

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 17-___

Pennichuck Water Works, Inc.

Interim Petition of Pennichuck Water Works, Inc. for
Approval of 2017 Qualified Capital Project Annual Adjustment Charge

PWW0001-PWW0006

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Pennichuck Water Works, Inc. (“PWW” or “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby petitions the Commission for interim approval of the Company’s 2017 projects as eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”). The Company’s 2017 projects will be the subject of the Company’s first regular QCPAC petition in 2018 to request a QCPAC step increase for 2017 projects that are used and useful and for recoupment for bills rendered after the date for which financing that is incurred with respect to the specific eligible projects is issued or consummated (estimated by March 1, 2018). Also included for informational purposes only with this Petition is the Company’s forecast of capital project expenditures for 2018 and 2019. In support of this Petition, PWW respectfully represents as follows:

Background

1. In Order No. 25,230 (June 9, 2011, Docket No. DW 10-091), the Commission approved implementation of a Water Infrastructure and Conservation Adjustment (“WICA”) recovery mechanism as a pilot program and authorized the Company to recover the revenue requirement associated with certain categories of non-revenue producing capital improvements

that are completed and placed in service between general rate cases. In Order No. 25,693 (July 15, 2014, Docket No. DW 13-130), the Commission authorized PWW to continue the WICA pilot.

2. On September 26, 2016, PWW filed a Petition for Specific Modifications to Ratemaking Structure, Docket No. 16-806. Among the requests made in that Petition was to replace the WICA with an enhanced step increase program.

3. On January 31, 2017, PWW filed a Petition for Approval of 2017 WICA projects (Docket No. 17-017) which (a) sought approval of an annual WICA surcharge increase of 1.66% for 2016 projects, approval of the Company's 2017 proposed projects, and review of the Company's 2018 projects.

4. In Order No. 26,070 (November 7, 2017, Docket No. 16-806), the Commission approved a settlement that replaces the WICA program with the QCPAC. Under the terms of Order No. 26,070, QCPAC eligible projects must meet the following criteria: 1) the capital project proposed by PWW must be completed, in service, and used and useful within the previous fiscal year for which the QCPAC filing is made; 2) the capital project must have been financed by debt that has been approved by the Commission in accordance with RSA 369; and, 3) the capital project must specifically correspond with a capital budget which has been previously submitted by PWW and approved by the Commission.

5. As is described in Order No. 26,070, upon approval of a QCPAC by the Commission, the QCPAC will become eligible for annual recoupment for bills rendered after the date for which bonded debt, or other financing that is incurred with respect to the specific eligible projects, is issued or consummated. It is anticipated that this date would be approximately March 1 of each year. The QCPAC surcharge consists of: (1) the annual principal

and interest payments with respect to the applicable capital project debt, multiplied by 1.1; and (2) incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects.

6. The settlement agreement that was approved by the Commission in Order No. 26,070 also approved a step increase that resolved the request for a WICA step increase based on 2016 and certain 2017 plant additions. As a result of the incorporation of the step increase into Order No. 26,070, the order requires PWW to withdraw its DW 17-017 WICA filing, which will close DW 17-017.

7. In place of the WICA petition in DW 17-017, Order No. 26,070 requires that PWW file an interim QCPAC submission with the Commission within fifteen days of the issuance of Order No. 26,070 (by November 22, 2017). As stated in the Order, “[t]he interim QCPAC submission would include the remaining 2017 QCPAC budget and a forecast of capital project expenditures for fiscal years 2018 and 2019. PWW’s proposed capital budget for 2017 would specifically correspond with PWW’s anticipated filing for financing approval of its 2017 capital projects.”

8. The purpose of this Petition is to comply with the Commission’s Order requiring the filing of an interim QCPAC submission detailing the 2017 projects and providing a projection for 2018 and 2019 projects for informational purposes only. On or before March 15, 2018, PWW will file its first regular QCPAC filing in accordance with the Order.

9. Because this Interim QCPAC petition and the first full QCPAC petition that will be filed next year is a new process, the Company has prepared a proposed timeline (attached to Mr. Ware’s testimony as Exhibit DLW-2) of the submissions and processes which the Company believes will be necessary to transition from this interim QCPAC petition to the first official QCPAC petition filing.

2017 Projects

10. As is explained in Mr. Ware's testimony, the Company projects 2017 capital expenditures of \$6,289,612 of which \$4,498,643 will be bonded for in March of 2018. Additionally, the Company is looking to recover about \$767,357 in capital expenditures associated with SRF funding for the Amherst Street water main replacement project which was funded with NHDES SRF loan funds. This results in a total of \$5,266,000 of Company projects that are eligible for a QCPAC surcharge in 2018.

11. Attached to Mr. Ware's testimony as Exhibit DLW-1 (2017 Step Additions), the Company has listed in detail the 2017 projects, a brief project description, the associated financing docket, the portion of each project that was funded in the Commission's Order No. 26,070 in DW-16-806, the estimated project cost as of January 18, 2017 and the current updated estimated cost. DLW-1 (2017 Step Additions) also describes projects originally slated for 2017, but for reasons described in Mr. Ware's testimony were not completed in 2017.

12. The 2017 projects are grouped as follows:

- a. General projects;
- b. Nashua and Amherst paving;
- c. Amherst Street Area water main replacement project;
- d. City sewer projects;
- e. Main Street Area water main replacement project;
- f. NHDOT Route 101 widening project;
- g. Information Technology projects; and
- h. Miscellaneous equipment purchases.

13. The Company seeks the Commission's approval of these 2017 projects for recovery under the Company's QCPAC mechanism in 2018, subject to the Commission's audit and prudence review of the final costs associated with those projects.

2018 – 2019 Projects

14. Attached to Mr. Ware's testimony as Exhibit DLW-1 (2018 Step Additions and 2019 Step Additions), the Company has listed in detail the anticipated 2018 and 2019 Capex projects that were approved by the Board in January 2017.

15. Exhibit DLW-1 (2018 Step Additions and 2019 Step Additions) provides a similar level of detail as is contained in the description of 2017 projects.

16. The Company is providing the details regarding its 2018-2019 projects in accordance with Order No. 26-070 for informational purposes only.

Conclusion

WHEREFORE, by this petition, PWW respectfully requests that the Commission:

- (a) Approve PWW's proposed 2017 projects for recovery under the QCPAC mechanism in 2018, subject to the Commission's audit and prudence review of the final costs associated with those projects;
- (b) Receive PWW's proposed 2018 and 2019 projects for informational purposes only; and
- (c) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: 11-20-17

By:



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Certificate of Service

I hereby certify that a copy of this petition for approval of financings, including the pre-filed testimony referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at ocalitigation@oca.nh.gov.

Dated: 11-20-17



Richard W. Head