

**STATE OF NEW HAMPSHIRE**

**BEFORE THE**

**PUBLIC UTILITIES COMMISSION**

**DW 23-101**

**PENNICHUCK WATER WORKS, INC., PENNICHUCK EAST UTILITY, INC., AND  
PITTSFIELD AQUEDUCT COMPANY**

**SETTLEMENT AGREEMENT  
ON THE MERGER OF PENNICHUCK EAST UTILITY, INC. AND PITTSFIELD  
AQUEDUCT COMPANY INTO PENNICHUCK WATER WORKS, INC.  
AND  
PERMANENT CONSOLIDATED RATES FOR PENNICHUCK WATER WORKS, INC.**

December 11, 2024

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Attachment A, Revenue Requirement Schedules

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Attachment C, DLW Exhibit 1 (Merged)

Attachment D\*, Puc 1604.06 Schedules (Merged) (PWW PEU PAC Available Upon Request)

Attachment E, Puc 1604.08 Schedules (Merged) (PWW PEU PAC Available Upon Request)

Attachment F, DOE FINAL Audit Report DW 22-032

Attachment G, City of Nashua Resolutions

Attachment H, Agreement and Plan of Merger – PEU

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Attachment J, Board of Directors Resolutions (PC, PWW, PEU, and PAC)

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Attachment L, Supplemental Customer Notice

Attachment M, Revised Cost of Service Study from Supplemental Testimony

Attachment N, Commercial Customer Notice

“\*” indicates attachments filed in both redacted and confidential format.

## **1.0 INTRODUCTION**

1.1 This settlement agreement (Agreement) on the merger of Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. with and into Pennichuck Water Works, Inc. (each a “Merger” and collectively, the “Mergers”) and permanent consolidated rates for Pennichuck Water Works, Inc. as the surviving entity of the Mergers (Consolidated Rates) is entered into by and among Pennichuck Water Works, Inc. (PWW or Company); Pennichuck East Utility, Inc. (PEU); Pittsfield Aqueduct Company, Inc. (PAC); (PAC, PWW, and PEU, together, Petitioners); the New Hampshire Department of Energy (DOE); the Office of the Consumer Advocate (OCA); City of Nashua (Nashua); Town of Bedford (Bedford); Town of Londonderry (Londonderry); and the Town of Litchfield (Litchfield). The Petitioners, DOE, OCA, Nashua, Bedford, Londonderry, and Litchfield are collectively referred to herein as the Settling Parties. For the reasons explained below, in the opinion of the Settling Parties, this Agreement is just and reasonable and in the public interest in accordance with RSA 369:8, 374:26, 374:30, 374:33 and RSA Chapter 378. Accordingly, the Settling Parties recommend that the Commission approve this Agreement.

## **2.0 SUMMARY OF PROCEDURAL HISTORY**

2.1 On October 13, 2023, the Petitioners filed with the Commission a Notice of Intent to File Rate Schedules. The notice included reference to both consolidated rates and a proposed merger or consolidation petition to be filed by the Petitioners. On October 10, 2023, the Commission acknowledged the filing and docketed it as Docket No. DW 23-088. On November 21, 2023, the Petitioners filed consolidated rate schedules and supporting documentation. The DOE filed a Notice of Appearance on October 13, 2023, the OCA filed a Letter of Participation on November 22, 2023, and the Towns of Bedford (12/11/23), Litchfield (1/11/24), and

Londonderry (1/19/24) (Intervenors) filed respective Petitions to Intervene in Docket No. DW 23-088.

2.2 On December 15, 2023, the Petitioners filed with the Commission a petition for approval of the Merger of PEU and PAC into PWW. The Commission docketed the Merger proceeding as Docket No. DW 23-101. The OCA filed a Letter of Participation on December 19, 2023, the DOE filed a Notice of Appearance on December 21, 2023, and the Towns of Bedford (1/2/24), Litchfield (1/11/24), and Londonderry (1/19/24) filed respective Petitions to Intervene in Docket No. DW 23-101.

2.3 On December 15, 2023, the DOE filed a motion to dismiss the consolidated rate case in DW 23-088.

2.4 On December 18, 2023, the Commission issued Order No. 26,914 suspending the taking effect of the tariffs in DW 23-088.

2.5 On December 29, 2023, the Petitioners filed an objection to the DOE's motion to dismiss in DW 23-088.

2.6 On January 4, 2024, PWW issued notices to all customers of PWW, PEU, and PAC of the consolidated rate case and provided answers to frequently asked questions (FAQ) to customers via a direct mailing.

2.7 On January 5, 2024, the Commission issued a Notice of Adjudicative Proceeding and Order of Notice in DW 23-101 for a pre-hearing conference scheduled for February 6, 2024.

2.8 On January 10, 2024, in DW 23-088, the Commission issued a Notice of Commencement of Adjudicative Proceeding and Notice of Hearing to be held on January 31, 2024 to consider the DOE's motion to dismiss.

2.9 On January 11, 2024, the Petitioners filed an affidavit attesting that the Commission's order in DW 23-088 was posted on the Company's website.

2.10 On January 29, 2024, in Docket No. DW 23-088, the Commission issued a procedural order granting the respective petitions to intervene.

2.11 On January 31, 2024, the Commission conducted a hearing in DW 23-088 to consider the DOE's Motion to Dismiss.

2.12 On February 4, 2024, the Commission issued a procedural order in DW 23-101 rescheduling the pre-hearing conference in that docket for February 14, 2024.

2.13 On February 6, 2024, in DW 23-088, the Commission issued Order No. 26,942 granting the DOE's motion to dismiss, without prejudice.

2.14 On February 6, 2024, in DW 23-101, the Commission issued a procedural order granting the respective petitions to intervene.

2.15 On February 14, 2024, the Commission held a pre-hearing conference in DW 23-101 with the Petitioners, DOE, OCA, and Intervenors. At the prehearing conference, the Petitioners agreed to file an amendment to its Merger petition by February 28, 2024, to incorporate the consolidated rates previously proposed in DW 23-088.

2.16 At a technical session following the pre-hearing conference, the parties, including the Petitioners, DOE, OCA, and Intervenors, met to discuss the proposed amendment to the petition in DW 23-101 to incorporate the consolidated rates proposed in DW 23-088.

2.17 On February 15, 2024, the City of Nashua filed a Petition to Intervene in DW 23-101.

2.18 On February 28, 2024, the Petitioners filed a status update letter with the Commission explaining when a proposed procedural schedule and amended petition were anticipated to be filed by the Petitioners.

2.19 On February 28, 2024, the Petitioners filed an assented-to proposed procedural schedule for the Commission's consideration. The schedule provided for eight (8) rounds of discovery, multiple technical and settlement sessions, provisions for both a settlement track and a litigation track, including dates for testimony, rebuttal testimony, and hearing dates.

2.20 On March 4, 2024, the Commission approved the proposed procedural schedule. Subsequent requested amendments to the procedural schedule were approved by the Commission on March 7, March 22, and July 29, 2024.

2.21 On March 8, 2024, the Petitioners filed an assented-to motion to amend the petition for Merger (filed on December 15, 2023) to incorporate a request to consolidate rates among PWW, PEU, and PAC. On March 13, 2024, the Petitioners filed revised tariff pages to supplement the filing made on March 8, 2024.

2.22 On March 29, 2024, the Commission issued Order No. 26,985: (1) granting Nashua's petition to intervene; (2) granting the motion to amend the joint petition; (3) granting the Petitioner's motion to waive certain notice requirements; (4) granting the Petitioner's motion for confidential treatment and protective order; (5) ordering that supplemental customer notice be provided in public newspapers and via letters and notices to customers and parties in Docket No. DW 11-026 (concerning Nashua's acquisition of the Petitioner's parent, Pennichuck Corporation); (6) requiring the Petitioners to file an affidavit of compliance; and (7) requiring the Petitioners to file a waiver of RSA 378:6,I(a)'s 12-month limit on the suspension of tariffs.

2.23 On April 3, 2024, the Petitioners filed an affidavit of compliance with the publication requirements of Order No. 26,985.

2.24 On April 8, 2024, the Commission issued a supplemental order of notice to review the additional issues raised in the amended petition, including issues pursuant to RSA Chapter 541-A, RSA 374:2, RSA 378:5; RSA 378:7, RSA 378:8, and the Commission's procedural rules, providing parties with an opportunity to intervene in the proceeding.

2.25 Also on April 8, 2024, the Petitioners filed a letter explaining that the Petitioners' proposed tariff, changing customer rates, would become effective March 8, 2025 and that this date was after the approved final hearing date in this docket, thereby already allowing the Commission and other parties the ability to conduct their investigations under RSA 378:6, and therefore no suspension was technically needed. Notwithstanding that timing, however, the Petitioners agreed that it would not implement new rates until the Commission approved them.

2.26 On April 9, 2024, the Petitioners filed an affidavit of publication regarding its posting of the Commission's supplemental order of notice on the Petitioners' website as required by the Commission's order.

2.27 On July 11, 2024, in accordance with the amended procedural schedule, the DOE filed an interim status report with the Commission.

2.28 On September 6, 2024, the Petitioners filed rate case expense report No. 2.

2.29 On September 12, 2024, the DOE filed a status update indicating the parties remained on a settlement track.

2.30 On September 19, 2024, the Petitioners filed an assented-to motion to amend the procedural schedule to allow for the Petitioners to file supplemental testimony, amend the dates



for the submission of Set 7 and Set 8 data requests and responses, amend the settlement filing deadline to December 3, 2024, and propose subsequent alternative hearing dates.

2.31 On September 20, 2024, the Commission granted the assented-to motion to amend the procedural schedule and established a final hearing date for January 14, 2025.

2.32 On September 26, 2024, the Petitioners filed the supplemental pre-filed testimony and schedules of John J. Boisvert and Donald L. Ware. The supplemental testimony explained revisions to the initially proposed customer rate design, including tiered volumetric rates and the addition of a separate rate group for multi-family residential customers.

2.33 On September 30, 2024, the Petitioners filed an assented-to status update confirming the Parties continuation on a settlement track, concluding with hearing dates in accordance with the amended procedural schedule.

### **3.0 SUMMARY OF CITY OF NASHUA APPROVALS**

3.1 On October 8, 2024, the City of Nashua Board of Aldermen entered the first reading of a settlement resolution (R-24-100) and merger resolution (R-24-101) related to authority to execute a settlement and approve the Merger. This first reading of the resolutions was referred to the City of Nashua's Pennichuck Water Special Committee<sup>1</sup> for discussion and consideration on October 29, 2024.

3.2 On October 29, 2024, the Pennichuck Water Special Committee held a public hearing and deliberated on the settlement and merger resolutions previously referred to it by the Board of Aldermen. The committee recommended the Board of Aldermen approve the resolutions at their November 12, 2024 meeting.

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<sup>1</sup> The Pennichuck Water Special Committee is an aldermanic committee of the City of Nashua.

3.3 On November 12, 2024, the Board of Aldermen voted to approve Merger Resolution R-24-100 and Settlement Resolution R-24-101 (attached hereto as Attachment G), thereby authorizing the Mayor, or his designee, to sign the settlement agreement and approve the Merger in this proceeding.

#### **4.0 SCOPE**

4.1 This Agreement on the Mergers of PEU and PAC with and into PWW and resulting in consolidated rates for PWW as the surviving entity of the Mergers is entered into by the Settling Parties.

4.2 This Agreement constitutes the Settling Parties' recommendation to the Commission with respect to the Mergers and consolidated rates in this docket.

4.3 The Settling Parties agree that this Agreement constitutes resolution of the issues specified herein only.

4.4 This Agreement shall not be deemed an admission by any of the Settling Parties 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 construed to represent any concession by any settling party hereto regarding positions taken, nor shall this Agreement be deemed to foreclose any settling party from taking any position in any future proceedings. The conditions agreed to in this Agreement are settlement positions that reflect a compromise.

4.5 The pre-filed testimony and supporting documentation previously relied upon in this proceeding by the Settling Parties are not expected to be the subject of cross-examination by the Settling Parties, which would normally occur in a litigated case. The Settling Parties agree that all such pre-filed testimony and supporting documentation, including Settling Parties' data

responses or responses to Commission record requests, should be admitted as full exhibits for the purpose of consideration of this Agreement, without requiring their authors to adopt the contents of the exhibits by oath or affirmation, and that such exhibits be given the weight the Commission deems appropriate. Consent by the Settling Parties to admit all such pre-filed testimony without challenge does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony (or other documentation) is accurate or that the views of the witnesses should be assigned any particular weight by the Commission.

4.6 The resolution of any specific issues in this Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, that other document for purposes of any future proceeding. Admissions into evidence of any witnesses' testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

## **5.0 MERGER TERMS**

### **5.1 Merger of PEU and PAC with and into PWW (the Mergers)**

5.1.1 On November 12, 2024, the City of Nashua Board of Aldermen voted to approve the consummation of the Mergers with associated consolidated rates, subject to the satisfaction of conditions precedent set forth in a certain Agreement and Plan of Merger for each Merger by Resolution R-24-100. A copy of Resolution R-24-100 is attached and incorporated herein as Attachment G. A copy of the Agreement and Plan of Merger for PEU into PWW is attached as Attachment H and incorporated by reference herein. A copy of the Agreement and Plan of

Merger for PAC into PWW is attached as Attachment I and incorporated by reference herein.

The Agreements and Plans of Merger (Merger Agreements) set forth the terms and conditions by which PEU and PAC will merge into PWW, including, as follows:

5.1.1.1 With the consummation of the Mergers, the separate corporate existences of PEU and PAC shall cease and PWW shall continue as the surviving corporation (hereinafter referred to as “Surviving Corporation”). The Surviving Corporation shall be vested with title to all real estate, and other property owned by PEU and PAC, and the Surviving Corporation shall by operation of law assume all assets and liabilities of PEU and PAC. Pennichuck Corporation shall continue to own all of the outstanding shares of PWW, and Nashua shall continue to be the sole shareholder of Pennichuck Corporation.

5.1.1.2 All capital stock of PEU and PAC shall be cancelled upon closing of the Mergers, and PWW’s capital stock shares shall not be altered.

5.1.1.3 The By-laws of PWW, as the Surviving Corporation, and the Articles of Incorporation and By-laws of Pennichuck Corporation, as the parent company of the Surviving Corporation, shall be amended as necessary and as agreed and approved by Nashua, Pennichuck Corporation, and PWW, as applicable, including, as necessary, to add two (2) directors to each of PWW’s and Pennichuck Corporation’s Board of Directors. One director is to be appointed by the Mayor and one director is to be appointed by the City of Nashua Board of Aldermen.

5.1.1.4 The Settling Parties acknowledge that the consummation of the Mergers is subject to the terms and conditions contained in the Merger Agreements, including the following conditions precedent:

- (1) the Board of Aldermen of the City of Nashua must approve the Mergers by majority vote<sup>2</sup>;
- (2) the Board of Directors of Pennichuck Corporation must approve the Mergers by a majority vote of directors present, once a quorum is present;
- (3) the Commission must approve the Mergers; and
- (4) no statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any governmental entity (including any federal, state, or local government, regulatory or administrative authority) preventing the consummation of the Mergers shall be in effect.

With respect to the second condition, the Board of Directors of Pennichuck Corporation, as well as each of the Boards of Directors of PWW, PEU, and PAC, have approved the negotiation and execution of this Agreement pursuant to resolutions dated October 4, 2024. A copy of the respective board resolutions approved on October 4, 2024 are attached as Attachment J. Having obtained approval from the City of Nashua Board of Aldermen, the Pennichuck Corporation Board of Directors will proceed, on December 13, 2024, with voting and approval of the consummation of the Mergers, including any actions necessary to effect the Merger Agreements and consistent with approvals from Nashua, the Commission, and this Agreement.

5.1.1.5 The Settling Parties agree and recommend that the Commission issue approvals and authorizations necessary to conclude the Merger and authorize PWW to act as the merged entity going forward.

5.1.1.6 The Settling Parties agree and recommend that the Commission, approve or authorize the Surviving Corporation to enter into agreements with TD Bank, CoBank, and the

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<sup>2</sup> The first condition was satisfied by the approval of Merger Resolution No. R-24-100 and Settlement Resolution No. R-24-101 by the Board of Aldermen of the City on November 12, 2024, subject to this settlement and Commission approval being substantially consistent with said approvals.

State of New Hampshire pursuant to RSA 369:1-4 to assume the debt obligations of PEU and PAC at existing terms.

5.1.1.7 The Settling Parties agree and recommend that the Commission authorize the Surviving Corporation to include assumed debt for the 2024 capital expenses of PEU to be included in the express purposes authorized for bonding by Order No. 26,459 (March 2, 2021) in Docket No. DW 20-157<sup>3</sup>.

5.1.1.8 The Settling Parties agree and recommend that the Commission authorize PWW, as the Surviving Corporation, to take any and all actions necessary or incidental to concluding and effecting the Mergers and Merger Agreements, and in connection therewith, authorize PWW to act as the merged entity going forward, assuming all rights and obligations of each of PEU and PAC, including the assumption of any and all outstanding agreements of each of PEU and PAC, including but not limited to, all design, engineering, and/or construction agreements, interconnection agreements, escrow agreements, management agreements, and water supply agreements.

5.1.1.9 The Settling Parties agree and recommend the Commission approve the assumption of any and all of PEU's and PAC's assets, including any real estate or other property, and liabilities, including any short-term and long-term indebtedness associated with their respective assets by PWW in accordance with RSA 369:8.

5.1.1.10 The Settling Parties agree and recommend that the Commission find that the merger of each of PEU and PAC with and into PWW is consistent with the public interest and

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<sup>3</sup> Order No. 26,459 (March 2, 2021) in Docket No. DW 20-157 authorized PWW to issue up to \$57.5 million in Bonds and/or Notes as part of the Company's overall April 2021 to April 2025 financing plan. The purpose of the Bond Financing is to allow PWW to fund its capital expenditures and pay down its line of credit purchases for 2020 to 2024 capital improvements eligible for recovery through PWW's Qualified Capital Project Adjustment Charge (QCPAC) mechanism.

public good within the meaning of RSA 374:30, 374:33, and RSA Chapter 378, for the reasons set forth in this Agreement, and as presented to the Commission in pre-filed testimony, discovery responses, schedules, and exhibits.

## **5.2 Recovery of Merger Related Costs**

5.2.1 The Settling Parties agree and recommend that the Commission allow PWW to recover its merger-related costs<sup>4</sup> up to the savings<sup>5</sup> generated by the merger. Certain savings have been pro formed into the current proposed revenue requirement (For example, see Attachment D, Puc 1604.06 Schedules (Merged), Schedule 1, Attachment L). The Settling Parties agree and recommend that PWW be allowed to create a deferred debit that will recover the final approved total merger related expenses annually over ten (10) years. The annual recovery of funds, over ten years, will be transferred from the Company's 0.1 DSRR bank account and will not be collected as an amortization expense included in the revenue requirement of future rate cases. PWW agrees to file its final compilation of merger-related costs, for Commission approval, no later than ninety (90) days from the closing of the merger. The Settling Parties acknowledge that, as parties, they will have an opportunity to review the merger-related costs and provide recommendations to the Commission concerning approval of those expenses. The Settling Parties agree that PWW will include, as part of the subsequent rate cases it will file in 2026 and 2029 (See Section 9.0), calculations of the annual financing savings and regulatory savings realized as a result of the merger.

## **6.0 CONSOLIDATED RATE CASE TERMS**

### **6.1 No Changes to PWW Revenue Requirement Methodology**

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<sup>4</sup> As of October 31, 2024, the merger transaction costs are \$271,689.73, and will be capped at an amount not to exceed \$400,000.

<sup>5</sup> Pursuant to Supplemental Response to DOE 7-4, PWW estimates annual savings of \$121,003 in financing savings and avoided Commission regulatory filings for PEU QCPAC, PEU and PAC rate cases and financing petitions.

6.1.1 The Settling Parties propose no changes to the revenue requirement methodology approved by the Commission for PWW in Order No. 26,862 dated July 27, 2023 in Docket No. DW 22-032. PWW's approved revenue requirement consists of the following components: (1) City Bond Fixed Revenue Requirement (CBFRR) and associated Rate Stabilization Fund (RSF); (2) Operating Expense Revenue Requirement (OERR) which is further composed of (a) Material Operating Expense Revenue Requirement (MOERR) and associated RSF, (b) Non-Material Operating Expense Revenue Requirement (NOERR), and (c) a Material Operating Expense Factor (MOEF); and (3) Debt Service Revenue Requirement (DSRR) which is further composed of (a) Debt Service Revenue Requirement - 1.0 (DSRR-1.0) and associated RSF, and (b) Debt Service Revenue Requirement - 0.1 (DSRR-0.1).<sup>6</sup> This revenue requirement methodology is already consistent among PWW, PEU, and PAC because the Commission approved the same revenue requirement methodology for PEU and PAC. See Order No. 26,586 (February 18, 2022) in Docket No. DW 20-156 for PEU; and Order No. 26,544 (November 9, 2021) in Docket No. DW 20-153 for PAC.

## **6.2 Agreed to Revenue Requirement for PWW**

6.2.1 The Settling Parties agree upon a total revenue requirement for the Surviving Corporation, based upon a 2022 test year, of \$55,763,017, along with the calculated components thereof as contained in the merged schedules submitted in response to DOE Set 6 discovery requests on August 19, 2024. The referenced merged schedules form the basis of the revenue requirement schedules provided as Attachment A. Specifically, the Merged Summary Schedule illustrates the individual components of the proposed revenue requirement.

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<sup>6</sup> A narrative description of these revenue requirement components can be found at: [https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-156/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/20-156\\_2021-12-15\\_EXH-8.PDF](https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-156/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/20-156_2021-12-15_EXH-8.PDF)



6.2.2 The Settling Parties agree and recommend that the North Country Capital Recovery Surcharge (NCCRS) previously approved for PEU, by Order No. 25,051 in Docket No. DW 08-052 (December 11, 2009), be discontinued in the Surviving Corporation and, instead, the debt service previously recovered through the NCCRS be incorporated into the overall revenue requirement of the Surviving Corporation.<sup>7</sup>

6.2.3 The specific components of the recommended overall revenue requirement are as follows:

<b>City Bond Fixed Revenue Requirement (CBFRR)</b>	<b><u>\$ 8,802,880</u></b>
Material Operating Expense Revenue Requirement (MOERR)	\$32,014,489
Non-Material Operating Expense Revenue Requirement (NOERR)	568,677
Material Operating Expense Factor (MOEF) @ 10.25%	<u>3,262,217</u>
<b>Operating Expense Revenue Requirement (OERR)</b>	<b><u>\$35,845,383</u></b>
Debt Service Revenue Requirement – 1.0 (DSRR-1.0)	\$10,104,322
Debt Service Revenue Requirement – 0.1 (DSRR-0.1)	<u>1,010,432</u>
<b>Debt Service Revenue Requirement (DSRR)</b>	<b><u>\$11,114,754</u></b>
<b>Total Revenue Requirement</b>	<b><u>\$55,763,017</u></b>

6.2.4 The Settling Parties agree and recommend that the Commission authorize that the merged PWV, at the time of filing its 2026 rate case, based on a 2025 Test Year (See Section 9.1), include a revised affiliate management fee allocation agreement for the Commission’s consideration.

### 6.3 Merged Imprest Levels of Rate Stabilization Accounts

6.3.1 In Docket No. DW 11-026, an RSF reconciliation mechanism was established wherein the Commission required PWV to maintain the original overall \$5 million Rate

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<sup>7</sup> This consists of two loans that are further detailed on Attachment A, Merged Schedule 3. The first is a NH State Revolving Fund 20-year loan for improvements made at PEU’s Birch Hill system with a principal balance as of December 31, 2022 of \$930,094 at an interest rate of 2.864% and an annual principal and interest payment amount of \$118,327. The second is a 30-year affiliate loan from Pennichuck Corporation for other North Country system improvements with a principal balance as of December 31, 2022 of \$1,016,835 at an interest rate of 3.20% and an annual principal and interest payment amount of \$60,065. (See also Attachment A, PEU Schedule 3.) The principal and interest for these two loans, along with the associated 0.1 DSRR factor shall be recovered as part of the 1.0 DSRR and 0.1 DSRR revenue requirement of the surviving Corporation.

Stabilization Fund through adjustments, i.e., charges or credits, to PWW’s revenue requirement in connection with its full rate proceedings. See Order No. 25,292 at 44-45 (November 23, 2011, Docket No. DW 11-026) (approving Acquisition and Settlement Agreement). The imprest levels of the RSF accounts were established in Docket No. 16-806, Order No. 26,090 (November 7, 2017) for PWW; in Docket No. 17-128, Order No. 26,179 (October 4, 2018) for PEU; and in Docket No. 20-153, Order No. 26,544 (November 9, 2021) for PAC. In light of the merger of PEU and PAC’s allocation of the RSFs into PWW, the Settling Parties recommend that the Commission approve the following imprest levels of PWW’s merged RSFs as noted in Attachment C: DLW Exhibit 1; Consolidated PWW: Stabilization Fund Calculations:

City Bond Fixed Revenue Requirement (CBFRR)-RSF:	\$ 724,000
Material Operating Expense Revenue Requirement (MOERR)-RSF:	3,829,000
Debt Service Revenue Requirement-1.0 (DSRR-1.0)-RSF:	<u>447,000</u>
<b>Total Rate Stabilization Fund</b>	<b><u>\$5,000,000</u></b>

#### **6.4 Reconciliation of Rate Stabilization Funds**

6.4.1 In Docket No. DW 16-806, as well as in Docket No. DW 19-084, the Commission approved a reconciliation mechanism for PWW’s Rate Stabilization Funds (RSF), whereby the target RSF balances would be maintained via charge or credit adjustments to PWW’s established revenue requirements in those proceedings or by refilling the RSF account using 0.1 DSRR funds. Based on PWW’s, PEU’s, and PAC’s combined December 31, 2023 financial reports, the reconciliation of the RSFs showed a total amount of \$4,268,715, or a short fall of \$731,285 from the merged PWW target level of \$5,000,000. As of December 31, 2023, PWW, PEU, and PAC had a combined balance in their respective 0.1 DSRR accounts of \$1,641,435.43. These figures are actual and appear in Attachment D at Bates page 311 or Tab “Sch 1Attach A, Pg 3”. Per the order issued in DW19-084, one of the approved uses of the 0.1 DSRR account was to refill the RSF accounts to their target levels. Therefore, the Settling Parties agree that, for purposes of the

instant proceeding, the merged PWW RSF levels should be filled to the allowed total target level of \$5,000,000 by transferring \$731,285 from the merged PWW 0.1 DSRR bank account to PWW's merged RSF bank accounts. The Settling Parties recommend that, for purposes of the instant proceeding, the Commission approve this methodology for refilling the merged PWW's combined RSF accounts.

## **6.5 Qualified Capital Projects Adjustment Charge (QCPAC)**

6.5.1 The Settling Parties acknowledge that, subsequent to PWW's last rate proceeding in DW 22-032, the plant installed by PWW in 2022 was found by the Commission to be used and useful in PWW's QCPAC proceeding in DW 23-015. See Order No. 26,875 (August 21, 2023) (nisi order approving settlement for 2023 QCPAC).

6.5.2 The Settling Parties further acknowledge that, subsequent to PEU's last rate proceeding in DW 20-156, the plant installed by PEU in 2020, 2021 and 2022 was found by the Commission to be used and useful in PEU's QCPAC proceedings in DW 21-022, DW 22-005, and DW 23-013. See Order No. 26,608 (April 8, 2022), Order No. 26,767 (January 24, 2023), and Order No. 26,907 (November 30, 2023).

6.5.3 PWW and PEU submitted QCPAC filings in February 2024, filed as Docket Nos. DW 24-027 and DW 24-029, respectively, to establish a surcharge on each utility's rates for plant that was installed and used and useful in 2023. The Settling parties agree that DW 24-027 and DW 24-029 should be merged together and considered for approval on a consolidated basis by the Commission upon its approval of the merger and rates proposed in the instant docket.

6.5.4 Specifically, the Settling Parties propose that the respective QCPAC filings in DW 24-027 and DW 24-029 be combined into an overall revenue requirement from which a QCPAC surcharge will be calculated by dividing the sum of the revenue requirements derived in

DW 24-027 and DW 24-029 by the approved merged PWW revenue requirement sought in DW 23-101. The QCPAC revenues shall be recoupable back to April 25, 2024 (date of PWW's 2024 bond sale) relative to PWW's capital expenditures and back to October 30, 2024 (date of PEU's CoBank Loan closing) relative to PEU's capital expenditures (See also Docket No. DW 24-064). The Settling Parties further recommend that the combined 2024 QCPAC be applied to the bills of the current customers of PWW and the former PEU customers, only. The Settling Parties recommend that the 2024 QCPAC will not be applied to the bills of the customers of former PAC. Beginning with the 2025 QCPAC filing of the Surviving Corporation, however, the Settling Parties recommend that the QCPAC be applied to all merged PWW customers uniformly at the percentages approved in that and the following QCPAC filings.

6.5.5 The calculation of the increase in the total revenue requirement associated with the combined 2024 QCPAC filings will be determined based on the final reconciliation of the revenue requirements from DW 24-027 and DW 24-029 with DW 23-101 and is currently projected to be approximately 2.06%.

## **6.6 Rate Impact**

6.6.1 The Settling Parties agree and recommend the Commission approve the customer rates, including the affected changes to the volumetric charges of the PWW special contracts, identified on Attachment A, Schedule 4. Illustrations of these customer rate impacts are found in Attachment A at Bates pages 79-82. Rate impacts are further analyzed in schedules found in Attachment AA. Rate impacts relative to the average single-family residential customers of PWW, PEU, and PAC are contained in the supplemental customer notices provided in Attachment L.

6.6.2 The Settling Parties recommend that the Commission find that Attachment A, Schedule 4, Report of Proposed Rate Changes, which includes the proposed percentage increases and decreases by rate class, is just and reasonable and in the public interest pursuant to RSA 378:7, :8 and :28.

## **6.7 Changes to PWW’s Rate Design and Tariff Rate Schedules**

6.7.1 The Settling Parties agree that a Single-Tariff Pricing methodology will be established for the Surviving Corporation including a tiered, inclining block rate structure that provides for unified General Metered (GM) volumetric tiered rates for all customers across the former PWW, PEU, and PAC systems. The finalized GM volumetric tiered rates for the Surviving Corporation will provide for an inclining block rate structure for three customer classes, GM-Volumetric, GM-Multi-family-Volumetric, and GM-Mixed-Use-Volumetric. The GM-Volumetric rate will encompass the following customer classes: single-family residential, commercial, industrial, and municipal; but, excludes the multi-family residential and mixed-use customers as defined in the proposed tariff page 6. The GM-Multi-family-Volumetric rates will be charged in accordance with the number of dwelling units contained in a multi-family building. The GM-Mixed-Use-Volumetric rates will be charged in accordance with the number of residential dwelling units contained in the mixed-use building plus one (to allow an allotment of usage to the commercial units in the building). The proposal set forth in this Agreement modifies the Petitioners’ initial rate proposal<sup>8</sup> filed on March 8, 2024, as well as the supplemental tiered proposal described in the Supplemental Testimonies of John Boisvert<sup>9</sup> and Donald Ware<sup>10</sup> filed on September 26, 2024. The specific volumetric rate assigned to each tier has been established

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<sup>8</sup> See March 8, 2024 Assented-To Motion to Amend at Bates pages 1256 through 1276 describing a GM volumetric charge based on Core and Non-Core customers and multiple municipal fire protection rates.

<sup>9</sup> At pages 4 through 5, Mr. Boisvert describes the revisions to the Companies’ initially proposed rate design.

<sup>10</sup> At pages 3 through 7, Mr. Ware describes the proposed revisions to the Companies’ initially proposed rate design.

by a final Cost of Service Study (COSS) utilizing the final agreed-upon revenue requirement for the Surviving Corporation. That final COSS appears in Attachment M and was also filed with the Commission as part of the Supplemental Testimony filed on September 26, 2024.

6.7.2 The Settling Parties agree and recommend the Commission approve a tiered Municipal Fire Rate comprising of four (4) groups – Tiers 1, 2, 3, 4 for the Surviving Corporation.

6.7.3 The Settling Parties agree and recommend that the proposed GM-Mixed-Use-Volumetric rate class should be implemented on a pilot basis. The reason for this is that the specific number and usage behaviors of the customers comprising this rate class are currently unknown. Therefore, the Settling Parties agree and recommend that PWW provide specific notice to its commercial customers, of which there are approximately 1,700 accounts, informing these customers of their possible eligibility in the Mixed-Use Customer rate class defined in revised Tariff Page 6 (See Section 6.12) and Tariff Page 43A (See Section 6.9). That proposed notice letter is attached to this Agreement as Attachment N. It is anticipated that, during the upcoming 2025 test year, the specific data collected relative to the customers who will be included in the mixed-use rate class may be used to further adjust and refine the resulting customer rates proposed in PWW’s next rate case to be filed in 2026. (See Section 9.1). As such, the Settling Parties agree and recommend that the designation of Mixed-Use Customer rate class on a pilot basis should be re-evaluated as part of PWW’s next rate proceeding.

## **6.8 Tariff Page 43**

6.8.1 As illustrated in Attachment K (Revised PWW Tariff Pages), the Settling Parties agree and recommend that PWW replace its present “Character of Service” definitions in the Nashua Core System and Community Water Systems to be one and the same. The reason for this

is that the character of the water provided in both instances is governed by Federal and State regulations and yields the same quality of water regardless of whether the water is from the Nashua Core System or a Community Water System. Therefore, the Settling Parties agree and recommend the Commission approve the following tariff revisions as shown in Attachment K:

~~Nashua Core System: Water is fully treated, filtered, and purified and is transmitted by gravity and pumps to the individual service pipes.~~

**The provision of water service to the customer’s premises is in accordance with all applicable Federal and State standards for drinking water.**

~~Community Water Systems: Water is ground water from a well site. Water quality meets or exceeds all federal and state standards for drinking water. Outdoor use of water may be restricted during dry summer periods.~~

6.8.2 The Settling Parties agree and recommend the Commission approve the creation of a tiered Volumetric Charge per customer account as follows:

<b>Tier 1 (0 to 7 CCF) per month*</b>	<b>\$4.50 per CCF</b>
<b>Tier 2 (8 to 20 CCF) per month*</b>	<b>\$5.43 per CCF</b>
<b>Tier 3 (above 20 CCF) per month*</b>	<b>\$7.35 per CCF</b>

6.8.3 The Settling Parties agree and recommend, for the purposes of customer billing, the Commission approve the addition of the definition of “one month” relative to the GM and GM-Multi-family customers’ volumetric charges as follows:

**\*The Company considers “one month” to be the time between meter reads, which can vary from 29 to 32 days. In the instance the Company calculates a Customers’ bill based upon a time period that is different than “one month”, at the Customer’s discretion, and within 90 days of the date of the bill, the Customer may request a recalculated bill, or bills, to determine if usage counted in one month should have been counted in a different month, and if any credit is due.**

## **6.9 Tariff Page 43A (Proposed)**

6.9.1 The Settling Parties agree and recommend the Commission approve the creation of an additional tariff page, Page 43A, for a separate Volumetric Charge for General Metered-

Multi-family Residential Customers and General Metered-Mixed-Use Customers, the latter being a pilot, as follows:

**Volumetric Charge per GM-Multi-family Residential Customer account:**

**Tier 1 (0 to 7 CCF) times the number of dwelling units in the multi-family residential building per month\* @ \$4.50 per CCF**

**Tier 2 (8 to 20 CCF) times the number of dwelling units in the multi-family residential building per month\* @ \$5.43 per CCF**

**Tier 3 (above 20 CCF) times the number of dwelling units in the multi-family residential building per month\* @ \$7.35 per CCF**

**The number of dwelling units in each GM-Multi-family residential building will be prominently displayed on each bill.**

**Volumetric Charge per GM-Mixed-Use Customer account:**

**Tier 1 (0 to 7 CCF) times (1 + the number of residential dwelling units in the mixed-use building) per month\* @ \$4.50 per CCF**

**Tier 2 (8 to 20 CCF) times (1 + the number of residential dwelling units in the mixed-use building) per month\* @ \$5.43 per CCF**

**Tier 3 (above 20 CCF) times (1 + the number of residential dwelling units in the mixed-use building) per month\* @ \$7.35 per CCF**

**The number of residential dwelling units plus 1 in each GM-Mixed-Use building will be prominently displayed on each bill.**

**\*The Company considers “one month” to be the time between meter reads, which can vary from 29 to 32 days. In the instance the Company calculates a Customers’ bill based upon a time period that is different than “one month”, at the Customer’s discretion, and within 90 days of the date of the bill, the Customer may request a recalculated bill, or bills, to determine if usage counted in one month should have been counted in a different month, and if any credit is due.**

**Terms of Payment:**

**Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.**



## **6.10 Tariff Page 44 and Page 44A**

6.10.1 The Settling Parties agree and recommend the Commission approve amendments to PWW's Tariff Page 44 to revise the existing Inch-Foot Charge and replace it with more specific rates that reflect the Fire Protection Group a community falls into, such as Group 1, Group 2, Group 3, and Group 4<sup>11</sup>:

**Group 1 (Fire flows of 4,500 GPM required by ISO) - \$0.23268 per year per inch-foot**  
**Group 2 (Fire flows of up to 2,500 GPM required by ISO) - \$0.12928 per year per inch-foot**  
**Group 3 (Fire flows of up to 3,500 GPM required by ISO) - \$0.18098 per year per inch-foot**  
**Group 4 (Fire flows of up to 500 GPM required by ISO) - \$0.02589 per year per inch-foot**

## **6.11 Tariff Page 47**

6.11.1 The Settling Parties agree and recommend that the Commission approve PWW's striking the current Tariff Page 47, *General Service-Non-Metered*, because PWW no longer offers non-metered service.

6.11.2 The Settling Parties agree and recommend that the Commission approve PWW's further revisions to Tariff Pages 45A, 47, 48, 49, 50, 51, and 51A to include specific Public Fire Protection rates for: Town of Bow, Pines of Bow Water System; Town of Raymond, Green Hills Water System; Town of Windham Castle Reach, Fletchers Corner, Oakwood, W&E, and Whispering Winds Water System; Exeter; Lee; Birch Hill; and Municipal Fire Protection rates for Town of Raymond, Green Hills Water System.

## **6.12 Tariff Page 6**

6.12.1 The Settling Parties agree and recommend that, in light of the addition of tiered rates for multi-family residential customers and mixed-use customers in Tariff Page 43A, the Commission approve revisions to PWW's Tariff Page 6 to include a definition for a Multi-family Residential Customer and Mixed-Use Customer as follows:

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<sup>11</sup> See also Attachment K and new fire protection rate schedules at Pages 45A, 48, 49, 50, 51, and 51A.

**Multi-family Residential Customer**

means an account with a single meter that serves two or more residential dwelling units. A residential dwelling unit shall have a separate, locked entrance, and shall have its own private bathroom and kitchen facilities, excluding temporary or long-term stay hotels, motels, or rooming/boarding houses. The account will not be considered a multi-family residential account if the building(s) associated with the account contain one or more commercial units.

**Mixed-Use Customer**

means an account with a single meter that serves both commercial units and residential dwelling units. A residential dwelling unit shall have a separate, locked entrance, and shall have its own private bathroom and kitchen facilities, excluding temporary or long-term stay hotels, motels, or rooming/boarding houses.

**6.13 Effective Date and Bills Rendered Implementation of Rate Changes**

6.13.1 The Settling Parties agree and recommend the Commission approve an effective date for the permanent consolidated rates approved in this proceeding for the Surviving Corporation of March 1, 2025. The Settling Parties further recommend that PWW be allowed to implement the rate change on a bills rendered basis and, as such, request herein a waiver of N.H. Code Admin. R. Puc 1606.01(b), in accordance with Puc 201.05 and Puc 1606.01(c). The Settling Parties aver that the waiver serves the public interest because implementation on a bills rendered basis will be less confusing for customers, cost PWW less to implement, will allow PWW to more closely match its revenue to its expenses, and give customers adequate notice of the change in rates applicable to their usage after the Commission's order is effective. For these reasons, the Settling Parties believe implementation of the rate on a service-rendered basis will be unduly burdensome on PWW. The Settling Parties agree that the waiver will not disrupt the orderly and efficient resolution of matters before the Commission.

**6.14 Additional Notice to Customers**

6.14.1 The Settling Parties agree and recommend PWW provide supplemental notice to customers of the rate changes described in this Agreement. To that end, PWW has agreed to

inform customers, by way of a direct mail bill insert, of the rate changes proposed in this Agreement. PWW has scheduled this supplemental notice to occur in the merged customers' December 2024 bills. Previous to the signing of this Agreement, PWW has distributed the draft notice to the parties for review and comment. That supplemental notice is attached to this Agreement as Attachment L.

#### **6.15 No Temporary to Permanent Rate Reconciliation**

6.15.1 The Petitioners did not request temporary rates in this proceeding and, therefore, this Agreement makes no provision for reconciliation between temporary and permanent rates.

#### **6.16 Superseding of Phase-In of Municipal Fire Protection Rates**

6.16.1 In Order No. 26,425, dated November 24, 2020 in Docket No. DW 19-084, the Commission approved a revenue requirement for PWW and a multi-year annual phase-in of a rate increase affecting Municipal Fire Protection rates. The Commission required PWW to conduct, at the conclusion of the phase-in of the rate increases, a new Cost of Service Study (COSS) using a 2027 test year. *See also, Pennichuck Water Works, Inc., Settlement Agreement, June 24, 2020, at 42-44.* Since Docket No. DW 19-084, PWW has filed four annual changes in rates that have increased rates for Municipal Fire Protection customers and correspondingly decreased PWW's G-M customers' rates. Given the new COSS provided in this proceeding and the proposed revisions to PWW's rate design, the Settling Parties agree and recommend that the Commission modify Order No. 26,425, pursuant to RSA 365:28, and allow the instant proposed rate design changes to supersede the rate design approved in Order No. 26,425.

#### **6.17 Rate Case Expense Surcharge**

6.17.1 The Settling Parties agree and recommend the Commission approve PWW's recovery of its reasonable and prudently incurred rate case expenses for this proceeding on

permanent rates through a surcharge. PWW's rate case expenses may include, but are not limited to, legal and consultant expenses, incremental administrative expenses such as copying and delivery charges, and other expenses allowed under Puc 1906.01, and are distinct from any and all merger related costs, and potential merger related cost recovery as proposed in Section 5.2 of this Agreement. As of October 31, 2024, rate case expenses totaled \$167,386.86. PWW agrees to file its final compilation of rate case expenses, pursuant to Puc 1905.02, no later than thirty (30) days from the date of the Commission's order in this proceeding approving PWW's revenue requirement and resulting customer rates. The Settling Parties acknowledge that, as parties, they will have an opportunity to review the rate case expenses and provide recommendations to the Commission concerning approval of the expenses.

#### **6.18 Just and Reasonable**

6.18.1 The Settling Parties agree and recommend that the Commission approve the consolidated rates as set forth above for the Surviving Corporation and find them to be just and reasonable for PWW and its customers and that such rates are in the public interest and appropriate for this merger transaction in accordance with RSA 378:7, 378:8, and 378:28.

#### **6.19 Further Rate Case Related Approvals**

6.19.1 The Settling Parties agree and recommend that the Commission authorize the Surviving Corporation to dividend the combined CBFRR of the former stand-alone subsidiaries, PWW, PEU, and PAC, to the parent company, Pennichuck Corporation, to fund the annual acquisition bond obligation to the City of Nashua in the amount of \$8,802,880.

6.19.2 The Settling Parties agree and recommend that the Commission reaffirm the approval of the expressed distributions from the paid-in-capital of the Surviving Corporation to

the parent, Pennichuck Corporation, to fund its obligation to the City of Nashua to satisfy Nashua's Acquisition Bonds through the CBFRR.

6.19.3 The Settling Parties agree and recommend that the Commission reaffirm the authorization of intercompany payments between Pennichuck Corporation and the Surviving Corporation for allocation of federal and state income tax liabilities in accordance with existing practices of Pennichuck Corporation and its current subsidiaries.

6.19.4 The Settling Parties agree and recommend that the Commission reaffirm the limitation on the Surviving Corporation to not pay or distribute funds in any fiscal year through dividends or other distributions to Pennichuck Corporation or the City of Nashua in excess of the applicable CBFRR amount.

## **7.0 RESOLUTION OF AUDIT ISSUES**

7.1 The DOE Audit Staff issued its Final Audit Report regarding PWW's rate filing on July 1, 2024. See Attachment F. In its report, the DOE Audit Staff identified various issues resulting from its investigation. To the extent that these issues impact the revenue requirement proposed in this Agreement, the Settling Parties agree that these have been fully resolved and incorporated into the determination of the consolidated revenue requirement proposed herein. (See also Attachment B: Company responses to DOE Data Requests 5-42, 6-1, 6-4, and 6-6.) The Town of Londonderry takes no position on the audit issues but does not object to the parties' resolution of those issues.

## **8.0 REPORTING**

8.1 Beginning with 2024 and continuing through 2028, accompanying its Form F-16 Water Annual Report filed with the DOE, the Surviving Corporation shall provide detailed annual reports regarding the usage patterns and resulting revenues received from the following

customer groups: single-family, multi-family, mixed-use, municipal, commercial, and industrial. This reporting shall include data relative to winter usage, summer usage, and annual usage for the total company and the following specific communities: Amherst, Bedford, Litchfield, Londonderry, Merrimack, Nashua, and Pittsfield. The Surviving Corporation shall also provide narrative reports, beginning with 2025 and continuing through 2028, regarding the impact of implementing the GM-Volumetric, GM-Multi-family-Volumetric, GM-Mixed-Use-Volumetric and Fire Protection tiered rate structures on the overall revenues and possible affected operating expenses. The Surviving Corporation shall also provide reports on potential rate design adjustments resulting from its actual experience in implementing these pricing structures.

## **9.0 FUTURE RATE CASES**

9.1 The Settling Parties recommend that the Commission authorize the Surviving Corporation to file a full rate case in 2026, including the evaluation and potential implementation of rate design alternatives, including modifications to the Multi-Residential Class rates, using a 2025 test year.

9.2 In Order No. 26,383 (July 24, 2020) in Docket No. DW 19-084, the Commission approved a 3-year rate case cycle for PWW<sup>12</sup>. The Settling Parties recommend that the Surviving Corporation resume that three-year cycle, in which case, following the 2026 rate case, PWW would file a rate case in 2029, using a 2028 test year.

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<sup>12</sup> In Order No. 26,383 (July 24, 2020) in Docket No. DW 19-084, the Commission directed PWW to “maintain a three-year cycle for filing general rate cases.” Order No. 26,383 at 10-11 (July 24, 2020). However, the Commission simultaneously held that the three-year schedule “does not supersede the previously approved settlement agreement in [Docket No.] DW 16-806, which requires the Company to file a full rate case when the average amounts of cash held in its RSF accounts, as of the last day of each month for the 13-month period ending December 31, is greater than 150 percent of the combined imprest amount of those accounts.” *Id.* The agreed-upon schedule does not limit PWW’s ability to file a rate case sooner in the event emergency rates or other rate relief is required. *Id.*; but see RSA 378:7 (“The commission shall be under no obligation to investigate any rate matter which it has investigated within a period of 2 years but may do so within said period at its discretion”); See RSA 378:28.

## **10.0 SUMMARY OF NEEDED FINDINGS**

### **10.1 Approval of the Merger Transaction and Agreements and Plans of Merger**

10.1.1 The Settling Parties agree and recommend action by the Commission to find that the Merger of each of PEU and PAC with and into PWW is consistent with the public interest and public good within the meaning of RSA 374:30, 374:33, and RSA Chapter 378, for the reasons set forth in this Agreement, and as presented to the Commission in pre-filed testimony, discovery responses, schedules, and exhibits.

10.1.2 The Settling parties agree and recommend action by the Commission to approve the assumption of any and all of PEU's and PAC's assets, including any real estate or other property, and liabilities, including any short-term and long-term indebtedness associated with their respective assets by PWW in accordance with RSA 369:8.

10.1.3 The Settling Parties agree and recommend that the Commission, approve or authorize the Surviving Corporation to enter into agreements with TD Bank, CoBank, and the State of New Hampshire pursuant to RSA 369:1-4 to assume the debt obligations of PEU and PAC.

10.1.4 The Settling Parties agree and recommend that the Commission authorize the Surviving Corporation to include assumed debt for capital expenses of PEU and PAC to be included in the express purposes authorized for bonding by Order No. 26,459 (March 2, 2021) in Docket No. DW 20-157.

10.1.5 The Settling Parties agree and recommend that the Commission authorize PWW as the Surviving Corporation, to take any and all actions necessary or incidental to concluding and effecting the Mergers and Merger Agreements, and in connection therewith, authorize PWW to act as the merged entity going forward, assuming all rights and obligations of each of PEU and

PAC, including the assumption of any and all outstanding agreements of each of PEU and PAC, including but not limited to, all design, engineering, and/or construction agreements, interconnection agreements, escrow agreements, management agreements, and water supply agreements.

## **10.2 Approval of Consolidated Permanent Rates and Ratemaking Structure**

10.2.1 The Commission approves the consolidated rates as set forth above for the Surviving Corporation and finds them to be just and reasonable for PWW and in the public interest and appropriate for this merger transaction in accordance with RSA 378:7, 378:8, and 378:28.

10.2.2 The Commission approves the customer rates, including the affected changes to the volumetric charges of the PWW special contracts, identified on Attachment A, Schedule 4.

10.2.3 The Settling Parties recommend that the Commission find that Attachment A, Schedule 4, Report of Proposed Rate Changes, which includes the proposed percentage increases and decreases by customer class, is just and reasonable and in the public interest pursuant to RSA 378:7, :8 and :28.

10.2.4 The Commission approves a tiered Municipal Fire Rate comprising of four (4) groups – Tiers 1, 2, 3, 4 for the Surviving Corporation.

10.2.5 The Commission approves that PWW be allowed to implement the rate change on a bills rendered basis on the effective date of the consolidated rates.

10.2.6 The Commission approves PWW's recovery of its reasonable and prudently incurred rate case expenses for this proceeding on permanent rates through a surcharge. PWW's rate case expenses may include, but are not limited to, legal and consultant expenses, incremental administrative expenses such as copying and delivery charges, and other expenses allowed under



Puc 1906.01. PWW agrees to file its final compilation of rate case expenses, pursuant to Puc 1905.02, no later than thirty (30) days from the date of the Commission's order in this proceeding approving PWW's revenue requirement and resulting customer rates.

10.2.7 The Commission approves that the North Country Capital Recovery Surcharge (NCCRS) previously approved for PEU, by Order No. 25,051 in Docket No. DW 08-052 (December 11, 2009), be discontinued in the Surviving Corporation and, instead, the debt service previously recovered through the NCCRS be incorporated into overall revenue requirement of the Surviving Corporation.

10.2.8 The Commission approves the reconciliation of the Rate Stabilization Fund as described in para. 6.4.1 above.

10.2.9 Commission approves adjustments to the Rate Stabilization Funds (RSF) of PWW, PEU, and PAC to allow for the consolidation or combination thereof in the Surviving Corporation consisting of three RSF accounts at the following imprest levels: CBFRR-RSF - \$724,000, MOERR-RSF - \$3,829,000, 1.0 DSRR-RSF - \$447,000. The total of the three merged RSF accounts is \$5,000,000.

10.2.10 The Settling Parties agree and recommend that the Commission allow PWW to recover its merger-related costs<sup>13</sup> up to the savings generated by the merger. Certain savings have been pro formed into the current proposed revenue requirement. The Settling Parties agree and recommend that PWW be allowed to create a deferred debit that will recover the final approved total merger related expenses annually over ten (10) years. The annual recovery of funds, over ten years, will be paid for from the Company's 0.1 DSRR bank account and will not be collected as an amortization expense included in the revenue requirement of a future rate case.

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<sup>13</sup> As of October 31, 2024, the merger transaction costs are \$271,689.73, and will be capped at an amount not to exceed \$400,000.

PWW agrees to file its final compilation of merger-related costs, for Commission approval, no later than ninety (90) days from the closing of the merger. The Settling Parties acknowledge that, as parties, they will have an opportunity to review the merger-related costs and provide recommendations to the Commission concerning approval of those expenses. The Settling Parties agree that PWW will include, as part of the subsequent rate cases it will file in 2026 and 2029 (See Section 9.0), calculations of the annual financing savings and regulatory savings realized as a result of the merger.

### **10.3 Approval of Matters**

The Commission issue approvals and authorizations necessary to conclude the Merger and authorize PWW to act as the merged entity going forward:

10.3.1: Authorizes the Surviving Corporation to pay the combined CBFRR requirements of the former stand-alone subsidiaries, PWW, PEU, and PAC, to the City of Nashua in the amount of \$8,802,880.

10.3.2: Reaffirm the approval of the expressed distributions from the paid-in-capital of the Surviving Corporation to the City of Nashua to satisfy Nashua's Acquisition Bonds through the CBFRR.

10.3.3: Reaffirm the authorization of intercompany payments between Pennichuck Corporation and the Surviving Corporation for allocation of federal and state income tax liabilities in accordance with existing practices of Pennichuck Corporation and its current subsidiaries.

10.3.4: Reaffirm the limitation on the Surviving Corporation to not pay or distribute funds in any fiscal year through dividends or other distributions to Pennichuck Corporation in excess of the applicable CBFRR amount.

10.3.5: Approve or authorize the Surviving Corporation to enter into agreements with TD Bank, CoBank, and the State of New Hampshire pursuant to RSA 369:1-4 to assume the debt obligations of PEU and PAC.

10.3.6: Authorize the Surviving Corporation to include assumed debt for capital expenses of PEU and PAC to be included in the express purposes authorized for bonding by Order No. 26,459 (March 2, 2021) in Docket No. DW 20-157.

10.3.7: Authorize PWW as the Surviving Corporation, to take any and all actions necessary or incidental to concluding and effecting the Mergers and Merger Agreements, and in connection therewith, authorize PWW to act as the merged entity going forward, assuming all rights and obligations of each of PEU and PAC, including the assumption of any and all outstanding agreements of each of PEU and PAC, including but not limited to, all design, engineering, and/or construction agreements, interconnection agreements, escrow agreements, management agreements, and water supply agreements.

10.3.8 Beginning with 2025 and continuing through 2028, the Surviving Corporation shall provide detailed annual reports regarding the usage patterns and resulting revenues received from the following customer groups: single-family, multi-family, mixed-use, municipal, commercial, and industrial. This reporting shall include data relative to winter usage, summer usage, and annual usage for the total company and the following specific communities: Amherst, Bedford, Litchfield, Londonderry, Merrimack, Nashua, and Pittsfield. The Surviving Corporation shall also provide narrative reports, beginning with 2025 and continuing through 2028, regarding the impact of implementing GM, Multi-family, Mixed-use, and Fire Protection tiered rate structures on overall revenues and possible affected operating expenses, as well as

potential rate design adjustments resulting from its actual experience in implementing the pricing structures.

10.3.9 Modify Order No. 26,425, pursuant to RSA 365:28, and allow the instant proposed rate design changes to supersede the rate design approved in Order No. 26,425.

## **11.0 CONDITIONS**

11.1 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 any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

11.2 The Commission's approval of this Agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such approval does constitute a determination that the terms of this Agreement are consistent with RSA 378:7, :8, and :28.

11.3 The rights conferred and the obligations imposed on the Settling Parties by this Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Agreement be approved by the Commission in its entirety and without modification.

11.4 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.


11.5 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 WATER WORKS, INC.,  
PENNICHUCK EAST UTILITY, INC., AND  
PITTSFIELD AQUEDUCT COMPANY

By its Attorneys,

Dated: December 11, 2024

  
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Marcia A. Brown, Esq.

  
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James J. Steinkrauss, Esq.

NEW HAMPSHIRE DEPARTMENT OF ENERGY

By its Attorneys,

Dated: December 11, 2024

/s/ Matthew C. Young  
Matthew C. Young, Esq.  
Marie-Helene B. Bailinson, Esq.  
Paul Dexter, Esq.

OFFICE OF THE CONSUMER ADVOCATE

OFFICE OF THE CONSUMER ADVOCATE



Donald M. Kreis, Esq.  
Consumer Advocate

Dated: December 11, 2024

CITY OF NASHUA

By its Attorney,

  
Steven Bolton, Esq.

Dated: December 11, 2024

TOWN OF BEDFORD

By its Attorneys,



Michael Courtney, Esq.  
Madeline K. Osbon, Esq.

Dated: December 11, 2024

TOWN OF LONDONDERRY

  
Art Psaledas, Acting Town Manger

Dated: December 11, 2024

TOWN OF LITCHFIELD

By its Attorney,

  
Laura Spector-Morgan, Esq.

Dated: December 11, 2024