

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 11-111

PENNICHUCK EAST UTILITY, INC.

Revisions to Fire Protection Tariff

Order *Nisi* Approving Revisions

ORDER NO. 25,265

September 6, 2011

I. BACKGROUND

On May 19, 2011, Pennichuck East Utility, Inc. (PEU) submitted a Verified Petition requesting approval of certain revisions to its fire protection tariff for its customers in the Town of Litchfield. PEU provides water service to approximately 6,828 customers in the Towns of Litchfield, Pelham, Windham and in limited areas of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Londonderry, Middleton, Plaistow, Raymond, Sandown, Tilton, and Weare.

In PEU's last general rate case, Docket No. DW 07-032, the Commission approved a monthly fire protection charge of \$12.59 per customer for public fire protection service within Litchfield. That charge was based on a 2007 cost of service study which concluded that \$252,605 of revenue was required to provide service to the 198 hydrants in the town. There are now 211 fire hydrants in use within the town. On March 10, 2011, PEU received a letter from Litchfield indicating that the town had voted to approve an article to assume responsibility for fire protection charges, appropriate \$69,989 for fire protection service for the final three months

of 2011, and include appropriations for future fire protection charges in its operating budget. Thus, pending approval of this Commission, PEU would bill Litchfield for the fire protection charges applicable to service in the town and discontinue billing such charges to current retail customers in the town. As a result, PEU proposes a monthly hydrant charge of \$69.53 per hydrant, and a monthly availability fee of \$8,318.51 to the town. Together these charges would generate \$275,872 in revenue. PEU included a proposed tariff page (Proposed Page 44A) with its filing.

On August 23, 2011, Staff filed a letter, with copies of discovery materials, recommending that the Commission approve PEU's request. Staff stated that the proposal was revenue-neutral to PEU and that the calculated rates for hydrant charges and availability fee were consistent with the results of the cost of service study completed in the DW 07-032 rate case. Staff also indicated that the number of hydrants has increased in Litchfield since the cost of service study was completed and that increase accounts for the fact that more revenues (\$275,872) will be recovered from Litchfield under the proposed tariff.

II. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to fix rates after a hearing upon determining that the rates, fares, and charges are just and reasonable. The Commission previously approved PEU's revenue requirement in Docket No. DW 07-032, Order No. 24,840, which will not be affected by the proposed tariff changes. Because PEU has proposed to apply the monthly hydrant charge established in its 2007 cost of service study, the change in hydrant-related revenues is solely the result of an increased number of hydrants and not an increase in the rate imposed. The Town of Litchfield has voted to pay the cost of fire protection service

provided in the Town through its operating budget. Thus, the fire protection rate paid by retail customers in Litchfield will be eliminated. The way in which fire service charges are collected is changing but the total revenue collected by PEU remains the same, other than to reflect the greater number of hydrants now in service in the town. Because these charges are based on a 2007 cost of service study previously adjudicated, we find the resulting rates to be just and reasonable. We approve PEU's proposed tariff pages effectuating this change: Page 44A, which imposes a monthly hydrant charge of \$69.53 per hydrant, payable in advance, and a monthly availability fee of \$8,318.51, payable monthly in advance, and Fifth Revised Page 43, which eliminates the charges to retail customers in Litchfield. We issue this order on a *nisi* basis to afford interested parties notice and an opportunity to be heard.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Pennichuck East Utility, Inc. is authorized to modify its tariff consistent with the above; and it is

FURTHER ORDERED, that PEU shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than September 16, 2011 and to be documented by affidavit filed with this office on or before October 6, 2011; and it is

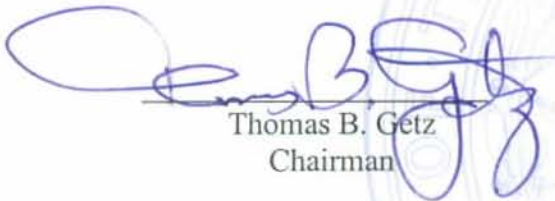
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than September 23, 2011 for the Commission's consideration; and it is

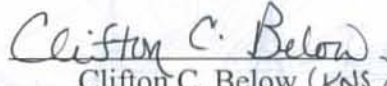
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than September 30, 2011; and it is

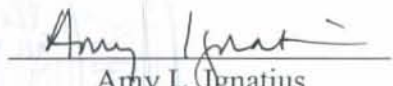
FURTHER ORDERED, that this Order *Nisi* shall be effective October 6, 2011, unless PEU fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that PEU shall file a compliance tariff with the Commission on or before October 20, 2011, in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this sixth day of September, 2011.


Thomas B. Getz
Chairman


Clifton C. Below (KNS)
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director