

Attachment A

Pennichuck Water Works Qualified Capital Project Adjustment Charge (QCPAC)

Pennichuck Water Works, Inc.'s ("Pennichuck") primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. DW 16-806, Pennichuck's 2016/2017 rate proceeding before the New Hampshire Public Utilities Commission (PUC), granted approval for Pennichuck to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows Pennichuck to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge will recover the costs of Pennichuck's ongoing investment in Qualified Capital Projects (QCPs) necessary to provide service to its customers, in compliance with State and Federal regulations, and to maintain its overall water supply and treatment infrastructure in a proactive and responsive manner.

The QCPAC surcharge allows Pennichuck to recover 1.10 times the annual principal and interest for the debt issued to pay for Pennichuck's Qualified Capital Projects (QCPs) expenditures made on plant and equipment placed into service during the prior year, plus the incremental property taxes associated with the value of those QCPs. As a part of this annual process, Pennichuck's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels. Our customers benefit from the QCPAC program as it provides necessary funding for Pennichuck to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program will also result in smaller annual rate changes for customers by permitting Pennichuck to recover expenses associated with the replacement of aging infrastructure between rate cases.

On February 16, 2018, Pennichuck filed a petition for the approval of QCPAC surcharge for 2017 QCPs in DW 18-022. The NHPUC approved a 1.69% QCPAC surcharge on October 29, 2018 for bills issued to customers after May 4, 2018. For the average single-family residential bill of \$54.00 this surcharge will be \$0.91 per month. You will see the QCPAC surcharge as a separate line item on your water bill starting in December of 2018. This December bill will also show a one-time recoupment charge for bills issued to you between May 5, 2018 and November 30, 2018. The one-time recoupment charge will equal 1.69% times the aggregate of the amounts billed during those months.

The PUC order for DW18-022 can be viewed at <http://puc.nh.gov/Regulatory/Docketbk/2018/18-022.html>

As a part of this ongoing annual QCPAC process, Pennichuck will be filing a proposed three-year capital expenditure plan for 2019-2021 QCPs with the PUC on or before February 15, 2019. The proposed 2019-2021 QCPs submitted will update Pennichuck's 2018 through 2020 proposed QCP expenditures, previously filed with the PUC in February of 2018 as part of its DW 18-022 QCPAC filing. In its February 2019 QCPAC filing, Pennichuck will be requesting the PUC to allow it to increase the QCPAC surcharge of 1.69% to 4.61%, an increase of 2.87% associated with the QCPs placed in service during 2018. This incremental 2.87% QCPAC surcharge, if approved, will apply to meter classes and charges for bills rendered after April 1, 2019 (and would be expected to go in effect near the end of 2019).

The requested QCPAC surcharge for 2018 QCPs, if approved in late 2019, would result in a total QCPAC surcharge of about \$2.49 per month on the average single-family residential bill of \$54.00, for a total monthly bill of \$56.40. The \$2.49 surcharge would include the \$0.91 surcharge in effect for the 2017 QCPs and the proposed additional surcharge of \$1.57 for 2018 QCP's.

If you have any questions or concerns related to Pennichuck's February 2018 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.

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 4.40% will apply on a service rendered basis to all bills issued after April 5, 2019.

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 will be effective on a service rendered basis for all bills issued after April 4, 2019 and 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, 2018. 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:

<u>Effective Date of QCPAC Change</u>	<u>Date To Which QCPAC Eligible Plant Additions Reflected</u>
April 4, 2019	December 31, 2018

The QCPAC will be applied on a service rendered basis to all bills rendered after April 4, 2019. 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 30, 2019

Effective: April 5, 2019

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 Bonds sold on or before April 4, 2019 to pay for the QCPAC qualified projects that were completed and used in useful by December 31, 2018. The Bond Principal and interest of the Bonds 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: Incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. The property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect at the end of the year the QCP was used and useful times the final audited cost of the eligible QCP's.

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: September 30, 2019
Effective: April 5, 2019

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: September 30, 2019
Effective: April 5, 2019

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

PENNICHUCK WATER WORKS, INC.

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 Services and External 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: September 40, 2019

Effective: April 5, 2019

Issued by: _____

Name: Donald L. Ware

Title: Chief Operating Officer

Attachment C

Pennichuck Water Works Qualified Capital Project Adjustment Charge (QCPAC)

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PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolution was adopted by the Board of Directors of the Company on January 25, 2019; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the revised 2019 Capital Expenditure Budget and 2020/2021 Capital Expenditure Plans, as presented at this meeting, are hereby approved.

2. Attachment A to this Corporate Secretary's Certificate is a true copy of the Pennichuck Water Works, Inc. 2019 Capital Expenditure Budget and 2020/2021 Capital Expenditure Plans presented to the Board of Directors of the Company on January 25, 2019 and approved by said Board.

In Witness Whereof, I have hereunto set my hand this 4th day of February, 2019.



Suzanne L. Ansara
Corporate Secretary

2019 Capital Budget and 2020/2021 Capex Plans – Pennichuck Water Works

	<u>Total Budgeted for 2018</u>	<u>Total Budgeted in 2019 for Carryover/Multi- year Projects</u>	<u>Total Budgeted in 2019 for New Projects</u>	<u>Total Budgeted for 2019</u>	<u>Total Planned in 2020 for Carryover & New Projects</u>	<u>Total Planned in 2021 for Carryover & New Projects</u>
Main Replacements and Main Replacements	\$ 7,017	\$ 1,370	\$ 5,063	\$ 6,433	\$ 5,305	\$ 7,395
Booster Stations, Tanks, Generators and Pumps	60	-	320	320	89	89
Water Treatment Media and Miscellaneous Water Supply Upgrades	95	-	30	30	19	16
Service, Hydrants and Meters	914	-	872	872	651	651
IT, Applications and System Monitoring	285	-	151	151	300	1,300
Dpac (Data Presentment and Collection) System/Click Mobile	170	-	-	-	-	-
Asset Management System	531	-	110	110	-	-
All Other	946	-	538	538	811	788
Subtotals	<u>10,018</u>	<u>1,370</u>	<u>7,084</u>	<u>8,453</u>	<u>7,174</u>	<u>10,238</u>
Bowers Pond Spillway Reconstruction	90	25	-	25	900	-
Merrimack River "Deep Water" Intake	-	-	5,500	5,500	-	-
Kessler Farm Tank Replacement	-	-	-	-	3,388	-
WTP - Carbon Media Filter Bed Replacement	-	-	1,000	1,000	1,000	1,000
Milford Booster Station Rebuild	-	-	-	-	-	660
Total Capex Budgeted 2019-2021	<u>\$ 10,108</u>	<u>\$ 1,395</u>	<u>\$ 13,584</u>	<u>\$ 14,978</u>	<u>\$ 12,462</u>	<u>\$ 11,898</u>
Total Capex Budgeted 2019-2021 approved 12/2018	<u>\$ 10,108</u>	<u>\$ 2,366</u>	<u>\$ 13,614</u>	<u>\$ 15,970</u>	<u>\$ 12,462</u>	<u>\$ 10,898</u>
Variances	<u>\$ (0)</u>	<u>\$ (961)</u>	<u>\$ (31)</u>	<u>\$ (992)</u>	<u>\$ (0)</u>	<u>\$ 1,000</u>