

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 22-005

PENNICHUCK EAST UTILITY, INC.

**Petition for Approval of Proposed
2022 Qualified Capital Project Annual Adjustment Charge**

**COMMENCEMENT OF ADJUDICATIVE PROCEEDING
AND NOTICE OF PREHEARING CONFERENCE**

On February 10, 2022, Pennichuck East Utility, Inc. (PEU or the Company) filed a petition requesting the Commission to approve a Qualified Capital Project Annual Adjustment Charge (QCPAC) to recover the costs of capital improvements made to the Company's infrastructure in 2021. In support of its petition, PEU filed the direct testimony and attachments of Donald L. Ware, PEU Chief Operating Officer, the direct testimony of John J. Boisvert, Chief Engineer of Pennichuck Water Works, Inc., and other attachments, including PEU's notice to customers of its 2022 QCPAC filing. The initial filing and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at www.puc.nh.gov/Regulatory/Docketbk/2022/22-005.html.

I. BACKGROUND AND PROCEDURAL HISTORY

The QCPAC is an annual surcharge that is added to the Company's rates between rate cases to allow the Company to recover principal and interest payments on debt used to finance approved capital projects, as well as increased property taxes related to these projects. If approved, the QCPAC would become effective after the date on which financing for the approved capital projects is finalized. It would be added to customer bills on a service-rendered basis, and the initial bills would include a one-

time annual charge to recoup the cost of financing between the date the QCPAC becomes effective and the date the Commission issues an order approving the QCPAC.

PEU's QCPAC mechanism was established in a settlement agreement approved by the Commission in Order No. 26,179 (October 4, 2018) issued in Docket No. DW 17-128. The Commission found that the QCPAC was a reasonable method of compensating the Company, which finances its operational and infrastructure needs solely through debt, for necessary capital investments between rate cases. *Id.* at 16.

The settlement agreement required PEU to make an annual QCPAC filing, in which PEU provided the following: (1) its calculation of the QCPAC surcharge associated with capital improvements made the previous year; (2) budget information regarding the capital projects PEU proposed for the current year; and (3) for informational purposes only, a detailed forecast of PEU's proposed capital projects for the following two years. *Id.* at 11. Under the settlement agreement, the QCPAC surcharge may be used to recover the costs of capital projects that meet three criteria: (1) the projects were completed, in service, and used and useful in the year prior to the applicable QCPAC filing; (2) the projects were financed by debt that the Commission previously approved pursuant to RSA chapter 369; and (3) the costs of the projects were included in an annual capital budget that PEU had previously submitted to the Commission, and that the Commission had approved. *Id.*

In its 2022 filing, PEU requested the Commission to approve a QCPAC to recover the costs of eligible 2021 projects (2022 QCPAC). According to Mr. Ware's testimony, PEU estimated that the 2022 QCPAC will be a surcharge of 0.84 percent, to take effect on a service-rendered basis after June 30, 2022, in addition to the permanent rates approved by the Commission in PEU's last rate case filed in Docket No. DW 20-156. On February 18, 2022, the Commission issued an order on

permanent rates in Docket No. DW 20-156, resulting in an increase in an average residential customer's bill to \$84.31 per month. See Order No. 26,586.

PEU stated that if the 2022 QCPAC is approved and added to the 2021 QCPAC it has requested in Docket No. DW 21-022 of 4.02 percent (to recover the costs of eligible 2020 projects), it would result in a cumulative QCPAC of 4.86 percent or an additional charge of \$4.10 per month on the average single-family residential bill. The cumulative 2021 and 2022 QCPACs would increase the average single-family residential bill from \$84.31 to \$88.41.

PEU also requested the Commission to approve, on a preliminary basis, its proposed 2022 capital projects. It submitted its proposed 2023 and 2024 capital projects for informational purposes only.

II. ISSUES PRESENTED

The filing presents, *inter alia*, the following issues: whether the plant additions PEU constructed in 2021 were prudent, and used and useful, as required by RSA 378:28; and whether the proposed 2022 QCPAC of 0.84 percent would result in just and reasonable rates, as required by RSA 374:2, and RSA 378:5 and :7. Accordingly, an adjudicative proceeding will be convened to address these issues.

The Commission will be conducting the prehearing conference and any hearings scheduled in this matter in person. The Commission will consider requests to conduct hearings using a hybrid format to permit remote participation by a specific individual only if the Commission has determined that a sufficient reason has been provided for why that individual would be unable to attend in person. Any party requesting that a specific individual be permitted to participate remotely should file a written request with the Commission's Clerk's Office no later than fifteen (15) days prior to the prehearing conference or hearing date. If the Commission determines that one or more

individuals will be permitted to appear remotely, then individuals in the Commission's hearing room, including the Commissioners, will be broadcast on a web-enabled platform.

Based upon the foregoing, it is hereby

ORDERED, that an adjudicative proceeding be commenced for the purpose of reviewing and resolving the foregoing issues pursuant to RSA chapter 541-A, RSA 378:28, RSA 374:2, and RSA 378:5 and :7, and the Commission's procedural rules; and it is

FURTHER ORDERED, that the Commission will hold a prehearing conference, pursuant to N.H. Admin. R., Puc 203.15, at its offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on May 19, 2022, at 1:30 p.m., at which each party should be prepared to address any of the issues set forth in N.H. Admin. R., Puc 203.15; and it is

FURTHER ORDERED, that during the prehearing conference, the Commission will consider the matters listed in Puc 203.15(c) and (d), including the establishment of a procedural schedule governing the remainder of the proceeding. Parties and potential parties are encouraged to facilitate the development of a procedural schedule by conferring prior to the prehearing conference, so that the presiding officer can address any matters on which there is disagreement during the prehearing conference. Any procedural schedule, however, will not be approved until after the prehearing conference and after consulting the Commission's calendar; and it is

FURTHER ORDERED, that, immediately following the prehearing conference, PEU shall make appropriate personnel available for the parties, to hold a technical session to review the filing; and it is

FURTHER ORDERED, that any entity or individual may petition to intervene and seek to be admitted as a party in this proceeding. Each party has the right to have an attorney represent the party at the party's own expense; and it is,

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any entity or individual seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to PEU and any other parties on the service list, on or before May 6, 2022. The petition shall state the facts demonstrating how the petitioner's rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before May 16, 2022; and it is

FURTHER ORDERED, that parties shall file any proposed exhibits, written testimony, motions, or other documents intended to become part of the record in this proceeding with the Commission. 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>, all Commission rules requiring the filing of paper copies are suspended until further notice. Parties may elect to submit any filing in electronic form unless otherwise ordered by the Commission. Filings will be considered filed as of the time the electronic copy is received by the Commission; and it is

FURTHER ORDERED, that routine procedural inquiries may be made by contacting the Commission's Clerk's Office at (603) 271-2431 or ClerksOffice@puc.nh.gov. All requests to the Commission should be made in a written

pleading filed with the Commission. Unless otherwise authorized by law, *ex parte* communications are prohibited; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. R., Puc 203.12, PEU shall notify all entities and individuals desiring to be heard at this hearing by publishing a copy of this order of notice on its website no later than two business days after the date of issue, such publication to be documented by affidavit filed with the Commission on or before April 25, 2022. In addition, the Clerk shall publish this order of notice on the Commission's website no later than two business days after the date of issue; and it is

FURTHER ORDERED, that any hearings in this matter shall be conducted in accordance with the attached hearing guidelines.

So ordered, this eighth day of April, 2022.



Daniel C. Goldner
Presiding Officer
Chairman

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the 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.