

RATH YOUNG PIGNATELLI

James J. Steinkrauss

Attorney-at-Law

jjs@rathlaw.com

(603) 410-4314

Please reply to: Concord Office

November 22, 2021

VIA ELECTRONIC MAIL AND REGULAR MAIL

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

**Re: 2020 Petition of Pennichuck Water Works, Inc.
Qualified Capital Project Annual Adjustment Charge
Docket DW 20-020**

Dear Chairman Goldner:

On February 19, 2020, Pennichuck Water Works, Inc., (“PWW”) filed a Petition for Approval of its 2020 Qualified Capital Project Adjustment Charge (“QCPAC”) in Docket DW 20-020 seeking recoupment of the surcharge for capital expenses that were prudent, used and useful as of the December 31, 2019.

When PWW made this filing, PWW expected that recovery of these costs through rates would begin in April, 2020, with an Order issued in September or October of 2020 recoupable back to that time. Because the pandemic delayed proceedings before the Commission, PWW has experienced cash flow constraints due to the delay in the Commission approval of these costs. The purpose of this letter is to request that the Commission approve the filing as soon as possible to allow PWW to begin cost recovery of those 2019 costs. PWW points out that another petition for recovery of costs for 2020 capital additions through the QCPAC is pending before the Commission, but this letter solely relates to the filings made in DW 20-020. A brief summary of this docket follows.

As intended in the approved QCPAC program, the QCPAC surcharge represents additional revenues over and above the Company’s approved revenue requirement in DW 19-084 (Order No. 26,425, November 24, 2020) that are required to:

1. Pay the principal and interest payments associated with: (1) two Drinking Water and Groundwater Trust Fund (“DWGTF”) loans, and (2) debt service associated with a Bond issuance completed in April 2020; all of which were directly associated with financing the capital expenditures that were completed, used and useful in 2019.

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Rath, Young and Pignatelli, P.C.
www.rathlaw.com

One Capital Plaza
Concord, NH 03302-1500
T (603) 226-2600
F (603) 226-2700

20 Trafalgar Square
Nashua, NH 03063
T (603) 889-9952
F (603) 595-7489

120 Water Street, 2nd Floor
Boston, MA 02109
T (617) 523-8080

26 State Street, Suite 9
Montpelier, VT 05602
T (802) 229-8050
F (802) 229-4666

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2. Fund the increase in property taxes associated with the completed 2019 projects being placed in service.

The petition also sought a preliminary approval, pending a future audit and prudence review of proposed 2020 capital budget expenses, and acceptance, for informational purposes, the proposed 2021 and 2022 capital budget expenses. The petition also sought recovery of the surcharge from the date of closing bond financing (bonds that were issued on April 23, 2020) with the Business Finance Authority to pay for the 2019 capital projects to the date the approved QCPAC surcharge is initially billed.

In terms of procedural background and in accordance with the QCPAC mechanism approved in Order 26,070 (November 7, 2017), PWW sent notices to its customers of the anticipated QCPAC surcharge in December 2019 and filed the petition on February 19, 2020. DOE Staff¹ filed a motion for procedural order on March 10, 2020, which was approved by the Commission on March 12, 2020. An audit of the petition was conducted April 28, 2020, and PWW responded to three (3) sets of discovery propounded by Staff. PWW also responded to an additional set of discovery resulting from a technical session held between PWW, DOE Staff and OCA on June 10, 2020. Mr. Douglas Brogan issued a report with a summary review and recommendations regarding the petition filing on January 27, 2021. DOE submitted a position statement in the Docket DW 20-020 providing recommendations for the Commission considering the proposed 2019 QCPAC, preliminary approval of the 2020 capital budget, and review of the 2021 and 2022 capital budgets for information purposes².

DOE took the position recommending the Commission approve a surcharge of 3.90% in order to recover the estimated additional revenues of \$1,356,479 over and above the Company's recently approved revenue requirement of \$35,819,773 approved in DW 19-084 (as referenced above) for the projects as prudent, used and useful as of December 31, 2019. If the 2020 QCPAC surcharge was recovered from April 23, 2020, the date of closing of the PWW bond financing with the Business Finance Authority, until the adjusted QCPAC is initially billed (estimated December 1, 2021), based upon the current status of this Order in pendency, that would be approximately 19 months.

The petition also requested that the surcharge be recovered from customers over a five-month billing period. For the average single-family, residential ratepayer the total 3.90% surcharge would result in an additional \$2.17 per month. The total recoupment over the proposed 19-month period would be \$41.23 (19 months x \$2.17); therefore, the monthly recoupment surcharge collected over the five-month period would be \$8.25 charge on customer bills.

PWW respectfully requests that the Commission approve the 2020 QCPAC surcharge, preliminarily approve the 2020 capital budget (subject to audit and prudency review) and

¹ Formerly NHPUC Staff prior to creation of the NH Department of Energy effective July 1, 2021.

² DOE Position filed in Docket DW 20-020 on September 15, 2021.

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accept the 2021 and 2022 capital budgets for informational purposes for the following reasons. First, PWW has incurred principal and interest charges since closing the April 23, 2020 bond financing with the Business Finance Authority. PWW has paid approximately \$548,314 for interest and principal due on the issued bonds, since that time, which accounts for interest only payments made in October 2020 and April and October 2021 and principal payments made in April 2021. Additionally, this QCPAC surcharge includes the P&I payments on two loans from the DWGTF, for eligible and used and useful projects from 2019, which began being repaid in May and November of 2020, and for which approximately \$633,946 has been paid to date. The aggregate total of debt service payments made on these debt instruments to date is approximately \$1,182,260 through the end of October 2021. This is causing a restrictive cash-flow issue for PWW since it has not recovered a surcharge accounting for the additional debt service related to financing the 2019 projects over the 19-month period.

Secondly, as a part of the approved annual QCPAC program, PWW will be noticing its customers for the upcoming 2022 QCPAC surcharge in December 2021. PWW anticipates seeking a bond financing in April of 2022 to finance those capital projects that were completed, used and useful by December 31, 2021. Since PWW has not recovered its additional revenue requirements related to the 2020 QCPAC surcharge (as well as the third item noted below) and faces a restrictive cash-flow situation, that may impact its credit rating and ability to seek debt financing for current and future projects. Any negative impacts to PWW's credit rating could result in increased borrowing costs potentially causing increases in future rate surcharges sought to recover resulting higher debt service costs.

Third, on February 11, 2021, PWW filed a Petition for Approval of the 2021 QCPAC surcharge for those projects that were used and useful by the end of December 2020 in Docket DW 21-023. Recovery and approval of the 2021 QCPAC surcharge depends upon the preliminary approval of the 2020 capital budget in the instant docket, in accordance with the approved QCPAC mechanism. The Commission's preliminary approval of the 2020 capital projects, pending audit and prudence determination, will allow for eventually recovery of the 2021 QCPAC surcharge sought in Docket DW 21-023.

Finally, PWW requests that the Commission accept for informational purposes the 2021 and 2022 capital budgets, as stated above the Company anticipates noticing customers for the filing a 2022 QCPAC surcharge for those projects that were completed, used and useful as of the end of December 2021. As required by the QCPAC surcharge mechanism, recovery of the QCPAC surcharge for those projects requires acceptance of the 2021 capital budget in the instant docket for informational purposes which will subsequently allow for preliminary approval of those projects in Docket DW 21-023.

For the reasons stated above, PWW respectfully requests the Commission to issue an *Order Nisi* approving PWW's 2020 QCPAC Petition. An *Order Nisi* will provide interested persons notice of the Commission's determination and an opportunity to comment or request

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a hearing prior to the order taking effect.

Thank you for your time and consideration with this matter. Please let me know if you have any questions or concerns.

Thank you.

Sincerely,



James J. Steinkrauss

Cc: Office of Consumer Advocate
Department of Energy (via electronic mail only)
DW 20-020 Service List (via electronic mail only)