

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 23-013

PENNICHUCK EAST UTILITY, INC.

Petition for Approval of 2023 Qualified Capital Project Adjustment Charge

Order *Nisi* Approving Settlement

O R D E R N O. 26,907

November 30, 2023

In this order, the Commission approves the request of Pennichuck East Utility, Inc. (PEU, or the Company) to implement a 2023 Qualified Capital Project Adjustment Charge (QCPAC) of 1.35 percent of base revenue for capital projects placed in service in 2022. The 2023 QCPAC is approved effective September 25, 2023, with billing of this charge to begin on the effective date of this order. When added to PEU's previously approved permanent base rates and subsequent QCPAC adjustments,¹ this results in a cumulative adjustment of 6.31 percent. Overall, this increases the average residential customer's monthly bill by \$1.14 per month to \$89.63. The Commission also approves recovery over three months of a QCPAC recoupment charge of \$1.20, subject to a final calculation submitted within 14 days of this order, for service rendered between September 25, 2023 and the effective date of this order. The Commission also approves a modification to the QCPAC budget reporting schedule.

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

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-013.html>

¹ See DW 20-156 for the permanent base rates, as well as DW 21-022 for the 2021 QCPAC of 4.02 percent and DW 22-005 for the 2022 QCPAC of 0.94 percent.

I. PROCEDURAL HISTORY

PEU is a regulated public utility that provides water service to customers in southern and central New Hampshire. On February 14, 2023, PEU filed a petition for approval of a 2023 QCPAC to reflect eligible capital investments completed in 2022 and preliminary approval of its 2023 budget for further capital improvements (Petition). The filing also included, for informational purposes, forecasted capital project expenditures for 2024 and 2025. Finally, the petition requested a modification of PEU's QCPAC budget update requirements.

The Petition was supported by the direct testimonies of Chief Operating Officer Donald L. Ware and Chief Engineer John J. Boisvert. The NH Department of Energy (DOE) filed a notice of appearance pursuant to RSA 12-P:9 on February 23, 2023. The DOE's Audit Staff completed a Final Audit Report of PEU's 2022 Qualified Capital Project Adjustment Charge dated August 3, 2023. *See Settlement* at 27. No other appearances or petitions to intervene were filed. On October 30, 2023, PEU and the DOE (Settling Parties) filed a settlement agreement (*Settlement*).

II. SETTLEMENT

The Settlement proposes a 2023 QCPAC in the amount of 1.35 percent of base revenue for capital projects placed in service in 2022. The resulting surcharge is proposed to be applied to current rates approved in Docket DW 20-156 by Order No. 26,586 on February 18, 2022 and added to the 4.02 percent 2021 QCPAC as approved in Docket DW 21-022 by Order No. 26,608 on April 8, 2022 and the 2022 QCPAC of 0.94 percent approved in Docket No. DW 22-005 by Order No. 26,767. The resulting cumulative QCPAC is 6.31%. *See Settlement* at page 10, ¶ 18.

In addition, the Settlement recommended that the Commission approve recoupment of the 2022 QCPAC effective for service rendered as of the date of the

2023 CoBank Loan Closing on September 25, 2023, until the date of the Commission's order approving the 2023 QCPAC. See Settlement at page 11 ¶21.

The Settlement proposed approval of an additional charge of \$1.20 per month for a period of three months to permit recoupment of interest and principal payment costs from the date of the CoBank Loan closing of September 25, 2023 to an anticipated order issuance date of December 30, 2023 in this proceeding.²

The Settling Parties recommended preliminary approval of the proposed 2023 capital projects totaling a budget of \$2,700,600. Overall, this would result in a 3.25 percentage point increase in PEU's cumulative QCPAC to 9.56 percent in 2024. This would result in and lead to a projected cumulative surcharge of \$8.06 per month. When added to the average base rate charge of \$84.31 for the average single-family residential customer, this results in a projected monthly bill of \$92.37. See Settlement at 12-13.

Consistent with the process approved in Order No. 26,179, the Settlement also recommended that the Commission accept proposed 2024 and 2025 capital expense projects that are provided for informational purposes in the Agreement. See Settlement at page 13 ¶27.

Finally, the Settling Parties recommend that the Commission approve a modification to PEU's budget update reporting requirement that would consist of one report on December 15 for the period ending on October 31. The December 15th date was chosen to align with the end of PWW's annual construction season. The Settling Parties suggest that modification from two reports to one will reduce time, effort and expenses, including legal costs, for relevant parties and allow the Commission to

² The recoupment charge is expected to differ slightly from the proposed amount, based on the date of issuance of this order.

receive a full and complete update of the Company's capital project budgets and any accounting updates. *See Id.* at 15.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2, RSA 378:7, and RSA 378:28, the Commission is authorized to determine the just and reasonable rates to be charged by PEU. The Commission approved the QCPAC mechanism to replace the previously approved Water Infrastructure and Conservation Adjustment rate mechanism. *See, e.g.,* Order No. 26,070 (November 7, 2017) at 15-17; and Order No. 26,313 (December 6, 2019) at 7. The QCPAC mechanism enables PEU to make necessary capital improvements to its systems while maintaining sufficient cash flow to meet debt service and operating requirements. *See* Order No. 26,608 (April 8, 2022) at 7.

PEU filed data regarding the \$2,000,878 in Qualified Capital Projects it placed in service during 2022. The DOE's Regulatory and Audit Staff reviewed those projects and determined that each project is used and useful in service to PEU customers. *See* Settlement at Attachment B (Final Audit Report – DW 23-013, August 3, 2023). The Commission has reviewed the information contained in the record and finds that the 2022 qualified capital project expenditures of \$2,000,878 were prudently incurred and are used and useful.

Based on our review of the filings and the Settlement reached between PEU and the DOE, we approve the petition as modified by the Settlement. We approve a 2023 cumulative QCPAC of 6.31 percent, which results in a surcharge of \$5.32 per month above the current monthly bill of \$84.31 for an average single-family residential customer. This customer will now be paying a monthly bill of \$89.63. We approve adding the proposed 2023 QCPAC surcharge to customer bills on the effective date of

this order so that PEU may begin recovery of debt and property tax expenses associated with the completed projects.

We also approve the recoupment of costs from September 25, 2023, the date of PEU's closing of its loan with CoBank, to the effective date of this order *nisi*, for the purpose of paying off debt and interest incurred for investments associated with 2022 eligible QCPAC assets. The recoupment amount will be recovered over a three-month period, as recommended in the Settlement, and will result in a monthly recoupment surcharge for the average single family residential home of approximately \$1.20. Accordingly, the Commission approves a monthly recoupment surcharge as described herein as of the effective date of this order.

We further preliminarily approve the proposed 2023 capital budget of \$2,700,600 and will review the prudence of those projects in the next QCPAC filing. We accept for informational purposes PEU's 2024 and 2025 capital project budgets of \$1,943,600 and \$1,625,600, respectively.

Finally, the Commission agrees that consolidation of PEU's budget update reporting requirement to one December 15 report will help reduce expenses, including legal costs incurred by the Company, thereby benefiting PEU's ratepayers. The single report does not impede the Commission's ability to review the Company's expenditures. Accordingly, the Commission approves the modified reporting schedule. PEU shall be required to provide one annual report on December 15, reflecting updates for the period ending on October 31 of that year.

Based upon the foregoing, it is hereby

ORDERED *NISI*, Pennichuck East Utility, Inc.'s request for a 2023 QCPAC of 1.35 percent to recover costs for 2022 projects, effective September 25, 2023, is

APPROVED with billing of this charge to begin on the effective date of this order; and it is

FURTHER ORDERED, that the proposed monthly recoupment surcharge collected over a three-month period from September 25, 2023 through the effective date of this order is **APPROVED**; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall submit to the New Hampshire Department of Energy and the New Hampshire Public Utilities Commission a final calculation of the recoupment surcharge to be applied to customer bills within 14 days of the date of this order *nisi*; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc.'s proposed 2023 capital budget is **APPROVED** on a preliminary basis and subject to further audit and review; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc.'s preliminary 2024 and 2025 capital budgets are **ACCEPTED** for informational purposes only; and it is

FURTHER ORDERED, that modification of Pennichuck East Utility, Inc.'s budget update reporting requirement to December 15 of each year is **APPROVED**; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this Order *Nisi* to be published on the Company's website no later than December 4, 2023, 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 December 11, 2023; and it is

FURTHER ORDERED, that all persons interested in responding to this order 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 December 11, 2023;
and it is

FURTHER ORDERED, that any party interested in responding to such
comments or request for hearing shall do so no later than December 17, 2023; and it
is

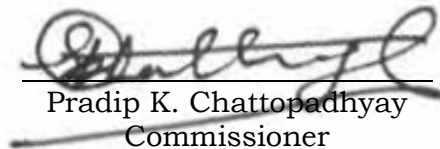
FURTHER ORDERED, that this order shall be effective December 30, 2023,
unless Pennichuck East Utility, Inc. fails to satisfy the publication obligation set forth
above or the Commission provides otherwise in a supplemental order issued prior to
the effective date; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall file a compliance
tariff with the Commission on or before January 2, 2024.

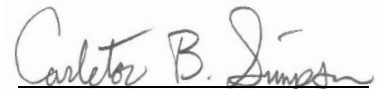
By order of the Public Utilities Commission of New Hampshire this thirtieth day
of November 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-013

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