

DW 04-056

PENNICHUCK WATER WORKS, INC.

**Petition for Permanent and Temporary Rate Increase
Order Suspending Proposed Tariffs
and
Scheduling Prehearing Conference**

ORDER NO. 24,338

June 18, 2004

Pennichuck Water Works, Inc. (Pennichuck) filed with the New Hampshire Public Utilities Commission (Commission), on March 30, 2004, a Notice of Intent to file rate schedules and on May 28, 2004, filed a Petition for an increase in permanent rates. Pennichuck provides water service to approximately 22,000 customers in its core system in the City of Nashua and the Towns of Amherst, Bedford, Hollis, Merrimack, and Milford, New Hampshire. Pennichuck also serves customers in the Towns of Derry, Epping, Plaistow, Newmarket and Salem.

Pennichuck requests the Commission approve an overall increase in annual revenues of \$2,414,183 which represents a revenue increase of 16.39%. Pennichuck requests that fire protection rates remain at currently approved levels and that Pennichuck's non-fire protection customer rates be increased on an annual basis by 19.44%, in order to achieve an overall 16.39% revenue increase. Pennichuck's increase in permanent rates is proposed for effect on July 1, 2004.

Contemporaneous with its permanent rate petition, PWW filed a Petition for Temporary Rates, to take effect for bills rendered on or after July 1, 2004. Pennichuck requests waiver of N.H. Admin. Rules, Puc 1203.05 which requires rate changes be implemented on a service rendered basis. Pennichuck proposes a temporary increase in revenues by \$1,668,132 or

11.32% on an annual basis. This temporary rate increase would raise all non-fire protection customers rates by 13.42%. In support of its request for temporary rates, Pennichuck filed financial schedules as well as Prefiled testimony of Donald L. Correll, Henry G. Mulle, Donald L. Ware, Charles J. Staab and Bonalyn J. Hartley. Pennichuck asserts that the increase in revenues is required because it is not earning a return adequate to cover its cost of capital or a reasonable return on the actual cost of its property used and useful in the public service. In its Petition, Pennichuck states that its overall rate of return during the test year ending December 31, 2003 was 6.27%, or 231 basis points below the currently allowed rate of 8.58%.

Pennichuck's return on common equity for the same period was 6.12% or 388 basis points below its currently allowed return on equity of 10.00%. Pennichuck avers its rate of return is below that allowed by Commission Order No. 23,923 in Docket DW 01-081, due to: investment needs regarding Safe Drinking Water Act compliance; pipeline replacement projects; relocation mandated by the City of Nashua's combined sewer overflow project; capital improvements necessitated by the aging infrastructure of the Company's system; the addition of new employees with upgraded management, technical, accounting and human resource skills to meet workload demands; and the increasing operating cost from items such as insurance, chemicals, energy, purchased water, Public Utilities Tax Assessment and property taxes.

The filing raises, inter alia, issues related to: RSA 378 and rates, fares and charges; Pennichuck's proposed return on equity, the allocation of revenues among the customer classes and treatment of costs associated with recent takeover proceedings; Puc 1203.05 and waiver of implementation of rate changes on a service rendered basis.

Based on the foregoing, it is hereby

ORDERED, that Pennichuck Water Works Inc.'s NHPUC NO. 5 WATER Sixth Page 39 and 40 be and hereby are suspended, and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the New Hampshire Public Utilities Commission located at 8 Old Suncook Road, Concord, New Hampshire on July 27, 2004 at 10:00 at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, Pennichuck, Commission Staff and Intervenors hold a First Technical Session to review the noticed issues and determine a proposed procedural schedule for consideration of temporary and permanent rates; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, Pennichuck notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than June 28, 2004, in The Telegraph and in a statewide newspaper of general circulation, publication to be documented by affidavit filed with the Commission on or before July 13, 2004; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Pennichuck and the Office of the Consumer Advocate on or before July 23, 2004, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.02 (a)(2); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 27, 2004; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, Pennichuck shall publish by July 13, 2004 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Pennichuck and the Executive Director and Secretary;

By order of the Public Utilities Commission of New Hampshire this eighteenth day of June, 2004.

Thomas B. Getz
Chairman

Susan S Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director and Secretary

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the American with Disabilities Act Coordinator, NHPUC, 8 Old Suncook Road, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.