

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 25-023

PENNICHUCK WATER WORKS, INC.

Petition for Approval of 2025 Qualified Capital Project Adjustment Charge

Order *Nisi* Approving Settlement Agreement

O R D E R N O. 28,180

September 12, 2025

In this order, the Commission approves the request of Pennichuck Water Works, Inc. (PWW, or the Company) to implement a 2025 Qualified Capital Project Adjustment Charge (QCPAC) in the amount of 2.49 percent of base revenue for capital projects placed in service in 2024, effective April 29, 2025. The 2025 QCPAC surcharge will increase the average residential customer's monthly bill by \$1.59 per month to \$66.74. The Commission also approves recovery over three-months of a QCPAC recoupment charge of \$3.18 per month, subject to a final calculation submitted within 30 days of this order, for service rendered between April 29, 2025 and the date of this order approving the 2025 QCPAC.

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

puc.nh.gov/VirtualFileRoom/Docket.aspx?DocketNumber=DW 25-023.

I. BACKGROUND AND PROCEDURAL HISTORY

PWW is a regulated public utility that provides water service to customers in New Hampshire. On March 31, 2025, PWW filed a petition for approval of a 2025 QCPAC to reflect eligible capital investments completed in 2024. The Petition was

supported by the direct testimonies of the Director of Engineering and Environmental Services, Erin Holmes and the Director of Operations, Christopher Countie.

On January 28, 2025, by Order No. 27,098, the Commission approved the merger of Pennichuck East Utility (PEU) and Pittsfield Aqueduct Company (PAC) with PWW. Furthermore, Order No. 27,098 approved a consolidated rate and renewed the QCPAC process that was first established by the Commission via Order No. 26,070 (November 7, 2017) in Docket No. DW 16-806.

On March 27, 2025, by Order *Nisi* No. 28,121, the Commission approved the consolidated settlement for the PWW 2024 QCPAC (DW 24-027) and PEU 2024 QCPAC (DW 24-029) that resulted in a single, consolidated 2024 QCPAC charge of 2.06%.

The QCPAC process allows PWW to establish a revenue requirement and the associated customer rates sufficient to recover debt service (principal and 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 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. Therefore, PWW 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* August 20, 2025 Settlement Agreement at 9.

On August 20, 2025, PWW filed a Settlement Agreement concerning PWW's 2025 QCPAC filing.

II. PROPOSED SETTLEMENT AGREEMENT

The Parties agree that the Company's 2024 Qualified Capital Projects ("QCP") total \$14,726,535. *See* Settlement at 11. The Parties further agree that the property tax expense component of PWW's 2025 QCPAC is \$305,766. *See id* at 12.

The Settling Parties further agree that, based on the revenue requirement approved by the Commission by Order No. 27,098 (January 28, 2025) in Docket No. DW 23-101, the inclusion of the calculated debt service component of \$1,038,899¹ and property tax expense component of \$305,766 to PWW's QCPAC calculation results in a 2025 QCPAC of 2.49 percent. The Settling Parties agree that for an average single-family residential customer the calculated 2.49 percent 2025 QCPAC proposed results in a projected increase of \$1.59 per month, resulting in a projected average monthly single-family bill of \$66.74. *See id* at 13.

In addition, the Settlement recommends the Commission approve recoupment of the 2025 QCPAC for service rendered between the 2025 bond and loan closing dates until the date of the first bill that is issued with the approved QCPAC rate of 2.49

¹ The Settling Parties agree to the following calculation of the debt service component of the 2025 QCPAC:
a. PWW sold bonds on April 29, 2025, in the amount of \$13,581,250 relative to its 2024 capital projects funded through the TD Bank FALOC and PEU capital projects funded through the CoBank FALOC, at an average coupon rate of 6.07% and a bond term of 35 years, resulting in an annual debt service amount of \$944,454.

b. A 1.1 x Principal and Interest Coverage Requirement is applied to the total annual debt service associated with the financing of \$944,454, resulting in a Debt Service Component for the 2025 QCPAC of \$1,038,899 (\$944,454 x 1.1). *See* Settlement at ¶26, page 12.

percent. The recoupment is necessary because absent the ability to recover costs necessary to pay the accrued interest on the debt, as well as the first principal payments on the bonds, there will be a shortage of the cash required to make these first interest and principal payments. Therefore, it is essential that the Company begin to collect the 2025 QCPAC coincidentally with the time that interest begins to accrue on the bonds, and the payment obligation starts to run for principal repayments on the debt. *See id* at 14. The surcharge equates to an additional monthly charge of \$3.18 per month for a period of three months. *See id*.

Under the terms of the Settlement, approval of the proposed 2025 capital budget of \$17,663,850 would result in a 2.51 percentage-point increase in PWW's cumulative QCPAC to 7.06%. The Settling Parties further agree that for an average single-family residential customer, the projected 7.06% cumulative QCPAC is anticipated to increase the monthly QCPAC surcharge by \$1.60 to \$4.51 per month which, when added to the anticipated average water base rate charge of \$63.83, results in an anticipated monthly bill of \$68.34. *See id* at 15.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2, RSA 378:7, RSA 378:8 and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PWW. Through a 2017 order, the Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. *See*, 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 systems while maintaining sufficient cash flow to meet debt service and operating requirements. *Pennichuck Water Works, Inc.*, Order No. 26,598 (March 29, 2022) at 6.

PWW filed data regarding the \$14,726,535 in Qualified Capital Projects PWW placed in service during 2024. 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 Settlement at 11. The Commission has reviewed the information contained in the record and finds that the 2024 qualified capital project expenditures of \$14,726,535 were prudently incurred and are used and useful.

Based on our review of the filing and the Settlement reached between PWW and the DOE, we approve the petition as modified by the Settlement. Accordingly, we approve the settled 2025 QCPAC of 2.49 percent, which, based on the revenue requirement approved through Commission Order No. 27,098 in Docket No. DW 23-101, also allows recovery of debt and property tax expenses associated with the completed projects.

We further preliminarily approve, subject to review and audit by the DOE and review by the Commission, the preliminary 2025 capital budget of \$17,663,850. We will review the prudence of those projects in the next QCPAC filing. We accept PWW's 2026 and 2027 capital budgets of \$20,700,000 and \$15,390,400, respectively, that were provided for informational purposes.

The Commission agrees that there is a need for PWW to recoup costs emanating from the date of the bond issuance in order to recover expenses already incurred. A monthly recoupment surcharge, from the date of this order, will allow the Company the finances needed to pay accrued interest and principal payments on bonds and loans incurred from the date of the bond issuance until the date of this order. Accordingly, the Commission approves a monthly recoupment of the 2025 QCPAC for a period of three months from the date of this order. This approval is subject to reconciliation following this order.

Based upon the foregoing, it is hereby

ORDERED NISI, that, subject to the effective date below, the request of Pennichuck Water Works, Inc. to recover a 2025 QCPAC for projects placed in service in 2024, effective on the date of this order, in the amount of 2.49 percent of base revenue, as described in this order, with billing of this charge to begin on the effective date of this order is **APPROVED**; and it is

FURTHER ORDERED, that the proposed recoupment of 2025 QCPAC from April 29, 2025 until the effective date of this order, through an additional charge to be collected over a three-month period is **APPROVED**; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. shall submit to the New Hampshire Department of Energy and the New Hampshire Public Utilities Commission a final calculation of the recoupment surcharge applied to customer bills within 15 days of the effective date of this order *nisi*; and it is

FURTHER ORDERED, that, subject to the effective date below, Pennichuck Water Works, Inc.'s proposed 2025 capital budget is **APPROVED** on a preliminary basis and subject to further audit and Commission review; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc.'s preliminary 2026 and 2027 capital budgets are **ACCEPTED** for informational purposes only; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. shall cause a copy of this Order *Nisi* to be published on the Company's website no later than September 16, 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 September 23, 2025; and it is

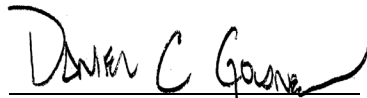
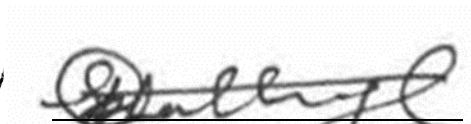
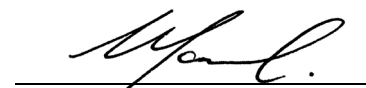
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than September 26, 2025 for the Commission's consideration; and it is

FURTHER ORDERED, that that any party interested in responding to such comments or request for hearing shall do so no later than October 7, 2025; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective on October 13, 2025, unless Pennichuck Water Works, Inc fails to satisfy the publication and notice obligations set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Pennichuck Water Works, Inc. shall file a compliance tariff with the Commission on or before October 27, 2025 in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twelfth day of September, 2025.


Daniel C. Goldner
Chairman
Pradip K. Chattopadhyay
Commissioner
Mark W. Dell'Orfano
Commissioner

Service List - Docket Related

Docket#: 25-023

Printed: 9/12/2025

Email Addresses

amanda.o.noonan@energy.nh.gov
chris.countie@pennichuck.com
ClerksOffice@puc.nh.gov
donald.ware@pennichuck.com
douglas.brogan@gmail.com
Energy-Litigation@energy.nh.gov
erin.holmes@pennichuck.com
gary.m.cronin@energy.nh.gov
George.Torres@Pennichuck.com
jay.kerrigan@pennichuck.com
jayson.p.laflamme@energy.nh.gov
jjs@rathlaw.com
john.boisvert@pennichuck.com
julia.gagnon@pennichuck.com
lck@rathlaw.com
lori.douglas@pennichuck.com
Marie-Helene.B.Bailinson@energy.nh.gov
Michael.J.Crouse@energy.nh.gov
ocalitigation@oca.nh.gov
paul.b.dexter@energy.nh.gov
Robyn.I.Sarette@energy.nh.gov
robyn.j.descoteau@energy.nh.gov
smw@rathlaw.com
tara.king@pennichuck.com
wfa@rathlaw.com