

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 13-126

PENNICHUCK EAST UTILITY, INC.

Permanent and Temporary Rate Increase Proceeding

Order Suspending Proposed Tariffs and Scheduling Prehearing Conference

ORDER NO. 25,523

June 20, 2013

Pennichuck East Utility, Inc. (PEU) provides water service to approximately 7,000 customers within limited areas of the Towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. On April 29, 2013, PEU filed with the Public Utilities Commission (Commission) a Notice of Intent to File Rate Schedules. On May 31, 2013, PEU filed proposed tariff pages along with testimony and schedules, pursuant to N.H. Code of Admin. R. Chapter Puc 1600, supporting its proposed rate increase and requested waiver of certain provisions of N.H. Admin. Rule Puc 1604.01. Specifically, PEU seeks waiver of the provisions of Puc 1604.01(a)(1) pertaining to internal financial reports, because it already files such reports with the Commission; Puc 1604.01(a)(18) pertaining to SEC 10K and 10Q forms because Pennichuck Corp. is no longer publicly traded and no longer files such forms; Puc 1601.01(a)(25) and (26) pertaining to duplicating the filing requirements of this subsection for PEU's parent company, because many of the requirements do not pertain to the parent, and that PEU has already certified as to the level of expenses of the parent passed down to PEU. Staff and the Office of the Consumer Advocate (OCA) concurred with these requests, with the OCA noting that its assent should not be construed as agreement that the information is not relevant

and that it receive an electronic copy of the documents. In addition, PEU also filed a petition seeking approval for temporary rates in this proceeding. PEU's filing was made in accordance with Paragraph III.B.5. of the Settlement Agreement approved by the Commission in Order No. 25,292 issued on November 23, 2011 in Docket No. DW 11-026.¹

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2013/13-126.html>.

PEU seeks a permanent increase in its annual gross operating revenues of \$591,485, or 9.97%, effective July 1, 2013, based on a test year ending December 31, 2012. PEU states that since 2009, it has experienced substantial increases in certain operating expenses including state and local property taxes, pension costs, health insurance and property and casualty insurance. PEU asserts that these expense increases have more than offset expense savings allocated to it by its parent, Pennichuck Corporation, resulting from the City of Nashua's recent acquisition in early 2012.

In addition to the permanent increase in revenues, PEU is requesting a step adjustment to recover costs associated with certain plant additions to be placed in service during 2013. The proposed step adjustment will result in an additional \$133,431, or 2.25%, increase in gross operating revenues. Combined, the proposed permanent increase and step adjustment will increase PEU's gross operating revenues by \$724,916, or 12.21%.

¹ Order No. 25,292 in DW 11-026 approved a Settlement Agreement relative to the City of Nashua's acquisition of Pennichuck Corporation which is the parent company of the three regulated water utilities, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. Paragraph III.B.5. of the approved Settlement Agreement provided that the three regulated utilities would simultaneously file their respective first post-acquisition full rate cases not later than June 1, 2013.

PEU proposes to collect revenues from each customer class based on its most recent Cost of Service Study which is included in its filing. The proposed combined permanent and step rate increases would result in an 11.77% increase for general metered customers, a 6.77% increase for private fire protection customers, a 14.50% increase for municipal hydrants and a 127.50% increase for public hydrants. As a result, PEU projects that an average residential customer who annually uses seven thousand seven hundred cubic feet of water (158 gallons per day) will see their annual water charge increase by \$75.48 from \$629.85 to \$705.33, or a \$6.29 increase per month.

With respect to temporary rates, PEU requests a \$415,437, or 7.00%, increase in its annual gross operating revenues to take effect on July 1, 2013, on a service rendered basis. In support of its request for temporary rates, PEU asserts that its current rates do not provide sufficient funds in order to cover the costs of short term borrowings. Therefore, PEU seeks temporary rates to generate revenues sufficient to minimize borrowings in order to maintain operations. PEU proposes to spread the proposed temporary increase uniformly across all customer classes. PEU projects that its proposed temporary rates would cause an average residential customer who annually uses seven thousand seven hundred cubic feet of water (158 gallons per day) to increase their annual water charge by \$43.83 from \$629.85 to \$673.68, or a \$3.65 increase per month. Should temporary rates be approved, customers' bills will be reconciled with any permanent rates approved by the Commission.

With regard to PEU's rule waiver requests made as part of its May 31 filing, we find those requests to be reasonable, because Staff and the parties will have an opportunity to explore

those matters in the discovery phase. We, therefore, grant the requested waivers of N.H. Admin. Rule Puc 1604.01(a)(1), (10), (18), (25), and (26).

PEU's filing raises, *inter alia*, issues related to: RSA 378:7 and whether the proposed temporary and permanent rates and step increase are lawful, just, and reasonable; whether test year expenses and pro forma adjustments are reasonable; RSA 378:28, whether the calculation of rate base represents prudent investment in property that is used and useful; whether PEU's rate design is reasonable; and whether the special rate making structure, which includes the City Bond Fixed Revenue Requirement (CBFRR); the Rate Stabilization Fund (RSF); the Municipal Acquisition Regulatory Asset (MARA); and the City of Nashua's Eminent Domain Costs, remains just and reasonable.

Based upon the foregoing, it is hereby

ORDERED, that Pennichuck East Utility, Inc.'s NHPUC NO. 1 WATER – Proposed Sixteenth Revised Page 38, Proposed Ninth Revised Page 40, Proposed Fifth Revised Page 42, Proposed Original Page 42A, Proposed First Revised Page 43A, Proposed Second Revised Page 43B, Proposed First Revised Page 43C, Proposed First Revised Page 43D, Original Pages 43E – 43 G, Proposed Fifth Revised Page 44, Proposed First Revised Page 44A, Proposed Fifth Revised Page 45 and Proposed Second Revised Page 48 are hereby suspended; and it is

FURTHER ORDERED, that a prehearing conference, pursuant to N.H. Code Admin. R. Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 South Fruit Street, Suite 10, Concord, New Hampshire on July 19, 2013 at 10:00 a.m. at which each party and the Commission Staff will provide a preliminary summary of its positions with regard to the filing; and it is

FURTHER ORDERED, that immediately following the prehearing conference, PEU, the Commission Staff, and any intervenors hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of the issues raised by the filing; and it is

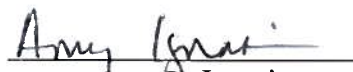
FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. Puc 203.12, PEU notify all persons desiring to be heard at this hearing by publishing by July 1, 2013 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between PEU and the Executive Director; and it is

FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. Puc 203.12, any party seeking to intervene in the proceeding shall submit to the Commission seven (7) copies of a petition to intervene with copies sent to PEU and the Office of the Consumer Advocate on or before July 12, 2013, 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. Code Admin. R. 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 July 19, 2013; and it is

FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. 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 twentieth day of
June, 2013.

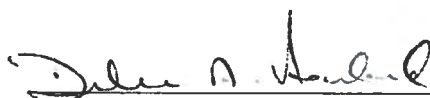


Amy E. Ignatius
Chairman



Michael D. Harrington
Commissioner

Attested by:



Debra A. Howland
Executive Director

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 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

