

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 24-027

PENNICHUCK WATER WORKS, INC

Petition for Approval of 2024 Qualified Capital Project Adjustment Charge

DW 24-029

PENNICHUCK EAST UTILITY, INC.

Petition for Approval of 2024 Qualified Capital Project Adjustment Charge

Order *Nisi* Approving Consolidated Settlement Agreement

ORDER NO. 28,121

March 27, 2025

In this order, the Commission approves the request of Pennichuck Water Works Inc. (PWW) and Pennichuck East Utility, Inc. (PEU) (together the Companies) to implement a 2024 Consolidated Qualified Capital Project Adjustment Charge (QCPAC) of 2.06 percent of the merged revenue for capital projects placed in service in 2023 which increases the average residential customer's monthly bill by \$1.32 per month, based on the approved consolidated rate ordered in Docket DW 23-101, to \$65.15. The Commission also approves recovery over four months of a QCPAC recoupment charge of \$4.22, subject to a final calculation submitted within 14 days of this order¹, for

¹ The Consolidated Settlement requested that PWW be allowed 45 days following the date of its issuance of the last bills containing the former QCPAC to submit their final recoupment calculation. Effective March 1, 2025, the PWW tariff was amended to reflect a zero dollar QCPAC surcharge. Fourteen day submission for final calculation is consistent with prior QCPAC orders and roughly equates to 45 days following the last bills containing the former QCPAC surcharge.

service rendered from the bond and loan closing dates to the effective date of this order.²

The petition and subsequent docket filings, other than information for which confidential treatment is requested of, and granted by, the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-027.html> and

<https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-029.html>.

I. PROCEDURAL HISTORY

Prior to January 28, 2025, PEU and PWW were standalone, public water utilities with a common owner, Pennichuck Corporation (Penn. Corp). On February 15, 2024, PEU and PWW filed petitions for approval of their 2024 QCPAC to reflect eligible capital investments completed in 2023 and preliminary approval of their 2024 budget for further capital improvements. The filing also included, for informational purposes, forecasted capital project expenditures for 2025 and 2026. The Petitions were supported by the direct testimonies of Chief Operating Officer Donald L. Ware and Chief Engineer John J. Boisvert. The NH Department of Energy (DOE) filed a notice of appearance pursuant to RSA 12-P:9 on March 7, 2024 in both dockets. At the request of the parties, the QCPAC's procedural schedule was adopted to mirror the events occurring in docket DW 23-101.

Pending concurrently with the 2024 QCPAC dockets, was a merger and consolidated rate petition filed by the Penn. Corp utilities. See Docket DW 23-101. Pursuant to Order No. 27,098 (January 28, 2025), the Commission approved the merger and consolidated rates structure of PEU, and a second company, Pittsfield

² For PWW, the closing date was 4/24/24 for bond issuance closing and for PEU the closing date for bond issuance was 10/30/2024.

Aqueduct Company (PAC) with PWW. Post merger, PWW remains as the surviving corporation. As part of the order approving the merger and consolidated rates, the Commission approved the continuation of the annual QCPAC mechanism.

Furthermore, the Commission approved the consolidation of the 2024 QCPAC filings for PWW and PEU (DW 24-027 and DW 24-029) with the requirement that the combined 2024 QCPAC be applied to the accounts of current PWW customers and former PEU customers. Beginning with the 2025 QCPAC filing for PWW (as the surviving corporation), the QCPAC will be applied uniformly to all merged PWW customers at the percentages approved in that and the following QCPAC filings. *See* Order 27,098 at 12.

The QCPAC process allows the Companies to establish a revenue requirement and the associated customer rates sufficient to recover debt service (principal/interest x 1.1) and the property tax expense associated with the Companies' capital improvements on an annual basis, rather than to wait for recovery of such costs as part of a general rate case conducted every three years. This process acknowledges that PWW (formerly PWW and PEU) is a highly unique public utility because PWW is ultimately owned entirely by the City of Nashua and must rely entirely on debt financing for their operations and capital expenditures. In contrast to PWW, other traditional investor-owned utilities have a significant level of equity ownership, and those equity positions allow those utilities to carry the additional direct financial impact of capital expenses until their next general rate cases. Because of its municipal ownership PWW does not have access to such equity capital in any manner and must borrow all funds needed to finance necessary annual capital investments and must have revenues sufficient to service and repay those debt obligations on a timely and consistent basis. The approved QCPAC mechanism allows PWW to establish a

surcharge on their permanent rates on an annual basis sufficient to support the additional debt service obligations arising from the new capital expenditures, as well as the associated property tax expense, incurred, funded, and requiring the initiation of repayment each year. *See Consolidated Settlement* at 9-10.

In compliance with the settlement agreement the parties filed in Docket DW 23-101, the Companies and the DOE (Settling Parties) filed a consolidated settlement agreement (Consolidated Settlement) for the 2024 QCPAC filings in docket DW 24-027 and Docket DW 24-029 on December 19, 2024.

II. CONSOLIDATED SETTLEMENT

The Consolidated Settlement proposes a 2024 QCPAC in the amount of 2.06 percent of the merged revenue required for PWV of \$53,999,241 revenue for capital projects placed in service in 2023. *See Consolidated Settlement* at 16. A 2.06 percent increase, based on the rates approved by Order 27,098, equates to an additional \$1.32 per month increase to the residential PWV customer.³

In addition, the Consolidated Settlement recommends the Commission approve recoupment of the 2024 QCPAC for service rendered between the 2024 bond and loan closing dates until the date of the first bill that is issued with the approved QCPAC rate of 2.06 percent. The surcharge equates to an additional monthly charge of \$4.22 for a period of four months to permit recoupment of capital project costs from the bond closing.⁴ *See Id.* at 17-18.

Under the terms of the Settlement, approval of the proposed 2024 capital budget of \$16,550,080 would result in a 2.81 percentage-point increase in PWV's

³ Pursuant to the terms of the Consolidated Settlement, former PAC customers are not subject to the 2024 QCPAC surcharge. *See Consolidated Settlement* at 13 & 17.

⁴ The surcharge will be subject to a review of the final recoupment calculation. *See Consolidated Settlement* at 17.

cumulative QCPAC to 4.87 percent. This would result in a projected cumulative surcharge of \$3.11 per month, which when added to the base rate charge of \$63.83, would result in projected monthly bill of \$66.94. See *Id.* at 20. Finally, the Settling Parties recommend that the Commission confirm that PWW's filing deadline for future QCPAC petitions is March 31st of each year.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2, RSA 378:7, and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PWW. The Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. *See, e.g.,* Order No. 26,070 (November 7, 2017) at 15-17; and Order No. 26,313 (December 6, 2019) at 7. *See also* Order No. 26,070 (November 7, 2017) at 8-10 in Docket No. DW 16-806. The QCPAC mechanism enables PWW to make necessary capital improvements to its system while maintaining sufficient cash flow to meet debt service and operating requirements. *See* Order No. 26,608 (April 8, 2022) at 7, *See also* Pennichuck Water Works, Inc., Order No. 26,598 (March 29, 2022) at 6.

The Companies filed data regarding the \$10,427,221 in Qualified Capital Projects PWW placed in service during 2023 and the \$2,212,878 that PEU placed in service in 2023. The DOE's Regulatory and Audit Staff reviewed those projects and determined that each project is used and useful in service to PWW and PEU customers. *See* Consolidated Settlement at 13-14. The Commission has reviewed the information contained in the record and finds that the 2023 qualified capital project expenditures of \$10,427,221 and \$2,212,878 were prudently incurred and are used and useful.

Based on our review of the filings and the Consolidated Settlement reached between PWW and the DOE, we approve the petitions as modified by the Consolidated Settlement. We approve a 2024 cumulative QCPAC of 2.06 percent, which results in a surcharge of \$1.32 per month above the current monthly bill of \$63.83 for an average single-family residential customer. This customer will now be paying a monthly bill of \$65.15 per month. We approve adding the proposed 2024 QCPAC surcharge to customer bills on the effective date of this order so that PWW⁵ may begin recovery of debt and property tax expenses associated with the completed projects.

The Commission approves the Settling Parties request to approve a recoupment of the 2024 QCPAC effective for service rendered ratably as of the date of the 2024 PWW bond issuance closing of April 24, 2024 and the PEU CoBank Loan closing on October 30, 2024, until the date of the first bills that are issued with the approved QCPAC of 2.06 percent. The Commission agrees that this recoupment is necessary because absent the ability to recoup costs necessary to pay the accrued interest, as well as the first principal payments on the bonds and other loans, there will be a shortage of the cash required to make these first interest and principal payments. The Commission approves a recoupment period of four (4) months for all merged PWW customers, inclusive of former PEU customers but exclusive of former PAC customers. Currently, this is estimated to result in a monthly recoupment charge for the average single-family residential customer of \$4.22 per month.

We further preliminarily approve the proposed 2024 capital budget of \$16,550,080 and will review the prudence of those projects in the next QCPAC filing. We accept for informational purposes PWW's 2025 and 2026 capital project budgets of \$19,597,180 and \$18,991,490, respectively.

⁵ Surcharge to be applied only to former PEU and PWW customers.

Finally, the Commission confirms that PWW shall file future annual QCPAC petitions on or before March 31st immediately following the fiscal year subject to the QCPAC.

Based upon the foregoing, it is hereby

ORDERED NISI, Pennichuck Water Works, Inc. request for a Consolidated 2024 QCPAC of 2.06 percent to recover costs for 2023 projects is **APPROVED** with billing of this charge to begin on the effective date of this order; and it is

FURTHER ORDERED, that the proposed monthly recoupment surcharge collected over a four-month period effective date of this order is **APPROVED**; and it is

FURTHER ORDERED, that PWW shall submit to the New Hampshire Department of Energy and the New Hampshire Public Utilities Commission a final calculation of the recoupment surcharge to be applied to customer bills within 14 days of the date of this order *nisi*; and it is

FURTHER ORDERED, that PWW's proposed 2024 capital budget is **APPROVED** on a preliminary basis and subject to further audit and review; and it is

FURTHER ORDERED, that PWW's preliminary 2025 and 2026 capital budgets are **ACCEPTED** for informational purposes only; and it is

FURTHER ORDERED, that PWW shall cause a copy of this Order *Nisi* to be published on the Company's website no later than April 2, 2025, and provide each of its customers a website link to this order, made available through a bill insert in the next billing period following the issuance of this order, both to be documented by an affidavit filed with the Commission on or before April 9, 2025; and it is

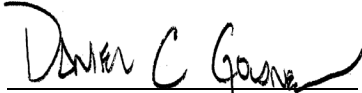
FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing, which states the reason and basis for a hearing, no later April 14, 2025; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 21, 2025; and it is

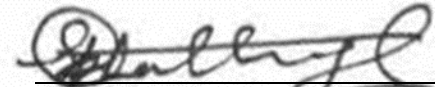
FURTHER ORDERED, that this order shall be effective April 28, 2025, unless PWW fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that PWW shall file a compliance tariff with the Commission on or before May 2, 2025.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of March, 2025.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Mark W. Dell'Orfano
Commissioner

Service List - Docket Related

Docket#: 24-027

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Service List - Docket Related

Docket#: 24-029

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