In this order, the Commission approves the request of Pennichuck Water Works, Inc. (PWW, or the Company) to implement a 2022 Qualified Capital Project Adjustment Charge (QCPAC) in the amount of 1.80 percent of base revenue for capital projects placed in service in 2021, effective April 26, 2022. Billing of this charge will begin on the effective date of this order nisi. The 2022 QCPAC surcharge will increase the average residential customer’s monthly bill by $1.00 per month. The Commission also approves recovery of a monthly QCPAC recoupment surcharge of $2.05 per month, subject to a final calculation submitted within 30 days of this order, for service rendered as of April 26, 2022, until the date of this order approving the 2022 QCPAC, to be applied over the course of three months.

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 www.puc.nh.gov/Regulatory/Docketbk/2022/22-006.html.

I. PROCEDURAL HISTORY

PWW is a regulated public utility that provides water service to customers in southern and central New Hampshire. On February 14, 2022, PWW filed a petition for approval of a 2022 QCPAC to reflect eligible capital investments completed in 2021
and preliminary approval of its 2022 budget for further capital improvements (Petition). The filing also included, for informational purposes, forecasted capital project expenditures for 2023 and 2024. The Petition was supported by the direct testimonies of Chief Operating Officer Donald L. Ware and Chief Engineer John J. Boisvert.

The NH Department of Energy (DOE) filed a notice of appearance pursuant to RSA 12-P:9 on March 31, 2022. The DOE’s Audit Staff completed a Final Audit Report of PWW’s 2022 Qualified Capital Project Adjustment Charge on May 23, 2022.¹ The Office of the Consumer Advocate did not file a letter of participation, and no petitions to intervene were filed. On September 23, 2022, PWW filed a settlement agreement reached with the DOE (Settlement).

II. SETTLEMENT

The Settlement proposes a 2022 QCPAC in the amount of 1.80 percent of base revenue for capital projects placed in service in 2021. The resulting surcharge is proposed to be applied to current rates approved in Docket DW 19-084 by Order No. 26,425 on November 24, 2020 and added to the 3.90 percent 2020 QCPAC as approved in Docket DW 20-020 by Order No. 26,555 on December 9, 2021, and the 1.56 percent 2021 QCPAC as approved in Docket DW 21-023 by Order No. 26,598 on March 29, 2022. The average aggregate QCPAC surcharge will be $4.04 per month, resulting in an average single-family residential bill of $59.69 per month. In addition, the Settlement recommended that the Commission approve recoupment of the 2022 QCPAC effective for service rendered as of the date of the 2021 bond closing on April 26, 2022, until the date of the Commission’s order approving the 2022 QCPAC. The

¹ See Settlement, Attachment B.
Company and the DOE proposed approval of an additional charge of $2.05 for a period of three months to permit recoupment of 2022 capital project costs from April 26, 2022, based on an anticipated order issuance date of November 1, 2022 in this proceeding. Finally, under the terms of the Settlement, the proposed 2022 capital project budget of $12,146,500 would result in a 3.29 percentage point increase in PWW’s cumulative QCPAC to 10.54 percent in 2023. This would result in a projected cumulative surcharge of $5.87 per month, which when added to the base rate charge of $55.65, would result in projected monthly bill of $61.52.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2, RSA 378:7, and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PWW. The Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. See, e.g., Order No. 26,070 (November 7, 2017) at 8-10, 17 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.

PWW filed data regarding the capital projects it placed in service during 2021. The DOE’s Regulatory and Audit Staff reviewed those projects and determined that each project is used and useful in service to PWW customers. See Settlement at Attachment B (Final Audit Report – DW 22-006, May 23, 2022). Accordingly, we find that the 2021 capital project expenditures of $7,585,454 were prudently incurred and are used and useful. We further preliminarily approve the proposed 2022 capital budget of $12,146,500 and will review the prudence of those projects in the next
QCPAC filing. We accept for informational purposes PWW’s 2023 and 2024 capital project budgets of $8,514,768 and $11,405,760, respectively.

Based on our review of the filings and the Settlement reached between PWW and the DOE, we approve the petition as modified by the Settlement. Accordingly, we approve a 2022 aggregate QCPAC of 7.25 percent for a surcharge of $4.04 per month above the current rates approved on November 24, 2020, in Docket No. DW 19-084, resulting in a monthly bill of $59.69. We approve adding the proposed 2022 QCPAC surcharge to customer bills so that PWW may begin recovery of debt and property tax expenses associated with the completed projects on the effective date of this order.

We also approve the recoupment of revenues from the date of PWW’s refinancing, for the purpose of paying off prior fixed line of credit debt with long-term bonded debt, on April 26, 2022, to the effective date of this order nisi approving the 2022 QCPAC for inclusion in customer rates. The recoupment amount calculated as agreed to in the Settlement and recovered over a three-month period, as recommended in the Settlement, will result in a monthly recoupment charge for the average single family residential home of approximately $2.05. Accordingly, the Commission approves a monthly recoupment surcharge as described herein as of the effective date of this order.

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 2022 QCPAC for projects placed in service in 2021, effective April 26, 2022, in the amount of 1.80 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 from April 26, 2022, through the effective date of this order of 2022 QCPAC surcharges through an additional customer surcharge 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 to be applied to customer bills within 15 days of the date of this order nisi; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc.’s proposed 2022 capital budget is APPROVED on a preliminary basis and subject to further audit and review; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc.’s preliminary 2023 and 2024 capital budgets are ACCEPTED for informational purposes only; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. shall cause a copy of this order to be published on the Company’s website within two business days of the issuance of this order, to be documented by an affidavit filed with the Commission on or before October 29, 2022; and it is

FURTHER ORDERED, that all persons interested in responding to this order 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 October 18, 2022; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than October 25, 2022; and it is
FURTHER ORDERED, that this order shall be effective November 1, 2022, unless Pennichuck Water Works, Inc. fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. shall file a compliance tariff with the Commission on or before October 26, 2022.

By order of the Public Utilities Commission of New Hampshire this eleventh day of October 2022.

Daniel C. Goldner
Chairman

Pradip K. Chattopadhyay
Commissioner

Carleton B. Simpson
Commissioner
Service List - Docket Related

Docket#: 22-006
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