

May 23, 2022

RECEIVED

MAY 24 2022

**TOWN OF BEDFORD
TOWN MANAGER**

Mr. Rick Sawyer
Town Manager
Bedford Town Offices
24 North Amherst Road
Bedford, NH 03110

Re: Pennichuck Water Works, Inc. – Estimated Water Rate Increase

Dear Mr. Sawyer:

On behalf of Pennichuck and its water utility companies, I wanted to make you aware that Pennichuck Water Works (“PWW”) has filed a Notice of Intent (“NOI”) to file a rate case with the New Hampshire Public Utilities Commission (“PUC”) on May 20, 2022 (see notice attached). This rate case is being filed in conformity with the requirement that PWW file a rate case every three years, as included in the Order approving its current rates in Docket DW 19-084 with the PUC. The Company is requesting the PUC approve an increase in PWW’s rates, to allow PWW to collect sufficient revenues to pay for increases in the Company’s current operating expenses which have occurred over the past three years, due to inflation and other factors. This case will be based upon a test year of 2021; PWW last had an increase in its base (or permanent) rates for the test year of 2018.

The Company has recovered, or is awaiting approval of recovery, for its investments in infrastructure over the past three years via the Company’s annual Qualified Capital Project Adjustment Charge (“QCPAC”), which is a fundamental element of the Company’s rate structure, as a debt-only funded regulated water utility. The accumulated annual charge associated with the QCPAC since 2019, will be a component of the overall new permanent rates being sought, with the net impact of the requested rate increase being the component of that increase over and above the amounts already included as a part of the annual QCPAC surcharges.

The PUC’s rate case process involves the following steps:

- Notice of Intent to File Rate Schedules, which must state an estimate of the projected increase in rates. Filed on May 20, 2022.

- A complete Rate Case filing, which includes the final proposed change in rates and all testimony, exhibits and schedules required under PUC rules and regulations. This must be filed no earlier than 30 days of the date of the NOI, and no later than 60 days after the date of the NOI. As such, the case is to be filed on or after June 19, 2022, but before July 19, 2022.
- The PUC will open a docket for the Rate Case and issue an Order of Notice scheduling a prehearing conference to address timing and other procedural aspects. We expect this prehearing conference to occur sometime in August 2022.
- PWW's Rate Case will include a request that the PUC allow a "temporary" rate increase, which will allow PWW to charge those approved rates during the pendency of the Rate Case. At this juncture, PWW expects to request "temporary" rates at "current rates," which would result in no adjustment to the current water rates for this case on a temporary basis, as the process is completed to approve new permanent rates. We expect hearings on PWW's temporary rate request will be held before the end of 2022.
- The PUC will approve a detailed procedural schedule for the docket, which will include discovery and testimony by Department of Energy ("DOE") Staff, the Office of Consumer Advocate, and any other parties which petition for and are approved as intervenors to the case. A hearing on permanent rates is likely to be held in the Spring or Summer of 2023.

PWW's NOI states its best current estimate as of the date of this filing as to the amount of the base rate increase that PWW will ultimately seek. This requested increase will be finalized within the next 30 days as PWW completes its full Rate Case filing.

The current base rate increase set forth in the NOI is to increase PWW's base annual revenues by approximately \$5.1 million, which represents an increase in base rates of about 14.0%. As will be carefully documented by PWW's full Rate Case filing, this increase is appropriate and reasonable for the following reasons: PWW has not had an increase in base rates since 2019; the underlying cost of PWW's operating expenses have increased during that period in some cases at higher than the rate of inflation; PWW's usage of certain operating costs have changed (upwards or downwards) based upon factors relating to the ongoing operation of the utility, as well as forces impacting that operation outside of the utility's ability to control, and PWW has borrowed and invested about \$37.8 million in new capital projects or infrastructure replacement since the beginning of 2019 to serve its customers (for which QCPAC surcharge increases are necessary so that it can pay the debt service attributable to these new capital investments). The overall increase in rates and base annual revenues is inclusive of all of these factors, and includes the revenues needed to pay for necessary operating expenses, over and above what has already been authorized in the Company's annual Qualified Capital Project Adjustment Cost (QCPAC) surcharge filings.

The requested rate increase is consistent with the City of Nashua's plan when it acquired Pennichuck in January 2012. Because the City does not seek to charge a profit for Pennichuck's water utility service, and because the cost of operating PWW as a municipally-owned, debt-only funded utility is lower than if Pennichuck were still privately-owned, the requested rate increase is lower than if the City had not acquired Pennichuck.

It is the intent of the Company to keep the communities we serve informed as we proceed through the regulatory process. I would appreciate your sharing the information provided with your community's governing Board.

A copy of the Notice of Intent to File Rate Schedules will be available on the Company's website (www.Pennichuck.com). If possible, we would appreciate your posting this letter on your Town website in order to inform customers being served by the Company. In addition, once the docket has been opened at the PUC, you may follow the proceeding on the PUC website: <http://www.puc.state.nh.us>.

In addition, members of the Company staff are available to meet with you or the community's governing body to discuss the rate filing process and the estimated rate increases.

After nearly 10 years of City ownership, PWW continues to provide high quality water service, with important investments in safe and secure infrastructure, and with excellent customer service, at rates that are lower than they would have been under prior private ownership.

Please feel free to call me at 603-913-2312 if you need any further information or clarification.

Sincerely,



Larry D. Goodhue
Chief Executive Officer

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK WATER WORKS, INC.

DOCKET NO. 22-____

NOTICE OF INTENT TO FILE RATE SCHEDULES

Pursuant to N.H. RSA 378:3 and N.H. Code Admin. Rules 1604.05(a), Pennichuck Water Works, Inc. (PWW), hereby gives notice of its intent to file rate schedules with the New Hampshire Public Utilities Commission. Pursuant to RSA Chapter 378, PWW will be seeking to increase its current approved revenue requirement by about 14%, above the revenues generated by sales based on the five-year average test period originally approved in Order No. 26,070. This increase in PWW's revenue requirement will be inclusive of the Qualified Capital Project Adjustment Charge (QCPAC) surcharges approved by the Commission since PWW's last full general rate case, which includes the 3.90% 2020 QCPAC approved in Docket No. DW 20-020 and the 1.56% 2021 QCPAC approved in DW 21-023. The revenue requirement typically includes any pending QCPAC charges approved prior to Commission approval of permanent rates. Therefore, PWW expects its revenue requirement and percent increase to also include the proposed 2022 QCPAC surcharge of 1.75% being sought in DW 22-006. Cumulatively, these QCPAC surcharges will comprise about 7.21% of the proposed 14% increase to PWW's authorized revenue requirement.

PENNICHUCK WATER WORKS, INC.

By its attorney,



Marcia A. Brown
NH Brown Law, PLLC
20 Noble Street
Somersworth, NH 03878
(603) 219-4911/mab@nhbrownlaw.com

Dated: May 20, 2022

CERTIFICATE OF ELECTRONIC SERVICE

I hereby certify that a copy of this notice has been emailed this day to the Office of the Consumer Advocate (ocalitigation@oca.nh.gov) and Department of Energy (energy-litigation@energy.nh.gov).

Dated: May 20, 2022



Marcia A. Brown