of aging infrastructure – This work includes the replacement of
6 water mains that are approaching the end of their useful life or water mains
7 constructed of materials that can cause water quality or water quantity problems.
8 This category also includes the replacement of failed hydrants, gates and services.
9 2. Replacement of water supply equipment that has reach the end of its service
10 life such as well pumps, booster pumps, filter material, filter vessels and chemical
11 feed equipment.
12 3. Investment in special projects such as new water treatment systems required
13 due to changing SDWA standards, replacing aging water tanks, rebuilding booster
14 stations that have reached the end of their useful lives, the construction of a new
15 water mains to supplement water supply or pressure to an area and other similar
16 projects which are unique in nature and occur infrequently.

17 Descriptions of the planned 2020 QCP's are provided on Page 3 of Exhibit DLW-1.

18 **Q. Please explain the differences between the 2020 and 2021 Board approved**
19 **Company Capital Expenditure budgets submitted in the Company's 2019**
20 **QCPAC filing (DW 19-035) and the 2020 and 2021 Board approved Company**
21 **Capital Expenditure budgets submitted with this petition?**

22 **A.** The 2020 and 2021 Board approved Company Capital Expenditure forecasts
23 submitted in DW 19-035 were the forecasts approved in January of 2019. The

2020 and 2021 Board approved Company Capital Expenditure budget/forecast submitted with this petition are the aggregate amounts approved by the Company's Board in January 2020. The changes in the budget reflect project deferments plus a shifting of projects due to more current knowledge regarding when project designs could be completed and permitted. The 2020 Capital Expenditure budget approved in January of 2020 is more reflective of the capital expenditures that the Company hopes to complete in 2020 than the forecast for 2020, as approved in January of 2019, as the Company is one year closer to the work planned in 2020 which results in a clearer picture of the Capital Improvements that need to be accomplished in 2020. A copy of the Secretary's Certificate certifying The Board resolution approving the Company's 2020, 2021 and 2022 capital budget is included with this testimony as Attachment D.

Q. What is the total QCPAC surcharge that the Company is seeking, inclusive of the 2.98% granted in DW19-035?

A. The Company is seeking a total QCPAC surcharge in the amount of 4.95% which consists of the 2.98% granted in DW19-035 in addition to the 1.97% QCPAC surcharge sought in this petition.

Q. When does the Company hope to receive Commission approval for the proposed 2020 QCPAC surcharge of 1.97%

A. The Company is hoping to receive approval of its 2020 QCPAC surcharge by the end of September 2020.

Q. How will the QCPAC surcharge show up on the customer's bill?

1 **A.** The QCPAC will show on the customer's bill as a separate line item and will be in
2 the form of a surcharge. The surcharge will be based on the Commission-granted
3 percentage for the QCPAC surcharge sought in the petition. The surcharge
4 percentage will be applied against all customer charges and classes with the
5 exception of the fixed charges associated with the North Country Capital Recovery
6 Surcharge.

7 **Q. Will a tariff be filed for the QCPAC?**

8 **A.** Yes. A draft of the QCPAC proposed tariff pages is attached to this testimony as
9 Attachment B.

10 **Q. Is the Company seeking recoupment of the QCPAC?**

11 **A.** Yes. The Company is seeking recoupment of the QCPAC between its
12 implementation on a service rendered basis for bills issued after:

13 1. The final QCPAC order has been issued,

14 2. The tariff pages are approved associated with the QCPAC order

15 with the service rendered date being the date the Company closed on its loan with
16 CoBank. It is necessary to recoup the QCPAC back to the date of the loan closing
17 with CoBank as interest on the CoBank loan begins accruing on the loan closing
18 date. The estimated closing date for the CoBank loan is July 31, 2020. The SRF
19 loan is estimated to enter repayment mode around June 1, 2020 with the first
20 monthly principal and interest payment on these loans beginning in July 2020.

21 Absent the ability to recoup all of the cash necessary to pay the accrued interest,
22 as well as the first principal payments on these loans there will be a shortage of
23 cash required to make these first interest and principal payments. It is essential

1 that the Company begin to collect the QCPAC at the same time that interest
2 begins accruing, and the annual “clock” starts to run for principal repayments on
3 these loans.

4 **Q. What is the projected impact of the 2019 QCPAC on a single family monthly**
5 **residential bill?**

6 **A.** The average monthly single-family bill is currently \$75.45 (exclusive of the 2.98%
7 QCPAC granted in DW19-035). The projected QCPAC of 4.95% (which includes
8 the 2.98% QCPAC) will result in a QCPAC of \$3.73 per month which is an
9 increase of \$1.49 per month over the current surcharge amount of \$2.25 per
10 month.

11 **Q. If granted, over what period of time does the Company expect to recoup the**
12 **QCPAC not collected between the bond issuance date and the**
13 **Commission’s final order date?**

14 **A.** Assuming a loan closing date of July 31, 2020 and a fully approved and tariffed
15 QCPAC by October 31, this would result in about three months of QCPAC’s to be
16 recouped. For the single-family residential customers this would result in a
17 recoupment amount of about **\$4.47**

18 . The Company is requesting to recoup the uncollected QCPAC in one month, as it
19 not only needs the inclusion in rates back to the loan closing date, but also the
20 collection of cash related to the recoupment QCPAC surcharge needed to make
21 the initial interest and principal payments.

22 **Q. When will the QCPAC be eliminated?**

1 **A.** The QCPAC will be changed from a surcharge to a permanent rate at each rate
2 case resulting in the QCPAC percentage being reset to 0% with each rate case.

3 **Q.** **Do you have any additional testimony to offer?**

4 **A.** No. This completes my testimony.

5

Pennichuck East Utilities, Inc.
DW 20-xxx
2020 QCPAC Filing
2/9/2020

Exhibit DLW-1
Page 1

	DW17-128 Approved				Projected QCPAC	Projected QCPAC For	Projected QCPAC	Projected QCPAC For	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected QCPAC	Projected 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Notes:

- (1) Operating Expense Revenue requirement is the sum of the Total Operating Expenses, Property Tax Expense and Amortization Expense approved in DW17-128
- (2) Annual Principal and interest payments for PEU debt associated with all plant in service as approved in DW17-128
- (3) Principal and interest coverage of 1.10 is as approved in DW17-128
- (4) QCPAC operating expense proformas are based on the property taxes for plant added during the year.
- (5) See Calculation of annual principal and interest payments on spreadsheet titled "2018 QCPAC PEU Additions"
- (6) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1/2018 and 12/31/2018 based on a 25 year term loan with an actual total all in interest rate of 4.38% that was not recovered in DW17-128
- (7) QCPAC percent revenue surcharges based on increase in revenues over the step revenues granted in DW17-128, exclusive of prior QCPAC surcharges.
- (8) 2018 Proforma Operating Expenses include a reduction in purchased water expenses associated with the completion of the PWW-PEU Interconnection in the amount of \$ 180,500
- (9) Cumulative surcharge percentage is based on total surcharge revenues collected divided by the step revenues granted in DW17-128
- (10) QCPAC operating expense proforma associated with property taxes is reduced by \$ 70,000 to reflect reduction in purchased water costs associated with the completion of the Londonderry Storage Tank
- (11) QCPAC operating expense proforma associated with property taxes is reduced by \$ 28,000 to reflect reduction in arsenic treatment costs associated with the completion of the Locke Lake raw water well line to the Peacham Road Treatment plant
- (12) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1 and 12/31 for designated year based on a 25 year term loan with an actual total all in interest rate of 5.50% that was not recovered in DW17-128

Impact on PEU Single Family Residential Home:

Monthly meter charge granted in DW17-128, inclusive of Step increase -	\$	20.70
Average Single Family Consumption (CCF) -		7.29
Consumption Charge granted in DW17-128, inclusive of Step increase -	\$	7.51 per CCF
Average Single Family monthly bill with rates granted in DW17-128, inclusive of step -	\$	75.45

Project Name/Description	Project Description	Work Order #	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order	2018 Board Approved Budgeted Amount	Estimated Project Cost as of 10/31/2018	Final Project cost as of 12/31/2018	Community	Eligible for 2018 QCPAC Surcharge?	Taxable	Tax Rate (%)	QCPAC Eligible Property Tax Expense	Explanation for Change/ Addition/Deletion since 1/30/2018
Brady Avenue ⁶	Replace 2,400 linear feet of existing 1.5" thin wall HDPE water main with new 8" diameter ductile iron water main	1703684 & 1807069	DW17-055	26,006	4/19/2017	\$ 379,600	\$ 598,000	\$ 618,983	Derry	Yes	Yes	\$ 30.59	\$ 18,935	
Hillcrest Road	Replace approximately 1,200 linear feet of existing 12" thin wall ductile iron water main with high break history through swamp with 12" HDPE.	1707188 & 1807072	DW17-055	26,006	4/19/2017	\$ 242,000	\$ 240,000	\$ 254,860	Litchfield	Yes	Yes	\$ 26.84	\$ 6,840	
PEU-PWW Interconnection ⁸	Interconnect PEU to PWW under Merrimack River	See Below	DW17-055/Pending filing ⁷	26,006	4/19/2017	\$ 3,300,000	See Below		Merrimack/Litchfield	Yes	Yes			
PEU-PWW Interconnection	Interconnecting Water Main - Owned by PEU	1807155, 1807362, 1608938, 1701789	See above	See above	See above	\$ \$ Included above	\$ 3,515,850	\$ 3,335,078	Merrimack/Litchfield	Yes	Yes	\$ 27.88	\$ 92,982	
PEU Contribution toward PWW water main upgrade	Interconnecting Water Main - Owned by PWW (50% PEU paid portion)	1807148				\$ 33,925	\$ 33,925	\$ 33,925	Merrimack/Litchfield	Yes	No	\$ 27.88	\$ -	No property tax obligation for PEU as this is a PWW asset. PEU contribution to this PWW asset per NHPUC Order #26/049 on DW17-071.
PEU-PWW Interconnection Station Bldg & Construction	Booster Station, including purchase of building and meter from PWW	1813395				\$ 340,000	\$ 339,864	\$ 339,864	Merrimack	Yes	Yes	\$ 28.92	\$ 9,829	
Locke Lake Treatment Design	Design treatment for new Source of Supply required by NHDES Corrective Action Plan	1813409	DW18-132			\$ 100,000	\$ -	\$ -	Barnstead	No	Yes	\$ 27.10	\$ -	Design work for project that is not used and useful is not eligible for QCPAC Surcharge
Atkinson Commerce Park Station Imp.	Rebuild Booster Station, Replace Atmospheric Storage Tanks	Deferred	Pending Filing ⁷			\$ 330,000	\$ -	\$ -	Atkinson	Yes	Yes	\$ 22.35	\$ -	Project deferred due to Engineering resources being diverted to design Bedford/Litchfield PEOA facilities
Booster/Well/Chem Feed pump replacements	Replace small booster/well/chemical feed pumps as they fail (run rate) (21)	760 - 763 workorders	Pending Filing ⁷			\$ 60,000	\$ 100,200	\$ 92,476	Various	Yes	Yes	\$ 27.72	\$ 2,563	24 through December 31, 2018
Install/replace treatment systems in small CWS	Replace failed CWS treatment systems. Install new CWS treatment system if water quality or standards requires it.	n/a	Pending Filing ⁷			\$ 25,000	\$ 5,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Misc. Structural Improvements	Repair/replace aging/failed station structures as needed	n/a	Pending Filing ⁷			\$ 20,000	\$ -	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous Fencing and Security projects	Install fencing/security facilities as needed	n/a	Pending Filing ⁷			\$ 10,000	\$ -	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous SCADA/Electrical	Install/repair/replace SCADA/Electrical equipment as needed		Pending Filing ⁷			\$ 30,000	See Below	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	2 more VFD failures are projected through year end.
Miscellaneous SCADA/Electrical	Replace Pump #4 VFD at Castle Reach	1819462	Pending Filing ⁷			\$ \$ for these projects from annual run rate budget above	\$ 3,944	\$ 3,944	Various	Yes	Yes	\$ 27.72	\$ 109	
Miscellaneous SCADA/Electrical	Replace Pump #2 VFD at W&E	1816163	Pending Filing ⁷			\$ 3,013	\$ 3,013	\$ 3,013	Various	Yes	Yes	\$ 27.72	\$ 84	
Miscellaneous SCADA/Electrical	Replace Pump #5 VFD at Castle Reach	1807058	Pending Filing ⁷			\$ 4,145	\$ 4,145	\$ 4,145	Various	Yes	Yes	\$ 27.72	\$ 115	
Miscellaneous SCADA/Electrical	Replace Well Pump #13 VFD at Locke Lake	1818296	Pending Filing ⁷			\$ 2,639	\$ 2,684	\$ 2,684	Various	Yes	Yes	\$ 27.72	\$ 74	
Well Rehabilitation	Rehab wells as necessary to restore efficiency as needed	n/a	Pending Filing ⁷			\$ 60,000	\$ 15,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	Only one projected well rehab to occur in 2018 vs. 4 in budget.
5 New Services	Single Family, Owner Build, New Homes	720 workorders	Pending Filing ⁷			\$ 23,000	\$ 32,800	\$ 27,558	Various	Yes	Yes	\$ 27.72	\$ 764	8 services added through December
10 Renewed Services	Replacement of failed services	721 & 722 workorders	Pending Filing ⁷			\$ 40,000	\$ 17,400	\$ 18,667	Various	Yes	Yes	\$ 27.72	\$ 517	9 services replaced through December
2 Hydrants	Replacement of non functional hydrants	730 & 731 workorders	Pending Filing ⁷			\$ 10,000	\$ 10,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Reported in 2018.
10 Valve Replacements	Replacement of Failed Gate Valves	712 workorders	Pending Filing ⁷			\$ 30,000	\$ 12,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Reported in 2018.
75 New Meters (growth) 5/8"-2"	New meters for new customers	750 workorders	Pending Filing ⁷			\$ 22,500	\$ 14,500	\$ 70,429	Various	Yes	Yes	\$ 27.72	\$ 1,952	531 replacements through December 31, 2018 inclusive of new and replacement meters
719 New Meters for Lead Meter exchanges 5/8"-6"	Replace High lead brass meter with new no lead brass meter	750 workorders	Pending Filing ⁷			\$ 144,000	\$ 143,400	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Radio Reads	New and replaced radios for meter reading (123)	754 workorders	Pending Filing ⁷			\$ -	\$ 17,100	\$ 18,606	Various	Yes	Yes	\$ 27.72	\$ 516	249 Radio replacements were completed through December 31, 2018
Investment in Developer Installed Services	One times revenue tariffed amount (57)	n/a	Pending Filing ⁷			\$ -	\$ 42,500	\$ 47,838	Various	Yes	Yes	\$ 27.72	\$ 1,326	Required by Tariff. Not in 2018 Board Approved Budget
Insertion Valve Install	Installation of Insertion Valve on 16" Main MWV	1824544	Pending Filing ⁷			\$ -	\$ 25,000	\$ -	Londonderry	Yes	No	\$ 26.15	\$ -	MWV was going to shut service off for all of Londonderry for a hydrant repair. Insertion valve allowed hydrant replacement without losing service to any of Londonderry. Not included in QCPAC as this will be funded with 0.1 DSRR cash.
Chlorine Transfer Pump for NC Operations	Purchase new chlorine transfer pump to transfer bleach solution from large drum containers to smaller transportable containers	1817322	Pending Filing ⁷			\$ -	\$ 2,587	\$ 2,587	Various	Yes	Yes	\$ 27.72	\$ 72	
Hardwood New Source	Hardwood New Source	1701877	Pending Filing ⁷					\$ 6,285	Windham	Yes	Yes	\$ 27.57	\$ 173	
Locke Lake, Varney Rd Area	Locke Lake, Varney Rd Area - Clean up and final Paving	1817280	Pending Filing ⁷					\$ 94,050	Barnstead	Yes	Yes	\$ 27.10	\$ 2,549	
Locke Lake Well 14 VFD	Locke Lake Well 14 VFD	1900391	Pending Filing ⁷					\$ 8,608	Barnstead	Yes	Yes	\$ 27.10	\$ 233	
Short term interest	Short term interest on FALOC and SRF loans to fund 2018 Capex							\$ 39,547		Yes	No		\$ -	
Total 2018 Board Approved PEU Capital Expenditures -						\$ 4,826,100	\$ 5,179,004	\$ 5,023,146					\$ 139,634	
Projected 2018						\$ -	\$ 5,179,004							

				Projected Annual P&I Payments	
Amount to be funded with 2019 Loan from CoBank ²⁷ -				\$	76,800
Amount to be funded SRF loan for Brady Avenue watermain replacements ³ -				\$	23,215
Amount to be funded SRF loan for PWW/PEU Interconnection ⁴ -				\$	146,210
Amount to be funded SRF loan for Hillcrest Road watermain replacements ⁵ -				\$	14,888
Amount to be funded with Drinking Water and Groundwater Trust Fund Grant -				\$	-
Total Projected 2018 QCPAC P&I -				\$	261,114

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000
2. Final CoBank Loan Terms are 25 Years at 4.38%
3. Projected Brady Ave. SRF Terms are 30 Years at 1.96% with 10% Principal forgiveness
4. Projected PWW/PEU Interconnection SRF Terms are 20 Years at 1.96%
5. Projected Hillcrest Road SRF Terms are 20 Years at 1.96%
6. Brady Ave was budgeted in 2 phases by the Board, Phase I was in the 2017 Capital Budget and Phase II was in the 2018 Capital Budget with the total project budget estimated at \$ 254,860 of which \$ 10,471 is internal engineering that can not be funded with SRF funds.
7. The cash to fund the "pending filing" projects in 2018 was borrowed from CoBank through the short term Fixed Asset Line of Credit (FALOC) approved in DW17-157. PEU will be filing for approval to borrow long term funds from CoBank in the Winter of 2019 to repay the CoBank FALOC.
8. Eliminate AFDUC on PWW-PEU Interconnect Project in the amount of \$ 95,807

Project Name/Description	Project Description	Work Order #	Board Approved 2019 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order	Source of Funding	Eligible for 2020 QCPAC Surcharge	Eligible for 2020 QCPAC Surcharge	Estimated Project Cost as of 6/30/2019	Estimated Project Cost as of 9/30/2019	Estimated Project Cost as of 11/30/2019
Elevated Storage Tank in Londonderry ¹	Construct 1.25 MG Elevated Storage Tank	1818349, 1901641	\$ 700,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ 700,000	\$ -	\$ -
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP	1901642	\$ 440,000	DW18-132	26,006	11/16/2018	SRF	No	\$ -	\$ 595,088	\$ -	\$ -
Locke Lake Surface Water Treatment	Design and Permitting of treatment and intake for Locke Lake surface water	combined with below	\$ 200,000	DW18-132	26,006	11/16/2018	SRF	No	\$ -	\$ 200,000	\$ -	\$ -
Locke Lake treatment evaluation	Pilot different treatment technologies to treat Locke Lake surface water	1813409, 1900433	\$ 75,000	DW18-132	26,006	11/18/2018	SRF	No	\$ -	\$ 75,000	\$ -	\$ -
Georgetown Area water main replacements	2018 Surveying costs	1917479	\$ -	DW18-132	26,006	11/16/2018	SRF	Yes	\$ -	\$ -	\$ -	\$ 20,845
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901644	\$ 619,300	DW18-132	26,006	11/16/2018	SRF	Yes	\$ 619,300	\$ 682,478	\$ 640,567	\$ 580,142
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901645	\$ 253,000	DW18-132	26,006	11/18/2018	SRF	Yes	\$ 253,000	\$ 278,810	\$ 278,810	\$ 219,136
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC	1901646	\$ 132,000	DW18-132	26,006	11/16/2018	SRF	Yes	\$ 132,000	\$ 145,466	\$ 265,466	\$ 415,239
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901647	\$ 68,200	DW18-132	26,006	11/16/2018	SRF	Yes	\$ 68,200	\$ 75,157	\$ 75,157	\$ 41,868
PEU-PWW Interconnection (Merrimack to Litchfield)	Carryover Costs (over 2018 SRF Funding)	1900424, 1900434, 1908514	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 59,691
Upgrade Michells Way PRV Pit	Add additional pit with power and motor control valve to work with dist. System.		\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ 45,000	\$ 45,000	\$ -
Rolling Hills Water Main Replacement	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC	1825265, 1901649, 1918198	\$ 150,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 150,000	\$ 150,000	\$ 165,000	\$ 210,000
1x revenue investments Normal Run Rate with two months of PFOA in Litchfield	Per Tariff	n/a	\$ 96,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 96,000	\$ 94,880	\$ 44,000	\$ 37,500
Alexander Road, Water Main Upsizing	Alexander Road, Water Main Upsizing	1908374	\$ 26,253	DW19-069	26,253	5/22/2019	0.1 DSRR	No	\$ 1,120	\$ 1,120	\$ 1,120	\$ 1,120
Nashua Rd 4" Main Relocation - Carryover Charges	Nashua Rd 4" Main Relocation - Carryover Charges	1829926 & 1906036	\$ -	DW19-069	26,253	5/22/2019	0.1 DSRR	No	\$ -	\$ -	\$ 1,201	\$ 16,676
Weinstein/Dame Station Upgrades	Weinstein/Dame Station Upgrades	1506139, 1603114, 1703756, 1813249, 1907079		DW19-069	26,253	5/22/2019	Cobank Loan	Yes		\$ 108,286	\$ 108,286	\$ 108,286
Booster Pump replacement/rebuild	Replace small booster pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 32,000	\$ 30,000
Booster Pump replacement/rebuild	W&E Booster, Replace 3 pump motors, install 3 VFD drives	1915423	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 8,000	\$ 8,000
Well Pump replacements	Replace well pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 48,000	\$ 48,000
Chemical Feed pump replacements	Replace Chemical feed pumps as they fail (run rate)	760 - 763 workorders	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 8,200	\$ 10,000
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS	n/a	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 25,000	\$ 15,000
Misc. Structural Improvements	Misc. Structural Improvements	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ 10,000
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects	n/a	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 30,000	\$ 30,000	\$ 10,000	\$ 2,500
Miscellaneous SCADA/Electrical	Replace VFD Booster #3, Liberty Tree	1910159	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,720	\$ 1,720
Miscellaneous SCADA/Electrical	Replace VFD, Booster #2 - Forest Ridge	1915363	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,742	\$ 1,742
Miscellaneous SCADA/Electrical	Replace VFD, Booster #1 - Spruce Pond	1915856	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 2,156	\$ 2,156
Miscellaneous SCADA/Electrical	Replace Generator Control Unit, Hardwood	1916937	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 2,115
Well Rehabilitation	Well Rehabilitation	n/a	\$ 60,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Atkinson Booster pump station design	Atkinson Booster pump station design	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ -	\$ -	\$ -
Replace softner media, W and E	Replace softner media, W and E	1901650	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ -	\$ -
Add communications between remote facility and Nashua WTP	Install web based communication equipment, 4 locations	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Add communications between remote facility and Nashua WTP	Install web based communication equipment, Forest Ridge	1901651	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 4,488
Pennichuck East Survey Work	Pennichuck East Survey Work	1702834						No				
New Services (5)	Single Family, Owner Build, New Homes	720 workorders	\$ 23,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 23,000	\$ 23,000	\$ 13,200	\$ 14,560
Renewed Services (10)	Replacement of failed services	721 & 722 workorders	\$ 46,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 46,000	\$ 46,000	\$ 35,000	\$ 35,824
Hydrants (5)	Replacement of non functional hydrants	730 & 731 workorders	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 11,000	\$ 9,911
Gates (8)	Replacement of Failed Gate Valves	712 workorders	\$ 32,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 32,000	\$ 32,000	\$ 21,500	\$ 27,255
Radios (550)	New and replaced radios for meter reading	754 workorders	\$ 55,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 15,000	\$ 15,000	\$ 16,500	\$ 21,500
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers	750 workorders	\$ 22,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 22,000	\$ 22,000	\$ 90,000	\$ 85,000
Meters 5/8"-6" Lead Meter Exchange - PEU (550)	Replace High lead brass meter with new no lead brass meter	750 workorders	\$ 55,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 55,000	\$ 55,000		
PEU Capitalized short term project interest	Short term interest on CoBank FALOC from July 2019 through July 2020							Yes				

Pennichuck East Utilities Baord approved 2019 Capital Expenditures - \$ 3,286,500 \$ 1,801,500 \$ 3,634,285 \$ 2,058,625 \$ 2,040,274

Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment (Based on Board approved 2019 Budget) - \$ 1,841,500

Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, June 30 Update - \$ 2,063,077

Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Sept 30 Update - \$ 2,056,304

Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Nov 30 Update - 2,022,478

Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Final Update⁷ -

Funded with SRF Funds - \$ 1,072,500 \$ 1,100,000 \$ 1,100,000 1,100,000
Amount to be funded with 2020 Loan from CoBank⁴ - \$ 769,000 \$ 963,077 \$ 956,304 922,478

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000
2. The Londonderry Tank will not be used and useful in 2019 and hence it is not qualified to be included in QCPAC
3. The 2020 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.
4. Projected CoBank Loan Terms are 25 Years at 5.5%
5. Projected SRF Terms for Locke Lake project are 30 Years at 2.704%
6. Amount of 2019 projects funded with 0.1 DSRR funds
7. This is the QCPAC eligble project costs less any that were funded with 0.1 DSRR funds

resulting in Annual P&I of \$ 59,884 based on 011/30/2019 update
resulting in Annual P&I of \$ 47,430 based on 011/30/2019 update

Pennichuck East Utilities, Inc.
DW 20-xxx
2020 QCPAC Filing
Board Approved 2020 Capital Expenditures²

Exhibit DLW-1
Page 4

Project Name/Description	Project Description	Work Order #	Board Approved 2020 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
Londonderry Storage, Booster Station, and Transmission Main	Construct 1.25 MG Groung Level Storage Tank, 3,500 gpm Booster Station and 6300 LF 16 inch Transmission Main		\$ 1,545,000	CoBank	Pending Filing	
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP		\$ 540,000	DW18-132	26,006	11/16/2018
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC		\$ 10,000	DW18-132	26,006	11/18/2018
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC		\$ 10,000	DW18-132	26,006	11/20/2018
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC		\$ 239,000	DW18-132	26,006	11/22/2018
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC		\$ 5,000	DW18-132	26,006	11/24/2018
Route 28 Replacement	Replace 720 LF of 2" PE with 720 LF of 4" C-900 PVC.		\$ 80,000	DW18-132	26,006	11/26/2018
Rolling Hills Water Main Replacement - Site Restoration from 2019 Project	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC		\$ 32,000			
Locke Lake Surface Water Treatment	Intake & Treatment Facility Construction		\$ 835,000	DW18-132	26,006	11/26/2018
Pelham Main Replacement/Addition	Replace 1600 LF of 3 inch PE with 12 in C-900 and add 775 LF of 12 in C-900 Monticello & Lane		\$ 285,000	CoBank	Pending Filing	
1 x revenue investments Normal Run Rate	Per Tariff		\$ 100,000	CoBank	Pending Filing	
Sunrise Estates	Station Replacement (design)		\$ 40,000	0.1 DSRR		
Londonderry Core Re-Chloramination	Re-chloramination Evalution and Preliminary Design		\$ 35,000	0.1 DSRR		
Atkinson Booster pump station design	Atkinson Booster pump station design		\$ 30,000	0.1 DSRR		
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank	Pending Filing	
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank	Pending Filing	
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank	Pending Filing	
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank	Pending Filing	
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank	Pending Filing	
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank	Pending Filing	
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank	Pending Filing	
Atkinson Station Rebuild	Station cannot provide requirede fire flow. Hydropneumatic tank is in need of replacement		\$ 500,000	CoBank	Pending Filing	
Install web based communication equipment, 4 locations	Install web based communication equipment, 4 locations		\$ 20,000	CoBank	Pending Filing	
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank	Pending Filing	
Renewed Services (10)	Replacement of failed services		\$ 55,000	CoBank	Pending Filing	
Hydrants (5)	Replacement of non functional hydrants		\$ 30,000	CoBank	Pending Filing	
Gates (8)	Replacement of Failed Gate Valves		\$ 32,000	CoBank	Pending Filing	
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 32,000	CoBank	Pending Filing	
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers (220)		\$ 22,000	CoBank	Pending Filing	
Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget -			\$ 4,737,000			

Pennichuck East Utilities Projected 2020 C

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000

2. The 2020 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.

3. Projected CoBank Loan Terms are

25 Years at5.5%resulting in P&I of\$ 217,162

4. Projected SRF Terms for Locke Lake project are

30 Years at2.704%resulting in P&I of\$ 43,393

5. Locke Lake Surface Water Treatment project completed in late 2021 at a total projected cost of

Pennichuck East Utilities, Inc.
DW 20-xxx
2020 QCPAC Filing
Board Approved 2021 Capital Expenditures²

Project Name/Description	Project Description	Work Order #	Board Approved 2021 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
Locke Lake Surface Water Treatment ⁵	Intake & Treatment Facility Construction		\$ 1,065,000	DW18-132	26,006	11/26/2018
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank	Pending Filing	
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank	Pending Filing	
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank	Pending Filing	
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank	Pending Filing	
Middleton Station Re-build	Middleton Station Re-build		\$ 300,000	CoBank	Pending Filing	
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank	Pending Filing	
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank	Pending Filing	
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank	Pending Filing	
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank	Pending Filing	
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank	Pending Filing	
Renewed Services (10)	Replacement of failed services		\$ 55,000	0.1 DSRR	Pending Filing	
Hydrants (5)	Replacement of non functional hydrants		\$ 30,000	CoBank	Pending Filing	
Gates (8)	Replacement of Failed Gate Valves		\$ 32,000	CoBank	Pending Filing	
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 32,000	CoBank	Pending Filing	
New meters for new customers (220). Replacement of failed meters (80)	New meters for new customers (220)		\$ 30,000	CoBank	Pending Filing	
Meters 5/8"-6" Lead Meter Exchange - PEU (400)	Replace High lead brass meter with new no lead brass meter		\$ 40,000	CoBank	Pending Filing	
2021 Radios (1000)	Begin 7 year replacement of all PEU radios (all initial radios installed in 2007)		\$ 130,000	CoBank	Pending Filing	
2021 Meters (Growth) 5/8"-2" (220), Replacement (80)	New meters for new customers (220). Replacement of failed meters (80)		\$ 30,000	CoBank	Pending Filing	

Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget - \$ 2,076,000

Pennichuck East Utilities Projected 2020 C

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000

2. The 2021 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.

3. Projected CoBank Loan Terms are

25 Years at5.5%resulting in P&I of\$ 71,269

4. Projected SRF Terms for Locke Lake project are

30 Years at2.704%resulting in P&I of\$ 93,265

5. Locke Lake Surface Water Treatment project started in 2020. Expected 2020 expense of

\$ 835,000 in 2020. Project will be used and useful in 2021 with a total expectd cost of\$ 1,900,000

Page 5 of 6

PEU 2018-2021 QCPAC Filing Sch - Draft - To Rath

PEU Motion for Reconsideration
Page 42

2021 Board Approved PEU Capex

Pennichuck East Utilities, Inc.
DW 20-xxx
2020 QCPAC Filing
Board Approved 2022 Capital Expenditures²

Project Name/Description	Project Description	Work Order #	Board Approved 2021 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank		Pending Filing
Renewed Services (10)	Replacement of failed services		\$ 55,000	0.1 DSRR		Pending Filing
Hydrants (5)	Replacement of non functional hydrants		\$ 30,000	CoBank		Pending Filing
Gates (8)	Replacement of Failed Gate Valves		\$ 32,000	CoBank		Pending Filing
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 31,500	CoBank		Pending Filing
New meters for new customers (220). Replacement of failed meters (80)	New meters for new customers (220)		\$ 30,000	CoBank		Pending Filing
2022 Radios (1000)	Year 2 of a 7 year replacement of all PEU radios (all initial radios installed in 2007)		\$ 130,000	CoBank		Pending Filing
2022 Meters (Growth) 5/8"-2" - Core & CWS (TBD)	New meters for new customers (220). Replacement of failed meters (80)		\$ 30,000	CoBank		Pending Filing
Wellesley Drive water main replacement ⁵	Replace 1760 LF of 2 inch PE with 1760 LF of C900 PVC		\$ 240,000	SRF		Pending Filing
Radcliffe Drive water main replacement ⁵	Replace 720 LF of 1.5 inch PE with 720 LF of C900 PVC		\$ 100,000	SRF		Pending Filing
Vassar Drive water main replacement ⁵	Replace 1740 LF of 2 inch PE with 1740 LF of C900 PVC		\$ 250,000	SRF		Pending Filing
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank		Pending Filing
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank		Pending Filing
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank		Pending Filing
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank		Pending Filing
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank		Pending Filing
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank		Pending Filing
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank		Pending Filing
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank		Pending Filing
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank		Pending Filing

Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget - \$ 1,260,500

Pennichuck East Utilities Projected 2020 Capital Expenditure Budget - \$ 1,260,500

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000
2. The 2022 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.
3. Projected CoBank Loan Terms are 25 Years at 5.5% resulting in P&I of \$ 45,885
4. Projected SRF Terms for Locke Lake project are 20 Years at 3.250% resulting in P&I of \$ 40,580
5. The Wellesley, Radcliffe and Vassar Drive water main replacemts will be completed over 2 years with water main replacement occurring in 2022 and final pavement in 2023

**Pennichuck East Utility Qualified Capital Project Adjustment Charge (QCPAC)
Customer Notice for February 2020 filing at the New Hampshire Public Utilities
Commission**

Pennichuck East Utilities, Inc.'s ("Pennichuck") 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. Pennichuck was granted approval by the New Hampshire Public Utilities Commission (PUC) in DW17-128 (Order #26,194) to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows Pennichuck to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge will recover the costs of Pennichuck'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 QCPAC surcharge allows Pennichuck to recover 1.10 times the annual principal and interest for the debt issued to pay for Pennichuck'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, Pennichuck'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 Pennichuck to maintain a consistent plan for the replacement of aging infrastructure, which in turn increases the reliability and quality of service. The QCPAC program will also result in smaller annual rate changes for customers by permitting Pennichuck to recover the expenses associated with the replacement of aging infrastructure between rate cases.

As part of the ongoing annual QCPAC process, Pennichuck will be filing a proposed three-year capital expenditure plan for 2020-2022 QCPs with the PUC on or before February 15, 2020. The proposed 2020-2022 QCPs submitted will update Pennichuck's 2019 through 2021 proposed QCP expenditures placed on file with the PUC in February of 2019 in conjunction with its DW 19-035 QCPAC filing. As part of the pending February 2020 QCPAC filing, Pennichuck will be requesting the PUC to allow it to increase the QCPAC surcharge from 2.98% to 5.67%. The PUC granted the 2.98% increase in Order #26,313 issued on December 6, 2019 and effective on January 6, 2020. The first bills reflecting the 2.98% QCPAC surcharge will either be delivered in January or February of 2020. The February 2020 filing described in this notice is requesting an additional 2.70% associated with the QCPs placed in service during 2019. The proposed QCPAC surcharge will apply to meter classes and charges for bills rendered after May 1, 2020 and would likely go into effect in the fall of 2020.

The requested QCPAC surcharge for 2019 QCPs, if approved, would result in a total QCPAC surcharge of about \$4.28 per month on the average single family residential bill of \$75.45 resulting in a total monthly bill of \$79.73 consisting of the \$2.25 surcharge granted for the 2018 QCPs and the proposed additional surcharge of \$2.03 for 2019 QCP's.

If you have any questions or concerns related to Pennichuck's February 2020 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.

Attachment B - PEU Draft QCPAC Tariff Language

NHPUC NO. 1 Water
PENNICHUCK EAST UTILITY, INC.

First Revised Page 50
Superseding Original Page 50

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 4.95% will apply on a service rendered basis to all bills issued after July **xx**, 2020.

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 on a service rendered basis for all bills issued after July **xx**, 2020 and 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, 2019. 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>
June 30, 2020	December 31, 2019

The QCPAC will be applied on a service rendered basis to all bills rendered after July **xx**, 2020. 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: _____
Effective: July **xx**, 2020

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

NHPUC NO. 1 Water
PENNICHUCK EAST UTILITY, INC.

First Revised Page 51
Superseding Original Page 51

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 30, 2020 to pay for the QCPAC qualified projects that were completed and used and useful by December 31, 2019. The Principal and interest associated with these various financings will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The debt service 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 over two months commencing after the issuance date of this tariff.

Issued: _____
Effective: July xx, 2020

Issued by: _____
Name: Donald L. Ware

Title: Chief Operating Officer

NHPUC NO. 1 Water
PENNICHUCK EAST UTILITY, INC.

First Revised Page 52
Superseding Original Page 52

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.

Issued: _____
Effective: July xx, 2020

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

NHPUC NO. 1 Water
PENNICHUCK EAST UTILITY, INC.

First Revised Page 53
Superseding Original Page 53

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.

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: July xx, 2020

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



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 24, 2020; 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 2020 Capital Expenditure Budget and 2021/2022 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. 2020 Capital Expenditure Budget and 2021/2022 Capital Expenditure Plans presented to the Board of Directors of the Company on January 24, 2020 and approved by said Board.

In Witness Whereof, I have hereunto set my hand this 10th day of February, 2020.



Suzanne L. Ansara
Corporate Secretary

Attachment A

2020 Capital Budget and 2021/2022 Capex Plans – Pennichuck East Utility

	Total Budgeted for 2019	Total Budgeted in 2020 for Carryover/Multi- year Projects	Total Budgeted in 2020 for New Projects	Total Budgeted for 2020	Total Planned in 2021 for Carryover & New Projects	Total Planned in 2022 for Carryover & New Projects
Mains and Main Replacements	\$ 1,663	\$ 916	\$ 285	\$ 1,201	\$ -	\$ 858
Booster Stations, Tanks, Generators and Pumps	120	30	80	110	340	40
Water Treatment Media and Miscellaneous Water Supply Upgrades	70	-	-	-	135	135
Service, Hydrants and Meters	258	-	196	196	404	364
North Country Operations Facility	-	-	-	-	-	-
All Other	386	-	850	850	132	132
Subtotals	2,497	946	1,411	2,357	1,011	1,529
 New Londonderry Tank - Woodmont Commons	 700	 1,545	 -	 1,545	 -	 -
Locke Lake - Surface Water Intake, Treatment and Mains Upgrade	200	-	835	835	1,065	-
Total Capex Budgeted 2020-2022	\$ 3,397	\$ 2,491	\$ 2,246	\$ 4,737	\$ 2,076	\$ 1,529
 Total Capex Budgeted 2020 - 2022 approved 12/20/19	 \$ 3,397	 \$ 2,245	 \$ 3,386	 \$ 5,631	 \$ 1,601	 \$ 1,529
 Variances	 \$ -	 \$ 246	 \$ (1,140)	 \$ (894)	 \$ 475	 \$ -





PENNICHUCK CORPORATION

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Suzanne L. Ansara
Corporate Secretary

Attachment A

2020 Capital Budget and 2021/2022 Capex Plans – Pennichuck East Utility

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Mains and Main Replacements	\$ 1,663	\$ 916	\$ 285	\$ 1,201	\$ -	\$ 858
Booster Stations, Tanks, Generators and Pumps	120	30	80	110	340	40
Water Treatment Media and Miscellaneous Water Supply Upgrades	70	-	-	-	135	135
Service, Hydrants and Meters	258	-	196	196	404	364
North Country Operations Facility	-	-	-	-	-	-
All Other	386	-	850	850	132	132
Subtotals	2,497	946	1,411	2,357	1,011	1,529
 New Londonderry Tank - Woodmont Commons	 700	 1,545	 -	 1,545	 -	 -
Locke Lake - Surface Water Intake, Treatment and Mains Upgrade	200	-	835	835	1,065	-
Total Capex Budgeted 2020-2022	\$ 3,397	\$ 2,491	\$ 2,246	\$ 4,737	\$ 2,076	\$ 1,529
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 Variances	 \$ -	 \$ 246	 \$ (1,140)	 \$ (894)	 \$ 475	 \$ -



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5 **STATE OF NEW HAMPSHIRE**
6 **BEFORE THE**
7 **NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**
8
9

10
11
12 **RE: PENNICHUCK EAST UTILITY, INC.**
13 **DW 20- ____**
14

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17
18 **2020 QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE FILING**
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23 **DIRECT TESTIMONY**
24 **OF**
25 **John J. Boisvert**
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39 **February 11, 2020**
40

Professional and Educational Background

Q. What is your name and what is your position with Pennichuck Water Works, Inc.?

A. My name is John J. Boisvert. I am the Chief Engineer of Pennichuck Water Works, Inc. ("PWW"), which provides services to Pennichuck East Utility, Inc. ("PEU" or the "Company") pursuant to a management allocation agreement. I have worked for PWW since February 1, 2006. I am a licensed professional engineer in New Hampshire and Maine.

Q. Please describe your educational background.

A. I have a Bachelor of Science degree and a Master of Science degree in Civil Engineering from the University of New Hampshire in Durham, New Hampshire. I also have a Master's degree in Environmental Law and Policy from Vermont Law School in South Royalton, Vermont.

Q. Please describe your professional background.

A. Prior to joining the Company, I served as a Team Leader for Weston & Sampson Engineers of Portsmouth, New Hampshire in their Water Practices Group from 2000 to 2006. Prior to Weston & Sampson I was employed by the Layne Christensen Company of Shawnee Mission, Kansas as Regional Manager for their Geosciences Division in Dracut, Massachusetts from 1994 to 2000. I completed graduate school in 1992 and was employed by Hoyle, Tanner, &

1 Associates of Manchester, New Hampshire as a Project Engineer from 1992 to
2 1994. Prior to entering full time graduate programs at the University of New
3 Hampshire and Vermont Law School I was employed by Civil Consultants of
4 South Berwick, Maine as a Project Engineer from 1986 to 1989 and by
5 Underwood Engineers of Portsmouth, New Hampshire as a project Engineer
6 from 1985 to 1986.
7

8 **Q. What are your responsibilities as Chief Engineer of the Company?**

9 A. As Chief Engineer, I manage and oversee the Company's Engineering
10 Department. I lead the Company's Asset Management program. I, as head of
11 the Engineering Department, am responsible for the planning, design, permitting,
12 construction, and startup of major capital projects, including pipelines,
13 reservoirs/dams, building structures, pumping facilities, treatment facilities, and
14 groundwater supplies. The Engineering Department staff provides regular
15 technical assistance to the Company's Water Supply Department, Distribution
16 Department, Customer Service Department, and Senior Management.
17

18 **Q. What is the purpose of your testimony?**

19 A. I will be providing details of the major capital projects planned and budgeted for
20 2020-2022 as part of the Company's 2020 Qualified Capital Project Adjustment
21 Charge ("QCPAC") filing. This testimony will present the major QCPAC projects
22 initiated and completed in 2019 as well as proposed projects for 2020, 2021 and
23 2022. My testimony supports, and is in addition to, testimony being provided by

1 the Company's Chief Operating Officer Donald L. Ware for this docket. Detailed
2 project listings mentioned in this testimony are detailed in Mr. Ware's testimony
3 (Exhibit DLW-1 Pages 1 – 5).
4

5 **Q. What types of projects can be described as “major capital projects”?**

6 A. Major capital projects require significant capital investment and are approved
7 annually in the Company's capital budget by the Company's Board of Directors.
8 Projects are associated with treatment facilities, pumping facilities, storage tanks,
9 water main replacements, valve and hydrant replacements, building facility
10 improvements and refurbishments, as well as non-structural efforts to improve
11 Company performance, such as engineering studies. These generally include:

- 12 • The replacement of infrastructure that has reached the end of its useful
13 life, does not achieve the level of service required of it (water quality,
14 capacity, and efficiency), or the Company's ability to properly maintain it
15 (outdated/lack of repair parts, etc.) is either impractical or more costly
16 than replacing it.
- 17 • Infrastructure upgrades to improve system performance.
- 18 • Investments to ensure compliance with the primary and secondary Safe
19 Drinking Water Act standards.
- 20 • Engineering studies and evaluations to assess infrastructure and system
21 performance to aid in planning future capital investment needs.
22

1 Q. **What is the process that the Company employs and what are the factors**
2 **the Company considers when developing the capital budget for water main**
3 **replacements?**

4 A. The Company considers a number of factors in developing a capital budget for
5 water main rehabilitation, replacement, and/or new construction. The Company
6 has completed the first phase of its Asset Management Initiative. The Company
7 has inventoried its pipeline assets and documented them within the GIS. An
8 initial condition assessment and a preliminary evaluation of the consequence of
9 failure of certain water main assets has been completed. The effort thus far is
10 serving as an effective tool to determine which assets are most critical and
11 should be evaluated in more detail for possible inclusion in the current 2020 –
12 2022 capital budget. During 2020 and 2021 upon the transition to a new
13 Computerized Management and Maintenance software, the Asset Management
14 Initiative will be expanded its focus to look more closely at specific assets to
15 identify the risk of failure, whether it be a structural failure (break) or the asset is
16 not attaining the required level of service (water quality, flow, or pressure) to
17 guide future capital expenditures. The Asset Management approach considers
18 the following for all assets including:

- 19 • Water main break/failure history;
- 20 • Water quality problems;
- 21 • Fire protection flows;
- 22 • The proximity of and support provided to key critical customers (public safety,
23 government, hospitals, etc.;

- 1 • Coordination with gas company replacement projects;
- 2 • Geographic grouping of streets where mains to be replaced/rehabilitated for
- 3 improved efficiency by keeping work in close proximity;
- 4 • The opportunity to take advantage of efficiencies gained from coordinating
- 5 with the paving, storm water and sewer projects of Cities and Towns served
- 6 by the Company, to replace water main where substandard plastic water
- 7 pipes are present.
- 8 • Industry guidelines of the American Water Works Association for the
- 9 replacement of water main using an average life expectancy for water main of
- 10 100 years absent specific information on a particular asset. The Company
- 11 considers this rate to be reasonable until the Asset Management System
- 12 allows for a more system/asset specific assessment to be performed. It will
- 13 remain important when a City or Town is working on a street where the
- 14 Company has substandard plastic water main for the Company to replace the
- 15 water main. There are cost savings in pavement repair and traffic control
- 16 associated with completing projects while the municipality or other utility
- 17 company is working on a street.

18 Replacement of aging and substandard infrastructure will continue to be a major
19 driver of the Company's water main replacement for the foreseeable future.

20
21 **Q. Were there any major projects the Company started in 2019 that the**
22 **Company will be completing as part of the 2020 Capital Budget?**

1 A. Yes. The Company continues to plan and design for improvements to the Locke
2 Lake Community Water System (Locke Lake) anticipated for construction in 2019
3 and 2020. The planning and evaluation was initiated in 2019 and is continuing
4 into 2020.

5
6 **Q. What were the major water main projects completed in 2019?**

7 A. The following projects were completed in 2019 :

8 Rolling Hills CWS – Plaistow

9 The Company replaced an estimated 755 LF of substandard 2 inch plastic pipe
10 with 794 LF of 6 inch DICLP. The original 2 inch pipe (constructed in the 1970's
11 long before PEU ownership) ran through private property and under a deck and
12 other out structures of the property owner. The original pipe leaked and could
13 not be readily repaired due to the proximity of the private structures. The
14 Company constructed the new water main within the public roadway and
15 reconnected house services to the new water main. The original 2 inch pipe was
16 retired from service. The project costs in 2019 was approximately \$188,000. An
17 additional \$32,000 will be spent in 2020 on site restoration and pavement repair.

18 Locke Lake CWS

19 The Company completed water main replacement on the following locations:

20 Georgetown Drive: Replaced 4600 LF of 4 inch schedule 40 PVC with 6 inch
21 C900 PVC

22 Bradford Lane: Replaced 1825 LF of 4 inch schedule 40 PVC with 6 inch C900
23 PVC

1 North Barnstead Road: Added 680 LF of 4 inch C-900 PVC to eliminate dead
2 end. Replaced 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC
3 Belmont Drive: Replaced 500 LF of 4 inch schedule 40 PVC with 6 inch C900
4 PVC

5
6 **Q. Please identify and describe water main projects planned for 2020, 2021,**
7 **and 2022.**

8 A. Planned water main replacements and additions are listed below by year.

9 2020 Water Main Replacements/Additions

10 The continues to focus a significant amount of water main replacement in its
11 Locke Lake CWS in Barnstead, NH. Supply concerns, discussed later in this
12 testimony and leakage from substandard water pipe are priority concerns for the
13 Company. The Company plans to complete the following water main
14 replacements and additions in 2010

15 Route 28: Replace 720 LF of 2 inch PE pipe with 4 inch C-900 PVC

16 Locke Lake CWS

17 North Barnstead Road: Eliminate a dead-end piping by adding 680 LF of 4
18 inch C-900 PVC. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C-900 PVC.

19 The Locke Lake work is being funded by a NH SRF loan approved by NH PUC
20 Order No. 26,819. The total loan amount approved by Order No. 26,819 is
21 \$4,240,000 to cover three projects at Locke Lake. The water main replacement
22 project (2019 – 2020) is estimated at \$1,400,000, of this total authorized amount.

1 The Company is also redirecting water from its Airstrip Well away from its current
2 treatment facility on North Barnstead Road to the Peacham Road treatment
3 facility. Water from the Airstrip well will be treated for iron, manganese, and
4 arsenic at Peacham Road at a considerably lower cost than the current
5 adsorptive media proves. The project involves the installation of approximately
6 1300 feet of 4 inch C-900 PVC raw water main on South Shore Road and
7 approximately 1000 feet of 3 inch HDPE water main installed in an 8 inch HDPE
8 sleeve under Locke Lake between Georgetown Road and Varney Road.
9 Installation of the sleeve will be by horizontal directional drilling. The Company is
10 seeking a license to cross under Locke Lake from the Commission in DW 19-
11 198. All easements for the project have been secured. The estimated cost for
12 this project is \$540,000. the company has seen adsorptive media change outs
13 go from one per year to two or more per year at the 10 parts per billion (ppb)
14 standard. Each change out costs the Company approximately \$40,000. The
15 NHDES recently promulgated a lower standard for arsenic. The new standard is
16 reduced to 5 ppb as of July 1, 2021. The lower standard will increase the
17 number of media change outs to approximately 4 per year at a cost of \$80,000.
18 In contrast treating the water at the Peacham Road treatment facility using
19 coprecipitation/filtration will result in a much lower treatment cost of
20 approximately \$2,000 per year. This operational savings will help offset the
21 principal and interest payments of the pipeline as well as the property taxes
22 associated with the capital investment. Once the Airstrip Well is connected to the

1 Peacham Road treatment facility, the current Airstrip Station can be
2 decommissioned and retired removing it from property tax rolls.

3 Other PEU Water Systems

4 The Company will be replacing approximately 1600 LF of 3 inch PE with 12 inch
5 C-900 and add 775 LF of 12 in C-900 Monticello Drive & Lane Road in the
6 Williamsburg system in Pelham, NH. The project replaces substandard 3 inch
7 polyethylene piping and adds new water main to connect two dead end mains.
8 The work will improve flow and reliability to this area of Pelham and also takes
9 advantage of a savings in pavement costs because the finished paving is being
10 completed by a private party as part of a separate project. The estimated cost of
11 the project is \$239,000 and will be funded with a loan from CoBank.

12 2021 Water Main Replacements/Additions

13 There are no planned water main additions or replacements planned for 2021.
14 Water main work was deferred from this year due to the large investment in the Locke
15 Lake surface water treatment plant of \$1,900,000 being completed in this year.

16
17 2022 Water Main Replacements/Additions

18 Gage Hill CWS

19 The Gage Hill water system in Pelham, NH is another system the Company
20 acquired with substandard small diameter plastic pipe. The system has
21 experienced 35 breaks over the past 5 years. Those leaks have impacted
22 service to the customer and present risk of contamination due to
23 depressurization. The project will replace main at the following locations.

1 Wellesley Drive: Replace 1760 LF of 2 inch PE with 1760 LF of 4 inch C900 PVC

2 Radcliffe Drive: Replace 720 LF of 1.5 inch PE with 720 LF of 4 inch C900 PVC

3 Vassar Drive: Replace 1740 LF of 2 inch PE with 1740 LF of 4 inch C900 PVC

4 The estimated budget for this project is approximately \$590,000.

5 The Company will be applying to the NH SRF for loans and the NH DWGTF for
6 loans and grants to fund water main projects once the application process opens
7 each year (May and June) for projects planned in 2021 and 2022.

8 **Q. Your testimony states that water main replacement varies each year (2021-**
9 **2022) due to balancing the investment in water main replacements with**
10 **other major capital projects. What are those projects?**

11 A. The Company has typically targeted overall capital investment (reinvestment)
12 between \$1 million-\$2 million per year as necessary. Most of the investments
13 are associated with horizontal assets such as water main. Other major capital
14 projects are associated with vertical assets, including storage tanks, pumping
15 stations, treatment facilities, source of supply and process related improvements
16 (SCADA, Asset Management, etc.). In some years there may be more need for
17 horizontal asset investment rather than vertical assets. In other years the
18 opposite may be true.

19 2020 Vertical Projects

20 Atkinson CWS Station Reconstruction

21 The Company has budgeted \$530,000 (budget has \$30,000 for design and
22 \$500,000 for Station rebuild) to reconstruct and existing water pumping and
23 storage facility that serves a limited area in the Town of Atkinson. The station

1 pumping and piping equipment are beyond the design life and have deteriorated
2 where replacement is necessary. The storage tanks are buried steel and show
3 signs of significant corrosion. The tanks need to be replaced. Finally, the station
4 is required to provide limited fire protection. Existing storage volumes and
5 pumping equipment are not meeting both domestic and fire protection flows. The
6 upgrades are expected to be complete in 2020.

7 Locke Lake CWS Barnstead, NH

8 The Company is operating the Locke Lake CWS under an order from the NH
9 DES and a Corrective Action Plan (CAP) approved by the NH DES to develop
10 additional water source(s) for Locke Lake. The Company continues to pursue
11 additional sources of water for the Locke Lake CWS. The evaluation of Locke
12 Lake as a new surface water source will continue to be assess through a
13 treatment evaluation including water sampling/monitoring and pilot testing
14 different treatment technologies to determine the appropriate technology to treat
15 raw water from Locke Lake/Webster Stream. The Company has selected
16 ultrafiltration membrane filtration to treat the raw water and 2020 will see the final
17 design, permitting and the initial stage of construction of upgrades to the
18 Peacham Road treatment facility to accommodate the membrane filters and
19 supporting equipment. Once the appropriate technology is determined and with
20 the concurrence of the NH DES, the Company will complete the final design and
21 prepare bid documents for construction in 2020. The need for the project was
22 detailed in the Company's petition for financing through the NH SRF (DW 18-
23 132) and as approved in NH PUC Order No. 26-189. The Company has

1 budgeted approximately \$835,000 for work in 2020 and \$1,065,000 in 2021 to
2 complete the project.

3 Londonderry Core Londonderry, NH

4 The Company had planned to replace Gilcrest Road Pressure Reducing Valve
5 (PRV) Pit in 2019. The pit is a converted below ground vault that was installed in
6 the late 1980's. The internal piping is corroded, and several leaks have been
7 repaired. The PRV's in the pit reduce the pressure from the elevation 620 foot
8 pressure zone down to the 498 foot pressure zone in the Londonderry Core. The
9 addition of a second PRV vault as part of the Woodmont Commons development
10 will replace the Gilcrest PRV pit. The change in how water will be fed into the
11 Londonderry system, as discussed below, provides system redundancy and
12 eliminates the need to rebuild the Gilcrest PRV pit.

13 The Company planned to design and permit a 1.25 million gallon water storage
14 tank to address water supply capacity shortfalls in the Londonderry Core
15 system.as documented by the NH DES in their Sanitary Survey dated January 9,
16 2018. The private development is prepared to contribute 51% of the cost of the
17 tank. Additionally, the construction of the tank will reduce the Company's
18 purchased cost of water from Manchester Water Works. The Company sought
19 and received, through its petition to the Commission (DW 18-101), an approval of
20 a Special Contract with a private entity, Pillsbury Realty Development, LLC
21 ("Pillsbury") for Pillsbury to fund approximately 51% of the project cost.
22 Pillsbury's contribution is the result of their impact on the Londonderry water
23 system from a significant development (Woodmont Commons) that Pillsbury is

1 constructing. The elevated tank required a variance due to its height at the
2 location it was to be constructed

3 Unfortunately, the Londonderry zoning board of adjustment denied the variance
4 in November 2019. Since the denial of the variance, PEU has engaged the
5 services of an engineering consultant to assess other water supply storage and
6 distribution options to achieve the objectives of the original elevated storage tank
7 project and assess the relative costs. During this evaluation process, PEU
8 engaged in discussions with Town of Londonderry staff, our consultants, the NH
9 Department of Environmental Services (NHDES) to advise local officials of the
10 need to make system improvements of which the most technically feasible
11 options include water storage to meet existing water demand conditions
12 regardless of Woodmont Commons. In addition, PEU met with representatives
13 of Pillsbury to present system improvement options that achieve PEU's
14 responsibilities as the public water utility and meet the needs of the Woodmont
15 Commons development consistent with the Special Contract approved by the
16 Commission in Order 26,285. During these discussions, a number of
17 opportunities were discovered or offered by Woodmont Commons that advanced
18 technical alternatives previously unavailable to PEU and would result in similar
19 rate impact to the elevated tank option (originally identified as the "least cost
20 option"). PEU intends to present a new alternative consisting of a ground level
21 storage tank, transmission main, and water booster pumping station. This
22 alternative revises the project scope but is consistent with the cost sharing

1 arrangements with Pillsbury in the Special Contract approved in Order No.
2 26,285.

3 The Company plans to complete the project (used and useful) in 2020. However,
4 depending upon the timing of local permits (Planning Board) and re-approval of
5 the Special contract by the Commission. The project may take 12 to 18 months
6 to complete depending upon when construction can start. The Company
7 estimates its total project expenditure to be \$1,545,000. The project will be
8 financed the cost through CoBank. Once the Project is completed, the Company
9 projects its purchased water costs from Manchester Water Works to the
10 Londonderry Core to be about \$71,000 per year less than before the tank was
11 constructed.

12 2021 Vertical Projects

13 Sunrise Estates CWS Middleton, NH Pumping Station and Storage Tank

14 Replacement

15 The Company will construct a new water booster pumping station and replace
16 the storage tanks at the Sunrise Estates CWS in Middleton. The station and
17 tanks are original to the water system. The structure (partially buried in the
18 ground, the piping internal to the station, and the water storage tanks have
19 passed beyond their useful life. The Company is planning to engineer a new
20 station and storage in 2020. The project will be bid late in 2020 for construction
21 in 2021. The estimated cost of the project is \$300,000.

23 Locke Lake CWS Barnstead, NH

1 The Company will continue the work to complete the development/construction of
2 a new surface water source that began in 2020. The project is receiving financing
3 through the NH SRF (DW 18-132) and was approved in NH PUC Order No. 26-
4 189. The Company has budgeted \$1,065,000 for the project in 2021 bringing the
5 total estimated cost of this project to \$1,900,000.

6 2022 Vertical Projects

7 There are no major vertical capital projects planned for 2022 at this time.

8 **Q. Are there other capital expenditures completed in 2108 and/or proposed for**
9 **2020, 2021, and 2022 that the Company plans to complete?**

10 A. Yes. The Company has a number of routine capital activities that are not
11 classified as “major” but are necessary to operate the business and serve our
12 customers. Some examples are as follows:

- 13 • The Company carried budgets for well rehabilitation, pump replacements,
14 SCADA improvements, security enhancements, along with other treatment
15 and pumping equipment. The Company also budgets a number of hydrant,
16 valve, and service (main to stop) replacements each year.

17 These Capital expenditures will be funded through a loan from CoBank.

18 **Q. Does this conclude your testimony?**

19 A. Yes.

CHAIRWOMAN
Dianne Martin

COMMISSIONER
Kathryn M. Bailey

EXECUTIVE DIRECTOR
Debra A. Howland

STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

PEU Motion for Rehearing
DW 20-019
Exhibit B

TDD Access: Relay NH
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Tel. (603) 271-2431

Website:
www.puc.nh.gov

March 11, 2021

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

Re: DW 20-019 – Pennichuck East Utility, Inc.
Petition for Approval of 2020 Qualified Capital Project Annual Adjustment Charge
Staff Recommendation for Approval of 2020 QCPAC, One-Time Recoupment,
2020 Capital Expenditure Budget, and Request for Company to Petition for
Modification of QCPAC

Dear Ms. Howland:

The purpose of this letter is to recommend that the Commission approve a cumulative Qualified Capital Project Adjustment Charge (QCPAC) of 4.20%, or an additional 1.22% to the previously approved 2.98% charge, for Pennichuck East Utility, Inc. (PEU or the Company). For an average single-family, non-North Country residential ratepayer, this would result in a monthly increase of approximately \$0.92, or \$11.04 annually.¹

Commission Staff (Staff) further recommends that the Commission approve the Company's collection of a one-time recoupment charge for the additional QCPAC revenues, from the proposed effective date of November 25, 2020 (the date of closing for the underlying CoBank, ACB financing) to the date the adjusted QCPAC is first billed (approximately April 1, 2021). That equates to the collection of approximately four additional months of the QCPAC. For an average single-family, non-North Country residential ratepayer, this would result in a one-time recoupment of approximately \$3.68 (4 months x \$0.92) on customer bills.

Staff also recommends the Commission preliminarily approve, subject to a future audit and prudency review, a 2020 capital budget of \$4,951,522.

Staff further recommends that the Commission accept, for informational purposes, PEU's 2021 and 2022 capital budgets.

¹ North Country residents are subject to the North Country Capital Recovery Surcharge, an additional charge created to recover the acquisition and improvement costs related to Pennichuck East Utility, Inc.'s North Country Systems, consisting of Birch Hill in North Conway, Sunrise Estates in Middleton, and Locke Lake in Barnstead. *Pennichuck East Utility, Inc.*, Order No. 26,179 at 4, footnote 2 (October 4, 2018) (citing *Pittsfield Aqueduct Company, Inc.*, Order No. 25,051 (December 11, 2009)).

Staff also recommends that the Commission direct the Company to request a modification of the settlement agreement approved by Order No. 26,179, which instituted the QCPAC mechanism, in its pending 2021 QCPAC petition (Docket No. DW 21-022). Specifically, Staff requests that: (1) the Company petition the Commission for approval to include the interest on its line of credit, paid for by its annual CoBank ACB financing, as an eligible expense recoverable through the QCPAC mechanism; and (2) request the Commission to determine the appropriate criteria for the interest charges eligible for QCPAC recovery, including, but not limited to, the time period for which the interest charges occur.

Staff, lastly, recommends that the Commission issue its Order on a *nisi* basis to ensure that interested persons receive notice of the Commission's determination and have the opportunity to comment or request a hearing prior to the order taking effect.

I. History of PEU's QCPAC

PEU is a regulated public utility that provides water service to customers in several communities throughout New Hampshire. PEU is owned by Pennichuck Corporation (Penn Corp), which is, in turn, owned by the City of Nashua. *Pennichuck East Utility, Inc.*, Order No. 26,311 at 1 (November 27, 2019). As a municipally owned entity, Penn Corp and PEU are no longer publically traded and do not have access to equity for the financing of capital projects. *Id.* "Instead, the Company's capital investments are financed entirely with debt." *Id.* In other words, unlike traditional investor-owned utilities, which have the benefit of cash infusions from its owners to meet expenses and obligations that currently authorized rates do not cover, PEU relies only upon debt.

As an entirely debt-financed utility, PEU's ability to make timely payments on its debt, especially for that incurred on necessary capital improvements between rate cases, is extremely important for the Company's on-going viability. To address this solvency issue, the Commission approved the QCPAC mechanism, "which helps PEU maintain adequate cash flow by compensating it for necessary capital investments between rate cases." *Id.*

The QCPAC is designed as:

"an annual surcharge assessed between rate cases, based on the capital projects undertaken and completed by PEU each year. The adjustment surcharge will be implemented pursuant to a capital budget that will have been previously reviewed and approved by the Commission." *Pennichuck East Utility, Inc.*, Order No. 26,179 at 10 (October 4, 2018) (Docket No. DW 17-128).

In order for a capital project to become eligible for recovery through the QCPAC mechanism, it must meet three criteria: (1) the capital project must be completed, in service, used and useful by December 31 of the prior calendar year; (2) the capital project must be financed by debt previously authorized by the Commission, pursuant to RSA 369: and (3) the project must be associated with the budget previously submitted and preliminarily approved by the Commission. *Id.* at 11.

Within its annual QCPAC filing, PEU must provide: (1) a calculation of the surcharge associated with capital investments from the prior calendar year; (2) budget information regarding proposed capital projects for the current year (year that the petition is filed); and (3) a detailed forecast of anticipated capital project expenditures for the subsequent two years, for informational purposes only. *Id.* at 11.

The surcharge will consist of two elements:

- (1) the annual principal and interest payments for the approved projects' associated debt, multiplied by 1.1; and
- (2) the approved projects' incremental property taxes for that same year. *Id.*²

In reviewing the proposed surcharge, the Commission will make a prudence determination on the projects completed in the previous year upon which the surcharge calculation is based. *Id.* If deemed appropriate, the Commission will approve the proposed surcharge. *Id.* The Commission will also review the proposed budget and the underlying projects planned for the current year (or for the calendar year the filing is made), and if deemed appropriate, preliminarily approve that budget. *Id.*

The QCPAC also provides for a one-time annual recoupment charge, which covers the period between the approved effective date of the surcharge (typically the closing date of the underlying financing upon which the surcharge is based) and the date of the Commission's order approving the surcharge. *Id.* at 12.

The Commission directed PEU to submit an interim capital budget for preliminary approval. *Id.* That budget, consisting of 2018 capital projects, was approved in Order No. 26,228 (March 21, 2019) (Docket No. 18-174). The Company followed with its request for approval of the

² The debt (principal and interest multiplied by 1.1) element of the QCPAC revenues are allocated to the Company's Debt Service Revenue Requirement (DSRR), one of the three components of its unique revenue requirement structure. *See* Order No. 26,179 at 8 ("PEU's overall revenue requirement consists of three components: (1) a City Bond Fixed Revenue Requirement (CBFRR); (2) an Operating Expense Revenue Requirement (OERR), which includes a Material Operating Expense Revenue Requirement (MOERR) and a Non-material Operating Expense Revenue Requirement (NOERR); and (3) a ...DSRR"). The property tax element of QCPAC revenues is allocated to the Company's OERR. *See* Table on Page 10 (showing additions to those revenue requirement components).

The DSRR is comprised of two further sub-components: the DSRR-1.0, consisting of the principal and interest payments on existing debt; and the DSRR-0.1, which equates an additional 10% of the principal and interest payments. Pennichuck East Utility, Inc., Settlement Agreement, July 18, 2018 at 16-17 (Docket No. DW 17-128). The Company stated that the DSRR-0.1, or additional 10%, is necessary: (1) to provide additional funds which satisfy the Company's debt service ratio requirements (used by lenders to compare operating income available to its principal, interest, and lease payments), essentially a cash reserve; (2) to provide additional funds that satisfy Penn Corp's (its parent company) covenant requirements for its working capital line of credit, which is used by Penn Corp and its subsidiaries (including PEU) as a "back stop" for short-term capital needs; 3) to provide additional funds to meet cash flow obligations required by covenant in the debt financings; and (4) to meet obligations on new debt incurred between rate filings. *Id.* at 17.

As the debt portion of the QCPAC revenue pertains to debt service, and in turn, is allocated to the DSRR, it is subject to the additional 10% adder, as required by the Company's ratemaking mechanism. Thus, to comply with the approved structure, the actual principal and interest payments are multiplied by 1.1. The principal and interest portion is allocated to the DSRR-1.0, and the 0.1 multiple applied to principal and interest payments is allocated to the DSRR-0.1. *Id.* at 36.

corresponding surcharge in Docket No. DW 19-135. The Commission approved an initial QCPAC of 2.98%. *Pennichuck East Utility, Inc.*, Order No. 26,313 (December 6, 2019).

II. Petition Summary and Procedural Background

On February 13, 2020, in accordance with Order No. 26,179, PEU filed its 2020 Petition of Pennichuck East Utility, Inc. for Qualified Capital Project Annual Adjustment Charge (Petition). The Petition was accompanied by the testimony and attachments of Donald L. Ware, PEU's Chief Operating Officer, and the testimony of John J. Boisvert, Pennichuck Water Works, Inc.'s Chief Engineer.³ The attachments contained various schedules and calculations, including: information regarding the proposed surcharge, based on 2019 capital projects; the proposed budget and description of 2020 capital projects; and, for informational purposes only, the estimated capital budgets for 2021 and 2022 capital projects.

PEU's stated that the Petition served three purposes: (1) to seek approval of a the surcharge reflective of 2019 capital investments, estimated at the time of filing to be a 1.97% addition to the currently approved 2.98% QCPAC; (2) to seek preliminary approval of the capital budget for eligible projects anticipated to be completed in 2020, which is subject to refinement through quarterly budget updates; (3) and request acceptance of the forecasted capital budgets of 2021 and 2022. Petition at 2, 7.

The petition also posited two additional requests: (1) recoupment of the "QCPAC between its implementation on a service rendered basis for bills issued after the final QCPAC order has been issued ... and the date the Company closed on its loan with CoBank...[the estimated closing date of July 31, 2020," Petition at 5; and (2) "authority to pay the interest incurred on its fixed asset line of credit [Line of Credit] each year by incorporating the interest into the amount borrowed from CoBank." *Id.* at 6.

On February 25, 2020, the Office of the Consumer Advocate (OCA) filed a notice of participation in accordance with RSA 363:28. There are no other intervenors in this docket.

Staff filed a proposed procedural schedule on March 11, 2020. The Commission approved the procedural schedule, by Secretarial Letter, the next day.

The Commission Audit Staff (Audit) reviewed the Company's 2019 capital expenditures and issued a Final Audit Report (Audit Report), dated April 16, 2020. Attachment A. The Audit Report indicated no exceptions regarding PEU's 2019 capital expenditures.

PEU responded to five sets of discovery propounded by Staff. The Company also provided supplemental discovery responses. Attachment B.

In addition, Staff's engineering consultant, Mr. Douglas W. Brogan, P.E., reviewed the Company's filing, the proposed surcharge, and proposed 2020 capital budget. His report (Engineering Report), dated December 22, 2020 is attached. Attachment C.

³ Pennichuck Water Works, Inc. is the sister utility of PEU, and provides various services to the Company.

III. 2020 QCPAC (Requested Surcharge)

A. Components of the Surcharge

The QCPAC is a surcharge on customer's bills comprised of two components: (1) the annual debt service (principal and interest payments) of the applicable loans used to finance the eligible capital projects from the prior calendar year, multiplied by 1.1; and (2) the incremental property taxes associated with those projects.

1. Annual Debt Service on 2019 Capital Projects with 1.1 Multiplier

PEU initially requested recovery of annual debt service of \$107,314. Petition at 21. Staff calculated that the QCPAC component based upon that debt service to be \$118,045 (annual principal and interest payment of \$107,314 * 1.1). According to Mr. Ware's testimony, that debt service was associated with "the investment of \$1,769,257 in assets." Petition at 13.

Specifically, the Company contended it calculated the principal and interest payments based upon: (1) a long-term loan from CoBank ACB (CoBank), estimated at the time of filing to be \$803,275, at an interest rate of 5.5% for a term of 25 years⁴; and (2) \$966,252, a portion of a larger \$4.2 million NH State Revolving Loan Fund (SRF) financing, administered by the NH Department of Environmental Services (NHDES). Petition at 13-14.

After review, and as explained below, Staff recommends inclusion of a debt service amount of \$56,220 to be added to the DSRR component in the QCPAC calculation below. This is based upon a CoBank Term Loan of \$800,122 and principal and interest payments on that loan of \$51,109, which is then adjusted by the 1.1 multiplier.

a. CoBank Term Loan

The Company provided the specifics regarding the CoBank loan through discovery, as the loan did not close until November 25, 2020, well after PEU's initial February 13 filing. Attachment B, Staff 3-3 (supplemental response of December 9, 2020).

PEU stated the CoBank loan was for an amount of \$800,122, at a fixed interest rate of 3.98% over a 25-year amortization period. *Id.* The first payment on the loan occurred on December 21, 2020, and consisted of interest only. *Id.*

The Commission previously approved this financing on October 29, 2020. *Pennichuck East Utility, Inc.*, Order No. 26,418 (Docket No. DW 20-081). Per that Order, the financing was intended to repay PEU's line of credit expenditures, which consisted of "new capital expenditures, routine maintenance of capital projects, and other non-recurring capital expenditures." *Id.* at 2. The financing was also intended to pay the interest incurred on PEU's Line of Credit borrowings on those capital expenditures. That Order detailed the items and amounts to be used by the financing, as follows:

⁴ CoBank ACB is part of the US [Farm Credit System](#), providing loans and financial services to cooperatives, agribusinesses, and rural public utilities.

Total Capital Improvements	\$439,820	
Total Maintenance Capital Expenditures	319,901	
<u>Line of Credit Interest</u>	<u>40,401</u>	
Total Loan	\$800,122	<i>Id.</i> at 3-4.

Staff notes that the Commission previously approved inclusion of the Line of Credit interest in the 2020 CoBank loan both in Order No. 26,418 and during the 2019 QCPAC process. *See Pennichuck East Utility, Inc.*, Order No. 26,313 at 9 (December 6, 2019) (“PEU has requested approval to include the annual interest incurred on its Line of Credit in its annual long-term debt issuances beginning in 2020... [w]e find the Company’s proposal an appropriate adjustment and approve it”).

Staff further notes, however, that the Company has never specifically requested that the Line of Credit interest be a recoverable expense via the QCPAC mechanism in its 2019, 2020, or 2021 QCPAC filings. *Pennichuck East Utility, Inc.*, 2019 Petition of Pennichuck East Utility, Inc., for Qualified Capital Project Annual Adjustment Charge, February 15, 2019 (Docket No. DW 19-035); Petition; and *Pennichuck East Utility, Inc.*, 2021 Petition of Pennichuck East Utility, Inc., for Qualified Capital Project Annual Adjustment Charge, February 11, 2021 (Docket No. DW 21-022).⁵

The Line of Credit interest requested for inclusion in PEU’s 2020 QCPAC, furthermore, was not included in the budget submitted by the Company in Docket No. DW 19-035; consequently, inclusion of the Line of Credit interest in the QCPAC did not receive preliminary approval by the Commission, as required by the third prong of the eligibility criteria for recoverable capital project expenditures (“(3) the project must be associated with the budget previously submitted and preliminarily approved by the Commission” Order No. 26,179 at 11). *See* Order 26,313 at 6, 9 (“On November 14, 2019, PEU updated its 2019 QCPAC capital budget as of September 30, adjusting the amount to \$2,058,625... we approve the 2019 QCPAC budget on a preliminary basis”); and *Pennichuck East Utility, Inc.*, 2019 QCPAC Quarterly Update as of September 30, 2019 at 5, November 14, 2019 (no indication of either an entry for Line of Credit interest or corresponding amount).

At this time, however, Staff recommends inclusion of the interest as a recoverable expense in this year’s QCPAC for five reasons. First, it balances the interests of both ratepayers and the Company. *See* RSA 363:17-a (“The commission shall be the arbiter between the interests of

⁵ Staff recognizes that these three petitions include identical, or nearly identical language requesting the Commission to include the Line of Credit interest in its yearly debt financing. *Pennichuck East Utility, Inc.*, 2019 Petition of Pennichuck East Utility, Inc., for Qualified Capital Project Annual Adjustment Charge, February 15, 2019 at 6-7 (Docket No. DW 19-035); Petition at 6-7; and *Pennichuck East Utility, Inc.*, 2021 Petition of Pennichuck East Utility, Inc., for Qualified Capital Project Annual Adjustment Charge, February 11, 2021 at 6-7 (Docket No. DW 21-022).

As stated, however, that request was previously approved in Order No. 26,313. Staff notes, furthermore, that the amount and purpose of a financing is examined at the time of the finance petition. *See* RSA 369:1 (“The proposed issue and sale of securities will be approved by the commission where it finds that the same is consistent with the public good. Such approval shall extend to the amount of the issue authorized and the purpose or purposes to which the securities or the proceeds thereof are to be applied, and shall be subject to such reasonable terms and conditions as the commission may find to be necessary in the public interest”). As such, Staff’s position is that the Company’s request is moot and does not need to be addressed.

the customer and the interests of the regulated utilities”). Staff recognizes that PEU is a debt-only entity, and that cash coverage of all associated expenses, including the Line of Credit interest, supports the Company’s financial viability. That viability, in turn, allows the Company to continue providing safe and adequate water service to its customers, pursuant to RSA 374:1 (“Every public utility shall furnish such service and facilities as shall be reasonably safe and adequate and in all other respects just and reasonable”).

Second, it is consistent with past Commission practice. While the Commission did not explicitly authorize the inclusion of the Line of Credit interest as a recoverable expense during the 2019 QCPAC process, the Commission ultimately approved the resulting QCPAC of 2.98%, which did include the Line of Credit interest. Order No. 26,313 at 1, 3.

Third, it is consistent with past Staff recommendation. In its 2019 QCPAC recommendation, Staff recommended that the “Commission authorize PEU to include the [Line of Credit] interest in its annual long-term financings, and as such, in its annual QCPAC filings for proposed recovery through customer rates.” Commission Staff, Recommendation at 8, September 20, 2019 (Docket No. DW 19-035) (emphasis added).

Fourth, inclusion of the Line of Credit interest properly reflects the total cost of the underlying capital projects. Reimbursement of that total cost to the Company was the intended purpose of the QCPAC. The Line of Credit is used to fund the capital projects in the short-term, later converted to long-term debt, which makes it eligible for QCPAC recovery. Inclusion of the interest related to that short-term debt for the qualifying capital projects in the surcharge is logical.

Fifth, the inclusion of the Line of Credit interest results in a negligible difference in the resulting surcharge. Staff calculates that removal of the Line of Credit interest from the Company’s annual principal and interest obligation on the CoBank loan would result in a minimal difference in the surcharge (reducing the QCPAC from 4.20% to 4.17%, or approximately \$0.01 per month for the average residential rate payer).

Staff also supports the specific amount of Line of Credit interest to be included in the overall calculation, \$40,401. According to the Company, the \$40,401 of Line of Credit interest to be recovered pertains only to those capital projects that were completed, used and useful, and in service by December 31, 2019. *See* Attachment B, Staff 1-6 (“no interest on the CoBank [Line of Credit] associated with projects that were not used and useful prior to December 31, 2019 is included in the projected interest calculation of \$40,401 incurred on the [Line of Credit]”).

As a result, the Company indicated that the annual principal and interest on the \$800,122 CoBank loan is \$51,109. Attachment B, Staff 5-1, Schedule DW-1, Page 1. Multiplying that amount by 1.1 results in \$56,220. As such, Staff recommends inclusion of \$56,220 in principal and interest payments, adjusted with the 1.1 multiplier, to be added to the DSRR component in the QCPAC calculation below.

b. SRF Financing

The \$966,252 of SRF money included in the Company's original 2020 QCPAC calculation are part of a larger previously-approved \$4.2 million financing. *Pennichuck East Utility, Inc.*, Order No. 26,189 (November 6, 2018) (Docket No. DW 18-132). The Commission approved the use of the SRF funding as it provided low cost financing for three multi-year projects for the Company's Locke Lake Community Water System. *Id.*

According to discovery, the financing was initially to be provided, and recorded, as short-term debt. Attachment B, Staff 1-8 Response and Supplemental Response (updated December 29, 2020). The short-term debt would then be converted to long-term debt in three tranches, with each conversion occurring upon completion of each phase. *Id.* According to PEU, the first of these conversions was scheduled to take place in 2020, corresponding with Locke Lake system projects completed in 2019. *Id.* The payments associated with this first tranche were anticipated to begin in July 2020. Petition at 4.

The SRF funds associated with the Locke Lake projects completed in 2019, however, did not convert from short-term to long-term in 2020 as originally anticipated, and, in turn, loan payments have not yet begun. Attachment B, Staff 1-8 Response and Supplemental Response (updated December 29, 2020). Rather, the Company and NHDES agreed the entire \$4.24 million would be converted from short-term to long-term debt sometime during the first half of 2021. *Id.* Thus, conversion and payments on the entire \$4.24 million would not begin until after all the Locke Lake projects were substantially complete. *Id.* That is expected to take place within the first half of 2021. *Id.*

As such, the Company will not incur principal and interest payments on the SRF loan until later in 2021. Therefore, the Company removed the \$966,252 of SRF financing, and the corresponding \$52,173 of debt service, from the instant QCPAC request. *Id.* Staff anticipates examination of those amounts will be deferred until a future QCPAC filing.

After review, Staff agrees that if the Company is not currently repaying the SRF loan, they should not be included in the debt service calculation of the requested QCPAC surcharge increase. As a result, the debt service component associated with the proposed 2020 QCPAC has been revised, per the Company's suggestion, to reflect only the CoBank debt service, as detailed above.

2. Incremental Property Tax Increase from 2019 Capital Projects

The Company requested inclusion of \$45,231 in the surcharge calculation, relating to an increase in its annual property tax expense relative to its completed 2019 capital projects. Petition at 21. While PEU requested that the debt service for the SRF loans be removed from calculation of the surcharge, the Company, however, has requested that the incremental property tax associated with the projects completed in 2019, and financed by SRF funds, remain eligible for recovery through the QCPAC. *See* Attachment B, Staff 1-8 Supplemental Response (updated December 29, 2020) ("the Company still seeks recovery of the property taxes associated with the

[SRF projects] as the value of the watermain [sic] improvements is part of the Town of Barnstead's 2020 valuation and reflected in the Company's property tax").

Staff calculated the annual property tax related to those projects as \$28,970 of the total \$45,231. *See Id.* at DLW-1, Page 3 (calculating the taxes associated with SRF funding projects (\$575 + \$11,046 + \$9,286 + \$6,866 + \$1,196 = \$28,970)).

After review, Staff agrees with the Company's request. The underlying assets are currently providing service to customers and, furthermore, are currently being taxed by the Town of Barnstead. Staff's determination is further supported by Staff's engineering consultant, Douglas Brogan, P.E.'s Engineering Report, which indicates that those projects are complete. Attachment C at 2.

As such, the Company should include, and recover, the full incremental property tax amount of \$45,231, inclusive of the \$28,970 in property tax associated with SRF projects, in the current QCPAC request. Thus, Staff recommends inclusion of \$45,231 of property tax expense be added to the OERR component in the QCPAC calculation below.

B. Calculation of 2020 QCPAC (Surcharge)

In order to implement the new, cumulative QCPAC percentage, the Company must first calculate a new revenue requirement. That is achieved by adding the new debt service and property taxes to its previously approved revenue requirement. The new revenue requirement is then divided by the previously approved revenue requirement in the Company's last general rate proceeding, Order No. 26,179.

The Company determined their new revenue requirement, inclusive of the prior year's approved QCPAC, as \$8,624,071 by the following calculation:

Current Debt Service Revenue Requirement (DSRR)	\$1,785,595
+ DSRR Increase	\$56,220 (51,109 *1.1)
+ Current Operating Expense Revenue Requirement (OERR)	\$5,810,716
+ OERR Increase (incremental property tax increase)	\$45,231
+ <u>Current City Bond Fixed Revenue Requirement (CBFRR)</u>	<u>\$926,309</u>
Company Proposed New Revenue Requirement	\$8,624,071

In Order No. 26,179, the Commission approved an overall revenue requirement of \$8,455,176. at 15. That revenue requirement includes North Country Capital Recovery Surcharge (NCCRS). *Id.* at 5. PEU calculates the NCCRS revenues at \$178,915, to which the QCPAC does not apply. Petition at 21. Therefore, when the NCCRS revenues are eliminated from the previously approved revenue requirement, the result is \$8,276,261 (\$8,455,176 – \$178,915 = \$8,276,261).

Following the formula above, the new proposed cumulative QCPAC is 4.20% [(\$8,624,071 ÷ \$8,276,261) – 1]. This represents a 1.22% addition to PEU's previously approved QCPAC of 2.98% (2.98% + 1.22% = 4.20%).

Based upon the information provided by PEU, an average non-North Country single-family residential customer, using 7.29 hundred cubic feet (ccf) of water per month, currently pays a monthly average of \$77.70 (a base rate of \$75.45 per month and a current QCPAC of \$2.25 (\$75.45 x 2.98%)).

The proposed 2020 cumulative QCPAC surcharge will result in a total QCPAC surcharge of \$3.17 (\$75.45 x 4.20%), an increase of \$0.92 (\$75.45 x 1.22%) per month. When the cumulative QCPAC is added to the monthly base rate of \$75.45, it would result in a new average single-family residential bill of \$78.62 (\$75.45 + \$3.17).

Staff supports approval of a 4.20% cumulative QCPAC, resulting in an increase in 1.22% on customer's current bills. Staff draws its support from the Engineering Report provided by its engineering consultant, Mr. Douglas Brogan, P.E. Attachment C. In the Engineering Report, Mr. Brogan states that each project associated with the QCPAC, including the projects which incurred an increase in the Company's property tax liability, but were not included in the debt service calculation of the QCPAC, were completed and in-service at the end of 2019, and were furthermore prudent, used and useful. Attachment C at 4.

Staff also notes that the Audit Staff reviewed the 2019 capital expenditures, as detailed in its Audit Report, and made no adjustments and found no exceptions to those expenditures. Attachment A.

As such, Staff recommends approval of the resulting 4.20% QCPAC.

IV. One-Time Recoupment Charge

As stated, the QCPAC mechanism previously approved by the Commission also provides for a one-time annual recoupment charge, which covers the period between the approved effective date of the surcharge (typically the closing date of the underlying financing the surcharge is based upon) and the date of the Commission's order approving the surcharge. Order No. 26, 179 at 12.

The Company requested "recoupment of the QCPAC between its implementation, on a service rendered basis for bills issued after the final QCPAC order has been issued and the tariff pages are approved and the date the Company closed on its loan with CoBank." Petition at 5.⁶ As stated, the CoBank term loan did not close until November 25, 2020.

Therefore, PEU proposed, and Staff agrees, the effective date of the 2020 QCPAC should be for service-rendered as of November 25, 2020. Attachment B, Staff 3-3 Supplemental Response (dated December 29, 2020). As proposed, the Company would be eligible for a recoupment of the incremental revenue from that date until the date the cumulative QCPAC appears on customer bills.

⁶ Staff notes that the settlement agreement approved by Order No. 26,179 allowed PEU to recoup the QCPAC revenue on a bills-rendered basis, thus waiving NH Admin. R., Puc 1203.05(b) ("all rate changes implemented as a result of a commission order...shall be implemented on the basis of service rendered on or after the effective date of the approved rate change"). Order No. 26,313 at 8. The Commission, however, granted "PEU's request to modify that provision of the [s]ettlement [a]greement" in the 2019 QCPAC proceeding. *Id.* As such, recoupment on a service-rendered basis is appropriate and requires no further request to modify the underlying settlement agreement.

PEU provided an example of that recoupment based upon Commission approval of the cumulative 2020 QCPAC by early February 2021. *Id.* In that example, customers would be assessed the surcharge commencing with PEU's billings in March. Staff calculated that results in an approximate 3-month recoupment period (December 2020, January and February 2021). As such, an average non-North Country single-family residential customer would be subject to a revenue recoupment of approximately \$2.76 ($\$0.92 * 3$ months).

Given those circumstances, PEU proposed to collect this amount over one month, to which Staff concurs. If the cumulative QCPAC did not appear on customer bills until approximately April, Staff further calculated the recoupment would be approximately \$3.68 ($\$0.92 * 4$ months). In each scenario, Staff believes the recoupment to be appropriate. As such, Staff recommends that the Commission approve a one-time recoupment of the QCPAC surcharge, from the date of the Commission's final order and resulting customer charge to the date of the CoBank loan closing, November 25, 2020.

V. 2020 Capital Budget and Estimated Customer Bill Impact

PEU originally proposed a 2020 capital budget of \$4.737 million. Petition at 24. The Company adjusted that budget through quarterly reports submitted in August and November 2020, and January 2021.

In its quarterly report submitted on January 11, 2021 the Company provided hard-coded versions of its schedules. On January 12, 2021, PEU provided live Excel versions of the schedules in response to Staff's request. *See* Attachment D (email from PEU's counsel attaching the live Excel version of the quarterly report). After review of the live Excel version, Staff propounded a fifth set of discovery, in which the Company confirmed the new proposed 2020 capital budget to be \$4,951,522. Attachment B, Staff 5-3; *see also* Attachment E (hard-coded worksheet detailing updated 2020 capital budget).⁷

The Company projected the QCPAC percentage increase from those 2020 projects is estimated to be 4.71%. Attachment B, Staff 5-1, DLW-1, Page 1. Further, the Company indicated this estimated percentage increase includes the SRF principal and interest PEU requested be deferred from the 2020 QCPAC. Attachment E. Staff calculated that this would result in a total cumulative QCPAC of approximately 8.91%.⁸

Staff further calculated that the estimated 4.71% increase would result in an additional \$3.55 per month (assuming a base rate of \$75.45 per month ($\$75.45 * .0471 = \3.55)) for the

⁷ Staff submits Attachment E, a hard-copy of the pertinent live excel version worksheet as it was the only verifiable source for its discovery questions and provides the Company's the detailed 2020 capital budget proposal. The hard-coded schedules submitted with its January 11, 2021, quarterly report, and the responses to Staff's fifth round of discover are truncated and do not include all pertinent information. Staff recognizes that the discrepancy between the live Excel versions circulated, which are not always circulated to the entire service list, and the hard-coded responses from the Company are a recurring problem and hopes to address and resolve the issue of quality control of the Company's filings in PEU's next QCPAC proceeding, Docket No. DW 21-022.

⁸ Staff notes that the Company calculated, in error, a resulting cumulative charge of 9.05%. Attachment B, Staff 5-1, DLW-1, Page 1. Please see the footnote above,

average single-family residential, non-North Country customer, using 7.29 ccf of water per month.

As such, Staff calculated the estimated cumulative QCPAC of 8.91%, at an additional \$6.72 per month (assuming a base rate of \$75.45 per month ($\$75.45 * .0891 = \6.72)) for the average single-family residential, non-North Country customer, using 7.29 ccf of water per month. The resulting total estimated monthly bill would be approximately \$82.17 ($\$75.45 + \$6.72 = \82.17).

Staff reviewed the Company's proposed 2020 capital budget of \$4,951,522, as shown in Attachment E, and contends that the projects appear to fulfill the objectives of the QCPAC program by enabling PEU to effectively maintain its capital improvements program and sustain the necessary cash flows to pay the debt service and property tax obligations associated with these projects. Staff also draws support from the findings of its consulting engineer, Mr. Brogan. In the Engineering Report, Mr. Brogan stated that "while the typical juggling of projects to balance project deferrals and funding availability is in evidence, the projects as proposed appear appropriate." Attachment C at 3.

Staff notes that the Company included in its proposed 2020 capital budget a line item entitled "Interest on CoBank FaLOC" for \$16,000. Attachment E. Staff acknowledges that, unlike its preliminarily approved 2019 capital budget, PEU's inclusion of that line item partially conforms with the QCPAC recovery requirement that "the project must be associated with the budget previously submitted and preliminarily approved by the Commission." Order 26,179 at 11. Staff states that it partially conforms with the QCPAC recovery requirement as the requirement states "the project" and not "the cost" or "charge incurred." Despite that discrepancy, Staff supports the proposed budget as submitted, particularly in light of its recommendation that the Commission direct PEU to file a request for modification of the settlement agreement in one of its pending dockets, as discussed below.

As such, Staff recommends that the Commission approve the proposed 2020 capital improvement budget of \$4,951,552, as contained in Attachment E, on a preliminary basis, but withhold any prudency determination of those projects, pursuant to RSA 378:28. Staff's recommendation is predicated upon the fact that the actual project costs incurred by PEU during 2020 will be fully investigated as part of the Company's 2021 QCPAC proceeding (Docket No. DW 21-022).

VI. 2021 and 2022 Capital Budgets

PEU provided proposed capital budgets for the years 2021 and 2022 in the amounts of \$2.076 million and \$1,260,500, respectively. Petition at 25, 26. According to the most recent quarterly update, the proposed capital budget for 2021 increased to \$3.196 million, but the 2022 proposed capital budget remained the same. Pennichuck East Utility, Inc., Quarterly Update, January 11, 2021 at 6, 7.

Staff recommends the Commission accept PEU's revised budgets for the years 2021 and 2022, for informational purposes.

VII. Recommendation for Commission to Direct PEU to file for QCPAC Modification: Inclusion of Line of Credit Interest as Recoverable Expenditure in QCPAC

Staff recommends that the Commission direct the Company to request a modification of the settlement agreement approved by Order No. 26,179 in its pending 2021 QCPAC petition (Docket No. DW 21-023). Specifically, Staff requests that the Company petition for modification of the settlement agreement to: (1) include interest on its Line of Credit, paid for by its annual CoBank ACB financing, as an eligible expense recoverable through the QCPAC mechanism; and (2) request the Commission to determine the appropriate criteria for the interest charges eligible for QCPAC recovery, including, but not limited to, the time period for which the interest charges occur.

Staff makes this recommendation in order to streamline future QCPAC proceedings as inclusion of interest on the Line of Credit in the QCPAC will be an ongoing issue. A determination by the Commission would settle the framework to be used in Staff's review of the filing, allowing Staff to avoid an annual, protracted examination into the threshold inquiry of the appropriateness of inclusion of the line of credit interest in the QCPAC, as discussed in length above in Section III(A)(1)(a). The modification, furthermore, would reconcile the proposed budget's inclusion of a Line of Credit interest charge with the existing QCPAC parameters provided by Order No. 26,179 and the underlying settlement agreement requirements, that in order to be recoverable, it must be a qualifying "project." Order No. 26,179 at 11.

Staff also contends that the request would not be overly burdensome on PEU as the Company has constructively requested that the Commission modify the settlement agreement in its prior QCPAC proceeding. *See Pennichuck East Utility, Inc., 2019 Petition of Pennichuck East Utility, Inc., for Qualified Capital Project Annual Adjustment Charge, February 15, 2019 at 5-6* ("At the time of the settlement in Docket No. DW 17-128 the Company sought implementation of recoupment on a bills rendered basis... the Company is [now] requesting the recoupment be implemented on a service rendered basis in accordance with PUC 1203.05").

It also appears that the Company would benefit from a decision by the Commission as it is currently unsure if the interest is recoverable, as noted in its current rate case. *See Pennichuck East Utility, Inc., Testimony of Larry D. Goodhue, November 23, 2020 at 25* (request for prioritization of account funds "to pay for the interest cost of [its Line of Credit], if these costs are not allowed to be included in the Company's QCPAC charges") (emphasis added). The modification would also allow PEU to avoid making identical requests each year regarding inclusion of the Line of Credit interest in its yearly CoBank financing, as described in Footnote 4 above.

As such, Staff respectfully requests that the Commission direct PEU to request a modification accordingly.

VIII. Overall Summary and Conclusion

In conclusion, based on review of the Company's filing, discovery, the Audit Report, and the Engineering Report, Staff recommends that the Commission find that the capital projects

completed in 2019 and proposed as eligible for recovery through the QCPAC, are prudent, used, and useful. *See* RSA 378:28 (rates will not reflect improvements which have not first been found by the Commission to be prudent, used, and useful).

Staff further recommends that the Commission approve a cumulative, monthly QCPAC on customer bills of 4.20% effective on a service-rendered basis as of November 25, 2020.

Staff also recommends that the Commission approve a one-time recoupment of the QCPAC surcharge, from the date of the Commission's final order and resulting customer charge to the date of the CoBank loan closing, November 25, 2020.

Staff further recommends the Commission approve a 2020 capital budget of \$4,951,522, on a preliminary basis, and subject to the Commission's prudency review. Staff also recommends that the Commission accept, for informational purposes, PEU's updated QCPAC budgets for the years 2021 and 2022.

Staff, lastly, recommends that the Commission direct PEU to file a request for modification of the QCPAC process in its pending 2021 QCPAC proceeding.

Before filing this letter with the Commission, Staff provided the OCA and the Company with a draft copy for their review. The Company agreed with Staff's recommendations. The OCA did not take a position.

Thank you for your attention and assistance with this matter. If you have any further questions, please do not hesitate to contact me.

Sincerely,

/s/ Anthony J. Leone

Anthony J. Leone
Utility Analyst, Gas-Water Division

/s/ Christopher R. Tuomala

Christopher R. Tuomala
Hearings Examiner/Staff Attorney

Attachments: A) Audit Report of Staff Utility Examiner, Krista Leigh
B) Discovery Responses
C) Engineering Report, Doug Brogan, P.E.
D) Email from PEU Counsel, Dated January 12, 2021
E) Proposed 2020 Capital Budget

cc: Service List (electronically)

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: April 16, 2020
AT (OFFICE): NHPUC

FROM: Krista Leigh, Utility Examiner

SUBJECT: Pennichuck East Utility, Inc.
DW 20-019 Qualified Capital Project Adjustment Charge - QCPAC
FINAL Audit Report

TO: Steve Frink, Director Gas - Water Division, NHPUC
Jayson Laflamme, Asst. Director Gas - Water Division, NHPUC
Karen Moran, Chief Auditor
Anthony Leone, Utility Analyst

Introduction

On February 13, 2020, Pennichuck East Utility, Inc. (PEU or The Company) filed for their 2019 Qualified Capital Project Adjustment Charge (QCPAC) reconciliation. This reconciliation, and its associated projects, are subject to the Public Utilities Commission's (PUC) Audit Staff (Audit) review and subsequent Order granting approval, prior to eligibility for recovery through the QCPAC. For determination of eligibility, Audit reviewed the 2019 plant additions, as identified on the Capital Expenditures report (CAPEX), found on Exhibit DLW-1, page 3, of the QCAPC filing.

Per the Commission approved Order 26,070, dated November 7, 2017, "*The [replacement] of the pilot WICA [Water Infrastructure and Conservation Adjustment] program with the Qualified Capital Project Adjustment Charge is a reasonable method to compensate the Company for necessary capital investments between rate cases. Such investments will of course be subject to a Commission review and determination of whether such investment was prudent.*" Prior to the approval of the QCPAC recoupment, as detailed in Order 26,070, the Company had been participating in a WICA Pilot Program, approved in Order 25,230, dated June 9, 2011.

The filing included the 2019 Capital Expenditures (CAPEX), which reported the Company's board approved a QCPAC budgeted amount of \$3,286,500 in January of 2019. The total final project cost as of 12/31/19, per the petition filed on February 13, 2020, Docket No. DW 20-019, totaled \$1,787,322. The final unaudited project cost of \$1,769,527, as reported on the 2019 CAPEX report, was revised to the QCPAC eligible project final costs totaling \$1,787,322, less any that were funded with .01 Debt Service Revenue Requirement (DSRR) funds. Audit identified that the \$17,795 variance between the total final project cost of \$1,787,322 and the unaudited project cost of \$1,769,527 is the aggregate of the projects that were funded with the 0.1 DSRR funds. Exhibit DLW-1, page 3 of the filing reports that the .01 DSRR funded projects are for the Alexander Road Water Main Upsizing, totaling \$1,119, and the Nashua Road 4" Main Relocation, totaling \$16,676.

Audit noted the amount to be funded with the 2020 loan from CoBank totaled \$803,275, as reported on Exhibit DLW-1, page 3 of the filing. Page 4 of the filed testimony from Donald Ware, Chief Operating Officer of Pennichuck East, identifies the funds to be borrowed from CoBank as totaling \$799,439. Audit questioned the \$3,836 variance between the CAPEX and Donald Ware's testimony. The Company stated that, *"The difference in testimony is due to the fact that the loan won't close until June [2020] and we do not have the final interest rate at this time."*

Regulatory Approval

As required by Order 26,179, to be eligible for recovery through the 2019 QCPAC, a project must meet the following standards:

- (1) Completed, in service and used and useful on or before December 31, 2019;
- (2) Financed by debt that has been approved by the Commission; and
- (3) Corresponds with a capital budget that has previously been submitted by the Company and approved by the Commission.

Bidding

Audit inquired about the Company's procedure regarding the bidding process that contractors go through when applying to build and/or manage a project. The Company explained that the bid documents used include criteria that reference a potential contractor's technical ability, their experience successfully completing projects with a similar scope of work and size, their financial stability (the ability to bond), and their references. The bidder the Company selects is determined to be the responsible bidder based on review of their application, and who offers the lowest price to complete the job. The Company stated that they typically already know the majority of contractors that bid on projects. Audit understands that there may be instances when the work that a project requires is more specialized or unique (unlike water main construction), such as well drilling and construction. In this case, the Company explained that they would prequalify the bidders to ensure potential contractors are capable of completing the type of well the Company needs.

For review, Audit requested the bid proposals for the 2019 QCPAC projects. The Company provided a Record of Bids and Proposals in an Excel spreadsheet, detailing the name of the three lowest bidders for each project, the bid date, and the bid amount. Each project indicated that the lowest bidder was the winning bidder. Audit noted that some of the projects reported no winning bids. The Company stated that projects less than \$5,000 *"do not meet the criteria that that [the Company] has established for soliciting bids."*

Review of 2019 Capital Projects

There were a total of forty Capital Projects listed on Exhibit DLW-1, page 3 of the filing, and one amount for the PEU capitalized short-term project interest. Of the forty projects listed in the filing, twenty-seven of them plus the short-term interest, had a combined final project cost totaling \$1,787,322. Refer to the Introduction section of the report for details on the two DSRR funded projects that were included in the original \$1,787,322 CAPEX total but later removed for the final update, as they were not QCPAC eligible. Twenty-five of the listed projects were put

into service during 2019; thus, eligible for the 2020 QCPAC surcharge. Audit reviewed all twenty-five of the QCPAC eligible projects, noting that the remaining fifteen of the forty projects listed on the CAPEX did not have a final project cost and/or were reported as not qualifying for the QCPAC. The following identifies the fifteen projects not included in the QCPAC:

- Elevated storage tank in Londonderry
- Airstrip alternative arsenic treatment
- Locke Lake surface water treatment
- Locke Lake treatment evaluation
- Upgrade Michells Way PRV pit
- Alexander Road water main upsizing
- Nashua Road 4" Main relocation
- Install/replace treatment systems in small CWS
- Misc. Structural Improvements
- Misc. Fencing and Security Projects
- Misc. SCADA/Electrical
- Well Rehabilitation
- Atkinson Booster pump station design
- Replace softner media, W and E
- Add communications between remote facility and Nashua WTP (4 locations)

Per Audit's request, the Company provided an explanation as to why these projects were listed on the CAPEX but did not have a final project cost. In response, the Company stated that, *"[The projects] are generally place holders in the budget for 'run rate/routine' projects. The budgets are brought into the QCPAC at the budget that was approved by the board. As the year progresses, the projects may be delayed and/or not completed based on business needs. If there is no work order listed, that means the project was not completed or not necessary."* Written in the notes on the CAPEX, Audit recognized the Company's explanation for any deletion of projects, since the petition filing.

In addition to the mains, services, and paving projects that were historically included under the WICA to be eligible for recovery through the QCPAC mechanism, a project can be related to the replacement of vehicles, network infrastructure and building improvements. The following depicts the twenty-seven Capital Projects (plus the short-term interest), as per Exhibit DLW-1, page 3, of the filing:

Project Name/Description	Work Order #	Final Project cost as of 12/31/2019	QCPAC Eligible Property Tax Expense
Georgetown Area water main replacements	1917479	\$ 20,845	\$ 575
Georgetown Drive water main replacement	1901644	\$ 400,377	\$ 11,046
Bradford Lane water main replacement	1901645	\$ 336,562	\$ 9,286
N.Barnstead Road - Eliminate dead end piping	1901646	\$ 248,858	\$ 6,866
Belmont Drive water main replacement	1901647	\$ 43,364	\$ 1,196
PEU-PWW Interconnection (Merrimack to Litchfield)	1900424, 1900434, 1908514	\$ 59,691	\$ 1,723
Rolling Hills Water Main Replacement	1825265, 1901649, 1918198	\$ 188,089	\$ 4,877

1x rev invest Normal Run Rate w/2 mos of PFOA in Litchfield	n/a	\$ 37,724	\$ 1,080
Alexander Road, Water Main Upsizing	1908374	\$ 1,119	\$ 27
Nashua Rd 4" Main Relocation - Carryover Charges	1829926 & 1906036	\$ 16,676	\$ 478
Weinstein/Dame Station Upgrades	1506139, 1603114, 1703756, 1813249, 1907079	\$ 108,286	\$ -
Booster Pump replacement/rebuild	760 - 763 workorders	\$ 26,925	\$ 771
Booster Pump replacement/rebuild	1915423	\$ 6,697	\$ 192
Well Pump replacements	760 - 763 workorders	\$ 42,371	\$ 1,214
Chemical Feed pump replacements	760 - 763 workorders	\$ 8,143	\$ 233
Miscellaneous SCADA/Electrical	1910159	\$ 1,712	\$ 53
Miscellaneous SCADA/Electrical	1915363	\$ 1,742	\$ 49
Miscellaneous SCADA/Electrical	1915856	\$ 2,155	\$ 58
Miscellaneous SCADA/Electrical	1916937	\$ 2,115	\$ 57
Add communications between remote facility and Nashua WTP	1901651	\$ 4,488	\$ 129
Pennichuck East Survey Work	1702834	\$ 3,153	\$ -
New Services (5)	720 workorders	\$ 14,560	\$ 417
Renewed Services (10)	721 & 722 workorders	\$ 35,824	\$ 1,026
Hydrants (5)	730 & 731 workorders	\$ 9,911	\$ 284
Gates (8)	712 workorders	\$ 33,630	\$ 963
Radios (550)	754 workorders	\$ 22,291	\$ 638
Meters (Growth) 5/8"-2" - PEU (220) / Lead Meter PEU (550)	750 workorders	\$ 69,613	\$ 1,994
PEU Capitalized short term project interest		\$ 40,401	\$
Totals		\$ 1,787,322	\$ 45,231

Overhead Rates

The Company's overhead rates are input into Synergen, the plant accounting system, by the Senior or Staff Accountant. The system entered overhead rates are then automatically calculated and posted to the general ledger, at the same time that the work orders are posted to the general ledger, at the end of the month.

Audit requested the overhead rates that were in effect during the 2019 test year for labor, general construction, and engineering. The Company responded with the following statement:

"For 2019, the Union overhead rate was 63.24% and the general overhead rate was 2%. It is intended to capture the cost of benefits for Union employees and is derived by an analysis of the employee's benefits which is reviewed / revised annually."

The general overhead rate is calculated on the total job cost, including the union labor rate as described above, and by an analysis of the employee benefits which is reviewed/revised annually as part of the budget process. Audit verified the OH rates to the work order detail reports of each project reviewed.

Allowance for Funds Used During Construction

Audit noted that there was no charge for Accounting for Funds Used During Construction (AFUDC) on the work order detail reports for the 2019 QCPAC projects and inquired as to whether or not the AFUDC was being calculated. The Company stated that, *"As part of the 2019 PEU QCPAC filing we agreed that we would no longer calculate AFUDC and that we*

would replace the inclusion of AFUDC for a project total with the interest incurred on the [Fixed Asset Line of Credit] FALOC.” Audit verified that Order 26,313, dated December 6, 2019, stated that, “The AFUDC mechanism does not accurately reflect the financing costs that PEU incurs during the period of actual project construction. PEU and Staff further agreed that the actual interest expense incurred on the Company’s Line of Credit during construction is a more accurate measure of costs than AFUDC.” The Company reported the short-term interest on the CoBank FALOC, from July 2019 - July 2020, as totaling \$40,401. This interest amount was a representation of interest from July 2019 through July 2020. The final amount of capitalized interest will not be known until the day the Company closes and pays off of the CoBank FALOC.

Cost of Removal and Retirements

The Company submitted the Continuing Property Records (CPR), detailing capitalized date, disposition date, cost of removal, gross book value, depreciation expense, accumulated depreciation, and net book value. The Company also provided a Dispositions and Meter Counts report. The general ledger for the construction work in progress account (CWIP, 105222), accumulated depreciation account (108000), the cost of removal account (108001), the accumulated depreciation loss account (108002), and the plant in service subaccounts (301000 – 348000) were also provided, along with copies of the journal entries and entry report for the general journal 2019 retired assets. Audit reviewed the general ledger entries confirming the final project costs credit the CWIP account and debit the appropriate plant in service account.

The CPR was examined by Audit, along with the general ledger entries for the accounts provided, and noted that the Cost of Removal (COR) on the CPR for the 2019 QCPAC projects, as totaling \$126,928. The COR general ledger, account 108001, reported a total of \$127,154. Audit inquired about the \$225 variance between the CPR and the trail balance. The Company explained that, “This is also to do with the same \$2,500.00 invoice that was booked to Georgetown area project. The assets were booked, but it should not be included in QCPAC filing for 2019 assets, as this will be part of a 2020 used and useful project.”

The Company provided a spreadsheet identifying the CPR assets that are posted to GL but not included in the QCPAC filing. Audit reviewed the spreadsheet and confirmed the \$225 variance between the Cost of Removal balance on the CPR and the general ledger balance for the cost of removal account.

Audit examined the general ledger and four samples of detailed journal entries for the retirements, one from each 2019 quarter, as well as the asset disposition list. The retirements are processed by debiting the 108000 account for the Gross Book Value, thus taking them off of the books and crediting the asset GLs 301-348. Then, there is a journal entry for the loss or gain on the asset which debits 108002 and credits 108000. The net change in the 108 account is a debit for the assets being retired. The assets themselves are depreciating by crediting 108000 each month and debiting the depreciation expense (403000). Because the Company uses the Synergen accounting system, that keeps track of the net value of assets, they need to clear the values off the books. By using the 108002 and 108000 for the “loss” or “gain”, they are basically zeroing out that remaining item. It has no impact on the income statement or the balance sheet, at the 108 account level. Audit verified that the depreciation is booked per the PUC Uniform System of Accounts for Water Utilities through the Accumulated Depreciation account 108.

The Company stated that the retirements are processed at the manager's discretion and explained that, *"The fixed asset administrator will review the work order report showing replacements or repairs throughout the quarter. The manager has final say on what would be retired from that quarterly list."*

Audit noted that the Q3 Gross Book Value for asset account #334100, Metering Equipment, totaled \$83,972 but the trial balance for account #108000, Accumulated Depreciation, shows the debit amount as \$85,183. Also, the Dispositions and Meter Counts report shows a Net Book Value of \$56,444.79 for the same quarter (Q3) but the trial balance shows the credit to account #108000, as \$57,632.71. The Company explained the variance between the Q3 Dispositions List and the Q3 trial balance in the following statement:

"There was a retirement that was done in error, it was found later and it was reversed in December 2019. The journal entry for that reversal is attached. Asset #700-00003032 was capitalized in March 2019 and retired September 2019 (in error). The manager did not request this asset to be retired."

Audit examined the detailed journal entry provided and noted the asset retired in error. The reversing entry was noted with no exceptions.

Tax Rate Calculation

The February 13, 2020 filing by the Company reported the QCPAC eligible property tax expense of \$45,231, as per Exhibit DLW-1, page 3. All the projects reviewed by Audit were part of the PEU systems of Barnstead, Exeter, Londonderry, Merrimack, Plaistow, Raymond, and Windham. Audit requested the supporting schedule used to determine the QCPAC eligible property tax expense listed in the filing, as well as copies of the town property bills for each of the towns where the projects occurred. The Company provided the requested documentation including a schedule showing the tax rate calculation, stating that, *"The rates were calculated by taking the property tax bill from year end 2019 and adding the Statewide Utility tax rate of \$6.60/\$1000."*

Audit verified that the QCPAC eligible property tax expense was calculated by multiplying the tax rate for the community where the project was located, by the final cost of the project/\$1,000, as per the explanation provided by the Company. Audit confirmed both the property tax rate calculation for each town, as well as the eligible property tax expense, and noted that the calculations agreed with the filed CAPEX. The following schedule represents the 2019 calculated property tax rate, based on final 2019 property tax bills, by municipality and state:

	Barnstead	Exeter	Londonderry	Merrimack	Plaistow	Raymond	Windham
Local Tax Rate	\$ 20.99	\$ 21.29	\$ 17.48	\$ 22.26	\$ 19.33	\$ 24.35	\$ 20.24
State Utility Tax Rate	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60
Total	\$ 27.59	\$ 27.89	\$ 24.08	\$ 28.86	\$ 25.93	\$ 30.95	\$ 26.84

Work Order Detail Report

The Company provided copies of individual Work Order Detail Reports for the each of the QCPAC additions listed as projects on Exhibit DLW-1, page 3, of the filing. The reports describe the specific type of expense incurred throughout the duration of the project. Expenses listed on the reports include payroll related overheads, materials and supplies, transportation, and construction overheads. Also provided were the Cost Records and applicable E-22 forms for Audit's review.

Georgetown Area Water Main Replacements, Engineering/Management Costs WO#1917479 - \$20,845

The Capital Improvements Request form, dated March 7, 2019, identifies the project's detailed description, inventory of property-record units, associated costs, date of installation and completion. The Company filed the E-22 in March 2019, for work order #1917479, which was for the replacement of 7,800 feet of substandard and deteriorating 2" and 4" diameter polyethylene pipe with 4" and 6" C-900 PVC and (87) main to curb stop water service reconnections. The location of the project was in Barnstead and involved Georgetown Road, North Barnstead Road, Danbury Road, Bradford Lane and Belmont Drive. Work order #1917479 totaled \$20,845.

The CAPEX shows that this project was not in the approved budget. The earliest estimated project cost, as of November 30, 2019, was for 20,845. The final project cost on the work order detail report totaled \$20,845, which agreed with the final project cost reported in the filing.

Audit requested a schedule depicting the record of bids and proposals for the 2019 QCPAC surcharge eligible projects. In response, the Company provided an Excel spreadsheet of winning bid tabulations and noted that this portion of the Georgetown Area Water Main project was not open to receive bids because, "[The] Work Order #1917479 is a work order created to track engineering and management cost for design and management for the Locke Lake projects. It was not intended to include construction cost."

Copies of the Engineering and Management costs for the project were provided. Audit reviewed the costs as detailed in the following:

Richard D. Bartlett & Assoc., LLC	\$ 7,118
Richard D. Bartlett & Assoc., LLC	9,754
Richard D. Bartlett & Assoc., LLC	<u>3,973</u>
Total W/O #1917479	<u>\$ 20,845</u>

There were three separate invoices from Richard D. Bartlett for the Engineering and Management costs totaling \$20,845. Audit reviewed each invoice, as well as the Wage Classification and Salary Schedule, detailing the rates for 2018-2020 by employee classification. Audit noted that the charges on the invoice were for labor, mileage, and materials. No exceptions were noted.

Audit reviewed the CPR for the Georgetown Area Water Main Replacements project and noted the cost of removal totaled \$1,877, as per the most recent depreciation study. The Company indicated that because this project is for the replacement of deteriorating pipe, which is an existing asset, it is a retirement with no cost of removal posted to the work order. Audit understands that the project is related to an existing system; therefore, the cost of removal amounts listed on the CPR are worked into the total project cost listed on the invoices that were billed to the Company from the vendor.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1917479 – Georgetown Area Water Main Replacement

Account	Description	Gross Plant	COR	Gross Book
331101	Mains 4" and under	\$ 3,588	\$ (359)	\$ 3,229
331100	Mains 6" and larger	\$15,185	\$(1,519)	\$ 13,667
309200	Supply Mains	\$ 2,072	\$ (0)	\$ 2,072
	Totals	<u>\$20,845</u>	<u>\$(1,877)</u>	<u>\$ 18,968</u>

Audit reviewed the Company's general ledger and verified that the replacement pipes and supply mains were posted to the general ledger on November 1st and December 1st of 2019. The project closed on December 18, 2019, as per the work order detail report.

Audit noted that the QCPAC eligible property tax expense was calculated by multiplying the tax rate for the community where the project was located by the final cost of the project/\$1000, as per the explanation provided by the Company. Refer to the Tax Rate Calculation section for further detail.

Audit reviewed the tax rate amounts submitted in the filing, Exhibit DLW-1, page 3, for each of the QCPAC eligible projects. Audit reviewed the Town of Barnstead's property tax bill from year end 2019 and noted the tax rate of \$27.59/one thousand. Audit verified both the property tax rate calculation, as well as the eligible property tax expense of \$575. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Georgetown Drive Water Main Replacement, WO #1901644 - \$400,377

The E-22 was filed by the Company on 3/7/19 with the Capital Improvements Request for work order #1901644, indicating the replacement approximately 7,800 feet of substandard and deteriorating 2" and 4" diameter polyethylene pipe with 4" and 6" C-900 PVC and (87) main to curb stop water service reconnections. The location of the project was within the Barnstead community and the streets involved in the project were as follows: Georgetown Road, North Barnstead Road, Danbury Road, Bradford Lane and Belmont Drive. The project proposed start date was July 15, 2019 with a proposed completion date of December 1, 2019.

The CAPEX shows that this project was in the approved budget for \$619,300. The final project cost on the work order detail report totaled \$400,377, which agreed with the amount in the filing.

The Record of Bids and Proposals spreadsheet provided by the Company was reviewed by Audit. Three companies were listed as bidding for the Georgetown project. The winning bid was awarded to the lowest bidder, John H. Lyman.

Audit reviewed the work order detail report, along with the requisitions and other vendor invoices for the project. The work order detail report listed the total vendor cost, as depicted in the following:

John H. Lyman	\$ 132,813
John H. Lyman	228,098
Contractor	35,541
John H. Lyman	268
Engineering & IS Overhead	4,883
Richard D. Bartlett & Assoc., LLC	(1,106)
John H. Lyman	<u>(120)</u>
Total W/O #1901644	<u>\$ 400,377</u>

There were seven invoices, totaling \$400,377, for work order #1901644. Audit reviewed the three invoices from John H. Lyman Excavating Contractor, with charges totaling \$361,059. The services included on the invoice were for mobilization and demobilization activities, furnishing and installation of water main and butterfly valves, and traffic control. Audit also examined the Engineering and IS Overhead charges for \$4,883 and recalculated the line items. No exceptions were noted.

Audit reviewed the CPR for the Georgetown Drive Water Main Replacement project and noted the cost of removal totaling \$31,345, as per the most recent depreciation study. Refer to the Tax Rate Calculation section for details regarding Audit's examination of the Company's cost of removal.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1901644 – Water Main Replacement

Account	Description	Gross Plant	COR	Gross Book
331002	Pavement Dist Mains	\$ 62,044	\$ 0	\$ 62,044
331250	Gates 4" and under	\$ 7,832	\$ (783)	\$ 7,049
331251	Gates 6" and larger	\$ 3,800	\$ (380)	\$ 3,420
331100	Mains 6" and larger	\$ 245,172	\$ 24,517	\$ 220,655
333200	Renewed Services	\$ 56,648	\$ (5,665)	\$ 50,983
309200	Pumping Plant	\$ 24,881	\$ 0	\$ 24,881
	Totals	\$ 400,377	\$(31,345)	\$ 369,032

The 11/1/19 entries on the general ledger were confirmed by Audit for \$62,044, \$7,832, \$3,800, and \$56,648. Audit was not able to locate the remaining entries of \$245,172 (mains 6" & larger) and \$24,881 (supply mains) as recorded to the general ledger. Audit inquired about the missing entries on the general ledger and the Company explained that the entries for the mains 6"

and larger and the pumping plant are on the general ledger provided and that. The Company further explained their response with the following statement:

“\$245,172.18 is made up of assets capitalized 11/01/19 \$242,243.97 and 12/01/19 \$2,928.51. The December amount was booked for \$3,785.48 and then the asset was split due to an invoice belonging to a different project that was not used and useful at year end 2019. It will be reversed in 2020 and booked to correct project when that project goes used and useful. [The] \$24,880.48 is made up of assets capitalized 11/01/19 \$24,031.60 and 12/01/19 \$848.88. The December amount was booked for \$1,097.39 and the asset was split due to an invoice belonging to a different project that was not used and useful at year end 2019...The invoice that was backed out affects all four work orders on the Georgetown Area Project, 1901644, 1901645, 1901646, and 190647...[The \$1,097] will be reversed in 2020 and booked to the correct project when that project goes used and useful.”

Audit located the amounts of the capitalized assets, making up the \$245,172 and \$24,880, on the general ledger. The water main replacement pipes, distribution mains, renewed services, and pumping plant were all posted to the general ledger on November 1st and December 1st of 2019. The project closed on January 16, 2020, as per the work order detail report.

Audit recalculated the eligible property tax expense based on the tax rate and the Company’s property tax rate calculation. The Town of Barnstead’s tax rate of \$27.59/thousand yields an eligible property tax expense of \$11,046 which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated..

Bradford Lane Water Main Replacement, WO#1901645 - \$336,562

The Company filed an E-22 in March 2019, for work order #1901645, which was for the replacement of 7,800 feet of substandard and deteriorating 2” and 4” diameter polyethylene pipe with 4” and 6” C-900 PVC and (87) main to curb stop water service reconnections. The location of the project was within the Barnstead community and involves Georgetown Road, North Barnstead Road, Danbury Road, Bradford Lane and Belmont Drive. The CAPEX shows that this project was in the approved budget for \$253,000. The final project cost on the work order detail report was for \$336,562, which agrees with the filing.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that John H. Lyman received the winning bid for the project. Refer to the Georgetown Area Water Main Replacement project, work order #1917479, for details on the bid proposal for all projects within the Barnstead community.

Audit reviewed the work order detail report, along with the requisitions and other vendor invoices for the project. The costs by vendor are broken out below:

John H. Lyman	\$ 73,674
Contractor	\$ 26,956
John H. Lyman	\$ 208,701
John H. Lyman	\$ 24,367
Engineering and IS Overhead	\$ 3,703
Richard D. Bartlett & Associates, LLC	\$ (839)

Total W/O #1901645

\$ 336,562

Six invoices in total were included in the Bradford Lane project. There were three John H. Lyman invoices, totaling \$306,742. Services listed on these invoices were for mobilization and demobilization, furnishing and installing water mains and pipe, traffic control and cleanup. Audit reviewed two of the Lyman invoices, totaling \$282,375 and recalculated the line items with no exceptions noted.

Audit reviewed the CPR for the Bradford Lane Water Main Replacement project and noted the cost of removal as totaling \$29,651 as per the most recent depreciation study. Refer to the Tax Rate Calculation section for details regarding Audit's examination of the Company's tax rate calculation.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1901645 – Bradford Lane Water Main Replacement

Account	Description	Gross Plant	COR	Gross Book
331002	Pavement Dist Mains	\$ 40,050	\$ 0	\$ 40,050
331250	Gates 4" and under	\$ 8,150	\$ (815)	\$ 7,335
331251	Gates 6" and larger	\$ 1,900	\$ (190)	\$ 1,710
331101	Mains 4" and under	\$ 62,058	\$ (6,206)	\$ 55,853
331100	Mains 6" and larger	\$ 181,234	\$(18,123)	\$ 163,110
333200	Renewed Services	\$ 43,169	\$ (4,317)	\$ 38,853
	Totals	\$ 366,562	\$(29,651)	\$ 306,911

The \$62,058 total for the 4" Mains and the \$181,234 total for the 6" Mains were not located on the general ledger. Audit requested that the company provide the supporting documentation that these assets were booked to the appropriate general ledger account. The Company responded by stating that, "[The] 4" mains booked for \$62,058.39 is made up of assets capitalized 11/01/19 (61,290.78) and 12/01/19 (767.61). The December GL Amount was \$992.33 which included the invoice being backed out in 2020. [The] 6" mains booked for \$181,233.80 is also made up of assets capitalized 11/01/19 (179,136.66) 12/01/19 (2,097.14). The December GL Amount was \$2,711.07 which included the invoice being backed out in 2020." Refer to Work Order #1901644, Georgetown Drive Water Main Replacement, for details on the invoice being backed out in 2020.

Audit located the amounts of the capitalized assets, making up the \$62,058 and \$181,234, on the general ledger. The water main replacement pipes, distribution mains, renewed services, and pumping plant were all posted to the general ledger on November 1st and December 1st of 2019. The project closed on January 16, 2020, as per the work order detail report.

Audit recalculated the QCPAC eligible property tax expense based on the tax rate and the Company's property tax expense calculation. For the final project cost of \$336,562, the Town of Barnstead's tax rate of \$27.59/thousand yields an eligible property tax expense of \$9,286 which

agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

North Barnstead Rd. to Eliminate Deadend Piping, WO #1901646 - \$248,858

The Company filed an E-22 in March 2019, for work order #1901646, which was for the replacement of 7,800 feet of substandard and deteriorating 2" and 4" diameter polyethylene pipe with 4" and 6" C-900 PVC and (87) main to curb stop water service reconnections. The location of the project is in Barnstead and involves Georgetown Road, North Barnstead Road, Da bury Road, Bradford Lane and Belmont Drive. This project is part of the substandard Locke Lake distribution system, which is reported as suffering chronic leakage and has a leak repair history. The phase of this project is to reduce the unaccounted water, increase system reliability, reduce maintenance cost and improve customer service.

The CAPEX shows that this project was in the approved budget for \$132,000. The final project cost on the work order detail report was for \$248,858, which agrees with the filing. Audit observed the approximate \$100k increase in the final project cost from the Board approved budgeted amount. The Company explained that the Board approved budget did not include the initial survey expenses, which were incurred in 2018, or the internal engineering and field inspection on the Locke Lake projects. These items are estimated to add about \$164,500 to these project costs.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that John H. Lyman received the winning bid for the project. Refer to the Georgetown Area Water Main Replacement project, work order #1917479, for details on the bid proposal for all projects within the Barnstead community.

The project consisted of one work order, totaling \$248,858 for the final project cost. The following represents the costs by vendor:

John H. Lyman	\$ 50,785
John H. Lyman	\$ 98,132
Contractor	\$ 14,703
John H. Lyman	\$ 68,325
John H. Lyman	\$ 15,352
Engineering and IS Overhead	\$ 2,020
Richard D. Bartlett and Associates, LLC	\$ (457)
Total W/O #1901646	<u>\$248,858</u>

Seven invoices in total were included in the work order detail report for the project. Audit reviewed each invoice and noted that charges were for mobilization and demobilization, furnishing and installing water mains and pipe, traffic control and cleanup. Audit reviewed three of the seven invoices, totaling \$217,241, and recalculated the invoice line items. Refer to the Overhead Rates section for details on Audit's review of the overhead rate calculation.

Audit reviewed the CPR for the North Barnstead Rd. to Eliminate Deadend Piping project and noted the cost of removal totaling \$22,423, as per the most recent depreciation study.

Refer to the Tax Rate section for details regarding Audit's examination of the Company's tax rate calculation.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1901646 – North Barnstead Road – Eliminate Dead-End Piping

Account	Description	Gross Plant	COR	Gross Book
108001	COR	\$ 4,360	\$ (4,360)	\$ 0
331002	Dist Mains Paving	\$ 63,870	\$ (0)	\$ 63,870
331250	Gates 4" and under	\$ 6,300	\$ (630)	\$ 5,670
331251	Gates 6" and larger	\$ 1,900	\$ (190)	\$ 1,710
331101	Mains 4"and under	\$ 69,528	\$ (6,953)	\$ 62,576
331100	Mains 6" and larger	\$ 84,966	\$ (8,497)	\$ 76,469
333200	Renewed Services	\$ 16,570	\$ (1,657)	\$ 14,913
333200	PEU Services	\$ 1,364	\$ (136)	\$ 1,228
	Totals	\$ 248,858	\$(22,423)	\$ 226,435

While verifying that the project costs were recorded to the general ledger, Audit was not able to locate the following entries: \$63,870, \$6,300, \$69,528, \$84,969, and \$1,364.13. Audit requested that the Company provide the supporting documentation that these assets were booked to the general ledger. The Company responded by stating that, "[The] \$63,870.00 paving is made up of assets capitalized 11/01/19 (62,870.00) and 12/01/19 (1,000.00). [The] \$6,300.00 gates 4 and under are made up of assets capitalized 11/01/19 (4,800.00) and 12/01/19 (1,500.00). [The] \$69,528.30 4" mains assets booked are made up of assets capitalized 11/01/19 (61,525.34) and 12/01/19 (8,002.96). The November GL amount was \$61,723.48 which included the invoice being backed out in 2020. [The] \$84,965.65 6" mains assets booked are made up of assets capitalized 11/01/19 (83,820.65) and 12/01/19 (1,145.00). The November GL amount was \$84,079.94 which included the invoice being backed out in 2020. [The] \$1,364.13 was booked to Renewed Services 333200 which is correct GL, but the Asset Type and GL is incorrect in CPR schedule and in the fixed asset program. This will be corrected in 2020." Refer to Work Order #1901644, Georgetown Drive Water Main Replacement, for details on the invoice being backed out in 2020.

Audit confirmed the amounts of the capitalized assets recorded on the general ledger. The cost of removal, distribution mains, gates (4" and 6"), mains (4" and 6"), renewed services, and PEU services were all posted to the general ledger on November 1st and December 1st of 2019. The project closed on January 16, 2020, as per the work order detail report.

The Company provided a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$248,858, the Town of Barnstead's tax rate of \$27.59/thousand yields an eligible property tax expense of \$6,866, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Belmont Drive Water Main Replacement, WO#1901647 - \$43,364:

The Company filed an E-22 in March 2019, for work order #1901647, which was for the replacement of 7,800 feet of substandard and deteriorating 2" and 4" diameter polyethylene pipe with 4" and 6" C-900 PVC and (87) main to curb stop water service reconnections. The location of the project involves Georgetown Road, North Barnstead Road, Danbury Road, Bradford Lane and Belmont Drive. This project is part of the substandard Locke Lake distribution system, which is reported as suffering chronic leakage and has a leak repair history. The phase of this project is to reduce the unaccounted water, increase system reliability, reduce maintenance cost and improve customer service. The CAPEX shows that this project was in the approved budget for \$68,200. The final project cost on the work order detail report was for \$43,364, which agrees with the filing.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that John H. Lyman received the winning bid for the project. Refer to the Georgetown Area Water Main Replacement project, work order #1917479, for details on the bid proposal for all projects within the Barnstead community.

The project consisted of one work order totaling \$43,364 for the final project cost. The following represent the project costs by vendor:

John H. Lyman	\$ 32,125
Contractor	\$ 3,154
John H. Lyman	\$ 7,749
Engineering and IS Overhead	\$ 433
Richard D. Bartlett and Associates, LLC	\$ (98)
Total W/O #1901647	<u>\$ 43,364</u>

Five invoices in total were included in the Belmont Drive project. There were two John H. Lyman invoices, totaling \$39,874. Services listed on these invoices were for mobilization and demobilization, furnishing and installing water mains and pipe, traffic control and cleanup. Audit reviewed both of the Lyman invoices and recalculated the line items with no exceptions noted.

Audit reviewed the CPR for the Belmont Drive Water Main Replacement project and noted the cost of removal total of \$3,875, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1901647 – Belmont Drive Water Main Replacement

Account	Description	Gross Plant	COR	Gross Book
331002	Dist Mains Paving	\$ 4,615	\$ (0)	\$ 4,615
331250	Gates 4" and under	\$ 2,325	\$ (233)	\$ 2,093

331251	Gates 6" and larger	\$ 1,900	\$ (190)	\$ 1,710
331101	Mains 4" and under	\$ 1,874	\$ (187)	\$ 1,687
331100	Mains 6" and larger	\$ 23,389	\$ (2,339)	\$ 21,050
333200	Renewed Services	\$ 9,260	\$ (926)	\$ 8,334
	Totals	\$ 43,363	\$ (3,875)	\$ 39,488

The project costs were confirmed to the general ledger, with entries recorded on 11/1/19. Audit noted that the 4" mains, booked for \$1,874, are made up of \$1,849 in assets capitalized on 11/01/19 and \$25 in assets capitalized on 12/01/19. The December general ledger amount was for \$33, which included the invoice being backed out in 2020. Audit also noted that the 6" mains booked for \$23,389 includes assets capitalized on 11/01/19 and 12/01/19 for \$22,989 and \$401, respectively. The November GL Amount was \$23,079.47 which included the invoice being backed out in 2020. Refer to Work Order #1901644, Georgetown Drive Water Main Replacement, for details on the invoice being backed out in 2020.

Audit confirmed the amounts of the capitalized assets recorded on the general ledger. The distribution mains, gates (4" and 6"), mains (4" and 6"), and renewed services were all posted to the general ledger on November 1st and December 1st of 2019. The project closed on January 16, 2020, as per the work order detail report.

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$43,364, the Town of Barnstead's tax rate of \$27.59/thousand yields an eligible property tax expense of \$1,196, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

PEU-PWW Interconnection (Merrimack to Litchfield) - \$59,691

The project consisted of three separate work orders with the numbers 1900424, 1900434, and 1908514. The CAPEX shows that this entire project, which includes the aforementioned three work orders, was not in the original approved budget but was estimated to cost \$59,691 as of November 30, 2019. The final project cost, including all three work orders, totaled \$59,691.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that they awarded the project to the company with the lowest bid. In total, there were six individual companies who entered a bid for the Interconnection of Merrimack to Litchfield, with PRB Construction offering the winning bid.

Audit reviewed copies of each of the three work order reports provided by the Company. The details of the work orders, as well as their corresponding invoices, are provided throughout the following sections:

Work Order 1900424 for the 2019 PEU-PWW Interconnection - \$34,248

The Company filed the E-22 in July of 2016, stating that work order #1900424 was for conceptual design of an interconnecting pipeline linking Pennichuck Water Works to Pennichuck East Utility. The location of the project was within the Merrimack community. Detailed within the Capital Improvements Request form was the report of a water demand rise over the last

decade, in both Litchfield and Hudson, due to system expansion, such that summer demands have required the Taylor Falls Pump Station to operate throughout the day and over longer periods of the year. There has also been a reduction in the regulatory pressure which has placed additional stress on the sources to meet current water demands with the largest supply out of service.

The Excel spreadsheet of winning bid tabulations was provided by the Company, per Audit's request. Refer to the PEU-PWW Interconnection (Merrimack to Litchfield) project section for details on the bid proposal for all projects within the Merrimack community.

The project consisted of one work order totaling \$34,248 for the final project cost. The costs by vendor are broken out below:

Engineering and IS Overhead	\$ 1,236
Tighe & Bond	<u>33,013</u>
Total W/O #1900424	<u>\$ 34,248</u>

One invoice, totaling \$33,013, was included in the project for vendor Tighe & Bond. Services listed on the invoice were for construction administration, such as engineers, designers, the project manager, and administrative support. Audit requested the overhead rates that were in effect during the 2019 test-year for labor, general construction and engineering. The Company responded with the following statement:

"For 2019, the Union overhead rate was 63.24% and the general overhead rate was 2%. It is intended to capture the cost of benefits for Union employees and is derived by an analysis of the employee's benefits which is reviewed / revised annually."

Audit reviewed the Tighe & Bond invoice for \$33,013, including the expense detail for the construction professional personnel, and recalculated the hourly rates. Audit also reviewed the Engineering and IS Overhead charge of \$1,236. No exceptions were noted.

The PEU-PWW Interconnection was a new project that had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1900424 – PEU-PWW Interconnection

Account	Description	Gross Plant	COR	Gross Book
331100	Mains 6" and larger	\$ 34,248	\$ (0)	\$ 34,248
	Totals	<u>\$ 34,248</u>	<u>\$ (0)</u>	<u>\$ 34,248</u>

Audit located the amount of the capitalized assets of \$34,248 on the general ledger. The mains 6" or larger were posted to the general ledger on May 1st of 2019. The project closed on November 26, 2019, as per the work order detail report.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. The Town of Merrimack's tax rate of \$28.86/thousand yields an

eligible property tax expense of \$1,723 for the following work orders on the PEU-PWW Interconnection project: WO #1900424, WO #1900434, and WO #1908514. Audit's calculation of the eligible property tax expense agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1900434, 2019 PEU-PWW Interconnection Station Bidding/Construction- \$7,171

Per the Company's E-22, filed with the Commission on March 8, 2018, work order #1900434 was for the installation of approximately 5,900 linear feet of 12" pipe on both sides of the Merrimack River and 650 linear feet of 16" bell and socket ductile iron pipe beneath the Merrimack River. Additionally, pumps will be added at an existing building on the Merrimack side to provide adequate head within the interconnection.

The Excel spreadsheet of winning bid tabulations was provided by the Company, per Audit's request. Refer to the PEU-PWW Interconnection (Merrimack to Litchfield) project section for details on the bid proposal for all projects within the Merrimack community.

The project consisted of one work order totaling \$7,171 for the final project cost. The costs by vendor are broken out below:

TI-Sales	\$1,042
Engineering and IS Overhead	\$1,140
Engineering and IS Overhead	\$ 402
PRB Constuction	<u>4,587</u>
Total W/O #1900434	<u>\$7,171</u>

Two invoices, totaling \$5,629, were included in the project for vendors TI Sales and PRB Construction. Charges listed on the TI Sales invoice were for cellular services. The PRB Construction invoice included charges for labor and equipment and Audit reviewed the hourly rates, as well as the Engineering and IS Overhead charge of \$1,236.

The PEU-PWW Interconnection Station Bidding was a new project that had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1900434 – PEU-PWW Interconnection

Account	Description	Gross Plant	COR	Gross Book
304550	Booster Stations	\$ 6,130	\$ (0)	\$ 6,130
346000	Comm. Equipment	\$ 1,042	\$ (0)	\$ 1,042
	Totals	<u>\$ 7,171</u>	<u>\$ (0)</u>	<u>\$ 7,171</u>

Audit located the amount of the capitalized assets of \$6,130 and \$1,042 on the general ledger and noted that the Booster Stations and Communication Equipment were posted to the on July 1st of 2019. The project closed on October 18, 2019, as per the work order detail report.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Work order #1900424 for the 2019 PEU-PWW Interconnection details the QCPAC eligible

property tax expense of \$1,723, which includes the eligible tax expense for work order #1900434. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1908514 for the Interconnection Easement- \$18,272

The Company filed the E-22 in July 2016, stating that work order #1908514 was for the conceptual design of interconnecting pipeline linking Pennichuck East Utility to Pennichuck Water Works.

The Excel spreadsheet of winning bid tabulations was provided by the Company, per Audit's request. Refer to the PEU-PWW Interconnection (Merrimack to Litchfield) project section for details on the bid proposal for all projects within the Merrimack community.

The project consisted of one work order totaling \$18,272 for the final project cost. The costs by vendor are broken out below:

TD Bank	<u>\$18,272</u>
Total W/O #1908514	<u>\$18,272</u>

The Company provided a copy of the Settlement Statement from the U.S. Department of Housing and Urban Development, detailing the Agreement to Grant Easement, as well as the Inventory of Property Transfer record from the NH Department of Revenue Administration. Audit reviewed the documents for appropriate signatures and dates. The Company also provided the general ledger detail for the land purchase amount of \$18,272 for the easement. The amount was booked to fixed assets as a debit to account 303240, Easements, and a credit to account 105222, CWIP.

The PEU-PWW Interconnection Easement had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1908514 – PEU-PWW Interconnection Easement

Account	Description	Gross Plant	COR	Gross Book
303240	Easements	\$ 18,272	\$ (0)	\$ 18,272
	Totals	<u>\$ 18,272</u>	<u>\$ (0)</u>	<u>\$ 18,272</u>

Audit located the amount of the capitalized asset of \$18,272 on the general ledger and noted that the Easements were posted on May 1st of 2019. The project closed on July 10, 2019, as per the work order detail report.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Work order 1900424 for the 2019 PEU-PWW Interconnection details the QCPAC eligible property tax expense of \$1,723 for work order #1900434. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Rolling Hills Water Main Replacement - \$188,089

The project consisted of three separate work orders with the numbers 1825265, 1901649, and 1918198. The CAPEX shows that this entire project, which includes the aforementioned three work orders, was in the approved budget for the amount of \$150,000. The final project cost, including all three work orders, totaled \$188,089.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that they awarded the project to the company with the lowest bid. There were a total of three companies who entered bids involving both design and management of the project, as well as its construction. The winning bid was awarded to CSSI Contractors.

Audit reviewed copies of each of the three work order reports provided by the Company. The details of the work orders, as well as their corresponding invoices, are provided throughout the following sections:

Work Order 1825265 for the Rolling Hills Survey Work- \$17,693

The Capital Improvement Request, dated in November of 2018, stating that work order #1825265 was for the survey for a future effort to replace existing HDPE and PVC water main pipes throughout the Rolling Hills community with adequately sized PVC water mains. The total vendor cost is shown below:

Promised Land Survey, LLC	\$17,500
Engineering and IS Overhead	<u>193</u>
Total WO #1825265	<u>\$17,693</u>

One invoice, totaling \$17,500, was included in the project for the vendor Promised Land Survey, LLC. Charges listed on the TI Sales invoice were for land survey work. Audit reviewed the invoice, as well as the Engineering and IS Overhead charge with no exceptions noted.

Audit reviewed the CPR for the Rolling Hills Survey Work and noted a cost of removal totaling \$1,769, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1825265 – Rolling Hills Survey Work

Account	Description	Gross Plant	COR	Gross Book
331100	Mains 6" and Larger	\$ 17,693	\$ (1,769)	\$ 15,923
	Totals	<u>\$ 17,693</u>	<u>\$ (1,769)</u>	<u>\$ 15,923</u>

Audit located the amount of the capitalized assets of \$17,693 on the general ledger and noted that the Mains 6" and Larger were posted to the general ledger on December 1st of 2019. The project closed on January 28, 2019, as per the work order detail report.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. The Town of Plaistow's tax rate of \$25.93/thousand yields an eligible property tax expense of \$4,877 for the following work orders on the Rolling Hills Water Main Replacement: WO #1825265, WO #1901649, and WO #1918198. Audit's calculation of the eligible property tax expense agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1901649 for the Rolling Hills Main Replacement - \$0

The work order detail for this project reported a zero balance. Audit questioned the balance and The Company explained that the work order #1901649 was originally opened as part of the design phase of the Rolling Hills Water Main Replacement project but upon later review, the Company realized that the charges in this work order were actually for construction. Therefore, the Company moved the charges to the construction project work order #1918198.

Audit requested a copy of the detail from the work order report to review the removal of these original charges. The Company provided the detail, depicting \$167,560 in original charges. Audit verified that this amount was removed from the work order #1901649 and placed on work order #1918198 (see detail of WO #1918198 reported below).

Work Order 1918198 to Replace Substandard Pipe- \$170,396

The Company filed the E-22 in December of 2019, stating that work order #1918198 was to replace and relocate an existing 2" PVC main, which crosses private property and fails frequently, with a new 4" ductile iron water main. Audit reviewed the work order detail report and noted the total vendor cost, as depicted in the following:

Engineering and IS Overhead	\$17,689
CSSI Contractors	151,984
Imtek	222
Pennichuck	560
CSSI Contractors	(30)
JP Cardillo	(30)
Total WO #1918198	<u>\$170,395</u>

There were a total of four invoices submitted to the project, along with the overhead charges. Audit reviewed one invoice from CSSI Contractors, totaling \$151,984, for permits, trench restoration, materials, installation, and flaggers for traffic control. Audit examined the itemization of charges and recalculated the invoice. Audit also reviewed the Engineering and IS Overhead charge of \$17,689. No exceptions were noted.

Audit reviewed the CPR for Rolling Hills Main Replacement project and noted the cost of removal totaling \$14,276, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing assets.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1918198 – Rolling Hills Main Replacement

Account	Description	Gross Plant	COR	Gross Book
331002	Dist. Mains Paving	\$ 27,640	\$ (0)	\$ 27,640
331250	Gates 4" and Under	\$ 3,450	\$ (345)	\$ 3,105
331251	Gates 6" and Larger	\$ 2,550	\$ (255)	\$ 2,295
331101	Mains 4" and Under	\$ 800	\$ (80)	\$ 720
331100	Mains 6" and Larger	\$119,555	\$(11,956)	\$ 107,600
333200	Renewed Services	\$ 16,401	\$ (1,640)	\$ 14,761
	Totals	\$170,396	\$(14,276)	\$ 156,120

Audit located the amount of the capitalized assets totaling \$170,396 on the general ledger and noted that the Mains (paving, 4", and 6"), Gates (4" and 6"), and renewed services to the general ledger on December 1st of 2019. The project closed on January 16, 2019, as per the work order detail report.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Work order #1825265 for the Rolling Hills Survey work depicts the QCPAC eligible property tax expense of \$4,877, which includes the eligible tax expense for work order #1918198 and agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Weinstein/Dame Station Upgrades - \$108,286

The project was located in the Litchfield community and consisted of five separate work orders with the numbers 1506139, 1603114, 1703756, 1813249, and 1907079. The CAPEX shows that this project was not in the approved budget. The earliest estimated project cost, as of June 30, 2019, was for \$108,286. The final project cost, including all the five aforementioned work order numbers, totaled \$108,286.

The Record of Bids and Proposals spreadsheet provided by the Company recorded that there were no bids on the Weinstein/Dame Station Upgrades. Audit questioned why the Company had no bids for this project and they replied with the following statement:

"The wells in question are owned by Hudson. Hudson is responsible to maintain, rebuild or replace the wells and Pennichuck is responsible to pay Hudson for 15% of the cost to maintain, rebuild or replace these wells. Pennichuck has no control over how Hudson hires its contractors."

Exhibit DLW-1, page 3 of the filing reported no QCPAC eligible property tax for the Weinstein/Dame Station Upgrades project. Audit confirmed with the Company that there was no tax expense due to the fact that the Weinstein/Dame Station is owned by Hudson Water Works; therefore, there is no tax impact on PEU.

Audit reviewed copies of each of the five work order reports provided by the Company. The details of the work orders, as well as their corresponding invoices, are provided throughout the following sections and organized by their work order number:

Work Order 1506139 for PEU Share of Weinstein Improvement - \$15,866

The Company filed the E-22 in October of 2015, stating that work order #1506139 was to replace the Weinstein Well. The location of the project was within the Litchfield community and consisted of one work order totaling \$15,866. The costs for the project are separated by vendor and depicted in the following:

Town of Hudson	\$ 15,866
Total W/O #1506139	\$ 15,866

The aggregate amount of \$15,866 for the Town of Hudson consisted of seven invoices. Audit reviewed each invoice and noted that charges were for professional personnel, permits, and construction. Invoices included consultant fees, design, and well construction. Audit understands that, as per the Capital Improvements request, *“PEU Litchfield gets about 40% of its supply from this well and is contractually responsible for paying 15% of the improvements to the well, per its water supply contract with the Town of Hudson.”*

Audit requested the water supply contract from the Company and noted that page 8 of the contract indicates that the Company shares of mutually used Hudson assets to the level of the Company’s benefit. The Company uses 15%, as allowed by contract, of the water from the wells. The Company pays for 15% of the improvements. Audit reviewed the charges and detail of all seven invoices listed on the work order and recalculated the Pennichuck share at 15% with no exceptions noted.

The Share of the Weinstein Improvement project had no cost of removal. Audit reviewed the project’s CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1506139 – Share of Weinstein Improvement

Account	Description	Gross Plant	COR	Gross Book
303520	SS and Pump Plant	\$ 15,866	\$ (0)	\$ 15,866
	Totals	\$ 15,866	\$ (0)	\$ 15,866

Audit located the amount of the capitalized assets, totaling \$15,866, on the general ledger and noted that these assets for the source of supply and pumping plant were posted to the general ledger on May 1st of 2019. The project closed on June 27, 2016, as per the work order detail report. Audit noted the 2016 closing date for the project and questioned the 2019 recording date of the assets to the general ledger. The Company responded by stating that, *“This project was not used and useful until 2019. The work orders close...within the financial year, therefore the*

work order detail (from the work order system) may have different close dates than used and useful dates and/or GL booked dates.”

The CAPEX reported no eligible tax expense for the Share of the Weinstein Improvement project. Refer to the Weinstein/Dame Station Upgrades section of this report for details regarding why a tax expense for the project was non-applicable.

Work Order 1603114 for the PEU Share of Weinstein Improvement (2019 carryover) - \$6,105

The E-22, filed in October 2015, stated that work order #1603114 was for the replacement design, bidding, construction and oversight of the Weinstein Well, with the project location in Litchfield. The final cost for the PEU share of the Weinstein Improvement project was listed on the work order detail report as totaling \$6,105. The bidding on this project was not required due to the total dollar amount being less than \$10,000. The project consisted of one work order, totaling \$6,105, for the final project cost with the amount, charged by vendor, depicted in the following:

Town of Hudson	<u>\$ 6,105</u>
Total WO #1603114	<u>\$ 6,105</u>

The aggregate amount of \$6,105, for the Town of Hudson, consisted of four invoices. Audit reviewed each invoice and noted that charges were for professional personnel, trucks, labor, and materials. Audit reviewed the charges and detail of all four invoices and recalculated the Pennichuck share at 15%, and noted no exceptions. Refer to Work Order 1506139, PEU Share of Weinstein Improvement, for details regarding the 15% Pennichuck share.

The Share of the Weinstein Improvement project had no cost of removal. Audit reviewed the project’s CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1603114 – Share of Weinstein Improvement

Account	Description	Gross Plant	COR	Gross Book
303520	SS and Pump Plant	\$ 6,105	\$ (0)	\$ 6,105
	Totals	<u>\$ 6,105</u>	<u>\$ (0)</u>	<u>\$ 6,105</u>

Audit located the amount of the capitalized assets, totaling \$6,105, on the general ledger and noted that these assets, for the source of supply and pumping plant, were posted to the general ledger on May 1st of 2019. The project closed on February 3, 2017, as per the work order detail report. Audit noted the project closing date of 2017, as differing from the 2019 date that the assets were recorded to the general ledger. Refer to work order #1506139 for details on the conflicting close date against the date the assets were posted.

The CAPEX reported no eligible tax expense for the Share of the Weinstein Improvement project. Refer to the Weinstein/Dame Station Upgrades section of this report for details regarding why a tax expense for the project was non-applicable.

Work Order 1703756 for the PEU Share of Weinstein Improvement (2017 carryover) - \$38,324

The E-22, filed in October 2015, stated that work order #1703756 was for the replacement design, bidding, construction and oversight of the Weinstein Well. The total cost of this portion of the project was listed on the work order detail report as totaling \$38,324.

The project consisted of one work order, totaling \$38,324, for the final project cost. The vendor costs listed on the work order detail report are as follows:

Town of Hudson	<u>\$38,324</u>
Total WO #1703756	<u>\$38,324</u>

The aggregate amount of \$38,324, for the Town of Hudson, consisted of four invoices. Audit reviewed each invoice and noted that charges were for internet services for HMI install at Weinstein and Dame well stations, construction, and a standby generator. Audit reviewed the charges and detail of all four invoices and recalculated the Pennichuck share at 15% with no exceptions. Refer to work order #1506139 for details regarding the 15% Pennichuck share.

The Share of the Weinstein Improvement project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1703756 – Share of Weinstein Improvement (2017 carryover)

Account	Description	Gross Plant	COR	Gross Book
303520	SS and Pump Plant	\$ 38,324	\$ (0)	\$ 38,324
	Totals	<u>\$ 38,324</u>	<u>\$ (0)</u>	<u>\$ 38,324</u>

The source of supply and pumping plant, totaling \$38,324, was posted to the general ledger on May 1, 2019. The project closed on January 28, 2019, per the work order detail report. Audit reviewed the invoice with no exceptions noted.

The CAPEX reported no eligible tax expense for the Share of the Weinstein Improvement project. Refer to the Weinstein/Dame Station Upgrades section of this report for details regarding why a tax expense for the project was non-applicable.

Work Order 1813249 for the PEU Share of Weinstein Improvement - \$37,657

The E-22, filed in October 2015, stated that work order #1813249 was for the replacement design, bidding, construction and oversight of the Weinstein Well. The total cost of this portion of the project was listed on the work order detail report as totaling \$37,657. The project consisted of one work order, totaling \$37,657, for the final project cost. The following depicts the costs by vendor:

Town of Hudson	<u>\$37,657</u>
Total WO #1813249	<u>\$37,657</u>

The aggregate amount of \$37,657, for the Town of Hudson, consisted of six separate invoices. Audit reviewed each invoice and noted that charges were for a heater for the electrical

room, construction, and labor and equipment. Audit reviewed the charges and detail of all six invoices and recalculated the Pennichuck share at 15%, with no exceptions noted. Refer to the previous work order #1506139, PEU Share of Weinstein Improvement, for details regarding the 15% Pennichuck share.

The Share of the Weinstein Improvement project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1813249 – Share of Weinstein Improvement

Account	Description	Gross Plant	COR	Gross Book
303520	SS and Pump Plant	\$ 37,657	\$ (0)	\$ 37,657
	Totals	\$ 37,657	\$ (0)	\$ 37,657

Audit located the amount of the capitalized assets, totaling \$37,657, on the general ledger and noted that these assets for the source of supply and pumping plant were posted to the general ledger on May 1st of 2019. The project closed on January 28, 2019 as per the work order detail report.

The CAPEX reported no eligible tax expense for the Share of the Weinstein Improvement project. Refer to the Weinstein/Dame Station Upgrades section of this report for details regarding why a tax expense for the project was non-applicable.

Work Order 1907079 for the PEU Share of Weinstein Improvement - \$10,335

The E-22, filed in October 2015, stated that work order #1907079 was for the replacement design, bidding, construction and oversight of the Weinstein Well. The total cost of this portion of the project was listed on the work order detail report as totaling \$10,335. Also included on the work order detail report is the total vendor cost, as depicted by the following:

Town of Hudson	<u>\$10,335</u>
Total WO #1907079	<u>\$10,335</u>

The aggregate amount of \$10,335, for the Town of Hudson, consisted of three invoices. Audit reviewed each invoice and noted that charges were for construction, and labor and equipment. Audit reviewed the charges and detail of all four invoices and recalculated the Pennichuck share at 15%, with no exceptions noted. Refer to work order #1506139, PEU Share of Weinstein Improvement, for details regarding the 15% Pennichuck share.

The Share of the Weinstein Improvement project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1907079 – Share of Weinstein Improvement

Account	Description	Gross Plant	COR	Gross Book
303520	SS and Pump Plant	\$ 4,983	\$ (0)	\$ 4,983
303520	SS and Pump Plant	\$ 1,092	\$ (0)	\$ 1,092
303520	SS and Pump Plant	\$ 4,260	\$ (0)	\$ 4,260

Totals	\$ 10,335	\$ (0)	\$ 10,335
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Audit located the amount of the capitalized assets on the general ledger, as they are depicted in the above chart, totaling \$10,335. The amounts recorded for the source of supply and pumping plant, were posted to the general ledger in 2019 on May 1st, June 1st, and July 1st respectively. The project closed on October 18, 2019 as per the work order detail report.

The CAPEX reported no eligible tax expense for the Share of the Weinstein Improvement project. Refer to the Weinstein/Dame Station Upgrades section of this report for details regarding why a tax expense for the project was non-applicable.

760-763 Work Orders, Replacement of Small Booster Pumps - \$26,925

The Company provided the Work Order Detail Report for Work Order Types 760-763. Audit reviewed the report and noted that the project consisted of ten separate work orders, all reported within the Work Order Types of 760 and 762 and with a reporting date range of January 1, 2019 – December 31, 2019. The total for the ten work order amounts on this project came to \$26,925 and included service locations in the following towns: Londonderry, Middleton, Raymond, Windham, and Pelham. Audit selected work order #1915255, totaling \$4,075, and work order #1901720, totaling \$5,095, as samples from the project to examine in detail.

Audit understands that when there are routine capital projects they are booked as a lump sum through the monthly work order interface. For work order #1901720, there were two work orders that were booked in the same month to the same account number where one work order (#1901720) was for \$5,095 and the other work order (#1901725) was for \$1,627, for a total of \$6,722. Audit verified that the \$6,722 for the replacement of the booster pumps was booked to the general ledger on 02/28/19.

Audit reviewed the Record of Bids and Proposals spreadsheet provided by the Company and noted that there were no bidders recorded for the replacement of small booster pumps. Each of the ten work orders, listed on the work order detail report for the project, totaled less than \$5,000 individually. Audit understands that these work orders are for small scale pump replacement/rebuilding projects that are in response to failures and therefore are not considered planned routine maintenance. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

The Company provided copies of the town property bills and a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. The tax rate of \$28.64/thousand yields an eligible property tax expense of \$771 for the following work orders on the Replacement of Small Booster Pumps: #1915255 and #1901720. Audit's calculation of the eligible property tax expense agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order #1915255 – Booster Pump Ministerial Heights, \$4,075

The \$4,075 work order amount consisted of a contractor expense for \$3,995 and an overhead charge of \$80. Audit requested a copy of the contractor invoice and the overhead rates that were in effect during the 2019 test-year for labor, general construction and engineering (ENG/ISOH). The Company provided the invoice for Wright Electric Motors with delivery slip, as well as the overhead rate, explaining that, *“For 2019, the Union overhead rate was 63.24% and the general overhead rate was 2%. It is intended to capture the cost of benefits for Union employees and is derived by an analysis of the employee’s benefits which is reviewed / revised annually.”* Audit noted that the Wright Electric Motors invoice, dated 8/13/19, was for materials relating to the replacement of the booster pump (e.g. impeller, shaft sleeve, seal, gaskets, etc.), its assembly and testing. The overhead charge of \$80 was recalculated by Audit and accurately reflects 2% of the total \$3,995 for the job.

The Booster Pump Ministerial Heights project had no cost of removal. Audit reviewed the project’s CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1915255 – Booster Pump Ministerial Heights

Account	Description	Gross Plant	COR	Gross Book
311210	Pumping Equipment	\$ 4,075	\$ (0)	\$ 4,075
	Totals	<u>\$ 4,075</u>	<u>\$ (0)</u>	<u>\$ 4,075</u>

Audit located the amount of the capitalized assets on the general ledger, as they are depicted in the above chart, totaling \$4,075. The amounts recorded for the pumping equipment, were posted to the general ledger on August 31, 2019. The project closed on August 22, 2019 as per the work order detail report.

Work Order #1901720 – Booster Pump Rebuild Williamsburg, \$5,095

The \$5,095 work order amount consisted of a contractor expense for \$4,995 and an overhead charge of \$100 for the rebuilding of the booster pump at the Williamsburg location. Audit requested a copy of the contractor invoice and the overhead rates that were in effect during the 2019 test-year for labor, general construction and engineering (ENG/ISOH). The Company provided the invoice for Wright Electric Motors with delivery slip, as well as the overhead rate. Refer to Work Order #1915255 within the Work Order Types 760-763 for an explanation of the overhead rate charge. Audit noted that the Wright Electric Motors invoice, dated 2/4/19, was for the disassembly, cleaning, and inspection of the booster pump, as well as for materials. The overhead charge of \$100 was recalculated by Audit and accurately reflects 2% of the total \$4,995 for the job.

Sampled Work Order #1901720, for the Booster Pump Williamsburg project, had no cost of removal. Audit reviewed the project’s CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1915255 – Booster Pump Rebuild Williamsburg

Account	Description	Gross Plant	COR	Gross Book
311210	Pumping Equipment	\$ 5,095	\$ (0)	\$ 5,095

Totals	\$ 5,095	\$ (0)	\$ 5,095
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Audit located the amount of the capitalized assets on the general ledger, as they are depicted in the above chart, totaling \$5,095. The amounts recorded for the pumping equipment, were posted to the general ledger on February 1, 2019. The project closed on March 5, 2019 as per the work order detail report.

Work Order 1915423 for the W&E Booster and Replacement of 3 Pump Motors - \$6,697

The Capital Improvements Request, dated 8/28/19, for work order #1915423 was for the 2019 booster pump replacement, the W and E booster to replace three pump motors and install three VFD drives. Audit reviewed the Work Order Detail Report and noted that the location of this project was in Windham. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of September 30, 2019, was for 8,000. The final project cost on the work order totaled \$6,697.

Due to the fact that the dollar amount for the total work orders was less than \$10,000, bidding for the project and submission of an E-22 form was not required. Also included on the Work Order Detail Report is the total vendor cost, as depicted by the following:

Grainger	\$3,036
Horizon Solutions	3,113
M&M Electric	359
R.E Prescott Co., Inc.	189
Total WO #1915423	<u>\$6,697</u>

There were a total of eleven invoices from four vendors, totaling \$6,697, for the project. Audit reviewed each invoice and noted that charges were for labor and materials.

Audit reviewed the CPR for the W&E Booster Replacement project and noted the cost of removal totaling \$670, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1915423 – W&E Booster, Replace Three Pump Motors

Account	Description	Gross Plant	COR	Gross Book
311200	Elec. Pump Equip.	\$ 6,697	\$ (670)	\$ 6,027
	Totals	<u>\$ 6,697</u>	<u>\$ (670)</u>	<u>\$ 6,027</u>

Audit confirmed the amounts of the capitalized assets recorded on the general ledger. The Electric Pumping Equipment was posted to the general ledger on November 1, 2019. The project closed on December 18, 2019, as per the work order detail report.

The Company provided a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$6,697, the Town of Windham's tax rate of \$28.64/thousand yields an eligible property tax expense of \$192, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

760-763 Work Orders, Well Pump and Piping Replacement - \$42,371

Audit reviewed the Work Order Detail Report and noted it included service locations in the following towns: Londonderry, Windham, Exeter, and Pelham. The CAPEX shows that this project was in the approved budget for \$40,000. The final project cost on the work order totaled \$42,371.

The work order detail report listed eight separate work orders, all reported within the Work Order Type 760 and with a reporting date range of January 1, 2019 – December 31, 2019. The total for the eight work order amounts on this project came to \$42,371 and Audit selected work order #1908834, totaling \$9,804, as a sample from the project to examine in detail. The location of this work order was for Pelham.

Work Order #1908834 – Well Pump and Piping, Williamsburg, \$9,804

The \$9,804 amount recorded on the work order consisted of a contractor expense for \$9,612 and an overhead charge of \$192. Audit requested a copy of the contractor invoice and the overhead rates that were in effect during the 2019 test-year for labor, general construction and engineering (ENG/ISOH). The Company provided the invoice for Smith Pump Co. with a work order report, as well as the overhead rate. Refer to Work Order #1915255 within the Work Order Types 760-763 for an explanation of the overhead rate charge. Audit noted that the Smith Pump Co. invoice, dated 5/28/19, was for the installation of a submersible pump. The overhead charge of \$192 was recalculated by Audit and accurately reflects 2% of the total \$9,612 for the job.

Audit reviewed the CPR for the Well Pump and Piping project and noted the cost of removal totaling \$980, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1915423 – Well Pump and Piping, Williamsburg

Account	Description	Gross Plant	COR	Gross Book
307210	Well Pump/Pipe	\$ 9,804	\$ (980)	\$ 8,824
	Totals	\$ 9,804	\$ (980)	\$ 8,824

Audit confirmed that the \$9,804 amount of reviewed capitalized assets was recorded on the general ledger. The well pumping and piping posted on May 31, 2019. The job finished on December 18, 2019, as per the work order detail report.

The Company provided a schedule showing the tax rate calculation used to determine the tax rates listed in the filing on Exhibit DLW-1, page 3. Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$42,371 the tax rate of \$28.64/thousand yields an eligible property tax expense of \$1,214, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

760-763 Work Orders, Replacement of Chemical Feed Pumps - \$8,143

Audit reviewed the Work Order Detail Report for work order types 760-763. The project location was reported for the Town of Windham and consisted of five work orders, totaling \$8,143, for the replacement of the chemical feed pumps as they fail. The CAPEX shows that this project was in the approved budget for 10,000, as of June 2019. The final project cost on the work order summary totaled \$8,143. Due to the dollar amount for the total work orders as being less than \$10,000, bidding for the project and submission of an E-22 form was not required.

There were five work order charges, from four different work orders, listed on the work order summary for the project. Audit sampled one work order, #1914651, in the amount of \$1,643 for further review. Charges for this amount include \$1,611 in contractor costs and \$32 in overhead costs. Audit requested a copy of the contractor invoice and the overhead rates that were in effect during the 2019 test-year for labor, general construction and engineering (ENG/ISOH). The Company provided the invoice for USA BlueBook with a work order report, as well as the overhead rate. Refer to Work Order #1915255 within the Work Order Types 760-763 for an explanation of the overhead rate charge. Audit noted that the USA BlueBook invoice, dated 7/8/19, was for the pump with autoprime. The overhead charge of \$32 was recalculated by Audit and accurately reflects 2% of the total \$1,611 for the job.

Audit reviewed the CPR for the Replacement of Chemical Feed Pumps project and noted the cost of removal totaling \$815, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

760-763 Work Orders – Replacement of Chemical Feed Pumps

Account	Description	Gross Plant	COR	Gross Book
311230	Chemical Pumps	\$ 1,816	\$ (182)	\$ 1,634
311230	Chemical Pumps	\$ 1,566	\$ (157)	\$ 1,410
311230	Chemical Pumps	\$ 1,643	\$ (164)	\$ 1,479
311230	Chemical Pumps	\$ 1,552	\$ (155)	\$ 1,397
311230	Chemical Pumps	\$ 1,566	\$ (157)	\$ 1,410
	Totals	<u>\$ 8,144</u>	<u>\$ (815)</u>	<u>\$ 7,329</u>

Audit noted that when there are multiple routine work orders within the same asset type within the month, the costs of all work orders are booked as a lump sum into GL for that work order type. For work order #1914651, the total \$1,643 was booked to the general ledger along with work order #1914652 (\$1,552), resulting in a total booked amount of \$3,195 to the general ledger for account # 311230, Electric Pumping Equipment, in on 7/31/19. The project was closed on August 2, 2019, as per the work order detail report.

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$8,143, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$233, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1910159 for the Replacement of VFD Booster #3 at Liberty Tree - \$1,712

The Capital Improvements Request, dated 5/20/19, for work order #1910159 was for the replacement of the variable frequency drive (VFD) for pump #3 at the Liberty Tree location in the Town of Raymond. The project was due to the existing drive failing and beyond repair. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of September 30, 2019, was for \$1,720. The final project cost on the work order totaled \$1,712.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of VFD Booster #3. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

Due to the dollar amount for the total work orders as being less than \$10,000, submission of an E-22 form was not required. Also included on the detail report is the total vendor cost, as depicted by the following:

Horizon Solutions	<u>\$1,712</u>
Total WO #1910159	<u>\$1,712</u>

There was a total of one invoice from Horizon, in the amount of \$1,712, for the project. Audit reviewed the invoice and noted that charges were for materials related to the replacement of the VFD Booster #3.

Audit reviewed the CPR for the Replacement VFD Booster #3 and noted the cost of removal totaling \$171, as per the most recent depreciation study. Refer to Work Order

#1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1910159 – Replace VFD Booster #3, Liberty Tree

Account	Description	Gross Plant	COR	Gross Book
311200	Elec. Pump Equip.	\$ 1,712	\$ (171)	\$ 1,540
	Totals	\$ 1,712	\$ (171)	\$ 1,540

The electric pumping equipment was posted to the general ledger on July 1, 2019. The project closed on August 26, 2019, as per the work order detail report.

Audit reviewed the Company's tax calculation spreadsheet for the Town of Raymond, as well as the accompanying property tax bill for the year end 2019 and recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$1,712, the Town of Raymond's tax rate of \$30.95/thousand yields an eligible property tax expense of \$53, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1915363 for the Replacement of VFD, Booster #2 at Forest Ridge - \$1,742

The Capital Improvements Request, dated 8/21/19, for work order #1915363 was for the replacement of the variable frequency drive (VFD) for pump #2 at the Forest Ridge location in Exeter. The project was due to the existing drive failing and beyond repair. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of September 30, 2019, was for 1,742. The final project cost on the work order totaled \$1,742.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of VFD Booster #2. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

Due to the dollar amount for the total work orders as being less than \$10,000 submission of an E-22 form was not required. Also included on the detail report is the total vendor cost, as depicted by the following:

Horizon Solutions	<u>\$1,742</u>
Total WO #1915363	<u>\$1,742</u>

There was a total of one invoice from Horizon, in the amount of \$1,742, for the project. Audit reviewed the invoice and noted that charges were for materials. No exceptions were noted.

The Replacement of VFD Booster #2 at Forest Ridge had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1915363 – Replace VFD Booster #2, Forest Ridge

Account	Description	Gross Plant	COR	Gross Book
311200	Elec. Pump Equip.	\$ 1,742	\$ (0)	\$ 1,742
	Totals	\$ 1,742	\$ (0)	\$ 1,742

The electric pumping equipment was posted to the general ledger on August 1, 2019. The project closed on September 10, 2019, as per the work order detail report.

Audit reviewed the Company's tax calculation spreadsheet for the Town of Exeter, as well as the accompanying property tax bill for the year end 2019 and recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$1,742, the Town of Exeter's tax rate of \$27.89/thousand yields an eligible property tax expense of \$49, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1915856 for the Replacement of VFD Booster #1 at Spruce Pond - \$2,155

The Capital Improvements Request, dated 8/26/19, for work order #1915856 was for the replacement of the variable frequency drive (VFD) for pump #1 at the Spruce Pond location in Windham. The project was due to the existing drive failing and beyond repair. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of September 30, 2019, was for 2,156. The final project cost on the work order totaled \$2,155.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of VFD Booster #1. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

Due to the dollar amount for the total work orders as being less than \$10,000, submission of an E-22 form was not required. Also included on the detail report is the total vendor cost, as depicted by the following:

Horizon Solutions	<u>\$2,155</u>
Total WO #1915856	<u>\$2,155</u>

There was a total of one invoice for Horizon Solutions, in the amount of \$2,155, for the project. Audit reviewed the invoice and noted that charges were for materials. No exceptions were noted.

Audit reviewed the CPR for the Replacement VFD Booster #1 and noted the cost of removal totaling \$216, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #1915856 – Replace VFD Booster #1, Spruce Pond

Account	Description	Gross Plant	COR	Gross Book
311200	Elec. Pump Equip.	\$ 2,155	\$ (216)	\$ 1,940
	Totals	\$ 2,155	\$ (216)	\$ 1,940

The electric pumping equipment was posted to the general ledger on August 1, 2019. The project closed on September 10, 2019, as per the work order detail report

Audit reviewed the Company's tax calculation spreadsheet for the Town of Windham, as well as the accompanying property tax bill for the year end 2019 and recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$2,155, the Town of Windham's tax rate of \$26.84/thousand yields an eligible property tax expense of \$58, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1916937 for the Replacement of the Generator Control Unit - \$2,115

The Capital Improvements Request, dated 10/27/19, for work order #1916937 was for the replacement of the Generator Control Unit within the Windham community. The project was due to the existing control unit failing and beyond repair. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of November 30, 2019, was for 2,115. The final project cost on the work order totaled \$2,115.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of the generator control unit. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

Due to the dollar amount for the total work orders as being less than \$10,000, submission of an E-22 form was not required. Also included on the detail report is the total vendor cost, as depicted by the following:

Power Up Generator Service	<u>\$2,115</u>
Total WO #1916937	<u>\$2,115</u>

There was a total of one invoice, in the amount of \$2,115, for the project. Audit reviewed the invoice from Power UP Generator Service and noted that charges were for labor, mileage, and materials.

The Replacement Generator Control Unit project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #191637 – Replace Generator Control Unit, Hardwood

Account	Description	Gross Plant	COR	Gross Book
310000	Power Gen. Equip.	\$ 2,115	\$ (0)	\$ 2,115
	Totals	\$ 2,115	\$ (0)	\$ 2,115

The power generator equipment was posted to the general ledger on October 1, 2019 and the project closed on November 25, 2019, as per the work order detail report.

Audit reviewed the Company's tax calculation spreadsheet for the Town of Windham, as well as the accompanying property tax bill for the year end 2019 and recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$2,115, the Town of Windham's tax rate of \$26.84/thousand yields an eligible property tax expense of \$57, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Order 1901651, Installation of Web Based Communication Equipment - \$4,488

The Capital Improvements Request, dated 7/8/19, for work order #1901651 was for the installation of web based communication equipment at the Forest Ridge location in Nashua. The project is one of four locations budgeted. The CAPEX shows that this project was not in the approved budget. The estimated project cost, as of November 30, 2019, was for 4,488. The final project cost on the work order totaled \$4,488.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the installation of web based communication equipment. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

Due to the dollar amount for the total work orders as being less than \$10,000, bidding for the project and submission of an E-22 form was not required. Also included on the detail report is the total vendor cost, as depicted by the following:

R.E Prescott Co., Inc.	<u>\$4,488</u>
Total WO #1901651	<u>\$4,488</u>

There were two invoices from R. E. Prescott, with a total amount of \$4,488, for the project. Audit reviewed the invoices and noted that charges were for materials and labor.

The Replacement Generator Control Unit had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #1901651 – Replace Generator Control Unit, Hardwood

Account	Description	Gross Plant	COR	Gross Book
346000	Comm. Equip.	\$ 4,488	\$ (0)	\$ 4,488
	Totals	<u>\$ 4,488</u>	<u>\$ (0)</u>	<u>\$ 4,488</u>

Audit reviewed the 2019 asset list and noted that the communication equipment was posted to the general ledger on October 1, 2019. The project closed on August 1, 2019, as per the work order detail report.

Audit reviewed the Company's tax calculation spreadsheet for the Town of Nashua, as well as the accompanying property tax bill for the year end 2019 and recalculated the eligible

property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$4,488, the Town of Nashua's tax rate of \$28.64/thousand yields an eligible property tax expense of \$129, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

720, Work Orders, Single Family Owner Build, New Homes - \$14,560

This project provided customers with the ability to tie into the water distribution system, when applicable. The Company provides the service of installing the main to service tie and the work order costs were for vehicles, labor, inventory, and overhead.

There were four work order charges, from four different work orders, listed on the summary report for the project. Audit sampled one work order, #1916863, in the amount of \$4,700 in contractor costs, for further review. Audit requested a copy of the Forcier Contracting and Building Services invoice and noted that the charges, billed on 9/13/19, were for tapping the existing water main, installation, run of copper service line, and regrade and loam any areas that were disturbed.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the single family owner build for new homes. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

The Single Family Owner Build project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #720 – Install New Service, Single Family Owner Build

Account	Description	Gross Plant	COR	Gross Book
333100	New Services	\$ 14,560	\$ (0)	\$ 14,560
	Totals	\$ 14,560	\$ (0)	\$ 14,560

Audit reviewed the 2019 asset list and noted that the water connection service was posted to the general ledger on October 31, 2019. The project closed on October 23, 2019, as per the work order detail report.

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$14,560, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$417, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

721 & 722 Work Orders, Renewed Services - \$35,824

There were eight work order charges, from eight different work orders, listed on the summary report for the project for the installation of renewed services at Maple Hills. Audit sampled two work order charges, and #1900536 and #1916079, in the amounts of \$11,277 and \$7,909 respectively. The work order details, containing itemized amounts for Audit's samples of

\$11,277 and \$7,909, were provided by the Company and Audit noted charges were for vehicles, tools, labor, and overhead.

Audit verified that the charges totaling \$11,277 were recorded to the general ledger on February 28, 2019 and the charges totaling \$7,909 were recorded to the general ledger on September 30, 2019. The project was completed on October 1, 2019, as per the work order detail report.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the renewed services. Refer to the Bidding section of the report for further detail on the Company's bidding policy.

Audit reviewed the CPR for the renewed services project and noted the cost of removal totaling \$3,582, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following accounts:

Work Order #721 & 722– Renewed Services

Account	Description	Gross Plant	COR	Gross Book
333200	PEU Renewed Svcs	\$ 35,824	\$ (3,582)	\$ 32,242
	Totals	\$ 35,824	\$ (3,582)	\$ 32,242

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$35,824, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$1,026, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

730 & 731 Work Orders, Replacement of Non-Functional Hydrants - \$9,911

There were three work order charges, from three different work orders, listed on the summary report for the replacement of non-functional hydrants project, totaling \$9,911. Audit sampled one work order charge, for work order #1906025, in the amount of \$5,651. The work order details, containing itemized amounts for Audit's sample, were provided by the Company and Audit noted charges were for vehicles, tools, labor, and overhead. Audit verified that the charges posted to the general ledger on March 31, 2019. The project finished on March 13, 2019.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of non-functional hydrants. Refer to the Bidding section of the report for further detail on the Company's bidding policy.

Audit reviewed the CPR for the replacement of non-functional hydrants project and noted the cost of removal totaling \$991, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following account:

Work Orders #730 & 731 – Replacement of Non-Functional Hydrants

Account	Description	Gross Plant	COR	Gross Book
335000	PEU Hydrants	\$ 9,911	\$ (991)	\$ 8,920
	Totals	\$ 9,911	\$ (991)	\$ 8,920

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$9,911, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$284, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

712 Work Orders, Replacement of Failed Gates - \$33,630

There were six work order charges, from six different work orders, listed on the summary report for the replacement of the failed gates, totaling \$33,630. Audit sampled one work order charge, for work order #1914520, in the amount of \$10,843. The work order details, containing itemized amounts for Audit's sample, were provided by the Company and Audit noted charges were for vehicles, tools, labor, and overhead. Audit verified that the charges posted to the general ledger on July 31, 2019.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the replacement of failed gates. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders.

Audit reviewed the CPR for the replacement of failed gate valves and noted the cost of removal totaling \$3,363, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following account:

Work Orders #712 – Replacement of Failed Gate Valves

Account	Description	Gross Plant	COR	Gross Book
331251	Gates 6"	\$ 33,630	\$ (3,363)	\$ 30,267
	Totals	\$ 33,630	\$ (3,363)	\$ 30,267

Audit verified that the charges posted to the general ledger through six entries dated between 3/31/19 and 12/31/19. The project was reported as complete on July 31, 2019.

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$33,630, the rate of \$28.64/thousand yields an eligible property tax expense of \$963, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Work Orders 754, New and Replaced Radios for Meter Reading - \$22,291

There were twenty work order charges, from twenty different work orders, listed on the summary report for the new and replacement radios, totaling \$22,291. Audit sampled two work order charges, one for work order #1916250, in the amount of \$3,944, and one for work order #1917051, in the amount of \$3,053. The work order details, containing itemized amounts for Audit's sample, were provided by the Company and Audit noted charges were for installation, tools, labor, and overhead. Audit verified that the charges posted to the general ledger on October 31, 2019 and November 30, 2019, respectively.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the new and replaced radios for meter reading. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders less than \$5,000.

The Single Family Owner Build project had no cost of removal. Audit reviewed the project's CPR and noted that the Company booked the cost of the project as depicted in the following account:

Work Order #720 – New and Replaced Radios for Meter Reading

Account	Description	Gross Plant	COR	Gross Book
334100	Radios for Metering	\$ 22,291	\$ (0)	\$ 22,291
	Totals	\$ 22,921	\$ (0)	\$ 22,921

Audit verified that the Radios for Metering asset posted to the 2019 general ledger. The project was reported as complete on July 31, 2019.

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$22,291, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$638, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

750 Work Orders, Installation New Meters - \$69,613

There were forty work order charges listed on the summary report for installation of new 5/8" meters, totaling \$69,613. Audit sampled three work order charges detailed in the following: work order #1915486 for \$5,954, work order #1914696 for \$11,655, and work order #1909836

for \$6,175. The work order details, containing itemized amounts for Audit's sample, were provided by the Company and Audit noted charges were for installation, equipment checks, and overhead.

Audit noted that the \$5,954, \$11,655, and \$6,175 amounts were routine capital projects and booked as a lump sum through the monthly work order interface. The \$5,954 amount is one of two work orders booked for 09/30/19. The CPR indicates two assets within Meters for September 2019, where one asset was \$150 and the other was \$5,954, for a total of \$6,103. Audit verified this amount was booked to the general ledger on 09/30/19.

The \$11,655 amount for is one of three work orders booked for 08/31/19. The CPR indicates three assets within the meter installation for August 2019 where one asset was for \$11,655, one was for \$816 and one was for \$151, totaling \$12,622. Audit verified this amount was booked to the general ledger on 08/31/19.

The amount of \$6,175 was one of three work orders booked on 07/31/19. The CPR indicated two assets within installation of new meters for July 2019 where one asset was for \$6,175, one was for \$150, and one was for 205, totaling \$6,530. Audit verified this amount was booked to the general ledger on 07/31/19.

Audit reviewed the Record of Bids and Proposals spreadsheet and noted that there were no bidders recorded for the installation of new meters. Refer to the Bidding section of the report for further detail on the Company's bidding policy for work orders.

Audit reviewed the CPR for new meters and noted the cost of removal totaling \$6,961, as per the most recent depreciation study. Refer to Work Order #1917479, Georgetown Area Water Main Replacements, for details regarding Audit's examination of the Company's cost of removal for projects related to existing systems.

Audit verified that the removal costs are reflected in the CPR records and noted that the Company calculates the COR at 10% of the gross cost. Audit recalculated the COR and verified the total Gross Plant amount to the general ledger. The Company booked the cost of the project as depicted in the following account:

750 Work Orders – Installation New Meters

Account	Description	Gross Plant	COR	Gross Book
334000	Metering Equipment	\$ 69,613	\$ (6,961)	\$ 62,652
	Totals	\$ 69,613	\$ (6,961)	\$ 62,652

Audit recalculated the eligible property tax expense based on the tax rate and the Company's property tax rate calculation. For the final project cost of \$69,613, the tax rate of \$28.64/thousand yields an eligible property tax expense of \$1,994, which agrees with the filing. Refer to the Tax Rate Calculation section of the report for details on how the tax rate was calculated.

Depreciation

Audit requested the depreciation asset list that includes the total 2019 additions to utility plant. The Company provided an Excel spreadsheet, listing the assets by project and work order number. The capitalized date, asset life, acquisition costs, cost of removal, depreciation expense, and gross book value were all listed amounts were all reported. Audit noted a total depreciation charge of \$19,362 from total selected additions of \$1,787,322. This figure represents a half-year depreciation charge for 2019 in accordance with utility accounting standards.

Audit recalculated the annual depreciation expense, verifying the use of the half-year convention for new additions in 2019. The depreciation rates were verified to the Depreciation Asset List provided by the Company.

Revenues

The Company will apply a recoupment charge to recover the cost of the loan and property taxes incurred during the period between the bond issuance date and the date on which the 2019 QCPAC was implemented. Testimony given by Donald Ware, Chief Operating Officer of Pennichuck East Utility, describes the impact of the 2019 QCPAC on monthly residential bills as resulting in , "...A QCPAC of \$3.73 per month., which is an increase of \$1.49 per month over the current surcharge amount of \$2.25 per month.

Summary

Audit reviewed a total of \$1,787,322 in final project costs, as well as the eligible property tax expense of \$45,231, and determined that the Company has shown that these projects were used, useful and booked to the appropriate plant accounts, as of 12/31/2019. Support for the project costs was provided in the form of the general ledger balances, journal entries, work order detail reports, work orders, E-22 reports, invoices, and Excel spreadsheets. Audit found no exceptions in the supporting documents to the filing.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-1

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Please provide working excel copies of all applicable schedules included in the Attachments of D. Ware, specifically including the “Explanation” column on page 3.

RESPONSE:

A working Excel copy of Exhibit DLW-1 will be submitted as part of the responses to these data requests.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-2

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Please describe PEU's general annual main replacement goal for its systems.

RESPONSE:

The current PEU annual main replacement program involves working to replace watermain installed by developers that do not meet AWWA standards and have experienced a significant number of breaks. Additionally, during years where there are a large number of dollars that are being invested in critical vertical assets (Locke Lake Treatment facility, Londonderry tank, Atkinson Booster, Sunrise Estates booster) the Company is deferring the replacement to watermain in order to lessen rate impacts. PEU currently has about 210 miles of watermain that were installed between 1 and 50+/- years ago. As these watermain age toward their expected lives of 60 to 150 years this will result in a targeted annual watermain replacement of 1 to 2 miles of watermain per year.

The Company's annual water main replacement program will ultimately be directed by the Company's asset management plan, which will take into account the criticality, risk of failure and probability of failure of each watermain. The Company hopes to be transitioned to an asset management driven watermain replacement plan within the next couple of years.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-3

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

Two projects, Alexander Road Water Main Upsizing and Nashua Road 4" Main Relocation, are indicated with a funding source of the 0.1 DSRR rather than CoBank or SRF monies. Please explain.

RESPONSE:

These were two small capital projects where PEU has sufficient 0.1 DSRR cash to pay for the projects as opposed to taking a loan to complete this work. Part of the concept of the 0.1 DSRR cash is for it to be used to offset the need to fund all capital expenditures with debt. This ultimately results in savings to customers due to avoided payment of debt interest and expenses.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-4

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

The attachment lists DW 19-069 as the source of financing for the majority of the 2020 capital projects. Please explain the following relative to the CoBank Loan:

- a) Does the Company intend to update this reference once the CoBank financing request is filed for approval and assigned a 2020 Docket reference?
- b) In light of recent current events, please provide an update on the status of the CoBank Loan to include revised loan terms if necessary.

RESPONSE:

- a) Yes, the Company will update the reference once that financing docket has been opened and filed.
- b) Nothing has changed as to the terms of the proposed CoBank Loan financing at this time, even in light of the extenuating circumstances in our country. Should something change, the Company will update this response, as appropriate.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-5

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Petition, Page 7, item (d)

Please explain if this request, to pay the interest incurred by the FALOC with funds from the CoBank Term Loan, is different than the request and authority granted, relative to the inclusion of FALOC interest in the QCPAC, in Order No. 26,313 (December 6, 2019) in Docket No. DW 19-035.

RESPONSE:

Per Order #26,313, dated December 6, 2019, the Company did not need to make the request on Page 7 of this petition to fund the FALOC interest with funds from the CoBank Term Loan.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-6

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

The Company indicated \$40,401 of Fixed Asset Line of Credit (FALOC) interest is included with the total cost of 2019 capital projects to be recovered through the 2020 QCPAC, and that this amount covers the period of July 2019 thru July 2020. Please explain the following:

- a) How did the Company determine the timeframe of July 2019 to July 2020 (a point in the future as of the filing) was the most appropriate timeframe to choose rather than a calendar year?
- b) Does this amount include interest incurred from capital projects that are not yet used and useful, such as but not limited to the Londonderry Elevated Storage Tank, the Airstrip Well Raw Water Main, and the Locke Lake Surface Water Treatment project?

RESPONSE:

- a) The July 2019 to July 2020 covers the projected time between the July 22, 2019 closing on the CoBank term loan that allowed the CoBank FALOC to be paid off for PEU assets that were used and useful through December 31, 2018 and the projected late June/early July 2020 closing on the CoBank term loan that will allow the Company to pay off the CoBank FALOC for PEU that were used and useful through December 31, 2019.
- b) No. No interest on the CoBank FALOC associated with projects that were not used and useful prior to December 31, 2019 is included in the projected interest calculation of \$40,401 incurred on the FALOC. Please note that the Airstrip Well Raw Water Main and the Locke Lake Surface Water Treatment project were funded with proceeds through the NHDES SRF loan and as such there were no draws on the CoBank FALOC to complete these projects.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-7

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: The Company's FALOC, approved by Order No. 26,117 (March 30, 2018) in Docket No. DW 17-157, was described as expiring on September 30, 2020. Please explain the following:

- a) Does the Company intend on renewing the FALOC or has the Company secured other means of short term financing for their capital projects?
- b) What impact, if any, will the maturity date of September 2020 have on the 2020 capital projects currently under construction? Please explain.

RESPONSE:

- a) The Company does intend to renew the FALOC facility with CoBank. The Company has already procured a Term Sheet for the renewal from CoBank and will be filing for its approval with a financing petition to the Commission in the coming weeks.
- b) The maturity date will have no impact on the 2020 capital projects, as the Company expects to have the renewal facility in place as of the termination date of the current facility, in essence resulting in continuity of the facility for the Company, without interruption.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-8

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware, Page 4 and 5

Page 4 references a loan from the NH Drinking Water State Revolving Loan Fund (SRF) in this Docket is estimated to enter repayment mode June 1, 2020 with the first payment of principal and interest due beginning in July 2020. However, page 5 also describes the SRF loan closing on March 1, 2019 with the first payment of principal and interest due on August 1, 2019. Please explain.

RESPONSE:

I do not see the referred to dates in my testimony noted in the data request above. It appears that the data request is based on pages 4 and 5 of the petition. The correct information regarding the SRF loan required to complete the watermain replacement work in Locke Lake is as follows:

1. Loan was closed on with the NHDES on January 9, 2019. The loan closing allowed the Company to begin work on the Locke Lake watermain replacement work on Georgetown Drive, Bradford Lane, North Barnstead Road and Belmont Drive projects during 2019.
2. Funds were drawn from the NHDES SRF loan during 2019 to complete the watermain replacement work noted above. The NHDES charges a short term interest rate of 1% per year on funds drawn during construction. When the project goes used and useful the NHDES changes the loan from a short-term loan at 1%, to a long-term loan at a rate of 2.704% for 30 years, six months after the project is deemed as used and useful and all project reimbursement requests have been completed. The project went used and useful in October of 2019 but there is still clean up to be finish the project which will occur in late April or early May of 2020. A final reimbursement request on this SRF loan is expected to occur in May of 2020 which will result in this loan entering full repayment mode in November of 2020.

Pennichuck East Utilities, Inc
DW 20-019
2020 QCPAC Filing
2/9/2020
Revised 3/26/2020 per Staff DR1's
Revised 12/8/2020 per Staff 3-3 Supplemental Response
Revised 12/29/2020 per Staff 1-8 Supplemental Response

	DW17-128 Approved Step Revenue Requirements		QCPAC Revenues approved in DW19-035		Projected QCPAC Surcharge for 2018 Capital Additions		Projected QCPAC For 2019 Capital Additions pro formas		Projected QCPAC Surcharge for 2019 Capital Additions		Projected QCPAC For 2020 Capital Additions pro formas		Projected QCPAC Surcharge for 2020 Capital Additions		Projected QCPAC For 2021 Capital Additions pro formas		Projected QCPAC Surcharge for 2021 Capital Additions		Projected QCPAC For 2022 Capital Additions pro formas		Projected QCPAC Surcharge for 2022 Capital Additions		
City Bond Fixed Revenue Requirement (CBFRR)	\$		926,309		\$		926,309	\$		\$		926,309	\$		\$		926,309	\$		\$		926,309	
Operating Expense Revenue Requirement	\$	5,851,582	(1)	\$	(40,866)	(4)(8)	\$	5,810,716	\$	45,231	(4)	\$	5,855,947	\$	70,930	(10)	\$	5,926,877	\$	10,863	(4)(11)	\$	5,937,741
Annual Principal and Interest Payments	\$	1,362,154	(2)	\$	261,114	(5)(6)	\$	1,623,268	\$	51,109	(12)	\$	1,674,377	\$	233,482	(12)	\$	1,907,859	\$	223,720	(12)	\$	2,131,579
Principal and Interest Coverage Requirement		1.10	(3)				1.10					1.10					1.10					1.10	
Principal and Interest Revenue Requirement	\$	1,498,370			\$		1,785,595		\$			1,841,815		\$			2,098,645		\$			2,344,737	
Proposed Revenue Requirement excluding NCCRS	\$	8,276,261			\$		8,522,620		\$			8,624,071		\$			8,951,832		\$			9,208,787	
Current Water Revenues excluding CBFRR and NCCRS	\$	5,947,707			\$		7,349,952		\$			7,596,311		\$			7,697,762		\$			8,025,523	
Add: City Bond Fixed Revenue Requirement	\$	926,309			\$		926,309		\$			926,309		\$			926,309		\$			926,309	
Current Water Revenues with CBFRR less NCCRS	\$	6,874,016			\$		8,276,261		\$			8,522,620		\$			8,624,071		\$			8,951,832	
Proposed Percent Revenue Increase		20.40%																				-	
ADD: NC Capital Surcharge Revenue	\$	178,915			\$		178,915		\$			178,915		\$			178,915		\$			178,915	
Proposed New Revenue Requirement	\$	8,455,176			\$		8,701,535		\$			8,802,986		\$			9,130,746		\$			9,387,702	
Projected QCPAC Increase ⁷							2.98%					1.23%					3.85%					2.98%	
Cumulative QCPAC increase ⁹							2.98%					4.20%					8.16%					11.27%	
Cumulative QCPAC monthly increase in average single family residential bill					\$		2.25		\$			3.17		\$			6.16		\$			8.50	
Average monthly single family residential bill with QCPAC					\$		77.69		\$			78.62		\$			81.61		\$			83.95	

- Notes:
- (1) Operating Expense Revenue requirement is the sum of the Total Operating Expenses, Property Tax Expense and Amortization Expense approved in DW17-128.
- (2) Annual Principal and interest payments for PEU debt associated with all plant in service as approved in DW17-128.
- (3) Principal and interest coverage of 1.10 is as approved in DW17-128.
- (4) QCPAC operating expense proformas are based on the property taxes for plant added during the year.
- (5) See Calculation of annual principal and interest payments on spreadsheet titled "2018 QCPAC PEU Additions."
- (6) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1/2018 and 12/31/2018 based on a 25 year term loan with an actual total all in interest rate of 4.38% that was not recovered in DW17-128.
- (7) QCPAC percent revenue surcharges based on increase in revenues over the step revenues granted in DW17-128, exclusive of prior QCPAC surcharges.
- (8) 2018 Proforma Operating Expenses include a reduction in purchased water expenses associated with the completion of the PWW-PEU Interconnection in the amount of \$ 180,500
- (9) Cumulative surcharge percentage is based on total surcharge revenues collected divided by the step revenues granted in DW17-128.
- (10) QCPAC operating expense proforma associated with property taxes is reduced by \$ 70,000 to reflect reduction in purchased water costs associated with the completion of the Londonderry Storage Tank.
- (11) QCPAC operating expense proforma associated with property taxes is reduced by \$ 28,000 to reflect reduction in arsenic treatment costs associated with the completion of the Locke Lake raw water well line to the Peacham Road Treatment plant.
- (12) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1 and 12/31 for designated year based on a 25 year term loan with an actual total all in interest rate of 5.50% that was not recovered in DW17-128.

Impact on PEU Single Family Residential Home:

Monthly meter charge granted in DW17-128, inclusive of Step increase -	\$	20.70
Average Single Family Consumption (CCF) -		7.29
Consumption Charge granted in DW17-128, inclusive of Step increase -	\$	7.51 per CCF
Average Single Family monthly bill with rates granted in DW17-128, inclusive of step -	\$	75.45

Project Name/Description	Project Description	Work Order #	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order	2018 Board Approved Budgeted Amount	Estimated Project Cost as of 10/31/2018	Final Project cost as of 12/31/2018	Community	Eligible for 2018 QCPAC Surcharge?	Taxable	Tax Rate (1)	QCPAC Eligible Property Tax Expense	Explanation for Change/Addition/Deletion since 1/30/2018
Brady Avenue ⁶	Replace 2,400 linear feet of existing 1.5" thin wall HDPE water main with new 8" diameter ductile iron water main.	1703684 & 1807069	DW17-055	26,006	4/19/2017	\$ 379,600	\$ 598,000	\$ 618,983	Derry	Yes	Yes	\$ 30.59	\$ 18,935	
Hillcrest Road	Replace approximately 1,200 linear feet of existing 12" thin wall ductile iron water main with high break history through swamp with 12" HDPE.	1707188 & 1807072	DW17-055	26,006	4/19/2017	\$ 242,000	\$ 240,000	\$ 254,860	Litchfield	Yes	Yes	\$ 26.84	\$ 6,840	
PEU-PWW Interconnection ⁸	Interconnect PEU to PWW under Merrimack River.	See Below	DW17-055/Pending filing ⁷	26,006	4/19/2017	\$ 3,300,000	See Below		Merrimack/Litchfield	Yes	Yes	\$ 27.88		
PEU-PWW Interconnection	Interconnecting Water Main - Owned by PEU	1807155, 1807362, 1608938, 1701789	See above	See above	See above	\$ Included above	\$ 3,515,850	\$ 3,335,078	Merrimack/Litchfield	Yes	Yes	\$ 27.88	\$ 92,982	
PEU Contribution toward PWW water main upgrade	Interconnecting Water Main - Owned by PWW (50% PEU paid portion)	1807148				\$ 33,925	\$ 33,925	\$ 33,925	Merrimack/Litchfield	Yes	No	\$ 27.88	\$ -	No property tax obligation for PEU as this is a PWW asset. PEU contribution to this PWW asset per NHPUC Order #26,049 in DW17-071.
PEU-PWW Interconnection Station Bidding & Construction	Booster Station, including purchase of building and meter from PWW.	1813395				\$ 340,000	\$ 339,864		Merrimack	Yes	Yes	\$ 28.92	\$ 9,829	
Locke Lake Treatment Design	Design treatment for new Source of Supply required by NHDES Corrective Action Plan.	1813409	DW18-132			\$ 100,000	\$ -		Barnstead	No	Yes	\$ 27.10	\$ -	Design work for project that is not used and useful is not eligible for QCPAC Surcharge.
Atkinson Commerce Park Station Imp.	Rebuild Booster Station, Replace Atmospheric Storage Tanks	Deferred	Pending Filing ⁷			\$ 330,000	\$ -		Atkinson	Yes	Yes	\$ 22.35	\$ -	Project deferred due to Engineering resources being diverted to design Bedford/Litchfield PFOA facilities.
Booster/Well/Chem Feed pump replacements	Replace small booster/well/chemical feed pumps as they fail (run rate) (21).	760 - 763 workorders	Pending Filing ⁷			\$ 60,000	\$ 100,200	\$ 92,476	Various	Yes	Yes	\$ 27.72	\$ 2,563	24 through December 31, 2018.
Install/replace treatment systems in small CWS	Replace failed CWS treatment systems. Install new CWS treatment system if water quality or standards requires it.	n/a	Pending Filing ⁷			\$ 25,000	\$ 5,000		Various	Yes	Yes	\$ 27.72	\$ -	
Misc. Structural Improvements	Repair/replace aging/failed station structures as needed.	n/a	Pending Filing ⁷			\$ 20,000	\$ -		Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous Fencing and Security projects	Install fencing/security facilities as needed.	n/a	Pending Filing ⁷			\$ 10,000	\$ -		Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous SCADA/Electrical	Install/repair/replace SCADA/Electrical equipment as needed.		Pending Filing ⁷			\$ 30,000	See Below		Various	Yes	Yes	\$ 27.72	\$ -	2 more VFD failures are projected through year end.
Miscellaneous SCADA/Electrical	Replace Pump #4 VFD at Castle Reach	1819462	Pending Filing ⁷			\$ \$ for these projects from annual run rate budget above	\$ 3,944	\$ 3,944	Various	Yes	Yes	\$ 27.72	\$ 109	
Miscellaneous SCADA/Electrical	Replace Pump #2 VFD at W&E	1816163	Pending Filing ⁷				\$ 3,013	\$ 3,013	Various	Yes	Yes	\$ 27.72	\$ 84	
Miscellaneous SCADA/Electrical	Replace Pump #5 VFD at Castle Reach	1807058	Pending Filing ⁷				\$ 4,145	\$ 4,145	Various	Yes	Yes	\$ 27.72	\$ 115	
Miscellaneous SCADA/Electrical	Replace Well Pump #13 VFD at Locke Lake	1818296	Pending Filing ⁷				\$ 2,639	\$ 2,684	Various	Yes	Yes	\$ 27.72	\$ 74	
Well Rehabilitation	Rehab wells as necessary to restore efficiency as needed.	n/a	Pending Filing ⁷			\$ 60,000	\$ 15,000		Various	Yes	Yes	\$ 27.72	\$ -	Only one projected well rehab to occur in 2018 vs. 4 in budget.
3 New Services	Single Family, Owner Build, New Homes	720 workorders	Pending Filing ⁷			\$ 23,000	\$ 32,800	\$ 27,558	Various	Yes	Yes	\$ 27.72	\$ 764	8 services added through December.
10 Renewed Services	Replacement of failed services.	721 & 722 workorders	Pending Filing ⁷			\$ 40,000	\$ 17,400	\$ 18,667	Various	Yes	Yes	\$ 27.72	\$ 517	9 services replaced through December.
2 Hydrants	Replacement of non-functional hydrants.	730 & 731 workorders	Pending Filing ⁷			\$ 10,000	\$ 10,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Repaired in 2018.
10 Valve Replacements	Replacement of Failed Gate Valves	712 workorders	Pending Filing ⁷			\$ 30,000	\$ 12,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Repaired in 2018.
75 New Meters (growth) 5/8"-2"	New meters for new customers.	750 workorders	Pending Filing ⁷			\$ 22,500	\$ 14,500	\$ 70,429	Various	Yes	Yes	\$ 27.72	\$ 1,952	531 replacements through December 31, 2018 inclusive of new and replacement meters.
719 New Meters for Lead Meter exchanges 5/8"-6"	Replace High lead brass meter with new no lead brass meter.	750 workorders	Pending Filing ⁷			\$ 144,000	\$ 143,400		Various	Yes	Yes	\$ 27.72	\$ -	
Radio Reads	New and replaced radios for meter reading (123).	754 workorders	Pending Filing ⁷			\$ -	\$ 17,100	\$ 18,696	Various	Yes	Yes	\$ 27.72	\$ 516	249 Radio replacements were completed through December 31, 2018.
Investment in Developer Installed Services	One times revenue tariffed amount (\$7).	n/a	Pending Filing ⁷			\$ -	\$ 42,500	\$ 47,838	Various	Yes	Yes	\$ 27.72	\$ 1,326	Required by Tariff. Not in 2018 Board Approved Budget.
Insertion Valve Install	Installation of Insertion Valve on 16" Main MWW	1824544	Pending Filing ⁷			\$ -	\$ 25,000	\$ -	Londonderry	Yes	No	\$ 26.15	\$ -	MWW was going to shut service off for all of Londonderry for a hydrant repair. Insertion valve allowed hydrant replacement without losing service to any of Londonderry. Not included in QCPAC as this will be funded with 0.1 DSRR cash.
Chlorine Transfer Pump for NC Operations	Purchase new chlorine transfer pump to transfer bleach solution from large drum containers to smaller transportable containers.	1817322	Pending Filing ⁷			\$ -	\$ 2,587	\$ 2,587	Various	Yes	Yes	\$ 27.72	\$ 72	
Hardwood New Source	Hardwood New Source	1701877	Pending Filing ⁷					\$ 6,285	Windham	Yes	Yes	\$ 27.57	\$ 173	
Locke Lake, Varney Rd Area	Locke Lake, Varney Rd Area - Clean up and final Paving	1817280	Pending Filing ⁷					\$ 94,050	Barnstead	Yes	Yes	\$ 27.10	\$ 2,549	
Locke Lake Well 14 VFD	Locke Lake Well 14 VFD	1900391	Pending Filing ⁷					\$ 8,608	Barnstead	Yes	Yes	\$ 27.10	\$ 233	
Short term interest	Short term interest on FALOC and SRF loans to fund 2018 Capex.							\$ 39,547		Yes	No		\$ -	
Total 2018 Board Approved PEU Capital Expenditures -						\$ 4,826,100	\$ 5,179,004	\$ 5,023,146	PEU QCPAC					\$ 139,634

										Projected Annual P&I Payments	
Amount to be funded with 2019 Loan from CoBank ^{2,7} -										\$	76,800
Amount to be funded SRF loan for Brady Avenue watermain replacements ⁸ -										\$	23,215
Amount to be funded SRF loan for PWW/PEU Interconnection ⁹ -										\$	146,210
Amount to be funded SRF loan for Hillcrest Road watermain replacements ⁵ -										\$	14,888
Amount to be funded with Drinking Water and Groundwater Trust Fund Grant -										\$	-
Total Projected 2018 QCPAC P&I -										\$	261,114
1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.											
2. Final CoBank Loan Terms are											
25 Years at 4.38%											
3. Projected Brady Ave. SRF Terms are											
30 Years at 1.96% with 10% Principal forgiveness											
4. Projected PWW/PEU Interconnection SRF Terms are											
20 Years at 1.96%											
5. Projected Hillcrest Road SRF Terms are											
20 Years at 1.96%											
6. Brady Ave was budgeted in 2 phases by the Board, Phase I was in the 2017 Capital Budget and Phase II was in the 2018 Capital Budget with the total project budget estimated at											
\$ 570,000 exclusive of internal engineering costs.											
7. The cash to fund the "pending filing" projects in 2018 was borrowed from Cobank through the short term Fixed Asset Line of Credit (FALOC) approved in DW17-157. PEU will be filing for approval to borrow long term funds from CoBank in the Winter of 2019 to repay the CoBank FALOC.											
8. Eliminate AFDUC on PWW-PEU Interconnect Project in the amount of											
\$ 95,807											

Project Name/Description	Project Description	Work Order #	Board Approved 2019 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order	Source of Funding	Eligible for 2020 QCPAC Surcharge	Eligible for 2020 QCPAC Surcharge	Estimated Project Cost as of 6/30/2019	Estimated Project Cost as of 9/30/2019	Estimated Project Cost as of 11/30/2019	Final Project cost as of 12/31/2019	Community	Taxable	Tax Rate (1)	QCPAC Eligible Property Tax Expense	Explanation for \$\$ difference between 9/30 update and final \$\$ invested in 2019	Explanation for Change/Addition/Deletion since Petition Filing
Elevated Storage Tank in Londonderry	Construct 1.25 MG Elevated Storage Tank	1818349, 1901641	\$ 700,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ 700,000	\$ -	\$ -	\$ -	Londonderry	Yes	\$ 24.08	\$ -		Project will not start in 2019 due to local permitting, cost in 2019 are for engineering
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP	1901642	\$ 440,000	DW18-132	26,189	11/16/2018	SRF	No	\$ -	\$ 595,088	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project update includes revised estimate based on final design and also a portion of \$164,500 of engineering and survey work note below.
Locke Lake Surface Water Treatment	Design and Permitting of treatment and intake for Locke Lake surf	combined with below	\$ 200,000	DW18-132	26,189	11/16/2018	SRF	No	\$ -	\$ 200,000	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project will not be used and useful in 2019
Locke Lake treatment evaluation	Pilot different treatment technologies to treat Locke Lake surface w	1813409, 1900433	\$ 75,000	DW18-132	26,189	11/18/2018	SRF	No	\$ -	\$ 75,000	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project will not be used and useful in 2019
Georgetown Area water main replacements	2018 Surveying costs	1917479	\$ -	DW18-132	26,189	11/16/2018	SRF	Yes	\$ -	\$ -	\$ -	\$ 20,845	\$ 20,845	Barnstead	Yes	\$ 27.59	\$ 575		Survey costs incurred in 2018 to design 2019 project. Not recovered in 2019 QCPAC. Not included in \$\$ above.
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901644	\$ 619,300	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 619,300	\$ 682,478	\$ 640,567	\$ 580,142	\$ 400,377	Barnstead	Yes	\$ 27.59	\$ 11,046		Project \$\$ for these two projects were not properly divided in 9/30/2019 update. Total estimated project costs of about \$919K was more than the final 12/31 total of \$757K due to the fact that there are some project carry over \$\$ into 2020 plus actual bid numbers were lower the those used in the September update.
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901645	\$ 253,000		DW18-132	26,189	11/18/2018	SRF	Yes	\$ 253,000	\$ 278,810	\$ 278,810	\$ 219,136	Barnstead	Yes	\$ 27.59	\$ 9,286		Board Approved project budgets did not include initial survey expenses (incurred in 2018) or internal engineering and field inspection on the Locke Lake projects, including the Airstrip project. These items are estimated to add about \$164,500 to these project costs.
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC	1901646	\$ 132,000	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 132,000	\$ 145,466	\$ 265,466	\$ 415,239	\$ 248,858	Barnstead	Yes	\$ 27.59	\$ 6,866		
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901647	\$ 68,200	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 68,200	\$ 75,157	\$ 75,157	\$ 41,868	\$ 43,364	Barnstead	Yes	\$ 27.59	\$ 1,196		Actual Bid numbers for the project were less than the estimated \$\$ used in September Estimate were
PEU-PWW Interconnection (Merrimack to Litchfield)	Carryover Costs (over 2018 SRF Funding)	1900424, 1900434, 1908514	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 59,691	\$ 59,691	Merrimack	Yes	\$ 28.86	\$ 1,723		These \$\$ had not been identified during the 9/30 update. The end analysis revealed that there were still work order costs associated with this project that occurred as a result of final project clean up in the spring of 2019.
Upgrade Michells Way PRV Pit	Add additional pit with power and motor control valve to work with dist. system.		\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ -	Londonderry	Yes	\$ 24.08	\$ -		It was thought that this project would still occur in 2019 at 9/30 update. The project was deferred until 2020
Rolling Hills Water Main Replacement	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC	1825265, 1901649, 1918198	\$ 150,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 150,000	\$ 150,000	\$ 165,000	\$ 210,000	\$ 188,089	Plaistow	Yes	\$ 25.93	\$ 4,877		Project scope changed slightly between 9/30 update and work actually completed.
1x revenue investments Normal Run Rate with two months of PFOA in La	Per Tariff	n/a	\$ 96,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 96,000	\$ 94,880	\$ 44,000	\$ 37,501	\$ 37,724	Various	Yes	\$ 28.64	\$ 1,080		Adjustments based on bid costs
Alexander Road, Water Main Upsizing	Alexander Road, Water Main Upsizing	1908374		DW19-069	26,253	5/22/2019	0.1 DSR	No	\$ 1,120	\$ 1,120	\$ 1,120	\$ 1,119	Londonderry	Yes	\$ 24.08	\$ 27		45 - 1 revenue payments made through 12/31/2019.	
Nashua Rd 4" Main Relocation - Carryover Charges	Nashua Rd 4" Main Relocation - Carryover Charges	1829926 & 1906036	\$ -	DW19-069	26,253	5/22/2019	0.1 DSR	No	\$ -	\$ -	\$ 1,201	\$ 16,676	\$ 16,676	Various	Yes	\$ 28.64	\$ 478		Fund with 0.1 DSR
Weinstein/Dame Station Upgrades	Weinstein/Dame Station Upgrades	1506139, 1603114, 1703756, 1813249, 1907079		DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 108,286	\$ 108,286	\$ 108,286	\$ 108,286	\$ 108,286	Litchfield	No	\$ 27.95	\$ -		PEU must pay for 15% of improvements to Hudson wells. It took the Town 5 years to complete this project and as a result the project did not go used and useful until this year.
Booster Pump replacement/rebuild	Replace small booster pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 32,000	\$ 30,000	\$ 26,925	Various	Yes	\$ 28.64	\$ 771		9/30/2019 includes a projection for work that we assume might happen based on YTD work. 12/31 is report of actual work.
Booster Pump replacement/rebuild	W&E Booster, Replace 3 pump motors, install 3 VFD drives	1915423	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 8,000	\$ 8,000	\$ 6,097	Various	Yes	\$ 28.64	\$ 192		Final cost. 9/30/2019 was a high level estimate for the replacements.
Well Pump replacements	Replace well pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 48,000	\$ 48,000	\$ 42,371	Various	Yes	\$ 28.64	\$ 1,214		9/30/2019 includes a projection for work that we assume might happen based on YTD work. 12/31 is report of actual work.
Chemical Feed pump replacements	Replace Chemical feed pumps as they fail (run rate)	760 - 763 workorders	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 8,200	\$ 10,000	\$ 8,143	Various	Yes	\$ 28.64	\$ 233		9/30/2019 includes a projection for work that we assume might happen based on YTD work. 12/31 is report of actual work.
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS	n/a	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 25,000	\$ 15,000	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we estimated might happen. As it turned out no treatment systems needed to be replaced.
Misc. Structural Improvements	Misc. Structural Improvements	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ 10,000	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no Fencing or security work occurred in 2019.
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects	n/a	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no Misc structural work occurred in 2019.
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 30,000	\$ 30,000	\$ 10,900	\$ 2,500	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no Misc SCADA work occurred in 2019.
Miscellaneous SCADA/Electrical	Replace VFD Booster #3, Liberty Tree	1910159	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,720	\$ 1,720	\$ 1,712	Raymond	Yes	\$ 30.95	\$ 53		
Miscellaneous SCADA/Electrical	Replace VFD, Booster #2 - Forest Ridge	1915363	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,742	\$ 1,742	\$ 1,742	Exeter	Yes	\$ 27.89	\$ 49		
Miscellaneous SCADA/Electrical	Replace VFD, Booster #1 - Spruce Pond	1915856	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 2,156	\$ 2,156	\$ 2,155	Windham	Yes	\$ 26.84	\$ 38		
Miscellaneous SCADA/Electrical	Replace Generator Control Unit, Hardwood	1916937	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 2,115	\$ 2,115	Windham	Yes	\$ 26.84	\$ 57		Emergency replacement that occurred after 9/30 update.
Well Rehabilitation	Well Rehabilitation	n/a	\$ 60,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no well rehab work was required in 2019.
Atkinson Booster pump station design	Atkinson Booster pump station design	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ -	\$ -	\$ -	\$ -	Atkinson	Yes	\$ 22.13	\$ -		None projected through EOY.
Replace softer media, W and E	Replace softer media, W and E	1901650	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	Windham	Yes	\$ 26.84	\$ -		Project deferred until future date.
Add communications between remote facility and Nashua WTP.	Install web based communication equipment, 4 locations.	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		Upon further evaluation media was determined to be functioning properly and not in need of replacement.
Add communications between remote facility and Nashua WTP.	Install web based communication equipment, Forest Ridge.	1901651	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 4,488	\$ 4,488	Various	Yes	\$ 28.64	\$ 129		9/30/2019 includes a projection for work that we assumed might happen. As it turned out only \$4,488 was spent on web based communications occurred in 2019.
Pennichuck East Survey Work	Pennichuck East Survey Work	1702854		DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ -	\$ -	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		Part of annual run rate budget. 1 of 4 installed in 2019.
New Services (5)	Single Family, Owner Build, New Homes	720 workorders	\$ 23,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 23,000	\$ 23,000	\$ 13,200	\$ 14,560	\$ 14,560	Various	Yes	\$ 28.64	\$ 417		4 installed through 12/31/2019.
Renewed Services (10)	Replacement of failed services	721 & 722 workorders	\$ 46,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 46,000	\$ 46,000	\$ 35,000	\$ 35,824	\$ 35,824	Various	Yes	\$ 28.64	\$ 1,026		8 installed through 12/31/2019.
Hydrants (5)	Replacement of non functional hydrants	730 & 731 workorders	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 11,000	\$ 9,911	\$ 9,911	Various	Yes	\$ 28.64	\$ 284		2 installed through 12/31/2019.
Gates (8)	Replacement of Failed Gate Valves	712 workorders	\$ 32,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 32,000	\$ 32,000	\$ 21,500	\$ 27,255	\$ 33,630	Various	Yes	\$ 28.64	\$ 963		9/30/2019 includes a projection for work that we assumed might happen based on YTD work. 12/31 is report of actual work.
Radios (550)	New and replaced radios for meter reading.	754 workorders	\$ 55,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 15,000	\$ 15,000	\$ 16,500	\$ 21,500	\$ 22,291	Various	Yes	\$ 28.64	\$ 638		6 installed through 12/31/2019.
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers	750 workorders	\$ 22,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 22,000	\$ 22,000				Various	Yes	\$ 28.64			222 installed through 12/31/2019.
Meters 5/8"-6" Lead Meter Exchange - PEU (550)	Replace High lead brass meter with new no lead brass meter.	750 workorders	\$ 55,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 55,000	\$ 55,000	\$ 90,000	\$ 85,000	\$ 69,613	Various	Yes	\$ 28.64	\$ 1,994		9/30/2019 reflected the goal to replace 900 meters while at year end only 650 were actually replaced.
PEU Capitalized short term project interest	Short term interest on CoBank FALOC from July 2019 through July 2020.							Yes					\$ 40,401		No	\$ 28.64	\$ -		FALOC interest was not included in the Sept 30, 2019 update.

Pennichuck East Utilities Board approved 2019 Capital Expenditures -	\$ 3,286,500	\$ 1,801,500	\$ 3,634,285	\$ 2,058,625	\$ 2,040,274	\$ 1,784,169	Projected annual property tax expenses for QCPAC eligible projects -	\$ 45,231
Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment (Based on Board approved 2019 Budget) -	\$ 1,841,500							
Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, June 30 Update -	\$ 2,063,077							
Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Sept 30 Update -	\$ 2,056,304							
Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Nov 30 Update -	\$ 2,022,478							
Pennichuck East Utilities Projected 2019 QCPAC Eligible Capital Investment, Final Update -	\$ 1,766,374							
Funded with SRF Funds -	\$ 1,072,500	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 966,252	This loan will not close until June of 2021 so no P&I will be sought in the 2020 QCPAC surcharge being sought		
Amount to be funded with 2020 Loan from CoBank -	\$ 769,000	\$ 963,077	\$ 956,304	\$ 922,478	\$ 800,122			

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The Londonderry Tank will not be used and useful in 2019 and hence it is not qualified to be included in QCPAC.

Pennichuck East Utilities, Inc
DW 20-019
2020 QCPAC Filing
Board Approved 2020 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
Revised 4/25/2020 per Staff DR2's
Revised 5/20/2020 per Staff DR3's
9/30/2020 Update

Project Name/Description	Project Description	Work Order #	Board Approved 2020 Capex Budget	Financing Docket No.
Elevated Storage Tank in Londonderry2	Construct 1.25 MG Elevated Storage Tank.	1818349, 1901641, 2000372	\$ 1,545,000	CoBank
Middleton Station Re-build	Re-build Sunrise Estates CWS Station. Existing Station is over 40 years old.	n/a	\$ -	CoBank
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP.	2000371	\$ 540,000	DW18-132
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000363	\$ 10,000	DW18-132
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000364	\$ 10,000	DW18-132
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC.	2000365	\$ 239,000	DW18-132
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000366	\$ 5,000	DW18-132
Route 28 Replacement	Replace 720 LF of 2" PE with 720 LF of 4" C-900 PVC.	2000370	\$ 80,000	DW18-132
Rolling Hills Water Main Replacement - Site Restoration from 2019 Project	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC.	2000392	\$ 32,000	
Locke Lake Surface Water Treatment ⁴	Intake & Treatment Facility Construction	2000369	\$ 835,000	DW18-132
Pelham Main Replacement/Addition	Replace 1600 LF of 3 inch PE with 12 in C-900 and add 775 LF of 12 in C-900 Monticello & Lane.	2001241	\$ 285,000	CoBank
Pelham Main Replacement/Addition	Replace Lane Road.	2003563	\$ -	CoBank
Pelham Main Replacement/Addition	Replace Simpson Road.	2003564	\$ -	CoBank
Pelham Main Replacement/Addition	Replace Andrea Lane.	2003565	\$ -	CoBank
Pelham Main Replacement/Addition	Replace Mont Vernon Drive.	2004325	\$ -	CoBank
1 x revenue investments Normal Run Rate	Per Tariff	n/a	\$ 100,000	CoBank
Sunrise Estates	Station Replacement (design)	2003613	\$ 40,000	0.1 DSRR
Londonderry Core Re-Chloramination	Re-chloramination Evalution and Preliminary Design	2003760	\$ 35,000	0.1 DSRR
Atkinson Booster pump station design	Atkinson Booster pump station design	2000717	\$ 30,000	0.1 DSRR
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild	760 - 763 workorders	\$ 40,000	CoBank
Well Pump replacements	Well Pump replacements	760 - 763 workorders	\$ 40,000	CoBank
Chemical Feed pump replacements	Chemical Feed pump replacements	760 - 763 workorders	\$ 10,000	CoBank
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS.	n/a	\$ 25,000	CoBank
Misc. Structural Improvements	Misc. Structural Improvements	n/a	\$ 20,000	CoBank
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects	n/a	\$ 10,000	CoBank
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical	n/a	\$ 30,000	CoBank
Miscellaneous SCADA/Electrical	Replace Well #1 VFD, Lamplighter Village	2001215	\$ -	CoBank
Miscellaneous SCADA/Electrical	Replace Pump #4 VFD, Liberty Tree	2005248	\$ -	CoBank
Miscellaneous SCADA/Electrical	Replace Pump #1 VFD, Liberty Tree	2006387	\$ -	CoBank
Well Rehabilitation	Well Rehabilitation	n/a	\$ 60,000	CoBank
Atkinson Station Rebuild	Station cannot provide required fire flow. Hydropneumatic tank is in need of replacement.	n/a	\$ 500,000	CoBank
Install web based communication equipment, 4 locations	Install web based communication equipment, 4 locations.	n/a	\$ 20,000	CoBank
Install web based communication equipment, 4 locations	Fletcher's Corner, Install Cellular Based Communication	2002270	\$ -	CoBank
Interconnect the W&E CWS to the Town of Salem Water System.	Interconnect the W&E CWS to the Town of Salem Water System.	2004243	\$ -	CoBank/Grant
New Services (5)	Single Family, Owner Build, New Homes	720 workorders	\$ 25,000	CoBank
Renewed Services (10)	Replacement of failed services.	721 & 722 workorders	\$ 55,000	CoBank
Hydrants (5)	Replacement of non-functional hydrants.	730 & 731 workorders	\$ 30,000	CoBank
Meters 5/8"-6" Lead Meter Exchange - PEU (600)	Replace High lead brass meter with new no lead brass meter.	750 workorders	\$ 22,000	CoBank
Gates (8)	Replacement of Failed Gate Valves	712 workorders	\$ 32,000	CoBank
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading.	754 workorders	\$ 32,000	CoBank
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers (220).	750 workorders	\$ -	CoBank

Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget - \$ 4,737,000

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.

2. The 2020 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.

3. Projected CoBank Loan Terms are

25 Years at5.5%

resulting in P&I of

4. Remainter of Locke Lake Surface Water Treatment project to completed in early 2021 at a total projected cost of

\$1,900,000

5. Projected SRF Terms for Locke Lake project are

30 Years at2.704%

resulting in P&I of

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC Filing
Board Approved 2021 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
Revised 5/20/2020 per Staff DR3's
6/30/2020 Update, No change as of 9/30/2020

Project Name/Description	Project Description	Work Order #	2021 Approved Budgeted Amount, Revised to reflect 2020 QCPAC activity	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
Locke Lake Surface Water Treatment ⁵	Intake & Treatment Facility Construction		\$ 410,000	DW18-132	26,189	11/26/2018
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank	Pending Filing	
Londonderry Storage, Booster Station, and Transmission Main	Construct 1.25 MG Groung Level Storage Tank, 3,500 gpm Booster Station and 6300 LF 16 inch Transmission Main.		\$ 1,545,000	CoBank	Pending Filing	
Atkinson Station Rebuild	Station cannot provide requirede fire flow. Hydropneumatic tank is in need of replacement. Estimated cost includes engineering design.		\$ 530,000	CoBank	Pending Filing	
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank	Pending Filing	
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank	Pending Filing	
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank	Pending Filing	
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank	Pending Filing	
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank	Pending Filing	
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank	Pending Filing	
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank	Pending Filing	
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank	Pending Filing	
Renewed Services (10)	Replacement of failed services.		\$ 55,000	0.1 DSRR	Pending Filing	
Hydrants (5)	Replacement of non-functional hydrants		\$ 30,000	CoBank	Pending Filing	
Gates (8)	Replacement of Failed Gate Valves.		\$ 32,000	CoBank	Pending Filing	
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 32,000	CoBank	Pending Filing	
New meters for new customers (220). Replacement of failed meters (80).	New meters for new customers (220).		\$ 30,000	CoBank	Pending Filing	
Meters 5/8"-6" Lead Meter Exchange - PEU (400)	Replace High lead brass meter with new no lead brass meter.		\$ 40,000	CoBank	Pending Filing	
2021 Radios (1000)	Begin 7 year replacement of all PEU radios (all initial radios installed in 2007).		\$ 130,000	CoBank	Pending Filing	
2021 Meters (Growth) 5/8"-2" (220), Replacement (80)	New meters for new customers (220). Replacement of failed meters (80).		\$ 30,000	CoBank	Pending Filing	
Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget -			\$ 3,196,000			

Pennichuck East Utilities Projected 2020 C

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The 2021 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.
3. Projected CoBank Loan Terms are

25 Years at5.5%resulting in P&I of\$ 203,594
4. Projected SRF Terms for Locke Lake project are

30 Years at2.704%resulting in P&I of\$ 20,126
5. Locke Lake Surface Water Treatment project started in 2020. Expected 2020 expense of

\$ 1,490,000 in 2020. Project will be used and useful in 2021 with a total expectd cost of\$ 410,000

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC Filing
Board Approved 2022 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
6/30/2020 Update, No Change as of 9/30/2020

Project Name/Description	Project Description	Work Order #	2022 Approved Budgeted Amount, Revised to reflect 2020 QCPAC activity	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank		Pending Filing
Renewed Services (10)	Replacement of failed services		\$ 55,000	0.1 DSRR		Pending Filing
Hydrants (5)	Replacement of non-functional hydrants		\$ 30,000	CoBank		Pending Filing
Gates (8)	Replacement of Failed Gate Valves		\$ 32,000	CoBank		Pending Filing
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 31,500	CoBank		Pending Filing
New meters for new customers (220). Replacement of failed meters (80)	New meters for new customers (220)		\$ 30,000	CoBank		Pending Filing
2022 Radios (1000)	Year 2 of a 7 year replacement of all PEU radios (all initial radios installed in 2007)		\$ 130,000	CoBank		Pending Filing
2022 Meters (Growth) 5/8"-2" - Core & CWS (TBD)	New meters for new customers (220). Replacement of failed meters (80)		\$ 30,000	CoBank		Pending Filing
Wellesley Drive water main replacement ⁵	Replace 1760 LF of 2 inch PE with 1760 LF of C900 PVC		\$ 240,000	SRF		Pending Filing
Radcliffe Drive water main replacement ⁵	Replace 720 LF of 1.5 inch PE with 720 LF of C900 PVC		\$ 100,000	SRF		Pending Filing
Vassar Drive water main replacement ⁵	Replace 1740 LF of 2 inch PE with 1740 LF of C900 PVC		\$ 250,000	SRF		Pending Filing
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank		Pending Filing
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank		Pending Filing
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank		Pending Filing
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank		Pending Filing
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank		Pending Filing
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank		Pending Filing
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank		Pending Filing
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank		Pending Filing
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank		Pending Filing
Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget -			\$ 1,260,500			

Pennichuck East Utilities Projected 2020 C

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000

2. The 2022 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.

3. Projected CoBank Loan Terms are	25 Years at	5.5%	resulting in P&I of	\$	45,885
4. Projected SRF Terms for Locke Lake project are	20 Years at	3.250%	resulting in P&I of	\$	40,580

5. The Wellesley, Radcliffe and Vassar Drive water main replacemts will be completed over 2 years with water main replacement occurring in 2022 and final pavement in 2023

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20

Date of Response: 4/2/20

Date of Supplemental Response: 12/29/20

Request No. Staff 1-8

Witness: Donald L. Ware

Request No. Staff 1-8 Supplemental

REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware, Page 4 and 5

Page 4 references a loan from the NH Drinking Water State Revolving Loan Fund (SRF) in this Docket is estimated to enter repayment mode June 1, 2020 with the first payment of principal and interest due beginning in July 2020. However, page 5 also describes the SRF loan closing on March 1, 2019 with the first payment of principal and interest due on August 1, 2019. Please explain.

RESPONSE:

I do not see the referred to dates in my testimony noted in the data request above. It appears that the data request is based on pages 4 and 5 of the petition. The correct information regarding the SRF loan required to complete the watermain replacement work in Locke Lake is as follows:

1. Loan was closed on with the NHDES on January 9, 2019. The loan closing allowed the Company to begin work on the Locke Lake watermain replacement work on Georgetown Drive, Bradford Lane, North Barnstead Road and Belmont Drive projects during 2019.
2. Funds were drawn from the NHDES SRF loan during 2019 to complete the watermain replacement work noted above. The NHDES charges a short-term interest rate of 1% per year on funds drawn during construction. When the project goes used and useful the NHDES changes the loan from a short-term loan at 1%, to a long-term loan at a rate of 2.704% for 30 years, six months after the project is deemed as used and useful and all project reimbursement requests have been completed. The project went used and useful in October of 2019 but there is still clean up to be finish the project which will occur in late April or early May of 2020. A final reimbursement request on this SRF loan is expected to occur in May of 2020 which will result in this loan entering full repayment mode in November of 2020.

SUPPLEMENTAL RESPONSE:

The NHPUC approved a \$4.24 million SRF loan in Docket No. 18-132 via Order No. 26,189. As noted above, the Company signed the loan documents for this loan on January 9, 2019

allowing it to draw on funds from the available \$4.24 million as necessary to complete the improvements to the Locke Lake water system that being funded with this loan. The funded improvements fell into three phases as follows:

1. Georgetown Area Watermain Improvements - The improvements associated with this part of the project were completed, used and useful in early December 2019.
2. Locke Lake - Airstrip Well Alternative Arsenic Treatment Project – This project was completed, used and useful in August 2020.
3. The Surface Water Treatment Project – This project became used and useful during the third week of December 2020, but will not be completed until April or May 2021.

NHDES initially planned to convert the short-term portion of the overall \$4.24 million loan to long-term in 3 phases, each conversion happening upon the completion of each of the three phases noted above. When the data request was completed in April, NHDES was planning to convert the short-term loan for Phase I, the Georgetown Area Watermain Improvements (approximate cost of \$966,252) to a long-term loan in May 2020. As it turned out the final cleanup work associated with the Phase I project was not completed until early June 2020.

When NHDES reviewed the status of Phase II of the Locke Lake project, the Airstrip Well Alternative Arsenic Treatment Project they proposed that instead of separate conversions of short-term to long-term debt closings, one closing occurring in July and one in September 2020, the closings on the long term notes for both Phase I and Phase II would occur together in September 2020.

While the Company and NHDES began to discuss a closing date in August 2020 for the first two Phases of the overall project; the Phase III project was well underway, and it was anticipated that Phase III might be completed in early December 2020. Based on the projected completion date for Phase III, NHDES proposed one single closing on the conversion of all the short-term debt to long-term debt for all three phases, which would take place in early to mid-December of 2020.

During the second week of December, the Company and NHDES discussed the fact that there would be about \$300,000 worth of Spring 2021 clean up on the Surface Water Treatment Project remaining. The concern was that if closed on the long-term financing for all three phases of the project in December 2020, that Spring 2021 clean-up work could not be funded with the SRF loan. NHDES also expressed that they were willing to holding off on closing on the long-term debt until as late as June 2021, to allow the Company to fund the Spring 2021 clean-up work with SRF funds. Since SRF funds are the Company's least expensive form of capital, and the carrying rate on the short-term loan was 1% per annum; the Company agreed that it made sense to hold off on closing on the \$4.24 million in long term debt until June of 2021. As a result, the projected principal and interest that was requested for the Georgetown Watermain Replacement is not required as part of the requested 2020 QCPAC.

Please find attached a revised set of QCPAC schedules which removes \$57,173 of Principal and Interest (P&I) payments and 0.1 DSRR revenues originally requested which drops the projects'

QCPAC surcharge from 1.86% to 1.23%. Please note that the Company still seeks recovery of the property taxes associated with the Georgetown Watermain Improvements as the value of the watermain improvements is part of the Town of Barnstead's 2020 valuation and reflected in the Company's property tax expenses.

The Company anticipates all Spring 2021 clean-up work will be completed and does not anticipate any delays to the closing of the SRF funds with NHDES in June 2020 for the full amount of \$4.24 million.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-9

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware, Page 4 and 5

This page references amounts (\$966,252 million), dates (November 16, 1018), dockets (DW 18-0132), references (short term debt incurred in 2018), and loan amounts (\$799,439) that do not appear to coincide with similar information throughout the rest of the filing. Please explain.

RESPONSE:

The reference to “\$966,252 million” in both the petition and my testimony should not have the “million” as the projected amount of the SRF loan to be entered into relative to the Locke Lake watermain improvements is \$966,252. The \$966,252 is detailed in Exhibit DLW-1, Page 3 as the total amount of the loan based on 12/31/2019.

The referenced CoBank loan amount of \$799,439 in my testimony was not updated to the final amount sought of \$803,275, as detailed in the petition on Page 4 which is derived from Exhibit DLW-1, Page 3 as the total amount of the loan based on 12/31/2019.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-10

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware

The 2018 capital additions that were authorized for recovery through the 2019 QCPAC were financed, in part, by SRF monies that included a reduction in the annual principal and interest obligation as a result of one or more of the projects financed by that loan as eligible for SRF Loan Forgiveness. Do any of the 2019 capital projects financed by 2020 SRF monies qualify for SRF Loan Forgiveness? Please explain and update any schedules as necessary.

RESPONSE:

No. None of the 2019 capital project financed by 2020 SRF monies qualifies for SRF Loan Forgiveness.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-11

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware, Page 8

The Company stated it is hoping to have a Commission Order approving the 2020 QCPAC by the end of September 2020. In the event an Order is not issued by the end of September 2020, how does the Company plan to meet the monthly payment obligations of the SRF and CoBank financings? What impact does this have on the Company? Please explain.

RESPONSE:

The Company will pay its monthly SRF and CoBank obligations with funds borrowed from its Working Capital Line of Credit. The Corporate Capital Line of Credit will be paid down with the cash recouped through the QCPAC after the order is issued. The Company currently has no vehicle to recover the cash impact of the interest paid by the Company on the short term borrowing through its Corporate Capital Line of Credit other than to pay for it out of either the 0.1 DSRR or the DSRR RSF.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-12

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

Regarding the replacement of high lead brass meters totaling \$69,613. Does either the budget or final amount include any of the labor associated with replacing meters? Please reference Staff 3-8 in Docket No. DW 19-035, the 2019 QCPAC, regarding meter replacement/ exchange labor costs.

RESPONSE:

There is no labor expense included in the \$69,613 for the replacement of high lead brass meters.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-13

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

Several of the rows contain notes in the explanation column that appear to indicate that the totals listed may be through 11/30 with a corresponding additional amount projected by years end. Please explain and confirm.

RESPONSE:

The 12/31/2019 column reflects the total expenditures for the year. I have revised any notes on Attachment DLW-1, Page 3 to reflect the year end information.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-14

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 1, 2018-2022 PEU QCPAC Rev Req

Based upon the Company's calculations, it appears that the QCPAC for 2023, based on 2022 capital additions, decreases from 11.58% to 9.87%. Please explain.

RESPONSE:

This was a calculation error which used the wrong current revenue in the calculation. This calculation error has been corrected on the revised Exhibit DLW-1. The correction results in the increase in the cumulative QCPAC from 11.58% in 2021 to 13.33% in 2022.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-15

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

It appears the total amount requested for recovery includes carryover costs of \$59,691 for the PEU-PWW Interconnection. Please explain.

RESPONSE:

The PEU-PWW Interconnection was used and useful in November of 2018 but the final project was not completed until the spring of 2019. The Company paid the contractor \$59,691 to complete loaming, seeding, gabion installation (slope protection) and the regraveling and regrading of the access road in the Spring of 2019.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-16

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Attachment DLW-1, Page 3, 2019 PEU QCPAC Additions

According to the information submitted, it appears the cost per linear foot (LF) for the North Barnstead Road (\$261), Rolling Hills (\$236), and Bradford Lane (\$184) are substantially more than Georgetown Drive (\$92) and Belmont Drive (\$87). Please explain.

RESPONSE:

It appears that the total cost for North Barnstead Road (which reflected work completed in 2018 and 2019) was used to calculate the \$261 per lineal feet by using only the footage of watermain installed in 2019 (955 LF). The total footage installed on North Barnstead Road (in 2018 and 2019) is around 3,425 linear feet. With a total project cost of approximately \$487,000 the linear foot price will be about \$140 per foot. The price per lineal foot of \$140 is higher than the other two streets in Locke Lake listed above, Bradford Lane and Belmont Drive, because North Barnstead Road is a paved road while the other two are gravel. The North Barnstead Road includes pavement restoration, the cost to interconnect with cross street water mains, and two deep culvert crossings.

Rolling Hills is a different project in a different part of the State that involved a completely different low bidder. The project was much smaller therefore contractor mobilization costs were not able to be spread out over a larger pipe footage quantity. The nature of this project required considerably more fittings and pipe connections when compared to the longer straight pipe runs in the Locke Lake project. Rolling Hills also includes pavement restoration.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-17

Date of Response: 4/1/2020
Witness: Donald L. Ware

**REQUEST: Pre-Filed Direct Testimony of Mr. Donald L. Ware, Page 10 & Page 27-
Customer Notice**

It appears the cumulative QCPAC referenced in the testimony of Mr. Ware is different from that referenced in the customer notice that was sent with either the December 2019 or January 2020 customer bills, \$3.73 and \$4.28 respectively. Please explain.

RESPONSE:

The December notice to customers assumed total QCPAC expenditures of \$2,056,304 that were projected as of 11/30/2019 which ended up being greater than the final QCPAC expenditures in the amount of \$1,769,527 that was filed in the petition. The difference in amount to be financed as well as the associated property taxes resulted in the amount noticed to customers being slightly greater than the final mount the Company is seeking.

Pennichuck East Utilities, Inc.
DW 20-019
 2020 QCPAC - Qualified Capital Project Adjustment Charge
 Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
 Request No. Staff 1-18

Date of Response: 4/1/2020
 Witness: John Boisvert

REQUEST: Testimony of Mr. John Boisvert, Page 15

Regarding backup power generation:

- a) Approximately what portion of the company's pump stations currently have on-site backup power generation?
- b) What portion have other forms of backup power capability (wiring to accept portable generation, etc.)?
- c) Please indicate generally the history of implementation in recent years, the forces behind that implementation (NHDES, etc.), and the extent to which backup power remains a current capex priority.

RESPONSE:

- a) All but 6 of Pennichuck East's 42 Booster/CWS Stations have on-site emergency generators.
- b) All the remaining stations either have Meltric Connections or dual hydrants that can pump from the suction side of the station to the discharge side of the station with an emergency portable station.
- c) NHDES regulations in the 1970's and the 1980's did not require emergency generators for small community water systems and booster stations. The February 2007 Ice Storm, in conjunction with December 2008 Ice Storm and the October 2011 snow storm that resulted in many of the Company's small community water systems being without power for extended periods of time resulting in a total loss of service to its customers. Many of those customers who had lost service called up to explain that they could be a generator for temporary power but there was no way get temporary water. The Company concurred that it was essential that it provide emergency power to each location where water service would be lost during a power outage within a couple of hours. Consequently, the Company installed 36 on-site emergency generators between 2008 and the present. Of the remaining six locations without emergency power only one of those locations loses water service during the power outage. The remaining five locations either have gravity storage that provides water during a power outage or has an emergency, automatic connection with a system that has back up power. The one system that loses power is the Pioneer park system located in Atkinson, which provides service to commercial customers only. The Company plans to incorporate emergency onsite power as part of the station rebuild scheduled in 2020.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-19

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Attachment DLW-1, Page 1, 2018-2022 PEU QCPAC Rev Req and Testimony of Mr. John Boisvert Page 8

The list of 2020 capital projects includes a project in North Barnstead to eliminate 680 linear feet of dead end piping estimated to cost \$239,000. This project appears similar to another North Barnstead project to eliminate 680 linear feet of dead end piping indicated as completed in 2019 that totaled \$248,858. Please explain and include updated schedules as necessary.

RESPONSE:

The pipeline work on North Barnstead Road is all the same project. Part of the project was completed and went into service in 2019. The remainder of the project (\$239,000) will be completed in 2020.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-20

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 1, 2018-2022 PEU QCPAC Rev Req

The Airstrip Well Raw Water Transmission Line that was originally approved in Order No. 26,189 (November 6, 2018) in Docket No. DW 18-132, financed by a SRF Loan, contained an original estimated cost of \$400,000. That amount increased to \$595,088 in Docket No. DW 19-035, the prior PEU QCPAC. The total listed under the 2020 Board Approved PEU CAPEX tab appears to be \$540,000. Please explain.

RESPONSE:

The 2020 Board Approved PEU Capex project budget is based on the final scope of pipeline work and the low bid received.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-21

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Attachment DLW-1, Page 4, 2020 PEU QCPAC Additions and Testimony of Mr. John Boisvert, Page 11

The Company explains that one of the capital projects scheduled for 2020 is the Atkinson CWS Station Reconstruction project. In Docket No. DW 19-035, the prior PEU QCPAC, the Company estimated the cost at \$330,000. In the instant filing, the Company estimates the project will now cost \$530,000 (\$30,000 for design and \$500,000 for construction). Has the Company conducted an analysis and considered any other options for this standalone community water system given the number of customers the Company serves in the Town of Atkinson, the expected costs of the improvements, and the proximity to known contaminants and another regulated water utility. Please explain.

RESPONSE:

The Company investigated an interconnection between the Atkinson CWS and the Hampstead Area Water Company (HAWC). The HAWC distribution system is approximately 4,400 linear feet away from the Atkinson CWS. At an estimated cost of \$200 per linear foot for 8 inch water main the budget capital cost to connect to HAWC would approach \$880,000. Since the new main would be in HAWC's franchise and it would be CIAC to HAWC for which the Company would be responsible to cover HAWC's income tax burden on the contributed capital. This could add an additional \$334,400 to the project. These values lead the Company to conclude rebuilding the station to be a lower cost alternative. The Company also offered ownership of the Atkinson CWS to HAWC, to which HAWC declined the offer.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-22

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: Attachment DLW-1, Page 1, 2018-2022 PEU QCPAC Rev Req

Note 10 on the Schedule contains a reduction in purchased water costs of \$70,000 in the 2020 QCPAC associated with the completion of the Londonderry Storage Tank. Given the current status of the Londonderry Storage Tank, is this note still accurate? Please explain.

RESPONSE:

Yes. PEU's purchased water contract with Manchester Water Works has two rates, one where Manchester is providing storage and fire protection and one where PEU has its own storage and does not depend upon Manchester for fire protection. The corresponding purchased water rates at the end of 2019 were \$1.513 per CCF and \$1.171 per CCF. In 2019 PEU purchased 206,800 CCF of water from MWW. If PEU had a tank in 2019 it would have saved slightly over \$70,000 in purchased water expense.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-23

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Testimony of Mr. John Boisvert, Pages 13 and 15

Given that the Londonderry zoning board denied the variance for the proposed Londonderry Storage Tank and the Company recently filed a revision of that proposal with the Commission in Docket No. DW 18-101, please explain the following:

- a) Does the Company believe approval from the Commission and a construction timeframe of 12 to 18 months will accurately result in the Londonderry Storage Tank completed, used and useful, in 2020 and eligible for inclusion in the 2021 QCPAC?
- b) In the event the Londonderry Storage Tank is completed, used and useful, during 2021, and therefore eligible for inclusion in the 2022 QCPAC, in what way(s) does this project, and the resulting increase in the QCPAC, coincide with the increase of the QCPAC resulting from PEU's other large, multi-year project, the Locke Lake Surface Water Treatment solution also scheduled for completion in 2021 and therefore eligible for inclusion in the 2022 QCPAC?

RESPONSE:

- a) At this point in 2020 it is unlikely that the project, or any component thereof, will be used and useful in 2020. The local permitting process is likely to see significant delays due to the cancellation of public events (Planning Board Meetings) due to the COVID-19 situation. A 2021 construction completion (used and useful) date is more realistic at this time. However, the Commission's approval of DW18-101 is a critical path item before final designs are complete and Planning Board approval is sought.
- b) Both the Londonderry and Locke Lake projects are critical to complete. Both will end up being completed in 2021 and be included in the 2022 QCPAC. To help offset the increase in the 2022 QCPAC request, the Company proposes to move construction of the Sunrise Estates station originally scheduled for 2021, back into 2020 (Budget: \$300,000). This is a significantly smaller project and can be placed into service before the end of 2020.

The Exhibit DLW-1 attached in response to these data requests has been revised to reflect the movement between years of the projects noted above.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-24

Date of Response: 4/1/2020
Witness: Donald L. Ware

REQUEST: In light of recent events, please indicate the impact, if any and known, to the capital projects currently under construction.

RESPONSE:

The recent events surrounding the Corona virus, as mentioned in John Boisvert's response Staff DR1-23, has resulted in a slowing of the start date for the Londonderry Tank. As such, this project will not be completed in 2020 as originally assumed in the February petition filing. The Tank will be finished in 2021 and Exhibit DLW-1 has been altered accordingly. At this stage that is the only known impact.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-25

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Testimony of Mr. John Boisvert, Page 5, Line 6

The testimony references completion of the first phase of an Asset Management Initiative. Please explain the following:

- a) The differences between this Initiative and the Asset Management system of PWW.
- b) What subsequent phases are anticipated before the Initiative is considered fully operational, including time frames.

RESPONSE:

- a) The process is essentially the same. Other than Londonderry and Litchfield, the PEU systems are relatively small and many do not provide fire protection therefor there will be less of a reliance on hydraulic modeling to help establish repair/replacement priorities. This is especially true for pipeline assets.
- b) It will be concurrent with the Asset Management system of PWW (2020 -2021).

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 1

Date Request Received: 3/19/20
Request No. Staff 1-26

Date of Response: 4/1/2020
Witness: John Boisvert

REQUEST: Testimony of Mr. John Boisvert, Page 15

Regarding the Sunrise Estates pump station replacement planned for 2021, please indicate:

- a) The approximate age of the existing station.
- b) Whether options other than total pump station replacement were considered or assessed and, if so, why full replacement of the entire station appears to be the most cost effective option.

RESPONSE:

- a) It is original to the system. As this was an acquired system, versus a system installed by PEU, the Company has incomplete records related to the station. The best estimate, based on building permits issued for this project is that the station was completed in the mid 1970's.
- b) The existing station was a "below ground station" in poor condition when the Company acquired the system in 2006. The Company completed a minimal number of repairs including the addition of a walk-in entry eliminating the confined space for staff to work safely, sump pump dewatering, painting the heavily corroded section of the storage tanks that protruded through the station wall, some piping repairs and meter replacement. These repairs were completed to extend the life of the station pushing out the need for replacement while other much more need work was done at Locke Lake in Barnstead and Birch Hill in Conway. The Company was successful in buying time while other priority projects we completed in other PEU locations and it is time to replace the station. There are no other public water systems in this area of New Hampshire that could offer a more feasible (least costly) interconnection alternative.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-1

Date of Response: 4/30/20
Witness: Donald L. Ware

REQUEST: Referencing Staff 1-6

Please provide the estimated amount of FALOC interest that will be incurred from January 1, 2020 to the estimated closing of the 2020 CoBank Term Loan. In addition, if the estimated amount of FALOC interest from January 1, 2020 to the closing of the CoBank Term Loan is not eligible for recovery until the 2021 QCPAC, provide an estimated timeline for recovery of that cash based upon normal QCPAC approval timeline and the impact to the Company's cash position and cash flow.

RESPONSE:

The Company projects the FALOC interest incurred from January 1, 2020 through July 31, 2020 will be \$25,277 for projects that are eligible for recovery via the 2020 QCPAC. Currently, interest on the CoBank FALOC is accumulating at a rate of \$119.86 per day at the current interest rate of 3.900%.

If the estimated amount of the FALOC interest incurred from January 1, 2020 to the loan closing is not eligible for recovery until 2021 the cash required to pay for this interest would need to be borrowed from the Parent Company line of credit at the a current interest rate of 3.39525% resulting in an estimated \$750 of additional interest expense. The total amount of interest of about \$26,027 would reduce the available cash from the Corporate line of credit, which needs to be reserved to deal with cash shortfalls that can occur when expenses exceed revenues. In the current climate revenues are down due to reduced commercial activity and receivables are increasing due to the CoVID-19 pandemic making it essential that the Company has full access to its Corporate line of credit, not one that has been reduced by the interest on capital invested in 2019.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-2

Date of Response: 4/30/20
Witness: Donald L. Ware

REQUEST: Referencing Staff 1-12

Please indicate the status of the Company's high lead brass meter replacement program and if the Company has an estimated completion date.

RESPONSE:

The Company has about 1,000 high lead brass meters left to replace. The Company estimates that it will complete the replacement of the high lead brass meters by the end of 2021. The plan was to complete about 600 replacements this year and about 400 replacements in 2021. It should be noted that the 600 replacements planned for this year are missing from the 2020 PEU Capex budget submitted in DW 20-019. This has been corrected on the attached, revised 2020 QCPAC budget tab. It should also be noted, that certain activities related to meter replacements in the field have been impacted by the safety and security measures in place at this time, for both customers and employees, as it relates to the COVID-19 pandemic. As such, the actual number of meters that are deficient from the 600-meter replacement goal in 2020, would be added to the total to be replaced in 2021.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-3

Date of Response: 4/30/20
Witness: John Boisvert

REQUEST: Referencing Staff 1-19

Please further explain the details of this project; including the total estimated and actual length of pipe installed per year, the total and estimated cost per year with an explanation for the 2019 cost variance, and how the Company determined that the 2019 portion of the project should be eligible for recovery pending further construction in 2020.

RESPONSE:

All costs accumulated in 2019 were for water main and related assets that went into service in 2019 (used and useful in 2019). The Company originally pulled some of the water main on North Barnstead Road out of the plans that went out to bid based on the estimated construction costs and those cost exceeding the amount of the SRF loan that was allocated to this portion of the project. The North Barnstead water main that was pulled from the bid documents was added back into the final scope of work based on favorable (lower than anticipated bid prices) and the ability to redirect some of the SRF funds from other parts of the overall SRF loan.

A break out of this project by year is as follows:

2019

- Total Water Main estimated and installed 12,150'
- Total cost of project \$940,387 into service in 2019

2020

- Total estimated water main to be installed 1,850' (North Barnstead Road and Route 28)
- Total estimated cost of work \$205,000 in 2020

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-4

Date of Response: 4/30/20
Witness: John Boisvert

REQUEST: Referencing Staff 1-21

Please indicate the timeframe when the Company estimated the cost and the conversations with HAWC took place.

RESPONSE:

It was in the September 2020 time frame when the conversation took place with HAWC as to where the connection point would be made. It was quickly determined that the cost and distance (approximately 4,400 linear feet estimated to cost between \$700,000 and \$1,000,000) to extend water service to the Atkinson CWS was significantly more costly than reconstructing the station.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-5

Date of Response: 4/30/20
Witness: John Boisvert

REQUEST: Referencing Staff 1-23

Please provide any rule, guideline, or otherwise to support the following statement relative to the Town of Londonderry approval for the proposed 1.25 million gallon water tank in Londonderry, “However, the Commission’s approval of DW18-101 is a critical path item before final designs are complete and Planning Board approval is sought.”

RESPONSE:

If the Commission does not approve the revised special contract within docket no. DW18-101, which includes the revised proposal from that of a 156’ tall elevated tank, to a ground level 35’ foot tall 1.25 million gallon tank, an interconnection transmission main, and a booster station, is not the least cost option due to the loss of contributions from Pillsbury, LLC. Thus, if DW18-101 is not approved by the Commission, the proposed tank, transmission main, and booster station would need to be modified to meet existing Londonderry customer needs only, and as such would require a total redesign before this project proceeds. The Company may need to redirect resources planned for final design to a different option.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 2

Date Request Received: 4/16/20
Request No. Staff 2-6

Date of Response: 4/30/20
Witness: John Boisvert

REQUEST: Referencing Prefiled Direct Testimony of John J. Boisvert, p. 7

Regarding Rolling Hills, please indicate why upsizing from 2-inch to 6-inch main was necessary.

RESPONSE:

Two-inch water main is insufficient in size and capacity to support the number of homes in the Rolling Hills system. The need to replace the current 2-inch line offered an opportunity to install an appropriately sized water main on Lower Road that will ultimately create a loop between the Rolling Hills and Twin Ridge systems as part of a future project. In that future project, the remaining 2-inch plastic pipe in Rolling Hills is planned to be replaced with 4-inch C-900 PVC.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-1

Date of Response: 5/27/20
Witness: Donald L. Ware

REQUEST: Testimony of Don Ware, Attachment A

Please prepare a copy of the first column of this schedule with the following parameters:

- a. The 2019 Capital Projects Budget of \$2,058,625 as of September 30, 2019 as provided to the Commission on November 14, 2019 in the prior QCPAC docket of DW 19-035 and the final amount of \$1,787,322 and the variances between the two totals.
- b. The 2020 Capital Projects budget of \$2,552,000 and the updated 2020 Capital Projects budget of \$2,612,000 and the variances between the two.

RESPONSE:

- a) A column has been added to Attachment A with an explanation of the differences between the Sept 30, 2019 project estimated and the final 2019 project costs.
- b) The difference between the two projects is the addition of 600 lead based meter replacements at \$100 each or a total of \$60,000 that were inadvertently left out of the original budget but added to the revised schedules provided in response to Staff DR 2-2..

From: [Ware, Don](#)
To: [Leone, Anthony](#); [Richard W. Head](#)
Cc: [Laflamme, Jayson](#); [Tuomala, Christopher](#); "larry.goodhue@pennichuck.com"
Subject: RE: [EXTERNAL] Re: DW 20-019 PEU QCPAC Petition
Date: Wednesday, June 3, 2020 4:57:13 PM
Attachments: [PEU 2018-2021 QCPAC Filing Sch - Updated for Staff email re 3-1.xlsx](#)

Anthony -

When Staff referred to "Attachment A" I mistakenly assumed it was referring to DLW Exh 1 which has the Board approved listed 2019 and 2020 Board approved Capex budgets. In regard to 2019 difference I added a column U, but the explanation given was the difference between the Nov 2019 update and year end not the 9/30 update and year end. The Staff DR reference to the Nov date of the Sept update threw me off. I was also thrown off by the request in that the Nov 2019 update given in Jan 2020 explained the difference between that update and the Sept 30 update and the Feb filing provided an explanation for the difference between the Nov 30 update and final year end numbers so a path/explanation for the Sep 30 to year end difference had already been provided. All that said I have attached a revised DLW Exh 1, Page 3 where Column U provides an explanation from September 30, 2019 update to the actual 2019 capex spend as requested in DR3-1.

Richard will also submit this updated formally but I wanted to get this response to you.

Thank you.

Don

Donald L. Ware, PE
Chief Operating Officer
Pennichuck Corporation
25 Manchester Street
Merrimack, NH 03054
(603)913-2330
donald.ware@pennichuck.com

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-----Original Message-----

From: Leone, Anthony <Anthony.Leone@puc.nh.gov>
Sent: Wednesday, June 3, 2020 3:45 PM
To: Richard W. Head <rwh@rathlaw.com>
Cc: Laflamme, Jayson <[Christopher.Tuomala@puc.nh.gov](https://urldefense.proofpoint.com/v2/url?u=http-3A__Jayson.Laflamme-40puc.nh.gov&d=DwlFAw&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=G1qSENBIcwgqPV6ZOXTPIA&m=l63iaTcEzS35MrHeTdErhFp7VzV1tgFTBfbr0UR9Spg&s=SLum9DH0nrRTcv9VCsxAYx8et3jiGFNoBhWBScf14dk&e=> >; Tuomala, Christopher <; Ware, Don <donald.ware@PENNICHUCK.com>; 'larry.goodhue@pennichuck.com'
Subject: [EXTERNAL] Re: DW 20-019 PEU QCPAC Petition

Hi Richard, I am looking over the responses and Staff 3-1 references that a column has been added to a revised Attachment A, but I do not see any Attachment A included as part of the response. I see the responses themselves and an updated Schedule DLW-1. Is there perhaps another file that was supposed to be attached? I have included a copy of Attachment A from the original filing for reference. If you have any questions regarding my intent please do not hesitate to contact me to discuss.

Thank you very much,

Anthony J Leone
Utility Analyst
NH Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301
603-271-4081

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From: Richard W. Head <rwh@rathlaw.com>
Sent: Wednesday, May 27, 2020 12:11 PM
To: PUC - Discovery; Noonan, Amanda; Leone, Anthony; 'carolann.howe@pennichuck.com'; Shute, Christa; Tuomala, Christopher; 'donald.ware@pennichuck.com'; 'douglas.brogan@gmail.com'; Brennan, James J; 'jay.kerrigan@pennichuck.com'; Laflamme, Jayson; 'larry.goodhue@pennichuck.com'; PUC - OCA Litigation; Descoteau, Robyn; Richard W. Head; Susan M. Walker; Frink, Stephen
Subject: DW 20-019 PEU QCPAC Petition

EXTERNAL: Do not open attachments or click on links unless you recognize and trust the sender.

To the DW 20-019 Discovery Docket

Attached are PEU's responses to Staff's Data Requests, Set 3. Please let me know if you have any questions.

Thank you.

-Richard

Richard W. Head
Of Counsel

Rath, Young and Pignatelli, P.C.

[cid:image003.png@01D23399.C34C0E00]

One Capital Plaza
Concord, NH 03302-1500

direct (603) 410-4322

email rwh@rathlaw.com <<mailto:rwh@rathlaw.com>>

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Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-2

Date of Response: 5/27/20
Witness: Donald L. Ware

REQUEST: Referencing Schedule DLW-1 Updated for DR2

Schedule DLW-1 references Order No. 26,006 as the approving Order in Docket no. DW 18-132. Should the schedule instead reference Order No. 26,189?

RESPONSE:

Yes. The schedule has been corrected to reflect the proper Order number.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-3

Date of Response: 5/27/20
Witness: Larry Goodhue

REQUEST: Referencing Schedule DLW-1, Staff 1-4

Please provide an update on the status of the CoBank Loan the Company indicated in their Petition and Testimony.

RESPONSE:

A financing petition was filed with the Commission on 5/22/2020.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-3

Date of Response: 5/28/20
Date of Supplemental Response: 12/9/20
Witness: Larry Goodhue

REQUEST: Referencing Schedule DLW-1, Staff 1-4

Please provide an update on the status of the CoBank Loan the Company indicated in their Petition and Testimony.

RESPONSE:

A financing petition was filed with the Commission on 5/22/2020.

SUPPLEMENTAL RESPONSE

The Company closed on the loan with CoBank on November 25, 2020. The loan was for \$800,122 for a period of 25 years at a fixed rate of 3.98% with monthly principal and interest payments due as detailed on the attached amortization schedule for the CoBank Loan. Per the attached schedule, the first payment is scheduled for December 21, 2020 and will consist of interest only.

As part of this response, please see the attached, revised PEU QCPAC Workbook reflecting the final terms of the CoBank loan. Based on the information in the QCPAC workbook, the QCPAC surcharge calculated for the 2019 eligible QCP's would be 1.86%, which would be added to the current QCPAC surcharge of 2.98% resulting in a combined QCPAC surcharge of 4.83%. Per the Company's initial testimony, it is seeking that this surcharge be effective on a service rendered basis as of November 25, 2020, the date of the closing on the CoBank loan.

The requested 1.86% QCPAC surcharge would increase the average PEU Single Family Residential monthly bill from \$77.69 (this bill amount is inclusive of the current QCPAC surcharge of 2.98%) to \$79.09 per month or a monthly increase of \$1.40 (See the 2018-2022 PEU QCPAC Rev Req tab of the QCPAC Workbook) based on an average monthly usage of 7.29 CCF (5,453 gallons).

If an order was issued in early February, the QCPAC revised tariff sheet was submitted and approved by the end of February, the proposed QCPAC surcharge would go into effect in the March bills. This would result in about 2-1/2 months of recoupment (actual time would be

dependent upon the billing cycle read dates) for the average bill or a one-time recoupment of about \$3.50 for the average single family residential customer.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-4

Date of Response: 5/27/20
Witness: John Boisvert

REQUEST: Referencing Staff 1-19 and 2-3

Please describe, generally, the need to eliminate the North Barnstead Road dead-end piping via nearly 700 LF of new main.

RESPONSE:

The 700 feet of new main closed a gap in the existing water system between Tamworth Trail and Dalton Drive. The existing 2 inch main on Tamworth Drive is a single feed into the northeast section of the Locke Lake distribution system for more than 140 customers. The added water main along North Barnstead Road adds a second feed into this area by connecting to the main at the intersection of Dalton Drive and North Barnstead Road. The loop provides improved water delivery.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-5

Date of Response: 5/27/20
Witness: John Boisvert

REQUEST: Referencing overall Locke Lake project

Is the overall project proceeding essentially as originally anticipated in DW 18-132 (SRF approval docket)? Please explain.

RESPONSE:

Yes, the project has proceeded in accordance with DW 18-132. The overall quantity of water main being replaced or installed has changed (subtracted then added) based on bid results and the budget costs for other aspects of the project including the new surface water source and the connection of the Airstrip Well to the Peacham Road treatment facility. Water main on North Barnstead Road was once removed from the project scope but added back in because of favorable bid pricing and water main replacement to replace substandard pipe along Route 28 was added to take advantage of savings in road reconstruction and right of way restoration associated with a NHDOT project.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-6

Date of Response: 5/27/20
Witness: John Boisvert

REQUEST: Referencing Staff 1-21 and 2-4

Regarding the Atkinson Booster Station reconstruction, please comment on:

- a) The reasons for the substantial increase in the cost estimate.
- b) Why the estimate is significantly higher than, for example, the 2021 Sunrise/Middleton station rebuild at \$300,000 (plus \$40,000 design in 2020).

RESPONSE:

- a) The Atkinson station provides fire service. Therefore larger pumps and storage capacity are needed. The increase includes replacement of the heavily corroded steel atmospheric tanks with new concrete tanks.
- b) Middleton does not provide fire service, only domestic service. Smaller equipment is anticipated for the Sunrise Estates Station.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-7

Date of Response: 5/27/20
Witness: Donald L. Ware

REQUEST: Referencing 2019 W&E booster pump replacements

Regarding the pump failures, please indicate:

- a) What caused all three pumps to fail.
- b) How many total pumps are in the station.
- c) Whether the replacements were covered by warranties or insurance.

RESPONSE:

a) The three pumps were each 2HP with a VFD integral to their motor. The VFD failed on the first motor which shut the pump down. While we were looking for a replacement VFD/motor combination the second pumps VFD failed. After a substantial search we were unable to find a replacement for the VFD/motor combination as the manufacturer of this unit was no longer in business. This necessitated the replacement of the third pump motor/VFD combination and the stations programmable logic controller as all were integral to one another. The Company retained the wet ends of each of the pumps and purchased new 2 HP motors for each pump and purchased and installed separate wall mount VFD's and a new PLC to repair the station. There was no obvious cause for the failure of the VFD's other than wear and tear as these pumps were installed in 2004.

- b) There are three pumps in this station.
- c) The replacements ere not covered by either warranties or insurance.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-8

Date of Response: 5/27/20
Witness: John Boisvert

REQUEST: Referencing John Boisvert testimony, p. 13, lines 4-12

Previous discovery (see Staff 4-5 in DW 19-035) indicated the purpose of the proposed work in the Michel's Way PRV pit was to allow the PRV to function in conjunction with the Gilcrest Road PRV; yet Mr. Boisvert's testimony indicates the Michells Way PRV will now replace the Gilcrest Road PRV. Please explain, including any impacts on cost of the project.

RESPONSE:

DW 18-101 describes water system improvements to the Londonderry Core water system including a storage tank, a transmission main, and a new booster station. The new booster station will incorporate the Michel's Way PRV into it and the lower pressure zone (498 Pressure Zone) will ride off of and atmospheric storage tank. The Michel's Way PRV in the new booster station will add redundancy to the atmospheric storage tank thus, making the Gilcreast Road PRV unnecessary. If the improvement plan outlined in DW 18-101 does not move forward as planned, the reconstruction of the Gilcreast Road PRV may become necessary again in the future.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 3

Date Request Received: 5/14/20
Request No. Staff 3-9

Date of Response: 5/27/20
Witness: John Boisvert

REQUEST: Referencing proposed 2020 Pelham Main Replacement/Addition

Please explain the need to upgrade from a 3-inch main to a 12-inch main.

RESPONSE:

The 3-inch main is undersized for the number of customers it currently serves and once looping of the water main is complete in this section of Pelham the larger main will improve water delivery and at the same time replace substandard plastic water main. In addition, the 12-inch main will connect to existing 12-inch water main (currently served by the 3-inch main) that runs from Lane Road cross country to Andrea Lane then to Smith Road. The Company has a hydrant at the intersection of Andrea Lane and Smith Road that has never been active due to the lack pipeline capacity in the existing 3-inch water main. The main will support existing customers as well as properties currently under development and main extensions. The project also allows hydrants to be added on Lane Road and Monticello Drive.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests –Tech Session Set 1

Date Request Received: 6/10/20
Request No. Staff Tech 1-1

Date of Response: 6/22/20
Witness: Donald L. Ware

REQUEST: Testimony of Don Ware, Attachment A

Please provide a copy of the most left hand column (titled Total Budgeted for 2019) of Bates Page 36, Attachment A- 2020 Capital Budget using actual amounts, keeping the separate categories as already listed.

RESPONSE:

Please see an updated Attachment A as requested.

Pennichuck East Utilities, Inc
DW 20-019
2020 QCPAC Filing
2/9/2020
Revised 3/26/2020 per Staff DR1's
9/30/2020 Update
11/30/2020 Update - Revised per Staff DR5 - Ex DR5-1

Exhibit DLW-1
Page 1

	DW17-128 Approved Step Revenue Requirements		QCPAC Revenues approved in DW19-035		Projected QCPAC Surcharge for 2018 Capital Additions		Projected QCPAC For 2019 Capital Additions pro formas		Projected QCPAC Surcharge for 2019 Capital Additions		Projected QCPAC For 2020 Capital Additions pro formas		Projected QCPAC Surcharge for 2020 Capital Additions		Projected QCPAC For 2021 Capital Additions pro formas		Projected QCPAC Surcharge for 2021 Capital Additions		Projected QCPAC For 2022 Capital Additions pro formas		Projected QCPAC Surcharge for 2022 Capital Additions							
City Bond Fixed Revenue Requirement (CBFRR)	\$	926,309			\$	926,309	\$	-	\$	926,309	\$	-	\$	926,309	\$	-	\$	926,309	\$	-	\$	926,309						
Operating Expense Revenue Requirement	\$	5,851,582	(1)	\$	(40,866)	(4)(8)	\$	5,810,716	\$	45,231	(4)	\$	5,855,947	\$	106,588	(11)	\$	5,962,535	\$	10,863	(4)(10)	\$	5,973,398	\$	34,106	(4)	\$	6,007,504
Annual Principal and Interest Payments	\$	1,362,154	(2)	\$	261,114	(5)(6)	\$	1,623,268	\$	51,109	(12)	\$	1,674,377	\$	267,982	(12)	\$	1,942,359	\$	223,720	(12)	\$	2,166,079	\$	86,465	(12)	\$	2,252,544
Principal and Interest Coverage Requirement		1.10	(3)				1.10					1.10					1.10						1.10					1.10
Principal and Interest Revenue Requirement	\$	1,498,370			\$	1,785,595			\$	1,841,815			\$	2,136,595			\$	2,382,687				\$	2,477,798				\$	2,477,798
Proposed Revenue Requirement excluding NCCRS	\$	8,276,261			\$	8,522,620			\$	8,624,071			\$	9,025,439			\$	9,282,395				\$	9,411,612				\$	9,411,612
Current Water Revenues excluding CBFRR and NCCRS	\$	5,947,707			\$	7,349,952			\$	7,596,311			\$	7,697,762			\$	8,099,130				\$	8,356,085				\$	8,356,085
Add: City Bond Fixed Revenue Requirement	\$	926,309			\$	926,309			\$	926,309			\$	926,309			\$	926,309				\$	926,309				\$	926,309
Current Water Revenues with CBFRR less NCCRS	\$	6,874,016			\$	8,276,261			\$	8,522,620			\$	8,624,071			\$	9,025,439				\$	9,282,395				\$	9,282,395
Proposed Percent Revenue Increase		20.40%																-					-					-
ADD: NC Capital Surcharge Revenue	\$	178,915			\$	178,915			\$	178,915			\$	178,915			\$	178,915				\$	178,915				\$	178,915
Proposed New Revenue Requirement	\$	8,455,176			\$	8,701,535			\$	8,802,986			\$	9,204,354			\$	9,461,309				\$	9,590,526				\$	9,590,526
Projected QCPAC Increase ⁷						2.98%				1.23%			4.71%				2.98%					1.43%						1.43%
Cumulative QCPAC increase ⁹						2.98%				4.20%			9.05%				12.16%					13.72%						13.72%
Cumulative QCPAC monthly increase in average single family residential bill					\$	2.25			\$	3.17			\$	6.83			\$	9.17				\$	10.35				\$	10.35
Average monthly single family residential bill with QCPAC					\$	77.69			\$	78.62			\$	82.28			\$	84.62				\$	85.80				\$	85.80

Notes:

- (1) Operating Expense Revenue requirement is the sum of the Total Operating Expenses, Property Tax Expense and Amortization Expense approved in DW17-128.
- (2) Annual Principal and interest payments for PEU debt associated with all plant in service as approved in DW17-128.
- (3) Principal and interest coverage of 1.10 is as approved in DW17-128.
- (4) QCPAC operating expense proformas are based on the property taxes for plant added during the year.
- (5) See Calculation of annual principal and interest payments on spreadsheet titled "2018 QCPAC PEU Additions."
- (6) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1/2018 and 12/31/2018 based on a 25 year term loan with an actual total all in interest rate of 4.38% that was not recovered in DW17-128.
- (7) QCPAC percent revenue surcharges based on increase in revenues over the step revenues granted in DW17-128, exclusive of prior QCPAC surcharges.
- (8) 2018 Proforma Operating Expenses include a reduction in purchased water expenses associated with the completion of the PWW-PEU Interconnection in the amount of \$ 180,500
- (9) Cumulative surcharge percentage is based on total surcharge revenues collected divided by the step revenues granted in DW17-128.
- (10) QCPAC operating expense proforma associated with property taxes is reduced by \$ 70,000 to reflect reduction in purchased water costs associated with the completion of the Londonderry Storage Tank.
- (11) QCPAC operating expense proforma associated with property taxes is reduced by \$ 28,000 to reflect reduction in arsenic treatment costs associated with the completion of the Locke Lake raw water well line to the Peacham Road Treatment plant.
- (12) Portion of Annual Principal and interest payments paid to CoBank for debt associated with plant placed in service between 1/1 and 12/31 for designated year based on a 25 year term loan with an actual total all in interest rate of 5.50% that was not recovered in DW17-128.

Impact on PEU Single Family Residential Home:

Monthly meter charge granted in DW17-128, inclusive of Step increase -	\$	20.70
Average Single Family Consumption (CCF) -		7.29
Consumption Charge granted in DW17-128, inclusive of Step increase -	\$	7.51 per CCF
Average Single Family monthly bill with rates granted in DW17-128, inclusive of step -	\$	75.45

Project Name/Description	Project Description	Work Order #	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order	2018 Board Approved Budgeted Amount	Estimated Project Cost as of 10/31/2018	Final Project cost as of 12/31/2018	Community	Eligible for 2018 QCPAC Surcharge?	Taxable	Tax Rate (l)	QCPAC Eligible Property Tax Expense	Explanation for Change/Addition/Deletion since 1/30/2018
Brady Avenue ⁶	Replace 2,400 linear feet of existing 1.5" thin wall HDPE water main with new 8" diameter ductile iron water main.	1703684 & 1807069	DW17-055	26,006	4/19/2017	\$ 379,600	\$ 598,000	\$ 618,983	Derry	Yes	Yes	\$ 30.59	\$ 18,935	
Hillcrest Road	Replace approximately 1,200 linear feet of existing 12" thin wall ductile iron water main with high break history through swamp with 12" HDPE.	1707188 & 1807072	DW17-055	26,006	4/19/2017	\$ 242,000	\$ 240,000	\$ 254,860	Litchfield	Yes	Yes	\$ 26.84	\$ 6,840	
PEU-PWW Interconnection ⁸	Interconnect PEU to PWW under Merrimack River.	See Below	DW17-055/Pending filing ⁷	26,006	4/19/2017	\$ 3,300,000	See Below		Merrimack/Litchfield	Yes	Yes	\$ 27.88		
PEU-PWW Interconnection	Interconnecting Water Main - Owned by PEU	1807155, 1807562, 1608938, 1701789	See above	See above	See above	\$ \$ Included above	\$ 3,515,850	\$ 3,335,078	Merrimack/Litchfield	Yes	Yes	\$ 27.88	\$ 92,982	
PEU Contribution toward PWW water main upgrade	Interconnecting Water Main - Owned by PWW (50% PEU paid portion)	1807148				\$ 33,925	\$ 33,925	\$ 33,925	Merrimack/Litchfield	Yes	No	\$ 27.88	\$ -	No property tax obligation for PEU as this is a PWW asset. PEU contribution to this PWW asset per NHPUC Order #26,049 in DW17-071.
PEU-PWW Interconnection Station Bidding & Construction	Booster Station, including purchase of building and meter from PWW.	1813395				\$ 340,000	\$ 339,864	\$ 339,864	Merrimack	Yes	Yes	\$ 28.92	\$ 9,829	
Locke Lake Treatment Design	Design treatment for new Source of Supply required by NHDES Corrective Action Plan.	1813409	DW18-132			\$ 100,000	\$ -	\$ -	Barnstead	No	Yes	\$ 27.10	\$ -	Design work for project that is not used and useful is not eligible for QCPAC Surcharge.
Atkinson Commerce Park Station Imp.	Rebuild Booster Station, Replace Atmospheric Storage Tanks	Deferred	Pending Filing ⁷			\$ 330,000	\$ -	\$ -	Atkinson	Yes	Yes	\$ 22.35	\$ -	Project deferred due to Engineering resources being diverted to design Bedford/Litchfield PFOA facilities.
Booster/Well/Chem Feed pump replacements	Replace small booster/well/chemical feed pumps as they fail (run rate) (21).	760 - 763 workorders	Pending Filing ⁷			\$ 60,000	\$ 100,200	\$ 92,476	Various	Yes	Yes	\$ 27.72	\$ 2,563	24 through December 31, 2018.
Install/replace treatment systems in small CWS	Replace failed CWS treatment systems. Install new CWS treatment system if water quality or standards requires it.	n/a	Pending Filing ⁷			\$ 25,000	\$ 5,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Misc. Structural Improvements	Repair/replace aging/failed station structures as needed.	n/a	Pending Filing ⁷			\$ 20,000	\$ -	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous Fencing and Security projects	Install fencing/security facilities as needed.	n/a	Pending Filing ⁷			\$ 10,000	\$ -	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Miscellaneous SCADA/Electrical	Install/repair/replace SCADA/Electrical equipment as needed.		Pending Filing ⁷			\$ 30,000	See Below	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	2 more VFD failures are projected through year end.
Miscellaneous SCADA/Electrical	Replace Pump #4 VFD at Castle Reach	1819462	Pending Filing ⁷			\$ 3,944	\$ 3,944	\$ 3,944	Various	Yes	Yes	\$ 27.72	\$ 109	
Miscellaneous SCADA/Electrical	Replace Pump #2 VFD at W&E	1816163	Pending Filing ⁷			\$ 3,013	\$ 3,013	\$ 3,013	Various	Yes	Yes	\$ 27.72	\$ 84	
Miscellaneous SCADA/Electrical	Replace Pump #5 VFD at Castle Reach	1807058	Pending Filing ⁷			\$ 4,145	\$ 4,145	\$ 4,145	Various	Yes	Yes	\$ 27.72	\$ 115	
Miscellaneous SCADA/Electrical	Replace Well Pump #13 VFD at Locke Lake	1818296	Pending Filing ⁷			\$ 2,639	\$ 2,684	\$ 2,684	Various	Yes	Yes	\$ 27.72	\$ 74	
Well Rehabilitation	Rehab wells as necessary to restore efficiency as needed.	n/a	Pending Filing ⁷			\$ 60,000	\$ 15,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	Only one projected well rehab to occur in 2018 vs. 4 in budget.
3 New Services	Single Family, Owner Build, New Homes	720 workorders	Pending Filing ⁷			\$ 23,000	\$ 32,800	\$ 27,558	Various	Yes	Yes	\$ 27.72	\$ 764	8 services added through December.
10 Renewed Services	Replacement of failed services.	721 & 722 workorders	Pending Filing ⁷			\$ 40,000	\$ 17,400	\$ 18,667	Various	Yes	Yes	\$ 27.72	\$ 517	9 services replaced through December.
2 Hydrants	Replacement of non-functional hydrants.	730 & 731 workorders	Pending Filing ⁷			\$ 10,000	\$ 10,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Repaired in 2018.
10 Valve Replacements	Replacement of Failed Gate Valves	712 workorders	Pending Filing ⁷			\$ 30,000	\$ 12,000	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	None Repaired in 2018.
75 New Meters (growth) 5/8"-2"	New meters for new customers.	750 workorders	Pending Filing ⁷			\$ 22,500	\$ 14,500	\$ 70,429	Various	Yes	Yes	\$ 27.72	\$ 1,952	531 replacements through December 31, 2018 inclusive of new and replacement meters.
719 New Meters for Lead Meter exchanges 5/8"-6"	Replace High lead brass meter with new no lead brass meter.	750 workorders	Pending Filing ⁷			\$ 144,000	\$ 143,400	\$ -	Various	Yes	Yes	\$ 27.72	\$ -	
Radio Reads	New and replaced radios for meter reading (123).	754 workorders	Pending Filing ⁷			\$ -	\$ 17,100	\$ 18,696	Various	Yes	Yes	\$ 27.72	\$ 516	249 Radio replacements were completed through December 31, 2018.
Investment in Developer Installed Services	One times revenue tariffed amount (57).	n/a	Pending Filing ⁷			\$ -	\$ 42,500	\$ 47,838	Various	Yes	Yes	\$ 27.72	\$ 1,326	Required by Tariff. Not in 2018 Board Approved Budget.
Insertion Valve Install	Installation of Insertion Valve on 16" Main MWV	1824544	Pending Filing ⁷			\$ -	\$ 25,000	\$ -	Londonderry	Yes	No	\$ 26.15	\$ -	MWV was going to shut service off for all of Londonderry for a hydrant repair. Insertion valve allowed hydrant replacement without losing service to any of Londonderry. Not included in QCPAC as this will be funded with 0.1 DSRR cash.
Chlorine Transfer Pump for NC Operations	Purchase new chlorine transfer pump to transfer bleach solution from large drum containers to smaller transportable containers.	1817322	Pending Filing ⁷			\$ -	\$ 2,587	\$ 2,587	Various	Yes	Yes	\$ 27.72	\$ 72	
Hardwood New Source	Hardwood New Source	1701877	Pending Filing ⁷				\$ 6,285	\$ 6,285	Windham	Yes	Yes	\$ 27.57	\$ 173	
Locke Lake, Varney Rd Area	Locke Lake, Varney Rd Area - Clean up and final Paving	1817280	Pending Filing ⁷				\$ 94,050	\$ 94,050	Barnstead	Yes	Yes	\$ 27.10	\$ 2,549	
Locke Lake Well 14 VFD	Locke Lake Well 14 VFD	1900391	Pending Filing ⁷				\$ 8,608	\$ 8,608	Barnstead	Yes	Yes	\$ 27.10	\$ 233	
Short term interest	Short term interest on FALOC and SRF loans to fund 2018 Capex.						\$ 39,547	\$ 39,547		Yes	No		\$ -	
Total 2018 Board Approved PEU Capital Expenditures -							\$ 4,826,100	\$ 5,179,004	\$ 5,023,146				\$ 139,634	
							PEU QCPAC	\$ 5,179,004						

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.

2. Final CoBank Loan Terms are

25 Years at 4.38%

Principal forgiveness

3. Projected Brady Ave. SRF Terms are

30 Years at 1.96% with 10%

4. Projected PWW/PEU Interconnection SRF Terms are

20 Years at 1.96%

5. Projected Hillcrest Road SRF Terms are

20 Years at 1.96%

6. Brady Ave was budgeted in 2 phases by the Board, Phase I was in the 2017 Capital Budget and Phase II was in the 2018 Capital Budget with the total project budget estimated at

7. The cash to fund the "pending filing" projects in 2018 was borrowed from Cobank through the short term Fixed Asset Line of Credit (FALOC) approved in DW17-157. PEU will be filing for approval to borrow long term funds from CoBank in the Winter of 2019 to repay the CoBank FALOC.

8. Eliminate AFDUC on PWW-PEU Interconnect Project in the amount of

\$ 95,807

Year 1 Principal Forgiveness - (\$2,095.20)

254,860 of which \$ 10,471 is internal engineering that can not be funded with SRF funds.

\$70,000 exclusive of internal engineering costs.

Amount to be funded with 2019 Loan from CoBank^{2,3,7} - \$ 1,153,000

Amount to be funded SRF loan for Brady Avenue watermain replacements⁴ - \$ 570,000

Amount to be funded SRF loan for PWW/PEU Interconnection⁴ - \$ 2,400,000

Amount to be funded SRF loan for Hillcrest Road watermain replacements⁵ - \$ 244,389

Amount to be funded with Drinking Water and Groundwater Trust Fund Grant - \$ 600,000

Total Projected 2018 QCPAC P&I - \$ 261,114

Projected Annual P&I Payments

\$ 76,800

\$ 23,215

\$ 146,210

\$ 14,888

\$ -

Project Name/Description	Project Description	Work Order #	Board Approved 2019 Capex Budget	Financing Contract No.	NHPUC Order No.	Date of NHPUC Order	Source of Funding	Eligible for 2020 QCPAC Surcharge	Eligible for 2020 QCPAC Surcharge	Estimated Project Cost as of 6/30/2019	Estimated Project Cost as of 9/30/2019	Estimated Project Cost as of 11/30/2019	Final Project cost as of 12/31/2019	Community	Taxable	Tax Rate (1)	QCPAC Eligible Property Tax Expense	Expansion for \$\$ difference between 9/30 update and final \$\$ invested in 2019	Explanation for Change/Addition/Deletion since Petition Filing
Elevated Storage Tank in Londonderry	Construct 1.25 MG Elevated Storage Tank	1818349, 1901641	\$ 700,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ 700,000	\$ -	\$ -	\$ -	Londonderry	Yes	\$ 24.08	\$ -		Project will not start in 2019 due to local permitting, cost in 2019 are for engineering
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP	1901642	\$ 440,000	DW18-132	26,189	11/16/2018	SRF	No	\$ -	\$ 595,088	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project update includes revised estimate based on final design and also a portion of \$164,500 of engineering and survey work note below.
Locke Lake Surface Water Treatment	Design and Permitting of treatment and intake for Locke Lake surface water	combined with below	\$ 200,000	DW18-132	26,189	11/16/2018	SRF	No	\$ -	\$ 200,000	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project will not be used and useful in 2019
Locke Lake treatment evaluation	Pilot different treatment technologies to treat Locke Lake surface water	1813409, 1900433	\$ 75,000	DW18-132	26,189	11/18/2018	SRF	No	\$ -	\$ 75,000	\$ -	\$ -	\$ -	Barnstead	Yes	\$ 27.59	\$ -		Project will not be used and useful in 2019
Georgetown Area water main replacements	2018 Surveying costs	1917479	\$ -	DW18-132	26,189	11/16/2018	SRF	Yes	\$ -	\$ -	\$ 20,845	\$ 20,845	\$ 20,845	Barnstead	Yes	\$ 27.59	\$ 575		Survey costs incurred in 2018 to design 2019 project. Not recovered in 2019 QCPAC. Not included in \$\$ above.
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901644	\$ 619,300	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 619,300	\$ 682,478	\$ 640,567	\$ 580,142	\$ 400,377	Barnstead	Yes	\$ 27.59	\$ 11,046		Project \$\$ for these two projects were not properly divided in 9/30/2019 update. Total estimated project costs of about \$919K was more than the final 12/31 total of \$757K due to the fact that there are some project carry over \$8 into 2020 plus actual bid numbers were lower the those used in the September update.
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901645	\$ 253,000	DW18-132	26,189	11/18/2018	SRF	Yes	\$ 253,000	\$ 278,810	\$ 278,810	\$ 219,136	\$ 336,562	Barnstead	Yes	\$ 27.59	\$ 9,286		Board Approved project budgets did not include initial survey expenses (incurred in 2018) or internal engineering and field inspection on the Locke Lake projects, including the Airstrip project. These items are estimated to add about \$164,500 to these project costs.
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC	1901646	\$ 132,000	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 132,000	\$ 145,466	\$ 265,466	\$ 415,239	\$ 248,858	Barnstead	Yes	\$ 27.59	\$ 6,866		
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC	1901647	\$ 68,200	DW18-132	26,189	11/16/2018	SRF	Yes	\$ 68,200	\$ 75,157	\$ 75,157	\$ 41,868	\$ 43,364	Barnstead	Yes	\$ 27.59	\$ 1,196		Actual Bid numbers for the project were less than the estimated \$\$ used in September Estimate were
PEU-PWW Interconnection (Merrimack to Litchfield)	Carryover Costs (over 2018 SRF Funding)	1900424, 1900434, 19008514	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 59,691	\$ 59,691	Merrimack	Yes	\$ 28.86	\$ 1,723		These \$\$ had not been identified during the 9/30 update. The end analysis revealed that there were still work order costs associated with this project that occurred as a result of final project clean up in the spring of 2019.
Upgrade Michels Way PRV Pit	Add additional pit with power and motor control valve to work with dist. system.		\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ -	Londonderry	Yes	\$ 24.08	\$ -		It was thought that this project would still occur in 2019 at 9/30 updt. The project was deferred until 2020
Rolling Hills Water Main Replacement	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC	1825265, 1901649, 1918198	\$ 150,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 150,000	\$ 150,000	\$ 165,000	\$ 210,000	\$ 188,089	Plaistow	Yes	\$ 25.93	\$ 4,877		Project scope changed slightly between 9/30 update and work actually completed.
In revenue investments Normal Run Rate with two months of PFOA in Line	Per Tariff		\$ 96,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 96,000	\$ 94,880	\$ 44,000	\$ 37,244	\$ 37,244	Various	Yes	\$ 28.64	\$ 1,080		PRV stations in Londonderry need to communicate with other stations and the South Rd. Booster Station to operated properly. Project deferred.
Alexander Road, Water Main Upsizing	Alexander Road, Water Main Upsizing	1908374	\$ -	DW19-069	26,253	5/22/2019	0.1 DSRF	No	\$ 1,120	\$ 1,120	\$ 1,120	\$ 1,119	Londonderry	Yes	\$ 24.08	\$ 27		Adjustments based on bid costs	
Nashua Rd 4" Main Relocation - Carryover Changes	Nashua Rd 4" Main Relocation - Carryover Changes	1829926 & 1906036	\$ -	DW19-069	26,253	5/22/2019	0.1 DSRF	No	\$ -	\$ 1,201	\$ 16,676	\$ 16,676	\$ 16,676	Various	Yes	\$ 28.64	\$ 478		45 - 1 revenue payments made through 12/31/2019.
Weinstein/Dame Station Upgrades	Weinstein/Dame Station Upgrades	1506139, 1603114, 1703756, 1813249, 1907079	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 108,286	\$ 108,286	\$ 108,286	\$ 108,286	\$ 108,286	Litchfield	No	\$ 27.95	\$ -		Fund with 0.1 DSRF
Booster Pump replacement/rebuild	Replace small booster pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 32,000	\$ 30,000	\$ 26,925	Various	Yes	\$ 28.64	\$ 771		PEU must pay for 15% of improvements to Hudson wells. It took the Town 5 years to complete this project and as a result the project did not go used and useful until this year.
Booster Pump replacement/rebuild	W&E Booster, Replace 3 pump motors, install 3 VFD drives	1915423	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 8,000	\$ 8,000	\$ 6,697	Various	Yes	\$ 28.64	\$ 122		9 Rebuilds and 1 Replacement installed through 12/31/2019.
Well Pump replacements	Replace well pumps as they fail (run rate)	760 - 763 workorders	\$ 40,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 40,000	\$ 40,000	\$ 48,000	\$ 48,000	\$ 42,371	Various	Yes	\$ 28.64	\$ 1,914		Package booster station pumps failed.
Chemical Feed pump replacements	Replace Chemical feed pumps as they fail (run rate)	760 - 763 workorders	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 8,200	\$ 10,000	\$ 8,343	Various	Yes	\$ 28.64	\$ 233		8 installed through 12/31/2019.
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS	n/a	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 25,000	\$ 15,000	\$ -	Various	Yes	\$ 28.64	\$ -		5 installed through 12/31/2019.
Misc. Structural Improvements	Misc. Structural Improvements	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ 10,000	\$ -	Various	Yes	\$ 28.64	\$ -		
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects	n/a	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no Fencing or security work occurred in 2019.
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 30,000	\$ 30,000	\$ 10,000	\$ 2,500	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no Misc SCADA work occurred in 2019.
Miscellaneous SCADA/Electrical	Replace VFD Booster #3, Liberty Tree	1910159	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,720	\$ 1,712	\$ 1,712	Raymond	Yes	\$ 30.95	\$ 53		
Miscellaneous SCADA/Electrical	Replace VFD, Booster #2 - Forest Ridge	1915363	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 1,742	\$ 1,742	\$ 1,742	Exeter	Yes	\$ 27.89	\$ 49		
Miscellaneous SCADA/Electrical	Replace VFD, Booster #1 - Spruce Pond	1915856	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 2,156	\$ 2,156	\$ 2,155	Windham	Yes	\$ 26.84	\$ 58		
Miscellaneous SCADA/Electrical	Replace Generator Control Unit, Hardwood	1916937	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ 2,115	\$ 2,115	\$ 2,115	Windham	Yes	\$ 26.84	\$ 57		Emergency replacement that occurred after 9/30 update.
Well Rehabilitation	n/a	n/a	\$ 60,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		9/30/2019 includes a projection for work that we assumed might happen. As it turned out no well rehab work was required in 2019.
Atkinson Booster pump station design	Atkinson Booster pump station design	n/a	\$ 30,000	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ -	\$ -	\$ -	\$ -	Atkinson	Yes	\$ 22.13	\$ -		None projected through EOY.
Replace softner media, W and E	Replace softner media, W and E	1901650	\$ 10,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	Windham	Yes	\$ 26.84	\$ -		Project deferred until future date.
Add communications between remote facility and Nashua WTP.	Install web based communication equipment, 4 locations.	n/a	\$ 20,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		Upon further evaluation media was determined to be functioning properly and not in need of replacement.
Add communications between remote facility and Nashua WTP.	Install web based communication equipment, Forest Ridge.	1901651	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ -	\$ -	\$ -	\$ 4,488	\$ 4,488	Various	Yes	\$ 28.64	\$ 129		9/30/2019 includes a projection for work that we assumed might happen. As it turned out only \$4,488 was spent on web based communications occurred in 2019.
Pennichuck East Survey Work	Pennichuck East Survey Work	1702834	\$ -	DW19-069	26,253	5/22/2019	Cobank Loan	No	\$ -	\$ -	\$ -	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		Part of annual run rate budget. 1 of 4 installed in 2019.
New Services (5)	Single Family, Owner Build, New Homes	720 workorders	\$ 23,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 23,000	\$ 23,000	\$ 13,200	\$ 14,560	\$ 14,560	Various	Yes	\$ 28.64	\$ 417		4 installed through 12/31/2019.
Renewed Services (10)	Replacement of failed services	721 & 722 workorders	\$ 46,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 46,000	\$ 46,000	\$ 35,000	\$ 35,824	\$ 35,824	Various	Yes	\$ 28.64	\$ 1,026		8 installed through 12/31/2019.
Hydrants (5)	Replacement of non functional hydrants	730 & 731 workorders	\$ 25,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 25,000	\$ 25,000	\$ 11,000	\$ 9,911	\$ 9,911	Various	Yes	\$ 28.64	\$ 284		2 installed through 12/31/2019.
Gates (8)	Replacement of Failed Gate Valves	712 workorders	\$ 32,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 32,000	\$ 32,000	\$ 21,300	\$ 27,255	\$ 33,630	Various	Yes	\$ 28.64	\$ 963		9/30/2019 includes a projection for work that we assumed might happen based on YTD work. 12/31 is report of actual work.
Radios (550)	New and replaced radios for meter reading.	754 workorders	\$ 35,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 15,000	\$ 15,000	\$ 16,500	\$ 22,291	\$ 22,291	Various	Yes	\$ 28.64	\$ 638		6 installed through 12/31/2019.
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers	750 workorders	\$ 22,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 22,000	\$ 22,000	\$ -	\$ -	\$ -	Various	Yes	\$ 28.64	\$ -		222 installed through 12/31/2019.
Meters 5/8"-6" Lead Meter Exchange - PEU (550)	Replace High lead brass meter with new no lead brass meter.	750 workorders	\$ 55,000	DW19-069	26,253	5/22/2019	Cobank Loan	Yes	\$ 55,000	\$ 55,000	\$ 90,000	\$ 85,000	\$ 69,613	Various	Yes	\$ 28.64	\$ 1,994		9/30/2019 reflected the goal to replace 900 meters while at year end only 650 were actually replaced.
PEU Capitalized short term project interest	Short term interest on GoBank FALOC from July 2019 through July 2020.							Yes					\$ 40,401		No	\$ 28.64	\$ -		FALOC interest was not included in the Sept 30, 2019 update.

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The Londonderry Tank will not be used and useful in 2019 and hence it is not qualified to be included in QCPAC.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC Filing
Board Approved 2020 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
Revised 4/25/2020 per Staff DR2's
Revised 5/20/2020 per Staff DR3's
9/30/2020 Update
11/30/2020 Update

Project Name/Description	Project Description	Work Order #	Board Approved 2020 Capex Budget	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
Elevated Storage Tank in Londonderry2	Construct 1.25 MG Elevated Storage Tank.	1818349, 1901641, 2000372	\$ 1,545,000	CoBank	Pending Filing	
Middleton Station Re-build	Re-build Sunrise Estates CWS Station. Existing Station is over 40 years old.	n/a	\$ -	CoBank	Pending Filing	
Airstrip alternative arsenic treatment	Raw Water Pipeline from Air Strip well to Peacham Road WTP.	2000371	\$ 540,000	DW18-132	26,189	11/16/2018
Georgetown Drive water main replacement	Replace 4600 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000363	\$ 10,000	DW18-132	26,189	11/18/2018
Bradford Lane water main replacement	Replace 1825 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000364	\$ 10,000	DW18-132	26,189	11/20/2018
N.Barnstead Road - Eliminate deadend piping	Add 680 LF of 4 inch C-900 PVC to eliminate dead end. Replace 275 LF of 4 inch sch 40 PVC with 6 inch C900 PVC.	2000365	\$ 239,000	DW18-132	26,189	11/22/2018
Belmont Drive water main replacement	Replace 500 LF of 4 inch schedule 40 PVC with 6 inch C900 PVC.	2000366	\$ 5,000	DW18-132	26,189	11/24/2018
Route 28 Replacement	Replace 720 LF of 2" PE with 720 LF of 4" C-900 PVC.	2000370	\$ 80,000	DW18-132	26,189	11/26/2018
Rolling Hills Water Main Replacement - Site Restoration from 2019 Project	Replace substandard 2 inch diameter pipe with 4 inch C900 PVC.	2000392	\$ 32,000		26,189	
Locke Lake Surface Water Treatment ⁴	Intake & Treatment Facility Construction	2000369	\$ 835,000	DW18-132	26,189	11/26/2018
Pelham Main Replacement/Addition	Replace 1600 LF of 3 inch PE with 12 in C-900 and add 775 LF of 12 in C-900 Monticello & Lane.	2001241	\$ 285,000	CoBank	Pending Filing	
Pelham Main Replacement/Addition	Replace Lane Road.	2003563	\$ -	CoBank	Pending Filing	
Pelham Main Replacement/Addition	Replace Simpson Road.	2003564	\$ -	CoBank	Pending Filing	
Pelham Main Replacement/Addition	Replace Andrea Lane.	2003565	\$ -	CoBank	Pending Filing	
Pelham Main Replacement/Addition	Replace Mont Vernon Drive.	2004325	\$ -	CoBank	Pending Filing	
1 x revenue investments Normal Run Rate	Per Tariff	n/a	\$ 100,000	CoBank	Pending Filing	
Sunrise Estates	Station Replacement (design)	2003613	\$ 40,000	0.1 DSRR		
Londonderry Core Re-Chloramination	Re-chloramination Evaluation and Preliminary Design	2003760	\$ 35,000	0.1 DSRR		
Atkinson Booster pump station design	Atkinson Booster pump station design	2000717	\$ 30,000	0.1 DSRR		
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild	760 - 763 workorders	\$ 40,000	CoBank	Pending Filing	
Well Pump replacements	Well Pump replacements	760 - 763 workorders	\$ 40,000	CoBank	Pending Filing	
Chemical Feed pump replacements	Chemical Feed pump replacements	760 - 763 workorders	\$ 10,000	CoBank	Pending Filing	
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS.	n/a	\$ 25,000	CoBank	Pending Filing	
Misc. Structural Improvements	Misc. Structural Improvements	n/a	\$ 20,000	CoBank	Pending Filing	
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects	n/a	\$ 10,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical	n/a	\$ 30,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Replace Well #1 VFD, Lamplighter Village	2001215	\$ -	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Replace Pump #4 VFD, Liberty Tree	2005248	\$ -	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Replace Pump #1 VFD, Liberty Tree	2006387	\$ -	CoBank	Pending Filing	
Well Rehabilitation	Well Rehabilitation	n/a	\$ 60,000	CoBank	Pending Filing	
Atkinson Station Rebuild	Station cannot provide required fire flow. Hydropneumatic tank is in need of	n/a	\$ 500,000	CoBank	Pending Filing	
Install web based communication equipment, 4 locations.	Install web based communication equipment, 4 locations.	n/a	\$ 20,000	CoBank	Pending Filing	
Install web based communication equipment, 4 locations.	Fletcher's Corner, Install Cellular Based Communication	2002270	\$ -	CoBank	Pending Filing	
Interconnect the W&E CWS to the Town of Salem Water System.	Interconnect the W&E CWS to the Town of Salem Water System.	2004243	\$ -	CoBank/Grant	Pending Filing	
New Services (5)	Single Family, Owner Build, New Homes	720 workorders	\$ 25,000	CoBank	Pending Filing	
Renewed Services (10)	Replacement of failed services.	721 & 722 workorders	\$ 55,000	CoBank	Pending Filing	
Hydrants (5)	Replacement of non-functional hydrants.	730 & 731 workorders	\$ 30,000	CoBank	Pending Filing	
Meters 5/8"-6" Lead Meter Exchange - PEU (600)	Replace High lead brass meter with new no lead brass meter.	750 workorders	\$ 22,000	CoBank	Pending Filing	
Gates (8)	Replacement of Failed Gate Valves	712 workorders	\$ 32,000	CoBank	Pending Filing	
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading.	754 workorders	\$ 32,000	CoBank	Pending Filing	
Meters (Growth) 5/8"-2" - PEU (220)	New meters for new customers (220).	750 workorders	\$ -	CoBank	Pending Filing	
Interest on CoBank FaLOC	Short term interest from 11/23/2020 - 7/31/2021		\$ -	CoBank	Pending Filing	

Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget - \$ 4,737,000

Pennichuck East Utilities Projected 2020 C

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The 2020 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.
3. Projected CoBank Loan Terms are 25 Years at 5.5% resulting in P&I of
4. Remainder of Locke Lake Surface Water Treatment project to completed in early 2021
at a total projected cost of \$ 2,050,000
5. Projected SRF Terms for Locke Lake project are 30 Years at 2.704% resulting in P&I of

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC Filing
Board Approved 2021 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
Revised 5/20/2020 per Staff DR3's
6/30/2020 Update, No change as of 9/30/2020

Project Name/Description	Project Description	Work Order #	2021 Approved Budgeted Amount, Revised to reflect 2020 QCPAC activity	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
Locke Lake Surface Water Treatment ⁵	Intake & Treatment Facility Construction		\$ 410,000	DW18-132	26,189	11/26/2018
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank	Pending Filing	
Londonderry Storage, Booster Station, and Transmission Main	Construct 1.25 MG Groung Level Storage Tank, 3,500 gpm Booster Station and 6300 LF 16 inch Transmission Main.		\$ 1,545,000	CoBank	Pending Filing	
Atkinson Station Rebuild	Station cannot provide requirede fire flow. Hydropneumatic tank is in need of replacement. Estimated cost includes engineering design.		\$ 530,000	CoBank	Pending Filing	
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank	Pending Filing	
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank	Pending Filing	
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank	Pending Filing	
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank	Pending Filing	
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank	Pending Filing	
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank	Pending Filing	
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank	Pending Filing	
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank	Pending Filing	
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank	Pending Filing	
Renewed Services (10)	Replacement of failed services.		\$ 55,000	0.1 DSRR	Pending Filing	
Hydrants (5)	Replacement of non-functional hydrants		\$ 30,000	CoBank	Pending Filing	
Gates (8)	Replacement of Failed Gate Valves.		\$ 32,000	CoBank	Pending Filing	
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 32,000	CoBank	Pending Filing	
New meters for new customers (220). Replacement of failed meters (80).	New meters for new customers (220).		\$ 30,000	CoBank	Pending Filing	
Meters 5/8"-6" Lead Meter Exchange - PEU (400)	Replace High lead brass meter with new no lead brass meter.		\$ 40,000	CoBank	Pending Filing	
2021 Radios (1000)	Begin 7 year replacement of all PEU radios (all initial radios installed in 2007).		\$ 130,000	CoBank	Pending Filing	
2021 Meters (Growth) 5/8"-2" (220), Replacement (80)	New meters for new customers (220). Replacement of failed meters (80).		\$ 30,000	CoBank	Pending Filing	
Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget -			\$ 3,196,000			

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The 2021 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.
3. Projected CoBank Loan Terms are 25 Years at 5.5% resulting in P&I of \$ 203,594
4. Projected SRF Terms for Locke Lake project are 30 Years at 2.704% resulting in P&I of \$ 20,126
5. Locke Lake Surface Water Treatment project started in 2020. Expected 2020 expense of \$ 1,490,000 in 2020. Project will be used and useful in 2021 with a total expectd cost of \$ 410,000

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC Filing
Board Approved 2022 Capital Expenditures²
Revised 3/26/2020 per Staff DR1's
6/30/2020 Update, No Change as of 9/30/2020

Project Name/Description	Project Description	Work Order #	2022 Approved Budgeted Amount, Revised to reflect 2020 QCPAC activity	Financing Docket No.	NHPUC Order No.	Date of NHPUC Order
New Services (5)	Single Family, Owner Build, New Homes		\$ 25,000	CoBank		Pending Filing
Renewed Services (10)	Replacement of failed services		\$ 55,000	0.1 DSRR		Pending Filing
Hydrants (5)	Replacement of non-functional hydrants		\$ 30,000	CoBank		Pending Filing
Gates (8)	Replacement of Failed Gate Valves		\$ 32,000	CoBank		Pending Filing
Radios (300)	New Customers (220) and replaced failed radios (80) for meter reading		\$ 31,500	CoBank		Pending Filing
New meters for new customers (220). Replacement of failed meters (80)	New meters for new customers (220)		\$ 30,000	CoBank		Pending Filing
2022 Radios (1000)	Year 2 of a 7 year replacement of all PEU radios (all initial radios installed in 2007)		\$ 130,000	CoBank		Pending Filing
2022 Meters (Growth) 5/8"-2" - Core & CWS (TBD)	New meters for new customers (220). Replacement of failed meters (80)		\$ 30,000	CoBank		Pending Filing
Wellesley Drive water main replacement ⁵	Replace 1760 LF of 2 inch PE with 1760 LF of C900 PVC		\$ 240,000	SRF		Pending Filing
Radcliffe Drive water main replacement ⁵	Replace 720 LF of 1.5 inch PE with 720 LF of C900 PVC		\$ 100,000	SRF		Pending Filing
Vassar Drive water main replacement ⁵	Replace 1740 LF of 2 inch PE with 1740 LF of C900 PVC		\$ 250,000	SRF		Pending Filing
1 x revenue investments Normal Run Rate	Per Tariff		\$ 72,000	CoBank		Pending Filing
Booster Pump replacement/rebuild	Booster Pump replacement/rebuild		\$ 40,000	CoBank		Pending Filing
Well Pump replacements	Well Pump replacements		\$ 40,000	CoBank		Pending Filing
Chemical Feed pump replacements	Chemical Feed pump replacements		\$ 10,000	CoBank		Pending Filing
Install/replace treatment systems in small CWS	Install/replace treatment systems in small CWS		\$ 25,000	CoBank		Pending Filing
Misc. Structural Improvements	Misc. Structural Improvements		\$ 20,000	CoBank		Pending Filing
Miscellaneous Fencing and Security projects	Miscellaneous Fencing and Security projects		\$ 10,000	CoBank		Pending Filing
Miscellaneous SCADA/Electrical	Miscellaneous SCADA/Electrical		\$ 30,000	CoBank		Pending Filing
Well Rehabilitation	Well Rehabilitation		\$ 60,000	CoBank		Pending Filing
Pennichuck East Utilities Projected 2020 Total Capital Expenditure Budget -			\$ 1,260,500			

Pennichuck East Utilities Projected 2020 Q

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000

2. The 2022 PEU Capital Expenditures Budget presented were approved by the Board in Janaury of 2020.

3. Projected CoBank Loan Terms are	25 Years at	5.5%	resulting in P&I of	\$	45,885
4. Projected SRF Terms for Locke Lake project are	20 Years at	3.250%	resulting in P&I of	\$	40,580

5. The Wellesley, Radcliffe and Vassar Drive water main replacemts will be completed over 2 years with water main replacement occurring in 2022 and final pavement in 2023

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 5

Date Request Received: 1/15/21
Request No. Staff 5-1

Date of Response: 1/20/21
Witness: Donald L. Ware

REQUEST: Schedule DLW-1/ Page 1 of the PEU 2020 QCPAC Quarterly Update filed on 1/11/2021 and the Company's Supplemental Response to Staff 1-8 filed on 12/29/2020

In the most recent quarterly update, it appears as if the incremental QCPAC percentage proposed from the 2019 Capital Additions is 1.34% resulting in a cumulative QCPAC of 4.32%. In Supplemental Data Response 1-8, Schedule DLW-1 indicates these figures as 1.23% and 4.20%. Please explain.

RESPONSE:

The correct response is Supplemental Data Response 1-8. Please see the attached, revised 11/30/2020 update which previously failed to change the estimated interest rate for the 2020 Cobank loan from the estimated 5.5% to the actual CoBank loan rate of 3.98% for the loan closed on 11/23/2020. The revised 11/30/2020 update is attached hereto as Exhibit DR5-1.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 5

Date Request Received: 1/15/21
Request No. Staff 5-2

Date of Response: 1/20/21
Witness: Donald L. Ware

REQUEST: Schedule DLW-1/ Page 1 of the PEU 2020 QCPAC Quarterly Update filed on 1/11/2021 and the Company's Supplemental Response to staff 1-8 filed on 12/29/2020

In the most recent quarterly update filed on 1/11/2021, it appears as if the estimated QCPAC percentage based on 2020 capital additions is not based upon the estimated costs of the 2020 capital additions as of the date of the quarterly update, 11/30/2020. Please explain and provide updated estimations as necessary.

RESPONSE:

Staff is correct. The QCPAC % for 2020 is derived from two components:

Component 1 – Increased property taxes associated with plant placed in service in 2020 (Cell J11 in the “2018-2022 PEU QCPAC Rev Req tab”) was drawing its data from the 2021 QCPAC additions tab instead of the 2020 QCPAC tab. The revised workbook attached to these data responses at DR5-1 corrects this error.

Component 2 – The principal and interest pro forma (Cell J12 in the “2018-2022 PEU QCPAC Rev Req tab”) was pointing to cell N63 (which was the estimated P&I on the 9/30/2020 update) instead of Cell O63. The revised workbook attached to these data responses as DR5-1 corrects this error.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 5

Date Request Received: 1/15/21
Request No. Staff 5-3

Date of Response: 1/20/21
Witness: Donald L. Ware

REQUEST: Schedule DLW-1/ Page 1 of the PEU 2020 QCPAC Quarterly Update filed on 1/11/2021

It appears as if the Board Approved 2020 Capex Budget is \$4,737,000. The same schedule also indicates the current cost estimation for 2020 Capex additions is \$4,951,522. Please explain and provide supporting documentation should additional Board approval be required.

RESPONSE:

The change from \$4,737,000 to \$4,951,522 resulted from delaying the \$1,545,000 Londonderry Storage tank project and the inclusion of the Locke Lake water main work (which was completed in 2019) into the 2020 Locke Lake total. The completion of the Locke Lake Surface Water Treatment in 2020 at \$2,050,000 versus the partial completion that was budgeted at \$835,000 at the beginning of 2020.

No additional Board approval should be necessary as the total Locke Lake project budget of \$4.24 million was approved by the Board in 2018. This project was expected to be completed over 2019, 2020 and 2021, and funded with NHDES SRF funds. Instead, the project ended up being completed in two years instead of three years and the dollars that were budgeted for 2021 ended up in the 2020 capital expenditures.

Pennichuck East Utilities, Inc.
DW 20-019
2020 QCPAC - Qualified Capital Project Adjustment Charge
Responses to Staff Data Requests – Set 5

Date Request Received: 1/15/21
Request No. Staff 5-4

Date of Response: 1/20/21
Witness: Donald L. Ware

REQUEST: Schedule DLW-1/ Page 1 of the PEU 2020 QCPAC Quarterly Update filed on 1/11/2021

It appears as if the estimated cost of the 2020 capital project costs as of 11/30/2020 is \$4,951,522. This represents an increase of \$1,236,567 over the estimated total 2020 capital project costs as of 9/30/2020 of \$3,714,995. Relative to that increase, please provide an analysis and summary on the cost variances with specific emphasis on the projects with changed costs, projects that were deferred or projects that were added, such as the Londonderry Storage Tank, Locke Lake Surface Water project, as well as the Georgetown Drive, Bradford Lane and Pelham Road water main replacements.

RESPONSE:

The increase from the 9/30/2020 estimated total of \$3,714,995 and the 11/30/2020 total was primarily driven by the following two additions to the 9/30/2020 total:

1. Georgetown Water Main replacement project at a cost of \$1,056,000 was added to the 2020 total even though it was completed in 2019, because of to the timing of NHDES SRF financing for this portion of the Locke Lake project as explained in the Staff 1-8 Supplemental response submitted on 12/29/2020.

2. The increase in the Locke Lake Surface Water treatment project of in the amount of \$350,000 between 9/30/2020 and 11/30/2020 updates resulted from failed nozzle bottoms on the existing Locke Lake filters in September. The replacement of the failed filters was projected to cost \$350,000.

The sum of these two changes is \$1,406,000 that explains the majority of the \$1,236,567 difference between the two updates. Cost savings and adjustments to other projects account for the remaining difference.

MEMO REPORT

Date: December 22, 2020

From: Douglas W. Brogan, P.E.**To:** Jayson Laflamme, Asst. Director, Gas & Water Division, NHPUC**Re:** DW 20-019 Pennichuck East Utility, Inc.
Petition for Approval of 2020 Qualified Capital Project Annual Adjustment Charge

I am writing this memo report as an engineering consultant to the Gas-Water Division to summarize my findings in the above-referenced docket. The Qualified Capital Project Annual Adjustment Charge (QCPAC) program was initially authorized for Pennichuck East Utility, Inc. (PEU or company) in DW 17-128 (Order 26,179, October 4, 2018). In the current docket PEU is seeking approval of a QCPAC surcharge for projects completed in 2019; preliminary approval of projects proposed for 2020; and has provided its capital budgets for 2021 and 2022 for informational purposes. My review is limited primarily to the engineering and operational aspects of the filing and is based on review of the filing, subsequent updates (in particular the most recent quarterly update filed November 9, 2020, containing data last updated September 30, 2020), case discovery, and associated materials.

Quoting relevant language from Order 26,179 (p. 11):

Proposed QCPAC eligible capital projects must meet three criteria: (1) the projects must be completed, in service, used, and useful during the previous year; (2) the projects must be financed by debt previously approved by the Commission, pursuant to RSA 369; and (3) the projects' costs must be associated with an annual capital budget that was previously submitted by PEU and approved by the Commission.

The Commission will review the proposed surcharge and make a prudence determination on the projects completed in the previous year upon which the surcharge is based.

The Commission will also review the budget and the underlying projects planned for the current year, and if deemed appropriate, issue a ruling preliminarily approving that budget.

2019 Projects

The most significant expenditures in 2019 involve supply, treatment and distribution system upgrades to the Locke Lake system in Barnstead. The projects are primarily funded by a \$4.24 million Drinking Water State Revolving Loan Fund (SRF) loan approved by the Commission in DW 18-132 (Order 26,189, November 6, 2018). While a small amount of initial survey and design work occurred in 2018, the bulk of the projects are slated for completion in 2019 through 2021. Some changes were made to distribution main projects as a result of both favorable bid pricing and flexibility in transferring SRF funds among the three principal upgrade projects. Work completed and placed in service in 2019 consisted of distribution system upgrades primarily involving replacement of various poor quality mains for a total cost of **\$1,050,006**.

Other larger expenditures in 2019 include:

- 1) Rolling Hills Water Main Replacement, **\$188,089**. Involves replacement of an undersized (2-inch diameter) main located under a deck on private property and near the foundation of an existing home; with new main in a public right of way along Lower Road. The cost of the project was impacted by the difficulty locating the original main. Some site restoration and pavement repair work remains for 2020.
- 2) Weinstein/Dame Station Upgrades, **\$108,286**. Involves completion of a five year project by the Town of Hudson to replace the Weinstein well. PEU is contractually obligated to pay 15 percent of the cost of the project in conjunction with its right to 15 percent of the water produced.
- 3) New and Replacement Meters, **\$69,613**. Consists of meters for new customers and replacement of high-lead brass meters.
- 4) PEU-PWW Interconnection (Merrimack to Litchfield), **\$59,691**. Although this amount was not in the 2019 capital budget approved in Order 26,313 (December 6, 2019) in last year's QCPAC docket (DW 19-035), the Company indicated the amount relates to carryover costs for final project cleanup (loaming, seeding, slope protection and final access road work) in the spring of 2019 for this larger project, the major costs of which were included in the approved DW 19-035 QCPAC surcharge for work completed in 2018.

The remainder of 2019 costs include a variety of smaller projects such as replacement of water mains, service lines, and equipment. The company has affirmed that all of the included projects were in service and used and useful as of December 31, 2019 (testimony of Donald L. Ware, p. 6, line 4). Several projects from the approved 2019 budget that are not proposed for recovery at this time were either deferred (Londonderry tank and related Michels Way PRV upgrade; Atkinson booster pump station design), not yet in service (Locke Lake surface water treatment), or determined to be unnecessary (replacement of W&E softener media).

2020 Projects

Some of the largest expenditures proposed for 2020 again relate to the Locke Lake projects and involve all three of its chief components:

- 1) A surface water treatment project will bring new, additional supply from Locke Lake itself to the Peacham Road facility for treatment. The project is anticipated to be about two thirds completed in 2020 (**\$1,700,000**), with final completion in 2021 (additional \$410,000).
- 2) Installation of a raw water main from the Airstrip Well to the Peacham Road facility to enable more cost-effective treatment of arsenic under a maximum contaminant level that will drop by 50 percent (from 10 to 5 parts per billion) in 2021 (**\$600,000**). A related license for the main to cross beneath Locke Lake was granted by the Commission in DW 19-198 (Order 26,342, March 26, 2020).
- 3) Balance of main replacement projects including the second half of work on North Barnstead Road (**\$255,000**) and additional work along Route 28, the latter made possible by favorable pricing and funding circumstances (**\$59,500**).

Other larger projects include:

- 1) Pelham Main Replacement/Addition, **\$658,600**. Involves replacement of substandard, small diameter main in the Williamsburg system.
- 2) Interconnect the W&E Community Water System to the Town of Salem Water System, **\$125,000**. The project will provide additional supply from Salem to the W&E system in neighboring Windham and was added in conjunction with a separate transfer of franchise area request (from PEU to Salem in Town of Windham, related to the Southern NH Regional Water Project) in open docket DW 20-080.

Again a variety of smaller projects make up the balance of the proposed work for 2020; and several substantial projects were deferred (Londonderry tank, Middleton/Sunrise Estates pump station rebuild, Atkinson pump station rebuild) for various reasons.

Conclusion

For 2019 projects, I would support a finding that each of the listed projects indicated as completed and in service at year end were prudent, used and useful.

For 2020, while the typical juggling of projects to balance project deferrals and funding availability is in evidence, the projects as proposed appear appropriate.

DW 20-019 (PEU) 2020 QCPAC

Attachment D

RE: DW 20-019 (PEU) & DW 20-020 (PWW)

James J. Steinkrauss <jjs@rathlaw.com>

Tue 1/12/2021 1:10 PM

To: Tuomala, Christopher <Christopher.R.Tuomala@puc.nh.gov>**Cc:** Descoteau, Robyn <Robyn.J.Descoteau@puc.nh.gov>; 'douglas.brogan@gmail.com' <douglas.brogan@gmail.com>;

Laflamme, Jayson <Jayson.P.Laflamme@puc.nh.gov>; Leone, Anthony <Anthony.J.Leone@puc.nh.gov>;

'donald.ware@pennichuck.com' <donald.ware@pennichuck.com>; William F. Ardinger <wfa@rathlaw.com>

 2 attachments (280 KB)

2021 1-11 PEU 2018-2021 QCPAC 11-30-2020 Update.xlsx; 2021 1-11 PWW QCPAC 2020 11-30-2020 Update.xlsx;

EXTERNAL: Do not open attachments or click on links unless you recognize and trust the sender.

Dear Attorney Tuomala,

Please see the attached, live Excel versions of both the PEU (20-019) and PWW (20-020) QCPAC updates. If you or Staff need anything else, please let me know.

Thanks,
Jim

James J. Steinkrauss
Of Counsel

Rath, Young and Pignatelli, P.C.

One Capital Plaza
Concord, NH 03302-1500

[https://urldefense.com/v3/_http://www.rathlaw.com_!!Oai6dtTQULp8Sw!EpwNr3_q8hrngy5PdPw53cpKzOmof4wK2wpT0x04PRCobf7WQEbfGSLAHW5eOANs602vz_pxZbXI\\$](https://urldefense.com/v3/_http://www.rathlaw.com_!!Oai6dtTQULp8Sw!EpwNr3_q8hrngy5PdPw53cpKzOmof4wK2wpT0x04PRCobf7WQEbfGSLAHW5eOANs602vz_pxZbXI$)

D (603) 410-4314
C (617) 308-4997
E jjs@rathlaw.com

Admitted in New Hampshire and Massachusetts.

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-----Original Message-----

DW 20-019 (PEU) 2020-QCPAC

From: Tuomala, Christopher <Christopher.R.Tuomala@puc.nh.gov>

Sent: Tuesday, January 12, 2021 12:04 PM

To: James J. Steinkrauss <jjs@rathlaw.com>

Cc: Descoteau, Robyn <Robyn.J.Descoteau@puc.nh.gov>; 'douglas.brogan@gmail.com'

<douglas.brogan@gmail.com>; Laflamme, Jayson <Jayson.P.Laflamme@puc.nh.gov>; Leone, Anthony

<Anthony.J.Leone@puc.nh.gov>; 'donald.ware@pennichuck.com' <donald.ware@pennichuck.com>

Subject: DW 20-019 (PEU) & DW 20-020 (PWW)

Dear Attorney Steinkrauss,

Staff requests that you please forward the live excel version of the schedules submitted in the most recent reports for the above-mentioned matters. Staff is having difficulty reading the hard-coded pdfs.

Best,

Christopher R. Tuomala

Staff Attorney/Hearings Examiner

New Hampshire Public Utilities Commission

21 South Fruit Street

Concord, NH 03301

(603) 271.6011

Christopher.Tuomala@puc.nh.gov<mailto:Christopher.Tuomala@puc.nh.gov>

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DW 20-019 (PEU) 2020 QCPAC

Attachment D

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DW 20-019 (PEU) 2020 QCPAC

Peachuck East Utilities Projected 2020 Total Capital Expenditure Budget -																			4,375,000
Peachuck East Utilities Projected 2020 QCPAC Eligible Capital Investment -																			4,375,000
Funded with ColBank Loan -																			4,375,000
Funded with SRF -																			4,375,000
Locke Lake SRF loan extended to close in Mar of 2021.																			4,375,000
Total projected P&I on debt incurred to support 2020 need and useful capex -																			249,018
Total projected annual P&I for 2020 need and useful capex -																			249,018

1. Tax rate is the sum of the local community rate plus the Statewide Utility tax rate of \$6.60/\$1000.
2. The 2020 PEU Capital Expenditures Budget presented was approved by the Board in January of 2020.
3. Projected ColBank Loan Term rate 3.5%
4. Remainder of Locke Lake Surface Water Treatment project to completed in 2021 as a total estimated cost of \$ 2,050,000
5. Projected SRF Terms for Locke Lake project are 30 Years at 2.704%
6. Projected SRF Terms for Locke Lake project are 30 Years at 2.704%
7. Projected SRF Terms for Locke Lake project are 30 Years at 2.704%
8. Projected SRF Terms for Locke Lake project are 30 Years at 2.704%
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STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket DW 20-156

Pennichuck East Utility, Inc.
Request for Change in Rates

SETTLEMENT AGREEMENT ON TEMPORARY RATES

I. INTRODUCTION

This settlement agreement (Agreement) is entered into by and between Pennichuck East Utility, Inc. (PEU, or the Company); Staff of the New Hampshire Public Utilities Commission participating in this proceeding (Staff); the Office of the Consumer Advocate (OCA); the Towns of Londonderry, Litchfield, Pelham, and Hooksett (the Towns); Robert Corcoran; and Richard M. Husband (together, Settling Parties).

II. BACKGROUND

On September 23, 2020, PEU filed its Notice of Intent to file rate schedules with the New Hampshire Public Utilities Commission (Commission). The Commission acknowledged this filing and opened the instant docket on September 25, 2020.

On November 23, 2020, PEU filed tariff schedules for effect thirty days later, on December 24, 2020. PEU also filed testimony and supporting materials in accordance with PART Puc 1604, as well as a petition to modify its ratemaking structure. PEU explained in its filing that, based on the rate-making methodology approved in Docket DW 17-128 and inclusive of the North Country Capital Recovery Surcharge (NCCRS) and Qualified Capital Project Adjustment Charge (QCPAC), PEU's 2019 pro forma test year revenue needs were \$10,715,419 but its actual revenues were only \$8,819,088. In light of the disparity between actual revenues

and revenues needed to pay its operating expenses and to meet its financial commitments, PEU filed a petition for temporary rates in the event the Commission suspended the taking effect of PEU's requested permanent rate tariffs. Specifically, PEU sought a 15% temporary rate increase, to be effective December 24, 2020, upon approval of PEU's permanent rate request. The Company proposed to implement the temporary rate increase uniformly across all customer classes, with no changes in rate design for those temporary rates.

On November 25, 2020, PEU posted to its website a full copy of its rate filing, tariffs, and temporary rate request, with supporting testimony. Also on that date, PEU posted on its website Answers to Frequently Asked Questions regarding its rate filings. On December 10 and 11, 2020, PEU mailed to each customer actual notice of the rate filing and proposed rates.

On December 11, 2020, the Office of the Consumer Advocate (OCA) filed its notice of participation.

On December 17, 2020, the Commission issued Order No. 26,436, suspending the taking effect of PEU's tariffs. The Commission ordered PEU to publish the order on its web site. The Commission also ordered that any intervention requests be filed no later than January 22, 2021. The Towns of Londonderry, Litchfield, Pelham, and Hooksett (Towns); Ralph G. Boehm; Thomas Boutilier; Christopher E. Burns; Marc Cloutier; Robert Corcoran; Nicole Fordey; Richard M. Husband; Richard Lascelles; Andrew D. Myers; and Mark Vandendyke filed petitions to intervene prior to that deadline. Ms. Fordey subsequently withdrew her intervention.

On December 18, 2020, PEU published the Commission's order on its website and filed with the Commission proof of its posting.

The Commission held a prehearing conference on January 27, 2021 and took all petitions to intervene under advisement. In a technical session following the prehearing conference, Staff,

PEU, the OCA, and intervenors developed a proposed procedural schedule to govern the proceeding. As directed by the Commission at the prehearing conference, on January 29, 2021, PEU filed its objection as to the proper scope of issues raised by Mr. Husband's petition. On that same day, the OCA filed an objection to PEU's objection. On February 5, 2021, Mr. Husband filed his response to PEU's objection.

On February 2, 2021, Staff filed its report of the technical session as well as the proposed procedural schedule. The Commission approved the schedule by Secretarial Letter dated February 9, 2021. On March 23, 2021, the Commission granted all petitions to intervene and noted that the scope of the proceeding concerned the issues noticed in Order No. 26,436 and that, if an intervenor wished to expand the issues, an appropriate motion to that effect would need to be filed.

On March 23, 2021, Staff and the parties met in a technical session on the subject of temporary rates. This settlement is the product of those discussions. Pursuant to the approved procedural schedule, it is being filed no later than April 27, 2021.

III. SCOPE OF STIPULATION

- A. This Agreement is entered into by the Settling Parties.
- B. This Agreement constitutes the Settling Parties' recommendation to the Commission with respect to temporary rates in this docket.
- C. Under this Agreement, the Settling Parties agree that this Agreement constitutes resolution of the issues specified herein only.
- D. This Agreement shall not be deemed an admission by any Settling Party that any allegation or contention in this proceeding by any Settling Party, other than those specifically

agreed to herein, is true and valid. This Agreement shall not be deemed to foreclose any party from taking any position in any future proceedings.

It is specifically understood and agreed in this regard that this Agreement pertaining to proposed temporary rates is signed with a complete reservation of the Settling Parties' rights concerning the final permanent rates determination in this proceeding, that challenges to PEU's proposed permanent rates may be raised and asserted in the final rates segment of this proceeding and that a complete reconciliation shall be provided under R.S.A. 378:29 in the permanent rates determination to address any charges established to be unwarranted under the agreed temporary rates.

E. The Settling Parties agree that all documentation supporting the petition should be admitted as full exhibits for the purpose of consideration of this Agreement and be given the weight the Commission deems appropriate.

IV. TERMS OF AGREEMENT

A. The Settling Parties agree that, in accordance with RSA 378:27, temporary rates, based on the books and records on file with the Commission, be set at 14.03% over existing base rates. The derivation of this proposed rate increase is detailed in Attachment A to this Agreement. This increase would be an effective 11.05% increase realized by PEU's customers, as the Company's currently authorized QCPAC of 2.98% in effect as of the signing of this agreement would be subsumed in the proposed temporary base rates. As such, the Settling Parties agree that upon approval of temporary rates in this proceeding, PEU will cease the application on customer billings of the 2019 QCPAC of 2.98% approved in Commission Order No. 26,313 (December 6, 2019) in Docket DW 19-035. Additionally, PEU will forego collection

of the 2020 QCPAC proposed at 1.22% that is currently pending before the Commission in Docket DW 20-019.

The Settling Parties further agree to a reduction in the respective NCCRS to PEU's Locke Lake, Birch Hill, and Sunrise Estates customers. While the required NCCRS revenues to cover the related annual debt service of \$178,315 has not changed, the number of customers served within the three affected North Country systems have increased. The result of this broader customer base over which to spread the NCCRS is a slight reduction in the respective charges, as follows:

Service Area	<u>Current</u>	<u>Proposed</u>
Barnstead: Locke Lake	\$12.81	\$12.58
North Conway: Birch Hill	\$12.81	\$12.69
Middleton: Sunrise Estates	\$10.74	\$10.36

The Settling Parties agree that the above proposed rates are just and reasonable and that given the recoupment mechanism afforded under RSA 378:29, the rates will yield operating revenues sufficient to enable PEU to pay its expenses and meet its financial obligations.

B. The Settling Parties agree that the effective date for the temporary rates should be December 24, 2020, on a service-rendered basis. This date is subsequent to the actual notice provided to customers of PEU's rate filing.

C. The Settling Parties agree that temporary rates should be subject to reconciliation, pursuant to RSA 378:29, after the final determination of permanent rates by the Commission.

V. CONDITIONS

A. This Agreement is expressly conditioned upon the Commission's acceptance of

all its provisions, without change or condition. If the Commission does not accept the Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and the Settling Parties are unable to agree with said changes, conditions or findings, the Agreement shall be deemed to be withdrawn by the Settling Parties and the Settling Parties agree that it shall not constitute any part of the record in this proceeding and shall not be used for any other purpose. The Commission's acceptance of this Agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding.

B. The discussions that produced this Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.


C. This Agreement may be signed electronically, by facsimile, and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

IN WITNESS WHEREOF, the Settling Parties to this Agreement have caused the Agreement to be duly signed in their respective names by their fully authorized agents.

PENNICHUCK EAST UTILITY, INC.

By its Attorney,

Dated: April 26, 2021


Marcia A. Brown, Esq.

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION PARTICIPATING IN
THIS PROCEEDING

By its Attorney,

Dated: April 26, 2021

Lynn H. Fabrizio
Lynn H. Fabrizio, Esq.

Dated: April 26, 2021

OFFICE OF THE CONSUMER ADVOCATE

By its Attorney,

Donald M. Kreis
Donald M. Kreis, Esq.

Dated: April 26, 2021

TOWN OF LONDONDERRY

By its Attorney,

Christopher Cole
Christopher Cole, Esq.

Dated: April 26, 2021

TOWN OF LITCHFIELD

By its Attorney,

Christopher Cole
Christopher Cole, Esq.

Dated: April 26, 2021

TOWN OF PELHAM

By its Attorney,

Christopher Cole
Christopher Cole, Esq.

Dated: April 26, 2021

TOWN OF HOOKSETT

By its Attorney,

Christopher Cole

Christopher Cole, Esq.

Dated: April 26, 2021

RICHARD M. HUSBAND

Richard M. Husband

Richard M. Husband, Esq.

Dated: April 26, 2021

ROBERT CORCORAN

Robert J. Corcoran

Robert J. Corcoran

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-156

PENNICHUCK EAST UTILITY, INC.

Request for Change in Rates

Order on Temporary Rates

O R D E R N O. 26,508

August 16, 2021

In this order, the Commission authorizes Pennichuck East Utility, Inc. to implement temporary rates set at 14.03 percent above current rates, with the Qualified Capital Project Adjustment Charge re-set to zero, on a service rendered basis, effective December 24, 2020. As a result, the average bill for a metered customer will increase by 11.05 percent until the conclusion of this general rate proceeding. For an average residential customer using 6.5 hundred cubic feet per month, this will result in an increase of \$7.65 per month. The temporary rates will be subject to reconciliation back to December 24, 2020, based on the outcome of the permanent rate case.

I. PROCEDURAL HISTORY

On November 23, 2020, Pennichuck East Utility, Inc. (PEU) filed a petition seeking permanent and temporary rate increases for all customer classes, and further modification to its current ratemaking structure. The Company's petition included supporting testimony and proposed revised tariff pages.

On December 11, 2020, the Office of the Consumer Advocate (OCA) filed a notice of its participation in this proceeding on behalf of residential ratepayers consistent with RSA 363:28.

The Commission issued Order No. 26,436 (December 17, 2020), suspending PEU's proposed tariff for twelve months and scheduling a prehearing conference, which was held on January 27, 2021. Petitions to intervene were filed by Richard Lascelles, Marc Cloutier, Nicole Fordey, Ralph Boehm, Mark Vandendyke, Robert Corcoran, Christopher Burns, Andrew Myers, Richard Husband, Thomas Boutilier, and the Towns of Londonderry, Litchfield, Pelham, and Hooksett in December 2020 and January 2021. On March 23, 2021, the Commission issued a letter granting all petitions to intervene. Nicole Fordey, Marc Cloutier, the Towns of Hooksett and Pelham subsequently withdrew their interventions. Andrew Myers filed a motion for clarification and or reconsideration, seeking clarification that he represents himself as well as 21 other identified residential ratepayers living in the Town of Derry.

On April 27, 2021, PEU filed a settlement agreement (Settlement Agreement) reached between PEU; the Department of Energy; the OCA; the Towns of Londonderry, Litchfield, Pelham, and Hooksett (the Towns); Robert Corcoran; and Richard M. Husband (together, Settling Parties). A hearing on the Company's petition for temporary rates and the Settlement Agreement was held on May 10, 2021, as scheduled.

PEU's request for permanent and temporary rates, and related 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/2020/20-156.html>.

II. POSITIONS OF THE PARTIES

A. Pre-Settlement Position of Pennichuck East Utility, Inc.

In its petition, PEU requested a permanent increase of \$1,896,331 to its test year earnings of \$ 8,819,088, approximately a 21.05 percent overall increase in its

revenue requirement, for effect on December 24, 2020. As part of its petition for a permanent rate increase and pursuant to RSA 378:27, the Company also requested temporary rates be set at 15 percent above current rates, effective as of December 24, 2020.

B. Settling Parties

The Settling Parties recommend a 14.03 percent temporary rate increase over existing base rates. Settlement Agreement at 4. The Company's current Qualified Capital Project Adjustment Charge (QCPAC), a mechanism designed to assist PEU in maintaining adequate cash flow by compensating it for necessary capital investments between rate cases, would be subsumed in the proposed temporary rates. *Id.* According to the Settling Parties, this results in a net 11.05 percent increase in overall rates based on the currently effective QCPAC of 2.98 percent as approved by Order No. 26,313 (December 6, 2019). *Id.* Under the terms of the Settlement Agreement, PEU will forgo collection of its proposed 2020 QCPAC surcharge, proposed at 1.22 percent in Docket DW 20-019. *Id.* at 4-5.

The Settling Parties further agreed to a reduction in the in the North Country Capital Recovery Surcharge (NCCRS) to Locke Lake, Birch Hill, and Sunrise Estates customers to reflect a broader customer base. *Id.* at 5. Locke Lake customers' NCCRS would be reduced from \$12.81 to \$12.58; Birch Hill customers' NCCRS would be reduced from \$12.81 to \$12.69, and Sunrise Estates customers' NCCRS would be reduced from \$10.74 to \$10.36. *Id.*

At hearing, PEU requested approval of the temporary rate settlement pursuant to RSA 378:27, noting that the Company's books and records show that the Company is not earning sufficient revenues to cover the costs of operating its system and therefore the temporary rates are reasonable. The Company added that the proposed

effective date of December 24, 2020, had been properly noticed and that temporary rates would be reconciled back to that date at the end of the permanent rate proceeding. The Company confirmed that it had mailed notices to its customers on December 10 and 11, 2020.

The OCA urged approval of the temporary rates settlement, noting that limiting the requested temporary rate to an across-the-board increase of about 14 percent, and resetting the QCPAC to zero, was a reasonable step. OCA observed that rates will be fully reconciled back to the December 24, 2020 effective date requested by the Company for temporary rates.

Energy supported the request for temporary rates, stating the request meets the applicable requirements of RSA 378:27, is reasonable and in the public interest, and appropriate customer rates are expected to result when permanent rates are ultimately approved and the temporary rates are reconciled at the conclusion of this proceeding. Staff noted that the Company had provided adequate notice to its customers of the proposed temporary rate impact.

The Towns of Londonderry, Pelham, Litchfield, and Hooksett collectively noted that, as signatories to the Settlement Agreement, they had agreed to the rates as set forth in the settlement. The Towns reserved the right to challenge the permanent rates in the permanent rate portion of this proceeding.

C. Other Intervenors

Andrew Myers, Esq., on behalf of himself and 21 other residential ratepayers of the Town of Derry, argued that the proposed temporary rate increase of 14 percent constitutes rate shock at a time when the test year inflation rate in the United States was 1.8 percent. Attorney Myers did not sign the Settlement Agreement, but

acknowledged that a significant amount of work had gone into the consideration of the temporary rates calculations.

III. COMMISSION ANALYSIS

Unless precluded by law, informal disposition by stipulation may be made of any contested case at any time prior to the entry of a final decision or order. RSA 541-A:31, V(a). Pursuant to N.H. Admin. R., Puc 203.20(b), the Commission shall approve the disposition of any contested case by stipulation if it determines that the result is just and reasonable and serves the public interest. The Commission encourages parties to settle disagreements through negotiation and compromise because it is an opportunity for creative problem solving, allows parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Hampstead Area Water Company, Inc.*, Order No. 26,131 at 3 (May 3, 2018). Nonetheless, the Commission cannot approve a settlement, even when all parties agree, without independently determining that the result comports with applicable standards. *Id.*

Pursuant to RSA 378:27, the Commission may approve temporary rates for the duration of a rate proceeding if the Commission finds that the public interest so requires and the reports of the public utility filed with the Commission indicate that the proposed temporary rates are reasonable. The standard for approval of temporary rates, which are reconcilable, is less stringent than that for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651, 660 (1991) (citing *New Eng. Tel. & Tel. Co. v. State*, 95 N.H. 515, 518 (1949)).

The Settlement Agreement requests that the Commission set temporary rates at 14.03 percent above current rates, with the QCPAC percentage re-set to zero, resulting in a net increase of approximately 11.05 percent over current rates. The Settling Parties agreed that based on the Company's filing as well as its books and records on

file at the Commission, PEU's current revenues are deficient. We find that rectifying the apparent revenue deficiency experienced by the Company would be in the public interest. Taking into account the adjustment mechanism of RSA 378:29, protecting the interests of both the utility and its customers, we find the proposed temporary rates just and reasonable under the circumstances. Accordingly, we find the Settlement Agreement to be just and reasonable and in the public interest, and approve the Settlement Agreement, subject to reconciliation at the conclusion of the permanent rates proceeding in this docket. We also find the proposed effective date of December 24, 2020, to be reasonable and that adequate notice was provided, as shown by PEU's testimony relating to its mailing of notice and publication of the public notice.

Under the Settlement Agreement, we observe that PEU agreed to "forgo" its 2020 QCPAC rate surcharge increase, proposed at 1.22 percent in Docket No. DW 20-019, as a result of temporary rates subsuming and re-setting the QCPAC. Based on the Commission's acceptance of the Settlement Agreement herein, we direct PEU to file an amended petition in Docket No. DW 20-019 with the rate surcharge increase removed, reflecting the settlement agreement. We make no finding in this order that PEU's 2019 capital investments are prudent, used, and useful, rather we base our determination on temporary rates on a limited review of PEU's reports on file with the Commission, pursuant to RSA 378:27, showing an overall revenue deficiency in excess of the proposed 1.22 percent surcharge that is based on 2019 capital costs which are the subject of PEU's 2020 QCPAC filing.

The Commission notes that the size of the rate increase is significant. While the temporary rate increase is appropriate per statute, the amount of the increase points to a need for a high level of scrutiny in the permanent rate case. The Commission will

want to understand the average increase in rates over the last 10 years and the specific actions that PEU is taking to lower costs while providing adequate service to its customers.

Based upon the foregoing, it is hereby

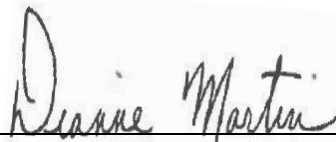
ORDERED, that the Settlement Agreement on temporary rates is APPROVED as set forth herein above; and it is

FURTHER ORDERED, that the temporary rates will be effective for service-rendered on December 24, 2020, subject to reconciliation pursuant to RSA 378:29 at the conclusion of the Pennichuck East Utility, Inc., permanent rate proceeding; and it is

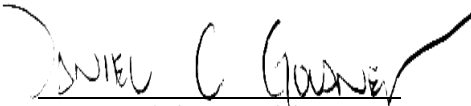
FURTHER ORDERED, PEU shall file an amended petition in Docket No. DW 20-019 with the rate surcharge increase removed; and it is

FURTHER ORDERED, that PEU shall submit with the Commission properly annotated revised tariff pages consistent with this order within 15 days of the date of this order, as required by N.H. Admin. R., Puc 1603.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of August, 2021.



Dianne Martin
Chairwoman



Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 20-156

Printed: 8/16/2021

Email Addresses

ClerksOffice@puc.nh.gov
rgboehm@comcast.net
thomasboutilier@yahoo.com
douglas.brogan@gmail.com
mab@nhbrownlaw.com
burnsync80@hotmail.com
profilelaw@gmail.com
ccole@sheehan.com
bobcorcoran153@gmail.com
chris.countie@pennichuck.com
robyn.j.descoteau@energy.nh.gov
lynn.h.fabrizio@energy.nh.gov
larry.goodhue@pennichuck.com
david.n.goyette@energy.nh.gov
carolann.howe@pennichuck.com
rmhusband@gmail.com
al-azad.iqbal@oca.nh.gov
jay.kerrigan@pennichuck.com
donald.kreis@oca.nh.gov
jayson.p.laflamme@energy.nh.gov
rlascelleshome@prodigy.net
anthony.j.leone@energy.nh.gov
rlirette@sheehan.com
karen.j.moran@energy.nh.gov
andrew@attorney-myers.com
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
mramsdell@sheehan.com
davidrussell015@comcast.net
George.Torres@Pennichuck.com
christopher.r.tuomala@energy.nh.gov
mvandendyke@gmail.com
donald.ware@pennichuck.com

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 20-19

Pennichuck East Utility, Inc.

**2020 Amended Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge**

Pennichuck East Utility, Inc. (“PEU” or “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), and pursuant to Order No. 26,179 (Docket DW 17-128) petitions the Commission for approval of the Company’s 2019 projects as eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”). PEU also seeks preliminary approval for all capital project expenditures for the Company’s 2020 projects. Finally, PEU provides for informational purposes only the Company’s forecast of capital project expenditures for 2021 and 2022. On August 16, 2021, the Commission issued Order No. 26,508 (Docket DW 20-156) approving a settlement and temporary rates, the terms of which PEU agreed to forgo the 2020 QCPAC surcharge. PEU therefore files this Amended Petition in compliance with the Commission’s Order and in support of this Amended Petition, PEU respectfully represents as follows:

Background

1. On September 9, 2017, PEU filed a Request for Change in Rates and a Petition for Specific Modifications to Ratemaking Structure, Docket No. 17-128. Among the requests made

in that Petition was to establish a QCPAC enhanced step increase program similar to the one approved for Pennichuck Water Works in Docket No. 16-806.

2. On October 4, 2018 (Order No. 26,179), the Commission approved a settlement that established a QCPAC step increase program. Under the terms of Order No. 26,179, QCPAC eligible projects must meet the following criteria: 1) the capital project proposed by PEU must be completed, in service, and used and useful within the previous fiscal year for which the QCPAC filing is made; 2) the capital project must have been financed by debt that has been approved by the Commission in accordance with RSA 369; and, 3) the capital projects must specifically correspond with a capital budget which has been previously submitted by PEU and approved by the Commission. Order No. 26,179 at p. 11.

3. Order No. 26,179 describes what should be contained in PEU's annual QCPAC surcharge petition as follows:

Within its annual filing, PEU will provide: (1) its calculation of the QCPAC surcharge associated with capital investments from the previous year; (2) budget information regarding proposed capital projects for the current year; and (3) a detailed forecast of anticipated capital project expenditures for the subsequent two years, for informational purposes only. Customers will receive notice of the proposed surcharge within 30 days of the annual QCPAC filing.

Order No. 26,179 at 11.

4. The QCPAC surcharge consists of: (1) the annual principal and interest payments with respect to the applicable capital project debt, multiplied by 1.1; and (2) incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. Order No. 26,179 at p. 11.

5. The purpose of this Petition is three-fold:

- a. First, this Petition seeks final approval of a QCPAC surcharge based on eligible projects and amounts expended for capital projects in 2019;

- b. Second, this Petition seeks preliminary approval of the capital budget for eligible capital project expenditures in 2020; and
 - c. Third, this Petition provides the Commission with information regarding the Company's forecast of capital project expenditures for 2021 and 2022 for which no Commission action is required at this time.
6. Attached to this Petition are the following:
- a. Direct testimony of Donald L. Ware;
 - (a) Exhibit DLW-1 Pages 1-6, 2018-2022 QCPAC Details;
 - (b) Attachment A, sample bill insert customer notification;
 - (c) Attachment B, Proposed QCPAC Tariff Pages¹;
 - (d) Attachment C, screen shot of PEU's website describing the pending QCPAC filing;
 - (e) Attachment D, PEU Board resolution approving the 2020, 2021 and 2022 capital expenditure projects.
 - b. Direct testimony of John J. Boisvert;
7. The Company filed its initial 2020 QCPAC Petition with the Commission in Docket DW 20-019 on February 13, 2020.
8. The Company filed subsequent 2020 QCPAC quarterly updates with the Commission on August 10, 2020, November 9, 2020, and January 11, 2021.
9. The Company, Staff of the Commission, the Office of Consumer Advocate (OCA) the Towns of Londonderry, Litchfield, Pelham, and Hookset, and intervenors Robert Corcoran and Richard M. Husband executed a settlement agreement in Docket DW 20-156 on April 26, 2021, which was subsequently approved by the Commission in Order 26,508 on August 16, 2021.

¹ Because the QCPAC tariff pages are all original pages, no track change versions are provided.

2019 Completed Projects

10. Attached as Exhibit DLW-1 Page 3 to Mr. Ware's testimony is the detailed list of Qualified Capital Projects ("QCP") that were used and useful by December 31, 2019. DLW-1, Page 3, describes, in part, the following: each project that was completed, in service and used and useful in 2019; the NHPUC order approving the debt financing associated with each project; the estimated and unaudited final project costs; and the property tax expense associated with QCPs where applicable. DLW-1, Page 3 also provides an explanation of changes, additions and deletions since the last-filed schedule DLW-1.

11. The Company seeks the Commission's approval of these 2019 projects for recovery under the Company's QCPAC mechanism in 2020, subject to the Commission's audit and prudence review of the final costs associated with those projects.

12. The Company, pursuant to the terms of the Order No. 26,508 at p. 6 and 7, forgoes and no longer requests a QCPAC surcharge that is calculated to recover 1.1 times the principal and interest payments for the long term debt incurred to fund the capital expenditures on projects that were used and useful on or before December 31, 2019, as well as recovering the projected property taxes on the completed slate of 2019 QCP.

13. The basis for the Company's calculation of principal and interest payments, which is outlined in more detail in Mr. Ware's testimony, is as follows:

- a. CoBank Loan: Loan amount of \$803,275 with a projected effective interest rate of 5.5% for a term of 25 years. This loan is expected to close in late June 2020. Once the effective interest rate is known, Exhibit DLW-1 will be updated to reflect the final amount borrowed and the actual interest rate incurred for the CoBank loan.

- b. NHDES SRF Loan: Loan amount of \$966,252 with an interest rate of 2.704% for a term of 30 years. This loan is to fund water main improvements that were completed in 2019. This loan closed on January 9, 2020.

14. The Company requests that the Commission issue a final 2020 QCPAC order approving the 2019 capital projects as prudent, used and useful. Pursuant to the settlement and Order 26,508 at p. 6, the Company will not seek recoupment for service rendered after the date for which financing is issued or consummated for the 2020 QCPAC surcharge.

15. Based on the total costs as described in Mr. Ware's testimony and exhibits, and the assumed 5.5% interest rate on the long term CoBank loan, the Company estimated the QCPAC surcharge of 1.22%. In light of the settlement approved in Order 26,508 by the Commission on August 16, 2021, the Company will not seek the surcharge of 1.22% in exchange for approval of the temporary rates in Docket DW 20-156.

16. This estimate was updated after the CoBank loan was issued and the interest rate was established.

2020-2021 Projects

17. This Petition includes the testimony of Mr. Boisvert who provides a description of what the Company considers as major capital projects and the Company's process for developing budgets for major capital projects. Mr. Boisvert also describes the projects started in 2019 that will be completed in 2020 as well as the major projects planned for 2019-2022.

18. Attached to Mr. Ware's testimony is Exhibit DLW-1, Page 4 (Projected 2020 QCPAC Capital Expenditures). In that Exhibit DLW-1, Page 4, the Company has listed in detail the anticipated 2020 Capex projects that were approved by PEU's Board in January 2020.

Exhibit DLW-1, Page 4 includes a description of each project, the estimated project cost and whether it has an associated QCPAC eligible property tax expense.

19. The Company is also providing the details regarding its 2021-2022 projects in accordance with Order No. 26,179 for informational purposes only. Details of the 2021-2022 projects are described in Mr. Ware's testimony, Exhibit DLW-1 page 4 (2020) and page 6 (2021).

Payment of FALOC Interest

20. The Company is no longer seeking approval as part of this petition authority to pay the interest incurred on the fixed asset line of credit ("FALOC") each year by incorporating the interest into the amount borrowed from CoBank because the inclusion of annual interest incurred on the FALOC in its annual long-term debt issuances beginning in 2020 was approved by the Commission in Order 26,313 at 9 (Docket DW 19-035) dated December 6, 2019.

Conclusion

WHEREFORE, by this petition, PEU respectfully requests that the Commission:

- (a) Approve PEU's 2019 projects as prudent, used and useful;
- (b) Approve on a preliminary basis PEU's proposed 2020 projects as being eligible for recovery through the QCPAC surcharge mechanism, subject to the Commission's audit and prudence review of the final costs associated with those projects; and subject to further refinement through quarterly updates filed with the Commission for the purpose of keeping the Commission apprised of the Company's progress with regard to its 2020 projects (to be filed on or before August 15, November 15 and January 15) and further subject to the Commission's review with the Company's 2021 QCPAC filing;
- (c) Receive for information purposes only PEU's proposed 2021 and 2022 projects;

(d) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

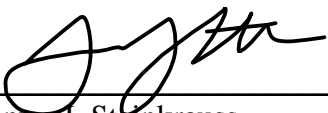
Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: August 17, 2021

By: 

James J. Steinkrauss
One Capital Plaza
Concord, NH 03302-1500
603-410-4314
jjs@rathlaw.com

Certificate of Service

I hereby certify that a copy of this petition for approval of financings, including the pre-filed testimony referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at ocalitigation@oca.nh.gov.

Dated: August 17, 2021



James J. Steinkrauss

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-019

Pennichuck East Utility, Inc.

**2020 Amended Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge**

**Order Dismissing Petition and
Acknowledging Receipt of Capital Project Expenditure Forecasts**

O R D E R N O. 26,525

September 23, 2021

This order dismisses as moot the petition of Pennichuck East Utility, Inc. (“Petitioner”) seeking a finding that Petitioner’s 2019 capital improvement projects are prudent, used and useful; and preliminary approval that its 2020 capital projects are eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”) mechanism. This order, furthermore, acknowledges receipt of Petitioner’s 2021 and 2022 Capital Project Expenditure Forecasts, which were submitted by Petitioner for informational purposes only. This order will not result in any additional charge to Petitioner’s customers.

I. PROCEDURAL HISTORY

Petitioner is a regulated public utility that provides water service to customers in several communities throughout New Hampshire. On February 13, 2020, Petitioner submitted a petition for approval of recovery of its 2019 capital improvement projects through the QCPAC mechanism and for preliminary approval its 2020 capital improvement projects for the QCPAC mechanism.¹ The petition included pre-filed

¹ Petitioner also sought approval to pay interest on its fixed asset line of credit (“FALOC”). However, because Petitioner no longer seeks this approval, the Commission need not address this request.

testimony from Donald L. Ware, Petitioner's Chief Operating Officer, and John J. Boisvert, Chief Engineer, Pennichuck Water Works.² Petitioner's filing also included estimated QCPAC capital budgets for 2021 and 2022. On February 26, the Office of Consumer Advocate ("OCA") submitted a notification that it would be participating in this docket. On March 11, 2021, Commission Staff submitted a recommendation that the petition be granted. The Commission received no other requests to intervene or otherwise participate in this Docket.³

On a parallel track, Petitioner filed, on September 23, 2020, a request for change in rates. This initiated a separate docket dedicated to that subject, Docket DW 20-156. On December 11, 2020, the OCA submitted a notification that it would be participating in Docket DW 20-156. The Commission received and granted numerous requests for intervention in Docket DW 20-156. On April 26, 2021, Petitioner, the OCA, PUC staff, and six intervenors reached a settlement agreement in Docket DW 20-156. Under the terms of this settlement, Petitioner agreed to forgo the 2019 and 2020 QCPAC surcharges, zero out the QCPAC, and establish a temporary rate based upon the books and records on file with the Commission. Settlement Agreement on Temporary Rates at 4–5.

The Commission considered the settlement agreement at a hearing held on May 10, 2021. On August 16, 2021, the Commission issued Order No. 26,508 in Docket DW 20-156 approving the settlement agreement. The order further directed Petitioner to file an amended petition in Docket No. DW 20-019 eliminating its request for a rate surcharge. On August 17, 2021, Petitioner filed an amended petition ("Am. Pet.").

² Pennichuck Water Works is an affiliate of PEU and provides various services to Petitioner.

³ On July 9, 2021, the newly created New Hampshire Department of Energy notified the Commission that it would succeed Public Utilities Commission staff pursuant to RSA 12-P:9.

II. SUMMARY OF THE PETITION

A. Pennichuck East Utility, Inc.

In the amended petition, Petitioner states that it “forgoes and no longer requests a QCPAC surcharge” for its completed 2019 projects. Am. Pet. at 4 ¶ 12. Petitioner, furthermore, states that it “will not seek the [2020 QCPAC] surcharge.” Am. Pet. at 5 ¶ 15. Although it no longer seeks approval for QCPAC purposes, Petitioner still sought, through its amended petition, a finding that its 2019 projects were “prudent, used, and useful” and a preliminary finding that its 2020 projects are “eligible for recovery through the QCPAC surcharge mechanism.” Am. Pet. at 6 ¶ (a)–(b). Petitioner also submitted forecasts of its proposed 2021 and 2022 projects for informational purposes only.

III. COMMISSION ANALYSIS

The Commission discussed how to dispose of this docket at the May 10, 2021 hearing on the settlement in Docket DW 20-156.⁴ Marcia Brown, one of Petitioner’s attorneys at the hearing, opined that the Commission had two options: it could defer the prudent, used, and useful findings for the 2019 and 2020 projects to the rate case in Docket 20-156, or it could make that finding in Docket 20-019. Tr. at 106–07. Attorney Brown further explained that Petitioner intended to recover the costs of its 2019 and 2020 projects through “the rate case mechanism, rather than the QCPAC surcharge rate mechanism.” Tr. at 107. The representatives from the OCA and the PUC staff member present at the hearing agreed with Attorney Brown’s characterization. Tr. at 108.

⁴ The transcript for this May 10, 2021 hearing in Docket 20-156 is referred to as “Tr.” in this order.

Because Petitioner no longer seeks to utilize the QCPAC surcharge mechanism to recover the costs of its 2019 and 2020 projects, the Commission finds that the 20-019 docket is no longer the appropriate place to make a prudent, used, and useful finding for the 2019 projects. Nor is it the appropriate place to opine as to whether the 2020 projects are hypothetically eligible for recoupment under QCPAC. Any determination by the Commission on those questions in this docket would amount to little more than an advisory opinion. These issues are now moot for the purposes of this docket.

Additionally, a prudent, used, and useful finding in this docket could have consequences for the rate case in Docket DW 20-156. Petitioner, the OCA, and numerous intervenors have participated actively in Docket 20-156. Dozens more have submitted comments. To the extent that a prudent, used, and useful finding will have consequences for the base rate, the parties to Docket DW 20-156 should have an opportunity to be heard before the Commission makes such a finding. As noted above, no parties other than Petitioner and the OCA are on the service list for Docket DW 20-019, nor has there yet been a noticed hearing. It is, therefore, appropriate for any prudent, used, and useful finding for the 2019 and 2020 projects to be made in Docket DW 20-156 and not here.⁵

The Commission acknowledges receipt for informational purposes only of Petitioner's forecast of capital project expenditures for 2021 and 2022.

⁵ The Commission is mindful that staff of the Commission, now with Energy, already prepared a detailed report and recommendation on the 2019 and 2020 QCPAC projects. To the extent that Energy determines that portions of that report and recommendation may be reused and resubmitted in Docket DW 20-156, those efforts need not be duplicated.

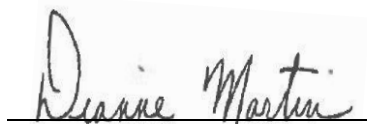
Based upon the foregoing, it is hereby

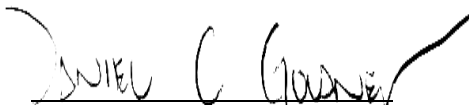
ORDERED, that the amended petition is **DISMISSED AS MOOT** to the extent Petitioner seeks a finding that the 2019 projects are prudent, used, and useful; and it is

FURTHER ORDERED, that the amended petition is **DISMISSED AS MOOT** to the extent Petitioner seeks preliminary approval that its 2020 projects are eligible for recovery through the QCPAC mechanism; and it is

FURTHER ORDERED, that Petitioner shall cause a summary of this order to be published once in a statewide newspaper of general circulation in those portions of the state where operations are conducted. Such publication is to be no later than October 1, 2021, and is to be documented by an affidavit filed with this office on or before October 20, 2021.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of September, 2021.


Dianne Martin
Chairwoman


Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 20-019

Printed: 9/23/2021

Email Addresses

ClerksOffice@puc.nh.gov
wfa@rathlaw.com
douglas.brogan@gmail.com
robyn.j.descoteau@energy.nh.gov
larry.goodhue@pennichuck.com
carolann.howe@pennichuck.com
jay.kerrigan@pennichuck.com
jayson.p.laflamme@energy.nh.gov
anthony.j.leone@energy.nh.gov
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
jjs@rathlaw.com
christopher.r.tuomala@energy.nh.gov
smw@rathlaw.com
donald.ware@pennichuck.com
cbw@rathlaw.com

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 10, 2021 - 1:10 p.m.

[Remote Hearing conducted via Webex]

RE: DW 20-156
PENNICHUCK EAST UTILITY, INC.:
Request for Change in Rates.
(Hearing regarding Temporary Rates)

PRESENT: Chairwoman Dianne H. Martin, Presiding
Cmsr. Kathryn M. Bailey

Jody Carmody, Clerk
Corrine Lemay, PUC Remote Hearing Host

APPEARANCES: **Reptg. Pennichuck East Utility, Inc.:**
Marcia A. Brown, Esq. *(NH Brown Law)*

Reptg. the Towns of Londonderry,
Litchfield, Pelham, and Hooksett, NH:
Ryan P. Lirette, Esq. *(Sheehan Phinney)*

Reptg. 21 Homeowners in the Farmstead
District as well as pro se:
Andrew D. Myers, Esq. *(Andrew D. Myers)*

Richard M. Husband, Esq., *pro se*

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Lynn H. Fabrizio, Esq.
Jayson Laflamme, Asst. Dir./Gas & Water

Court Reporter: Steven E. Patnaude, LCR No. 52

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I N D E X

PAGE NO.

STATEMENTS RE: MOTION FOR CLARIFICATION BY:

Mr. Myers	9, 14
Ms. Brown	11
Ms. Fabrizio	11
Mr. Kreis	12
Chairwoman Martin	13, 14

QUESTIONS BY:

Chairwoman Martin	10
Commissioner Bailey	13

* * *

WITNESS PANEL:

LARRY D. GOODHUE
DONALD L. WARE
JAYSON P. LAFLAMME

Direct examination by Ms. Brown (<i>Goodhue/Ware</i>)	15
Direct examination by Ms. Fabrizio (<i>Laflamme</i>)	55
Cross-examination by Mr. Myers	72
Interrogatories by Commissioner Bailey	73, 93, 96
Interrogatories by Chairwoman Martin	91, 95

CLOSING STATEMENTS BY:

Mr. Kreis	97
Ms. Fabrizio	98
Mr. Myers	100
Mr. Lirette	102
Mr. Husband	102
Ms. Brown	103, 106

QUESTIONS BY:

Chairwoman Martin	107, 108
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{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Pennichuck East Utility, Inc., Rate Filing	<i>premarked</i>
2	Temporary Rate Settlement Agreement	<i>premarked</i>
3	Pennichuck East Utility, Inc., 2019 Annual Report	<i>premarked</i>
4	RESERVED (<i>Record request to provide a corrected version of Attachment A, Schedule 1, at Bates Page 010 of Exhibit 2)</i>	82

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

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P R O C E E D I N G

CHAIRWOMAN MARTIN: We're here this afternoon in Docket DW 20-156 for a hearing regarding the Pennichuck East Utility, Incorporated, Petition for Temporary Rates.

We have to make some findings because this is a remote hearing.

As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic, and in accordance with the Governor's Emergency Order Number 12, pursuant to Executive Order 2020-04, this public body is authorized to meet electronically. Please note that there is no physical location to observe and listen contemporaneously to this hearing, which was authorized pursuant to the Governor's Emergency Order. However, in accordance with the Emergency Order, I am confirming that we are utilizing Webex for this electronic hearing.

All members of the Commission have the ability to communicate contemporaneously during this hearing, and the public has access to contemporaneously listen and, if necessary,

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 participate. We previously gave notice to the
 2 public of the necessary information for accessing
 3 the hearing in the Order of Notice. If anyone
 4 has a problem during the hearing, please call
 5 (603)271-2431. In the event the public is unable
 6 to access the hearing, the hearing will be
 7 adjourned and rescheduled.

8 And we have to take a roll call
 9 attendance. My name is Dianne Martin. I am the
 10 Chairwoman of the Public Utilities Commission.
 11 And I am alone.

12 Commissioner Bailey.

13 COMMISSIONER BAILEY: Good afternoon,
 14 everyone. Kathryn Bailey, Commissioner at the
 15 Public Utilities Commission. And I am alone.

16 CHAIRWOMAN MARTIN: Okay. And let's
 17 take appearances, starting with Attorney Brown.

18 MS. BROWN: Good afternoon, Chairwoman
 19 Martin and Commissioner Bailey. My name is
 20 Marcia Brown, with NH Brown Law. And with me
 21 today we'll be presenting as a panel for the
 22 exhibits, Mr. Larry Goodhue, who is the Chief
 23 Executive Officer and Chief Financial Officer of
 24 Pennichuck East utility; also Don Ware, Chief

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Operating Officer of Pennichuck East Utility.

2 Also in attendance is Carol Ann Howe,
3 who's the Assistant Treasurer and Director of
4 Regulatory Affairs and Business Services; as well
5 as Jay Kerrigan, who's a Regulatory Treasury
6 Financial Analyst; George Torres, who is the
7 Company's Corporate Controller, Treasurer, and
8 Chief Accounting Officer; and, lastly, Chris
9 Countie, who is the Director of Water Supply and
10 Community Systems.

11 Thank you.

12 CHAIRWOMAN MARTIN: Okay. Thank you,
13 Ms. Brown. And Mr. Kreis.

14 We can't hear you. Are you on mute?
15 Still can't hear you.

16 MS. BROWN: The mike was green, but we
17 couldn't hear you, Don.

18 CHAIRWOMAN MARTIN: Were you able to
19 hear him in the pre-hearing session? Okay.

20 MS. LEMAY: Jody, you can try unmuting
21 him.

22 MR. KREIS: How about now?

23 CHAIRWOMAN MARTIN: Yes. You're fine.

24 MR. KREIS: Can't account for that.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Good afternoon, everybody. I am Donald Kreis,
2 the Consumer Advocate, here on behalf of
3 residential customers.

4 CHAIRWOMAN MARTIN: Okay. Thank you.
5 And Ms. Fabrizio.

6 MS. FABRIZIO: Thank you. Good
7 afternoon, Madam Chair and Commissioner Bailey.
8 My name is Lynn Fabrizio. I'm a Staff Attorney
9 here at the Commission. And I'm here today on
10 behalf of Staff in this docket.

11 With me is Jayson Laflamme, Assistant
12 Director of the Gas and Water Division at the
13 Commission, who will be introduced as Staff's
14 witness today.

15 CHAIRWOMAN MARTIN: Great. Thank you.

16 And we have the Towns of Londonderry,
17 Litchfield, Pelham, and Hooksett?

18 MR. LIRETTE: Good afternoon, everyone.
19 My name is Ryan Lirette, from Sheehan, Phinney,
20 Bass, & Green. And I am here on behalf of the
21 Towns of Pelham, Litchfield, Londonderry, and
22 Hooksett. I am alone.

23 CHAIRWOMAN MARTIN: Okay. Thank you.
24 And Mr. Myers.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 MR. MYERS: Good afternoon,
 2 Commissioners. Attorney Andrew Myers, I'm here
 3 in Derry. I represent myself and 21 other PEU
 4 ratepayers. And I'm alone.

5 Thank you.

6 CHAIRWOMAN MARTIN: Okay. Thank you,
 7 Mr. Myers. And we'll hear from you on that
 8 Motion to Clarify in a few minutes.

9 And who else do we have? Other
 10 intervenors here to be heard today? Mr. Husband,
 11 I see you. Go ahead.

12 MR. HUSBAND: Okay. Good afternoon.
 13 This is Richard Husband. I am at my house. And
 14 I am alone, except that my wife is upstairs
 15 working in another room.

16 CHAIRWOMAN MARTIN: Okay. Great.
 17 Thank you.

18 And do we have any other intervenors as
 19 attendees or anyone else we need to hear from?
 20 Looks like this is everyone on the screen.

21 *[No indication given.]*

22 CHAIRWOMAN MARTIN: Jody, no one else
 23 needing to be pulled up that you know of?

24 MS. CARMODY: No.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 CHAIRWOMAN MARTIN: Okay. Great. All
 2 right.

3 Then, I have Exhibits 1 through 3
 4 prefiled and premarked for identification. Any
 5 other -- anything else related to exhibits?

6 *(Atty. Brown indicating in the*
 7 *negative.)*

8 CHAIRWOMAN MARTIN: Okay. Seeing
 9 none.

10 The other preliminary matter I have is
 11 related to Mr. Myers' Motion for Clarification.
 12 Mr. Myers, would you like to be heard on that?

13 MR. MYERS: Sure. Thank you.

14 The correspondence from the Commission
 15 dated March 22nd, in my mind anyhow, maybe I'm
 16 wrong, indicated that, although I stated that I
 17 "represented 21 other residential ratepayers, the
 18 Commission has granted Mr. Myers' individual
 19 request to intervene only, and is not granting
 20 intervenor status to the 21 unidentified
 21 ratepayers."

22 And I never intended to have 21
 23 separate intervenors. I simply meant to file one
 24 Petition for Intervention. And I just sought

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 clarification to note that there's only one
 2 Petition for Intervention, but, through that, I
 3 still represent the interests of 21 PEU
 4 ratepayers, who did, in fact, sign in support of
 5 the petition.

6 CHAIRWOMAN MARTIN: Can I just ask you
 7 a couple questions on that?

8 So, are you -- I think I asked you at
 9 the original -- at the prehearing conference,
 10 whether you were appearing on their behalf as
 11 their counsel?

12 MR. MYERS: Yes, ma'am.

13 CHAIRWOMAN MARTIN: Okay. And, so,
 14 they would actually each be intervenors, but you
 15 are their counsel and appearing on their behalf.
 16 Is that right?

17 MR. MYERS: Well, I didn't intend, and,
 18 again, I intended only to point out that I
 19 represent them, I have agreements with them. The
 20 content of those agreements would be
 21 confidential. But they have all signed
 22 agreements with me to represent them. And I just
 23 want their voices to be heard.

24 They're not going to individually

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 intervene. I'm the only person that's
2 intervening for them, as their counsel.

3 CHAIRWOMAN MARTIN: Okay. I think I
4 understand that you're their counsel, you're
5 representing them here today. But you are acting
6 on their behalf, as opposed to just in your own
7 interest?

8 MR. MYERS: Yes.

9 CHAIRWOMAN MARTIN: Okay. All right.
10 Does anyone else want to be heard on that?

11 MS. BROWN: I'd just like to put --

12 CHAIRWOMAN MARTIN: Commissioner
13 Bailey, do you have any questions? Go ahead,
14 Attorney Brown.

15 MS. BROWN: No, I just wanted to put
16 the Company's position on the record, that
17 there's no objection to this, I guess, structure
18 of intervention request.

19 CHAIRWOMAN MARTIN: Okay. Anything
20 from Staff?

21 MS. FABRIZIO: Staff, as the Company,
22 has the same position that we expressed earlier.
23 I'm still a little bit confused as to whether Mr.
24 Myers expects the 21 others to be individually

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 named in each filing, or whether he is
 2 intervening himself and filing on behalf of the
 3 others?

4 I'm not sure if that even makes sense.
 5 But we've had some back-and-forth, and there
 6 remains a little bit of confusion on Staff's end.

7 CHAIRWOMAN MARTIN: I understand your
 8 confusion. Oh, Mr. Kreis, go ahead, before I
 9 jump in. You're on mute.

10 MR. KREIS: Okay. Am I on mute now?

11 CHAIRWOMAN MARTIN: No, we can hear
 12 you.

13 MR. KREIS: I'm not really sure why
 14 this isn't working today.

15 I'm confused about why anybody else is
 16 confused. Mr. Myers has I think he said 21
 17 individual clients, each of whom has the standing
 18 to intervene in this case, because each of them
 19 is a customer. He himself is a customer. And he
 20 is an attorney, licensed to practice in New
 21 Hampshire, which means there's no question that
 22 he has the right to represent them.

23 I think that it might make sense to
 24 invoke the provision of the Administrative

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Procedure Act that talks about grouping
 2 interventions, because clearly that group of 22
 3 customers intends to act as one unit. And, as
 4 far as how to refer to them, I don't know, you
 5 could make up a name for that particular group.

6 But I am sort of puzzled. And I guess
 7 what I really want to say is, I hope the
 8 Commission will grant Mr. Myers's motion, because
 9 I think his request is a reasonable one.

10 CHAIRWOMAN MARTIN: Thank you, Mr.
 11 Kreis. I agree with you on all of the legal
 12 statements you just made. I think Mr. Myers'
 13 statement was a little confusing to Attorney
 14 Fabrizio's point, which is that he's "only
 15 intervening himself", essentially.

16 But, based upon the representations in
 17 his original motion, and the attachment with all
 18 of the individual ratepayers, and the assertions
 19 therein, I agree with you. They would all have
 20 standing and the right to intervene.

21 I just want to make sure Commissioner
 22 Bailey gets a chance to be heard, if she has any
 23 comments on this.

24 COMMISSIONER BAILEY: Do we have the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 names of these 21 ratepayers?

2 CHAIRWOMAN MARTIN: Yes. They're in
3 the original motion, the Petition to Intervene,
4 and the addresses and signatures.

5 COMMISSIONER BAILEY: Okay. Thank you.
6 I don't have any other questions.

7 CHAIRWOMAN MARTIN: Okay. And then, we
8 will grant that Motion for Clarification. I
9 thought I recalled that discussion at the
10 prehearing conference as well. So, I apologize
11 for that lack of clarity in our letter.

12 MR. MYERS: Thank you. And I apologize
13 if there was any lack of clarity in what I had
14 presented in my petition. But, thank you.

15 CHAIRWOMAN MARTIN: No. We all got on
16 the same page at the end of the day. So, it
17 works out.

18 Any other preliminary matters?

19 *[No indication given.]*

20 CHAIRWOMAN MARTIN: Okay.

21 MS. FABRIZIO: Madam Chair, I would
22 just note, it's in the record, but Intervenor
23 Nicole Fordey withdrew her intervention, because
24 she was moving out-of-state. I just wanted to

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 bring that to your attention.

2 CHAIRWOMAN MARTIN: Yes. Noted. Thank
3 you.

4 All right. Let's have the witnesses
5 sworn in please, Mr. Patnaude.

6 (Whereupon **Larry D. Goodhue,**
7 **Donald L. Ware,** and **Jayson P. Laflamme**
8 were duly sworn by the Court Reporter.)

9 CHAIRWOMAN MARTIN: Okay. Thank you.
10 Ms. Brown.

11 MS. BROWN: And, Commissioners, the
12 Company is going to question its witnesses, and
13 then hand it over to Staff with Mr. Laflamme.
14 That's how we've agreed we would proceed with the
15 panel.

16 **LARRY D. GOODHUE, SWORN**

17 **DONALD L. WARE, SWORN**

18 **DIRECT EXAMINATION**

19 BY MS. BROWN:

20 Q So, Mr. Goodhue, could you please state your name
21 for the record.

22 A (Goodhue) My name is Larry Donald Goodhue.

23 Q And what positions do you hold with Pennichuck
24 East Utility?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) With Pennichuck East Utility, I hold
2 the positions of Chief Executive Officer and
3 Chief Financial Officer.

4 Q And Pennichuck East Utility has affiliates, is
5 that correct?

6 A (Goodhue) That is correct.

7 Q And do you hold any positions with Pennichuck
8 East affiliates?

9 A (Goodhue) I hold positions of Chief Executive
10 Officer and Chief Financial Officer for the
11 parent corporation, Pennichuck Corporation, and
12 for the sister subsidiaries of Pennichuck East
13 Utility, being Pennichuck Water Works,
14 Incorporated, Pittsfield Aqueduct Company,
15 Incorporated, Pennichuck Water Service Company,
16 and the Southwood Corporation.

17 Q Thank you, Mr. Goodhue. Before you held these
18 multiple positions, were these positions held by
19 multiple people?

20 A (Goodhue) Yes, they were.

21 Q And does this present consolidation of
22 responsibilities save the Company's expense,
23 including Pennichuck East?

24 A (Goodhue) Yes. Since I assumed the role of Chief

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Executive Officer near the end of 2015, I have
 2 held two roles, and, in essence, we have saved
 3 one salary during that interim period of time.
 4 Q Thank you for that explanation. Mr. Ware, could
 5 you please state your name for the record?
 6 A (Ware) Yes. My name is Donald Ware.
 7 Q And can you please state your position for the
 8 record for Pennichuck East Utility?
 9 A (Ware) I am the Chief Operating Officer for
 10 Pennichuck East Utility.
 11 Q And do you hold any positions with
 12 Pennichuck's -- Pennichuck East affiliates?
 13 A (Ware) Yes. I am the Chief Operating Officer of
 14 Pennichuck Corporation, of Pennichuck Water
 15 Works, Inc., Pittsfield Aqueduct Company,
 16 Pennichuck Water Service Company, and the
 17 Southwood Corporation.
 18 Q Okay. Thank you. And, Mr. Goodhue, Mr. Ware, do
 19 you have Exhibit 1 in front of you? And, for the
 20 record, I'd like to note that Exhibit 1
 21 premarked for identification is the Company's
 22 rate filing.
 23 A (Goodhue) This is Mr. Goodhue. I do have
 24 Exhibit 1 in front of me.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) And this is Mr. Ware. I also have
2 Exhibit 1 in front of me.

3 Q Okay. Mr. Goodhue, are you familiar with the
4 contents of Exhibit 1?

5 A (Goodhue) Yes, I am.

6 Q Mr. Ware, are you familiar with the contents of
7 Exhibit 1?

8 A (Ware) Yes, I am.

9 Q And, Mr. Ware, in particular, are you familiar
10 with the rate case schedules to implement the
11 general rate case that were contained within this
12 exhibit?

13 A (Ware) Yes, I am.

14 Q And were those rate schedules prepared by you or
15 under your direct supervision?

16 A (Ware) Yes, they were.

17 Q And can I have you please turn to tab, Mr. Ware,
18 please turn to Tab 13 of Exhibit 1? And, for
19 the record, this is on Bates Page 175.

20 A (Ware) Okay. I have turned to that tab.

21 Q Okay. Mr. Ware, Tab 13, the title page says
22 "1604.06 and 1604.07 Filing Requirement
23 Schedules". And are these some of the schedules
24 that you assisted in preparing?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Yes, they are.

2 Q And are these schedules required of the
3 Commission's rules?

4 A (Ware) Yes, they are.

5 Q Okay. And, with respect to Tab 14, if I can have
6 you, Mr. Ware, turn to that tab. And, for the
7 record, this is Bates Page 220.

8 A (Ware) I have turned to that page.

9 Q And these are the rate of return schedules, is
10 that correct?

11 A (Ware) That is correct.

12 Q Okay. A general question for you, Mr. Ware. Is
13 Exhibit 1 on file with the Commission?

14 A (Ware) Yes.

15 Q Okay. And, Mr. Ware, do the schedules, which
16 we'll discuss in more detail later, at Tabs 13
17 and 14, do they generally show that the Company
18 is in need of an increase to its last authorized
19 revenue requirement?

20 A (Ware) Yes, they do.

21 Q Okay. Now, Mr. Goodhue, if I can just turn to
22 you to authenticate a few things in Exhibit 1.
23 Did you prepare testimony that was filed within
24 this rate -- this Exhibit 1?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) Yes. Yes, I did. I prepared
2 testimony.

3 Q And was that for permanent rates?

4 A (Goodhue) Yes, it was.

5 Q And, if I could have you turn to Tab 9 please.
6 And, for the record, this is Bates Page 067.

7 And the question -- if you are there,
8 Mr. Goodhue?

9 A (Goodhue) I am turning to that page. Yes, ma'am.

10 Q Okay. And the testimony that you supplied for
11 permanent rates, does that appear at Tab 9 of
12 Exhibit 1?

13 A (Goodhue) It does, beginning at Page -- Bates
14 Page 067.

15 Q Thank you. Now, Mr. Goodhue, did you also
16 prepare testimony in support of a temporary rate
17 request?

18 A (Goodhue) Yes, I did.

19 Q And, if we could go back to Tab 6, which would be
20 Bates Page 048?

21 A (Goodhue) Yes. I'm there.

22 Q Okay. And is the testimony appearing at Tab 6
23 your temporary rate testimony in this proceeding?

24 A (Goodhue) At Tab 6, Bates Page 048, and testimony

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 beginning on Bates Page 049 is the joint
2 testimony of myself and Mr. Ware in support of
3 temporary rates.

4 Q Okay. Thank you. And, Mr. Ware, I'd like to
5 turn to you, and ask did you prepare testimony in
6 support of permanent rates?

7 A (Ware) Yes, I did.

8 Q And can I just have you turn to Tab 10?

9 A (Ware) Okay. Tab 10.

10 Q And, for the record, that tab -- I didn't mean to
11 speak over you, sorry. For the record, that is
12 Bates Page 098.

13 And the testimony appearing at Tab 10,
14 this is your testimony, is it correct?

15 A (Ware) That is correct.

16 Q Okay. Now, Mr. Goodhue, just -- I'm sorry to
17 bounce back between the two of you, but I just
18 want to get into the record that, Mr. Goodhue,
19 the permanent rate testimony that we just noted
20 for the record, was that prepared by you or under
21 your direct supervision?

22 A (Goodhue) It was prepared by me directly, yes.

23 Q Okay. And, to the best of your knowledge, is
24 that testimony true and accurate?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) Yes, to the best of my knowledge.

2 Q And, today, do you have any material changes or
 3 corrections that need to be made to that
 4 testimony?

5 A (Goodhue) I do not.

6 Q Okay. And do you adopt any -- I'll combine this
 7 for permanent and temporary, do you adopt any of
 8 that or either of those testimonies, or, I guess,
 9 both of those testimonies? My apologies. Do you
 10 adopt both of those testimonies here today as
 11 part of your oral testimony?

12 A (Goodhue) I do, yes.

13 Q Okay. And just to go back over your temporary
 14 rate testimony, are you aware of any material
 15 changes or corrections that need to be made to
 16 the temporary rate testimony?

17 A (Goodhue) I know of no changes of a material
 18 nature that need to be made.

19 Q Thank you. And, Mr. Ware, can I have you also
 20 attest to the accuracy of your permanent and
 21 temporary testimonies? Are you aware of any
 22 material changes that need to be made to either
 23 your permanent testimony or your temporary rate
 24 testimony?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) I am not aware of any material changes
2 that need to be made to either my permanent or
3 temporary testimony.

4 Q Okay. And would you also be adopting your
5 permanent and temporary rate testimony as part of
6 your oral testimony today?

7 A (Ware) Yes.

8 Q Okay. Now, Mr. Ware, I'd like to go back to the
9 issue of the revenue requirement. And, in your
10 testimonies, did you cover some of the drivers
11 for the need for rate relief or, rather, an
12 increase in the revenue requirement in your
13 testimony?

14 A (Ware) Yes, I did.

15 Q Could you please summarize some of those drivers
16 of the need for rate relief?

17 A (Ware) Yes. So, since the last rate case, the
18 Company's labor costs have increased each year.
19 We have both the union and nonunion labor force,
20 and they have each had increases each year.

21 Also, we have seen purchased water
22 costs, which is approximately 10 percent of our
23 total overall revenue requirement, increase year
24 over year. With the average cost of water being

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 purchased ranging from \$1.75 to \$2.80 per hundred
 2 cubic feet, which is fairly high, when you
 3 compare it against the average cost to produce
 4 being something less than 60 cents less per cubic
 5 feet -- hundred cubic feet, in the event you have
 6 on-site wells. The increase since DW 17-128 in
 7 purchased water costs is approximately 7/10ths of
 8 the 17 plus percent of the increase requested.

9 Also, our treatment costs, so, areas
 10 where we have community wells, have gone up,
 11 primarily -- or, one of them, arsenic treatment,
 12 the standard for arsenic has dropped from 10
 13 parts per billion to 5 parts per billion. That's
 14 caused an increase in costs; our insurance costs
 15 have increased; our regulatory expenses have
 16 increased; property taxes have increased,
 17 including not only, you know, those taxes on both
 18 the assets that are our ratepayers pay for, and
 19 also the developers contributed to the Company.
 20 Increase in property taxes account for 2.8
 21 percent of the requested increase.

22 Additionally, pension and health
 23 retirement expenses have gone up in that area.
 24 There's been drivers due to federally issued

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 discount rates used to calculate the current
 2 funding and expenses, causing those to go up
 3 fairly quickly.

4 And, additionally, we have continued to
 5 replace the aging infrastructure in the system,
 6 as well as adding infrastructure to ensure
 7 compliance with the Safe Drinking Water Act.

8 So, we, again, have been very active.
 9 PEU is a unique assemblage of systems. There are
 10 a total of 45 individual water systems that make
 11 up PEU, spread amongst 19 communities, roughly
 12 two and a half hours of travel time from one end
 13 to the other. And a lot of those were originally
 14 systems that were built by developers, many of
 15 them prior to the state having stringent
 16 regulations that they do today for construction.
 17 And we have been actively replacing
 18 infrastructure, in particular, pipeline and
 19 services, and adding treatment on all of those.
 20 So, that has kept us busy.

21 Q Thank you for that overview, Mr. Ware. I'd like
 22 to, Mr. Ware, also have you cover some of the
 23 schedules. And if I can direct your attention to
 24 Tab 13, and this is the filing requirement

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 schedules that begin at Bates Page 175 and 176.

2 If you could let me know when you are there?

3 A (Ware) I am there. Thank you.

4 Q Okay. Starting with Bates Page 176, and at the

5 top it says "Computation of Revenue Deficiency".

6 Can you please state what the function of this

7 schedule is?

8 A (Ware) This schedule uses the ratemaking or

9 revenue model that's required and was approved in

10 DW 17-128. It is how we determine the revenues

11 necessary to operate the utility. That's broken

12 up into various buckets of revenue requirement.

13 One bucket covers what we call is the "City Bond

14 Fixed Revenue Requirement". That is the PEU's

15 share of the annual payment to the City for the

16 price that the City paid to purchase the Company

17 in 2012.

18 And, additionally, there is what is a

19 revenue bucket entitled "Material Operating

20 Expenses", and there's a revenue requirement

21 associated with that. That is the expenses in

22 different operational areas of the Company,

23 things like chemicals, purchased water,

24 maintenance of the distribution system, those

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 sorts of things.

2 The next revenue bucket is what's
 3 considered to be "Non-Material Operating
 4 Expenses". It's a very small bucket, but it
 5 incorporates things like outside legal services,
 6 and training and education. Things that are
 7 viewed as "discretionary", where the material
 8 operating expenses are generally viewed as
 9 "nondiscretionary". When we have an electric
 10 bill, we have to pay it.

11 So, the next bucket is the principal
 12 and interest requirement, what we call the "Debt
 13 Service Revenue Requirement". And that is the
 14 collection of the principal and the interest on
 15 the debt that the Company has issued.

16 And, then, in order to meet the
 17 covenants of the entities who are loaning us
 18 money, there is an additional bucket called the
 19 "0.1 Debt Service Revenue Requirement", which is
 20 a 10 percent over-collection of the principal and
 21 interest, to ensure adequate cash flow to the
 22 entities who are loaning money to us, so that
 23 they can be sure that we can meet the
 24 requirements or payments of that.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 So, when you total those five buckets
 2 up, you come up -- those five buckets of revenue
 3 requirements, you come up with the total revenues
 4 required to operate the Company.

5 Q Now, Mr. Ware, could you, with that explanation,
 6 can you point us to which numbers reflect that
 7 there is a revenue deficiency?

8 A (Ware) So, we will start out with the
 9 non-proformed test year ending December 31st,
 10 2019. So, on Schedule A, which is on Bates Page
 11 176, the far left-hand column, or the first
 12 column, notes what the revenue requirement was
 13 for each of those buckets.

14 So, you see that the revenue
 15 requirement for the payment to the City is the
 16 same every year, "\$926,309". The Material
 17 Operating Expense Revenue bucket does increase
 18 typically each year, due to cost of doing
 19 business going up. And you can see that, in the
 20 test year, the material operating expenses
 21 totaled "\$7,537,584". Additionally, the
 22 Non-Material Operating Expense Revenue
 23 Requirement for the test year was "\$27,863".
 24 The Principal and Interest on the debt that was

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 outstanding and being -- payments being made in
 2 2019 was "\$1,455,530". That gets increased by
 3 10 percent to give the overall requirement for
 4 meeting the principal and interest payments of
 5 "\$1,601,083". Yielding a total revenue
 6 requirement for the test year of "\$10,092,839".

7 Q Thank you. And can you please explain what
 8 revenues were coming in? There's a deficiency.

9 A (Ware) Correct. So, the total revenues that came
 10 in during 2019 were "\$8,530,604". And that is
 11 exclusive of what we call the "North Country
 12 Revenue Requirement Surcharge" -- or, the "North
 13 Country Recovery Surcharge". That's not in the
 14 revenue requirement that we went through above.
 15 And, hence, it's taken out of the total revenues
 16 that we collected in 2019 of "\$8,819,088".

17 So, again, the revenues brought in to
 18 cover the "\$10,062,651" of revenue requirement
 19 during the test year were "\$8,530,604".

20 Q Thank you, Mr. Ware. So, the bottom proposed
 21 revenue increase, it shows, based on whether
 22 there is a adder called the "MOEF", shows that
 23 the Company is deficient by somewhere between
 24 17.96 and 21.05 percent, is that correct?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) That is correct. That "21.05 percent"
2 that you referenced is after *pro formas* have been
3 made to the material operating expenses for known
4 and measurable changes in those expenses. And
5 that 21.05 percent includes what was referred to
6 as the "Material Operating Expense Factor".

7 Q Thank you, Mr. Ware. And, so, this chart, this
8 Schedule A, Computation of Revenue Deficiency, is
9 where we would direct the Commissioners to see an
10 illustration of the Company's deficiencies, is
11 that right?

12 A (Ware) That is correct.

13 Q Okay. Now, I would also like to have you, Mr.
14 Ware, turn to Exhibit 3, which is the Annual
15 Report. Do you have that in front of you?

16 A (Ware) I do.

17 Q And can you -- are you familiar with this
18 exhibit?

19 A (Ware) Yes, I am.

20 Q And are you aware of any changes or corrections
21 that need to made to this Annual Report?

22 A (Ware) No, I am not.

23 Q Okay. Can you please turn to Bates Page 028?
24 And I'm trying to direct your attention to a

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "Form F-2", which is entitled "Statement of
 2 Income".

3 A (Ware) Yes.

4 Q If you could let me know when you're there?

5 A (Ware) I am there.

6 Q Okay. And baseline question, Mr. Ware. Is the
 7 Company's revenue requirement structured as a
 8 traditional rate of return utility?

9 A (Ware) No, it is not. The Form F-2 Statement of
 10 Income submitted as part of the Annual Report
 11 follows GAAP principles. So, it includes
 12 depreciation expense, which we do not collect in
 13 the DW 17-128 rate methodology. It does not
 14 include the City Bond Fixed Revenue Requirement.
 15 So, there are items that are comparable, but
 16 others that are not.

17 This schedule is used to derive a
 18 required return on investment, which is not how
 19 our rates are structured.

20 Q So, Mr. Ware, could you just comment on the
 21 usefulness of this Statement of Income, in terms
 22 of it justifying the Company's revenue
 23 deficiency? How should this F-2 Form be viewed?

24 A (Ware) Well, the F-2 Form does not show what our

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 revenue requirement or deficiency is, because it
 2 is not structured, as I indicated, to include key
 3 components or exclude key components of our
 4 operations.

5 As mentioned, it does not include the
 6 \$926,309 of expense for payment that is made by
 7 PEU towards the City bond. It includes an
 8 expense of a depreciation expense, but it does
 9 not include principal expense. And it's
 10 important to note, dependent upon where the life
 11 is on a note, typically, PEU's notes go from 20
 12 to 30 years in duration, how much principal
 13 you're collecting. But, if the note was a
 14 30-year note, the average depreciation life on
 15 PEU's assets is about 42 percent [42 years?].
 16 So, it -- we do not collect, you know, enough
 17 cash in order to -- over time, in the
 18 depreciation expense, quickly enough in order to
 19 pay for the principal that is due, hence the
 20 removal of depreciation expense and the
 21 substitute of a principal expense in the
 22 revenue-making structure.

23 Q Thank you, Mr. Ware. So, in terms of, you know,
 24 temporary rates being based on the books and

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 records on file with the Commission, the Company
 2 would direct the Commission's attention to more
 3 the rate filing, rather than the Annual Report.
 4 Is that accurate?

5 A (Ware) That is correct. Although, all of the
 6 expenses, all of the key components of the
 7 revenue-making formula are drawn from the Annual
 8 Report.

9 Q Okay.

10 A (Ware) By way of point, if you note on Line 1 of
 11 F-2, it shows the previous year end balance,
 12 which was the test year, 2019, being "8,819,088".
 13 And, if you were to go back to Schedule A of the
 14 revenues collected during the year, Column --
 15 first column on the left, down at the bottom,
 16 "Total Current Revenues", and you see the same
 17 "8,819,088".

18 So, a lot of data -- or, all the data,
 19 but it's configured in a different fashion,
 20 because our determination of rates is not the
 21 same as an IOU. We have no equity component.
 22 We're 100 percent debt-funded. And, hence, we
 23 collect the principal and interest per our
 24 discussion.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And, Mr. Goodhue, if I could turn to
2 you, and I have the same question, just so I can
3 get your testimony on the record.

4 A (Goodhue) Uh-huh.

5 Q If the Commission is to look at, you know, books
6 and records on file, would the Company be
7 directing the Commissioners to Exhibit 1, more so
8 than the Annual Report, to document the
9 deficiency?

10 A (Goodhue) That is correct. And there's a couple
11 of things that are there. As Mr. Ware mentioned,
12 the annual reports are based on a GAAP-based
13 approach of the financial data. It is the --

14 *[Court reporter interruption due to*
15 *indecipherable audio.]*

16 **BY THE WITNESS:**

17 A (Goodhue) I would agree, Attorney Brown, that the
18 Commissioners should look to, let me reference it
19 properly, the schedule at Bates Page 176 of
20 Exhibit 1, which is "Schedule A", the
21 "Computation of Revenue Deficiency". The numbers
22 here are all derived from the same books and
23 records that are included in the Annual Report.
24 However, the income statement in the Annual

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Report is geared towards a traditional rate model
 2 for utilities in the state.

3 Whereas, the approved rate methodology
 4 for PEU, coming out of DW 17-128, is a unique
 5 revenue model that is cash flow-driven, relative
 6 to the construct of the Company.

7 And just as a point of clarification
 8 for Mr. Patnaude in his minutes, when Mr. Ware
 9 was referring to the average length of debt being
 10 "25 to 30 years", the clarification being "42
 11 years", not "42 percent". That is important.

12 In a traditional rate-setting model,
 13 depreciation is the engine that would pay for
 14 principal on debt. And we elucidated this quite
 15 concisely in the last rate case filing for PEU,
 16 in that, in our ownership structure being a debt
 17 only ownership structure, we must have sufficient
 18 cash to pay for the principal. If depreciation
 19 cannot provide enough cash, that's how we got to
 20 this rate model.

21 The other thing that I would point to
 22 is, for the Commissioners' benefit, is on
 23 Schedule A, on Bates 176 of Exhibit 1. Focusing
 24 on Column 1 and Column 3 of that schedule is what

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 we're really talking about in a temporary rate
 2 setting. That is showing the revenue deficiency,
 3 either before or after *pro forma* adjustments,
 4 based on the current approved permanent rate
 5 structure for PEU.

6 Columns 4 and 5 of this schedule are
 7 what is being requested as additional
 8 modifications to that rate structure in our
 9 permanent rates.

10 So, when we're talking about temporary
 11 rates right now, we're talking about underearning
 12 currently under our current rate structure, which
 13 is elucidated between Columns 1 and 3 of Schedule
 14 A, at Bates 176 of Exhibit 1.

15 BY MS. BROWN:

16 Q Thank you, Mr. Goodhue. Mr. Ware, if I could
 17 pick up with you again. If you have -- I'd like
 18 to turn to Exhibit 2. And that, for the record,
 19 is the Settlement Agreement. If you could tell
 20 me if you have that in front of you, and, in
 21 particular, Bates Page 004?

22 A (Ware) I do have it in front of me.

23 Q Okay. And, Mr. Ware, did you participate in the
 24 preparation of this Settlement Agreement?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Yes, I did.

2 Q Mr. Goodhue, if I could just bounce back to you
3 and ask you, did you participate in the creation
4 of this Settlement Agreement?

5 A (Goodhue) Yes, I did.

6 Q And, Mr. Goodhue, are you familiar with the terms
7 of the Settlement Agreement?

8 A (Goodhue) Yes, I am.

9 Q Mr. Ware, are you also familiar with the terms of
10 the Settlement Agreement?

11 A (Ware) Yes, I am.

12 Q And, Mr. Ware, are you aware of any changes or
13 corrections that need to be made to this
14 exhibit?

15 A (Ware) No. I am not aware of any changes or
16 corrections that need to be made to the exhibit.

17 Q And, Mr. Goodhue, are you aware of any
18 corrections or changes that need to be made to
19 Exhibit 2?

20 A (Goodhue) Likewise, I am unaware of any changes
21 or corrections that need to be made to that
22 document.

23 Q Okay. Mr. Ware, I will be asking you a series of
24 questions now about the terms, if you're at Page

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 4?

2 A (Ware) Yes.

3 Q And can you please summarize what temporary rate
4 increase level these Settling Parties are
5 proposing?

6 A (Ware) The Settling Parties are proposing a
7 temporary rate increase of 14.03 percent.

8 Q Now, Attachment A, does that describe the
9 details, the derivation of that percent increase?

10 A (Ware) Yes, it does.

11 Q And who prepared the Attachment A schedules?

12 A (Ware) The Staff of the New Hampshire Public
13 Utilities Commission prepared Schedule A, the
14 Attachment A schedules.

15 Q Okay. Mr. Ware, within this Paragraph A, under
16 Section IV of the Settlement Agreement, there's a
17 discussion about the "QCPAC". Do you see that?

18 A (Ware) Yes, I do.

19 Q And what is the "QCPAC"?

20 A (Ware) The "QCPAC" is the Company's "Qualified
21 Capital Project Adjustment Charge". It is an
22 annual charge, used and approved by the
23 Company -- or, excuse me, used by the Company,
24 and approved by the Public Utilities Commission,

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 to recover the principal and interest and
 2 property taxes associated with property, plant,
 3 and equipment that was installed each year.

4 So, every year there is a filing of a
 5 QCPAC. There's a petition, where we seek a
 6 number of things. One, we seek the principal,
 7 interest, and the 10 percent markup on that, plus
 8 the property tax expense associated with
 9 property, plant, and equipment that was used and
 10 useful in the prior year. That filing is done in
 11 February. And we also lay out proposed capital
 12 expenditures for the following three years.

13 So, the 2.98 percent is actually
 14 reflective, and is in effect right now on the
 15 rates that were granted in DW 17-128, and it's
 16 reflective of the capital expenditures made by
 17 the Company in 2018.

18 Q And, Mr. Ware, could you please summarize the
 19 terms in this Settlement Agreement on how the
 20 QCPAC is going to be suspended while temporary
 21 rates are in effect?

22 A (Ware) So, as I mentioned, the 2.98 percent is a
 23 surcharge that is on top of the Company's
 24 tariffed rates from the DW 17-128 rate case.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 What will happen is, that surcharge will be
 2 eliminated when the temporary rates go into
 3 effect.

4 Q Thank you. And, so, is that how the net effect
 5 is the "11.05", with the removal of the existing
 6 QCPAC?

7 A (Ware) That is correct.

8 Q And is the Company also willing to forego
 9 collection of the yet-to-be-approved QCPAC of
 10 1.22 percent?

11 A (Ware) Yes. That 1.22 percent was filed for in
 12 February of 2020, and that is reflective of the
 13 principal and interest expense, plus 10 percent,
 14 and the property taxes associated with plant and
 15 equipment that was used and useful at the end of
 16 2019. And that surcharge and decision on it is
 17 in its pendency. And, at this stage, the Company
 18 would not -- would not include that. The
 19 temporary rates would be fully everything. So,
 20 there will be no 1.22 percent added to the
 21 temporary rates for the 2019 CapEx.

22 Q Okay. Thank you. And, Mr. Goodhue, before I
 23 move off of the QCPAC issue, I just want to turn
 24 back to you and give you an opportunity, if you

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 had anything else to add to Mr. Ware's testimony
 2 on the QCPAC just now. I'd give you an
 3 opportunity if you have anything to say?

4 A (Goodhue) I mean, just as a point of
 5 clarification for all of the parties, it's to be
 6 understood that the QCPAC surcharge is annually,
 7 or a surcharge between permanent rate cases.
 8 Okay? So, that surcharge is always something
 9 that is collected each year, but then reconciled
 10 in the permanent rates that are basically
 11 approved in the next filed rate case.

12 So, our -- you know, we are electing to
 13 not bring those forward in this temporary rate
 14 setting, as we await permanent rates to be
 15 approved in this case. And there will be a full
 16 reconciliation, once permanent rates are
 17 approved, to what those permanent rates are, the
 18 timing for which they could be collected back to,
 19 and what the net impact is relative to temporary
 20 rates and QCPAC surcharges that would have been
 21 earned between any cases. And I think that is
 22 important for all the parties to understand.

23 Q Excellent clarification. Thank you very much.
 24 Mr. Ware, can I ask you to also explain, I guess,

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 the second full paragraph of Paragraph A, under
 2 Section IV, "Terms of Agreement", discusses the
 3 "North Country Capital Recovery Surcharge". Do
 4 you see that?

5 A (Ware) Yes, I do.

6 Q And can you please summarize what's going on
 7 here? Why the North Country Capital Recovery
 8 Surcharge is changing?

9 A (Ware) Yes, I can. So, the surcharge is a
 10 recovery above the rates in effect at the time.
 11 There was a significant amount of capital
 12 invested in each one of the three North Country
 13 systems. That has a total annual debt service of
 14 \$170,315. And that gets collected ratably from
 15 the customers in each one of the systems.

16 The structure of the North Country
 17 Capital Recovery Surcharge is such that the
 18 amount that we need over the thirty years that
 19 this CapEx was being financed doesn't change, but
 20 the number of customers is slowly going up. So,
 21 since the previous filing in DW 17-128, the
 22 number of customers in each one of those systems
 23 has gone up slightly. And, as a result, the
 24 amounts in the current North Country Capital

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Recovery Surcharge, and you can see them there on
2 that page, will be ratably reduced based on the
3 increase in customers in each one of those
4 systems.

5 Q Great. Thank you very much for that explanation.
6 And, Mr. Ware, moving on to Paragraph B, the
7 effective date for temporary rates is agreed to
8 be December 24th, 2020 on a service-rendered
9 basis. Is that correct?

10 A (Ware) Yes, it is.

11 Q And this effective date, was this the original
12 date that the Company expected to implement its
13 permanent rates?

14 A (Ware) Yes.

15 Q And, Mr. Ware, did you participate in notifying
16 the public of the rate increases?

17 A (Ware) Yes, I did.

18 Q And, Mr. Ware, could you please describe the
19 steps that Pennichuck East Utility took to notify
20 the Commission and the Company's customers of the
21 proposed rate increase?

22 A (Ware) Yes. So, following the requirements of
23 the Public Utilities Commission, on September
24 23rd of 2020, the Company filed a Notice of

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Intent with the PUC per Puc 1604.05 rules and RSA
2 378. On November 23rd, 2020, the Company filed
3 its tariffs and provided the required thirty days
4 notice before the effective date of December
5 24th, 2020.

6 That notification was effected in a
7 number of different ways. On November 25th, the
8 Company posted its rate filing tariffs and
9 request for temporary rates on its website. It
10 also posted Answers to Frequently or Commonly
11 Asked Questions. On December 10th and 11th, the
12 Company mailed each customer the actual notice of
13 its rate filing and proposed rates. And, on
14 December 18th, 2020, pursuant to Commission Order
15 Number 26,436, published the Commission's order
16 on its website. And also, on December 18th,
17 2020, the Company filed proof of its web posting
18 with the Commission.

19 Q Okay. Thank you, Mr. Ware. And, so, the
20 Company's rate filing -- the tariffs and rate
21 increase for December 24th did not go into
22 effect, because the Commission suspended them, is
23 that correct?

24 A (Ware) That is correct.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Mr. Ware, you mentioned the notice to customers.

2 Can I have you turn to Exhibit 1, Tab 8, which

3 is, for the record, Bates Page 061?

4 A (Ware) Yes. I am there.

5 Q And is this the actual notice that was used in

6 part of the notification?

7 A (Ware) Yes, it was.

8 Q And, Mr. Ware, was this provided by mail and

9 electronically to customers?

10 A (Ware) Yes. There was a direct mailing to each

11 of our Pennichuck East Utility customers, as well

12 as a posting of these notices on our website.

13 Q Okay. Now, if I could also continue with you,

14 Mr. Ware, about rate design, and have you turn to

15 Tab 7 of Exhibit 1.

16 A (Ware) Yes. I'm there.

17 Q For the record, this is Bates Page 057, and 058

18 is the actual document. You're looking at the

19 Report of Proposed Rate Changes, are you?

20 A (Ware) Yes.

21 Q Okay.

22 A (Ware) Regarding temporary rates.

23 Q Okay. Well, let --

24 COMMISSIONER BAILEY: Excuse me,

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Ms. Brown. Can you give me that page number
2 again please?

3 MS. BROWN: Bates Page 057 is the tab,
4 then 058 has the Report of Proposed Rate Changes.
5 And also the next page after that, depending on
6 whether it's temporary or permanent rates.

7 COMMISSIONER BAILEY: Thank you.

8 BY MS. BROWN:

9 Q Mr. Ware, on Bates Page 058, can you just please
10 summarize for the record the number of customer
11 classes Pennichuck East has?

12 A (Ware) Yes. So, Pennichuck East consists of a
13 number of different rate classes. We have our
14 General-Metered class. We have Private Fire
15 Protection. And then we have what would
16 typically be called "Municipal Fire Protection"
17 or "Hydrants", and that's a charge to communities
18 that pay the charge through the town or
19 community. And then we have individual hydrant
20 charges in certain communities where the
21 community has not elected to pay for the fire
22 protection directly, but these are additional
23 revenues that are added on to a typical customer
24 who benefits from fire protection in their area.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 So, there are a number of communities where the
 2 ratepayer, who benefits from the fire protection,
 3 is paying directly in their rates for what are
 4 considered "public hydrants". So, that's in the
 5 communities of Windham, Raymond, Lee, Exeter,
 6 Birch Hill, and Bow. And then, lastly, there is
 7 what we discussed, the North Country Capital
 8 Recovery Surcharge as well. And that makes up
 9 the rate classes of service for Pennichuck East
 10 Utility.

11 Q Thank you, Mr. Ware, for that overview. Now,
 12 Pennichuck East conducted a cost of service study
 13 for this rate filing, is that correct?

14 A (Ware) That is correct.

15 Q And, for temporary rate -- purposes of temporary
 16 rates, are any of the recommendations from that
 17 cost of service study being implemented?

18 A (Ware) No, they are not. We are proposing that
 19 the temporary rates be applied uniformly across
 20 all of the rate or service classes, with the
 21 exception of the North Country Capital Recovery
 22 Surcharge.

23 So, what we requested was a 15 percent
 24 across all -- increase across all customer rate

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 classes, and a slight reduction in the North
 2 Country Capital Recovery Surcharge. The
 3 Settlement Agreement was at the 14.03 percent,
 4 and that would be, again, applied uniformly to
 5 all the rate classes, with the exception of the
 6 North Country Capital Recovery Surcharge.

7 Q Okay. Mr. Ware, with respect to the Settlement
 8 14.03 overall -- or, percent increase, can you
 9 please explain when customers would see that rate
 10 change in their bills?

11 A (Ware) So, the Company would implement those
 12 rates as soon as the Commission issues an order
 13 approving temporary rates.

14 Q And, Mr. Ware, is it your understanding that
 15 temporary rates are reconciled with permanent
 16 rates at the conclusion of the rate proceeding?

17 A (Ware) Yes, it is.

18 Q And, Mr. Ware, can you just generally describe
 19 what that reconciliation entails?

20 A (Ware) Yes. So, the reconciliation is on a
 21 service-rendered basis back in this case to
 22 December 24th, 2020. So, if this case were
 23 settled and an order was issued and tariffs
 24 approved on December 24th, 2021, there would have

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 been a one-year timeframe in which we collected
 2 temporary rates at the 14.03 percent, if that is
 3 what the Commissioners approve.

4 To make it easy, if the rates that were
 5 granted were 19.03 percent, we would have been
 6 under collecting from the time we started
 7 collecting temporary rates by 4 percent. So, if
 8 temporary rates were approved by, and, again,
 9 just illustrative, there's no pressure here, by
 10 May 24th, keeping the dates simple, we would
 11 collect the -- we would have -- starting on May
 12 24th, we would be collecting the additional 14.03
 13 percent. So, on December 24th, we would have
 14 under collected from May 24th to December 24th by
 15 five percent. From December 24th to May 24, the
 16 rates were suspended, but we've been charging the
 17 rates granted in DW 17-128, we would be
 18 collecting the full 19.03 percent.

19 So, the reconciliation, the collection
 20 of what should have been collected falls into two
 21 steps: The full difference between the permanent
 22 rates that are granted and the current rates that
 23 are at December 24th, that the temporary rates,
 24 if they are approved, are approved, and then the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 difference between permanent rates and temporary
 2 rates, during the period from when the temporary
 3 rates were approved and we begin billing those
 4 until the new permanent rates take effect.

5 Q And thank you, Mr. Ware. So, with this
 6 reconciliation, the fact that the Company is not
 7 yet implementing the cost of service study
 8 changes, is it difficult to incorporate those
 9 when you do the reconciliation at the conclusion
 10 of the case?

11 A (Ware) Well, fortunately, today, we have
 12 computers. And, so, what would happen is, each
 13 bill is looked at uniquely. So, we will look at
 14 the period, and the amount of consumption,
 15 starting on from December 24th, 2020, to whenever
 16 the permanent increase goes into effect and goes
 17 into the bills, we will look at the consumption
 18 during that time period and we will look at what
 19 they actually paid. And then, we will run a
 20 reconciliation, where we would run through what
 21 that customer would have paid had they paid at
 22 the new rate from December 24th all the way on.
 23 And the difference between the cash collected
 24 during that timeframe, and what they should have

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 paid, reconciliation methodology is the amount
 2 that we end up collecting in the form of
 3 recoupment over a period of time, subject to
 4 Staff review and approval.

5 Q Thank you for that explanation. And, Mr.
 6 Goodhue, if I could just go back to you now,
 7 because I just covered a whole bunch of issues
 8 with Mr. Ware, with the QCPAC, the North Country
 9 Surcharge, the cost of service, description and
 10 recoupment. Do you have anything to add to his
 11 testimony?

12 A (Goodhue) I have nothing to add to Mr. Ware's
 13 testimony in this area. Just, again, for a point
 14 of reference for a number of parties who may have
 15 not have been involved in a case like this, or in
 16 one of the cases for PEU over the past several
 17 years, the North Country Capital Recovery
 18 Surcharge is a legacy item that comes forward all
 19 the way from back in 2010. There was a rate case
 20 filed for both our Pittsfield Aqueduct Company
 21 and our Pennichuck East Utility back in 2009.
 22 And, out of those cases, three of our community
 23 water systems, being Birch Hill, in North Conway;
 24 Sunrise Estates, in Middleton; and Locke Lake, in

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Barnstead, were, by Commission order, transferred
 2 from being community water systems of the
 3 Pittsfield Aqueduct Company to the Pennichuck
 4 East Utility as of December 31st, 2010.

5 All three of those systems had had
 6 material capital improvements made and debt
 7 associated with those capital improvements prior
 8 to that timeframe. And it was considered that
 9 the cost of servicing that pre-existing debt by
 10 other PEU customers was not the direction that
 11 should be taken. So, a fixed sum of debt service
 12 on those pre-existing debts is the dollars that
 13 comprise the North Company Capital -- North
 14 Country Capital Recovery Surcharge, say that
 15 three times fast. And, so, that's a fixed dollar
 16 amount that is not borne by other PEU customers,
 17 but is done, as Mr. Ware elucidated, the actual
 18 costs borne by each of the customers in those
 19 systems would go down or up over time, based on
 20 the number of customers sharing in the cost of
 21 the coverage of that fixed dollar amount for that
 22 debt service coming back from that legacy item.

23 So, that's just a point of
 24 illustration, I guess, or clarification, for the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 parties here to understand why this is a
 2 carve-out and an add-back in a rate filing for
 3 PEU, not only now, but in every rate case that we
 4 have, until those debt obligations expire
 5 sometime in the future.

6 Q Thank you for that history. I appreciate that
 7 for the record.

8 Mr. Ware -- Mr. Goodhue, if I could
 9 just continue with you please. And I wanted to
 10 have you explain, if you have an opinion on the
 11 just and reasonableness of temporary rates that
 12 are being proposed today, what is that opinion
 13 and what is -- if you could explain why you hold
 14 that opinion? Thank you.

15 A (Goodhue) My opinion is that they are just and
 16 reasonable, and consistent with the public
 17 interest. Pennichuck East Utility, in service to
 18 our customers in the nineteen communities we
 19 serve, has a cost of operations. As we've
 20 described, and was approved in the last found
 21 rate case of DW 17-128, our rate structure is
 22 really a cash flow-driven rate structure. We had
 23 a rate structure that was approved and rates that
 24 were approved coming out of that case. And, as

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 was described in that Schedule 1, or "Schedule A"
 2 I guess you might call it, that we talked about
 3 earlier on in this testimony, what is shown is
 4 there is a revenue deficiency based on that
 5 approved structure and those approved rates,
 6 based on the actual cost of operating the
 7 utility.

8 So, you know, my basis for whether
 9 these rates are just and reasonable, and our
 10 request is just and reasonable, is that the
 11 temporary rate relief we are seeking now, as a
 12 step towards permanent rate adjustment for the
 13 costs of operating the utility on behalf of
 14 customers, is a just and reasonable circumstance.

15 Q Thank you, Mr. Goodhue. And, Mr. Ware, I have
 16 the same question to you. If you could please
 17 explain, if you have an opinion concerning the
 18 just and reasonableness of the proposed temporary
 19 rates, and why you hold that opinion?

20 A (Ware) I also believe that the proposed temporary
 21 rates are just and reasonable, and for --
 22 basically, for the same reasons that Larry
 23 indicated. We have actual test year expenses,
 24 actual revenues, and they reflect the fact that

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 the Company, from a cash position, greatly under
2 collected the cash necessary to carry on its
3 operations during the test year. And, as such,
4 we need to have an increase in rates, so that
5 what we're bringing in, in terms of cash, allows
6 us to operate the utility on an ongoing basis.

7 MS. BROWN: Thank you, Mr. Ware. And,
8 at this point, I don't have any further questions
9 for Mr. Goodhue or Mr. Ware. And my
10 understanding is that Staff is going to put Mr.
11 Laflamme on as the third panelist today.

12 CHAIRWOMAN MARTIN: Okay. Thank you.
13 Go ahead, Ms. Fabrizio.

14 MS. FABRIZIO: Thank you, Madam Chair.
15 If Mr. Patnaude could you swear in Mr. Laflamme,
16 Staff would like to call him as a witness please.

17 MR. PATNAUDE: I believe Jayson was
18 sworn in at the same time as the other two.

19 MS. FABRIZIO: Oh. My apologies. I
20 missed that. Okay.

21 **JAYSON P. LAFLAMME, SWORN**

22 **DIRECT EXAMINATION**

23 BY MS. FABRIZIO:

24 Q Well, good afternoon, Mr. Laflamme. Could you

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 please state your full name for the record?

2 A (Laflamme) My name is Jayson Laflamme.

3 Q And by whom are you employed?

4 A (Laflamme) I am employed by the New Hampshire
5 Public Utilities Commission.

6 Q And what is your current position at the
7 Commission?

8 A (Laflamme) I am the Assistant Director of the Gas
9 & Water Division.

10 Q And could you please summarize your work
11 experience at the Commission?

12 A (Laflamme) Yes. I joined the Commission in 1997
13 as a Utility Examiner in the Commission's Audit
14 Division. In 2001, I joined the Commission's Gas
15 & Water Division as a Utility Analyst. And I was
16 eventually promoted to Senior Utility Analyst
17 within the Gas & Water Division. And, in 2018, I
18 became the Assistant Director of the Gas & Water
19 Division.

20 Q Thank you. And what are your responsibilities as
21 Assistant Director of the Division?

22 A (Laflamme) I directly supervise the Water Staff
23 of the Commission, and primarily oversee the
24 course of examination for various water and

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 wastewater dockets that are filed with the
2 Commission. I, though, directly examine select
3 dockets that come before the Commission, such as
4 the docket that's being heard today.

5 Q Thank you. And have you previously testified
6 before the Commission?

7 A (Laflamme) Yes, I have.

8 Q Thank you. So, Mr. Laflamme, could you please
9 describe your involvement in this particular
10 docket?

11 A (Laflamme) Yes. I examined the Company's rate
12 filing, in conjunction with the books and records
13 previously on file with the Commission regarding
14 PEU. I participated in the discovery process,
15 formulating data requests, reviewing data
16 responses. I participated in tech sessions, and
17 a settlement conference leading up to the
18 Settlement Agreement that is being presented
19 today.

20 I have also materially participated in
21 previous dockets and other rate cases relative to
22 PEU's ratemaking methodology, specifically DW
23 11-026, DW 13-126, and DW 17-128.

24 Q Thank you.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 CHAIRWOMAN MARTIN: Just a minute.

2 Ms. Fabrizio, when Mr. Laflamme is testifying,
3 can you just mute yourself?

4 MS. FABRIZIO: Oh, my apologies.

5 CHAIRWOMAN MARTIN: We're getting a lot
6 of feedback.

7 MS. FABRIZIO: Oh. Sorry about that.

8 BY MS. FABRIZIO:

9 Q Mr. Laflamme, do you believe PEU is underearning,
10 as you've heard earlier today, and therefore
11 requires temporary rates, in accordance with RSA
12 378:27?

13 A (Laflamme) Yes. Based on my analysis of PEU's
14 rate filing, and subsequent discovery, as well as
15 the books and records previously on file with the
16 Commission, I believe that PEU is significantly
17 underearning and should be granted temporary
18 rates.

19 Q Thank you. Now, I'd like you to look at the
20 Temporary Rate Settlement Agreement filed in the
21 docket, previously referred to and discussed
22 earlier by Attorney Brown and the Company
23 witnesses, and marked for identification as
24 "Exhibit Number 2". Do you have that document in

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 front of you, Mr. Laflamme?

2 A (Laflamme) Yes I do.

3 Q And did you assist in the preparation of this
4 document?

5 A (Laflamme) Yes, I did.

6 Q And are you familiar with the terms of the
7 Agreement?

8 A (Laflamme) Yes.

9 Q And would you make any changes or corrections to
10 Exhibit 2 as filed?

11 A (Laflamme) No.

12 Q Okay. And, turning to Section IV, Terms of
13 Agreement, (A), on Bates Page 004 of Exhibit 2,
14 this section states that "The Parties agree that
15 temporary rates be set at 14.03 percent over
16 existing base rates." Is that correct?

17 A (Laflamme) Yes, it is.

18 Q And the section further states that "The
19 derivation of this proposed [temporary] rate
20 increase is detailed in Attachment A to this
21 Agreement." Is that correct?

22 A (Laflamme) Yes.

23 Q And did you prepare Attachment A?

24 A (Laflamme) Yes, I did.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And can you please briefly walk us
2 through key highlights from Staff's perspective
3 of the schedules contained in Attachment A, which
4 begin on Bates Page 009 of Exhibit 2?

5 A (Laflamme) Certainly. I would specifically
6 direct your attention to the Summary schedule
7 that's contained on Bates Page 009, which
8 provides a comparison of the calculation of
9 temporary rates as proposed by the Company, based
10 on its Petition for Temporary Rates. That's
11 found in the left-hand column of numbers. And
12 the calculation of temporary rates proposed in
13 the Settlement Agreement, which is the right-hand
14 column of numbers.

15 Lines 1 through 10 of the Summary
16 schedule highlight the three components of PEU's
17 revenue requirement approved by the Commission in
18 the Company's prior rate proceeding, DW 17-128.
19 These components consist of the "City Bond Fixed
20 Revenue Requirement", found on Line (1); the
21 "Operating Expense Revenue Requirement", which is
22 calculated on Line (6); and the "Debt Service
23 Revenue Requirement" calculated on Line (9).
24 Line (10) contains the total of these three

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 components.

2 Specifically, the Settlement Agreement
 3 is proposing a revenue requirement from base
 4 rates and other operating revenues of
 5 "\$9,921,085". This is comprised of the City Bond
 6 Fixed Revenue Requirement, Line (1), of
 7 "\$926,309", the calculation of which is further
 8 detailed on Schedule 1 of Attachment A, which is
 9 on Bates Page 010. Then, there is the Operating
 10 Expense Revenue Requirement of "\$7,393,694", on
 11 Line (6), which is further detailed on Schedules
 12 2, 2a, 2b, and 2c, which are on Bates Pages 011
 13 through 014. And then, finally, a Debt Service
 14 Revenue Requirement of "\$1,601,082", which is
 15 further detailed on Schedule 3, or Bates Page
 16 015.

17 Q Thank you. Now, Line (10) of the Summary
 18 schedule states that this is a "Revenue
 19 Requirement exclusive of the North Country
 20 Capital Recovery Surcharge", as we've heard
 21 today.

22 Do you have anything to add to the
 23 Company's presentation on the Settlement at this
 24 point?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) I think Mr. Goodhue and Mr. Ware
2 explained the -- explained the origin and the
3 purpose of the North Country Capital Recovery
4 Surcharge. I think I would only add that that
5 surcharge, the North Country Capital Recovery
6 Surcharge, has no impact on the determination of
7 the proposed 14.03 percent increase in revenues
8 proposed in the Settlement Agreement.

9 Q Thank you. And, while the Summary schedule shows
10 that the City Bond Fixed Revenue Requirement
11 proposed in the Settlement is the same as that
12 proposed by the Company, and the Debt Service
13 Revenue Requirement is the same as that proposed
14 by the Company as well, the Operating Expense
15 Revenue Requirement component proposed in the
16 Agreement at Line (6) is 171,752 less than what
17 was originally proposed by the Company. Can you
18 please explain the difference?

19 A (Laflamme) Yes. And, really, I would call
20 attention to Bates Page 012 of the Settlement
21 Agreement, and specifically focusing on *Pro Forma*
22 Adjustments 3, 4, 5, and 6.

23 First of all, there are adjustments to
24 increase production expenses by \$45,341, to

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 reflect the five-year average of the Company's
2 production data relative to purchased water
3 expense and purchased power expense in the *pro*
4 *forma* test year. This is based on the ratemaking
5 mechanism that was approved for PEU in DW 17-128,
6 whereby certain of the Company's variable
7 expenses, specifically purchased water,
8 chemicals, and purchased power, that are impacted
9 by production, are reflected in PEU's revenue
10 requirement using a five-year trailing average
11 for production. This is done to minimize the
12 impact of the annual swings which may occur, with
13 regards to a particular test year, depending upon
14 whether it is especially wet or dry. The
15 specific adjustments, as I indicated, are found
16 on Schedule 2a, Bates Page 012, of Attachment A,
17 Adjustments 3 and 4.

18 The next adjustment reduces PEU's
19 amortization expense by \$213,318, relative to the
20 elimination of its annual amortization expense
21 related to the acquisition adjustment that was
22 reported when it was acquired by the City of
23 Nashua in 2012. Again, this elimination is per
24 the ratemaking mechanism approved by the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Commission in DW 17-128. And this adjustment
 2 appears on Schedule 2a as Adjustment Number 5.

3 And then, finally, the last adjustment
 4 is relative to the elimination of the Company's
 5 share of the New Hampshire Business Enterprise
 6 Tax of \$3,775 recorded during the test year. The
 7 Company's current ratemaking mechanism approved
 8 in DW 17-128 does not include this expense in its
 9 revenue requirement.

10 However, the Company has requested the
 11 inclusion of such in the permanent rate phase of
 12 the current rate proceeding. That adjustment,
 13 again, is on Schedule 2a, and is Adjustment
 14 Number 6.

15 The net of all of these adjustments
 16 results in a \$171,752 reduction in the Company's
 17 Operating Expense Revenue Requirement component.

18 Q Thank you. That's helpful. Can you please walk
 19 us through the calculations found on Lines (11)
 20 through (17) of the Summary schedule?

21 A (Laflamme) Sure. The calculated revenue
 22 requirement of "\$9,921,085" is reduced by the
 23 Company's test year other operating revenues of
 24 "\$30,188" to derive water revenues from base

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 rates. And that difference is "\$9,890,897".
 2 Comparing that amount to the Company's *pro forma*
 3 test year revenues derived from base rates of
 4 "\$8,674,184", the result shows a required
 5 increase in PEU's annual revenues derived from
 6 base rates of "\$1,216,713", or "14.03 percent".

7 As indicated earlier by Mr. Ware and
 8 Mr. Goodhue, during the test year the Company was
 9 authorized to charge a Qualified Capital Project
 10 Adjustment Charge of 2.98 percent. That was
 11 approved in DW 19-035. The *pro forma* annual
 12 revenues derived from that QCPAC are "\$258,491".
 13 And those *pro forma* QCPAC revenues will be, in
 14 effect, subsumed into the proposed temporary
 15 rates derived from base rates. And, as such, PEU
 16 will recognize a "\$958,222" annual increase in
 17 revenues, or "11.05 percent".

18 Q Thank you. And what will happen to the QCPAC if
 19 the proposed temporary rates are approved?

20 A (Laflamme) Per the Settlement Agreement, PEU will
 21 cease the application of its current 2.98 percent
 22 QCPAC on customer billings. Additionally, PEU
 23 will forego collection of its proposed 1.22
 24 percent QCPAC for 2020 that is currently pending

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 before the Commission in DW 20-019. And, as
2 such, PEU's QCPAC will be reset to zero percent.

3 Q Thank you. And on Bates Page 005 of the
4 Settlement Agreement discusses a proposed
5 decrease in the North Country Capital Recovery
6 Surcharge, as we've heard today. Do you have
7 anything to add to the Company's explanation of
8 that surcharge at this time?

9 A (Laflamme) No, I do not. Other than the fact
10 that, because of the -- because of the respective
11 decreases in the North Country Capital Recovery
12 Surcharge, that will decrease the Company's
13 annual revenues from the NCCRS, from \$181,603 to
14 \$178,915.

15 Q Thank you. And, as a result of the temporary
16 rates proposed by this Settlement Agreement, what
17 will PEU's overall revenues be?

18 A (Laflamme) That is calculated on Lines (18)
19 through (21) of the Summary schedule on Bates
20 Page 009. Specifically, the proposed revenues
21 from base rates will be "\$9,890,897". The
22 Company's other operating revenues will be
23 "\$30,188". And, as I just indicated, the
24 proposed North Country Capital Recovery Surcharge

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 revenues will now be "\$178,915". Summed
 2 together, the Company's annual revenues would be
 3 "\$10,100,000".

4 Q Okay. Thank you. And how will the proposed
 5 14.03 percent increase in revenues be applied to
 6 the Company's respective customer classes?

7 A (Laflamme) As indicated by Mr. Ware, the proposed
 8 14.03 percent temporary increase in revenues will
 9 be applied equally across all customer charges.
 10 And this is indicated on Schedule 4, or Bates
 11 Page 016 of Attachment A.

12 Q And do you have anything further to add regarding
 13 the impact of the proposed temporary rates on the
 14 Company's average residential customers?

15 A (Laflamme) Yes. Staff calculated the impact of
 16 the proposed temporary rates, on its average
 17 residential customers. And I have -- there are
 18 four sets of these impacts that Staff calculated.
 19 And I would also add that this encompasses the
 20 impact of the QCPAC that customers are currently
 21 paying. But it does not incorporate the impact
 22 of the fire protection charges that some
 23 customers are responsible for.

24 So, beginning with PEU's non-North

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

Country average residential customers, using 6.5 hundred cubic feet, or ccf, per month, and currently paying \$71.59 per month, the impact of the proposed temporary rates will result in an increase of \$7.65 per month, to an amount of \$79.24.

For PEU's Locke Lake average residential customers, using 3.45 ccf per month, and currently paying \$60.81 per month, the impact of the proposed temporary rates for those customers will result in an increase of \$4.90 is per month, to \$65.71.

For PEU's Sunrise Estates average residential customers, using 3.45 ccf per month, and currently paying \$58.74 per month, the impact of the proposed temporary rates will result in an increase of \$4.75 per month, to an amount of \$63.49.

And then, finally, for PUC's Birch Hill average residential customers, using 3.45 ccf per month, and currently paying \$60.81 per month, the impact of the proposed temporary rates will result in an increase of \$5.01 per month, to an amount of \$65.82.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And what is the proposed effective
2 date for temporary rates?

3 A (Laflamme) As indicated previously, the proposed
4 effective date is December 24th, 2020, on a
5 service-rendered basis.

6 Q Thank you. And, Section IV.C of the Settlement,
7 at Bates Page 005, indicates agreement by the
8 Parties that "temporary rates should be subject
9 to reconciliation, pursuant to RSA 378:29, after
10 the final determination of permanent rates by the
11 Commission." Is that correct?

12 A (Laflamme) Yes.

13 Q And how do you envision that occurring?

14 A (Laflamme) As is customary in previous water rate
15 cases, subsequent to the Commission's order on
16 permanent rates in this proceeding, the Company
17 will be filing a reconciliation of the revenues
18 actually collected under temporary rates,
19 compared to what it would have collected in
20 revenues had permanent rates been in effect from
21 the approved effective date to the date of the
22 Commission's order approving permanent rates.

23 This reconciliation should be
24 accompanied by the Company's proposal for

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 recovering or refunding the calculated revenue
 2 difference. Staff and the other parties will
 3 examine the Company's proposals, and will also
 4 have an opportunity to make recommendations to
 5 the Commission. Based on the Company's filing,
 6 as well as the subsequent recommendations filed
 7 by Staff and the other parties, the Commission
 8 will issue an order regarding either the recovery
 9 or refunding of the calculated difference between
 10 temporary and permanent rates.

11 Q Thank you. And do you believe that the temporary
 12 rates proposed in the Settlement Agreement are
 13 just and reasonable?

14 A (Laflamme) Yes.

15 Q And could you please explain?

16 A (Laflamme) Staff believes that the Company has
 17 demonstrated a need for rate relief, based on the
 18 application of the ratemaking methodology
 19 approved by the Commission in DW 17-128. Staff
 20 believes that the proposed Settlement Agreement
 21 will provide necessary revenues to the Company to
 22 meet its cash flow needs. And Staff also
 23 believes that the temporary rates being proposed
 24 will somewhat mitigate rate shock to PEU's

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 customers, relative to the possible institution
2 of permanent rates at the conclusion of this
3 proceeding.

4 Staff believes that the resulting rates
5 are just and reasonable for both the Company and
6 its customers.

7 Q Thank you. Do you have any additional thoughts
8 on the Agreement itself, based on what you heard
9 earlier today?

10 A (Laflamme) No, I do not.

11 Q And, to sum up, do you recommend that the
12 Commission approve the Settlement Agreement for
13 Temporary Rates and find that approval will set
14 just and reasonable rates for its customers --
15 the "Company's customers", I should say?

16 A (Laflamme) Yes.

17 Q And does that conclude your testimony today?

18 A (Laflamme) Yes, it does.

19 MS. FABRIZIO: Thank you. Mr. Laflamme
20 is available for questions.

21 CHAIRWOMAN MARTIN: Thank you very
22 much.

23 Okay. For cross, Mr. Kreis, do you
24 have cross today?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 MR. KREIS: Madam Chairperson, I do not
2 have any questions for these witnesses. And, of
3 course, I am a signatory to the Settlement
4 Agreement. And, so, I am supportive of what the
5 witnesses have been testifying about, which I'd
6 be happy to explain at the end of the hearing.

7 CHAIRWOMAN MARTIN: Okay. Thank you.
8 And Mr. Lirette?

9 MR. LIRETTE: Thank you. I have no
10 questions for the witnesses.

11 CHAIRWOMAN MARTIN: Okay. Thank you.
12 And Mr. Myers?

13 MR. MYERS: Yes. Thank you very much.
14 I just have one very quick question for Mr.
15 Laflamme please.

16 **CROSS-EXAMINATION**

17 BY MR. MYERS:

18 Q Mr. Laflamme, did I understand you correctly, or
19 did I not understand, that you said that the City
20 Bond Fixed Revenue Requirement, or the CBFRR, has
21 been removed from the revenue requirements?

22 A (Laflamme) No. The City Bond Fixed Revenue
23 Requirement is included in the determination of
24 the overall revenue requirement being presented

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 today.

2 Q All right. I apologize. Just one quick
3 follow-up.

4 Was one of the other fixed requirements
5 also -- actually stripped out of the temporary
6 rate structure?

7 A (Laflamme) I think you may be referring to the
8 North Country Capital Recovery Surcharge, which
9 is kind of -- it's a different revenue stream
10 from the base rates that are being proposed
11 today.

12 MR. MYERS: Okay. Thank you.

13 CHAIRWOMAN MARTIN: Okay. Thank you,
14 Mr. Myers. And last, Mr. Husband, do you have
15 questions?

16 MR. HUSBAND: Thank you, Chairwoman. I
17 have no questions today of either witness, or
18 "any of the witnesses", I should say.

19 CHAIRWOMAN MARTIN: All right. Thank
20 you. Commissioner Bailey.

21 COMMISSIONER BAILEY: Thank you.

22 BY COMMISSIONER BAILEY:

23 Q Mr. Goodhue or Mr. Laflamme, can you explain to
24 me the difference between -- or, what you mean by

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "base rates"?

2 A (Goodhue) I can answer. Mr. Laflamme did
 3 indicate that term. But "base rates", as I would
 4 see it from the Company's perspective, are the
 5 permanent rates that have been approved out of DW
 6 17-128, and are comprised of the various revenue
 7 buckets approved in that case. Being the CBFRR,
 8 which is the City Bond Fixed Revenue Requirement,
 9 or the portion of revenues that are required to
 10 service the debt that the City floated in order
 11 to purchase the Company in 2012. You've got the
 12 OERR bucket of revenues, or the Operating Expense
 13 Revenue Requirements.

14 Q I understand the buckets, Mr. Goodhue.

15 A (Goodhue) Oh. I'm sorry. Okay. Yes.

16 Q So, what I'm trying to get at, though, is do
 17 "base rates" include things like usage rates?

18 A (Laflamme) Yes. Yes. Yes, what I mean by, when
 19 I use "base rates", I mean the volumetric rates
 20 and the -- and the meter and the monthly meter
 21 charges. I use the term "base rates" in order to
 22 differentiate those particular rates from the
 23 surcharges, such as the North Country Capital
 24 Recovery Surcharge and the -- and the QCPAC.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Okay. Thank you. So, then, every single rate,
 2 except for the North Country Capital Recovery
 3 Surcharge, is going to go up 14.03 percent, and
 4 we're going to eliminate the QCPAC. Is that a
 5 summary of what we're doing here?

6 A (Laflamme) Yes.

7 A *(Witness Goodhue nodding in the affirmative).*

8 Q Okay.

9 A (Laflamme) Or, actually, I'd like to clarify.
 10 Not "eliminate the QCPAC", but reset the QCPAC
 11 percentage to zero.

12 Q Okay. Thank you for that clarification. So, Mr.
 13 Laflamme, you went through the bill impacts, and
 14 I was surprised, because I did a quick
 15 calculation of the percent, the bill -- the
 16 percentage increase for the bill. And I would
 17 have expected that the bills would have gone up
 18 14 percent, if all the rates go up 14 percent.
 19 Is that reasonable?

20 A (Laflamme) Well, what the -- what I included in
 21 the rates that customers are currently paying
 22 are -- they also reflect -- they reflected the
 23 QCPAC, the 2.98 percent QCPAC that customers are
 24 currently paying. As indicated, if temporary

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 rates are approved, then the QCPAC goes from 2.98
 2 percent to zero. And, so, in effect, the
 3 customers are already paying 2.98 percent of
 4 the -- a 2.98 percent portion of the 14.03
 5 percent increase in base rates.

6 Q Right. Sorry, I understand that. So, then, it
 7 would have been like an 11 percent increase, if
 8 every rate goes up? Or, here's my question, my
 9 bottom line question. The first bill impact
 10 group that you talked about, you said they
 11 currently pay "\$71.59 a month". You want me to
 12 give you a minute to get to that, what you were
 13 looking at?

14 A (Laflamme) Sure. Yes. Yes.

15 Q Okay. What customer group was that?

16 A (Laflamme) That was the non-North Country average
 17 residential customers.

18 Q Okay. So, their rate -- their monthly bill is
 19 going to go from \$71.59 to \$79.24. Is that
 20 right?

21 A (Laflamme) Yes. Yes.

22 Q And I -- okay. And I calculate that to be about
 23 a 10.7 percent overall increase. Would you agree
 24 with that?

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) Yes. Sure.

2 Q Okay. So, that's close to the 11 percent that I
 3 would have expected.

4 A (Laflamme) Yes.

5 Q But the other three -- the other three groups
 6 that you mentioned are more like 8.1, 8.2 percent
 7 overall increase. Can you explain why that is?

8 A (Laflamme) Because those are also reflective of
 9 the decreases in the North Country Capital
 10 Recovery Surcharges. So, in other words, for the
 11 Locke Lake system, you know, there is that
 12 approximate 11 percent in the base charge, but
 13 also the rates that I indicated also include a
 14 reduction in the NCCRS, from \$12.81 to \$12.58.
 15 So, rather than -- rather than an increase in
 16 those North Country Capital Recovery Surcharges,
 17 those customers are going to realize a decrease
 18 in that. So, therefore, the rates -- the overall
 19 rates probably would be closer to 8 percent, as
 20 you calculated.

21 Q Okay. That's, you know, like a 50 cent
 22 difference. That's not -- Mr. Goodhue maybe can
 23 help explain.

24 A (Goodhue) Yes. And one of the things I think

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 that Mr. Laflamme is trying to describe, the
 2 current rates that those North Country residents
 3 are paying, including in that bill that they're
 4 currently paying, is the North Country Capital
 5 Recovery Surcharge. So, if you strip that out
 6 and come to what that amount is exclusive of
 7 that, and then compare that to the new rate,
 8 you're going to see that 11 percent increase,
 9 Commissioner.

10 Does that make sense? Did I explain
 11 that?

12 Q Yes. I think that makes sense.

13 A (Goodhue) Yes.

14 Q So, we can say that customers are going to get
 15 about an 11 percent increase in their bills as a
 16 result of this temporary rate? All customers
 17 will?

18 A (Goodhue) Exactly.

19 Q And the North Country customers will get, you
 20 know, less than a dollar decrease?

21 A (Laflamme) Yes.

22 A (Goodhue) The North Country customers are going
 23 to get the same increase in their base rates that
 24 everybody else is, but they have this Capital --

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 North Country Capital Recovery Surcharge, again,
 2 say that three times fast, that is, you know,
 3 overall embedded on top.

4 Q Okay. When do you expect that the North Country
 5 Surcharge will have fully recovered the debt that
 6 you are recovering through that?

7 A (Goodhue) You know, I'm trying to recall exactly
 8 the age of those debts, Commissioner. I know it
 9 was as of 2010. I think that a lot of those
 10 debts were incurred in the 2006 and 2007
 11 timeframe. So, if you roll forward, anywhere
 12 between probably 2031 and '32. I could look it
 13 up.

14 But, you know, they still got
 15 another -- another ten years in our windshield,
 16 as far as the timeframe. So, it's approximately
 17 that.

18 A (Ware) So, Larry, you may, and for Commissioner,
 19 that debt was retermed in 2016 or '17, as part of
 20 DW 17-128.

21 A (Goodhue) Thank you.

22 A (Ware) So, it was extended thirty years, in order
 23 to reduce the level of payment. And also
 24 match -- those were for assets that had mostly

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 pipeline and other stuff, 70- to 80-year lives.
 2 And, as a result, you know, the fact is is that
 3 it's like 2047 before that surcharge disappears.
 4 A (Goodhue) Thank you for that reconciliation, Mr.
 5 Ware. So, thank you.
 6 A (Laflamme) Yes. And I would also add that, I
 7 believe that there are two loans in play relative
 8 to that surcharge. And those loans are
 9 highlighted on Bates Page 015 of the Settlement
 10 Agreement. I don't know if you have a color -- a
 11 color copy of that. But one of them is about,
 12 what, four lines down from the top, it's the
 13 "Birch Hill North Country Loan". And then, the
 14 second one is at the very bottom of the listed
 15 loans, and that's "Penn Corp: Refinanced
 16 \$1,157,403 North Country Loan of 2018". And it
 17 also provides -- those two lines provide the
 18 maturity dates for those two loans.
 19 A (Goodhue) Yes. So, the answer is kind of a
 20 bifurcated answer, Commissioner Bailey. This is
 21 Mr. Goodhue. In that we do have one of the loans
 22 expiring about 10 years from now, and another one
 23 17 years from now -- 27, do my math, 27 years
 24 from now.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Okay. Thank you. Can we look at Exhibit 2, Page
2 10?

3 A *(Witness Goodhue nodding in the affirmative)*.

4 Q So, Mr. Goodhue, this is --

5 A (Goodhue) Go ahead.

6 Q Can you hear me?

7 A *(Witness Goodhue nodding in the affirmative)*.

8 Q Okay. This is the calculation of PEU's portion
9 of the loan that the City purchased. And, if you
10 go through the lines there, one, two, three,
11 four, five, six, the seventh line down from, you
12 know, where it says "Total City Bond", "Bond
13 Interest Rate", "Bond Period", "Total City Bond",
14 "Less Rate Stabilization fund", "Amount of City
15 Bond to be prorated", and then it says "PWW Share
16 of CBFRR". Should that be "PEU"?

17 A (Laflamme) Yes.

18 A (Goodhue) Yes. Yes, it should be. Yes, it
19 should be. Very good catch.

20 Q Okay. I was just trying to understand the
21 calculation, and I was wondering why. So, both
22 of those "PWW"s should be "PEU"?

23 A (Goodhue) That is correct.

24 Q Okay. All right. So, it's just a typo. And

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 then, possibly the rest of the -- well, not the
 2 rest of the whole page. But just take a look
 3 down that page and see if there's any other PWWs.
 4 I think that's the only place.

5 A (Goodhue) I think you're correct, that that is
 6 the only place that did not get properly updated,
 7 Commissioner.

8 MS. BROWN: Could we reserve a record
 9 request, Exhibit 4, for this sheet only, just to
 10 correct it?

11 COMMISSIONER BAILEY: I mean, I
 12 understand it. It's up to the Chair.

13 CHAIRWOMAN MARTIN: I think we could
 14 take it as a record request, and that way we'll
 15 have a clean record.

16 COMMISSIONER BAILEY: Okay.

17 **(Exhibit 4 reserved)**

18 MS. BROWN: Thank you. I prefer to
 19 have many eyes on this document, and actually,
 20 you know, be assured that we are accurately
 21 representing it. Thank you very much.

22 BY COMMISSIONER BAILEY:

23 Q Okay. Now, I'd like to look at the Annual
 24 Report, Exhibit 3, on Page -- Pages 4 and 5. And

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 this shows the -- see if I can get this back
2 together -- the lost water, right, at the bottom
3 of the page of each table?

4 A *(Witness Goodhue nodding in the affirmative).*

5 Q Mr. Goodhue is shaking his head "yes". Okay.

6 A (Goodhue) I'm sorry. That is correct, ma'am.

7 Q Okay. So, if we look at "Farmstead" -- no,
8 sorry, "Daniels Lake", "67 percent" of your water
9 is lost, and "Gage Hill", "69 percent", and
10 "Goldenbrook", "49 percent", there are some big
11 numbers here. Would you agree with that? And
12 could you explain why that is?

13 A (Ware) Yes, Commissioner. Let me address that.
14 This is Don Ware.

15 So, first of all, when you pick out
16 "Daniels Lake", that is a three gallon a
17 minute --

18 *(Multiple speakers within the audio*
19 *feed.)*

20 COMMISSIONER BAILEY: Jody? Jody,
21 you're not on mute.

22 CHAIRWOMAN MARTIN: Ms. Carmody, can
23 you go on mute please?

24 MS. CARMODY: I'm sorry. I just lost

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 like everybody. Did everybody else lose? Okay.
2 I am going to put myself back on mute. I was
3 trying to call in to see if could figure out
4 what's going on, and you all appeared. So,
5 sorry.

6 CHAIRWOMAN MARTIN: That's okay. Thank
7 you.

8 WITNESS GOODHUE: Somebody else is not
9 on mute.

10 WITNESS WARE: Yes.

11 CHAIRWOMAN MARTIN: Appears that
12 everyone else is on mute.

13 That's better. Okay. Go ahead.

14 BY COMMISSIONER BAILEY:

15 Q All right. So, Mr. Ware, you were explaining
16 the table in Exhibit 3.

17 A (Ware) Yes. Well, let's start out with Gage
18 Hill. So, by example, Gage Hill is 29 customers.
19 It's got a single well. And it has about two
20 miles' worth of pipeline. There's an average of
21 11 to 12 leaks a year. But, like I said, that
22 one it averages -- that amount of unaccounted for
23 water was two gallons per minute. So, two
24 gallons per minute, and that water is one of the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 unique ones in that it's not treated at all, it
 2 gets a little bit of chlorine.

3 You know, and I could pull up, I
 4 actually calculate every year the cost of the
 5 unaccounted for water. The cost of the
 6 unaccounted for water there is about \$2,000 a
 7 year, because it's a very small system. And,
 8 when you're looking for a two gallon a minute
 9 leak, it's typically on a service, could be a
 10 little crack on a piece of pipe, on a number of
 11 different services, very difficult to find.

12 And, so, we prioritize, in the 45
 13 systems, based on the cost of the leak, and the
 14 size of the leak, and the capacity of the wells,
 15 where we look. Because tracking down, you know,
 16 in order to find a leak like that, you have to
 17 do, you know, look for it at night, when
 18 everything is quiet. Otherwise, you'd hear usage
 19 in the system from other customers. So, it
 20 gets -- you spend thousands of dollars in order
 21 to find a small leak.

22 So, long story short, our goal is to,
 23 you know, is to strive for 15 percent unaccounted
 24 for, ideally 10 percent or less, I'll call it

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "non-revenue water".

2 There are certain systems, again, Gage
3 Hill has been on our list of pipe to replace,
4 but, for 29 customers, it's about an \$800,000
5 pipe replacement. And, so, you struggle, how
6 much do you spend? Now, there is a disruption to
7 those customers. So, typically, once a month, I
8 said there was 12 breaks there last year, those
9 people are without water for a day. So, at some
10 point, you're going to go in and you're going to
11 replace that pipe. But other, you know, other
12 systems have higher priorities.

13 Locke Lake, when we took it over, had
14 leakage rates of about 70 percent. We're down
15 now, as of last month, we're averaging about 17
16 to 18 percent, roughly 25 to 26 gallons a minute.
17 That is on a conservation program with the DES.
18 And we go through and listen on that system
19 actively every year. We've replaced most of the
20 pipe in that system. But the customer side, the
21 stop in prior to the meter, is where the leakage
22 is happening. And, so, again, you have to find
23 it, and you have to go and listen on 1,100
24 services, and that 29 gallons a minute is

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 typically spread, you know, if you could find it
 2 all, you know, would be spread amongst a dozen
 3 services or so. So, those are the challenges.

4 Daniels Lake is a little, tiny system
 5 with 25 customers, in Weare, New Hampshire. And,
 6 again, when you look at the leakage, the rate,
 7 that amount of leakage is accounting, so, it's
 8 smaller than Gage Hill, it's a little less than
 9 two gallons a minute. And, so, those are ones
 10 that, again, we typically do not spend a lot of
 11 time on. Eventually, a leak will get bad enough
 12 and it will surface. And like it's groundwater,
 13 so, it returns to groundwater. And the cost of
 14 either finding the leak and/or repairing it far
 15 exceeds the cost of the leakage itself.

16 So, like I said, we have all 45 of
 17 those systems, plus all the systems in PWW,
 18 categorized by the type of treatment, the amount
 19 of treatment, the electrical costs, based on the
 20 size of the wells and the booster pumps, and we
 21 track month over month, because we read the
 22 production meters on the same day as we read all
 23 the retail meters, and we track month over month
 24 the unaccounted for, and go over the systems

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 where the costs are the highest, and where you're
 2 not going to spend more finding the leak than
 3 letting it go.

4 Q And, so, what's the total cost on a monthly basis
 5 or on an annual basis for all of this unaccounted
 6 for water?

7 A (Ware) All right. I'm going to pull up this
 8 spreadsheet. So, just bear with me. I certainly
 9 would be willing to share this in the form of a,
 10 you know, data response.

11 Q That's fine. I just -- my question is, how much
 12 are these leaks adding to your operating
 13 expenses? And you're saying "not as much as it
 14 would cost to repair them."

15 A (Ware) Right. And remember, percentage. So,
 16 I'll use as an example, the core system in
 17 Pennichuck Water Works is about 9 percent
 18 unaccounted for. That's considered to be "top
 19 shelf". Put that into perspective, we're
 20 averaging 10 million gallons of water a day, 9
 21 percent of that is 900,000 gallons a day.

22 A two gallon a minute leak is 2,880
 23 gallons of water per day. And, so, with these
 24 small systems, little tiny leaks rarely pop up.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 But, again, the cost is fairly minimal, you know,
 2 to those. And we, you know, have one person,
 3 that's effectively all they do, you know, is go
 4 out and investigate, you know, leaks in some of
 5 the systems.

6 We've literally been chasing a leak in
 7 one system for two years, been out at night, you
 8 know, check the production meter, go and shut off
 9 different parts of the system in order to see
 10 where the leak is, and have been unable to find
 11 it. We had the state come in, through a grant,
 12 look at the same system; they couldn't find it.
 13 And it's, you know, in this case, it's about a
 14 6.6 gallon a minute leak, or multiple leaks that
 15 total that.

16 So, it is a challenge. We spend a lot
 17 of time on it. You know, overall, again, I can
 18 pull up the number. I can tell you, if you
 19 eliminated everything, all leakage above 10
 20 percent, based on current day costs, what the
 21 cost would be. And, while I'm sitting here
 22 talking, I'm trying to get to that, that point.

23 All right. So, this is a run for 2020.
 24 And, in PEU -- so, in PEU, as a for instance, we

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 reported 62 leaks during 2020. And the cost of
 2 the total leakage across all the systems above
 3 the 10 percent threshold was \$76,000. But, by
 4 example, you know, where was the biggest part of
 5 that? It was in the Londonderry system, which is
 6 a big system. It's around 2,000 customers. And
 7 the unaccounted for water in what's called the
 8 "Londonderry core", averages, you know,
 9 typically, right now about 14 percent. So, it's
 10 below the 15 percent level. It's just a big
 11 system, more flow.

12 So, I was just going to pull up, in
 13 Weare, the cost of that leak, let's see, well,
 14 actually, in 2020, because you have the 2019
 15 before, let's see, the unaccounted for was 43
 16 percent, and the cost -- the cost of that leakage
 17 over 10 percent was \$705.01.

18 You know, so, again, we prioritize. I
 19 said, you know, during the year, 62 leaks were
 20 found and, you know, found and located. We have
 21 somebody actively searching, based on the monthly
 22 report comparing production against -- production
 23 into the system against actual metered water.

24 COMMISSIONER BAILEY: Okay. Thank you

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 very much for that explanation.

2 That's all I have, Madam Chair.

3 CHAIRWOMAN MARTIN: Okay. Thank you.

4 I just have one question left related to

5 foregoing collection of the 2020 QCPAC.

6 BY CHAIRWOMAN MARTIN:

7 Q That Docket 20-019 is open. Is there a plan to
8 withdraw that request or how is that -- how are
9 we going to handle that pending request? If
10 anyone knows?

11 MS. BROWN: Was there a Staff
12 recommendation letter issued in that docket?

13 CHAIRWOMAN MARTIN: There was a Staff
14 recommendation, yes.

15 WITNESS LAFLAMME: Yes.

16 CHAIRWOMAN MARTIN: If the witnesses
17 don't know, I can hear from counsel at the end.
18 I just wanted to close the loop on what exactly
19 "forego collection" in the other docket means,
20 and what implications it has for the docket?

21 **BY THE WITNESS:**

22 A (Goodhue) This is Mr. Goodhue speaking. One of
23 the things I think that's important for the
24 Company to say is, you know, we're agreeing to

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 embed that QCPAC surcharge into the temporary
 2 rate request as we're awaiting permanent rate
 3 relief in this case. But it is important that
 4 the QCPAC process, on an annual basis, continue
 5 to be adhered to. Because we do issue debt
 6 annually, and must get the cash flow coverage to
 7 service that debt annually.

8 So, I will defer to, you know, our
 9 attorney and the Staff attorney to talk about the
 10 legal process of that. But it's important for us
 11 to understand that it's -- this is a process that
 12 has to continue going forward with an annual
 13 filing and consideration between rate cases.

14 BY CHAIRWOMAN MARTIN:

15 Q Thank you, Mr. Goodhue. When you say we're
 16 "embedding that in the temporary rates", though,
 17 that refers to the QCPAC that's currently
 18 approved in DW 19-035, right? In 20-019, that
 19 has not been approved. And, so, that's why I
 20 have the question.

21 (Short pause.)

22 CHAIRWOMAN MARTIN: Well, we'll hear
 23 from counsel on that at the end.

24 **BY THE WITNESS:**

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Commissioner Martin, the intent is to
2 forego that. I'm not the attorney. In other
3 words, that case will be terminated, assuming
4 temporary rates are granted. If temporary rates
5 were not granted, say it was a determination to
6 set temporary rates at current rates, so there
7 was no effective increase, we would need to
8 proceed with that case, because we started
9 incurring the principal and interest payments on
10 the loan entered into CoBank last November.

11 CHAIRWOMAN MARTIN: Okay. Thank you,
12 Mr. Ware.

13 Commissioner Bailey.

14 BY COMMISSIONER BAILEY:

15 Q So, if we approve the temporary rates, are we
16 finding that the investments in the 2020 QCPAC
17 case are prudent?

18 MS. BROWN: Did you want me to respond
19 to this now or later?

20 CHAIRWOMAN MARTIN: Commissioner
21 Bailey?

22 COMMISSIONER BAILEY: Either way is
23 fine with me.

24 CHAIRWOMAN MARTIN: I mean, I think

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 we're going to need to hear from counsel, because
2 it says "we will forego collection". So, we'll
3 need clarity on that.

4 Why don't we wait and just see if
5 there's any redirect and hear from counsel at the
6 end.

7 Okay. I have no other questions. So,
8 Ms. Brown, do you have redirect?

9 MS. BROWN: I don't believe I have
10 redirect. And I'm seeing my witnesses saying
11 "none". Thank you.

12 CHAIRWOMAN MARTIN: Okay. And
13 Ms. Fabrizio?

14 MS. FABRIZIO: I do not actually have
15 redirect. But, to the extent that Mr. Laflamme
16 is able to respond to the issues raised about
17 20-019, I would give the floor to him. I am not
18 on that docket. So, I am not familiar with it at
19 this point.

20 CHAIRWOMAN MARTIN: Okay. Yes.
21 Definitely, Mr. Laflamme, if you have any
22 testimony in response to my question or
23 Commissioner Bailey's, it would be helpful.

24 **BY THE WITNESS:**

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) Yes. In DW 20-019, as indicated
2 before, there was a Staff recommendation for
3 approval of the Company's 2020 QCPAC, based on
4 its 2019 capital expenditures. And that is
5 currently pending, that is currently pending
6 before the Commissioners.

7 As Mr. Goodhue indicated, that I think
8 Staff's position is that that particular
9 proceeding is kind of in stasis right now,
10 pending the Commission's decision on the
11 temporary rates in this proceeding.

12 BY CHAIRWOMAN MARTIN:

13 Q But, to Commissioner Bailey's question, if the
14 Settlement Agreement is approved, that doesn't
15 have an implicit approval of the QCPAC in DW
16 20-019. That is actually being forgone?

17 A (Laflamme) I don't believe that it does. And I
18 may be speaking outside of my lane of expertise
19 here, because I am not -- I am not an attorney.
20 But, you know, it's my belief that the temporary
21 rates are based on the books and records on file
22 with -- on file with the Commission. And those
23 books and records on file with the Commission
24 include the improvements that were made by the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Company in 2019.

2 And I think -- I think, given the
3 reconciliation statute for temporary rates, I do
4 not believe that it's -- that a final
5 determination is required by the Commission at
6 this point to find that those capital
7 expenditures were prudent, used and useful.

8 CHAIRWOMAN MARTIN: Commissioner
9 Bailey, do you have -- oh, you do. Go ahead.

10 BY COMMISSIONER BAILEY:

11 Q So, does that mean that we would be doing that
12 determination as part of the rate case, because
13 it's 2019, and that's the test year?

14 A (Laflamme) That would be -- that would be my
15 unlegal opinion, yes.

16 COMMISSIONER BAILEY: Okay. Thank you.
17 That makes sense.

18 CHAIRWOMAN MARTIN: Okay. Let's see.
19 We need to deal with the exhibits. So, without
20 objection, we will strike the ID on Exhibits 1
21 through 3 and admit those as full exhibits. And
22 we will also leave the record open and reserve
23 Exhibit 4 for the record request, which will be
24 for the corrected Bates Page 010 of Exhibit 2.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Anything else related to the exhibits?

2 [No verbal response.]

3 CHAIRWOMAN MARTIN: Okay. Then, we
4 will start with closings. And we will hear from
5 Mr. Kreis first.

6 MR. KREIS: Thank you, Madam
7 Chairwoman. And thank you for calling on me
8 first.

9 As I've already stated, the Office of
10 the Consumer Advocate is a signatory to the
11 Settlement Agreement, and we urge its approval.
12 Trimming back the temporary rate request to an
13 across-the-board increase of about 14 percent,
14 and zeroing out the QCPAC, seems like a
15 reasonable step to take at this point in the
16 proceeding.

17 Obviously, everything is fully
18 reconciling back to the temporary rate effective
19 date, which I remember is back in December, I
20 believe. And, so, I think that there are
21 relatively few issues for the Commission to gnaw
22 over here.

23 I would assume it's fairly obvious, or
24 at least it seems fairly obvious to me, that the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 letter that the Staff of the Commission filed in
 2 20-019, back on March 11, becomes a bit of a moot
 3 point at this point. Because, again, what the
 4 Company has agreed to do is reset the QCPAC back
 5 down to zero. And, obviously, in future years,
 6 it will gather steam again.

7 I don't think I have much else to say,
 8 other than to suggest that the Commission approve
 9 the Agreement. I want to assure everybody that
 10 there are plenty of issues in this rate case to
 11 gnaw over during the permanent phase. None of
 12 them are truly implicated by the Temporary Rate
 13 Settlement. And we look forward to working with,
 14 and I suppose possibly arguing with, the Company
 15 about the issues in the permanent rate case in
 16 due course.

17 CHAIRWOMAN MARTIN: Thank you, Mr.
 18 Kreis. Commissioner Bailey, did you have any
 19 questions?

20 COMMISSIONER BAILEY: No thanks.

21 CHAIRWOMAN MARTIN: Okay.

22 Ms. Fabrizio.

23 MS. FABRIZIO: Thank you, Madam Chair.

24 I would say at this point, Staff

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 supports the Company's request for temporary
 2 rates in this docket. We believe that the
 3 Company's Petition for Temporary Rates meets the
 4 applicable requirements of RSA 378:27, and that
 5 appropriate customer rates will result when
 6 permanent rates are ultimately approved and the
 7 temporary rates are reconciled at the conclusion
 8 of this proceeding.

9 The Company provided adequate notice to
 10 its customers of the proposed temporary rate
 11 impact. And, based on a preliminary review of
 12 the Company's permanent rate petition and related
 13 filings, Staff finds that the temporary rate
 14 proposal is reasonable and in the public
 15 interest.

16 Staff also supports approval of the
 17 Settlement presented today, which establishes an
 18 appropriate framework with which to proceed in
 19 considering the Company's request for a permanent
 20 change in rates.

21 Staff, therefore, recommends that the
 22 Commission approve the Petition for Temporary
 23 Rates and the Settlement before it today.

24 Thank you.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 CHAIRWOMAN MARTIN: Thank you. And
 2 Mr. Myers.

3 MR. MYERS: Thank you. Thank you very
 4 much for this opportunity. I'll be brief.

5 I did listen to Donald Ware tell us the
 6 primary drivers of the increase, which included
 7 union and labor costs, purchased water costs,
 8 treatments costs, community wells, like the one
 9 that adjoins my backyard, insurance costs,
 10 property taxes, *etcetera*. And I do understand
 11 that a lot of work on the parts of all the people
 12 here went into this.

13 At the same time, I just do want to put
 14 on the record that, during the test year, the
 15 inflation rate in the United States was 1.8
 16 percent, and, in the two previous years, 2.4 and
 17 2.1. So, a 14 percent, and I understand it's a
 18 temporary rate increase, to me, and to my
 19 clients, is rate shock.

20 The 2019 Social Security increase was
 21 only 1.6 percent. And if you -- I would ask the
 22 Commission please to take those facts as
 23 administrative notice, because they have been in
 24 the papers, they have been in the media. Where

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Social Security has only gone up 1.6 percent in
 2 the test rate -- in the test year, I think that
 3 a 14 percent temporary rate increase is rate
 4 shock.

5 Again, I do recognize that a lot of
 6 work has gone into considering these numbers and
 7 looking at the charts. At the same time, in the
 8 case of *Appeal of Eastman Sewer Company*, 138 New
 9 Hampshire 221, the Supreme Court noted that, in
 10 determining just and reasonable rates, the PUC
 11 "must balance the consumers' interest in paying
 12 no higher rates than are required", and that the
 13 protection of the Company's interests "must be
 14 secondary to the primary concern of the
 15 Commission, which is the protection of the
 16 consuming public."

17 So, that's why I did not sign off on
 18 the Agreement. And I would just note again, I
 19 know a lot of work has gone into this. But I
 20 would ask that a lot more work go into the final
 21 rates later this year.

22 And thank you for giving me the
 23 opportunity to speak, Commissioner.

24 CHAIRWOMAN MARTIN: Thank you, Mr.

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Myers. Commissioner Bailey, do you have any
2 questions?

3 *(Commissioner Bailey indicating in the*
4 *negative.)*

5 CHAIRWOMAN MARTIN: Okay. And Mr.
6 Lirette.

7 MR. LIRETTE: Thank you, Chairwoman.
8 The Towns of Londonderry, Pelham,
9 Litchfield, and Hooksett are signatories to the
10 Agreement. We agree to the rates as set forth by
11 the terms of the Agreement.

12 And would just add, we reserve our
13 right to challenge the permanent rates in the
14 future in the final determination by the
15 Commission.

16 Thank you.

17 CHAIRWOMAN MARTIN: Thank you. Mr.
18 Husband.

19 MR. HUSBAND: Thank you, Chairwoman.
20 At this time, I want to just thank the Commission
21 for providing me this opportunity.

22 And say that I don't have much to say,
23 except that I will speak more on the permanent
24 rates. I am a signatory to the Temporary Rates

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Agreement, though, and I do support its
2 approval.

3 CHAIRWOMAN MARTIN: Thank you, Mr.
4 Husband. And Ms. Brown.

5 MS. BROWN: Thank you, Commissioners,
6 for your time today.

7 The points that the Company has put on
8 the record through the witnesses, Mr. Goodhue and
9 Mr. Ware, I'm not going to reiterate. But the
10 Company respectfully requests that the Commission
11 approve the Temporary Rate Settlement. The
12 Commission does have authority under the
13 temporary rate statute in RSA 378 to award
14 temporary rates.

15 The Company's books and records on file
16 show that, based on actual expenses, and we
17 understand, you know, the cost-of-living
18 argument, rate of inflation argument, but, based
19 on actual expenses, the Company is not earning
20 sufficient revenues to cover its costs to operate
21 the system.

22 And the Commission has suspended the
23 Company's rates, and thereby set in motion a
24 confiscatory rate situation, which we are hoping

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 to address with the temporary rate proposal,
 2 temporary rates, and full reconciliation at the
 3 conclusion of the case. We think that that will
 4 take care of the confiscatory nature of the
 5 suspended rates, given the fact that the Company
 6 is not earning its needed revenues.

7 The effective date, December 24th, has,
 8 as we stated through the witnesses, been amply
 9 noticed to the customers. And, so, we think it
 10 complies with the Commission's rules and the
 11 statutes, and, in particular, the 1980 *Appeal of*
 12 *Pennichuck* case that rates cannot be effective
 13 any earlier than the properly noticed tariffs.
 14 And the tariffs were indeed noticed for an
 15 effective date of December 24th when they were
 16 originally filed.

17 And, so, with those, and that summary,
 18 we respectfully ask that the Commission approve
 19 the Settlement Agreement.

20 But, given that we are now in May, and
 21 I hear that Commissioner Bailey may be leaving us
 22 in June, and this may be the last hearing that we
 23 have for this Company before her, I just wanted
 24 to publicly thank her service, her public service

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 for decades, and wish her well in her next
2 endeavor.

3 And, again, thank you for your time
4 today.

5 CHAIRWOMAN MARTIN: Commissioner
6 Bailey.

7 COMMISSIONER BAILEY: Thank you,
8 Ms. Brown.

9 CHAIRWOMAN MARTIN: Okay. Well, thank
10 you, everyone, for your efforts today. And I do
11 want to recognize the parties, and the witnesses
12 specifically, for the amount of detail that you
13 walked through for your presentation today. That
14 is very much appreciated, and not everybody does
15 that. So, thank you for doing that today.

16 We will take this matter under
17 advisement and issue -- oh, Ms. Brown, do you
18 have your hand up?

19 MS. BROWN: Yes. And I'm sorry if the
20 background is getting -- confusing it.

21 I forgot, in my closing, to address the
22 point that you had asked of "what do the lawyers
23 think about disposition of DW 20-019?"

24 If you would like me to opine on that,

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 I can?

2 CHAIRWOMAN MARTIN: Yes. Let's do that
3 before we close.

4 MS. BROWN: Given that there is the
5 Staff recommendation there, and given that this
6 is an ongoing program, the Commission could
7 proceed with approving the plant that has already
8 been, you know, opined on and investigated by
9 Staff, and then defer the rate impact to the rate
10 case, which we have teed up in temporary rates.

11 So, I apologize for using the term
12 "forego". I now see the confusion procedurally
13 that that has caused. But the Company just
14 merely seeks a different mechanism to recover the
15 revenues it seeks in the QCPAC.

16 So, in my mind, the Commission has
17 two avenues. It can defer its opinion on
18 "prudent, used and useful" on the assets in
19 20-119 [20-019?] to the rate case, or it can make
20 it in the QCPAC filing, and just defer the rate
21 impact to the rate case.

22 So, I think there are two proper
23 avenues. And perhaps issuing a order in 20-019,
24 and noticing it, would satisfy the notice

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 provisions in that docket, and then refer
2 everyone to the rate impact in the rate case
3 proceeding.

4 So, that's how I was seeing this
5 fleshing out. Thank you.

6 CHAIRWOMAN MARTIN: So, just to
7 clarify, the words "forego collection" could also
8 be said to be "defer collection" to the rate
9 case, is that --

10 MS. BROWN: That could be an
11 appropriate descriptive term. I mean,
12 ultimately, the Company wants to recover the
13 revenues for those assets. And it's not picky on
14 which mechanism it's using. So, --

15 CHAIRWOMAN MARTIN: So, they're not
16 foregoing them forever?

17 MS. BROWN: Right. Or they're just
18 being --

19 CHAIRWOMAN MARTIN: Or it's not --

20 MS. BROWN: It's being absorbed, by
21 this Temporary Rate Settlement, it's being
22 absorbed into the rate case rate mechanism,
23 rather than the QCPAC surcharge rate mechanism.

24 And, again, I apologize for the

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 confusion, the wording.

2 CHAIRWOMAN MARTIN: Okay. Is everyone
3 in agreement with Ms. Brown's representations
4 related to that? The signatories to the
5 Settlement Agreement? Any objection to that?

6 MR. KREIS: I believe the OCA agrees
7 with Ms. Brown's characterizations.

8 CHAIRWOMAN MARTIN: Okay.
9 Ms. Fabrizio?

10 MS. FABRIZIO: It sounds logical, from
11 my perspective. Again, I'm not -- I'm not aware
12 of the details, but I understood Ms. Brown's
13 argument to be efficient.

14 CHAIRWOMAN MARTIN: Okay. Mr. Husband?
15 I think you're on mute.

16 MR. HUSBAND: I'm sorry. I, frankly,
17 do not know enough about the issue at this time
18 to take a position.

19 I have no reason to question anything
20 that Attorney Brown said. So, --

21 CHAIRWOMAN MARTIN: Okay. And Mr.
22 Lirette?

23 MR. LIRETTE: No objection.

24 CHAIRWOMAN MARTIN: Okay. Commissioner

{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

1 Bailey, do you have any follow-up questions based
2 on that?

3 *(Commissioner Bailey indicating in the*
4 *negative.)*

5 CHAIRWOMAN MARTIN: Okay. Thank you
6 for that clarification.

7 All right. Now, we'll go back to where
8 we were, which is the Commission will take this
9 matter under advisement and issue an order.

10 Thank you, everyone, for today. We are
11 adjourned.

12 COMMISSIONER BAILEY: Thanks, everyone.

13 ***(Whereupon the hearing was adjourned***
14 ***at 3:30 p.m.)***

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{DW 20-156} [Hearing on Temporary Rates] {05-10-21}

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-019

Pennichuck East Utility, Inc.

**2020 Amended Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge**

**Order Nisi Approving 2019 Capital Projects, 2020 Project Budget
Dismissing Petition and
Acknowledging Receipt of Capital Project Expenditure Forecasts**

O R D E R N O . 26,525

September 23, 2021

This order nisi grants~~dismisses as moot~~ the petition of Pennichuck East Utility, Inc. (“Petitioner”) seeking a finding that Petitioner’s 2019 capital improvement projects are prudent, used and useful; and preliminary approval that its 2020 capital projects are eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”) mechanism. This order nisi, furthermore, acknowledges receipt of Petitioner’s 2021 and 2022 Capital Project Expenditure Forecasts, which were submitted by Petitioner for informational purposes only. This order nisi will not result in any additional charge to Petitioner’s customers.

I. PROCEDURAL HISTORY

Petitioner is a regulated public utility that provides water service to customers in several communities throughout New Hampshire. On February 13, 2020, Petitioner submitted a petition for approval of recovery of its 2019 capital improvement projects through the QCPAC mechanism and for preliminary approval its 2020 capital improvement projects for the QCPAC mechanism.¹ The petition included pre-filed

¹ Petitioner also sought approval to pay interest on its fixed asset line of credit (“FALOC”). However, because Petitioner no longer seeks this approval, the Commission need not address this request.

testimony from Donald L. Ware, Petitioner's Chief Operating Officer, and John J. Boisvert, Chief Engineer, Pennichuck Water Works.² Petitioner's filing also included estimated QCPAC capital budgets for 2021 and 2022. On February 26, the Office of Consumer Advocate ("OCA") submitted a notification that it would be participating in this docket. On March 11, 2021, Commission Staff submitted a recommendation that the petition be granted. The Commission received no other requests to intervene or otherwise participate in this Docket.³

On a parallel track, Petitioner filed, on September 23, 2020, a request for change in rates. This initiated a separate docket dedicated to that subject, Docket DW 20-156. On December 11, 2020, the OCA submitted a notification that it would be participating in Docket DW 20-156. The Commission received and granted numerous requests for intervention in Docket DW 20-156. On April 26, 2021, Petitioner, the OCA, PUC staff, and six intervenors reached a settlement agreement in Docket DW 20-156. Under the terms of this settlement, Petitioner agreed to forgo the QCPAC surcharges for the 2018 capital expense charges in Docket DW19-035 and the 2019 capital expense charges-2019 and in Docket DW 20-019-2020QCPAC surcharges, zero out the QCPAC, and establish a temporary rate based upon the books and records on file with the Commission. Settlement Agreement on Temporary Rates at 4–5.

The Commission considered the settlement agreement at a hearing held on May 10, 2021. On August 16, 2021, the Commission issued Order No. 26,508 in Docket DW 20-156 approving the settlement agreement. The order further directed Petitioner to file an amended petition in Docket No. DW 20-019 eliminating its request for a rate surcharge. On August 17, 2021, Petitioner filed an amended petition ("Am. Pet.").

² Pennichuck Water Works is an affiliate of PEU and provides various services to Petitioner.

³ On July 9, 2021, the newly created New Hampshire Department of Energy notified the Commission that it would succeed Pennichuck Water Works. Commission staff pursuant to RSA 12-P:9.

II. SUMMARY OF THE PETITION

A. Pennichuck East Utility, Inc.

In the amended petition, Petitioner states that it “forgoes and no longer requests a QCPAC surcharge” for its completed 2019 projects. Am. Pet. at 4 ¶ 12. Petitioner, furthermore, states that it “will not seek the [2020 QCPAC] surcharge.” Am. Pet. at 5 ¶ 15. Although it no longer seeks approval for QCPAC purposes, Petitioner still sought, through its amended petition, a finding that its 2019 projects were “prudent, used, and useful” and a preliminary finding that its 2020 projects are “eligible for recovery through the QCPAC surcharge mechanism.” Am. Pet. at 6 ¶ (a)–(b). Petitioner also submitted forecasts of its proposed 2021 and 2022 projects for informational purposes only.

III. COMMISSION ANALYSIS

The Commission discussed how to dispose of this docket at the May 10, 2021 hearing on the settlement in Docket DW 20-156.⁴ Marcia Brown, one of Petitioner’s attorneys at the hearing, opined that the Commission had two options: it could defer the prudent, used, and useful findings for the 2019 ~~and 2020~~-projects to the rate case in Docket 20-156, or it could make that finding in Docket 20-019. Tr. at 106–07. Attorney Brown further explained that Petitioner intended to recover the costs of its 2019 ~~and 2020~~-projects through “the rate case mechanism, rather than the QCPAC surcharge rate mechanism.” Tr. at 107. The representatives from the OCA and the PUC staff member present at the hearing agreed with Attorney Brown’s characterization. Tr. at 108.

⁴ The transcript for this May 10, 2021 hearing in Docket 20-156 is referred to as “Tr.” in this order.

~~While~~Because ~~the~~ Petitioner no longer seeks to utilize the QCPAC surcharge mechanism to recover the costs of its 2019 ~~and 2020 projects~~, the Commission does find~~s~~ that the 2019 projects in DW 20-019 are~~20-019 docket is no longer the appropriate place to make a~~ prudent, used, and useful. The Commission approves Petitioner's proposed 2020 capital improvement budget of \$4,951,552, on a preliminary basis, but withholds any prudency determination of those projects. The 2020 capital improvement projects are subject the Commission's review with the Company's 2021 QCPAC filing in DW 21-022 pending before the Commission. The Commission makes this finding as consistent with prior Orders approving the QCPAC process finding for the 2019 projects. Nor is it the appropriate place to opine as to whether the 2020 projects are hypothetically eligible for recoupment under QCPAC. Any determination by the Commission on those questions in this docket would amount to little more than an advisory opinion. The Commission finds the request for QCPAC surcharge for the 2019 projects as moot~~se issues are now moot~~ for the purposes of this docket.

~~Additionally, a prudent, used, and useful finding in this docket could have consequences for the rate case in Docket DW 20-156. Petitioner, the OCA, and numerous intervenors have participated actively in Docket 20-156. Dozens more have submitted comments. To the extent that a prudent, used, and useful finding will have consequences for the base rate, the parties to Docket DW 20-156 should have an opportunity to be heard before the Commission makes such a finding. As noted above, no parties other than Petitioner and the OCA are on the service list for Docket DW 20-019, nor has there yet been a noticed hearing. It is, therefore, appropriate for any prudent, used, and useful finding for the 2019 and 2020 projects to be made in Docket DW 20-156 and not here.~~⁵

The Commission acknowledges receipt for informational purposes only of Petitioner's forecast of capital project expenditures for 2021 and 2022.

~~⁵The Commission is mindful that staff of the Commission, now with Energy, already prepared a detailed report and recommendation on the 2019 and 2020 QCPAC projects. To the extent that Energy determines that portions of that report and recommendation may be reused and resubmitted in Docket DW 20-156, those efforts need not be duplicated.~~

Based upon the foregoing, it is hereby

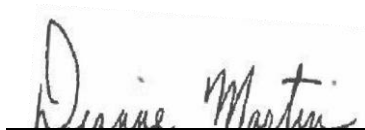
ORDERED, that the amended petition is APPROVED only~~DISMISSED AS~~
~~MOOT~~ to the extent Petitioner seeks a finding that the 2019 projects are prudent, used,
and useful; and it
is

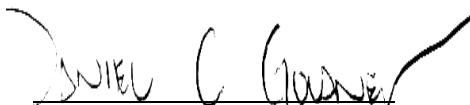
FURTHER ORDERED, that the amended petition is **DISMISSED AS MOOT** to
the extent Petitioner seeks surcharges for the 2019 projects that are eligible for
recovery through the QCPAC mechanism; and it is

FURTHER ORDERED, that the amended petition is APPROVED~~DISMISSED AS~~
~~MOOT~~ to
to the extent Petitioner seeks preliminary approval that its 2020 projects are eligible
for ~~recovery~~~~for recovery~~ through the QCPAC mechanism, withholding a prudency
determination of those projects as part of PEU's 2021 QCPAC proceeding (Docket DW
21-022); and it is

FURTHER ORDERED, that Petitioner shall cause a summary of this order nisi
to be published once in a statewide newspaper of general circulation in those portions
of the state where operations are conducted. Such publication is to be no later than
~~October~~November 1, 2021, and is to be documented by an affidavit filed with this
office on or before November~~October~~ 20, 2021.

By order of the Public Utilities Commission of New Hampshire this ~~twenty-third~~
day of October~~September~~, 2021.


Dianne Martin
Chairwoman


Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 20-019

Printed: 9/23/2021

Email Addresses

ClerksOffice@puc.nh.gov
wfa@rathlaw.com
douglas.brogan@gmail.com
robyn.j.descoteau@energy.nh.gov
larry.goodhue@pennichuck.com
carolann.howe@pennichuck.com
jay.kerrigan@pennichuck.com
jayson.p.laflamme@energy.nh.gov
anthony.j.leone@energy.nh.gov
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
jjs@rathlaw.com
christopher.r.tuomala@energy.nh.gov
smw@rathlaw.com
donald.ware@pennichuck.com
cbw@rathlaw.com

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-019

Pennichuck East Utility, Inc.

**2020 Amended Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge**

**Order *Nisi* Approving 2019 Capital Projects, 2020 Project Budget
and
Acknowledging Receipt of Capital Project Expenditure Forecasts**

O R D E R N O . 26,525

September 23, 2021

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¹ Petitioner also sought approval to pay interest on its fixed asset line of credit (“FALOC”). However, because Petitioner no longer seeks this approval, the Commission need not address this request.

testimony from Donald L. Ware, Petitioner's Chief Operating Officer, and John J. Boisvert, Chief Engineer, Pennichuck Water Works.² Petitioner's filing also included estimated QCPAC capital budgets for 2021 and 2022. On February 26, the Office of Consumer Advocate ("OCA") submitted a notification that it would be participating in this docket. On March 11, 2021, Commission Staff submitted a recommendation that the petition be granted. The Commission received no other requests to intervene or otherwise participate in this Docket.³

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⁴ The transcript for this May 10, 2021 hearing in Docket 20-156 is referred to as “Tr.” in this order.

While the Petitioner no longer seeks to utilize the QCPAC surcharge mechanism to recover the costs of its 2019 , the Commission does find that the 2019 projects in DW 20-019 are prudent, used, and useful. The Commission approves Petitioner's proposed 2020 capital improvement budget of \$4,951,552, on a preliminary basis, but withholds any prudence determination of those projects. The 2020 capital improvement projects are subject the Commission's review with the Company's 2021 QCPAC filing in DW 21-022 pending before the Commission. The Commission makes this finding as consistent with prior Orders approving the QCPAC process The Commission finds the request for QCPAC surcharge for the 2019 projects as moot for the purposes of this docket.

The Commission acknowledges receipt for informational purposes only of Petitioner's forecast of capital project expenditures for 2021 and 2022.

Based upon the foregoing, it is hereby

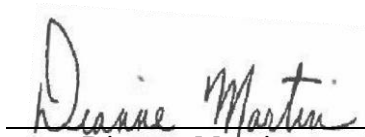
ORDERED, that the amended petition is **APPROVED only** to the extent
Petitioner seeks a finding that the 2019 projects are prudent, used, and useful; and it
is

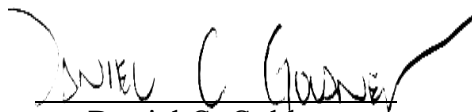
FURTHER ORDERED, that the amended petition is **DISMISSED AS MOOT** to
the extent Petitioner seeks surcharges for the 2019 projects that are eligible for
recovery through the QCPAC mechanism; and it is

FURTHER ORDERED, that the amended petition is **APPROVED**
to the extent Petitioner seeks preliminary approval that its 2020 projects are eligible
for recovery through the QCPAC mechanism, withholding a prudency determination
of those projects as part of PEU's 2021 QCPAC proceeding (Docket DW 21-022); and
it is

FURTHER ORDERED, that Petitioner shall cause a summary of this order nisi
to be published once in a statewide newspaper of general circulation in those portions
of the state where operations are conducted. Such publication is to be no later than
November 1, 2021, and is to be documented by an affidavit filed with this office on
or before November 20, 2021.

By order of the Public Utilities Commission of New Hampshire this day of
October, 2021.


Dianne Martin
Chairwoman


Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 20-019

Printed: 9/23/2021

Email Addresses

ClerksOffice@puc.nh.gov
wfa@rathlaw.com
douglas.brogan@gmail.com
robyn.j.descoteau@energy.nh.gov
larry.goodhue@pennichuck.com
carolann.howe@pennichuck.com
jay.kerrigan@pennichuck.com
jayson.p.laflamme@energy.nh.gov
anthony.j.leone@energy.nh.gov
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
jjs@rathlaw.com
christopher.r.tuomala@energy.nh.gov
smw@rathlaw.com
donald.ware@pennichuck.com
cbw@rathlaw.com