

DW 01-025

PENNICHUCK WATER WORKS, INC.

Connection Charges for New Customers

Prehearing Conference Order

O R D E R N O. 23,683

April 20, 2001

APPEARANCES: Sarah Knowlton, Esq., for Pennichuck Water Works, Inc., and Lynmarie Cusack, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

This docket was opened on February 7, 2001, as a result of a letter filed with the New Hampshire Public Utilities Commission (the Commission) dated February 6, 2001 by Pennichuck Water Works, Inc. (Pennichuck or the Company). The letter notified the Commission of Pennichuck's intention to assess a connection charge for customers along certain new extensions of the water systems of Pennichuck and its sister corporation, Pennichuck East Utility.

Pennichuck contends that the charges to new customers are designed to 1) recover costs incurred by the Company to make improvements necessary for the growth of customer base; 2) allow expansion of the public water system in lieu of private wells; and 3) aid in the development of a regional water system rather than isolated, individual community systems.

On March 16, 2001, the Commission issued an Order of Notice (OON) scheduling a Prehearing Conference for April 9, 2001, to be immediately followed by a Technical Session. The OON indicated the filing raised issues regarding whether the public good is served by establishing such fees and whether the fees should be incorporated as a tariff modification or submitted as a special contract under RSA 378:18.

The Prehearing Conference was held on April 9, 2001, at which time the Company and Staff presented their positions regarding this case.

There were no requests for intervention filed in this docket.

II. POSITIONS OF THE PARTIES AND STAFF

A. Pennichuck Water Works, Inc.

Pennichuck asserted that the costs of improvements to its existing water system should be charged to new customers who are creating the rising demands on the system. The Company claims that the proceeds derived from the connection charges to selected new customers would be treated as a contribution to offset the costs of construction for system expansion and improvement. Pennichuck proposes deciding which customers would be charged a new customer fee on a case-by-case basis and that the fees would be negotiated

with developers and/or local officials in advance of new construction. The Company indicates that the benefit of the charges is that they enable the Company to expand its customer base without imposing additional system development costs on existing ratepayers. In addition, the Company asserts that from a drinking water safety perspective, the public good is served by extending its service to customers who would otherwise be required to install individual wells and provide their own water treatment.

B. Staff

Staff does not necessarily disagree with a new customer connection fee to offset expansion costs, but believes that Pennichuck's filing must be evaluated using the public good standard. Staff indicated that without discovery and possible testimony from the Company it could not recommend how the new charges should be treated, for example, whether the connection charges should be allowed as petitioned, incorporated as a generic tariff modification to Pennichuck's main extension provisions, or if the fees should be submitted as a special contract under RSA 378:18.

Following up on questions asked by the Commission regarding establishing a set procedure to deal with additional extensions and improvements needed for new developments, Staff

also raised the question of whether franchise amendments would be needed. Staff agreed that this docket should be used to establish a standard procedure for future expansion.

III. PROCEDURAL SCHEDULE

Following the Prehearing Conference, the Company and Staff met in a technical session to discuss a procedural schedule for the case. The following schedule was jointly recommended through a letter dated April 10, 2001:

Testimony from the Company	05/10/01
Data Requests to the Company	05/31/01
Data Responses from the Company	06/21/01
Technical Session/Settlement Conference	07/06/01

In the event an equitable settlement is not reached in this matter, Staff and the Company agreed to continuing the procedural schedule as follows:

Testimony from Staff	07/19/01
Data Requests to Staff	08/02/01
Data Responses from Staff	08/16/01
Hearing on the Merits	08/28/01

IV. COMMISSION ANALYSIS

We believe this docket has the potential to streamline and standardize the process that Pennichuck employs

when assessing system expansions and computing related charges.

In addition, we find that the proposed Procedural Schedule is appropriate and will, therefore, adopt it.

Based upon the foregoing, it is hereby

ORDERED, that the Procedural Schedule as proposed herein is adopted.

By order of the Public Utilities Commission of New Hampshire this twentieth day of April, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary