

THE STATE OF NEW HAMPSHIRE

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September 5, 2018

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Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DW 17-128 – Pennichuck East Utilities, Inc. (PEU)
Staff's Recommendation Resulting from Audit of Proposed Step Adjustment

Dear Ms. Howland:

The purpose of this letter is to recommend that, based on the Commission Audit Staff's examinations of PEU's proposed 2017 plant additions, the Commission make a finding that those plant additions are prudent, used and useful and approve the proposed step adjustment in this case, without modification, as presented in the Settlement Agreement (Agreement) dated July 18, 2018.

On July 25, 2018, the Agreement was presented to the Commission in this proceeding and proposed, among other items, "a permanent rate increase of \$1,304,272, or 18.97%, based on pro forma test year 2016, as well as a step increase of \$97,973, or 1.43%, based on 2017 capital additions which are fully in service and used and useful."¹ The proposed step adjustment is based on a total of \$765,577 in 2017 capital additions and includes \$59,264 of associated additional debt service² and \$17,485 of additional property tax expense.³

PEU's 2017 plant additions include \$78,862 in water treatment upgrades at its Stone Sled Station, \$164,122 for a new source of supply at its Hardwood system, a \$95,920 land acquisition at its Pine Haven system due to the expiration of certain easements, \$51,900 for a hydraulic model relative to the design of its Litchfield pumping station, and \$164,830 in lead content meter exchanges. PEU's remaining proposed additions are of a fairly routine nature.

The Agreement indicates that the proposed underlying plant additions of \$765,577 will be audited by the Commission Audit Staff prior to the implementation of customer rates. The

¹ See Bates 7 of the Agreement.

² Actual debt service of \$53,876 x 1.1 Debt Coverage Requirement = \$59,264.

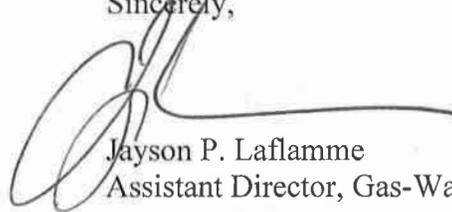
³ The proposed step adjustment also includes \$21,224 in additional amortization expense associated with property tax abatement litigation costs. Therefore, \$59,264 + \$17,485 + \$21,224 = \$97,973.

Agreement further indicates that if the Staff Audit revealed a material difference between the actual cost of the proposed plant additions and the asset costs upon which the proposed step adjustment is based, an appropriate adjustment would be recommended to the Commission.

On August 30, 2017, the Audit Staff issued a report of its findings based on its examination of the 2017 asset additions in this case. A copy of that report is attached to this recommendation letter. The Audit Report concluded that the costs pertaining to the 2017 plant additions had been verified by the Audit Staff with no major findings. Therefore, Staff recommends that the Commission approve the proposed step adjustment in this case as presented in the Agreement, without modification.

Thank you for your assistance with this matter. If you have any questions concerning this recommendation, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Laflamme', with a long horizontal flourish extending to the right.

Jayson P. Laflamme
Assistant Director, Gas-Water Division

Attachment: PEU Final Audit Report dated August 30, 2018

cc: Service List

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: August 30, 2018

AT (OFFICE): NHPUC

FROM: James Schuler, Examiner

SUBJECT: Pennichuck East Utilities, Inc.
DW 17-128 Step Increase
Final Audit Report

TO: Steve Frink, Director of Water and Gas Division
Jayson Laflamme, Assistant Director/Water and Gas Division
Karen Moran, Chief Auditor

Scope of Plant Audit

The PUC Audit Staff (Audit) reviewed the Pennichuck East Utility Inc. (PEU or Company) plant additions and improvements placed into service in 2017. The additions were outlined in the 2017 Rate Case Settlement Agreement and related Attachments, provided to the Commission at the 7/25/2018 hearing in docket DW 17-128.

The total of the work orders reviewed was \$765,577. This total corresponds to Attachment JPL-1, Schedule 7, estimated investment sought in the step increase. Other plant additions totaling \$745,281 were identified on the schedule but remain in Construction Work in Progress, and thus are not eligible for inclusion in the step increase.

Audit reviewed selected work order projects' associated supporting invoices, documentation for internal engineering and overhead costs, general ledger trial balances, prior submitted documents from PEU, as well as all other applicable supporting documentation provided.

The total of the work orders reviewed was \$765,577 and consists of the following improvements or additions:

<u>Project Name</u>	<u>Actual Project Costs</u>
Stone Sled Station Upgrades (2017 Carryover)	\$ 12,178
Stone Sled Station Upgrades	\$ 66,685
Litchfield Hydraulic Model – Asset Management	\$ 51,900
Hardwood New Source (2017 Carryover)	\$ 112,949
Hardwood New Source (2016)	\$ 51,173
Braemar Woods Main Extension	\$ 7,392
Pine Haven Land Acquisition	\$ 95,290
2017 New Services – PEU	\$ 76,749
2017 Renewed Services – PEU	\$ 27,094
2017 Gate Replacements – PEU	\$ 538
2017 Meters 5/8”-6” - PEU	\$ 164,831
Booster/Well/Chemical Feed Pump Replacements – PEU	\$ 56,471
Shaker Heights-Install Water Softening System	\$ 16,012
Ministerial Heights-Install Radon Treatment	\$ 12,825
PEU-Hudson Wholesale Cellular Meter Readers	\$ 3,494
Wesco Pressure Vessel Replacement	\$ 9,996
Total Used and Useful Projects	<u>\$ 765,577</u>

Debt Associated with the 2017 Capital Additions

The Company expended the following amounts for 2017 capital additions with the financing approved by the following orders:

CoBank Loan, DW 16-234 Order 25,890 -	<u>\$415,499</u>
CoBank Loan, DW 17-157 Order 26,117 -	<u>\$350,078</u>
Subtotal Long-Term Debt	<u>\$765,577</u>

On February 12, 2016, PEU filed a petition seeking approval to borrow \$2,200,000 from CoBank to reimburse PEU for \$1,100,000 in capital investment in 2015 and prefund 2016 capital projects not eligible for SRF funding. The financing was approved in docket DW 16-234, Order #25,890 dated April 29, 2016. Audit requested clarification of the use of the CoBank loan. Within the record request provided on 8/3/2018 in response to a clarification question at the 7/25/2018 hearing in this docket, the Company indicated approximately \$8.6 million was invested in property, plant and equipment from 2013 through 2017. The \$765,577 noted above and audited below was the final figure on the record request bates PEU0001.

The loan proceeds were issued in two tranches. The first, \$1,250,000, was received by PEU on July 20, 2016. Terms were noted to be fixed rate of 4.20% with principal and interest payments spread over 25 years. Interest only payments were required for the first six months, with the principal and interest beginning on January 20,

2017. The proceeds were used to offset spending on capital projects in 2015 and 2016 projects not yet eligible for the Step inclusion. The initial disbursement from CoBank to PEU was booked on June 16, 2016 to the general ledger:

Account 131140-Cash TD Bank	\$1,250,000	
Account 221020 LTD CoBank 1.25M Portion of 2.2M		\$1,250,000

Audit reviewed the amortization schedule provided by the Company, which reflected monthly payments of \$6,784 and compared it to an Excel version compiled by Audit. The Audit compiled schedule reflects monthly payments of \$6,736. The monthly variance of \$48 may be the result of the payment dates and resulting principal amounts on which the interest is calculated by CoBank, vs; the initial disbursement date used by Audit. Over the course of the loan, the variance represents \$14,400. However, based on the immateriality of the monthly variance, and the understanding that the Company may petition the Commission for rate adjustments prior to the conclusion of the loan period, Audit does not recommend any adjustment. Audit also verified that the Company's amortization schedule agreed with the CoBank statement due 7/20/2018.

The second of the two tranches, \$950,000, was disbursed to PEU on December 13, 2016. The Company provided the Loan agreements which indicated an interest rate of 4.83% maturing in December, 2041. The debt was booked as follows:

Account 131140 – Cash TD Bank	\$950,000	
Account 221022 LTD CoBank 950K Portion 2.2M		\$950,000

\$415,499 of the second tranche was used for capital additions placed in service in 2017. As above, the amortization schedule provided to Audit agreed with the 7/20/2018 CoBank invoice for this loan, which reflected a monthly payment (of principal and interest) of \$5,503. The amortization schedule created by Audit reflected a monthly payment \$5,460, or \$43 less. The reason for the variance is also discussed above.

On October 19, 2017, PEU filed a petition seeking approval for a term loan of up to \$500,000 from CoBank for a number of capital improvements, routine maintenance and non-recurring capital expenditures ineligible for State Revolving Loan financing. The financing was approved in docket DW 17-157, Order 26,117 dated March 30, 2018. The Company provided the Request for Loan to CoBank dated April 25, 2018 for \$350,078 for capital additions placed in service in 2017 as well as the promissory note and amortization schedules. The \$350,078 is a fixed rate 5.33% for 25 years. Repayment began on May 21, 2018. The loan was posted to the general ledger on April 25, 2018 as follows:

Account 131140 – Cash TD Bank	\$350,078	
Account 221025 LTD CoBank \$350,078 of 500K		\$350,078

The amortization schedule provided by the Company reflected monthly payments of \$2,132, split between principal and interest. Audit compiled an amortization schedule using Microsoft Excel, which calculated a monthly payment of \$2,114, or \$18 less. As discussed above and based on the immateriality of the difference, Audit does not recommend an adjustment of any kind.

Retirements/Cost of Removal

The Chart of Accounts requires that utilities book asset dispositions and related cost or salvage to the appropriate plant account and accumulated depreciation account. PEU uses sub-accounts of the accumulated depreciation general ledger. The net effect of the sub-accounting is in compliance with the chart of accounts. The book cost of the retirement is recorded to the accumulated depreciation in the amount of what has been recorded as depreciation expense and the remaining balance is recorded as accumulated depreciation gain or loss. The Attachment JPL-1 Schedule 7 assigned a 10% cost of removal to all projects, regardless of whether the asset included in the schedule was replacing an existing asset or not.

Selected Plant Additions Review

Stone Sled Station Upgrades - \$66,684

The E-22 filed by the Company states that the project was to upgrade the water treatment to remove iron, manganese and arsenic by replacing the existing water softener and arsenic filters for the two wells at the Stone Sled Station in Bow, NH. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Below is the cost breakdown for work order #007-1600842/01:

Expense Code	Amount
Backhoe	\$ 128
Vendor/Contractor	\$ 64,669
Dump Truck	\$ 336
Labor	\$ 572
Labor Overhead	\$ 402
P & F Inventory	\$ 545
Vehicle/Truck	\$ 32
	\$ 66,684

Audit reviewed all the invoices for the initial surveying work, pumps, filters and booster equipment and installation. Below is a breakdown of the vendor invoices. Vendor costs totaled \$64,669 per the general ledger. However, Audit's review of the invoices totaled only \$50,428. The difference was noted to be the Engineering and IS Overhead was included with the Vendor/Contractor Code. Audit reviewed and recalculated each invoice and found no exceptions.

The Company's Timesheet Report showed hourly wage and hours worked for two employees from July, 2016 through September, 2016. The total hours worked times the rate agreed with the total cost shown on the work order. Overhead was charged at 70.28% totaling \$402.

All Company vehicles are owned by PWW and charged to PEU when utilized by the utility. The Company provided the Truck, Dump Truck and backhoe charges totaling of \$496. The vehicle usage hours agreed with the timesheet for the project with no exceptions noted.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$6,668, or 10% of the additions which agreed with the general ledger.

The Company's fixed asset control sheet shows the work order completed, used and useful on December 15, 2016 and booked the general ledger as shown below:

General Ledger Account	Amount
304550 - Booster Stations	\$ 31,579
311210 - Pumping Equipment	\$ 1,652
320000 - Purification Equipment	\$ 31,548
346000 - Communications Equipment	\$ 1,904
	\$ 66,684

Stone Sled Station Upgrades (2017 Carryover) - \$12,178

This work order was a continuation of the 2016 Stone Sled Station Upgrades to the water treatment system in Bow, NH. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Work Order #007-1701488/01 was completed and used and useful on May 1, 2017 per the fixed asset special projects sheet and posted to the general ledger as shown below:

<u>General Ledger Account</u>	<u>Amount</u>
304550 - Booster Stations	\$ 9,805
334000 - Metering Equipment	\$ 808
346000 - Communications Equipment	\$ 1,565
	\$ 12,178

Labor totaled \$518 shown on the Company's Timesheet Report for one employee in May of 2017. The total hours worked times the rate agreed with the total cost shown on the work order. Overhead was charged at 67.96% totaling \$352.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$1,218. The E-22 shows the project having replaced an existing asset however, there were no retirements shown on the general ledger. The Company stated that there were 2 filters removed but all the assets pertaining to the station were contributed capital at the time of acquisition and no specific filters were on the books which the Company could identify.

Litchfield Hydraulic Model – Asset Management – \$51,900

The 2017 Annual Report and the documentation provided in the project folder shows the costs being booked to the general ledger account 347100 – Computer Equipment on December 1, 2017. There was no financing docket listed on Attachment JPL-1, Schedule 7 Step Additions.

The project folder for work order #1700300/02 contained the invoices for engineering costs for developing a hydraulic model. Two vendors provided the services. Weston & Sampson Engineers Inc. provided Phase A – Model Developing and Reporting totaling \$25,900 on a percentage of completion basis. The final invoice shows 100% of the work completed as of September 2017.

Dewberry Engineers Inc., provided project management and hydraulic model development totaling \$26,000. Monthly invoices were billed on a percentage of completion basis also and the final invoice shows that 100% of the work complete as of September 2017. Audit reviewed and recalculated each invoice and found no exceptions.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$5,190. There were no retirements associated with the asset. Per the special projects listing, the project was completed and used and in December 2017.

Hardwood New Source (2016) - \$51,173

According to the E-22 submitted by PEU, Inc. this project was to supplement the three existing wells with the drilling of a new well and connecting the well to the existing treatment and booster station. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Work Order #1619404/01 was posted to the general ledger on August 1, 2017 to account 307100 – Wells and Springs and capitalized on August 1, 2017 per the Net Book Value Report.

Costs include Hydrological review and evaluations, well siting, geophysical surveys from HydroSource Associates of Ashland, NH. Big Dawg Landscaping of Weare, NH provided the clearing of an access road for the new well totaling \$41,200.

Audit reviewed the Engineering and IS Overhead timesheets totaling \$758 and recalculated the hours times the rates with no exceptions noted. The E-22 states that the work is all new and does not replace any existing assets. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$5,117.

Hardwood New Source (2017 Carryover) - \$112,949

This work order was a continuation of the 2016 new well at the Hardwood System in Windham, NH. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Work Order #1701877/01 was completed and used and useful on August 1, 2017 per the fixed asset special projects sheet and posted to the general ledger as shown below:

General Ledger Account	Amount
307100 - Wells & Springs	\$ 106,349
307210 - Well Pumps & Piping	\$ 3,820
334000 - Meters	\$ 2,780
	<u>\$ 112,949</u>

Audit reviewed the Engineering and IS Overhead timesheets totaling \$3,632 and recalculated the hours times the rates with no exceptions noted. There were no PWW labor or overhead associated with the project. Audit reviewed a sample of invoices for the following vendor/contractors and recalculated several invoices with no exceptions noted:

Vendor/Contractor	Description	Invoice Amount
BusyBee Construction	Install Well Lines & Conduit	\$ 44,312
HydroSource Associates, Inc.	Water Quality Sampling & Analyses	\$ 34,929
Maine Drilling & Blasting	Drilling & Blasting	\$ 14,100
Smith Pump Co., Inc.	Pump Testing	\$ 13,195
		\$ 106,536

The E-22 states that the work is all new and does not replace any existing assets. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$11,295.

Braemar Woods Main Extension - \$7,392

Work order #007-1704638/01 represents mostly Engineering work performed by the Company for developer installed mains at the Braemar Woods Development in Windham, NH. Approximately 285 feet of 4" PVC was installed totaling \$20,246 and booked to the CIAC account on November 30, 2017. The amount of \$7,392 represents the Engineering, shipping and miscellaneous costs which were capitalized July 1, 2018 per the NBV report and booked to account 331101 – Mains 4" & under.

The financing for the purchase was financed by 2017 CoBank financing in docket DW 17-157, Order 26,117, dated March 30, 2018. Shown below is the cost breakdown:

Expense Code	Amount
Engineering & IS Overhead	\$ 6,912
Shipping	\$ 258
Vendor	\$ 155
Materials	\$ 67
Total Work Order	\$ 7,392

Audit reviewed the Engineering and IS Overhead timesheets totaling \$6,912 and recalculated the hours times the rates with no exceptions noted. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$739. There were no retirements associated with the main extension.

The project folder included Net Book Value Report which showed the work order being booked in 2018. However, the engineering work and other miscellaneous costs were completed and used and useful in 2017 per the supporting documentation.

Pine Haven Land Acquisition - \$95,290

The general ledger shows the land purchase booked to account 303100 – Land on October 31, 2017 in the amount of \$95,290. This agrees with the Net Book Value Report for the year 2017. The financing for the purchase was financed by 2017 CoBank financing in Docket 17-157, Order 26,117, dated March 30, 2018.

The E-22 for work order #007-1715541/01 states that the Company had previously leased the land and that the landowner wanted to sell the land rather than continue to lease. PEU wanted to keep booster station and well in the vicinity of the system but there were no other sites available. The land was appraised and agreed upon by both parties and each party paid 50% of the appraisal costs.

Audit reviewed the sales agreement and verified the sale price and the credit for the appraisal shared by the PEU and the seller.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$9,529. Audit questioned why the cost of removal would be assigned to a non-depreciable asset. The Company explained that there was no cost of removal taken on the land. Although the schedule shows cost of removal, both the CPR and the general ledger trail balance show just the purchase price of \$95,290.

2017 New Services – PEU - \$76,749

General Capital project #17000000008-1 was for the installation of new services in various locations within the PEU service territory. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. A total of 16 services were installed and booked to the general ledger account 333100 – New Services in 2017.

Audit reviewed work order #1700296/01 for \$13,430, a component of the total new services. The work consisted of installing a new 3, 1” service from the main to the curb stop including the related asphalt paving on Mammoth Road in Windham, NH. Audit reviewed the inventory worksheet and the invoice from DBU Construction dated January 31, 2017 with no exceptions noted.

The general ledger shows retirements totaling \$35,157 posted on November 30, 2017. This amount agreed with the Asset Disposition Report. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$7,675.

2017 Renewed Services – PEU - \$27,094

General Capital project #1700000093-1 was for the replacement of failed services in various locations within the PEU service territory. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. A total of 13 services were repaired and booked to the general ledger in 2017 as shown below:

<u>General Ledger Account</u>	<u>Amount</u>
333200 - Renewed Services	\$ 24,811
333004 - Pavements: Services	\$ 2,283
	\$ 27,094

Audit reviewed work order #1719398/01 for \$2,566, a component of the total renewed services. The work consisted of repairing a 1” service from the main to the curb stop including the related asphalt paving on Thornton Road in Londonderry, NH. Audit reviewed the inventory worksheet and the invoice from Continental Paving with no exceptions noted.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$2,709. There were no retirements associated with the service repair per the general ledger.

2017 Gate Replacement – PEU - \$538

The work order was to replace one gate valve on Jackson Lane in the Lock Lake Development in Barnstead, NH. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. The Company provided trial balance showing the work order type 712 posted to the general ledger account 331250 – Gates 4” & under on September 9, 2017. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$54. The general ledger shows total retirements taken in November of \$1,093.

2017 Meters 5/8”-6” – PEU - \$164,830

General Capital project #1700000012-1 was for the installation of new meters and meter readers in various locations within the PEU service territory. The project was financed in the 2017 CoBank financing in Docket 17-157, Order 26,117, dated March 30, 2018. A total of 198 meters and 172 meter readers were installed and booked to the general ledger account 334000 – Meters and 334100 – Radios for Metering in 2017 as shown below:

<u>General Ledger Account</u>	<u>Amount</u>
334000 - Metering Equipment	\$ 142,007
334100 - Radios for Metering	\$ 22,824
	<u>\$ 164,830</u>

The general ledger shows retirements in the amount of \$47,996 and \$4,488 for meters and meter readers respectively resulting in total retirements of \$52,484. This amount agreed with the Asset Disposition Report. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$16,483.

Booster/Well/Chemical Feed Pump Replacements - \$56,471

Project #1700000013-1 was for the rebuilding and/or replacement of failed well, booster and chemical feed pumps in various locations within the PEU service territory. A total of 21 pumps were repaired or replaced in various locations within the PEU service territory. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. The work order was charged to the general ledger as follows:

<u>General Ledger Account</u>	<u>Amount</u>
307210 - Well Pumping & Piping	\$ 23,719
311210 - Pumping Equipment-Pumps	\$ 24,996
311230 - Electric Pumping Equipment-Chemical Pumps	\$ 7,756
	<u>\$ 56,471</u>

Audit reviewed work order #1721385/01 for \$3,611, a component of the total Booster/Well/Chemical Feed Replacements. The work consisted of replacing a well pump at the Beaver Hollow system in Sandown, NH. Audit reviewed the invoice from Smith Pump Company which provided the labor and materials to install a 10 GPM, 1.5 HP submersible with 600 feet of PVC piping. Audit reviewed the supporting documentation with no exceptions noted.

The general ledger shows retirements totaling \$4,430 posted for the second quarter on June 30, 2017. This amount agreed with the Asset Disposition Report with no exceptions noted. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$5,647.

Shaker Heights-Install Water Softening System - \$16,012

The E-22 filed by the Company states that the project was the install two water softening filters at the Shaker Heights well station in Chester, NH. The water quality had diminished to the point where customers were experiencing scaling in fixtures and

appliances. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Below is the cost breakdown for work order #007-1708414/01:

Vendor/Contractor	\$ 9,257
PWW Labor	\$ 3,347
Labor Overhead	\$ 2,275
Vehicles/Trucks	\$ 1,133
Total Work Order	\$ 16,012

The project folder provided the invoices from R.E. Prescott for two softeners, the associated meter and valves totaling \$7,357. F.W Webb provided miscellaneous PVC parts and accessories totaling \$1,900. Audit reviewed and recalculated each invoice with no exceptions noted.

The general ledger shows the work order inadvertently posted to the PWW account 320 – Water Treatment Equipment on November 2, 2017. The Company posted an entry on February 28, 2018 to correct the asset account to PEU.

The Company's Timesheet Report showed hourly wages and hours worked for three employees from October 23, 2017 through October 26, 2017. The total hours worked times the rate agreed with the total cost shown on the work order. Overhead was charged at 67.96% for \$2,275.

All Company vehicles are owned by PWW and charged to PEU when utilized by the utility. The Company provided the Truck, Dump Truck and backhoe charges totaling of \$1,133. The vehicle usage hours agreed with the timesheet for the project with no exceptions noted.

Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$1,601 however the E-22 report states that this is a new asset with no retirements. The fixed asset special project listing shows the project completed and used and useful on November 1, 2017.

Ministerial Heights-Install Radon Treatment - \$12,825

The E-22 filed by the Company states that the project was to install two Radon Bubble Up aeration units at the Ministerial Heights development in Londonderry, NH. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016.

The general ledger shows the costs for installation of the radon treatment booked to account 320 on August 1, 2017 totaling \$12,825. Below is the cost breakdown for work order #007-1702311/01:

<u>Expense Code</u>	<u>Amount</u>
Vendor/Contractor	\$ 6,208
Vehicle/Truck Charges	\$ 1,128
Labor	\$ 3,268
Labor Overhead	\$ 2,221
	\$ 12,825

F.W. Webb provided miscellaneous PVC parts and connections. The 25 gallons per minute radon system with blowers was supplied and installed by R.E. Prescott of Exeter, NH in the amount of \$4,200.

All Company vehicles are owned by PWW and charged to PEU when utilized by the utility. The Company provided the truck charges totaling of \$1,128. The vehicle usage hours shown on the timesheet agreed with the project work order with no exceptions noted.

The Company's Timesheet Report showed hourly wage and hours worked for two employees in June and July of 2017. The total hours worked times the rate agreed with the total cost shown on the work order. Overhead was charged at 67.96% totaling \$2,221. Audit recalculated several labor charges without exception

Per the E-22, this was a new asset with no replacement of an existing asset. The fixed asset special project listing shows the project completed and used and useful on August 15, 2017.

PEU-Hudson Wholesale Cellular Meter Readers - \$3,494

The E-22 filed by the Company states that the work order was for the purchase of cellular meter interface units for the PEU/Hudson interconnection. The financing for the purchase was financed by 2017 CoBank financing in Docket 17-157, Order 26,117, dated March 30, 2018. Below is the cost breakdown for work order #007-1702311/01:

<u>Expense Code</u>	<u>Amount</u>
Vendor/Contractor	\$ 6,630
PWW Labor	\$ 180
Labor Overhead	\$ 123
Vehicles/Trucks	\$ 55
Total Work Order	\$ 6,988

The general ledger shows the costs for the purchase of 13 Neptune Cellular Meter Readers booked to account 334 – Meters and Meter Installations on December 1, 2017 totaling \$6,988. Ti Sales provided the meter readers at \$510 each. Only 50% of the units or \$3,494 were booked to the plant account 347110 in 2017. In May of 2018, the Town of Hudson had reimbursed the Company for the remaining 50% which was then booked to the CIAC account 271200.

The Company's Timesheet Report showed hourly wages and hours worked for three employees from in December, 2017. The total hours worked times the rate agreed with the total cost shown on the work order.

The fixed asset special project listing shows the project completed and used and useful on December 31, 2017. As this was a new asset, there were no retirements.

Wesco Pressure Vessel Replacement - \$9,996

The E-22 filed by the Company states that the project was the replacement of the pump discharge tanks at the WESCO booster station in Hooksett, NH. The existing tanks had leaking bladders and consequently, the pumps did not function properly. The project was financed in docket DW 16-234 Order #25,890, dated 4/26/2016. Below is the cost breakdown for work order #007-1718143/01:

Vendor/Contractor	\$ 6,526
PWW Labor	\$ 1,794
Labor Overhead	\$ 1,219
Vehicles/Trucks	\$ 457
Total Work Order	\$ 9,996

The project folder provided the invoices from R.E. Prescott for two tanks at \$2,975 each, plus freight of \$346 to total \$6,296. The installation included the rental of a rolling lift from Sunbelt Rentals totaling \$230. Audit reviewed recalculated each invoice and found no exceptions.

The Company's Timesheet Report showed hourly wages and hours worked for three employees from October 23, 2017 through October 26, 2017. The total hours worked times the rate agreed with the total cost shown on the work order.

The fixed asset special project listing shows the project completed and used and useful on November 11, 2017 and posted however the Net Book Value Report shows the project booked to account 348000 – Water Treatment Equipment and capitalized July, 2018. The Company provided the related retirement of the old pressure vessels which also shows the posting posted in July, 2018. Attachment JPL-1, Schedule 7 Step Additions shows the Cost of Removal in the amount of \$1,000.

Summary

Audit verified 100% of the selected work orders, associated photocopied documentation and applicable filings with no major exceptions. Retirements were verified to the general ledger from supporting documentation. The related depreciation for the additions and retirements was not part of Audit's review.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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

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Docket #: 17-128-1 Printed: September 05, 2018

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.