



PENNICHUCK®

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**Pennichuck East Utility Qualified Capital Project Adjustment Charge (QCPAC)
Customer Notice for February 2024 filing at the New Hampshire Public Utilities Commission**

Pennichuck East Utility, Inc.'s ("Pennichuck") primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. Pennichuck was granted approval by the New Hampshire Public Utilities Commission (PUC) in DW 17-128 (Order No.26,194) to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows Pennichuck to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge is directly linked to and based upon the costs of Pennichuck's ongoing investment in Qualified Capital Projects (QCPs) necessary to provide service to its customers, in compliance with State and Federal regulations, and to maintain its overall water supply and treatment infrastructure in a proactive and responsive manner.

The QCPAC surcharge allows Pennichuck to recover 1.10 times the annual principal and interest for the debt funds raised each year to pay for Pennichuck's QCP expenditures made on plant and equipment placed into service during the prior year, plus the incremental property taxes associated with the value of those QCPs. As a part of this annual process, Pennichuck's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels.

Our customers benefit from the QCPAC program as it provides the necessary funding for Pennichuck to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program also results in smaller annual rate changes for customers by permitting Pennichuck to recover the costs associated with the debt financing replacement of aging infrastructure between rate cases, as well as the ability to continue to access lowest cost debt funding for these projects, based upon this QCPAC program.

As a part of this ongoing annual QCPAC process, Pennichuck will file a proposed three-year capital expenditure plan for 2024-2026 QCPs with the PUC on or before February 15, 2024. The proposed 2024-2026 QCPs submitted will update the plan already on file with the PUC, as it relates to Pennichuck's 2023 through 2025 proposed QCP expenditures plan, which was filed with the PUC in February of 2023 as part of its DW 23-013 QCPAC filing. The surcharge requested in docket DW 23-013 and that being sought in the petition to be filed before February 15, 2024 will be applied to the permanent rates granted to Pennichuck in Docket DW 20-156.

On April 8, 2022 the NHPUC approved a 4.02% QCPAC in Order #26,608 in response to DW 21-022 for QCPs that were placed into service in 2020. On January 27, 2023 the NHPUC approved a 0.94% QCPAC in Order #26,767 in response to DW 22-005 for QCPs that were placed into service in 2021. Pennichuck is currently seeking approval of a QCPAC of 1.35% in DW 23-013 for QCPs placed into service in the 2022 QCPAC, which if approved will result in a cumulative QCPAC surcharge of 6.31%. Pennichuck will be requesting a QCPAC surcharge of 2.37% in its February 2024 filing. If the QCPAC requested in DW 23-013 and that being sought in the pending February 2024 QCPAC filing are approved it will result in a cumulative QCPAC surcharge of 8.67% over the rates granted the Company's most recent rate case filing in docket DW 20-156 (filed on November 24, 2020 and approved on November 23, 2021). The 8.67% QCPAC will allow Pennichuck to recover the costs associated with debt financing the QCPs placed in service during 2020, 2021, 2022 and 2023. The 2.36% portion of the QCPAC surcharge being



sought in the pending February 2024 filing, if approved, will apply to all customer classes and charges for service rendered after August 1, 2023 and would be expected to go in effect near the end of 2024.

The requested QCPAC surcharge of 2.37% for 2022 QCPs, when added to the 4.02% QCPAC granted for 2020 QCPs, the 0.94% QCPAC granted for 2021 QCPs, and the 1.35% being sought for 2022 QCP's if approved would result in a QCPAC cumulative surcharge 8.67% or a total surcharge of about \$7.31 per month on the average single-family residential bill of \$84.31 (which does not include the current QCPAC you are paying of \$4.18 per month) resulting in a total average single family residential monthly bill of \$91.62.

If you have any questions or concerns related to Pennichuck's February 2024 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.