

Ex. 2

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AND SECRETARY
Debra A. Howland

STATE OF NEW HAMPSHIRE
DOCKET NO. DW10-091
#2
Panel #1
DO NOT REMOVE FROM FILE



PUBLIC UTILITIES COMMISSION
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September 8, 2010

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: Docket No. DW 10-091 Pennichuck Water Works, Inc.
Permanent and Temporary Rate Increase Proceeding
Settlement Agreement – Temporary Rates

Dear Ms. Howland:

Staff and Pennichuck Water Works, Inc. have entered into a settlement agreement, which is attached, and will be prepared to present this agreement to the Commission at the September 15, 2010, 2 p.m. hearing.

Thank you in advance for your assistance.

Sincerely,

Marcia A. B. Thunberg
Staff Attorney

cc: Service List

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

PENNICHUCK WATER WORKS, INC.**

DW 10-091

PERMANENT AND TEMPORARY RATE INCREASE PROCEEDING

SETTLEMENT AGREEMENT – TEMPORARY RATES

I. INTRODUCTION

This Agreement is entered into this 8th day of September, 2010, by and between Pennichuck Water Works, Inc. (“PWW” or the “Company”) and the staff (“Staff”) of the New Hampshire Public Utilities Commission (“the Commission”).

II. PROCEDURAL BACKGROUND

On May 7, 2010, the Company filed revised tariff pages with an effective date of June 6, 2010, which were designed to increase its annual revenues by \$3,915,175, an increase of 16.23%, along with a step adjustment to recover plant additions to be placed in service during 2010 which would result in additional revenues of \$886,638, which would bring the combined increase to 19.91%. Along with its request for a permanent rate increase, the Company filed a Petition for Temporary Rates and accompanying tariff pages, seeking a temporary rate increase of \$2,604,524, or an overall increase of 10.80% to take effect with service rendered on and after June 6, 2010. The Company also requested that the Commission authorize a Water Infrastructure and Conservation Adjustment surcharge to cover the replacement and rehabilitation of water main, water services, water gate valves, fire hydrants, and water meters. This WICA charge, if approved, would allow

PWW to increase its rates annually up to a maximum of 2% per year, and no more than 7.5% between rate cases.

On June 4, 2010, the Commission issued an Order of Notice, suspending the Company's permanent rate filing and scheduling a procedural conference for July 14, 2010. The procedural conference was held as scheduled on July 14, 2010, at which time the Commission granted intervenor status to Anheuser-Busch. After the conclusion of the procedural conference, the Company, the Office of Consumer Advocate ("OCA"), Staff and counsel for Anheuser-Busch participated in a technical session at which, among other things, they discussed the Company's request for temporary rates. The Staff, OCA and Anheuser-Busch issued discovery to the Company, to which it responded.

The Company and Staff reached agreement on the issue of temporary rates, and the terms of that agreement are set forth below.

III. TERMS OF AGREEMENT

A. REVENUE REQUIREMENT

The Company and Staff agree that the Company should be authorized to implement temporary rates, in accordance with RSA 378:27, sufficient to yield an increase of \$2,604,524 in annual revenues above the revenues yielded by the rates currently in effect, or 10.81%, in annual revenues above the revenues yielded by the rates currently in effect. See Report of Proposed Rate Changes, which is attached as Exhibit A.

B. RATE DESIGN

The increase in rates provided for by this agreement should be implemented by maintaining the current rate design in effect and approved by the Commission. The rate impact of the proposed increase on residential customers is set forth on Exhibit B and proposed tariff pages reflecting the rate changes are set forth on Exhibit C.

C. EFFECTIVE DATE AND RECOUPMENT

The temporary rates contemplated by this agreement shall be effective for service rendered on and after June 16, 2010 and will be recouped from customers in equal installments over a five month period. Any difference between the temporary rates agreed to herein and the permanent rates ultimately approved by the Commission in this docket is subject to reconciliation upon implementation of new permanent rates.

IV. CONDITIONS

This agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid. This agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this agreement in its entirety, without change or condition, the agreement shall at the Company's or the Staff's option, exercised within ten days of such Commission order, be deemed to be null and void and without effect and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

The Commission's acceptance of this agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that the provisions set forth herein in their totality are consistent with the public interest under the circumstances. The signatories to this agreement acknowledge that the procedural schedule for temporary rates in this proceeding was truncated because they reached agreement on a proposed resolution regarding the issues related to temporary rates, and therefore the information and testimony previously provided in this proceeding are not expected to be subject to cross-examination for such purpose. The Company and Staff agree that all pre-filed testimony should be admitted as full exhibits for the purpose of consideration of this agreement. Agreement to admit all pre-filed testimony without challenge, however, does not constitute agreement by any party that the content of the pre-filed testimony filed by another party is accurate or what weight, if any, should be given to the views of any witness. In addition, the identification of the resolution of any specific issue in this agreement does not indicate the Company's or Staff's agreement to such resolution for purposes of permanent rates, nor does the reference to any other document bind the Company or Staff to the contents of, or recommendations in, such document for purposes of any future proceeding.

The Commission's approval of the recommendations in this agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the revenue requirement and rates resulting from

this agreement are consistent with the public interest for purposes of temporary rates in this proceeding.

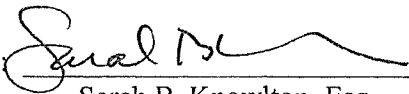
The discussions that produced this agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

IN WITNESS WHEREOF, the parties to this agreement have caused the agreement to be duly executed in their respective names by their fully authorized agents.

PENNICHUCK WATER WORKS,
INC.

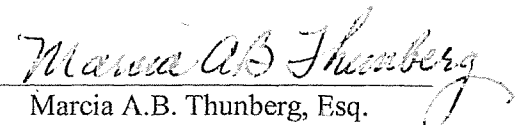
By: McLane, Graf, Raulerson &
Middleton, Professional Association

Dated: 9/8/10

By: 
Sarah B. Knowlton, Esq.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Dated: 9/8/10

By: 
Marcia A.B. Thunberg, Esq.

Pennichuck Water Works, Inc.
 Report of Proposed Rate Changes
 For the Twelve Months Ended December 31, 2009

Pro Forma
 Schedule 9
 Temporary

DOCKET NO: DW 10-091 DATE FILED: 5/6/2010
 TARIFF NO.: 5 or PAGE NOS. 40-42 and 57 EFF. DATE: 6/16/2010

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Proposed Change</u>			
			<u>Pro Forma Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
G-M	Increase	25,304	19,117,055	21,191,255	\$2,074,200	10.85%
Private FP	Increase	807	852,380	944,863	\$92,483	10.85%
FP - Hydrants	Increase	5	2,817,166	3,122,829	\$305,663	10.85%
Anheuser-Busch Contract	Increase	2	862,048	955,580	\$93,532	10.85%
<u>Milford Contract</u>				-	\$0	10.85%
Contract Charges	No Increase	1	81,000	81,000	\$0	0.00%
Volumetric Charges	Increase	-	87,806	97,333	\$9,527	10.85%
<u>Hudson Contract</u>				-	\$0	10.85%
Contract Charges	No Increase	1	32,800	32,800	\$0	0.00%
Volumetric Charges	Increase	-	266,172	295,051	\$28,880	10.85%
TOTALS		26,120	\$24,116,426	\$26,720,711	\$2,604,285	10.80%

Notes:

Due to the allocation of increase across customer classes and no increases in contract charges, a slight difference is noted in the individual percentage increases and the total revenues vs. the revenue requirement reflected in the rate filing schedules.

Signed by:

Bonalyn J. Hartley

Title:

Vice President - Administration

**Pennichuck Water Works, Inc.
 Proposed Rate Changes DW 10-091
 Proposed Rate Impact on Residential Customer Bill
 For the Twelve Months Ended December 31, 2009**

	DW 08-073 Monthly Charge	10.80% Temporary Increase
5/8" Meter	\$ 18.18	\$ 20.15
Avg. Consumption/100 cu ft	7.88	7.88
Usage Rate	\$ 2.90	\$ 3.21
Volumetric	\$22.85	\$25.29
Total Monthly Bill	<u>\$41.03</u>	<u>\$45.44</u>
Annualized Amount	\$492.36	\$545.28
 <u>Incremental :</u>		
Monthly		\$4.41
Annualized		\$52.92
Effective Increase		10.85%

NHPUC NO. 5 WATER

Proposed Twelfth Revised Page 40

PENNICHUCK WATER WORKS, INC.

Superseding Eleventh Revised Page 40

**RATE SCHEDULE
 GENERAL SERVICE - METERED
 SCHEDULE G-M
 TEMPORARY INCREASE**

Availability:

The rate is available for metered water service in the franchised area subject to the terms and conditions of this tariff.

Character of Service:

Nashua Core System: Water is fully treated, filtered, and purified and is transmitted by gravity and pumps to the individual service pipes.

Community Water Systems: Water is ground water from a well site. Water quality meets or exceeds all federal and state standards for drinking water. Outdoor use of water may be restricted during dry summer periods.

Rate:

A minimum customer charge shall be made for each customer whom service is rendered under this tariff, based on the meter size shown below:

Meter Size	Current Rate	Proposed Temporary Increase	
5/8"	\$ 18.18	\$ 20.15	(I)
3/4"	26.16	\$ 29.00	(I)
1"	42.13	\$ 46.70	(I)
1 1/2"	82.10	\$ 91.01	(I)
2"	134.41	\$ 148.99	(I)
3"	246.48	\$ 273.22	(I)
4"	406.51	\$ 450.62	(I)
6"	806.63	\$ 894.15	(I)
8"	1,286.90	\$ 1,426.53	(I)
10"	1,847.05	\$ 2,047.45	(I)

Volumetric:

In addition to the standard customer charge, the monthly volumetric charge based on usage will be as follows:

Volumetric Charge:	\$ 2.90 per 100 cu. Ft.	
Temporary Increase	\$ 3.21 per 100 cu. Ft.	(I)

Terms of Payment:

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Issued by _____

Effective: June 16, 2010

Bonalyn J. Hartley
 Title: Vice President Administration

NHPUC NO. 5 WATER

Proposed Twelfth Revised Page 41

PENNICHUCK WATER WORKS, INC.

Superseding Eleventh Revised Page 41

RATE SCHEDULE
MUNICIPAL FIRE PROTECTION SERVICE
SCHEDULE FP-M
TEMPORARY INCREASE

Availability:

This rate is applicable to general fire protection.

Character of Service:

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

Rate:

The charge shall be made up of two parts as follows:

1) Hydrant charge

For each hydrant connected to the distribution system

<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
\$ 17.16 per month	\$ 19.02 per month	(l)

2) Inch-Foot Charge

The number of "inch-foot" units in the distribution system is to be obtained by multiplying the number of linear feet of pipe of each diameter (4" and larger) by the diameter in inches. The total number of "inch-foot" units in the distribution system will be determined as of January 1st each year, and will be the base for computing the "inch-foot" charge for the entire year with one-fourth to be billed each quarter or one-twelfth to be billed each month.

Charge for each "inch-foot" unit to be

<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
\$ 0.11828 per year	\$ 0.13111 per year	(l)

Terms of Payment:

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Issued by _____

Effective: June 16, 2010

Bonalyn J. Hartley
 Title: Vice President Administration

NHPUC NO. 5 WATER

Proposed Twelfth Revised Page 42

PENNICHUCK WATER WORKS, INC.

Superseding Eleventh Revised Page 42

**RATE SCHEDULE
PRIVATE FIRE PROTECTION SERVICE
SCHEDULE FP-NM
TEMPORARY INCREASE**

Availability:

This rate is available for private fire protection and sprinkler service subject to the Private Fire Protection Regulations of paragraph 13 of this tariff.

Character of Service:

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

Rate:

The charge shall be determined by the size of the pipe entering the property as follows:

	<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
4" or smaller connection	\$ 55.70	\$ 61.74	(I)
6" connection	93.46	\$ 103.60	(I)
8" or larger connection	137.60	\$ 152.53	(I)

Terms of Payment:

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Issued by _____

Effective: June 16, 2010

Bonaly J. Hartley
Title: Vice President Administration

NHPUC NO. 5 WATER

Proposed Second Revised Page 57

PENNICHUCK WATER WORKS, INC.

Superseding First Revised Page 57

**RATE SCHEDULE
 GENERAL SERVICE - NON-METERED
 TEMPORARY INCREASE**

Pennichuck Water Works, Inc. (PWW) will charge current unmetered customers a monthly rate as specified below based on the average single family residential usage as specified below until such time as meters are installed.

Commercial, Industrial and Private Fire Protection customers will be charged an average rate as calculated for a similar customer in PWW.

PWW will make every effort to install meters in a timely manner and in no such case should these rates remain in force for more than a twelve month period.

	<u>Current Rate</u>	<u>Proposed Temporary Increase</u>
5/8 inch Meter Charge	\$ 18.18	\$ 20.15
Volumetric Charge	\$ 2.90	\$ 3.21
Average Single Family Residential Usage	9.53 CCF	7.88 CCF
	<u>\$ 27.64</u>	<u>\$ 25.29</u>
Total Monthly Charge	<u>\$ 45.82</u>	<u>\$ 45.44</u> (I)
Annually	<u>\$ 549.84</u>	<u>\$ 545.28</u>

Issued: _____

Issued by _____

Effective: June 16, 2010

Bonalyn J. Hartley
 Title: Vice President Administration