

**Docket No. DW 16-806
Pennichuck Water Works, Inc.
Request for Change in Rates**

TAB 11

Petition for Specific Modifications to Ratemaking Structure

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. 16-806

Pennichuck Water Works, Inc.
Request for Change in Rates

PETITION FOR SPECIFIC MODIFICATIONS TO RATEMAKING STRUCTURE

Pennichuck Water Works, Inc. (“PWW”), pursuant to RSA 365:7 and RSA 28, petitions the New Hampshire Public Utilities Commission (the “Commission”) to adopt specific modifications to the ratemaking structure established for PWW by the Commission’s Order No. 25,292. In support of this Petition, PWW states as follows:

1. On August 17, 2016, PWW filed its Notice of Intent to File Rate Schedules, indicating that PWW intends to file rate schedules seeking approval of permanent rate relief and also “seeking authority to charge temporary rates, collect a step increase in rates, and modify its revenue requirement methodology.” By letter dated August 18, 2016, the Commission acknowledged this filing and established Docket No. DW 16-806 for the matter.

2. As of the date of this petition, PWW has filed the contents and documents of its full rate case proposal in accordance with N.H. Admin. Rule Puc PART 1604 and as required by this Commission’s Order No. 25,292 in Docket No. DW 11-026 approving a modified ratemaking structure for PWW and its two utility affiliates: Pennichuck East Utility, Inc.

("PEU") and Pittsfield Aqueduct Company ("PAC"). These documents include testimony and analysis that supports the rate relief requested by PWW, and further identifies and supports PWW requests for specific modifications to PWW's ratemaking structure.

3. The ratemaking structure authorized by the Commission in DW 11-026 reflects the unique circumstances resulting from the City of Nashua's ("City") acquisition of Pennichuck Corporation ("Pennichuck") (the parent corporation of PWW, PEU and PAC) in January 2012. These unique circumstances include the facts that under the City's ownership, PWW must finance all of its future capital and infrastructure investments with debt, as opposed to equity, and that PWW's rates must accordingly be more focused on collecting revenues sufficient to meet the cash flow needs of utility operations and repayment of debt obligations, as opposed to achieving a rate of return on shareholder equity.

4. Subsequent to the City's acquisition, Pennichuck and PWW have accomplished two large financings and refinancings, pursuant to the approvals granted by this Commission in Dockets No. DW 14-130 and DW 15-196. In connection with these significant financings, Pennichuck and PWW have acquired valuable experience with credit markets and knowledge of what potential lenders to PWW desire in order to loan funds at affordable interest rates and on favorable terms.

5. Based on the experience gained subsequent to the City's acquisition, and in connection with these important debt financing transactions, PWW has developed a better understanding of how the ratemaking structure approved in DW 11-026 operates on a practical basis, including positive aspects and deficiencies.

6. For the reasons explained in more detail in the direct testimonies of Mr. Larry D. Goodhue and Mr. Donald L. Ware filed as of the date of this petition in this Docket, PWW requests the Commission approve the following modifications to PWW's current ratemaking structure:

- (1) using a 5-year trailing average of revenues and expenses as a test period for future rate cases, rather than a single test year as is customary in traditional rate cases;
- (2) enhancing the current "City Bond Fixed Revenue Requirement" component of the current ratemaking structure to include an amount for repayment of the City of Nashua's eminent domain expenses, subject to the limitations established in Order No. 11-026;
- (3) creating an enhanced fixed revenue component (a "Debt Service Revenue Requirement") equal to a multiple of 1.25 times the sum of all test period debt payment payments;
- (4) creating a "Debt Service Rate Stabilization Fund" (or "DSRSF") similar to the current "Rate Stabilization Fund" (or "RSF") that would provide rate stabilization and cash flow coverage for debt obligations other than the City Bonds between permanent rate filings;
- (5) creating an "Operating Expense Rate Stabilization Fund" (or "OERSF") similar to the current RSF that would provide rate stabilization and cash flow coverage for operating expenses between permanent rate filings;
- (6) establishing that the initial funding for the DSRSF and the OERSF would be accomplished by dividing the RSF into three funds, each of which would be

accessed and replenished, or refunded to customers, through rates pursuant to rules similar to those currently governing the RSF;

- (7) imposing a mandatory requirement that PWW file a full rate case every three years; and
- (8) establishing an enhanced “Step Increase Program” to replace the current pilot WICA program that would authorize interim “step” increases in rates between permanent rate cases based on annual filings verifying PWW’s investment of proceeds of approved financings in intended capital assets.

7. PWW believes that the best forum for the Commission’s review and evaluation of the proposed modifications is the current PWW full rate case in this docket because that review provides a practical and concrete example that demonstrates the relative impacts of each of the proposed modifications. Accordingly, PWW’s rate schedule filings and testimonies filed in this docket include analysis applying the proposed modifications and demonstrating their impacts on PWW’s rates.

8. For the reasons stated in the direct testimonies filed by PWW supporting its request for rate relief in this docket, PWW believes that the modifications to its ratemaking structure set forth in this petition and described in the testimonies are in the public interest and will produce rates that are just and reasonable.

WHEREFORE, PWW respectfully requests that the Commission:

- A. Find that the modifications to PWW’s ratemaking structure proposed in this petition are in the public interest and that the rates resulting from application of such modifications are just and reasonable;

- B. Approve, pursuant to RSA 378:7 and RSA 378:28, the modifications to its ratemaking structure proposed in this petition;
- C. Modify its Order No. 25,292 to reflect the approval of the proposed modifications;
- D. Order PWW to file its future rate cases consistent with the modifications proposed in this petition; and
- E. Grant such other relief as is just and equitable.

Respectfully submitted,

Pennichuck Water Works, Inc.

By its Attorneys,
RATH, YOUNG AND PIGNATELLI, PC

Date: September 23, 2016

By: 

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Certificate of Service

I hereby certify that on this 23th day of September, 2016, a copy of this petition and attached testimony has been hand delivered and emailed to the Office of the Consumer Advocate.



William F.J. Ardinger, Esq.