

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 20-156

PENNICHUCK EAST UTILITY, INC.

Request for Change in Rates

Order Suspending Tariff and Scheduling Prehearing Conference

ORDER NO. 26,436

December 17, 2020

This order suspends a proposed water service tariff filed by Pennichuck East Utility, Inc., (PEU, or the Company) for temporary rates based on a 15 percent increase in overall revenues, and for permanent rates based on an approximate 21 percent increase in overall revenues, along with certain modifications to the Company's ratemaking structure.¹ The order also schedules a Prehearing Conference on this matter for January 27, 2021, beginning at 10:00 a.m.

PEU is a water utility that serves approximately 8,000 customers in the towns of Atkinson, Bow, Center Barnstead, Chester, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, North Conway, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. On September 23, 2020, PEU filed a Notice of Intent to File Rate Schedules. On November 23, PEU filed a Petition for Temporary Rates and a Petition for Further Modifications to Ratemaking Structure, supported by testimony and schedules, pursuant to RSA 378:3 and New Hampshire Code of Administrative Rules, Chapter Puc 1600.

PEU seeks: (1) a permanent increase in PEU's rates effective with service rendered on or after December 24, 2020, designed to yield an overall increase of 21.05 percent in its annual revenues to an amount of approximately \$10,715,419, using a ratemaking methodology

¹The 15 and 21 percent increases are not additive.

previously approved for PEU² and its affiliate, Pennichuck Water Works, Inc. (PWW);³ and (2) a temporary rate increase of 15.0 percent in PEU rates effective for service rendered on or after December 24, 2020, pending the Commission's final determination on the Company's request for a permanent rate increase. The percentage increases are not additive. Approval of the proposed temporary and permanent rates would yield an overall increase in rates of 20.05 percent.

On December 10, 2020, Richard Lascelles filed a petition to intervene on behalf of himself and Maureen Lascelles as customers of PEU.

The Notice of Intent to file Rate Schedules and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-156.html>.

A. Permanent Rate Increase.

PEU has a unique ownership and capital structure that was approved by the Commission in Order No. 25,292 (November 23, 2011). Under this structure, PEU's ultimate owner is the City of Nashua, a municipal government. For purposes of ratemaking, the Company has no equity funding in its capital structure. Instead, its operations and capital requirements are almost completely funded through debt.

The Company seeks an overall permanent increase in annual gross operating revenues of approximately \$1.9 million, or 21 percent, effective for service rendered on or after December 24, 2020, based on a test year ending December 31, 2019. PEU asserts that this

²See Commission Order No. 26,179 (October 4, 2018) in Docket DW 17-128.

³ See Commission Order No. 26,070 (November 17, 2017) in Docket DW 16-806 and Commission Order No. 26,383 (July 24, 2019) in Docket DW 19-084.

increase is required because its current revenues are too low to cover its operating expenses in addition to principal and interest payments on its long-term debt.

PEU requests certain technical modifications to its ratemaking treatment to address concerns regarding cash flow and access to credit as a result of its unique business structure and currently approved ratemaking methodology. PEU asserts that the requested modifications will address the Company's cash flow concerns that affect its operational commitments and intercompany loan obligations. Specifically, PEU states that the requested rate relief represents the revenue required to cover the Company's current operating expenses, maintain adequate Rate Stabilization Funds for adequate liquidity and risk containment, and meet the costs of servicing PEU's direct debt obligations as well as its share of the City Bond Fixed Revenue Requirement.

PEU proposes to modify its present ratemaking structure to include:

- (1) a Material Operating Expense Factor (MOEF) to provide for ongoing cash flow support for the Company's Material Operating Expense Revenue Requirement (MOERR) and associated Rate Stabilization Fund (RSF);
- (2) a methodology that permits substitution of data for atypical years within a 5-year average of water consumption levels with the next most recent preceding typical operating year's data;
- (3) inclusion of actual NH Business Enterprise Tax cash payments in the Company's revenue requirement calculation;
- (4) prioritization of usage of available Debt Service Revenue Requirement-0.1 funds;
- (5) recovery of State Revolving Loan Fund and Drinking Water Groundwater Trust Fund debt issuance costs; and
- (6) re-establishment of imprest levels of RSF account retention of a previously approved reconciliation mechanism.

Based on PEU's filing, it is projected that, if the requested permanent rate increase is approved, average residential single-family homes within the following rate classes will experience monthly and annual rate increases as follows:

	<u>Current Monthly Charge⁴</u>	<u>Proposed Monthly Charge</u>	<u>Monthly Increase</u>	<u>Annual Increase</u>
Non-North Country (6.50 ccf/month avg consumption)	\$72.96	\$85.40	\$12.44	\$149.28
North Country – Locke Lake (3.45 ccf/month avg consumption)	\$61.73	\$69.25	\$ 7.52	\$ 90.24
North Country – Sunrise Estates (3.45 ccf/month avg consumption)	\$59.66	\$67.03	\$ 7.37	\$ 88.44
North Country – Birch Hill (3.45 ccf/month avg consumption)	\$61.73	\$69.36	\$ 7.63	\$ 91.56

B. Request for Temporary Rates

PEU recommends mitigating potential rate shock by phasing in the proposed permanent rate increase through temporary rates and eliminating the Qualified Capital Project Adjustment Charges (QCPAC) previously approved by and currently pending before the Commission. Accordingly, PEU requests that the Commission approve temporary rates that are 15.0 percent higher than current base rates, pending the approval of permanent rates in this proceeding. PEU states that if temporary rates are granted, the Company will agree to eliminate the QCPAC surcharges of 2.98 percent approved in DW 19-035⁵ and 1.97 percent, currently pending in

⁴ Includes 2.98 percent QCPAC approved in DW 19-035 and projected 1.97 percent QCPAC requested in DW 20-019.

⁵ See Commission Order No. 26,313 (December 6, 2019) approving a 2019 QCPAC of 2.98 percent.

DW 20-019.⁶ PEU states that, by combining its proposed temporary rate increase with the concurrent eliminations of the 2019 and 2020 QCPACs, its customers will actually realize an approximate 10% increase in rates on a temporary basis.

Based on PEU's filing, it is projected that, if the requested temporary rate increase is approved, average residential single-family homes within the following rate classes will experience monthly and annual rate increases as follow:

	<u>Current Monthly Charge⁷</u>	<u>Proposed Monthly Charge</u>	<u>Monthly Increase</u>	<u>Annual Increase</u>
Non-North Country (6.50 ccf/month avg consumption)	\$72.96	\$79.97	\$ 7.01	\$ 84.12
North Country – Locke Lake (3.45 ccf/month avg consumption)	\$61.73	\$66.43	\$ 4.70	\$ 56.40
North Country – Sunrise Estates (3.45 ccf/month avg consumption)	\$59.66	\$64.36	\$ 4.70	\$ 56.40
North Country – Birch Hill (3.45 ccf/month avg consumption)	\$61.73	\$66.43	\$ 4.70	\$ 56.40

PEU's filing raises, *inter alia*, issues related to modifications of the ratemaking methodology approved by Order No. 26,179 in Docket No. DW 17-028; whether the proposed ratemaking modifications are consistent with Order No. 26,179; what standards would apply to the proposed modifications; the prudence of relevant investments; whether the rates are just and reasonable pursuant to RSA 374:2 and RSA 378, including all ratemaking sub-components and

⁶ PEU filed for recovery of its 2019 Qualified Capital Projects on February 13, 2020, resulting in a projected 2020 QCPAC of 1.97 percent. When combined with the approved 2019 QCPAC of 2.98 percent, the total projected combined QCPAC would be 4.95 percent. PEU's filing is currently pending before the Commission.

⁷Includes approved 2.98 percent QCPAC approved in DW 19-035 and projected 1.97 percent QCPAC requested in DW 20-019.

the accuracy of all rate petition schedules; and the justness and reasonableness of proposed modifications to current ratemaking methodologies.

PEU's proposed tariff changes and rate increases warrant further investigation.

Accordingly, suspension of the proposed tariffs pursuant to RSA 378:6, I(a) is appropriate at this time.

On April 24, 2020, the Governor issued an executive order (Exhibit D to Executive Order #29) that extended the Commission's ability to suspend rate schedules by six months, from 12 to 18 months. See RSA 378:6, I(a). The extension applies to this proceeding; however, the Commission will endeavor to set rates as expeditiously as possible.

Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, that, Pennichuck East Utility, Inc.'s proposed revised tariff pages, for temporary and permanent rates, presented on Bates Pages 229 through 258 of its November 23, 2020, rate filing, are hereby **SUSPENDED** for a period of 18 months pursuant to RSA 378:6, I(a) and Exhibit D to Executive Order #29, pending an investigation and an order of the Commission; and it is

FURTHER ORDERED that, consistent with Governor Christopher T. Sununu's Emergency Order #12, the Commission will hold a web-enabled remote prehearing conference, pursuant to N.H. Admin. R., Puc 203.15, on January 27, 2021, at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. R., Puc 203.15. Members of the public who wish to access the prehearing conference may do so [by clicking here](#). **If you have any difficulty obtaining access**

to this remote event, please notify the Commission by calling (603) 271-2431 as soon as possible. Parties will be provided with additional instructions prior to the prehearing conference; and it is

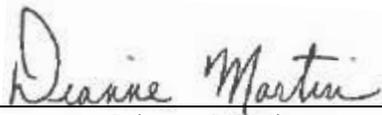
FURTHER ORDERED, that, immediately following the prehearing conference, PEU, the Staff of the Commission, and any intervenors hold a web-enabled remote technical session to review the petition; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. R., Puc 203.12, PEU shall notify all persons desiring to be heard at this hearing by publishing a copy of this order of notice on its website no later than one business day after the date of issue. In addition, the Executive Director shall publish this order of notice on the Commission's website no later than one business day after the date of issue; and it is

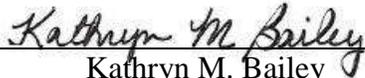
FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any party seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to PEU and the Office of the Consumer Advocate on or before January 22, 2021, such petition stating the facts demonstrating how its rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17. Pursuant to the secretarial letter issued on March 17, 2020, which is posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Secretarial%20Letters/20200317-SecLtr-Temp-Changes-in-Filing-Requirements.pdf>, any party seeking to intervene may elect to submit this filing in electronic form; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before January 27, 2021.

By order of the Public Utilities Commission of New Hampshire this seventeenth day of
December, 2020.

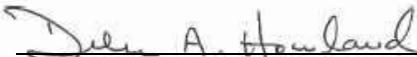


Dianne Martin
Chairwoman



Kathryn M. Bailey
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.

Service List - Docket Related

Docket# 20-156

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