STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 7, 2022 - 1:31 p.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DW 22-032**
PENNICHUCK WATER WORKS, INC.:
Request for Change in Rates.
(Prehearing conference)

PRESENT: Cmsr. Pradip K. Chattopadhyay, Presiding
Commissioner Carleton B. Simpson

Tracey Russo, Clerk

APPEARANCES: **Reptg. Pennichuck Water Works, Inc.:**
Marcia A. Brown, Esq. *(NH Brown Law)*

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Maureen Reno, Dir./Rates & Markets
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Christopher Tuomala, Esq.
Jayson Laflamme, Director/Water Group
Anthony Leone, Analyst/Water Group
(Regulatory Support Division)

Court Reporter: Steven E. Patnaude, LCR No. 52

I N D E X

P R O C E E D I N G

CMSR. CHATTOPADHYAY: Good morning, everyone. I am Commissioner Chattopadhyay. I will be presiding today. With me is my esteem colleague, Commissioner Simpson.

So, we are here this morning -- sorry, this afternoon for a prehearing conference noticed by Order Number 26,652, in Docket Number DW 22-032. This prehearing was rescheduled pursuant to a motion by the Petitioner.

We hope that this prehearing conference will help move matters forward, particularly given the adjudicative issues at hand, and whether the proposed percentage increase and the current revenue requirement, as well as an adjustment to the Material Operating Expense Factor, MOEF, and reallocation of its Rate Stabilization Fund, or RSF, accounts are in the public interest.

So, let's begin with appearances first. For the Company, please?

MS. BROWN: Good morning, Commissioners. Thank you for your time this afternoon. And, again, thank you for moving the prehearing to today. The Company greatly appreciates that.

My name is Marcia Brown, with NH Brown Law, representing Pennichuck. To my immediate right is Larry Goodhue, who is the -- is Pennichuck's Chief Executive Officer and Chief Financial Officer; to his right is Don Ware, who is Pennichuck's Chief Operating Officer; and behind us, immediately behind me, is George Torres, who is Corporate Controller and Treasurer and Chief Accounting Officer; and to his right is Jay Kerrigan, who is a Regulatory/Treasury Financial Analyst.

Thank you.

CMSR. CHATTOPADHYAY: Thank you. Let's go to Office of Consumer Advocate please.

MR. KREIS: Thank you, Commissioner Chattopadhyay. And, good afternoon, Commissioner Simpson. I am Donald Kreis, the Consumer Advocate. We represent the interests of the residential customers of this and every other public utility in New Hampshire. With me today is Maureen Reno, who is our Director of Rates and Markets.

And we're looking for a new Director of Economics and Finance, in case anybody is interested in a retirement gig.

CMSR. CHATTOPADHYAY: Thank you. So, let's go to New Hampshire DOE.

MR. TUOMALA: Good afternoon, Commissioners. Christopher Tuomala, representing the New Hampshire Department of Energy. To my left is Jayson Laflamme, he is the Director of the Water Group in the Regulatory Support Division at the Department of Energy; and to his left is Anthony Leone, an Analyst in the same Water Group.

CMSR. CHATTOPADHYAY: Thank you. Sorry. Thank you. I know there might be preliminary matters, other than the one I'm going to talk about.

So, the Company had filed a Motion for Protective Order and Confidential Treatment of Compensation and Payroll Information. So, I would like to know if the OCA has a position or the DOE has any position on it?

MR. KREIS: Commissioner, I try to pick my battles as best I can. And, even though I abhor almost every confidentiality motion, it's my understanding that the Commission has typically granted confidential treatment for information such as the information that is at issue here. And, so, I don't have a objection to articulate.

CMSR. CHATTOPADHYAY: How about DOE?

MR. TUOMALA: The DOE does not have a position at this time on that matter.

[Commissioner Chattopadhyay and Commissioner Simpson conferring.]

CMSR. CHATTOPADHYAY: So, the Commission grants the Motion for Protective Order and Confidential Treatment of Compensation and Payroll Information as was filed by the Company.

So, let's go to the preliminary positions. Let's start with the Company.

MS. BROWN: Yes. Thank you, Chairman -- I'm sorry "Chairman", Commissioner Chattopadhyay.

I would also like to just put onto the record that Pennichuck checked the Commission's website and did not see any public comments, nor have we seen any intervenors. So, we're not aware of the need to put any position on any interventions at this time.

So, we would just like to move into our prepared remarks.

CMSR. CHATTOPADHYAY: Since you're there, I will notice that I looked at the webpage, and I didn't see the Petition being -- the Petition itself, for the rate case, being filed there. The updated scheduling, that is shown in the webpage. But just letting you know that, you know, I didn't see it there. But just -- so, I wanted to simply point that.

MS. BROWN: Just to follow up, you're talking about the Company's webpage for the order?

CMSR. CHATTOPADHYAY: Yes.

MS. BROWN: I did find it yesterday. There was a specific hyperlink. There's a splash page at the very beginning, when you open up the first page.

CMSR. CHATTOPADHYAY: Uh-huh.

MS. BROWN: But, if you go into "All News", then it has this particular rate case, with a express hyperlink to the order. It states that today's prehearing is happening.

CMSR. CHATTOPADHYAY: Okay. I think --

MS. BROWN: So, I can amend our affidavit of posting publication, if you wish, because it also -- this case was noticed to the public by newspaper publication.

CMSR. CHATTOPADHYAY: Yes. So, per the order, you know, the Company did what it was supposed to do. I'm just simply pointing out that, even when I went to that exhaustive list, I didn't notice anything other than the updated, sort of the scheduling order. I didn't see the Petition by the Company. So, I may be looking, you know, just --

MS. BROWN: Yes. It's in two different places. Yes, there is a hyperlink for the docket, --

CMSR. CHATTOPADHYAY: Okay.

MS. BROWN: -- hearing guidelines, and then another page has more specific information about today's hearing and the order.

CMSR. CHATTOPADHYAY: Okay. We note that. And I will certainly take a look later. Yes. Thank you.

MS. BROWN: Okay. Thank you for raising that. If I can just start with our prepared remarks?

As the Commission noted in its order, and, in particular, cited Mr. Ware's testimony, that Pennichuck's revenue requirement needs to increase by 13.06, and that's -- by 13.06 percent on the revenue. And I'll talk about the rate impact later, because the 3.06 **[**13.06**?]** is a overall rate impact that customers will see. And, so, also Mr. Ware's testimony discusses the revenue deficiency is about 4.7 million.

And, with respect to the 13.06 percent increase sought in the permanent rates, I'd like to just dissect that a bit, in that the Qualified Capital Project Adjustment Charge, the QCPAC that the Commission approves every year, comprises more than half of that 13 percent, and that stems from a docket from 2000 **[**2020**?]**, where the approved QCPAC was 3.9 percent, and that's for 2019 assets. The 2021 docket, the Commission approved a 1.56 percent increase. And then, there is a pending case, Docket DW 22-006, where there's a pending 1.74 -- I'm sorry, 1.75

percent.

So, combined, it's about a 7.21 percent that's attributed to the QCPACs of this 13.06 percent overall permanent rate. So, I just wanted to bring that point to the record.

Now, Mr. Goodhue explained that Pennichuck's authorized revenue needs are about 40,883,431, and that is shown on Schedule 9, which is the Report of Proposed Rate Change, which is at Tab 5. It's actually Bates Page 016 for the Schedule 9 pro forma permanent rate schedule. It is also shown on Schedule A, which is the computation of revenue deficiency, which is at Tab 11, which is Bates Page 113.

As Mr. Ware explained in his testimony, the 2021 revenues did not cover 2021 expenses. He also explained that the projected --

(Interruption due to the Hearing Room telephone ringing.)

MS. BROWN: -- the projected 2022 revenues also are expected to fall about 1.05 million short of the 2022 expenses. And, in speaking with Mr. Ware today, he also is looking at the 2023 revenues and expenses, and they're still falling short.

Thank goodness the Company has the Rate Stabilization Fund that this Commission has approved in the past, because it is utilizing those. And, as Commissioner Chattopadhyay mentioned in opening remarks, the Company, as part of this rate filing, seeks to redistribute the funds among the Rate Stabilization Funds, because some of the funds are being depleted, some are overtopped their target imprest level at the moment. But that is part -- the reallocation is part of this case.

Now, the drivers of this rate case, as Mr. Ware explained, are property taxes, debt service costs for the capital that was added under the QCPAC Program for the years, 2019, 2020 assets, and 20 -- I'm sorry, 2021 assets. And combined, there was about 26 million of plant that was added that was driving some of the property tax and debt service cost increases.

Operating expenses increased 1.7 million. There were increases in production expenses, chemical costs, costs of electricity, and then there were some smaller increases attributed to staff benefits and payroll taxes.

Now, I'd like to turn to temporary rates. And, now that the Commission has suspended the taking effect of the permanent rates, the temporary rate petition, which was filed, is now teed up. The request is 7.21, which, by no coincidence, is the same percentage, if all the QCPACs that I mentioned earlier are approved, it would equate to the QCPACs.

And just to touch upon, converting the QCPACs to a temporary rate, what's driving that is, when customers look at their bills, there's a myriad of line items. And, if the bills can be simplified, that would be a benefit to the customers.

And meanwhile, the temporary rate increase would substitute for the QCPAC, so that the Company would still be made whole, but, you know, the primary driver is it's a lot simpler for customers to look at fewer line items. At the tail-end of the case, having a temporary -- a clean temporary/permanent recoupment is also time-saving, and a lot easier to calculate, than having numerous QCPACs coming in.

So, those are some of the drivers of asking that the temporary rate be set at -- I guess it would be almost at equivalent to set temporary rates at existing, because you've got the QCPACs coming in, and that's the 7.21 percent.

Now, with respect to the pending QCPAC case, 22-006, even though that is pending, the Company is hoping that that will eventually come to conclusion, and that it can be rolled into discussions in this case, when we start talking about the temporary rates and how to phase in the rate bumps that customers will see. Because I would also like to note that, in the last rate case, 19-084, the Commission approved an annual rate adjustment that hits -- that happens in November, and it hits the customer books -- customer bills in December. That is scheduled this fall as well.

So, in the technical session, the Company would like to talk with Staff, OCA, to get their opinions on what's best for the customers in phasing in these multiple increases. So, the Company expects that, after the tech session, we will have some kind of a conceptual plan to propose to the Commission, that may deviate slightly from what was initially proposed in the temporary rate petition, but we look forward to presenting that to you.

I'd like to put into the record next the notices that the Company has undertaken. As the Commission knows, that there was a Notice of Intent that was filed on May 19th. Then, the Company filed its rate schedules on June 27th, giving more than 30 days notice to customers for the effective date of August 1, 2022 permanent rates.

When the Company filed its rate filing, Mr. Goodhue personally sent out letters to every single town official and state legislators, to make sure that people were aware of this case. So, in addition to the Commission ordering, you know, newspaper, legal publication as notice to the public, the Company has also had direct mailings, bill stuffers went out, starting with the late June bills, continuing into July. So, customers have had actual notice through bill stuffers, town officials, state representatives, legal publication in the newspapers. We think there's more than adequate notice of this case, and just wanted to put this into the record.

So, with that, the Company looks forward to working with the parties, it being presently Department of Energy and Office of Consumer Advocate, through this rate case.

Thank you very much.

CMSR. CHATTOPADHYAY: Thank you. For the OCA?

MR. KREIS: Thank you.

I do have a preliminary matter that occurred to me after I had already forgone my opportunity to raise preliminary matters. But I'll mention it here.

When you look on the page for this case in the Commission's Virtual File Room, in the -- well, towards the end of the list of the links to various aspects of the rate case filing, there's testimony from Gregg Therrien, and that is not included in the hard copy of the rate case filing that I received from the Company. It doesn't appear in the index of items in the rate case filing. And, when you click on the link, you'd see that what actually appears there is testimony that Mr. Therrien filed in the last rate case, which makes sense, because he is the author of the cost of service study that the Company conducted in connection with the last rate case.

I don't know how Mr. Therrien's testimony got into this rate case filing, or even if it was in this case's -- in this docket's rate case filing, that should be clarified. And, if the Company intends to present Mr. Therrien as a witness in this case, that should be clarified one way or the other.

Beyond that, I would like to say, on behalf of the Office of the Consumer Advocate, that there is a predictable, I think, raft of issues that we intend to explore and potentially testify about, given our intention of participating fully in the rate case. And I guess it would be useful if I rattled off at least a partial list of those things. And it's, as I said, pretty predictable.

You know, we're concerned about the level of the Company's capital expenditures, and their effect on the debt service and property taxes that the Company pays. We are concerned about compounding annual increases to certain operating expenses since the last rate case, particularly increased production expenses that are driven by soaring chemical costs and soaring electrical supply costs -- electric supply costs, an issue in which everybody in the Commission is well familiar, and the Department. We're concerned about increases in staff salary, benefits, payroll taxes.

We, of course, need to verify, as I assume the Department does as well, that the current filing meets all of the various constraints and rules that are incorporated into the various rate mechanisms.

The Company is proposing a drastic increase in its miscellaneous fees. Now, you'll recall that the Company previously made that proposal in an independent filing, and we said, at the time "That's appropriate for the rate case." But what I meant by "That's appropriate for the rate case" is "put it in the rate case and then support it." Don't just say "Oh, by the way, we'd like to drastically increase our miscellaneous fees", without providing any evidence for where those fees fall into the universe of cost of service issues with respect to the Company's revenue requirement.

And then, of course, we're interested, because the OCA is always interested in rate design issues, and whether it would make sense to change the Company's rate structure to encourage water conservation, at a time when the extent of our water resources in the state are of interest and a concern to everybody.

On the question of temporary rates, I regret to point out that I do not believe that this Company is authorized to seek or gain approval of temporary rates under the temporary rate statute, which is RSA 378:27. That statute provides that "temporary rates must be sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation." As everybody well knows, this Company doesn't have profit-maximizing shareholders. So, therefore -- and it doesn't rely on equity in its capital structure. And, so, therefore, there is no return to be covered or no under earning issues to be addressed on a temporary basis via temporary rates.

I think that's a problem, and I think it's a problem that we're all going to have to think about.

I think that's all I have to say at this point by way of initial comments.

CMSR. CHATTOPADHYAY: Thank you. Sorry. Thank you for going over the list. I think those list -- that the topics that you raised are important ones.

I'm going to let the Company respond to the point that the Consumer Advocate was making about the material from DW 19-084.

MS. BROWN: Yes. Thank you for that opportunity, Commissioner Chattopadhyay.

The Company did notice that that is how the information was posted on the Commission's website. Mr. Therrien's testimony was provided in Tab 21, because it is the most recent cost of service study.

How it ended up being specifically culled out as testimony in support of this rate case on the Commission's website? I don't know how it got, you know, to that point, because it's not in the index specifically. It's tucked in as a cost of service study. And it's the latest cost of service study, and that was required to be provided.

So, it is not that Mr. Therrien's 2019 testimony was intended to be testimony supporting this rate increase. It was just simply included, at Tab 21 of the rate filing binder, because it was required under the Commission's rules. And that rule was Puc 1604.01(a)(7).

And I appreciate the OCA reminding me of that, because I neglected to raise that initially.

MR. KREIS: So, just by way of clarification, --

CMSR. CHATTOPADHYAY: Sure.

MR. KREIS: -- the only issue I have with any of that is, does the Company intend to rely on Mr. Therrien as a witness? And I think what Ms. Brown just suggested is "no". At least they don't currently plan on doing that?

MS. BROWN: That is correct. Thank

you.

CMSR. CHATTOPADHYAY: Okay. So, for my own clarification, the testimony by Mr. Therrien, and the supporting material, you know, the ACOS filings, as well as the allocation filings, the Excel files, those are essentially provided as part of the package, to indicate that, you know, that the latest cost of service that the Company has relied on is the ones that you are sharing with us? That's how I'm viewing it.

MS. BROWN: That is correct. Because it's part of the full rate case schedules required under 1604.01(a).

CMSR. CHATTOPADHYAY: Okay. Thank you.

So, let's proceed with DOE's preliminary position.

MR. TUOMALA: Thank you again, Commissioners.

The Department has begun its review of the rate case filing, and anticipates joining with the parties, currently the OCA and the Company, in the technical session to follow this prehearing conference, and discuss a number of issues, some of which were touched upon by the

OCA.

The preliminary issue being the appropriateness of their temporary rate filing request, in conjunction with their current QCPAC request that Attorney Brown had mentioned earlier. We'd also like to discuss the anticipated filing of the tariff in November, pursuant to the Settlement Agreement that was approved in 19-084, which Attorney Brown had also mentioned. And a discussion of a possible procedural schedule agreement to be filed with the Commission at that time.

Thank you.

CMSR. CHATTOPADHYAY: Thank you. So, I'm going to go to the Commissioners' questions. Commissioner Simpson please.

CMSR. SIMPSON: Thank you, Commissioner Chattopadhyay. A few questions for the Company, just preliminarily.

Can you explain the Company's proposal with respect to the QCPAC? It's stated that it would be "suspended", and I'm curious if that means it would be eliminated? So, can you explain the mechanism that's sought by the

Commission with respect to the QCPAC?

MS. BROWN: Sure. And I don't think "elimination" of the program is what is intended. It's just calling the line item of revenues something simpler.

The QCPAC revenues coming in will not evaporate. They're just going to be transformed into a easier calculation to reconcile at the end of this rate case. So, are they going away? Well, the line item is going away on the customer's bill. The revenues are not going to go away. Those revenues still need to come in.

So, that's why, for simplicity of the billing reconciliation, the Company is proposing just substituting the QCPAC and temporary rates, which, if the Commission approves the 2022 filing, would be 7.21 percent.

CMSR. SIMPSON: Okay.

MS. BROWN: If we could elaborate on that?

CMSR. SIMPSON: Just looking for clarity.

MR. GOODHUE: I think it's really important to also remind everybody why the QCPAC

Program exists. The Company is a debt-only financed entity, must invest in capital projects, infrastructure replacement, various capital projects, in order to meet its regulatory requirements in treating water and flowing that to customers.

In borrowing money on an annual basis, we must have the revenues to cover the principal and interest to repay those debts. So, the QCPAC Program, as originally introduced and approved over several dockets now, must continue on in continuum, you know, number one.

One of the things that we're sensitive to is not overly confusing our customers. And, so, you know, in the proposal, and in our temporary rate requirement is to have a temporary rate that's matching with those aggregate surcharges since the last rate case. Because the QCPAC is a surcharge over and above current approved rates, that will be eliminated, embedded into the next permanent rate approval, you know, every three years.

CMSR. SIMPSON: Uh-huh.

MR. GOODHUE: So, I understood

Mr. Kreis's comments there about, you know, a prudency test and how the law is specified, and I can't repeat exactly how he said it, and he's probably glad I can't. But, I mean, the thing that's there is, this is based on assets that are deployed used and useful on an annual basis, there's a whole test and there's a process that goes on. And, so, it's very important to do that.

What we're looking at here is just, for simplicity sake for the customers, is if you could take, instead of having three lines on a bill that shows three different QCPACs, that add up to the same dollars in one line that says a "temporary rate increase", it's just, basically, instead of embedding those QCPACs into the permanent rates, you're embedding them into the temporary rates in pendency for the next permanent case. So, it's just -- it's more kind of a simplification for the customers while we're promulgating a case.

We're very sensitive to the fact that, whenever we do a rate case, we put out Frequently Asked Questions, we entertain calls from our customers, because they're really trying to understand what's going on. And you can appreciate this that, in the environment we're in, in our state and in our country, with everything changing, and all kinds of economic pressures, simplification of a messaging is very important to customers.

CMSR. SIMPSON: Okay. Thank you. That's helpful.

And I can say, I appreciate the additional outreach that Attorney Brown mentioned that you provided to elected officials in this state. I think that's really important. And it helps educate policymakers on this process that can be complex and confusing for many.

MR. GOODHUE: And, as a point of clarification on that, I reached out to every one of the towns, --

CMSR. SIMPSON: Uh-huh.

MR. GOODHUE: -- both their state delegation and their local of the communities served by Pennichuck Water Works.

CMSR. SIMPSON: That's what I presumed --

MR. GOODHUE: Okay. I just wanted to make sure that was clear. So, it wasn't that we reached out to how many towns now are in the State of New Hampshire.

CMSR. SIMPSON: Yes.

MR. GOODHUE: And this is the normal process we do for every rate case that we file for PWW or its sister subsidiaries. Whenever we do one of those filings, we have made it our habit to reach out, so that those people in those positions have that information prior to the residents in their town, should they be asked some questions.

CMSR. SIMPSON: You mention in your testimony some changes to your Standard & Poor's rating and outlook. Any update on that?

It's an interesting topic, just generally speaking.

MR. GOODHUE: Yes. You know, our credit rating was affirmed in the most recent bond issuance in April of this year. The outlook did improve -- or, actually, I guess it's the same as it was the year before. I've got to get my years right here. But we are still an A-rated credit, with a stable outlook.

One of the things that they mentioned was, and it's interesting to discuss things with an entity like Standard & Poor's, because they look at us a credit, but they look at us also in an environment with our peers and with what we can or cannot control. And, so, one of the things they stated was, is that the moves that we have made within our rate structure are looked upon favorably in our credit profile. Specifically, the introduction of the MOEF in the last rate cases went a long way in affirming and stabilizing that credit rating.

But, as you can imagine, over the last couple of years, between COVID and supply chain disruption and economic changes and inflation, there's a lot of pressure downward on all credit ratings. And, so, they actually indicated that the structure that we've adopted, the financial picture that is there, you know, basically, dollar-for-dollar coverage on a cash flow basis, affirmed our credit rating, didn't improve it, but not because of us, more because of the factors that surround us within our state, country, and worldwide, that we have no influence or control over.

CMSR. SIMPSON: And your financial structure is somewhat unique. Are your peers investor-owned utilities? Are they municipally-owned?

MR. GOODHUE: When you look at that industry, yes.

CMSR. SIMPSON: All of --

MR. GOODHUE: The peers would be investor-owned utilities or municipals.

CMSR. SIMPSON: Okay.

MR. GOODHUE: And, you know, municipals are going to have a better credit rating than we are, for the simple reason that their cash reserves will far exceed what ours would be, when you look at the average municipality, because they can set their own rates, they can pre-collect dollars. And many of them will have cash reserves that are anywheres from six months' to two years' worth of cash needs as cash reserves. Our RSF funds don't nearly approach those kinds of levels.

And, so, many of the credit ratings

that you'll see for a municipality, I'll use the City of Nashua as an example, because we know that they actually get rated by Fitch, Standard & Poor's, and Moody's, and they're like a AAA credit, you know, with Standard & Poor's, and one of the highest on all of those, is because they have such enormous cash reserves relative to their cash requirements.

CMSR. SIMPSON: Hmm. Thank you for that.

With respect to the cost of service study, recognizing the six-year requirement that was part of the last case, can you elaborate on why the Company remains confident in leveraging that cost of service study, and why you feel that it wouldn't be appropriate to update it at this point?

And, Mr. Ware, please feel free.

MR. GOODHUE: And Mr. Ware will answer that one, yes. Thank you.

MR. WARE: So, Commissioner Simpson, a number -- Commissioner Simpson, there are a number of factors that play into that. First of all, as part of the Settlement in DW 19-084, it was agreed that the next cost of service study would be in two rate cases. They're expensive cost of service studies. But one of the reasons for that shift over two cases was the amount of movement that was required to change the rate structure to match that, that the cost of service study deemed was appropriate amongst customer classes. And the parties at the table agreed to a six-year transition in order to make that transition between rate cases palatable to all parties, and then to review that again with a cost of service study in the rate case that, in theory, would be based on a 2024 test year.

And, so, that's why we are living with that cost of service study. It was to allow the incorporation of the shifts that resulted from that to take place over time. We're also confident that the shift is going to -- it had a lot to do with investment or replacement of aging infrastructure, that was smaller in diameter, and for domestic purposes only. And, over the years, as that infrastructure that's 120-130 years old that's been replaced, it's been replaced primarily with larger size pipes in order to deliver today's required fire protection flows.

And that's why, at the time the cost of service study was done, there was a greater shift in revenue requirement to public fire. Because the investment in that infrastructure was driven, you know, where a four-inch pipe would serve the domestic needs, you needed a twelve-inch pipe for the fire needs. And, so, again, that was why the shift was needed.

You know, based on the amount of pipe that's being done now, per year, you know, going three years wasn't going to make a big shift in that pushing more to the public fire. You know, getting out six years, we'll see where we are. I believe that we're going to be fairly close, at six years, relative to the cost -- or, the revenue requirement across the various customer classes by making the shifts that we have been making.

CMSR. SIMPSON: Okay. Thank you, Mr. Ware. Thank you, Mr. Goodhue.

I don't have any further questions, Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: Thank you,

Commissioner. So, I have several questions.

First, I would like to go back to the cost of service study that Mr. Therrien did. So, I would request the Company to provide the Excel file for the ACOS-1 through ACOS-6, and the A-L-L-O-C, or ALLOC-1 through 5. So, you know, it would be -- that would be part of a record request. So, --

MS. BROWN: Commissioner Chattopadhyay?

CMSR. CHATTOPADHYAY: Yes.

MS. BROWN: The Excel document or workbook is one.

CMSR. CHATTOPADHYAY: That's fine.

MS. BROWN: So, we'll be giving you the whole electronic Excel.

CMSR. CHATTOPADHYAY: Yes. That would be absolutely fine. I am just, because I was going through different pages, I just mentioned those to be more specific, that's all. But I understand, generally, you have the entire Excel file in one go.

MS. BROWN: Okay. Thank you very much. We're clear on this record request.

CMSR. CHATTOPADHYAY: Yes.

So, let's go to -- I know we can't say exhibit numbers at this stage, but let's go to Bates Page -- I think the Page number is 76 for Mr. Donald Ware's testimony, and it's "Page 26 of 32", the way you paged the number. And let me know when you're there.

MS. BROWN: Okay. I believe we're all here.

CMSR. CHATTOPADHYAY: Okay. So, you have -- if you go through the Lines 11 through 17, and then also go to the -- I think it was the Tab 6, which was the customer notice, okay? And, if you go to Page 20 there, let me know when you're there. If you compare the percentage increases, they are different. They're slightly different. And I just -- I'm trying to understand why. Is there a reason behind it?

MS. BROWN: Commissioner Chattopadhyay, if you could turn to Tab 6, --

CMSR. CHATTOPADHYAY: Yes.

MS. BROWN: -- the tab cover sheet?

CMSR. CHATTOPADHYAY: Yes.

MS. BROWN: And it notes that "regarding the mailing of the notice to the customers, the Customer Notice attached hereto went to print prior to the recent revisions that slightly lowered the percent increase." It was a timing issue. So, that's why the notice is slightly different.

CMSR. CHATTOPADHYAY: Okay.

MS. BROWN: Because they had to get it to the printers to coincide with the notice going out, once the case was filed on June 27th. So, that's why there's a little bit of a difference there.

CMSR. CHATTOPADHYAY: Okay.

MS. BROWN: It didn't have the most recent, you know, you catch a few nits and errors in your calculation, and then they flow through. And, so, that's the explanation.

CMSR. CHATTOPADHYAY: Okay. Thank you.

So, let's go back to the topic of "QCPAC" again. So, I'm just trying to make sure I followed the thread. When was QCPAC created first, as a --

MR. GOODHUE: 16-806.

MR. WARE: Yes.

CMSR. CHATTOPADHYAY: 2016, right?

MR. GOODHUE: Docket DW 16-806.

CMSR. CHATTOPADHYAY: Okay. And then, in 2019, you had a rate case.

MR. GOODHUE: DW 19-084.

CMSR. CHATTOPADHYAY: How did you handle the prior year's QCPAC, you know, in the rate case of 2019?

MR. GOODHUE: Yes. Let me -- let me say that Docket DW 19-084 was not a normal process docket because of COVID-19, you know, to be very honest and very frank with you. You know, the Governor's Emergency Orders allowed for a 12-month period to be elongated 18-month.

CMSR. CHATTOPADHYAY: Uh-huh.

MR. GOODHUE: You know, recoupment periods got elongated. And we actually had delays in the processing of the QCPAC dockets between 16-806 and 19-084.

So, the way that they were handled in that case, I would not want to use as a template going forward. We needed to get back onto a new normal. Because we had a situation there, in discussions with the parties to the case, as to how to properly adjudicate that case and complete that case in DW 19-084, given the fact that we had multiple QCPACs that were still in pendency.

This time around, we have two of the three years already in place, with the third year in pendency. So, I'm going to say that this is more representative of the process that needs to be adhered to going forward, versus 19-084. I hope none of us ever have to repeat that again.

CMSR. CHATTOPADHYAY: Understood. Can you give me a sense of how does the QCPAC appear in a customer's bill?

MR. WARE: Yes. So, if you look at a typical customer bill, right now there is the rate -- so, you see the fixed charge, or the -- which is related to the meter size, then you see the volumetric charge. The volumetric charge is based on the rates approved in DW 19-084 per CCF. And then, you see the "QCPAC" line in this case that's related to DW, I believe it was 20-019 or 20-020, which is the 3.90 percent. That 3.0 -- that shows as a dollar amount, it says "3.90 percent", and that's times the total of those first two lines. Then, you see the next "QCPAC" line for DW 21-023, which was the 1.56 percent.

And, again, let's make it easy, if that was $100, of the first two lines, that line would be "$1.56", the first line would be "3.90". So, you would have a line for the meter, "$25"; volumetric, "75"; the first QCPAC associated -- at 3.9 percent, would be "$3.90"; the next one, at 1.56 percent, would be "$1.56". Currently, I think we're coming in at a dollar -- at 1.8 percent, I believe is the final number in the Settlement, because the cost of capital was higher than what was anticipated when we filed, so that would show up as "$1.80". And then, you would have the sum of those is the customer's total bill.

CMSR. CHATTOPADHYAY: Okay. So, --

MR. WARE: And --

CMSR. CHATTOPADHYAY: Sorry. Go ahead.

MR. WARE: If what was proposed was, you replace the permanent rates with temporary rates, you would have one line, which would be equal to the sum of the volumetric charge and the corresponding QCPACs.

CMSR. CHATTOPADHYAY: So, yes. I'm still a little bit confused, I think. So, the proposal here is to take those three QCPACs, add them up, and be part of the base rates, as you -- so, did I get that right?

MR. WARE: Yes.

CMSR. CHATTOPADHYAY: So, okay. So, really, QCPAC will disappear, but the QCPAC, as a mechanism, stays in place?

MR. WARE: Correct.

CMSR. CHATTOPADHYAY: So, when you're saying it's "suspended", it's really going to be not visible for -- within quotes -- "not visible" for the -- when you come up with the rates after the rate case is over, okay? But, in the future, you're going to again have a QCPAC come in.

So, one question I have is, understood that, if you -- right now, as I grasped what you were trying to say, the three QCPACs, they're appearing in the bill separately, right? Is that correct?

MR. WARE: Yes.

CMSR. CHATTOPADHYAY: So that, itself, is kind of cumbersome. So, you -- as opposed to you could have had just one QCPAC that gets adjusted every year and adds the additional QCPAC coming in. So, it's not like that. It's you have three different QCPACs coming in. All of that will go away.

And then, so, the question is, after that, in the future, when the QCPAC again comes back, wouldn't that also confuse the customers?

MR. WARE: You're always -- the way the QCPAC process is set up, it's an annual surcharge. We have to do them by each year because of the difference in percentages, and how the revenues break out, the revenues that come in from the QCPAC get split between the DSRR account and the MOERR account. And, since that percentage varied, dependent upon each filing, you need to apply that separately.

Then, what happens in this case, when we get permanent rates, let's say the QCPAC did not go away, and we kept temporary rates at permanent rates, the QCPACs would continue to be there until we got the new permanent rates. The Schedule 9 in this filing has the associated capital or the bonds that were issued for those three QCPACs built into the principal and interest schedule. So, when we get permanent rates, those go away. Now, we're going to sell -- we're doing capital this year. We're going to sell the bonds to fund that capital in 2023. That will be the first QCPAC on top of the new permanent rates.

CMSR. CHATTOPADHYAY: Yes. And I am -- I understand the process. I think what I'm pointing out is, for customers, for a while the "QCPAC" line would not be there, and -- but it's a mirage, because it's going to show up next time, --

MR. GOODHUE: True.

CMSR. CHATTOPADHYAY: -- you know, like there will be a "QCPAC" line. So, I'm just trying to understand how that can be conveyed to the customers that this is -- you know, I think that's enough of --

MR. GOODHUE: Understood.

MR. WARE: Yes.

MR. KREIS: It's like a new moon. You know, the moon doesn't go away, but you just can't see it.

CMSR. CHATTOPADHYAY: Yes. Yes, I'm not a writer, you can tell.

So, just confirm again, I think I understood this, but I want to make sure I got it right. The "7.21 percent" that you were talking about, that includes the 2022 006 docket's number as well?

MR. GOODHUE: Yes, it does.

CMSR. CHATTOPADHYAY: Is, because that has not yet been approved, right, it's still -- the docket is live, can you give me a sense of, you know, with whatever the base rates currently are, that you added the two QCPACs that have been approved, relative to that amount, what you're asking right now, what is the percentage increase?

MR. WARE: The projected increase associated with the DW 22-006 filing is now at 1.80 percent. So, we had a 3.90 percent, a 1.56 percent, and now a 1.80 percent, and those are the percentages of the base rates.

CMSR. CHATTOPADHYAY: Okay. But my question is, as a customer, --

MR. WARE: So, for a typical bill, I believe it worked out to, and if I had the QCPAC filing, I could tell you, I think it's a dollar more per month for the DW 22-006 filing.

CMSR. CHATTOPADHYAY: Yes. So, I think what I am asking is, right now, what are the customers paying? And give me the average number, this is what they're paying. Relative to that, what you have filed in this rate case, it's a $62 something, that percentage increase? I mean, I could do it, but if you -- you should know.

MR. GOODHUE: So, we're opening up a file. We're opening up a file to get that for you.

CMSR. CHATTOPADHYAY: Okay.

MR. GOODHUE: I mean, we appreciate and understand your question. And we're just looking it up before we can answer that.

CMSR. CHATTOPADHYAY: Absolutely. I'm waiting. So, that's fine. Thank you for doing this.

MS. BROWN: While Mr. Ware is opening up the document, I'd also like to interject that, when the Company had circulated a draft proposed procedural schedule, and it's contemplated that the temporary rate would occur after the present

QCPAC that's pending would be completed.

CMSR. CHATTOPADHYAY: Okay.

MS. BROWN: So that we would know what that firm number is. Because right in this rate filing is projected at 1.75, which was as it was filed in February.

CMSR. CHATTOPADHYAY: Uh-huh.

MS. BROWN: But we now know it's 1.8. You know, the timing, we're hoping to complete the QCPAC, get that approval, and then temporary rates would come later.

That's our proposal anyway.

CMSR. CHATTOPADHYAY: And then, the reason I'm asking the question is, when you read the filing, you might think that it's -- the rate increase is 13 percent, right, rough, 13.something. But it's important to know what a typical customer currently is paying, relative to that, what are you proposing the rates are going to be?

So, that's exactly what I'm trying to get a sense of.

MR. WARE: So, currently, the current customer is paying $58.69, that's the average customer, with the two QCPACs in effect. When we add the third, it will go to $59.69, with the three QCPACs in effect.

MR. GOODHUE: So, it's $1.00.

CMSR. CHATTOPADHYAY: So, relative to "58.69", I think that's what you mentioned, --

MR. GOODHUE: The $58.69 --

CMSR. CHATTOPADHYAY: -- and relative to that, what was --

MR. GOODHUE: That's the permanent rates, plus the first two QCPACs.

CMSR. CHATTOPADHYAY: Yes.

MR. GOODHUE: The third QCPAC that's in pendency adds one more dollar to an average bill, to make it $59.69.

CMSR. CHATTOPADHYAY: And then, what is the proposed rates in this rate case, and what would be the average? 62. --

[Short pause.]

CMSR. CHATTOPADHYAY: I think it's -- what I've seen in the --

MR. WARE: It's on Page, I'm assuming that that's "Bates 018"?

MS. BROWN: Yes.

MR. WARE: Bates 018.

MS. BROWN: Of Tab 5.

CMSR. CHATTOPADHYAY: I just -- I just need the number. So, is it 62.79?

MR. WARE: 62. -- well, it will be 79.

CMSR. CHATTOPADHYAY: Okay.

MR. WARE: Yes.

CMSR. CHATTOPADHYAY: I think that's good enough. Thank you. I can figure it out from there.

MR. WARE: Okay.

CMSR. CHATTOPADHYAY: I think that's all I have. Is there anything else we need to cover today?

MS. BROWN: None that the Company is aware of.

CMSR. CHATTOPADHYAY: Okay. Okay. So, thank you, everyone.

Do you have anything else?

CMSR. SIMPSON: No thank you.

CMSR. CHATTOPADHYAY: Okay. So, we will let the parties present here proceed to their technical session.

This prehearing conference is

adjourned. Thank you.

(Whereupon the prehearing conference was adjourned at 2:26 p.m., and a technical session was held thereafter.)