

ATTACHMENT B – DRAFT QCPAC TARIFF LANGUAGE

NHPUC NO. 6 Water

Fourth Revised Page 48

PENNICHUCK WATER WORKS, INC.

Superseding Third Revised Page 48

QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE

In addition to the net charges provided for in this Tariff, a Qualified Capital Project Adjustment Charge ("QCPAC") surcharge of 1.69% will apply to all bills issued after May 4, 2018.

I. General Description

Purpose: To recover the fixed costs (1.1 times principal and interest plus property taxes) of Commission-approved capital expenditures needed to operate maintain, insure regulatory compliance and to replace aging infrastructure which were completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, QCPAC provides the Company with the resources to complete essential asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

QCPAC Eligible Property will encompass all Assets acquired by the Company as part of its annual capital improvements plan. Any regulatory asset that is recovered through an amortization expense is not eligible for QCPAC treatment.

Computation of the QCPAC

The charge effective for all bills issued after May 4, 2018 will be calculated to recover the fixed costs of eligible plant additions not previously reflected in the Company's rate base and placed in service between January 1, 2017 and December 31, 2017. Thereafter, the QCPAC will be updated on an annual basis to reflect eligible plant additions placed in service during the prior calendar year. Thus, changes in the QCPAC surcharge percentage will occur as follows:

Effective Date
of QCPAC Change

Date To Which QCPAC Eligible
Plant Additions Reflected

April 5, 2018

December 31, 2017

The QCPAC will be applied to all bills rendered after March 21, 2018. The QCPAC will be applied uniformly to all customer classes and charges with the exception that the QCPAC will not be applied against the monthly fixed contract charges associated with Anheuser-Busch, Town of Milford and Town of Hudson special contracts.

Issued: November 29, 2018

Effective: April 5, 2018

Issued by:

Name: Donald L. Ware

Title: Chief Operating Officer

The fixed costs of eligible infrastructure system improvement projects will consist of principal and interest payments and property taxes calculated as follows:

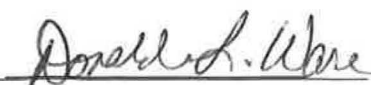
Principal and Interest: The principal and interest expense will be based on the annual principal and interest associated with the Bond sold on April 4, 2018 to pay for the QCPAC qualified projects that were completed and used in useful by December 31, 2017. The Bond Principal and interest of the Bond will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The revenues collected via the QCPAC surcharge shall be divided into two revenue streams with the revenues associated with 1.0 times the QCPAC principal and interest being part of the Company's Debt Service Revenue Requirement ("DSRR") and the revenues associated with 0.1 times the QCPAC principal and interest being part of the Company's 0.1 Debt Service Revenue Requirement ("0.1 DSRR").

Property Taxes: For the first year that a QCPAC for any particular project is in effect, the property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect times the year ending net book value of the eligible QCPAC infrastructure improvement projects. If such property taxes will be due for only a portion of the calendar year, then the QCPAC for the first year shall reflect only the property taxes projected to be paid. For the second and subsequent years that a QCPAC for those projects is in effect, the QCPAC shall be determined using the property tax rate in effect at the end of the most recent year completed (the "tax rate"), and shall be applied to the cumulative year ending net book value of all eligible QCPAC projects included from the first year thru the end of the current year.

QCPAC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

The QCPAC Surcharge Amount approved by the Commission will be recouped back to the effective date of this tariff. The recoupment will be calculated based on actual charges incurred between the effective date of this tariff and the issued date of this tariff and shall be collected as a lump sum on the first bill rendered after the issuance date of this tariff.

Issued: November 29, 2018
Effective: April 5, 2018

Issued by: 
Name: Donald L. Ware
Title: Chief Operating Officer

Formula The formula for calculation of the QCPAC surcharge is as follows:

$$\text{QCPAC} = \frac{1.1 \times (\text{AP} + \text{AI}) + \text{PT}}{\text{BRWR}}$$

Where:

AP = the annual principal payments associated with the bonds issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year.

AI = the annual interest payments associated with the bonds issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year the pre-tax return rate applicable to eligible infrastructure system improvement projects.

PT = annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 16-806, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate no later than the end of the first full week in February of each year.

Audits: The QCPAC will be subject to audit prior to the determination by the Commission.

New Base Rates: The QCPAC charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the QCPAC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in the annual updates of the QCPAC.

Issued: November 29, 2018

Effective: April 5, 2018

Issued by: 

Name: Donald L. Ware

Title: Chief Operating Officer

Customer Notice: At least thirty (30) days in advance of a QCPAC filing, the Company will notify Customers of the filing by including an explanatory bill insert with the bills. Before sending, the Company will review the notice with the Commission's Consumer Affairs division. Customers shall also be notified of changes in the QCPAC by including appropriate information with the first bill they receive following any change.

Notice of Project Substitution: If, after the Company has received Commission approval for Year 1 QCPAC projects, because of changed circumstances or significant new information the Company plans to undertake projects in Year 1 that were not included on the list of approved QCPAC projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall notify the Commission and all parties to the proceeding in which the list of QCPAC projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved QCPAC projects for that year, based upon information known on a year-to-date basis, from the beginning of the year through the following effective dates, on the associated reporting dates:


Effective Date

June 30
September 30
November 30

Reporting Date

August 15
November 15
January 15

Issued: November 29, 2018
Effective: April 5, 2018

Issued by: 
Name: Donald L. Ware
Title: Chief Operating Officer

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In addition to the net charges provided for in this Tariff, a Qualified Capital Project Adjustment Charge ("QCPAC") surcharge of ~~xxx~~ 1.69% will apply to all bills issued on or after ~~March 21~~ May 4, 2018.

I. General Description

Purpose: To recover the fixed costs (1.1 time principal and interest and property taxes) of Commission-approved capital expenditures needed to operate maintain, insure regulatory compliance and to replace aging infrastructure which were completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, QCPAC provides the Company with the resources to complete essential asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

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Computation of the QCPAC

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Effective Date
of QCPAC Change

Date To Which QCPAC Eligible
Plant Additions Reflected

~~March 21~~ April 5, 2018

December 31, ~~2018~~ 2017

The QCPAC will be applied to all bills rendered after March 21, 2018. The QCPAC will be applied uniformly to all customer classes and charges with the exception that the QCPAC will not be applied against the monthly fixed contract charges associated with Anheuser-Busch, Town of Milford and Town of Hudson special contracts.

Issued: ~~September 21~~ November 29, 2018 Issued by: _____

Effective: ~~March 21~~ April 4, 2018

Name: Donald L. Ware

Title: Chief Operating Officer

The fixed costs of eligible infrastructure system improvement projects will consist of principal and interest payments and property taxes calculated as follows:

Principal and Interest: The principal and interest expense will be based on the annual principal and interest associated with the Bond sold on ~~or about March 21~~ April 4, 2018 to pay for the QCPAC qualified projects that were completed and used in useful by December 31, 2017. The Bond Principal and interest of the Bond will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The revenues collected via the QCPAC surcharge shall be divided into two revenue streams with the revenues associated with 1.0 times the QCPAC principal and interest being part of the Company's Debt Service Revenue Requirement ("DSRR") and the revenues associated with 0.1 times the QCPAC principal and interest being part of the Company's 0.1 Debt Service Revenue Requirement ("0.1 DSRR").

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Issued: ~~September 21~~ November 29, 2018 Issued by: _____
Effective: ~~March 21~~ April 4, 2018 Name: Donald L. Ware
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Issued: ~~September 21~~November 29, 2018 Issued by: _____

Effective: ~~March 21~~April 4, 2018

Name: Donald L. Ware

Title: Chief Operating Officer

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Effective Date

June 30
September 30
November 30

Reporting Date

~~July 31~~ August 15
~~October 31~~ November 15
~~December 31~~ January 15

Issued: ~~September 21~~ November, 29, 2018 Issued by: _____

Effective: ~~March 21~~ April 4, 2018

Name: Donald L. Ware

Title: Chief Operating Officer