

DW 05-072

PENNICHUCK EAST UTILITY, INC.

Petition for Permanent and Temporary Rate Increase

**Order Suspending Proposed Tariffs
and
Scheduling Prehearing Conference and Temporary Rate Hearing**

ORDER NO. 24,476

June 16, 2005

Pennichuck East Utility, Inc. (PEU) provides water service to approximately 4,500 customers located in limited areas of the towns of Litchfield, Londonderry, Windham, Pelham, Atkinson, Sandown, Derry, Raymond, Plaistow, Hooksett, Bow, and Lee. On April 8, 2005, PEU filed with the New Hampshire Public Utilities Commission (Commission) a Notice of Intent to file rate schedules. On May 20, 2005, PEU filed a Petition for temporary rates and for an increase in permanent rates. In support of its requests for temporary and permanent rate increases, PEU filed financial schedules, as well as prefiled testimony of Bonalyn J. Hartley, Donald L. Ware, and William D. Patterson. PEU is seeking an overall increase in annual revenues in the amount of \$779,027 or 24.99%. Until permanent rates are set, PEU requests the Commission approve a temporary rate increase, pursuant to RSA 378:27, in the amount of \$381,565 or 12.25%. PEU proposes the temporary rate take effect for service rendered on or after June 1, 2005.

PEU asserts that the increase in revenues is required in that its overall rate of return, as of December 31, 2004, was 4.12% or 418 basis points below its currently allowed rate of return of 8.30%. PEU stated in its petition for temporary rates that investment required for compliance with Federal Safe Drinking Water Act and other regulatory requirements; capital

improvements necessitated by the infrastructure of PEU's system; and increasing operation and maintenance costs for items such as insurance, chemicals, energy, purchased water, Public Utilities Tax Assessment and property taxes have contributed to the need to file this Petition.

PEU proposes to recover the permanent increase in revenue by applying the 24.99% increase to each of its currently effective rates, including those relating to private and municipal fire protection. PEU provides residential customers with water service under one of three rate schedules.

PEU's GM-A, first schedule includes a monthly minimum charge per residential meter is \$10.69 with a volumetric rate of \$3.299 per hundred cubic feet. The proposed permanent rate, if approved, would increase the minimum charge to \$13.36 and increase the volumetric charge to \$4.12 per hundred cubic feet. An average annual residential bill for GM-A customers would increase from \$434 to \$542. If temporary rates are approved in the amount requested, the increase would be roughly half of this amount followed by a similar increase, assuming implementation of the proposed permanent rates. The GM-A rate applies to the following service areas:

Derry – Maple Hills
Hooksett – WESCO
Londonderry – Avery, Harvest Village, Pine Haven, R&B, Spring Wood Hills
Raymond – Green Hills
Windham – Harwood
Windham and Derry – Oakwood
Lee – Thurston Woods

PEU's second schedule, GM-L, includes a monthly minimum charge per residential meter of \$12.49 with a volumetric rate of \$4.145 per hundred cubic feet. If the proposed permanent rate is approved, the monthly minimum charge would increase to \$15.61 and

the volumetric rate would increase to \$5.18 per hundred cubic feet. An average annual residential bill would increase from \$567 to \$709. If temporary rates are approved in the amount requested, the increase would be roughly half of this amount, followed by a similar increase, assuming implementation of the proposed permanent rates. The GM-L rate applies to metered water service in the Town of Litchfield including the Sawmill service area.

PEU's third schedule, GM-B, includes a monthly minimum charge of \$13.90 per residential meter and a volumetric rate of \$4.289 per hundred cubic feet. If the proposed permanent rate increase is approved, the monthly minimum charge would increase to \$17.37 and the volumetric rate would increase to \$5.369. An average annual residential bill would increase from \$591 to \$739. If temporary rates are approved in the areas requested, the increase would be roughly half of this amount followed by a similar increase, assuming implementation of the proposed permanent rates. The GM-B rate applies to the following service areas:

- Atkinson - Atkinson
- Derry - East Derry/Farmstead
- Hooksett - Smythe Woods
- Londonderry - Brook Park, Cohas Landing, Londonderry South (includes Birchville), Ministerial, Nessenkeag
- Pelham - Gage Hill, No. Pelham, Stonegate/Willimsburg
- Plaistow - Rolling Hills
- Raymond - Liberty Tree
- Sandown - Beaver Hollow
- Windham - Goldenbrook (includes Shadybrook), W&E
- Bow - White Rock Senior Living Community, Pines of Bow

PEU requested waiver of N.H. Admin. Rules, Puc 1604.01(a)(1) and Puc 1604.01(a)(25) pertaining to PEU's internal financial reports and information concerning PEU's parent, Pennichuck Corporation. In support of this request, PEU states that it previously provided this information to the Commission and that compliance would be burdensome and

duplicative. Staff filed a concurrence to this request on May 23, 2005, and stated that any necessary information will be obtained during discovery.

The filing raises, inter alia, issues related to: RSA 378 and the justness and reasonableness of rates, fares and charges; RSA 378:27 and RSA 378:29 and the imposition of temporary rates and recoument of the difference between temporary and permanent rates; PEU's proposal to equally allocate the proposed 24.99% increase among the three general metered rates as well as fire protection rates; increases in operation and maintenance costs; completion and submission of a comprehensive depreciation study for PEU plant in service as of December 31, 2004; and capital costs associated with plant additions and overall rate of return to be applied to plant used and useful in the provision of service. These and other issues will be addressed in the temporary and permanent rate proceedings.

We find the requested waiver to be reasonable, as the Staff and parties will have an opportunity to explore those matters in the discovery phase. We will, therefore, grant the requested waiver of N.H. Admin. Rules, Puc 1604.01 (a)(1) and 1604.01 (a)(25).

Based on the foregoing, it is hereby

ORDERED, that PEU's NHPUC NO. 1 WATER, Fourth Revised Page 38, Second Revised Page 39, Fifth Revised Page 40, Second Revised Page 42, 43, 44, and 45 are hereby suspended in order to conduct a thorough investigation prior to rendering a final order in this proceeding; 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 21

S. Fruit St., Suite 10, Concord, New Hampshire on July 6, 2005 at 10:00 a.m. 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, PEU, Commission Staff and Intervenors hold a Technical Session to review the noticed issues and determine a proposed procedural schedule for consideration of the issues raised in the Petition for Permanent Rate Increase; and it is

FURTHER ORDERED, that Staff and any party conduct discovery regarding the temporary rate increase by propounding data requests upon PEU no later than July 8, 2005 and that PEU shall return responses to same by July 13, 2005; and it is

FURTHER ORDERED, that Staff and any party conduct a second round of discovery regarding the temporary rate increase by propounding data requests upon PEU no later than July 19, 2005 and that PEU shall return responses to same by July 25, 2005; and it is

FURTHER ORDERED, that staff and any party submit testimony on the temporary rate request no later than August 3, 2005; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, a hearing on temporary rates be held before the New Hampshire Public Utilities Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on August 9, 2005 at 10:00; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, PEU notify all persons desiring to be heard at the prehearing conference or temporary rate hearing by publishing a copy of this Order of Notice no later than June 21, 2005, in the *Union Leader*

documented by affidavit filed with the Commission on or before July 6, 2005; 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 PEU and the Office of the Consumer Advocate on or before July 1, 2005, 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 6, 2005; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, PEU shall publish by June 24, 2005 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between PEU and the Executive Director and Secretary; and it is

FURTHER ORDERED, that the Executive Director is authorized to make adjustments to the procedural schedule as necessary.

By order of the Public Utilities Commission of New Hampshire this sixteenth day
of June, 2005.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Michael D. Harrington
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 Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, 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.