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STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION  
21 S. Fruit St., Suite 10  
Concord, N.H. 03301-2429

TDD Access: Relay NH  
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:  
[www.puc.nh.gov](http://www.puc.nh.gov)

NHPUC 26APR'18PM12:43

April 26, 2018

Debra A. Howland, Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, New Hampshire 03301

Re: DW 17-128: Pennichuck East Utility, Inc. – Petition for Change in Rates  
Staff Recommendation for Consideration of Proposed Private Fire Protection Tariff Changes  
in Current Rate Proceeding

Dear Ms. Howland:

The purpose of this letter is to recommend that the Commission allow, within the context of Pennichuck East Utility, Inc.'s ("PEU" or "the Company") current rate proceeding, DW 17-128, the consideration of yet-to-be-filed proposed amendments to PEU's tariff relative to residential private fire protection. In making this recommendation, Staff does not take a position on the merits of the proposed tariff revisions, as the issues underlying the proposal were only recently brought to Staff's attention, as described below.

On or about March 20, 2018, 15 residential customers of PEU, living in a subdivision within the Town of Pelham, contacted the Commission's Consumer Services and External Affairs Division ("Consumer Services Division") regarding their monthly customer (or "meter") charge. Typically, a residential customer with a 5/8 inch meter would be assessed a meter charge by PEU of \$17.19 per month. However, these customers were being assessed a 1 inch meter charge of \$51.72 per month.

The Consumer Services Division made inquiries of the Company as to the reason that customers residing within this housing development were being assessed the meter charge in question. In response, PEU explained that this issue relates to the provision of residential fire protection (*i.e.*, sprinklers) to the homes in that community and provided the following details.

PEU asserts that residential private fire protection is required within the Town of Pelham. Typically, homes of residential customers with private fire protection are served through two service lines – as illustrated by the Company's technical specifications - one for domestic use, and one for fire protection. In such cases, the customer would be charged \$17.19 per month for a 5/8 inch meter (associated with the domestic-use service line) as well as a monthly fee for fire protection, usually \$8.06 for a 1-1/2 inch connection or service. However, PEU also explained that certain developers, including the one who constructed the homes within the community from which the inquiries came, were only installing one service line in order to supply both residential and fire protection services. In

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order to accommodate the additional fire protection flow requirements, these homes were also equipped with 1 inch meters, instead of the typical 5/8 inch meter. Therefore, the residents of those homes were being charged PEU's 1 inch meter customer charge of \$51.72 per month.

PEU contends that its existing tariff does not authorize the Company to require a developer to use two services. PEU views the developer's choice to only install one service as driven by financial benefit. PEU further believes that this practice unfairly shifts costs to customers. In response to customer complaints, and before the Consumer Services Division received the customer inquiries at issue, the Company agreed to charge the affected customers, going forward, the meter charge associated with a 5/8 inch meter and to provide a credit for the difference between the charge for a 1 inch meter and a 5/8 inch meter, for the period of time the customers had been billed. In offering a refund and charging a lower customer charge going forward, PEU explained that it was simply striving for fair treatment of the affected customers. PEU, however, acknowledged that changing the rates as proposed was not authorized by its existing tariff.

In addition, during the Consumer Services Division's investigation of the customer inquiries at issue, PEU disclosed that, in or around December 2017, the Company changed the rates charged to similarly-affected customers in another of its systems serving a community built by two developers within the Town of Bow. The original developer installed single service lines for domestic and fire flows, as well as 1 inch meters. However, a subsequent developer provided the homeowners with the option of having fire protection or not. The customers who opted to forego fire protection were equipped with, and charged the rate for, a 5/8 inch meter, and the customers who opted for fire protection were equipped with, and charged the rate for a 1 inch meter. When the customers living in the original part of the subdivision learned that some of the customers living in the newer part of the subdivision were paying a lower customer charge, they contacted PEU. In response, the Company, without consulting the Commission, lowered the customer charge for the original customers, notwithstanding the customers' continued use of a 1 inch meter or the tariff's required charge for 1 inch meters. PEU has since agreed that, in the future, the Company should contact the Commission when unusual situations occur, for guidance as to how to lawfully proceed.

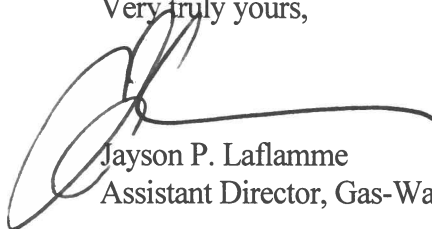
In discussions between PEU, Staff, and the Office of the Consumer Advocate ("OCA") regarding this issue, it was further determined that a resolution of this matter not only is required relative to PEU but also its regulated affiliates: Pennichuck Water Works, Inc. (PWW) and Pittsfield Aqueduct Company, Inc. (PAC). Also, within the context of those discussions, there was general agreement by all of the parties that a key component towards the resolution of this matter involves making certain amendments to the respective tariffs of these companies. Specifically, these tariff changes will entail: 1) a requirement that all subsequent single family homes constructed with a residential fire sprinkler system must be installed with two services, one for domestic flows and one for fire suppression flows, and 2) inclusion of a "grandfathered" rate mechanism for previously built single family residential homes which only have a single service providing for both domestic flows as well as fire suppression flows. In this regard, PEU's proposed tariff revisions would enable it to charge a limited number of residential fire protection customers using 1 inch meters, a monthly customer charge of \$17.19 rather than \$51.72 as required by the existing tariff. Under the proposed tariff revisions, those customers would also pay a monthly fee for fire protection.

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Staff, the OCA, and PEU also agreed that it would be administratively efficient for PEU to file such proposed tariff amendments within its current rate proceeding before the Commission. Doing so would enable all of the parties to the rate proceeding to efficiently review, discuss and potentially agree upon the proposed tariff amendments as well as all other issues which relate to this matter within a schedule that is already in place to consider PEU's rates as a whole. It is PEU's intention to submit its filing with the Commission within a number of days. Therefore, Staff recommends that the Commission approve consideration of PEU's imminent filing within the context of the Company's current rate proceeding, DW 17-128.

Thank you for your help and attention to this matter. If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line that extends to the right.

Jayson P. Laflamme  
Assistant Director, Gas-Water Division

cc: Service List

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**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

Executive.Director@puc.nh.gov  
alexander.speidel@puc.nh.gov  
amanda.noonan@puc.nh.gov  
anthony.leone@puc.nh.gov  
brian.buckley@oca.nh.gov  
carolann.howe@pennichuck.com  
donald.kreis@oca.nh.gov  
donald.ware@pennichuck.com  
james.brennan@oca.nh.gov  
jay.kerrigan@pennichuck.com  
jayson.laflamme@puc.nh.gov  
larry.goodhue@pennichuck.com  
mikeranaldi@yahoo.com  
ocalitigation@oca.nh.gov  
pradip.chattopadhyay@oca.nh.gov  
robyn.descoteau@puc.nh.gov  
rwh@rathlaw.com  
steve.frink@puc.nh.gov

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**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**