

Attachment B - PEU Draft QCPAC Tariff Language

NHPUC NO. 1 Water
PENNICHUCK EAST UTILITY, INC.

Third Revised Page 50
Superseding First Second 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 4.86% will apply on a service rendered basis to all bills issued after July 31, 2022.

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 31, 2022 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, 2020 and December 31, 2021. Thereafter, the QCPAC will be updated on an annual basis to reflect eligible plant additions placed in service during the prior calendar year. Thus, changes in the QCPAC surcharge percentage will occur as follows:

<u>Effective Date of QCPAC Change</u>	<u>Date To Which QCPAC Eligible Plant Additions Reflected</u>
July 31, 2022	December 31, 2021

The QCPAC will be applied on a service rendered basis to all bills rendered after July 31, 2022. 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: _____

Issued by: _____

Effective: July 31, 2022

Name: Donald L. Ware

Title: Chief Operating Officer

Authorized by NHPUC Order No. xx,xxx in Docket No. DW 22-xxx dated October xx, 2022

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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 31, 2022 to pay for the QCPAC qualified projects that were completed and used and useful by December 31, 2021. 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 four months commencing after the issuance date of this tariff.

Issued: _____
Effective: July 31, 2022

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Title: Chief Operating Officer

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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: _____

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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

September 30
November 30

Reporting Date

November 15
January 15

Issued: _____
Effective: July 31, 2022

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

Authorized by NHPUC Order No. xx,xxx in Docket No. DW 22-xxx dated October xx, 2022

6:43 ↗



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Customer Service (800) 553-5191

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Capital Project Annual Adjustment Charge (QCPAC), that if approved, would be included in PEU customer bills. [This supplemental order of notice\(PDF\)](#) updates the previous notice due to the expiration of the declared State of Emergency on June 11, 2021.

Pennichuck East Utility **Qualified Capital Project** **Adjustment Charge**

November 17, 2021 Update – As a part of this ongoing annual QCPAC process, Pennichuck will be filing a proposed three-year capital expenditure plan for 2022-2024 QCPs with the PUC on or before February 15, 2022. For more information, see [QCPAC Customer Notice here\(PDF\)](#).



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

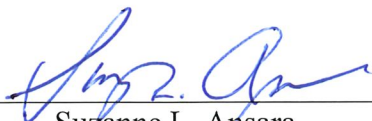
I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify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

1. The following resolution was adopted by the Board of Directors of the Corporation on January 28, 2022; 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 2022 Capital Expenditure Budget and 2023/2024 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. 2022 Capital Expenditure Budget and 2023/2024 Capital Expenditure Plans presented to the Board of Directors of the Corporation on January 28, 2022 and approved by said Board.

In Witness Whereof, I have hereunto set my hand this 2nd day of February, 2022.


Suzanne L. Ansara
Corporate Secretary

Pennichuck East Utility
2022 Capital Expenditure Budget, including 2023 and 2024 Plans
(In thousands)

	Total Budgeted for 2021	Total Budgeted in 2022 for Carryover/Multi- year Projects	Total Budgeted in 2022 for New Projects	Total Budgeted for 2022	Total Planned in 2023 for Carryover & New Projects	Total Planned in 2024 for Carryover & New Projects
Mains and Main Replacements	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -
Booster Stations, Tanks, Generators and Pumps	30	-	-	-	-	-
Water Treatment Media and Miscellaneous Water Supply Upgrades	-	-	-	-	-	-
Service, Hydrants and Meters	429	-	334	334	334	334
North Country Operations Facility	-	-	-	-	-	-
All Other	450	-	468	468	363	345
Subtotals	949	-	802	802	697	679
Atkinson Station & Tank	-	-	-	-	-	800
W&E System Improvements	-	489	-	489	-	-
Londonderry System Improvements	1,600	1,600	-	1,600	-	-
Locke Lake - Surface Water Intake, Treatment and Mains Upgrade	200	-	-	-	-	-
Sunrise Estates Station & Tank	-	-	-	-	500	-
Capitalized Interest (FALOC)	-	-	-	20	16	14
Total Capex Budgeted 2022-2024	\$ 2,749	\$ 2,089	\$ 802	\$ 2,911	\$ 1,214	\$ 1,493
Total Capex Budgeted 2022 - 2024 approved 12/17/21	\$ 2,749	\$ 2,035	\$ 802	\$ 2,857	\$ 1,214	\$ 1,493
Variances	\$ -	\$ 54	\$ 0	\$ 54	\$ (0)	\$ 0

Amount	Funding
-	Bond
489.00	DWGTF
2,352.10	CoBank(FALOC)
20.00	FALOC Interest
50.00	DSRR 0.1
-	SRF
2,911.10	