

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 23-015**

**PENNICHUCK WATER WORKS, INC.**

**Petition for 2023 Qualified Capital Project Adjustment Charge**

**Order *Nisi* Approving Financing**

**O R D E R N O. 26,875**

**August 21, 2023**

In this order, the Commission approves the request of Pennichuck Water Works, Inc. (PWW, or the Company) to implement a 2023 Qualified Capital Project Adjustment Charge (QCPAC) in the amount of 1.36 percent of base revenue for capital projects placed in service in 2022, effective April 26, 2023, which increases the average residential customer's monthly bill by \$0.83 per month to \$62.11. The Commission also approves recovery over three months of a QCPAC recoupment charge of \$1.29 per month, subject to a final calculation submitted within 30 days of this order, for service rendered between April 26, 2023 and the date of this order approving the 2023 QCPAC. The Commission also approves a modified reporting schedule.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of, and granted by, the Commission, are posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-015.html>.

**I. BACKGROUND AND PROCEDURAL HISTORY**

PWW is a regulated public utility that provides water service to customers in southern and central New Hampshire. On February 14, 2023, PWW filed a petition for approval of a 2023 QCPAC to reflect eligible capital investments completed in 2022.

The Petition was supported by the direct testimonies of Chief Operating Officer Donald L. Ware and Chief Engineer John J. Boisvert.

On June 27, 2022, PWW filed a general rate case with the New Hampshire Public Utilities Commission (“Commission”) in Docket No. DW 22-032. Through Order No. 26,862, issued on July 27, 2023 in that docket, the Commission established new base rates for the Company, and reset PWW’s aggregate Qualified Capital Project Adjustment Charge from 7.25% to 0.00% until the conclusion of this proceeding.

On August 1, 2023, PWW filed a settlement agreement reached with the DOE (Settlement), arrived at through a series of data requests and a technical session between May 10 and July 07, 2023.

The Office of the Consumer Advocate did not file a letter of participation, and no petitions to intervene were filed.

## **II. POSITIONS OF THE PARTIES**

### **A. PWW**

The petition requested a 2023 QCPAC in the amount of 1.37 percent of base revenue for capital projects placed in service in 2022 (Petition). The filing included a request for preliminary approval of the Company’s budget for its 2023 capital projects, and also provided, for informational purposes, forecasted capital project expenditures for 2024 and 2025.

The Company’s petition noted that its November 15 and January 15 capital project budget updates required by the Commission only offer a snapshot of the respective capital project budgets, property tax expense, and project debt service at a point in time. These updates overlap with ongoing updates stemming from responses to discovery from the DOE and other interested parties, occurring as part of the consideration and approval of QCPAC projects. The Company proposed to consolidate

the two reports to one report due on August 30 for the period ending in July 30 to avoid unnecessary overlap of reporting or redundancy from providing information that does not inform a decision by the Commission.

### **B. DOE**

The NH Department of Energy (DOE) filed a notice of appearance pursuant to RSA 12-P:9 on February 23, 2023. The DOE's Audit Staff completed a Final Audit Report of PWW's 2023 Qualified Capital Project Adjustment Charge on June 22, 2023. Settlement, Attachment B at 27.

### **III. SETTLEMENT**

The Settlement proposes a 2023 QCPAC in the amount of 1.36 percent of base revenue for capital projects placed in service in 2022. For the average single-family residential household, the bill will increase to from \$61.28 to \$62.11 per month. See Settlement Agreement, Attachment A at 18.

In addition, the Settlement recommended that the Commission approve recoupment of the 2023 QCPAC for service rendered between the 2023 bond closing date on April 26, 2023, and the date of this order. The Company and the DOE proposed approval of an additional monthly charge of \$1.29 for a period of three months to permit recoupment of capital project costs from the bond closing. See *Id.* at 11.

Under the terms of the Settlement, approval of the proposed 2023 capital budget of \$13,414,775 would result in a 3.04 percentage-point increase in PWW's cumulative QCPAC to 4.39 percent. This would result in a projected cumulative surcharge of \$2.69 per month, which when added to the base rate charge of \$61.28, would result in projected monthly bill of \$63.97. See *Id.* at 12.

Finally, the Settling Parties recommend that the Commission approve a modification to PWW's budget update reporting requirement that would consist of one report on December 15 for the period ending on October 31. The December 15<sup>th</sup> date was chosen to align with the end of PWW's annual construction season. The Settling Parties suggest that modification from two reports to one will reduce time, effort and expenses, including legal costs, for relevant parties and allow the Commission to receive a full and complete update of the Company's capital project budgets and any accounting updates. *Id.* at 14.

#### **IV. COMMISSION ANALYSIS**

Pursuant to RSA 374:2, RSA 378:7, RSA 378:8 and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PWW. Through a 2017 order, the Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. *See*, Order No. 26,070 (November 7, 2017) at 8-10 in Docket No. DW 16-806. The QCPAC mechanism enables PWW to make necessary capital improvements to its systems while maintaining sufficient cash flow to meet debt service and operating requirements. *Pennichuck Water Works, Inc.*, Order No. 26,598 (March 29, 2022) at 6.

The DOE's Regulatory and Audit Staff reviewed the capital projects associated with the capital budget approved on October 11, 2022, in Order No. 26,698, and updated in November 2022 and January 2023. Based on this review, and the DOE recommendation, the Commission rules that each QCPAC project was completed, in service, and used and useful, as required by RSA 378:28.

The DOE Audit Division examined the Company's books and records to determine that the capital expenditures on each of the projects supported the

infrastructure installed in 2022. Accordingly, in its reliance on the DOE's review of projects and audit of QCPAC expenses for 2022, the Commission rules that the 2022 capital project expenditures of \$6,742,259 were reasonable and result in reasonable rates.

Based on our review of the filing and the Settlement reached between PWW and the DOE, we approve the petition as modified by the Settlement. Accordingly, we approve the settled 2023 QCPAC of 1.36 percent, which, based on the revenue requirement approved through Commission Order No. 26,862 in Docket No. DW 22-032, also allows recovery of debt and property tax expenses associated with the completed projects.

We further preliminarily approve, subject to review and audit by the DOE and review by the Commission, the proposed 2023 capital budget of \$13,414,775. We will review the prudence of those projects in the next QCPAC filing. We accept PWW's 2023 and 2024 capital budgets of \$21,604,535 and \$11,799,975, respectively, that were provided for informational purposes.

The Commission agrees that there is a need for PWW to recoup costs emanating from the date of the bond issuance in order to recover expenses already incurred. A monthly recoupment surcharge, from the date of this order, will provide the Company with the finances needed to pay accrued interest and principal payments on bonds and loans incurred from the date of the bond issuance until the date of this order. Accordingly, the Commission approves a monthly recoupment of the 2023 QCPAC for a period of three months from the date of this order. This approval is subject to reconciliation following this order.

Finally, the Commission agrees that consolidation of PWW's budget update reporting requirement to one December 15 report will help reduce expenses, including

legal costs incurred by the Company related to these updates, thereby benefiting PWW's ratepayers. The single report does not impede with the Commission's ability to review the Company's expenditures. Accordingly, the Commission approves the modified reporting schedule. PWW shall be required to provide one annual report on December 15, reflecting updates for the period ending on October 31 of that year.

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

**ORDERED NISI**, that, subject to the effective date below, the request of Pennichuck Water Works, Inc. to recover a 2023 QCPAC for projects placed in service in 2022, effective on the date of this order, in the amount of 1.36 percent of base revenue, as described in this order, with billing of this charge to begin on the effective date of this order is **APPROVED**; and it is

**FURTHER ORDERED**, that the proposed recoupment of 2023 QCPAC from April 26, 2023 until the effective date of this order, through an additional charge to be collected over a three-month period is **APPROVED**; and it is

**FURTHER ORDERED**, that Pennichuck Water Works, Inc. shall submit to the New Hampshire Department of Energy and the New Hampshire Public Utilities Commission a final calculation of the recoupment surcharge applied to customer bills within 30 days of the effective date of this order *nisi*; and it is

**FURTHER ORDERED**, that, subject to the effective date below, Pennichuck Water Works, Inc.'s proposed 2023 capital budget is **APPROVED** on a preliminary basis and subject to further audit and Commission review; and it is

**FURTHER ORDERED**, that Pennichuck Water Works, Inc.'s preliminary 2024 and 2025 capital budgets are **ACCEPTED** for informational purposes only; and it is

**FURTHER ORDERED**, that modification of Pennichuck Water Works, Inc.'s budget update reporting requirement to December 15 of each year is **APPROVED**; and it is

**FURTHER ORDERED**, that Pennichuck Water Works, Inc. shall cause a copy of this Order *Nisi* to be published on the Company's website no later than August 23, 2023, and provide each of its customers a website link to this order, made available through a bill insert in the next billing period following the issuance of this order, both to be documented by an affidavit filed with the Commission on or before August 31, 2023; and it is

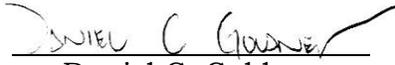
**FURTHER ORDERED**, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than August 31, 2023, for the Commission's consideration; and it is

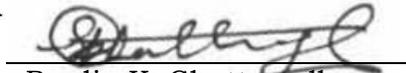
**FURTHER ORDERED**, that that any party interested in responding to such comments or request for hearing shall do so no later than September 5, 2023; and it is

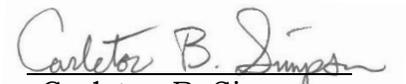
**FURTHER ORDERED**, that this Order *Nisi* shall be effective on September 12, 2023, unless Pennichuck Water Works, Inc. fails to satisfy the publication and notice obligations set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

**FURTHER ORDERED**, that Pennichuck Water Works, Inc. shall file a compliance tariff with the Commission on or before September 27, 2013 in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twenty-first day of August, 2023.

  
Daniel C. Goldner  
Chair

  
Pradip K. Chattopadhyay  
Commissioner

  
Carleton B. Simpson  
Commissioner

## Service List - Docket Related

Docket#: 23-015

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