

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 20-19

Pennichuck East Utility, Inc.

**2020 Amended Petition of Pennichuck East Utility, Inc. for
Qualified Capital Project Annual Adjustment Charge**

Pennichuck East Utility, Inc. (“PEU” 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”), and pursuant to Order No. 26,179 (Docket DW 17-128) petitions the Commission for approval of the Company’s 2019 projects as eligible for the Qualified Capital Project Annual Adjustment Charge (“QCPAC”). PEU also seeks preliminary approval for all capital project expenditures for the Company’s 2020 projects. Finally, PEU provides for informational purposes only the Company’s forecast of capital project expenditures for 2021 and 2022. On August 16, 2021, the Commission issued Order No. 26,508 (Docket DW 20-156) approving a settlement and temporary rates, the terms of which PEU agreed to forgo the 2020 QCPAC surcharge. PEU therefore files this Amended Petition in compliance with the Commission’s Order and in support of this Amended Petition, PEU respectfully represents as follows:

Background

1. On September 9, 2017, PEU filed a Request for Change in Rates and a Petition for Specific Modifications to Ratemaking Structure, Docket No. 17-128. Among the requests made

in that Petition was to establish a QCPAC enhanced step increase program similar to the one approved for Pennichuck Water Works in Docket No. 16-806.

2. On October 4, 2018 (Order No. 26,179), the Commission approved a settlement that established a QCPAC step increase program. Under the terms of Order No. 26,179, QCPAC eligible projects must meet the following criteria: 1) the capital project proposed by PEU 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 projects must specifically correspond with a capital budget which has been previously submitted by PEU and approved by the Commission. Order No. 26,179 at p. 11.

3. Order No. 26,179 describes what should be contained in PEU's annual QCPAC surcharge petition as follows:

Within its annual filing, PEU will provide: (1) its calculation of the QCPAC surcharge associated with capital investments from the previous year; (2) budget information regarding proposed capital projects for the current year; and (3) a detailed forecast of anticipated capital project expenditures for the subsequent two years, for informational purposes only. Customers will receive notice of the proposed surcharge within 30 days of the annual QCPAC filing.

Order No. 26,179 at 11.

4. 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. Order No. 26,179 at p. 11.

5. The purpose of this Petition is three-fold:

- a. First, this Petition seeks final approval of a QCPAC surcharge based on eligible projects and amounts expended for capital projects in 2019;

- b. Second, this Petition seeks preliminary approval of the capital budget for eligible capital project expenditures in 2020; and
 - c. Third, this Petition provides the Commission with information regarding the Company's forecast of capital project expenditures for 2021 and 2022 for which no Commission action is required at this time.
6. Attached to this Petition are the following:
- a. Direct testimony of Donald L. Ware;
 - (a) Exhibit DLW-1 Pages 1-6, 2018-2022 QCPAC Details;
 - (b) Attachment A, sample bill insert customer notification;
 - (c) Attachment B, Proposed QCPAC Tariff Pages¹;
 - (d) Attachment C, screen shot of PEU's website describing the pending QCPAC filing;
 - (e) Attachment D, PEU Board resolution approving the 2020, 2021 and 2022 capital expenditure projects.

- b. Direct testimony of John J. Boisvert;

7. The Company filed its initial 2020 QCPAC Petition with the Commission in Docket DW 20-019 on February 13, 2020.

8. The Company filed subsequent 2020 QCPAC quarterly updates with the Commission on August 10, 2020, November 9, 2020, and January 11, 2021.

9. The Company, Staff of the Commission, the Office of Consumer Advocate (OCA) the Towns of Londonderry, Litchfield, Pelham, and Hookset, and intervenors Robert Corcoran and Richard M. Husband executed a settlement agreement in Docket DW 20-156 on April 26, 2021, which was subsequently approved by the Commission in Order 26,508 on August 16, 2021.

¹ Because the QCPAC tariff pages are all original pages, no track change versions are provided.

2019 Completed Projects

10. Attached as Exhibit DLW-1 Page 3 to Mr. Ware's testimony is the detailed list of Qualified Capital Projects ("QCP") that were used and useful by December 31, 2019. DLW-1, Page 3, describes, in part, the following: each project that was completed, in service and used and useful in 2019; the NHPUC order approving the debt financing associated with each project; the estimated and unaudited final project costs; and the property tax expense associated with QCPs where applicable. DLW-1, Page 3 also provides an explanation of changes, additions and deletions since the last-filed schedule DLW-1.

11. The Company seeks the Commission's approval of these 2019 projects for recovery under the Company's QCPAC mechanism in 2020, subject to the Commission's audit and prudence review of the final costs associated with those projects.

12. The Company, pursuant to the terms of the Order No. 26,508 at p. 6 and 7, forgoes and no longer requests a QCPAC surcharge that is calculated to recover 1.1 times the principal and interest payments for the long term debt incurred to fund the capital expenditures on projects that were used and useful on or before December 31, 2019, as well as recovering the projected property taxes on the completed slate of 2019 QCP.

13. The basis for the Company's calculation of principal and interest payments, which is outlined in more detail in Mr. Ware's testimony, is as follows:

- a. CoBank Loan: Loan amount of \$803,275 with a projected effective interest rate of 5.5% for a term of 25 years. This loan is expected to close in late June 2020. Once the effective interest rate is known, Exhibit DLW-1 will be updated to reflect the final amount borrowed and the actual interest rate incurred for the CoBank loan.

- b. NHDES SRF Loan: Loan amount of \$966,252 with an interest rate of 2.704% for a term of 30 years. This loan is to fund water main improvements that were completed in 2019. This loan closed on January 9, 2020.

14. The Company requests that the Commission issue a final 2020 QCPAC order approving the 2019 capital projects as prudent, used and useful. Pursuant to the settlement and Order 26,508 at p. 6, the Company will not seek recoupment for service rendered after the date for which financing is issued or consummated for the 2020 QCPAC surcharge.

15. Based on the total costs as described in Mr. Ware's testimony and exhibits, and the assumed 5.5% interest rate on the long term CoBank loan, the Company estimated the QCPAC surcharge of 1.22%. In light of the settlement approved in Order 26,508 by the Commission on August 16, 2021, the Company will not seek the surcharge of 1.22% in exchange for approval of the temporary rates in Docket DW 20-156.

16. This estimate was updated after the CoBank loan was issued and the interest rate was established.

2020-2021 Projects

17. This Petition includes the testimony of Mr. Boisvert who provides a description of what the Company considers as major capital projects and the Company's process for developing budgets for major capital projects. Mr. Boisvert also describes the projects started in 2019 that will be completed in 2020 as well as the major projects planned for 2019-2022.

18. Attached to Mr. Ware's testimony is Exhibit DLW-1, Page 4 (Projected 2020 QCPAC Capital Expenditures). In that Exhibit DLW-1, Page 4, the Company has listed in detail the anticipated 2020 Capex projects that were approved by PEU's Board in January 2020.

Exhibit DLW-1, Page 4 includes a description of each project, the estimated project cost and whether it has an associated QCPAC eligible property tax expense.

19. The Company is also providing the details regarding its 2021-2022 projects in accordance with Order No. 26,179 for informational purposes only. Details of the 2021-2022 projects are described in Mr. Ware's testimony, Exhibit DLW-1 page 4 (2020) and page 6 (2021).

Payment of FALOC Interest

20. The Company is no longer seeking approval as part of this petition authority to pay the interest incurred on the fixed asset line of credit ("FALOC") each year by incorporating the interest into the amount borrowed from CoBank because the inclusion of annual interest incurred on the FALOC in its annual long-term debt issuances beginning in 2020 was approved by the Commission in Order 26,313 at 9 (Docket DW 19-035) dated December 6, 2019.

Conclusion

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

- (a) Approve PEU's 2019 projects as prudent, used and useful;
- (b) Approve on a preliminary basis PEU's proposed 2020 projects as being eligible for recovery through the QCPAC surcharge mechanism, subject to the Commission's audit and prudence review of the final costs associated with those projects; and subject to further refinement through quarterly updates filed with the Commission for the purpose of keeping the Commission apprised of the Company's progress with regard to its 2020 projects (to be filed on or before August 15, November 15 and January 15) and further subject to the Commission's review with the Company's 2021 QCPAC filing;
- (c) Receive for information purposes only PEU's proposed 2021 and 2022 projects;

(d) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

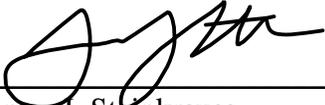
Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: August 17, 2021

By: 

James J. Steinkrauss
One Capital Plaza
Concord, NH 03302-1500
603-410-4314
jjis@rathlaw.com

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: August 17, 2021



James J. Steinkrauss