

STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 22-032 PENNICHUCK WATER WORKS, INC.

Request for Change in Rates

Order Suspending Proposed Tariffs, Commencing an Adjudicative Proceeding, and Scheduling a Prehearing Conference

ORDER NO. 26,652 July 26, 2022

This order suspends for 12 months the proposed tariffs filed on June 27, 2022 by Pennichuck Water Works, Inc. (PWW or the Company) for temporary and permanent rate increases, pending further investigation. The order also commences an adjudicative proceeding and schedules a prehearing conference on Wednesday, September 7, 2022, at 1:30 p.m.

I. BACKGROUND AND PROCEDURAL HISTORY

PWW filed a Notice of Intent to File Rate Schedules in the above-captioned docket on May 19, 2022. On June 27, 2022, PWW submitted its rate filing, and the Office of the Consumer Advocate filed a letter of participation. PWW requested permanent and temporary rate increases, as well as an adjustment to its Material Operating Expense Factor (MOEF) and a reallocation of its Rate Stabilization Fund (RSF) accounts.

In support of its requests, PWW filed the direct testimony and related attachment(s) of: Larry D. Goodhue, the Chief Executive Officer of Pennichuck Corporation and PWW; Donald L. Ware, Chief Operating Officer of PWW; the combined testimony of Mr. Goodhue and Mr. Ware; Gregg H. Therrien, Assistant Vice President of Concentric Energy Advisors, Inc.; proposed tariffs; other required rate case filings; a petition for temporary rates; and a motion for protective order regarding PWW compensation and payroll information.

PWW's rate filing and subsequent docket filings, other than any information for which confidential treatment is requested or granted by the Commission, are available on the Commission's website at www.puc.nh.gov/regulatory/Docketbk/2022/22-032.html.

A. Request for Permanent Rate Increase

In written testimony, Mr. Goodhue and Mr. Ware asserted that, based on the 12 months ending on December 31, 2021, the test year used, the Company had a revenue deficiency of \$4,732,302. Direct Testimony of Donald L. Ware, June 27, 2022 (Ware Testimony), Bates Pages 54-55; Direct Testimony of Larry D. Goodhue and Donald L. Ware, June 27, 2022 (Goodhue and Ware Testimony), at Bates Page 105.

According to PWW's filing, the primary causes underlying the asserted deficiency were the cost of debt service and property taxes associated with capital expenditures and increases to operating expenses. Ware Testimony at Bates Page 55. Operating expenses increased due to increased production expenses, including increased chemical costs and electric supply rates, as well as increases to staff salaries, benefits, and payroll tax expenses. Id.

PWW requests a rate increase of 13.06 percent overall to bring its allowed revenues to \$40,883,431. Direct Testimony of Larry D. Goodhue, June 27, 2022 (Goodhue Testimony), at Bates Pages 31-32, 41. Per Mr. Goodhue, a rate increase of 13.06 percent is necessary to cover PWW's current operating expenses and to meet costs of servicing its direct debt and share of the City Bond Fixed Revenue Requirement. Goodhue Testimony at Bates Pages 41-42.

The rate increases would vary by customer class as follows:

Customer Class	Rate Increase
G-M Fixed Charge Customers – 5/8" meters	13.46 percent
G-M Fixed Charges – All other meter sizes Customers	12.97 percent
G-M Volumetric Charge Customers	12.97 percent
Private Fire Customers	13.46 percent
Municipal Fire Customers	16.46 percent
Special Contract Customers – Contract Charges	0.0 percent
Special Contract Customers – Volumetric and Meter Charges	12.97 percent

Ware Testimony at Bates Page 76. The proposed 13.06 percent perma-

nent rate increase would include the QCPAC surcharges already requested pursuant to approvals in Docket No. DW 20-020 (3.9 percent) and Docket No. DW 21-023 (1.56 percent), and the QCPAC surcharge requested in Docket No. DW 22-006 (1.75 percent). Id. at Bates Page 58; Goodhue Testimony at Bates Pages 31-32.

As proposed in PWW's filing, the monthly bill of a single-family residential customer using approximately 7.76 hundred cubic feet (CCF) of water would increase from \$55.49 per month, based on the permanent rates approved in Docket No. DW 19-084, to \$62.77. See Tariff Pages at Bates Page 211. The corresponding QCPAC surcharges would be eliminated if the permanent rate increase is approved.

Ware Testimony at Bates Page 82.

In addition to its proposed permanent rate increase, PWW is requesting that the MOEF be adjusted from the 9.5 percent approved in Docket No. DW 19-084 to 9 percent. Goodhue Testimony at 43-44; Ware Testimony at Bates Page 79. The Company is requesting a reallocation of the \$3.92 million aggregate sum for its RSF accounts approved in Docket No. DW 16-806. Goodhue Testimony at 44.

B. Request for Temporary Rate Increase

PWW also requested approval of temporary rates pursuant to RSA 378:27, effective August 1, 2022, on a service-rendered basis during the suspension of its permanent rates tariff. Petition for Temporary Rates; Goodhue and Ware Testimony at Bates Page 109. In support of that request, PWW proposes a temporary rate increase equal to the aggregate value of the above-noted QCPAC surcharges, citing the Commission's approval of a similar temporary rate increase in Docket No. DW 20-156. See Order No. 26,508 (August 16, 2021). Goodhue and Ware Testimony at Bates Pages 107-108. PWW would consider suspending collection of the QCPACs as of August 1, 2022 if a temporary rate increase of 7.21 percent were approved. Id. at 108-109.

The same temporary rate increase would apply to all customer classes, and there would be no changes in rate design related to the proposed temporary rate increase. Id. at 108. If the proposed temporary rates are approved, the monthly bill of a single-family residential customer using approximately 7.76 CCF of water would increase from \$55.49 per month to \$59.46 per month. See Proposed Temporary Rate Schedule at Bates Page 95.

II. ISSUES PRESENTED

The filing presents, inter alia, the following issues: whether the proposed adjustment to the MOEF approved by Order No. 26,383 (July 24, 2020) and the proposed adjustment to the allocation of the RSF accounts approved by Order No. 26,070 (November 7, 2017) should be approved and, if so, based on what standards; whether certain investments were prudent; whether the proposed rate increases will yield a just and reasonable return on the prudent cost of plant, equipment, and capital improvements used and useful in PWW's provision of service to the public, less accrued depreciation, as required by RSA 378:27 and RSA 378:28; whether PWW appropriately calculated its revenue requirement and whether the proposed temporary and permanent rates are just and reasonable, as required by RSA 374:2, and RSA 378:5 and :7, including all ratemaking sub-components and the accuracy of all rate petition schedules; and whether the requested protection of certain payroll information from public disclosure is appropriate.

The Commission will be conducting any hearings scheduled in this matter in person. The Commission will consider requests to conduct hearings using a hybrid format to permit remote participation by specific individuals only if the Commission has determined that a sufficient reason has been provided for why such individuals would be unable to attend in person. Any party requesting that a specific individual be permitted to participate remotely should file a written request with the Commission's Clerk's Office no later than fifteen (15) days prior to the prehearing conference or hearing date. If the Commission determines that one or more individuals will be permitted to appear remotely, then individuals in the Commission's hearing room, including the Commissioners, will be broadcast on a web-enabled platform.

Based upon the foregoing, it is hereby

ORDERED, that PWW's proposed tariffs are suspended for a period of not to exceed twelve (12) months pursuant to RSA 378:6, (l), pending investigation and further order of the Commission; and it is

FURTHER ORDERED, that an adjudicative proceeding be commenced for the purpose of reviewing and resolving the foregoing issues pursuant

to RSA chapter 541-A, RSA 374:2, RSA 378:5, RSA 378:7, RSA 378:27, RSA 378:28, and the Commission's procedural rules; and it is

FURTHER ORDERED, that the Commission will hold a prehearing conference in this matter at its offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on September 7, 2022, at 1:30 p.m., at which each party should be prepared to address any of the issues set forth in New Hampshire Code of Administrative Rules, Puc 203.15; and it is

FURTHER ORDERED, that during the prehearing conference, the Commission will consider the matters listed in Puc 203.15(c) and (d), including the establishment of a procedural schedule governing the remainder of the proceeding. Parties and potential parties are encouraged to facilitate the development of a procedural schedule by conferring prior to the prehearing conference, so that the presiding officer can address any matters on which there is disagreement during the prehearing conference. Any procedural schedule, however, will not be approved until after the prehearing conference and after consulting the Commission's calendar; and it is

FURTHER ORDERED, that, immediately following the prehearing conference, PWW shall make appropriate personnel available for the parties, to hold a technical session to review the filing; and it is

FURTHER ORDERED, that any entity or individual may petition to intervene and seek to be admitted as a party in this proceeding. Each party has the right to have an attorney represent the party at the party's own expense; and it is,

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any entity or individual seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to PWW and any other parties on the service list, on or before August 12, 2022. The petition shall state the facts demonstrating how the petitioner's rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before August 22, 2022; and it is

FURTHER ORDERED, that parties shall file any proposed exhibits, written testimony, motions, or other documents intended to become part of the record in this proceeding with the Commission. Pursuant to the secretarial letter issued on March 17, 2020, which is posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Secretarial%20Letters/20200317-SecLtr-Temp-Changes-in-Filing-Requirements.pdf>, all Commission rules requiring the filing of paper copies are suspended until further notice. Parties may elect to submit any filing in electronic form unless otherwise ordered by the Commission. Filings will be considered filed as of the time the electronic copy is received by the Commission; and it is

FURTHER ORDERED, that routine procedural inquiries may be made by contacting the Commission's Clerk's Office at (603) 271-2431 or ClerksOffice@puc.nh.gov. All requests to the Commission should be made in a written pleading filed with the Commission. Unless otherwise authorized by law, ex parte communications are prohibited; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. R., Puc 203.12, PWW shall notify all entities and individuals desiring to be heard at this hearing by publishing a copy of this order no later than August 8, 2022 in a newspaper with general circulation in those portions of the state in which operations are conducted, such publication to be documented by affidavit filed with the Commission on or before August 12, 2022. In addition, the Clerk shall publish this order of notice on the Commission's website no later than two business days after the date of issue; and it is

FURTHER ORDERED, that any hearings in this matter shall be conducted in accordance with the attached hearing guidelines.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of July, 2022.

Daniel C. Goldner Chairman

Pradip K. Chattopadhyay Commissioner

Carleton B. Simpson Commissioner

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.