

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PENNICHUCK WATER WORKS, INC.
DOCKET NO. DW 17-___

**PETITION FOR APPROVAL OF 2017 WATER INFRASTRUCTURE AND
CONSERVATION ADJUSTMENT SURCHARGE AND PROPOSED PROJECTS**

Pennichuck Water Works, Inc. (“PWW” or the “Company”) hereby requests the Public Utilities Commission (“Commission”) approve the Company’s proposed Water Infrastructure and Conservation Adjustment (“WICA”) surcharge for effect as of June 1, 2017 on a bills-rendered basis, approve its proposed projects for the 2017 construction season as being eligible for recovery through the WICA program, and provide preliminary approval of the Company’s proposed 2018 (Year 2) construction projects. In support of its request, PWW states as follows:

Background

1. In Order No. 25,230 in Docket No. DW 10-091, the Commission approved implementation of the WICA recovery mechanism as a pilot program and authorized the Company to recover the revenue requirement associated with certain categories of non-revenue producing capital improvements that are completed and placed in service between general rate cases. In Order No. 25,694, in Docket No. DW 13-130, the Commission authorized PWW to continue the WICA pilot. In Order No. 25,661 in Docket No. DW 13-358, the Commission extended the filing deadline from December 31st to January 31st and changed the effective date of the surcharge from April 1st to May 1st. In Order No. 25,784, in Docket No. DW 15-043, the

Commission approved the effective date of the surcharge to June 1st on a bills-rendered basis, which would apply to service rendered on or after May 1st because the Company bills its general metered customers on a monthly basis.

2. The Commission summarized the WICA process as follows:

“PWW agrees to file a three-year budget no later than December 31 of each year and the budget shall show projects broken down into three years. Year 1 projects would be those proposed to be constructed in the succeeding 12 months and would be provided for final review and informational purposes. Year 2 projects would involve construction in the next 12 months and would be provided for review and approval by the Commission. Year 3 projects would be constructed in the 12 months following year 2 and would be provided for advisory purposes and discussion.” “Any surcharge would become effective on a service rendered basis on April 1 and if the Commission determined further investigation was necessary the surcharge would still go into effect but on a temporary basis until the investigation was resolved; any difference in the temporary and final surcharge would be subject to reconciliation.” Order No. 25,230 at 9.

3. The Company filed its first proposed WICA projects to be constructed in 2013 in Docket No. DW 12-359. The Commission approved the projects by way of Order No. 25,510, dated May 15, 2013. The Commission approved the Company's second proposed list of WICA projects by Order No. 25,661 in Docket No. DW 13-358. The Commission approved the Company's 2015 projects and a 1.81% surcharge for 2013 and 2014 projects in Order No. 25,784 in Docket No. DW 15-043. The Commission approved the Company's 2016 projects and a cumulative 3.03% surcharge for 2015 projects in Order No. 25,896 in Docket No. 16-220.

2016 Completed Projects

4. As illustrated on the schedules attached to the pre-filed testimony of Donald L. Ware, the Company's gross investment in 2016 in mains, hydrants, services, and valves as well as associated paving, totaled \$4,440,628. This was less than the total project costs approved by the Commission in Order No. 25,896 of \$5,018,743 and was attributed to the deferral of projects

and the Company's need to assist the Town of Litchfield in response to groundwater contamination as explained below.

2017 WICA/Step Increase Recovery Mechanism

5. As the Commission is aware, in its general rate case, Docket No. DW 16-806, the Company requested recovery of the costs associated with its WICA projects, effective as of the 2016 projects, in the form of an annual Step Increase. The procedural schedule for the rate case sets the hearing on the merits for July 25-26, 2017, which is later than the June 1st effective date of the WICA surcharge. As stated above, the WICA surcharge can be reconciled after the completion of the Commission's investigation. Because of the ability to reconcile, the Company requests the Commission approve an annual WICA surcharge increase of 1.66% in this docket for the 2016 projects. In the event the Commission approves recovery of capital improvements, including the WICA-eligible improvements, in an annual Step Increase mechanism, the Company suggests that the WICA surcharge would then be reconciled and converted to the Step Increase mechanism in the rate case docket.

6. When combined with the surcharges for the 2013, 2014, and 2015 projects, the cumulative amount of the WICA surcharge totals: 4.69%. The Company asks, consistent with the Commission's approval in Order No. 25,896 in Docket No. DW 16-220, that the surcharge be effective on a bills-rendered basis, effective June 1, 2017.

Customer Impact

7. The typical residential general metered customer using 103 CCF per year (8.58 CCF per month based on 2015 usage) currently pays \$50.13 monthly under existing rates, inclusive of the 3.03% surcharge that the Commission granted the Company for the WICA projects completed in 2013 through 2015. The proposed WICA surcharge for 2016 projects, if approved,

would increase the typical residential customer bill by an additional \$0.81 per month, resulting in a typical residential bill, including the cumulative impact of the 2013 through 2016 WICA charges, of \$54.56 per month.

2017 Proposed Projects

8. As explained in Mr. Ware's testimony, the 2017 proposed projects were ranked according to a scoring matrix that considers: A) water main break history; B) water quality problems; C) fire protection flows; D) key customers; E) whether coordination could occur with other utility construction; and F) geographical proximity to other replacement or rehabilitation projects. The Company is entering its fourth year of a five-year effort to implement a new asset management program and rating. The Company hopes to complete its work by the end of 2017 which means that future infrastructure replacement projects will be ranked based on a Likelihood of Failure x Consequences of Failure.

9. Using its existing ranking system, the Company proposes to replace in 2017: (1) about 2,200 linear feet ("LF") of asbestos-cement water main in the Town of Amherst along Dodge and Mack Hill Roads; (2) about 1,470 LF of unlined 6-inch and 8-inch cast iron water main along Gilman Street in Nashua; (3) about 300 LF of 8-inch main along Temple Street in Nashua; (4) completion of a State Revolving Loan fund project in the Amherst, Berkshire, Terrace, and Bruce Streets in Nashua; (5) six side street main taps and leads of unlined cast iron main in Kinley Street; (6) about 950 LF of unlined cast iron main and about 650 LF of unlined cast iron main along Factory Street in Nashua near where a significant break occurred along a 12-inch main; and (7) small diameter unlined cast iron main along Lincoln Avenue, Nut Street, Buchanan Street, Fowell Avenue, Zellwood Street, and Pratt Street.

10. As noted in Mr. Ware's testimony, the total linear feet of replacements proposed for

2017 is slightly less than in prior years. This is because the Department of Environmental Services (“DES”) has requested assistance in expanding public water supply in the Town of Litchfield in light of the presence of perfluorooctanoic acid (“PFOA”) contamination in the groundwater. This expansion involves the design and oversight of over 52,000 LF of new water main to serve approximately 400 new customers and will temporarily divert a significant portion of the Company’s Engineering staff capacity in 2017. The Company anticipates its rate of replacements to return to more normal levels in the coming years, especially after the completion of its new asset management program.

WHEREFORE, Pennichuck hereby respectfully requests the Commission:

- A. Authorize Pennichuck to bill and collect a total, cumulative WICA surcharge of 4.69% applicable to customers’ water service billings effective as of June 1, 2017 on a bills-rendered basis;
- B. Approve Pennichuck’s proposed 2017 projects for recovery under the Company’s WICA mechanism in 2018, subject to the Commission’s audit and prudence review of the final costs associated with those projects;
- C. Approve on a preliminary basis, Pennichuck’s proposed 2018 projects as being eligible for recovery through the WICA mechanism, subject to further refinement and review in Pennichuck’s next WICA filing and subject to the Commission’s prudence review of the final costs once the projects are completed and in service; and

D. Grant such other and further relief as may be consistent with the public interest.

Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorney

Date: January 31, 2017



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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition for Approval of 2017 Water Infrastructure and Conservation Adjustment Surcharge and Proposed Projects has been hand delivered to the Office of the Consumer Advocate.

Dated: January 31, 2017



Marcia A. Brown, Esq.