

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 05-125

**PENNICHUCK EAST UTILITY, INC. AND NORTHERN SHORES WATER
COMPANY**

Joint Petition to Transfer Assets and Franchise Rights

**Order Granting Extension of Time to Complete
Transfer of Assets and Franchise Rights**

ORDER NO. 25,135

August 10, 2010

I. BACKGROUND

On June 3, 2010, Pennichuck East Utility, Inc. (PEU) and Northern Shores Water Company (Northern Shores) (together the Joint Petitioners) filed a motion to amend Order No. 24,635 (June 8, 2006) in this docket. The complete procedural history of this docket is contained in that order as well as a previous order, No. 24,601 (March 17, 2006). PEU is a regulated water utility serving approximately 5,500 customers in a number of municipalities in southern New Hampshire. Northern Shores is a regulated water utility serving about 32 customers in the Town of Tilton.

In Order No. 24,635 the Commission approved the sale and transfer of the assets and franchise rights of Northern Shores to PEU and set a deadline of December 31, 2006 for the parties to complete the transfer. Due to the encroachment of an abutting home and garage into the protective well radius, the Northern Shores wells violated requirements of the New Hampshire Department of Environmental Services (NHDES). The parties intended to resolve that issue so that the water system assets could be transferred with clear title prior to

December 31, 2006. According to the motion, however, PEU and Northern Shores were not able to resolve the issue by December 31, 2006 and thus the transaction did not occur.

In the June 3, 2010 filing, the Joint Petitioners notified the Commission that the encroachment issue had been resolved by removing a shed and boat that were in a protected area surrounding the well, and filling in a pond. NHDES issued a waiver for other non-conforming structures within the protective area, a copy of which was attached to the motion. The Joint Petitioners, therefore, request that the Commission amend Order No. 24,635 and authorize them to finalize the sale and transfer of Northern Shores to PEU no later than December 31, 2010.

On July 1, 2010, Commission Staff filed a letter recommending the Commission approve the request of the Joint Petitioners and authorize PEU to acquire the assets and franchise rights of Northern Shores. Staff stated that Northern Shores has continued to experience operating losses in spite of a 2007 rate case in which customer rates were increased 62%. Staff observed that PEU has committed to installing water meters within six months of acquisition and then converting customers to PEU's current tariff rate. While a year-round customer using 8,800 cubic feet of water annually would see an increase in rates of about 82% as a result, Staff stated that PEU's rate far more closely approximates the true cost of operating the small water system. In addition, Staff noted that PEU's managerial and technical expertise will ensure that the future capital needs of the Northern Shores system will be addressed. Staff stated that the only change from the original terms of the transfer was that PEU and Northern had agreed to lower the original purchase price of \$12,000 to \$5,000 in consideration of the unanticipated acquisition costs incurred by PEU to resolve the well radii encroachment issue. Staff recommended the Commission grant the motion to amend.

II. COMMISSION ANALYSIS

Pursuant to RSA 374:30, no public utility may transfer its franchise, works, or system until the Commission finds that such a transfer is in the public interest and approves the transfer. The Commission found the proposed transfer to be in the public interest and approved the transfer in Order *Nisi* No. 24,601 (March 17, 2006) and Order No. 24,635 (June 8, 2006). The latter order was issued after a hearing was requested by a Northern customer who had encroached on Northern Shores' protective well radius. Pursuant to RSA 365:28, the Commission may alter or amend its orders and the Joint Petitioners now request that the Commission amend Order 24,635 to renew the Joint Petitioners' authority to complete the transfer.

Having reviewed the motion to amend and Staff's recommendation, we find no reason to disturb the Commission's original finding that the transfer of Northern Shore's franchise and water system assets to PEU is for the public good. In 2006 we found that the transfer of Northern Shores' small water system to PEU, a larger company with greater expertise and financial capabilities, is for the public good, despite a significant increase in rates. Because the transfer did not occur, in the interim Northern Shores sought and was granted an increase in rates that, while large, still left the customers with the fourth lowest water rates in the State.¹ However, Northern Shores' owners no longer wish to own or manage a water utility and, even with the 2007 rate increase, Northern Shores continues to experience operating losses and necessary investment in the system is not being made.

¹ The Commission maintains on-line a ranking of water and sewer company rates at www.puc.nh.gov.

When the Commission first evaluated this matter in 2006, it considered the rate increase against the benefits the transfer would bring to the Northern Shores customers. The system would be maintained by a company with expertise in water utility systems and would be able to spread the cost of needed investments across a large body of ratepayers. The rate PEU will charge will closely approximate the true cost of operating this water system. Though Northern Shores' customers will experience a significant percentage rate increase as a result of this transfer, customers will have the opportunity to mitigate this increase as they will be converting from an unmetered flat rate, where there is no real incentive to conserve water, to a metered rate. Given the resolution of the encroachment issue, we find it is appropriate to extend the time for completion of the transfer of assets until December 31, 2010.

Based upon the foregoing, it is hereby

ORDERED, that the time period to complete the proposed transfer of the Northern Shores Water Company system and its associated franchise rights to Pennichuck East Utility, Inc. upon the terms and conditions as specified in the joint petition and in the motion to amend is extended to December 31, 2010; and it is

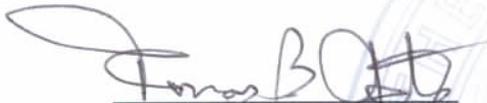
FURTHER ORDERED, that Pennichuck East Utility, Inc. is authorized to charge the current flat rate for water service to the Northern Shores' customers until such time as the water service of each customer is metered, but in no case later than six months after closing on the transfer; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. is authorized to charge its currently authorized GM-A rate for metered service once a water meter is installed at each service connection; and it is

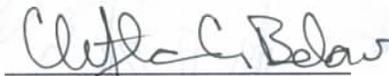
FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this Order to be delivered to each current Northern Shores customer no later than August 25, 2010 and to be documented by affidavit filed with this office on or before September 7, 2010; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall file a compliance tariff with the Commission within thirty (30) days of completion of the proposed transaction, in accordance with N.H. Admin. Rules Puc 1603.02(b).

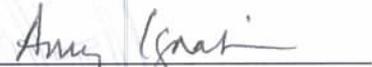
By order of the Public Utilities Commission of New Hampshire this tenth day of August, 2010.



Thomas B. Getz
Chairman



Clifton C. Below
Commissioner



Amy E. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director