

DW 08-073

PENNICHUCK WATER WORKS, INC.

Permanent and Temporary Rate Proceeding

**Order Suspending Proposed Tariffs
and
Scheduling Prehearing Conference**

ORDER NO. 24,876

July 23, 2008

Pennichuck Water Works, Inc. (PWW) provides water service through its core system to approximately 24,000 customers in Nashua, Amherst, Bedford, Hollis, Merrimack, and Milford.

PWW also serves customers in Derry, Epping, Plaistow, Newmarket, and Salem.

On May 22, 2008, PWW filed a notice of intent to increase rates. On June 23, 2008, PWW filed schedules and materials, pursuant to N.H. Code Admin. R. Chapter Puc 1600, supporting its proposed rate increase and a petition for temporary rates.

PWW seeks a permanent increase in its annual gross operating revenues of \$3,193,791 for the year ending December 31, 2007. The proposed rate increase would result in a 14.72 percent increase for general metered customers for service rendered as of August 1, 2008. In addition, PWW seeks two step increases for significant capital additions placed in service in 2008. The first step increase, which would be based on plant that had become used and useful as of May 1, 2008, would generate an additional \$1,095,263 in annual gross operating revenue and would result in a 5.05 percent increase for general metered customers. The second step increase is based on plant that will have become used and useful as of November 1, 2008. This step increase would generate an additional \$1,196,149 in annual gross operating revenue and would constitute a 5.51 percent increase in rates for general metered customers.

The combined proposed rate request and step increases would result in an overall increase in rates of 25.27 percent for general metered customers. This will result in an average annual residential water bill for a single family home of approximately \$565.30 based on an average usage of 9.53 hundred cubic feet per month. This will represent an increase of \$8.88 per month for residential customers over current rates.

PWW's petition for temporary rates requests an increase in operating revenues of \$2,446,978, or an overall increase of 11.27 percent. The effective increase on general metered customers would be 11.07 percent. PWW requests temporary rates take effect on August 1, 2008, or the date customers are first noticed, whichever comes first. In support of the temporary rate increase PWW states in pre-filed testimony that, as of December 31, 2007, PWW's overall rate of return was 6.64 percent or 125 basis points below the last allowed return of 7.89 percent. PWW further states that its rate of return eroded further to 6.47 percent as of April 30, 2008. The proposed temporary rate increase would add approximately \$3.50 to the average single family residential customer's bill and would be reconciled with any permanent rates approved by the Commission in this proceeding.

The filing raises, inter alia, issues related to: whether the proposed temporary and permanent rates are lawful, just and reasonable as required by RSA 378; whether test year expenses and *pro forma* adjustments are reasonable; whether the calculation of rate base represents prudent investment in property that is used and useful; the determination of a reasonable rate of return, including an appropriate capital structure; whether the level of revenues used for calculating the revenue requirement is reasonable; and whether the proposed rate design is fair and reasonable.

Based on the foregoing, it is hereby

ORDERED, that Pennichuck Water Works Inc.'s NHPUC NO. 5 WATER – Tenth Revised Pages 39, 40, 41, and 42 are hereby suspended; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 South Fruit Street, Concord, New Hampshire on August 27, 2008 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, PWW, Commission Staff, and Intervenors hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of temporary and permanent rates; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, PWW notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than August 1, 2008, in the Nashua Telegraph and in the Union Leader, publication to be documented by affidavit filed with the Commission on or before August 27, 2008; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, PWW shall publish by August 1, 2008 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between PWW and the Executive Director and Secretary; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a petition to intervene with copies sent to PWW and the Office of the Consumer Advocate on or before August 22, 2008, 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 203.17 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said Objection on or before August 27, 2008.

Pursuant to N.H. Code Admin. Rules Puc 203.12 (a) (5), each party has the right to have an attorney represent them at their own expense.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of July, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Lori A. Normand
Assistant 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.