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Petition for Temporary Rates and Joint Testimony

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DW 17-128

Pennichuck East Utility, Inc.
Request for Change in Rates

PETITION FOR TEMPORARY RATES AND
WAIVER OF RULE PUC 1203.05

Pennichuck East Utility, Inc. (“PEU” or “Company”), pursuant to RSA 378:27 and 378:29, petitions the New Hampshire Public Utilities Commission (the “Commission”) to fix, determine and prescribe, effective with bills rendered on or after January 1, 2018, reasonable temporary rates pending the Commission’s final decision on PEU’s request for permanent rate relief in this docket. In addition, because PEU is requesting temporary rates be applied beginning with bills rendered basis instead of services rendered, PEU is also asking for a waiver of N.H. Code Admin. Rules Puc 1203.05. In support thereof, PEU states as follows:

1. On August 16, 2017, in accordance with N.H. Admin. Rule Puc 1604.05, the Company filed a Notice of Intent to file rate schedules with the Commission and the Office of the Consumer Advocate.

2. Contemporaneous with this Petition for Temporary Rates, PEU is filing revised tariff pages to Tariff NHPUC No. 1 - Water, proposing an increase in the Company’s permanent rates as well as a Petition for Modifications to Ratemaking Structure. PEU proposes an increase in permanent base rates of 17.81%, which will generate an additional \$1,278,006 in annual operating revenues. The proposed rates are based on a December 31, 2016 test period and

requested modifications to the manner in which PEU calculates its revenue requirement. PEU also proposes a Qualified Capital Project Annual Adjustment Charge (“QCPAC”) step increase under the proposed revised methodology based on capital projects that will be used and useful by December 31, 2017, which will generate an additional \$115,318, or 1.61%, in annual revenues.

3. Pursuant to RSA 378:27, the Commission may grant temporary rates for the duration of the proceeding if, in its opinion, the public interest so requires and the records of the public utility on file with the Commission indicate it is not earning a reasonable return on its property used and useful in the public service. The standard for approval of temporary rates is less stringent than that for permanent rates. *Appeal of Office of Consumer Advocate*, 134 N.H. 651 (1991).

4. As described in the Joint Direct Testimony of Larry D. Goodhue and Donald L. Ware accompanying this petition in support of temporary rates, PEU is under-earning and this under-earning disadvantages both PEU and its customers. Current rates do not provide funds sufficient to cover the costs of debt. PEU therefore seeks temporary rates to generate revenues sufficient to minimize borrowing to maintain operations. In light of this under-earning, PEU requests that the Commission grant it an increase in annual operating revenue of \$998,109 as a temporary rate increase. This temporary increase represents an overall increase of 13.91%. PEU has calculated its revenue deficiency for purpose of temporary rates based on 17.81% of the PEU’s pro forma test year, which is significantly less than the Company’s actual performance during the test year with no pro forma adjustments. This calculation is based on its books and records on file with the Commission.

5. Based on the books and records on file with the Commission, including the temporary rate testimony attached hereto, PEU believes it has demonstrated that it is under-earning and that temporary rates are warranted. PEU further believes that temporary rates at the levels proposed are just and reasonable because such rates will provide financial relief to PEU on a timely basis and that they will mitigate rate shock to customers. Furthermore, pursuant to RSA 378:29 and RSA 378:7, the Commission has authority to refund any over-collections, thereby fully protecting customers. Finally, the approval of temporary rates effective as of January 1, 2018 on a bills rendered basis will further mitigate rate shock to customers and provide funds necessary to continue to meet operating and debt service obligations.

6. RSA 378:27 allows the Commission to authorize effective dates as early as the date on which the petition for a permanent rate change is filed. Pennichuck Water Works, Inc., Order No. 24,377 at 7 (September 30, 2004), citing *Appeal of Pennichuck Water Works*, 120 NH 562, 567 (1980). PEU is asking, however, that the Commission apply temporary rates effective with bills rendered on and after January 1, 2018. As described in the joint testimony of Mr. Goodhue and Mr. Ware, applying temporary rates on a bills rendered basis instead of a service rendered basis is fairer to PEU's customers, although it results in lost income to the Company. The primary advantage is it avoids customer confusion. Depending on the date for service rendered, every bill ends up getting bifurcated between the old rate and the new rate. It becomes very confusing to the customers as they try to figure out the level of recoupment in the first month's bill. For the Company, it is difficult to explain to customers who call after receiving a bill. By applying the temporary rate on a bills rendered basis, all of the customers' usage will

occur on or after January 1, 2018. Thus, the entire amount gets billed through the new rate and there would be no need for reconciliation using both the old and new rates.

7. Because PEU is requesting temporary rates be applied beginning with bills rendered on or after January 1, 2018 instead of services rendered, PEU is also asking for a waiver of N.H. Code Admin. Rules Puc 1203.05. Puc 1203.05(c) provides:

When petitioning pursuant to Puc 201.05 for a waiver of the service-rendered basis presumption of (b) above, the utility shall, in addition to whatever else it might provide in making its petition, describe how, to the extent applicable, collection of the rate change on an other than service-rendered basis will: (1) Be less confusing to customers; (2) Cost less to implement; (3) Allow the utility to more closely match its revenue to its expenses; and (4) Give customers adequate notice of the changes in rates applicable to their usage.

8. As described in the joint testimony that accompanies this temporary rate petition, PEU's request for a waiver complies with Puc 1203.05(c). The change will result in less confusion to customers because, if applied on a service rendered basis, bills will be bifurcated between the old rate and the new rate. When applied on a bills rendered basis, the entire amount of the bill is at the new rate. Applying temporary rates on a bills rendered basis will also be less costly to implement. Because there is no need to split between old and new rates, fewer person-hours would be required to implement the temporary rates. It is also easier for customers to understand, resulting in less Company time explaining the application of the new and old rates to customers. Finally, Customers will be given more notice if temporary rates are applied based on a bills rendered basis on and after January 1, 2018 rather than as early as the date on which the petition for a permanent rate change is filed.

WHEREFORE, the Company respectfully requests that the Commission:

- A. Grant this Petition for Temporary Rates and approve an increase in the amount of \$998,019 in annual operating revenue, effective with bills rendered on and after January 1, 2018;
- B. Order that temporary rates remain in effect until such time the Commission issues a final order establishing permanent rates;
- C. That temporary rates be fully recoupable back to the effective date;
- D. Waive Puc 1203.05 requiring that rates be implemented on a service rendered basis; and
- E. Grant such other relief as is just and equitable.

Respectfully submitted,

Pennichuck East Utilities, Inc.

By its Attorneys,
RATH, YOUNG AND PIGNATELLI, PC

Date: October 18, 2017

By:


Richard W. Head
One Capital Plaza
Concord, NH 03301
(603) 226-2600

Certificate of Service

I hereby certify that on this 18th day of October, 2017, a copy of this petition and attached testimony has been hand delivered and emailed to the Office of the Consumer Advocate.


Richard W. Head, Esquire