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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 4, 2007 - 9:16 a.m.
Concord, New Hampshire

DAY III

RE: DW 04-048
CITY OF NASHUA, NEW HAMPSHIRE:
Petition for valuation pursuant to RSA 38:9.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. the City of Nashua, NH:
Robert Upton, II, Esq. (Upton & Hatfield)
Justin C. Richardson, Esq. (Upton & Hatfield)

Reptg. Pennichuck Water Works, Pennichuck
East Utilities & Pittsfield Aqueduct Co.:
Steven V. Camerino, Esq. (McLane, Graf...)
Sarah B. Knowlton, Esq. (McLane, Graf...)
Joe Conner, Esq. (Baker, Donelson...)

Reptg. Anheuser-Busch:
Daniel J. Mullen, Esq. (Ransmeier & Spellman)
John T. Alexander, Esq. (Ransmeier & Spellman)

COURT REPORTER: STEVEN E. PATNAUDE CCR

1 APPEARANCES: (C o n t i n u e d)

2 Reptg. the Town of Milford:
3 E. Maria Reinemann, Esq.(Brown Olson & Gould)

4 Reptg. the Town of Merrimack:
5 Edmund Boutin, Esq.

6 Claire McHugh, pro se

7 Barbara Pressley, pro se

8 Reptg. Residential Ratepayers:
9 Kenneth E. Traum, Assistant Consumer Advocate
10 Stephen Eckberg
11 Office of Consumer Advocate

12 Reptg. PUC Staff:
13 Marcia A. B. Thunberg, Esq.

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll reconvene the hearings in docket DW
4 04-048, concerning the petition of the City of Nashua
5 pursuant to RSA Chapter 38:9 regarding Pennichuck Water
6 Works. In January, we granted the parties' request to
7 stay the hearings in this docket to undertake settlement
8 discussions, and extended that period of discussions in
9 May. And, in July, the parties notified us that they
10 could not reach agreement. Accordingly, we are
11 reconvening hearings this morning. I believe we have the
12 majority of the procedural issues taken care of in
13 advance, and we are ready to go to the panel of Mr.
14 Sansoucy and Mr. Walker. But, before we do that, let's
15 take appearances. And, start with the Petitioner.

16 MR. UPTON: I'm Robert Upton, from Upton
17 & Hatfield, along with Justin Richardson, I represent the
18 City of Nashua. He's not here yet, but his Honor, Mayor
19 Bernard Streeter, is on his way and will be here shortly.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MR. UPTON: Good morning.

24 MR. TRAUM: Good morning, Mr. Chairman,

{DW 04-048} (09-04-07/Day III)

1 Commissioners. Representing the Office of Consumer
2 Advocate, Kenneth Traum, and with me today is Stephen
3 Eckberg.

4 CHAIRMAN GETZ: Good morning.

5 CMSR. BELOW: Good morning.

6 CMSR. MORRISON: Good morning.

7 MR. BOUTIN: Edmund Boutin, representing
8 the Town of Merrimack.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 MS. PRESSLEY: Good morning. Barbara
13 Pressley, I'm a citizen intervenor.

14 CHAIRMAN GETZ: Good morning.

15 CMSR. MORRISON: Good morning.

16 CMSR. BELOW: Good morning.

17 MS. REINEMANN: Good morning. Maria
18 Reinemann, Brown, Olson & Gould, for the Town of Milford.

19 CHAIRMAN GETZ: Good morning.

20 CMSR. MORRISON: Good morning.

21 CMSR. BELOW: Good morning.

22 CHAIRMAN GETZ: I'm sorry, and it's
23 "Brenniman"?

24 MS. REINEMANN: "Reinemann".

1 CHAIRMAN GETZ: "Reinemann".

2 MS. McHUGH: Good morning. Claire
3 McHugh, intervenor.

4 CHAIRMAN GETZ: Good morning.

5 CMSR. MORRISON: Good morning.

6 CMSR. BELOW: Good morning.

7 MR. MULLEN: Good morning. Dan Mullen,
8 representing Anheuser-Busch, along with John Alexander and
9 Dom D'Ambruoso will be here during these proceedings.

10 CHAIRMAN GETZ: Good morning.

11 CMSR. MORRISON: Good morning.

12 CMSR. BELOW: Good morning.

13 MS. MARTIN: MaryEllen Martin,
14 interested citizen.

15 CHAIRMAN GETZ: You are -- remind me.
16 Were you granted intervention in this docket?

17 MS. MARTIN: I did not apply, sir.

18 CHAIRMAN GETZ: Okay. Thank you. Right
19 now I'm just trying to take appearances of all those
20 parties who have been granted intervention and have a
21 right to cross-examine today. Can we keep going clockwise
22 around the room?

23 MS. THUNBERG: Good morning,
24 Commissioners. Marcia Thunberg, on behalf of Staff, and

1 with me today is Mark Naylor, Doug Brogan, and Jayson
2 LaFlamme. Thank you.

3 CHAIRMAN GETZ: Good morning.

4 CMSR. MORRISON: Good morning.

5 CMSR. BELOW: Good morning.

6 MR. CAMERINO: Good morning,
7 Commissioners. Steve Camerino, from McLane, Graf,
8 Raulerson & Middleton, on behalf of the Pennichuck
9 Companies, also with me is my partner, Sarah Knowlton.
10 Also appearing on behalf of the Company are Joe Conner and
11 Clinton Sanko, from Baker, Donelson, Bearman, Caldwell &
12 Berkowitz. And, also at counsels' table is Duane
13 Montopoli, the CEO and President of Pennichuck Water
14 Works.

15 CHAIRMAN GETZ: Good morning.

16 CMSR. MORRISON: Good morning.

17 CMSR. BELOW: Good morning.

18 CHAIRMAN GETZ: Okay. Are there any --

19 MR. CAMERINO: Excuse me. If I could,
20 just for the record actually, Mr. Montopoli is the CEO and
21 President of Pennichuck Corporation. He is not the
22 President of Pennichuck Water Works, that would be Donald
23 Ware.

24 CHAIRMAN GETZ: Thank you. I believe

1 there are a couple of minor procedural issues outstanding
2 not relating to the witnesses today. One is I think
3 there's an outstanding issue with Ms. Pressley's
4 testimony, and there's an outstanding issue with some
5 materials that Ms. McHugh recently submitted. I would
6 suggest that we defer dealing with those issues until we
7 reach them in the schedule. Is there anything we need to
8 address before we start with the direct examination of the
9 panel? Which I remind the parties would be limited to
10 qualifying the witnesses and dealing with any changes, and
11 swearing them in. Is there anything that we need to
12 address? Mr. Camerino.

13 MR. CAMERINO: I have some minor
14 housekeeping matters, just to make sure that we're all on
15 the same page. First of all, the parties have agreed to a
16 witness order, as the Commission is aware. It's possible,
17 based on how long individual examinations take, that the
18 parties may have a need to change that order within their
19 presentation. And, the parties have agreed that that's
20 possible, although there should be sufficient notice to
21 both the Commission and the other parties before that
22 occurs.

23 (Short pause due to noise coming from
24 microphone.)

1 MR. CAMERINO: Shall I proceed?

2 CHAIRMAN GETZ: Continue please.

3 MR. CAMERINO: We also have made a
4 change in the order of examination from what we were doing
5 back in January. And, if I can get this right, there will
6 be the direct examination by the party whose witness is on
7 the stand, followed by examination by friendly
8 intervenors, followed by examination by neutral
9 intervenors, followed by cross-examination by what I'll
10 call the lead opponent of those witnesses, followed by the
11 Staff of the Commission, followed by the remaining adverse
12 intervenors. I think we'll be able to keep that straight.
13 Our thinking was that that will actually make the
14 cross-examination most efficient.

15 We've also discussed with Nashua that
16 the way that exhibits were identified in January as they
17 were used was not satisfactory, and the Clerk wasn't
18 really able to keep a list of what were the premarked
19 exhibits that were actually being used in the hearing.
20 And, I mention that because I think we feel it's quite
21 likely that a large number of exhibits will end up being
22 unnecessary and not moved into the record. And, so,
23 certainly Nashua and Pennichuck are going to attempt to
24 clearly identify when a premarked exhibit is being

1 utilized, so that a list can be kept of those exhibits
2 that are actually in the record and are going to be moved
3 or attempted to be moved into evidence later. And, so, I
4 think we're going to, even though the exhibits are already
5 marked for identification, we're going to try to take
6 steps to make it clear that an exhibit is being referred
7 to.

8 We do want to note that we continue to
9 object to the use of data requests by a party of their own
10 responses to data requests, the narrative responses. That
11 that's an improper means of supplementing your prefiled
12 testimony. And, it's our understanding that that is
13 something the Commission will consider at the end of the
14 hearing, but it is something we strongly object to and
15 don't want to lose sight of that.

16 Nashua and Pennichuck have submitted a
17 stipulation regarding how confidential information related
18 to their settlement discussions will be treated. That's
19 extremely important to us. And, there may be times when
20 we need to take a break or otherwise address those issues,
21 but I want to call that to the Commission's attention.

22 Finally, procedurally, we have a lot of
23 witnesses, we have extensive cross-examination. We are
24 very mindful of the Commission's instruction to the

1 witnesses on Day 1 that they answer the question that's
2 asked and not give expansive responses, and I can say that
3 that will be very important to Pennichuck, in terms of our
4 ability to move these witnesses on and off the stand
5 efficiently, and it's something that we'll probably be
6 requesting the Commission to periodically remind the
7 witnesses of.

8 And, lastly, I would note that, with
9 regard to this panel of witnesses, the cross-examination
10 will be largely done by Mr. Conner, a small amount by
11 myself at the end or at some point during the day. And,
12 so, we're going to swap out people at counsels' table.
13 Ms. Knowlton is going to head to the back during these
14 witnesses, and Mr. Sanko will be coming forward, as well
15 as our technology assistant. Thank you.

16 CHAIRMAN GETZ: Okay. Thank you. Do
17 you have anything, Mr. Upton?

18 MR. UPTON: I just wanted to say, with
19 respect to the exhibits, that probably the best way to
20 deal with them is for the parties at the end to agree upon
21 those exhibits that are full exhibits and can be used for
22 purposes of briefing and can be used by the Commission.
23 We'll try to do it as we go along. But I think the most
24 efficient way is for the parties to agree at the end.

1 The other thing I just want to say, I am
2 going to object to a process in which more than one lawyer
3 examines one panel. I think a lawyer who commences a
4 cross-examination should complete the cross-examination,
5 and when that's done, no more lawyers on from the same
6 side ought to be jumping up and cross-examining those
7 witnesses. It hasn't happened yet, but I intend to object
8 to that process.

9 MR. CAMERINO: Mr. Chairman, maybe we
10 could just address that now, because it certainly will
11 make life easier. I think it's been clear to Nashua all
12 along that Pennichuck has divided the case between the
13 valuation issues and the other issues in the case. These
14 witnesses have testimony on both. Their testimony
15 contains the valuation and the revenue requirements. It
16 would be silly, it certainly would be doable, but it would
17 be silly for me to hand my outline to Mr. Conner and have
18 him read the questions that I prepared. This Commission
19 frequently has parties, Staff, in particular, hand the
20 microphone over to another member of their organization to
21 ask questions that are within their area of expertise. I
22 don't think it affects the efficiency of this process, in
23 fact, it enhances it, because you're having a person who's
24 most familiar with the subject matter ask the questions.

1 If the Commission thinks the questions are duplicative,
2 they can shut them down right away.

3 CHAIRMAN GETZ: Yes. Mr. Upton, you're
4 going to have to help me with the basis for this
5 objection, if it's anything other than general unfairness?
6 It seems to me that you have multiple witnesses covering
7 multiple topics, that there's -- it's a reasonable
8 response to have multiple questioners. Do you have
9 something more than that?

10 MR. UPTON: Well, I guess I take my lead
11 from my experience in the superior court, Commissioner.
12 And, I agree that this is a different process. And, if
13 that's -- the Commission thinks that's a more efficient
14 way of doing it, I'll certainly abide by that. But that's
15 not what happens in the superior court. I mean, it would
16 be great if you could bring in multiple lawyers to examine
17 witnesses on multiple points. It doesn't happen and it
18 shouldn't happen. It's not fair to the witness, it's not
19 fair to the process, I don't think. But, if the
20 Commission thinks it's more efficient, I'm happy to abide
21 by that.

22 CHAIRMAN GETZ: Okay. Then, to the
23 extent there's a formal objection to having more than one
24 attorney question a panel, then we're going to overrule

1 that objection, and we'll allow more than one attorney
2 from any party to question a panel of witnesses.

3 Is there anything else?

4 (No verbal response)

5 CHAIRMAN GETZ: Okay. Well, let me just
6 nail down one thing. I did have the information on the --
7 looking at the letter regarding the order of cross. And,
8 after the direct examination would be intervenors
9 supporting the petition, which, at this point, of the
10 people present today, I think would include Ms. McHugh and
11 Ms. Pressley. The other party would be Merrimack Valley
12 Regional Water District, I don't believe there's anyone
13 here this morning. So, we would turn to Ms. Pressley and
14 Ms. McHugh, then to the Consumer Advocate, I believe. Are
15 there any other intervenors with no position on the
16 petition here present?

17 (No verbal response)

18 CHAIRMAN GETZ: Okay. I'll take that as
19 a "no". And, then, we would go to Pennichuck Water Works,
20 then we would go to Commission Staff, and, lastly,
21 intervenors opposing the petition, which I take to be
22 Mr. Boutin, from the Town of Merrimack, and then are you
23 also -- is there someone here from the Town of Milford?

24 (Atty. Reinemann so indicating.)

[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: And the Town of Milford,
2 and then Mr. Mullen, on behalf of Anheuser-Busch. Have I
3 missed anyone in the order of cross?

4 (No verbal response)

5 CHAIRMAN GETZ: Okay. Then, let's swear
6 in the witnesses please, Mr. Patnaude.

7 (Whereupon George E. Sansoucy and Glenn
8 Walker were duly sworn and cautioned by
9 the Court Reporter.)

10 CHAIRMAN GETZ: Please.

11 MR. UPTON: Okay. Thank you.

12 GEORGE E. SANSOUCY, SWORN

13 GLENN WALKER, SWORN

14 DIRECT EXAMINATION

15 BY MR. UPTON

16 Q. Mr. Sansoucy, you submitted testimony dated
17 November 22, 2004, identified as "Exhibit 1002"?

18 A. (Sansoucy) Yes, sir.

19 Q. And, do you affirm that testimony today?

20 A. (Sansoucy) Yes.

21 Q. Now, Mr. Sansoucy and Mr. Walker, together you filed
22 testimony and exhibits dated January 12, 2006,
23 identified as "Exhibit 1007", "1007A", "1007B1",
24 "1007B2", and "1007C", is that correct?

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- 1 A. (Walker) Yes.
- 2 Q. And, do you affirm that testimony?
- 3 A. (Walker) Yes.
- 4 Q. Do you also, Mr. Sansoucy?
- 5 A. (Sansoucy) Yes.
- 6 Q. And, did you also both file testimony and exhibits
- 7 dated May 22, 2006, identified as "Exhibit 1015" and
- 8 "1015 confidential"?
- 9 A. (Sansoucy) Yes.
- 10 A. (Walker) Yes.
- 11 Q. And, do you affirm that testimony today?
- 12 A. (Sansoucy) Yes.
- 13 A. (Walker) Yes.
- 14 Q. And, did you both file update testimony dated
- 15 November 14, 2006, identified as "Exhibit 1017"?
- 16 A. (Sansoucy) Yes.
- 17 Q. (Walker) Yes.
- 18 Q. And, do you affirm that testimony today?
- 19 A. (Sansoucy) Yes.
- 20 A. (Walker) Yes.
- 21 Q. Now, in connection with that testimony that you filed,
- 22 were you required to respond to certain data requests
- 23 by Pennichuck Water Works, Staff, and the other
- 24 parties?

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[WITNESS PANEL: SANSOUCY|WALKER]

1 A. (Sansoucy) Yes.

2 A. (Walker) Yes.

3 Q. And, are some of those responses identified as

4 "Exhibit 1041", "1042", "1043", "1044", "1045

5 confidential" and "1046 confidential"?

6 A. (Walker) Yes, I believe they are.

7 Q. Do these responses supplement the testimony of each of

8 you that you've filed in this proceeding?

9 A. (Sansoucy) Yes.

10 A. (Walker) Yes, they would.

11 MR. CONNER: Chairman Getz, just we'd

12 like to go ahead and note our objection on the record

13 again to the data requests, using them as supplementing

14 the testimony. Thank you.

15 BY MR. UPTON

16 Q. Do you affirm the responses to the data requests, which

17 I previously identified, in the same manner as you did

18 your testimony?

19 A. (Sansoucy) Yes.

20 A. (Walker) Yes.

21 CHAIRMAN GETZ: Wait one second. The

22 order of cross, we would be turning to -- let's see if

23 Ms. Pressley has any questions?

24 MS. PRESSLEY: Thank you. No.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: And, Ms. McHugh?

2 MS. McHUGH: No.

3 CHAIRMAN GETZ: Mr. Traum?

4 MR. TRAUM: Thank you, sir. Just very
5 briefly.

6 CROSS-EXAMINATION

7 BY MR. TRAUM

8 Q. Mr. Sansoucy, I just want to understand, for valuation
9 purposes, you calculated a value of roughly \$80 million
10 as of the end of 2004, is that correct?

11 A. (Sansoucy) I believe it's about 85 million, as of
12 12/31/04.

13 Q. And, in order to update that, is your proposal that
14 just the gross additions to gross plant since that date
15 be what's used for updating purposes?

16 A. (Sansoucy) Yes. In general, we are proposing to update
17 that by gross additions and deletions.

18 Q. And, what about depreciation during that point in time?

19 A. (Sansoucy) Pardon?

20 Q. What about depreciation that's occurred over that
21 period?

22 A. (Sansoucy) Depreciation will be a deletion. There will
23 be additional additions of working capital and the like
24 that we propose, that we would propose any other

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[WITNESS PANEL: SANSOUCY|WALKER]

1 additions, other than property additions, that are
2 required and put in rate base to be purchased.

3 MR. TRAUM: Thank you. That's all I
4 have.

5 CHAIRMAN GETZ: Okay. Now, Pennichuck
6 Water Works please.

7 MR. CONNER: Thank you, Mr. Chairman.

8 CHAIRMAN GETZ: Please proceed.

9 MR. CONNER: Good morning, gentlemen.

10 WITNESS SANSOUCY: Good morning.

11 WITNESS WALKER: Good morning.

12 BY MR. CONNER

13 Q. Mr. Sansoucy, you're a real estate appraiser?

14 A. (Sansoucy) Yes, I am.

15 Q. And, I believe your firm name is "George Sansoucy" or
16 goes by your name as well, does it not?

17 A. (Sansoucy) The firm is "George Sansoucy, PE, LLC". We
18 are an engineering/consulting firm and an appraisal
19 firm.

20 Q. And, you do utility appraisals, correct?

21 A. (Sansoucy) Yes, we do.

22 Q. Okay. And, in fact, I believe you specialize in
23 valuation of utility properties?

24 A. (Sansoucy) That's one of the areas we specialize in.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. And, one of the areas that you specialize in is the
2 valuation of utility properties involving water
3 systems, correct?
- 4 A. (Sansoucy) Yes, sir.
- 5 Q. Now, your staff, your capabilities of your staff, you
6 have a number of people employed, correct?
- 7 A. (Sansoucy) Yes, I do.
- 8 Q. And, I think there are number of people have assisted
9 you on this, in this proceeding, from your staff?
- 10 A. (Sansoucy) Yes.
- 11 Q. Philip Munck is one of those?
- 12 A. (Sansoucy) Yes.
- 13 Q. And, Mr. Munck did various research items, is that
14 correct?
- 15 A. (Sansoucy) Yes.
- 16 Q. He also assisted you in drafting various documents,
17 correct?
- 18 A. (Sansoucy) Yes.
- 19 Q. He no longer works for you anymore, does he?
- 20 A. (Sansoucy) That's correct.
- 21 Q. And, he's not testifying in these proceedings?
- 22 A. (Sansoucy) That's correct.
- 23 Q. But his deposition was taken, correct?
- 24 A. (Sansoucy) Yes.

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1 Q. Was he employed by you when his deposition was taken?

2 A. (Sansoucy) Yes, he was. Mr. Munck was a subcontractor,
3 and he was providing services to us when his deposition
4 was taken.

5 MR. CONNER: Okay. Daniel, if you could
6 pull up Exhibit 3034 please.

7 BY MR. CONNER

8 Q. Mr. Sansoucy, I believe this is the -- or, at the time
9 I believe your deposition was taken in September of
10 '05, this was the website or webpage from your company,
11 correct?

12 A. (Sansoucy) Yes, sir.

13 Q. And, again, it lists the specialties that you just
14 testified to, and also involves "negotiation and
15 regulatory commission representation", correct?

16 A. (Sansoucy) Yes, sir.

17 Q. And, that's what you're -- part of what you're doing in
18 this proceeding, correct?

19 A. (Sansoucy) How so?

20 Q. Representing Pennichuck -- or, representing Nashua in
21 these proceedings?

22 A. (Sansoucy) Yes, that's correct.

23 Q. Other than Mr. Munck and Mr. Walker, who else have
24 participated in these proceedings with respect to your

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1 staff?

2 A. (Sansoucy) No one else has participated in the actual
3 proceedings. Staff has helped assist Mr. Walker and
4 myself in the preparation of documents, research, data
5 entry, computer -- running, you know, computer runs,
6 these sorts of things.

7 Q. And, who are -- can you give us some of the names of
8 the key people that did perform those services?

9 A. (Sansoucy) Charlene Jennes would be one key person from
10 the Newington office. Rebecca Colby, in the Lancaster
11 office, has prepared the Excel spreadsheets and has
12 done the data entry related to the 11/14/06 testimony.

13 Q. Was that for the appraisal itself?

14 A. (Sansoucy) That was the -- no, that's the rate path
15 testimony, not the appraisal. Fred Smith has provided
16 assistance in helping me prepare the Cost Approach to
17 the appraisal.

18 Q. And, Mr. Smith, did he -- is he the one that came up
19 with the -- I guess reviewed the indices that you came
20 up for the cost?

21 A. (Sansoucy) I reviewed the indices. He managed the
22 Staff to load those in to the computer and run the
23 actual trended analysis, and make sure that the lives
24 were assigned and these sorts of things. I did the

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[WITNESS PANEL: SANSOUCY|WALKER]

1 review of the indices and the costs.

2 Q. And, we'll get to that later on in the day in the Cost
3 Approach. Anyone else from your organization?

4 A. (Sansoucy) Anyone else would be incidental, clerical
5 and that sort of thing.

6 Q. Now, from your qualifications that you've given the
7 panel and you project I guess to the public, there's no
8 question that you and your firm are in the appraisal
9 business, correct?

10 A. (Sansoucy) Yes. That's one of the things we do.

11 Q. Now, Mr. Sansoucy, you, from what I understand,
12 graduated from the University of New Hampshire in 1974,
13 with a Master of Science degree in Civil Engineering,
14 correct?

15 A. (Sansoucy) Civil, Environmental and Urban Planning.

16 Q. And, then, from 1980, until today, you've really run
17 your own business?

18 A. (Sansoucy) Yes, I have.

19 Q. With respect to that, I believe you're certified as a
20 review -- I'm sorry, as a Real Estate Appraiser
21 Supervisor for ad valorem tax purposes before the New
22 Hampshire Department of Revenue Administration,
23 correct?

24 A. (Sansoucy) I am certified by the New Hampshire

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Department of Revenue Administration as an Appraiser
2 and as a Mass Appraisal Supervisor.

3 Q. And, that's an appraiser for ad valorem tax purposes
4 only, correct?

5 A. (Sansoucy) No, that's an appraiser. And, this DRA --
6 our DRA requires its certification to appraise any
7 property that is used to set a value for ad valorem
8 taxes.

9 Q. Okay. Again, that's the DRA for ad valorem tax
10 purposes? That's what they're interested in?

11 A. (Sansoucy) That's what it's used for.

12 Q. And, in your office, you're in charge of appraisal
13 certifications for tax boards for ad valorem tax
14 purposes, correct?

15 A. (Sansoucy) Generally, yes.

16 Q. And, Mr. Walker is in charge of all other appraisals,
17 correct?

18 A. (Sansoucy) Mr. Walker is in charge of state
19 certifications as required by the real estate boards,
20 commonly called the "FIREA certs" [sic], and I am
21 responsible for the state certs required by various
22 states for mass appraisal and tax administration and
23 tax assessment.

24 Q. Okay. And, you do not have a certification as an

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 appraiser by the State Board of Realtors, do you?
- 2 A. (Sansoucy) I do not.
- 3 Q. And, you've never tried to get certified by the State
- 4 Board of Realtors, have you?
- 5 A. (Sansoucy) No, I have not submitted.
- 6 Q. Isn't it true, Mr. Sansoucy, that you've never trained
- 7 under anyone qualified as a supervising appraiser
- 8 yourself?
- 9 A. (Sansoucy) No, that's not true. I trained under an
- 10 MAI.
- 11 Q. Who did you train under?
- 12 A. (Sansoucy) A gentleman named Richard Stapleton, who was
- 13 an MAI certified by the Institute. And, he was the
- 14 assessor in chief in the City of Berlin, New Hampshire.
- 15 Q. When did you do this?
- 16 A. (Sansoucy) From approximately 1991 to 1994.
- 17 Q. Were you in his employ?
- 18 A. (Sansoucy) No, I worked for the city, not his personal
- 19 employ. We worked for the city.
- 20 Q. Okay. But you were still working for your company on
- 21 behalf of the city, correct?
- 22 A. (Sansoucy) That is correct.
- 23 Q. All right. So, within your organization, you have
- 24 never trained under anyone qualified as a supervising

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1 appraiser, have you?

2 MR. CONNER: Mr. Chairman, if I could
3 make a point. The witnesses are talking amongst
4 themselves while I'm asking Mr. Sansoucy a question. And,
5 it's very difficult with a panel to avoid that. But, I
6 think, for purposes of cross-examination, I have the right
7 to have him answer the question without input.

8 MR. UPTON: They're not prohibited from
9 talking to each other. They're a panel and they're
10 offered as a panel. So that -- The whole point of
11 offering them as a panel is to make sure you get the right
12 information, you get the full answer. It's going to be
13 hugely inefficient if I have to go back and redirect on
14 that issue because the witnesses haven't given a full
15 answer.

16 CHAIRMAN GETZ: Mr. Boutin.

17 MR. BOUTIN: I don't have any problem
18 with their talking to each other, as long as what they say
19 is on the record. It's pretty hard for me to understand
20 what's going on if half of the proceeding is off the
21 record.

22 CHAIRMAN GETZ: I think there are going
23 to be times during the proceedings where there's
24 information that they both have background in, but we're

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[WITNESS PANEL: SANSOUCY|WALKER]

1 going to want to get it all in the record. I certainly
2 take Mr. Boutin's point. I'm not sure what this
3 communication was about. I would like to limit the amount
4 of crosstalk between or among the witnesses, especially
5 when there's a direct question from the attorney to the
6 witness. If an attorney is going to identify a witness
7 and ask a question, then I think that it serves a direct
8 answer from the witness. If the attorney is going to ask
9 the panel a question generally, or, and which is very
10 often happens here, if they throw it open to whoever is up
11 there to ask the questions, then we'll allow that. But
12 we're going to try to keep this in a direct line between
13 the attorney and witness, so long as he specifies in
14 advance what the question is.

15 Now, at the same time, Mr. Sansoucy, if
16 there is some issue that you would like to ask your
17 partner in your business about, then I'll allow that, if
18 it's trying to just check a fact.

19 MR. CONNER: And, Mr. Chairman, I'll try
20 to direct my questions to each witness.

21 CHAIRMAN GETZ: Okay.

22 MR. CONNER: Thank you.

23 BY MR. CONNER

24 Q. Can you answer the question, Mr. Sansoucy?

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1 A. (Sansoucy) Yes. In my office and in my organization, I
2 have hired Mr. Walker as the Appraiser-in-Chief. He is
3 a certified New Hampshire Appraiser, as well as many
4 other states, and I defer to him on final issues. He
5 also acts as my supervisor on appraisal purposes.

6 Q. So, he is --

7 CHAIRMAN GETZ: Let me just interrupt,
8 one more clarification, is I think it's a fair thing in a
9 panel, in a question, if Mr. Sansoucy were to say
10 "Mr. Walker can answer that question better", that he
11 would do that, and then we're going to allow that, because
12 we want to get the best information on the record.

13 MR. CONNER: Yes. And, your Honor, in
14 that case, if that occurs, Mr. Chairman, then I think I
15 would want the record to reflect that the witness did not
16 know the answer, and move to the other witness is fine.
17 We'll be able to do that. I'll try to do that, if I can.

18 MR. UPTON: Well, --

19 CHAIRMAN GETZ: We'll interpret the
20 exchange as it shows up on the transcript.

21 MR. UPTON: I mean, you can defer
22 because they can answer it better.

23 CHAIRMAN GETZ: I think what we're going
24 to see then is Mr. Sansoucy will be saying things like

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1 "Mr. Walker can answer that better", and if he says "I
2 don't know", we'll get it on the record and we'll draw
3 from that what the appropriate inferences are.

4 MR. CONNER: That's what I meant, Mr.
5 Chairman.

6 BY MR. CONNER:

7 Q. Mr. Sansoucy, so Mr. Walker is your supervising
8 appraiser, for you personally?

9 A. (Sansoucy) I have put him as in the lead position in
10 appraisal matters in the office regarding state
11 certification and those sorts of things. I manage the
12 tax assessment side.

13 Q. Can you answer my question "yes" or "no" please, sir?

14 A. (Sansoucy) I did answer your question, sir.

15 Q. No, sir. Is he your supervising appraiser within your
16 organization?

17 A. (Sansoucy) For purposes of state certified appraisals,
18 yes.

19 Q. Thank you. Mr. Sansoucy, you're aware that there are a
20 number of -- actually, four major professional
21 organizations in the United States that offer courses
22 and examinations leading to the accreditation in terms
23 of a professional designation in business valuation,
24 correct?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) I don't know the exact number, but there are
2 others in the United States.
- 3 Q. Are you familiar with the American Society of
4 Appraisers?
- 5 A. (Sansoucy) Yes, I am.
- 6 Q. Are you a member of that organization?
- 7 A. (Sansoucy) No, I am not.
- 8 Q. Are you familiar with the American Institute of
9 Certified Public Accountants?
- 10 A. (Sansoucy) Yes, I am.
- 11 Q. Are you a member of that organization?
- 12 A. (Sansoucy) I am not a Certified Public Accountant.
- 13 Q. Are you a member of that organization?
- 14 A. (Sansoucy) No, sir.
- 15 Q. Are you a member of the Institute of Business
16 Appraisers?
- 17 A. (Sansoucy) No, I am not.
- 18 Q. Are you familiar with that organization?
- 19 A. (Sansoucy) I've heard of it.
- 20 Q. Are you or have you heard of the National Association
21 of Certified Valuation Analysts?
- 22 A. (Sansoucy) I have not heard of that one, no.
- 23 Q. Now, obviously, you're not a member of that, you have
24 not heard of it. Are you a member of any other

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1 professional organization that is primarily in charge
2 or primarily deals with business valuation and
3 accreditation in business valuation?

4 A. (Sansoucy) Not in the accreditation of business
5 valuation, no.

6 Q. So, you're not an accredited senior appraiser?

7 A. No, sir.

8 Q. You're not a fellow of American Society of Appraisers?

9 A. (Sansoucy) No, sir.

10 Q. You're not a accredited in business valuation?

11 A. (Sansoucy) Not by any of those societies, no.

12 Q. You're not a Certified Business Appraiser?

13 A. (Sansoucy) No, sir.

14 Q. You're not a Master Certified Business Appraiser?

15 A. (Sansoucy) No, sir. You're not a Business Valuator
16 accredited for litigation by the IBA, are you?

17 A. (Sansoucy) No, sir.

18 CHAIRMAN GETZ: I think this line is
19 getting cumulative. Can we move on?

20 MR. CONNER: Sure.

21 BY MR. CONNER:

22 Q. Is Mr. Walker -- Mr. Walker, are you a member of any of
23 those organizations?

24 A. (Walker) No, I'm not.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. Isn't it true, Mr. Walker, that no one at your company,
2 George Sansoucy's company, has a professional
3 designation or certification in business valuation?

4 A. (Walker) From one of the organizations you just
5 mentioned?

6 Q. Yes.

7 A. (Walker) Yes, that's correct.

8 Q. Do you have any other certifications in business
9 administration? You individually?

10 A. (Walker) Just to clarify the question. I mean, I have
11 a degree from UNH in Business Administration. But, as
12 far as certifications with a professional organization,
13 no.

14 Q. Okay. Thank you. Now, Mr. Walker, I believe, in 1992,
15 -- well, let's take your education. You have a BS
16 within Business Administration from the University of
17 New Hampshire, correct?

18 A. (Walker) Yes.

19 Q. And, then, you were certified in 1992 as a general real
20 estate appraiser by the State Board of Realtors,
21 correct?

22 A. (Walker) State of New Hampshire, that's correct. Yes,
23 sir.

24 MR. UPTON: If I might, would it be

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[WITNESS PANEL: SANSOUCY|WALKER]

1 possible for me to move his screen, so that I can see him
2 and he can see Mr. Conner and see what's going on? I
3 can't even see the top of his head.

4 CHAIRMAN GETZ: That would be, as long
5 as we can keep him in view of the Commissioners.

6 MR. BOUTIN: As long as there's no
7 signals. Mr. Chairman, if it's all right with the
8 Commission, I may move about, because I'm screened from
9 the witnesses completely. So, if I get up and rise, I'm
10 just moving, moving to another spot.

11 CHAIRMAN GETZ: When your turn comes,
12 then you may amble about.

13 BY MR. CONNER:

14 Q. Mr. Walker, in terms of the appraisal in this case that
15 your company did, and I believe Mr. Sansoucy stated
16 you're "primarily in charge of the valuation", correct?

17 A. (Walker) Correct.

18 Q. Now, the valuation that you did in this case was really
19 much more complex than a real estate valuation, wasn't
20 it?

21 A. (Walker) Not necessarily. No, I wouldn't --

22 Q. No more complicated than in this case in valuing the
23 assets of Pennichuck Water Works than valuing a piece
24 of vacant land, real property?

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1 A. (Walker) It depends on the piece of vacant land. But,
2 I mean, it's got -- it has more assets, it has more
3 things that you have to look at. But I can think of
4 some pieces of vacant land that would be more complex
5 than this.

6 Q. In New Hampshire?

7 A. (Walker) No. But there's one in Maine and one in
8 Connecticut.

9 Q. Okay. But not in New Hampshire?

10 A. (Walker) I would have to think about that.

11 Q. Okay. Well, what you're really doing here is a
12 business valuation or that's what your performed,
13 correct?

14 A. (Walker) We performed a valuation of the Pennichuck
15 Water Works' assets, as we stated.

16 Q. Okay. As an ongoing basis?

17 A. (Walker) That is one of the assumptions that we make in
18 the appraisal, correct. Yes, sir.

19 Q. And, I think that that's the assumption you made as
20 part of your "highest and best use" analysis, correct?

21 A. (Walker) Correct. It will continue to be used as a
22 water system.

23 Q. Okay. Which is in the business of selling water and
24 providing water, correct?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Walker) Among over things, correct.
- 2 Q. Gentlemen, there was a lot of testimony that you have
3 given in this case, both individually, I believe, Mr.
4 Sansoucy, you gave the first testimony in November of
5 '05, correct?
- 6 A. (Sansoucy) Yes, sir.
- 7 Q. And, Mr. Walker, you did not participate in
8 Mr. Sansoucy's November '05 testimony, did you?
- 9 A. (Walker) Is it '05 or '04, Mr. Conner? Just to clarify
10 that. I'll take your word for it. I did not
11 participate in the first --
- 12 Q. It may have been '04.
- 13 A. (Sansoucy) It's '04.
- 14 Q. '04. Thank you, Mr. Sansoucy.
- 15 A. (Walker) I did not.
- 16 Q. Just so that we're clear as to who is really
17 responsible for what portions of the testimony, it's my
18 understanding, Mr. Sansoucy, that you're responsible
19 primarily for the Cost Approach within the appraisal,
20 correct?
- 21 A. (Sansoucy) Yes, sir. That's correct.
- 22 Q. And, for --
- 23 A. (Sansoucy) To the extent that the Cost Approach
24 encompasses income and market depreciation, I was

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[WITNESS PANEL: SANSOUCY|WALKER]

1 responsible for developing the Cost Approach through
2 the physical depreciation, and then assisted Mr. Walker
3 in anything he required for functional and economic
4 depreciation.

5 Q. And, then, with respect to the public interest
6 statements that are throughout your testimony, that's
7 primarily your responsibility, correct?

8 A. (Sansoucy) Yes, sir.

9 Q. Now, Mr. Walker, just so that I'm clear again, you're
10 primarily -- your primary function was the appraisal,
11 correct?

12 A. (Walker) Yes.

13 Q. And, within that, you did the Sales Approach and the
14 Income Approach, and I believe assisted Mr. Sansoucy
15 with those components that he just testified to with
16 respect to the Cost Approach, correct?

17 A. (Walker) That would be correct. Yes, sir.

18 Q. Now, Mr. Walker, you're also responsible for the
19 critique of evaluation experts that have been offered
20 by Pennichuck Water Works in this case, correct?

21 A. (Walker) We prepared a critique relative to their
22 reports, that is correct.

23 Q. And, again, just so that we're clear, Mr. Sansoucy, you
24 did not participate in that analysis, did you?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) Which analysis, sir?
- 2 Q. The critique of the expert witnesses offered by
- 3 Pennichuck Water for valuation.
- 4 A. (Sansoucy) I believe I have the testimony critiquing
- 5 Mr. Guastella's work and Mr. Ware's work, to the extent
- 6 that their work influences or affects the value of
- 7 what's going on. I did not critique the primary
- 8 appraisal witness, Mr. Reilly.
- 9 Q. All right. Or, any of the appraisers and the
- 10 consultants that work with Mr. Reilly in developing the
- 11 Pennichuck Water Works appraisal, correct?
- 12 A. (Sansoucy) My understanding is Mr. Reilly is the lead
- 13 appraiser. The other people were assistants to him for
- 14 technical costing and those things. I did not critique
- 15 that, no.
- 16 Q. Okay. Now, with respect to your critiques, Mr. Walker,
- 17 there's no testimony that you've offered in regard to
- 18 the Cost Approach that was prepared within Mr. Reilly's
- 19 appraisal, correct?
- 20 A. (Walker) I don't believe that's correct. I believe
- 21 there was testimony with respect to that, May 22nd,
- 22 2006, Exhibit 105 -- excuse me, 1015.
- 23 Q. And, again, gentlemen, my purposes are just to identify
- 24 for now.

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1 A. (Walker) Mr. Conner, if we could, just so I'm clear,
2 this exhibit that I'm looking at has two numbers, 1015
3 has got Page "14" in the middle of the page, "15" at
4 the right-hand page. Which number would you like to
5 use for the record?

6 Q. Well, I'm not sure which one you have in front of you.
7 Do you have the exhibit that's been introduced into
8 evidence?

9 A. (Walker) I believe it's a copy of that exhibit.

10 Q. Okay.

11 CHAIRMAN GETZ: Step back and tell me
12 exactly which piece of testimony it is.

13 WITNESS WALKER: It's Exhibit 1015,
14 Page 14, at the middle of the page, and 15 on the
15 right-hand margin.

16 CHAIRMAN GETZ: That's the page. And,
17 which testimony submitted on which date?

18 WITNESS WALKER: May 22nd.

19 CHAIRMAN GETZ: 22nd?

20 WITNESS WALKER: 2006. And, I
21 apologize. I just wanted to know how we want to identify
22 it.

23 MR. CONNER: I think we go by 15. I
24 believe that's the number.

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1 WITNESS WALKER: I assumed that, but I
2 just wanted to make sure.

3 MR. CONNER: Okay.

4 BY THE WITNESS:

5 A. (Walker) Okay. So, we would start at this Page 15 of
6 Exhibit 1015. And, it goes to two-thirds of the way
7 down the page on Page 16 of the same exhibit.

8 BY MR. CONNER:

9 Q. And, that's your critique, the extent of your critique
10 with respect to the Cost Approach that's in
11 Mr. Reilly's report?

12 A. (Walker) There are other discussions of the Cost
13 Approach with respect to the application of economic
14 obsolescence, and that's in there as well.

15 Q. But let me try to step back then. With respect to the
16 inventory that was performed in developing the Cost
17 Approach for Pennichuck Water, you had no critique with
18 respect to that, correct?

19 A. (Walker) With respect to the inventory, that's correct.
20 With respect to some applications, maybe techniques,
21 there are those two pages, and then that is correct.

22 Q. Well, in RCNLD, the Reproduction Cost New Less
23 Depreciation, analysis that was performed in the Cost
24 Approach, for Pennichuck, the Pennichuck Water Works

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[WITNESS PANEL: SANSOUCY|WALKER]

1 valuation by Mr. Reilly, you have no complaints with

2 respect to the inventory itself?

3 A. (Walker) I have not looked at the inventory, no.

4 Q. By the same token, there's no testimony that any of the
5 pricing of that inventory was incorrect, correct?

6 A. (Walker) I don't believe, there may be, I don't believe
7 there is any testimony to that effect, but --

8 Q. Okay.

9 A. (Sansoucy) With respect to that, there is testimony in
10 a data request, I believe, where we did criticize the
11 brownfield cost of the inventory from -- in the City of
12 Nashua, as an overall criticism of the pricing and
13 costing of Mr. Walker's inventory.

14 Q. I understand that, Mr. Sansoucy. That's reflected in
15 the testimony. And, Mr. Walker, you've not done any
16 critique or have any complaints in your filed testimony
17 with respect to the depreciation analysis that was
18 performed by Mr. Riethmiller in the Reilly appraisal,
19 correct?

20 A. (Walker) I believe that to be correct, yes.

21 Q. In addition, you're aware that Pennichuck Water, in the
22 valuation of Pennichuck Water by Mr. Reilly, did actual
23 fair market value appraisals of the raw land, correct?

24 A. (Walker) I am aware of that, yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. Now, in your testimony, there are no criticisms that
2 I've been able to see at all or critiques with respect
3 to the fair market value real estate appraisal of the
4 raw land that's reflected in Mr. Reilly's report,
5 correct?

6 A. (Walker) With respect to that component, I believe
7 that's correct, yes.

8 Q. All right. What I'd like to do is to take the report,
9 if we could turn to Exhibit 1007A, Pages 3 and 4.

10 A. (Sansoucy) What's the generic name of it, Joe?
11 Mr. Conner, which --

12 Q. That's your report. That's your report.

13 A. (Sansoucy) January 12.

14 CHAIRMAN GETZ: The January 12, 2006 --

15 MR. CONNER: Yes.

16 WITNESS SANSOUCY: 107A? Thank you.

17 MR. CONNER: That's an exhibit to your
18 report.

19 MR. BOUTIN: Let the record show that's
20 "1007A".

21 BY MR. CONNER:

22 Q. Do you see it on the screen?

23 A. (Walker) I do see it on the screen.

24 Q. Okay. Now, this is -- Daniel, if you'll turn to the

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- 1 Page 2, so we can see exactly what the document is.
- 2 This is your Self-Contained Appraisal Report, correct?
- 3 That's an exhibit to your appraisal -- to your
- 4 testimony?
- 5 A. (Walker) Correct.
- 6 Q. And, this is the appraisal as of 12/31/04, correct?
- 7 A. (Walker) Yes.
- 8 Q. And, this is the appraisal that you've determined a
- 9 fair market value for Pennichuck Water Works' assets of
- 10 \$85 million, correct?
- 11 A. (Walker) Correct.
- 12 Q. Now, what I'd like to do is go to the Table of
- 13 Contents, and just so we have for the record to
- 14 identify the sections that you performed, Mr. Walker,
- 15 and the sections that Mr. Sansoucy performed. And,
- 16 from your deposition, it's my understanding that you
- 17 were responsible and prepared Page 1, the Salient Facts
- 18 section?
- 19 A. (Walker) Correct.
- 20 Q. You also prepared the Appraisal Overview listed in the
- 21 Table of Contents?
- 22 A. (Walker) Correct.
- 23 Q. You also prepared the section titled "Pennichuck
- 24 Corporation"?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Walker) Correct.
- 2 Q. You also prepared the section titled "Pennichuck Water
3 Works, Inc.", on Page 9?
- 4 A. (Walker) Correct.
- 5 Q. You also authored the section on "Assessment
6 Information", on Page 28?
- 7 A. (Walker) That's correct.
- 8 Q. You also authored the section on "Water Utility
9 Industry", --
- 10 A. (Walker) Correct.
- 11 Q. -- on Page 29?
- 12 A. (Walker) I'm sorry. Yes.
- 13 Q. The section on "Methods of Valuation" is also your
14 responsibility and you authored that?
- 15 A. (Walker) Correct.
- 16 Q. Turn to the next page, the section on "Highest and Best
17 Use", beginning on Page 35, was your responsibility and
18 you authored that?
- 19 A. (Walker) Correct.
- 20 Q. And, then, Mr. Sansoucy, I believe you're responsible
21 for the Cost Approach, except to the limit, to the
22 extent that Mr. Walker may have assisted you in the
23 economic obsolescence?
- 24 A. (Sansoucy) No. Vice versa. I am responsible for the

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Cost Approach, and Mr. Walker is responsible for the
2 economic and functional depreciation, and I would have
3 assisted him in that.

4 Q. All right. So, within the Cost Approach analysis
5 section, Mr. Walker would have been responsible for the
6 economic and functional depreciation, correct?

7 A. (Sansoucy) That is correct.

8 Q. And, Mr. Walker, you're responsible for and authored
9 the Income Capitalization Approach?

10 A. (Walker) Correct.

11 Q. And, then, I believe you both participated in the
12 Reconciliation section, on Page 60?

13 A. (Walker) That would be correct.

14 Q. Thank you. I need Page -- Daniel, Page, if you would,
15 Exhibit 1007A, Page 62. Now, gentlemen, and I'll ask
16 this to the panel, isn't it true that your appraisal is
17 in compliance with the Uniform Standards of
18 Professional Appraisal Practice?

19 A. (Walker) Yes. I believe that to be the case, yes.

20 Q. You would agree with that, Mr. Sansoucy?

21 A. (Sansoucy) Yes, I do.

22 Q. And, would you also agree that the Uniform Standards of
23 Professional Appraisal Practice is referred to as USPAP
24 in the industry, USPAP, the acronym?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) Yes, it is.
- 2 Q. Now, as an appraiser, Mr. Walker, isn't it true that
- 3 USPAP defines "appraisal" as this: "One who is
- 4 expected to perform valuation services competently and
- 5 in a manner that is independent, impartial, and
- 6 objective"?
- 7 A. (Walker) Mr. Conner, are you reading from something?
- 8 Q. Just my notes.
- 9 A. (Walker) Okay.
- 10 Q. Page 1 of that book you just pulled out, I believe, is
- 11 the standards, correct? What book are you reading
- 12 from, Mr. Walker?
- 13 A. (Walker) The USPAP, effective July 1, 2006, which I
- 14 believe to be the same book you're holding.
- 15 Q. Okay.
- 16 A. (Walker) You said "Page 1"?
- 17 Q. Yes. Line 37.
- 18 A. (Walker) Obviously, -- okay. Again, maybe did you, in
- 19 the previous question ask for "appraisal practice" or
- 20 "appraisal"?
- 21 Q. I just said how "appraisal" is defined.
- 22 A. (Walker) Okay. And, obviously, I'll agree with that
- 23 definition.
- 24 Q. And, USPAP, the Uniform Standards of Professional

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Appraisal Practice also have certain ethical

2 requirements, correct?

3 A. (Walker) That is correct.

4 Q. And, if you'll turn to Page 7, Line 216. And, again,

5 Mr. Walker, I'm referring you to USPAP, but any

6 appraiser would follow -- any appraiser, such as

7 yourself, would follow these same standards and ethical

8 requirements, correct, or should?

9 A. (Walker) Correct.

10 Q. All right. And, the purpose of these rules and the

11 ethics rule is "to promote and preserve the public

12 trust inherent in professional appraisal practice, an

13 appraiser must observe the highest standards of

14 professional ethics, correct?

15 A. (Walker) Correct.

16 Q. And, you've done that?

17 A. (Walker) Correct.

18 Q. You have as well, Mr. Sansoucy, in this assignment?

19 A. (Sansoucy) Yes, sir.

20 Q. Thank you. Now, let's go to your -- tell me about the

21 certification page. You did sign an appraisal

22 certification, did you not? And, again, that's Exhibit

23 1007A, Page 66. What is the purpose of the appraisal

24 certification page, Mr. Walker?

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[WITNESS PANEL: SANSOUCY|WALKER]

1 A. (Walker) Just to set forth the statements of fact that
2 are true and correct. I mean, it just basically
3 outlines what you've done in the assignment and informs
4 the reader of your interest with respect to the
5 property and your interest with respect to engagement
6 in the assignment.

7 Q. All right. And, it's very clear that this
8 certification, I believe it's the second bullet, it
9 specifies that "The reported analyses, opinions, and
10 conclusions are limited only by the reported
11 assumptions and limiting conditions and are our
12 personal, impartial, and unbiased and professional
13 analyses, opinions and conclusions." Correct?

14 A. (Walker) Correct.

15 Q. And, that you, neither you nor Mr. Sansoucy, have a
16 present or prospective interest in the property being
17 condemned or appraised, correct?

18 A. (Walker) Correct.

19 Q. And, no personal bias with respect to your client or
20 any other party, correct?

21 A. (Walker) Correct.

22 Q. And, no personal bias with any of the parties involved
23 with the assignment?

24 A. (Walker) Correct.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. Whether that be Veolia or any other entity that
2 participated, correct?

3 A. (Walker) Correct.

4 Q. You would agree with that, Mr. Sansoucy?

5 A. (Sansoucy) Yes, I do.

6 Q. And, isn't it true that your engagement and your
7 certification indicates that the assignment is not
8 contingent upon developing or reporting predetermined
9 results, correct, Mr. Walker?

10 A. (Walker) That is correct.

11 Q. And, finally, the bullet concerning, I think it's the
12 third one from the bottom, it again specifies that your
13 "analyses, opinions and conclusions were developed, and
14 a report has been prepared in conformity with the
15 requirements of the Uniform Standards of Appraisal
16 Practice, and I think you should have -- you meant to
17 say "Professional Appraisals Practice", correct?

18 A. (Walker) Fair enough, yes.

19 Q. The USPAP book uses --

20 A. (Walker) That's what it says, yes.

21 Q. Okay. So, "Professional" is left out of that, but that
22 was just an oversight?

23 A. (Walker) An oversight, yes. We could amend that right
24 now and that's no problem.

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1 Q. That's one thing I'm not going to ask you to do, Mr.
2 Walker, in anything today is to amend your testimony or
3 your report. Go back to the full page, Daniel, please.
4 I assume this is an oversight? It's not signed. At
5 least the exhibit here.

6 A. (Walker) Yes, we have signed copies in our office. Why
7 the exhibit's unsigned, it may just be that it was
8 transferred electronically.

9 Q. Okay. Thank you. This is a signed page of the copy
10 that I have. And, is that your signature, Mr. Walker?

11 A. (Walker) That's my signature.

12 Q. Is that your signature, Mr. Sansoucy?

13 A. (Sansoucy) Yes, it is.

14 Q. Would you agree with me that you did sign the
15 certification page for your appraisal in this case?

16 A. (Sansoucy) This is the certification page, and both Mr.
17 Walker and I have signed it.

18 MR. CONNER: Mr. Chairman, I think it
19 might be appropriate for us in the record to have this
20 document. We can do it as the next exhibit, if you'd
21 like?

22 CHAIRMAN GETZ: Let's -- Any problem
23 with that, Mr. Upton?

24 MR. UPTON: I don't know what the point

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1 is. They both said they signed it. He then pulled out a
2 copy of the signed one. So, I don't know what the point
3 of it is. They signed it.

4 CHAIRMAN GETZ: They have testified that
5 they have signed it. Let's complete the record and give
6 it the next exhibit number.

7 MR. CONNER: Thank you, your Honor.
8 Exhibit Number DW 04 -- I'm sorry, Exhibit Number 3252.
9 We picked up the wrong sticker, your Honor, I'm sorry.

10 CHAIRMAN GETZ: Are we up to 3256?

11 MR. CONNER: 3256 is the next exhibit.

12 (The document, as described, was
13 herewith marked as Exhibit 3256 for
14 identification.)

15 BY MR. CONNER:

16 Q. Mr. Sansoucy, this is not your first condemnation that
17 you've worked on, is it?

18 A. (Sansoucy) No, it is not.

19 Q. You have worked on a number in your career, correct?

20 A. (Sansoucy) Yes, I have.

21 Q. In every instance in a condemnation that you've worked
22 on, you've always represented the municipal interest,
23 correct?

24 A. (Sansoucy) Yes, I believe so.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Now, if I'm not mistaken, Mr. Walker, is this your
2 first condemnation experience?
- 3 A. (Walker) "Experience" is such a good word. I believe
4 this is the first condemnation proceeding where I
5 prepared an appraisal or participated in the
6 preparation of an appraisal.
- 7 Q. And, you've been working with Mr. Sansoucy since when?
- 8 A. (Walker) I'd have to look, but over ten years.
- 9 Q. The years just run together with him, I guess?
- 10 A. (Walker) They seem to.
- 11 Q. Mr. Sansoucy, I believe that you did participate in the
12 condemnation on behalf of the Town of Hudson of the
13 Consumers' system in 1996, correct?
- 14 A. (Sansoucy) Yes, I did participate in the Consumers
15 system. I think it was a little later in the '90s.
- 16 Q. All right. And, isn't it true that you were the expert
17 that was involved with the Town of Hudson in the
18 acquisition of the Consumers' system?
- 19 A. (Sansoucy) Yes.
- 20 Q. And, you did, if I'm not mistaken, the entire deal for
21 the Town of Hudson, you actually took Consumers Water
22 in the State of New Hampshire completely and basically
23 threw them out of the state, didn't you?
- 24 A. (Sansoucy) The Town of Hudson did.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. You didn't do that?
- 2 A. (Sansoucy) I was the expert witness for the Town.
- 3 Q. Well, you haven't bragged to individuals that you
- 4 personally were instrumental in throwing the Consumers
- 5 out of the State of New Hampshire?
- 6 A. (Sansoucy) The Town of Hudson put together a team and
- 7 successfully purchased the assets of Consumers Water
- 8 complete in the State of New Hampshire and eliminated
- 9 their business in the state.
- 10 Q. Daniel, if you'll pull up Exhibit T47, and go to the
- 11 first page please first. I'm sorry that would be
- 12 Exhibit 3197. And, Mr. Sansoucy, this is a Budget
- 13 Review Committee for the Town of Nashua, dated "March
- 14 16, 2004", correct?
- 15 A. (Sansoucy) Yes, it appears to be.
- 16 Q. Okay. And, you were at that meeting?
- 17 A. (Sansoucy) Yes, I was.
- 18 Q. Now, this meeting was before you were retained to do
- 19 this engagement, correct, for the Town of New Hampshire
- 20 -- or, the Town of Nashua, City of Nashua?
- 21 A. (Sansoucy) I don't remember the exact dates on that,
- 22 no.
- 23 Q. If you go to Page 005. Mr. Sansoucy, if you'll go to
- 24 the last paragraph, first sentence, and read that for

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1 the record please.

2 A. (Sansoucy) "I am the expert that was involved with
3 Hudson - did the deal for the Town of Hudson and we
4 actually took Consumers Water in the State of New
5 Hampshire completely and basically threw them out of
6 the state."

7 Q. Thank you. Now, in the engagement for the Town of
8 Hudson, you were hired to do everything necessary for
9 condemnation from start to finish, correct?

10 A. (Sansoucy) I was one of the people. There were three
11 experts involved in the Hudson taking. There was a
12 total of three, I was one.

13 Q. But you were involved, your portion was to do
14 everything you felt necessary to assist them from start
15 to finish in the condemnation, correct?

16 A. (Sansoucy) We did most everything necessary. We also
17 had a regulatory specialist who testified. And, I also
18 hired a review engineer to review all of my work.

19 Q. Again, you hired that review engineer to review your
20 work. So, --

21 A. (Sansoucy) I hired them, the Town of Hudson paid for
22 them.

23 Q. But they were hired at your direction?

24 A. (Sansoucy) Yes, they were. I asked for it, and they

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1 allowed me to have the work reviewed, checked, double
2 checked, etcetera.

3 Q. Now, in your engagement for the Town of Hudson, what
4 "everything necessary" is, you participated in the
5 legal strategy in regard to the takeover?

6 A. (Sansoucy) No. The legal strategy was set. The
7 attorney for the Town of Hudson and the Board of
8 Selectmen, who are both a strong team, they pretty well
9 had their strategy set. I did help implement the
10 strategy, in such things as the appraisal of new water
11 ordinances, the contract negotiations for the
12 operations contract, and made presentations at all
13 public appearances.

14 Q. Okay. So, you drafted the RFP there as well?

15 A. (Sansoucy) Yes, we did.

16 Q. You drafted the water ordinance as well?

17 A. (Sansoucy) Yes, we did.

18 Q. You also participated in the -- I'll call it the "after
19 taking phase", didn't you?

20 A. (Sansoucy) When you say "after taking phase", no, we do
21 not participate in the after taking phase. We
22 participate up to the taking. Once it was taken, we
23 stepped out. We no longer had any further involvement.

24 Q. All right. But you still serve as a consultant to the

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- 1 Town of Hudson today?
- 2 A. (Sansoucy) Today, I still -- Hudson is still a client
3 for the valuation of utility property.
- 4 Q. And, do you also assist them in other engineering
5 aspects in relation to their utilities?
- 6 A. (Sansoucy) No, just in the valuation of utility
7 properties and issues related to telecommunications
8 properties.
- 9 Q. Is it fair to say that you helped structure the deal in
10 which the Town acquired the assets?
- 11 A. (Sansoucy) We have participated in structuring the
12 financing, absolutely.
- 13 Q. I take it then that your firm, you market your firm as
14 a one-stop shop, basically, for municipalities
15 interested in taking over investor-owned utilities?
- 16 A. (Sansoucy) We don't market, sir.
- 17 Q. You don't market?
- 18 A. (Sansoucy) No, we do not.
- 19 Q. So, the answer would be "no"?
- 20 A. (Sansoucy) We do not market.
- 21 Q. Is it fair to say that over 90 percent of your practice
22 has been working for public entities?
- 23 A. (Sansoucy) Yes, it is.
- 24 Q. Now, you, Mr. Sansoucy, have never testified on behalf

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1 of an investor-owned utility in regard to a valuation
2 matter, have you?

3 A. (Sansoucy) Yes, I have. I have worked for
4 investor-owned utilities.

5 Q. The question is, have you ever testified on behalf of
6 an investor-owned utility in regard to a valuation
7 matter?

8 A. (Sansoucy) I don't know, and I can't remember if
9 anything has gone to testimony in work we have done for
10 a utility. I would have to go back. And, I've
11 testified here at this Commission on behalf of Public
12 Service of New Hampshire.

13 Q. I'm talking about a valuation matter?

14 A. (Sansoucy) I can't remember if I've actually testified
15 in valuation for utilities, if it's gone that far or
16 not.

17 Q. But your firm is focussed on the appraisal of special
18 purpose property, usually utility property, for state
19 and local government clients?

20 A. (Sansoucy) Federal, state, county, local town, city,
21 and school district.

22 Q. Pull up 3208 please. Mr. Sansoucy, this document was
23 produced by Pennichuck -- I'm sorry, by Nashua, and the
24 document number of the production is N 203340. The

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- 1 exhibit number is 3208. First page is -001. This is a
2 letter to a Mr. Joseph Szeman, in Painesville, Ohio, at
3 the firm of Baker, Hackenbery & Collins, from
4 Mr. Munck, correct?
- 5 A. (Sansoucy) You'll have to bring up the second page, so
6 I can see the signature.
- 7 Q. Do you have the second page?
- 8 A. (Sansoucy) Yes, it is. Phil Munck.
- 9 Q. And, Phil -- Phil Munck was working for you at that
10 time?
- 11 A. (Sansoucy) Yes.
- 12 Q. All right. In this letter, Mr. Munck is sending your
13 resumé and the resúmes of Mr. Walker for their review.
14 And, I take it he's trying to get some business here,
15 isn't he?
- 16 A. (Sansoucy) We were approached -- on this particular
17 issue, Mr. Sze -- Joe Szeman, --
- 18 Q. Szeman.
- 19 A. Joe Szeman, Joe called us and asked us to send a resumé
20 to him. He approached us. He represents -- He
21 represented the City of Geneva, Ohio, who initiated a
22 taking against Consumers in Ohio.
- 23 Q. All right. And, you would agree with the last sentence
24 then, in the second paragraph, by Mr. Munck that "Our

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1 focus on representation of government entities gives us
2 an independence from the utility industry which is not
3 common among special purpose property appraisers"?

4 A. (Sansoucy) That is a known fact and that's common
5 knowledge.

6 Q. So, that's known in the industry?

7 A. (Sansoucy) That's known in the industry and that's
8 common knowledge.

9 Q. Now, Mr. Sansoucy, on the last page -- do you have the
10 second page -- Mr. Munck is identifying a team of
11 individuals, is he not, in that second paragraph?
12 Where he states "In addition to Mr. Sansoucy, Mr.
13 Walker and myself, our staff includes two additional
14 engineers, an appraiser, another municipal governmental
15 specialist, an attorney with background in FERC takings
16 and governmental agency operations and clerical support
17 staff." Is that correct?

18 A. (Sansoucy) Yes, it is.

19 Q. When did you become a law firm, Mr. Sansoucy?

20 A. (Sansoucy) We've never been a law firm.

21 Q. But you employed an attorney at GES?

22 A. (Sansoucy) I have retained on subcontract an attorney
23 to provide me with assistance in regulatory matters,
24 FERC matters, and specifically Nuclear Regulatory

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1 Commission matters and DOE matters.

2 Q. All right. Was this attorney going to work with Geneva
3 in regard to a nuclear plant?

4 A. (Sansoucy) No. There is a nuclear plant in this
5 region, and the water system feeds the nuclear plant in
6 this region.

7 Q. So, was this an assignment to value a water company?

8 A. (Sansoucy) This would have -- This was -- The request
9 was an assignment to value the water system within the
10 City of Geneva for Geneva's contemplation as to whether
11 or not to file an eminent domain petition under Ohio
12 law.

13 Q. Did they do so?

14 A. (Sansoucy) They ended up taking it. They bought it.

15 Q. Did they hire you?

16 A. (Sansoucy) No. We worked for the County of Ashtabula,
17 of which Geneva is in the middle of, and Geneva hired a
18 different engineer. My recollection is they actually
19 hired Beck, and then Beck worked with Geneva, and we
20 did -- we worked with the county.

21 Q. All right. He also states that "We are particularly
22 proud of the fact that we have been able to assist
23 communities in the negotiated settlement of issues as
24 well as representing them in court." And, he's correct

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1 in that?

2 A. (Sansoucy) We are proud of a lot of what we've done,
3 especially some of our negotiated settlements,
4 absolutely.

5 Q. And, when he's saying "negotiated settlements", that
6 you were in charge of negotiating those settlements,
7 were you not?

8 A. (Sansoucy) No, we're part of a team.

9 Q. And, also, then representing those clients in court,
10 correct?

11 A. (Sansoucy) If you can't negotiate a settlement, yes.

12 Q. You have to be an advocate for those people in court,
13 correct?

14 A. (Sansoucy) No, not necessarily.

15 Q. Mr. Sansoucy, you said that you employ attorneys
16 occasionally on a subcontract basis. Now, you did
17 employ Mr. Richardson at one point in time as an
18 employment or employee?

19 A. (Sansoucy) No, he's a subcontract.

20 Q. But he worked through your office?

21 A. (Sansoucy) Yes.

22 Q. And in your office?

23 A. (Sansoucy) Yes.

24 Q. Actually, he was working in your office when this case

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1 first started, wasn't he?

2 A. (Sansoucy) I think so, yes.

3 Q. Now, Mr. Sansoucy, just, and Mr. Walker, again, these
4 are just housekeeping matters. You've served as an
5 expert consultant for a number of municipalities that
6 Mr. Upton has represented as the attorney, haven't you?

7 A. (Sansoucy) When you say we've "served as an expert for
8 Mr. Upton's communities", Mr. Upton, his firm and I go
9 back to 1975, when we represented towns and cities
10 building water and wastewater treatment facilities
11 throughout the region, New England, when I worked at
12 Anderson Nichols here in Concord. Mr. Upton's firm
13 represented these towns and cities, and we have had a
14 continuous relationship with that firm since 1975.

15 Q. You're their main expert, aren't you, when it comes to
16 valuations?

17 MR. UPTON: I object to this line of
18 questions. This isn't going to get anybody anywhere.
19 He's casting aspersions at me, he's casting aspersions at
20 Mr. Sansoucy. It doesn't get any -- It doesn't rise even
21 to the level I think of competent cross-examination.

22 MR. CONNER: Mr. Chairman, I'm finished
23 with this line. I think it goes to the entire case and
24 just the weight of the evidence. But we'll move on. And,

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1 it was not meant to cast aspersions on Mr. Upton.

2 CHAIRMAN GETZ: And, let me just say, I
3 didn't take any aspersions from this. It is a relevant
4 line of inquiry. I'm wondering how much further, but it
5 sounds like we're -- it's 10:25. I would like to try to,
6 as much as possible, stick to the, for the sake of all of
7 us, including the court reporter, proceeding in 90 minute
8 segments. Do you have something that you'd like to start
9 or you've got a whole other line --

10 MR. CONNER: Well, it goes for, the next
11 -- I'm at a stopping point now, if you'd like to take a
12 break, your Honor.

13 CHAIRMAN GETZ: Okay. Let's -- We're
14 going to come back at ten of 11:00 then.

15 MR. CONNER: Thank you.

16 (Recess taken at 10:28 a.m. and the
17 hearing reconvened at 10:56 a.m.)

18 CHAIRMAN GETZ: We'll resume the
19 cross-examination by Mr. Conner.

20 MR. CONNER: Thank you, Mr. Chairman.

21 BY MR. CONNER:

22 Q. Now, Mr. Sansoucy, you have a long history of working
23 for and with the City of Nashua, don't you?

24 A. (Sansoucy) Yes, I do.

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1 Q. And your company does?

2 A. (Sansoucy) Yes, it does.

3 Q. Actually, you were hired by Nashua, I believe in the
4 early '90s, to do a revaluation of either the whole
5 city or utility properties within the city for ad
6 valorem tax purposes, correct?

7 A. (Sansoucy) We were hired in the early '90s to do an
8 appraisal of EnergyNorth, who had filed an appeal
9 against the City of Nashua. That was one item. We
10 were hired also after -- subsequent to that to do, when
11 the City did its citywide revaluation, they culled out
12 the utility valuation separate. We did all the utility
13 valuations for, my recollection is, April 1, 1995 for
14 the citywide revaluation. And, we have done the
15 valuations from time to time since.

16 Q. And, those are valuations for ad valorem tax purposes?

17 A. (Sansoucy) Yes, they are.

18 Q. Now, when you did those valuations and performed those
19 assignments for the City of Nashua, you were operating
20 in your capacity as an appraiser, correct?

21 A. (Sansoucy) Yes.

22 Q. And, in those instances where there were appeals or
23 court proceedings, and I take it you were operating in
24 your capacity as an appraiser, but also testifying in

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1 support of your appraisal, correct?

2 A. (Sansoucy) The only appeal Nashua's had was
3 EnergyNorth, and that value had been previously set.
4 And, they appealed a previously set value. We did a
5 brand new appraisal and defended our appraisal.

6 Q. And, you defended that appraisal in court, correct?

7 A. (Sansoucy) Yes, we did.

8 Q. That's what you said, okay. That's what I'm getting
9 at. You didn't have any other issues on which you were
10 testifying on, other than in support of your appraisal,
11 correct?

12 A. (Sansoucy) When you say "other issues", I don't
13 understand your question.

14 Q. Well, there were no public interest issues to testify
15 about in those cases, correct?

16 A. (Sansoucy) In a tax case?

17 Q. Yes, sir.

18 A. (Sansoucy) No, sir.

19 Q. All right. Then, I'm just trying to get what you did.
20 And, in your testimony, was it strictly limited to
21 providing support for your appraisals?

22 A. (Sansoucy) Yes, sir.

23 Q. Okay. That's all. And, your appraisal, and you did
24 appraise the Pennichuck water systems in 1995 on behalf

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1 of the City of Nashua, correct?

2 A. (Sansoucy) Yes, we did.

3 Q. Mr. Sansoucy, isn't it true that you and your company
4 and your staff have a proven track record and loyalties
5 to the City of Nashua?

6 A. (Sansoucy) Yes. We've been loyal to the City of Nashua
7 over the years. Absolutely. They are a client.

8 Q. You're loyal to them to this day, are you not?

9 A. (Sansoucy) They are a client. I maintain loyalties to
10 them as a client. I would not work for somebody else
11 against them. They are a client.

12 Q. Mr. Sansoucy, I believe you were also hired in either
13 2001 or 2002 as a subcontractor to Rizzo & Associates,
14 correct?

15 A. (Sansoucy) Yes, my recollection is.

16 Q. Now, Rizzo was hired to do what?

17 A. (Sansoucy) Rizzo was hired to look at the technical
18 problems related to Pennichuck and advise the City
19 related to that, and to pass some comment on the --
20 whether or not there should be an eminent domain
21 request of Pennichuck in the City of Nashua.

22 Q. Now, Rizzo, did they make a presentation to be hired by
23 the City of Nashua?

24 A. (Sansoucy) I think so. But I -- I think so, yes.

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- 1 Q. You were not involved with Rizzo in getting them the
2 job, were you?
- 3 A. (Sansoucy) No.
- 4 Q. You were not part of Rizzo's team initially, were you?
- 5 A. (Sansoucy) No.
- 6 Q. Isn't it true that the City directed Rizzo to
7 subcontract with your company to provide certain
8 valuation and eminent domain analysis?
- 9 A. (Sansoucy) That's my recollection, yes.
- 10 Q. And, Rizzo did enter a contract with you, correct?
- 11 A. (Sansoucy) Yes, they did.
- 12 Q. You had a payment dispute with them, didn't you?
- 13 A. (Sansoucy) Yes, we did.
- 14 Q. They wouldn't pay your last invoice, would they?
- 15 A. (Sansoucy) That's correct.
- 16 Q. And, you had to sue them?
- 17 A. (Sansoucy) Yes, we did.
- 18 Q. And you got paid?
- 19 A. (Sansoucy) Yes, we did.
- 20 Q. Now, in that relationship with the Rizzo company and on
21 the assignment for the City of Nashua, isn't it true
22 that you told Mr. Munck to make no representation
23 within the Rizzo report or related to it that you
24 agreed with the Rizzo report?

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- 1 A. (Sansoucy) That is correct.
- 2 Q. And, the reason you did that, you felt that the Rizzo
3 report inappropriately bashed the day-to-day operations
4 of Pennichuck Water Works, correct?
- 5 A. (Sansoucy) Yes, that's correct.
- 6 Q. Okay. Now, Mr. Sansoucy, you don't have a problem with
7 the day-to-day operations of Pennichuck Water, do you?
- 8 A. (Sansoucy) No. We have publicly said this is -- that
9 the day-to-day operations, the rank-and-file, line crew
10 on the streets, do a good job for Pennichuck.
- 11 Q. Okay. And, you know Don Ware?
- 12 A. (Sansoucy) Yes, I do.
- 13 Q. President of Pennichuck Water Works?
- 14 A. (Sansoucy) Yes, I do.
- 15 Q. And, you have confidence in Don Ware's ability to run
16 this system, don't you?
- 17 A. (Sansoucy) I have confidence in his ability to run the
18 water system, yes.
- 19 Q. That's what I asked you. Isn't it true, Mr. Sansoucy,
20 with respect to Pennichuck Water, that Pennichuck Water
21 has worked cooperatively with municipally owned systems
22 around it?
- 23 A. (Sansoucy) Yes, to some extent they have.
- 24 Q. Well, "to some extent" or they have?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) To some extent they have.
- 2 Q. Are you aware of any instances where Pennichuck has not
- 3 worked cooperatively with a municipally owned system
- 4 around it, with the exception of not wanting Nashua to
- 5 take over its company?
- 6 A. (Sansoucy) I was going to say --
- 7 Q. Well, I beat you to it.
- 8 A. (Sansoucy) You answered your own question, sir. Thank
- 9 you.
- 10 Q. Is that the only instance?
- 11 A. (Sansoucy) That's a major instance, yes.
- 12 Q. Okay. When you say "a major", Mr. Sansoucy, we've got
- 13 to get the rest of them. Was there anything else?
- 14 A. (Sansoucy) I do not know every conversation that
- 15 Pennichuck has had with surrounding communities. I
- 16 only know publicly what deals they have entered into.
- 17 So, I can only say, from my public observation, they
- 18 work with local communities, yes.
- 19 Q. Okay. Thank you. Now, Mr. Sansoucy, it appears that
- 20 the scope of your work with Nashua has expanded over
- 21 the years, and becoming, really, in this instance,
- 22 you're a consultant, are you not, assisting the City in
- 23 supporting the takeover interest in this effort?
- 24 A. (Sansoucy) My scope for the City has not expanded, per

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1 se. In the '90s, we had substantial conversations
2 about eminent domain then. The City of Nashua, along
3 with the City of Manchester, two of the largest players
4 in the New Hampshire Municipal Association, for which I
5 represented them before this Commission in the
6 deregulation dockets through the New Hampshire
7 Municipal Association. Conversations with and
8 participation by the City of Nashua was part of that.
9 So, in many respects, our scope hasn't been expanded.
10 We provide utility and engineering consulting and
11 valuation services to the City of Nashua, and have
12 since 19 -- approximately 1994.

13 Q. And, since those discussions involved potentially
14 condemnation even in the '90s, is it fair to say that
15 you're a proponent of municipal ownership of water
16 utilities?

17 A. (Sansoucy) I have always been a proponent of municipal
18 ownership of water-related utilities, always subject to
19 analysis as to whether or not that is in the public
20 interest. More water systems are owned by the public
21 than by private. And, there are very valid reasons for
22 that. And, I have always worked in the municipal
23 sector, and I believe, personally, that, in the first
24 instance, it's better for municipal government to own

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[WITNESS PANEL: SANSOUCY|WALKER]

1 water-related assets than private enterprises.

2 Q. So, the answer is "yes"?

3 A. (Sansoucy) I answered the question.

4 Q. Mr. Sansoucy, I believe you were hired in 2002 to do an

5 appraisal of Pennichuck Water again for the City of

6 Nashua, correct?

7 A. (Sansoucy) We were hired to do a update valuation, and

8 provide a range of value, not a full-blown appraisal.

9 Q. And, when you say an "update valuation", is this an

10 update from the 1995 valuation you did for ad valorem

11 tax purposes?

12 A. (Sansoucy) We updated from 1995, yes, we did. We have

13 valued Pennichuck on and off for a number of years.

14 And, we updated our documents and updated the valuation

15 from 1995.

16 Q. Take a look at Exhibit 3035. This is a letter,

17 Mr. Sansoucy, dated "December 12, 2002", from you to

18 Mr. George Crombley?

19 A. (Sansoucy) Crombie.

20 Q. Crombie, Public Works Director, correct?

21 A. (Sansoucy) Yes.

22 Q. And, this confirms an engagement to do the appraisal,

23 correct, that you just mentioned?

24 A. (Sansoucy) That is correct.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Now, if you would go to the second page, and in "B".
2 It appears that, in this appraisal, you're going to
3 consider all three approaches to value, and then you
4 indicate that "The first approach to value will be the
5 Cost Approach which will consider the reproduction or
6 replacement cost of the assets new less depreciation."
7 And "this would include the physical, functional, and
8 economic depreciation where measurable." Correct?
- 9 A. (Sansoucy) Yes.
- 10 Q. So, you did an RCNLD analysis as a part of this
11 engagement?
- 12 A. (Sansoucy) Yes.
- 13 Q. Now, and if I'm not mistaken, you did not do a trended
14 original cost analysis, did you?
- 15 A. (Sansoucy) My recollection is that we added the
16 additions and deletions from 1995 to our Cost Approach
17 in the '95 appraisal.
- 18 Q. So, that would not have been a trended original cost
19 analysis?
- 20 A. (Sansoucy) No, it is not. It was trended in '95. We
21 did not have new continuing property records, but we
22 did have the E-22s from the Public Utilities
23 Commission, and we did additions and deletions to the
24 '95 costs.

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- 1 Q. And, so, it's your testimony that, in 1995, you did a
2 trended original cost analysis?
- 3 A. (Sansoucy) My recollection is that we had the CPRs in
4 '95, yes.
- 5 Q. "CPRs"?
- 6 A. (Sansoucy) Continuing property records.
- 7 Q. Okay. And, so, you didn't rely on the engineering
8 inventory, did you?
- 9 A. (Sansoucy) I'll have to check, but my recollection is
10 that we did both or we relied on both or we had both
11 sets of data.
- 12 Q. Okay. Well, either you relied on both or you didn't.
13 Did you do a trended original cost --
- 14 A. (Sansoucy) I don't know. I'd have to check the '95
15 appraisal.
- 16 Q. Because you don't remember?
- 17 A. (Sansoucy) I don't remember, no.
- 18 Q. All right. And, you prepared that appraisal and did
19 your work, correct?
- 20 A. (Sansoucy) In '95?
- 21 Q. No, sir, in 2002.
- 22 A. (Sansoucy) Yes, we did.
- 23 Q. Now, Mr. Sansoucy, your engagement and work with the
24 City of Nashua also included participating in the

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1 marketing strategy for the 2003 referendum related to
2 the condemnation, didn't it?

3 A. (Sansoucy) Yes, we were involved in the marketing
4 discussions, yes.

5 Q. Well, you went out and made presentations, didn't you?

6 A. (Sansoucy) Yes, I did.

7 Q. And, those presentations that you made in 2003 were in
8 support of the condemnation effort, correct?

9 A. (Sansoucy) Yes, they were.

10 Q. So, at least by that point in time, you had reached the
11 opinion in your own mind that it was in the public
12 interest for the City of Nashua to take over Pennichuck
13 Water Works?

14 A. (Sansoucy) And, by "2003", you must keep in mind that
15 we had been --

16 Q. Can you answer my --

17 MR. CONNER: Mr. Chairman, could I get a
18 "yes", and then he can explain, if possible?

19 CHAIRMAN GETZ: We have set forth as our
20 general recommendation in these areas, Mr. Sansoucy, "yes"
21 or "no" answers, with an opportunity to explain. If you
22 need to recast the question, because you don't understand
23 it or if there's a question about dates that may be
24 different, you know, let us know. But, if you can say

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1 "yes" or "no", you'll be given an opportunity to explain.

2 BY THE WITNESS:

3 A. (Sansoucy) The answer is "no" in 2003. We did not have
4 all the discovery and all the facts to fully determine
5 public interest. So, the answer is "no".

6 BY MR. CONNER:

7 Q. Okay.

8 A. (Sansoucy) We did know a lot about the value of the
9 company in 2003, because of the years of work we've
10 done with the City of Nashua and with Pennichuck.

11 CHAIRMAN GETZ: Mr. Conner, I'm trying
12 to get a feel for the full day of hearings today. And,
13 the fact that we're only scheduled for this one panel.
14 Given how long it took your first set of cross, where are
15 we headed?

16 MR. CONNER: Your Honor, Mr. Chairman, I
17 think it's going to take most of the day. And, I
18 understand, and I'm trying to move as quickly as I can.
19 These are two of the most important witnesses, though,
20 with respect to the City's case and our defense of the
21 business interests of our client. And, my objective is to
22 finish today. Now, I'm not sure if I'm going to get the
23 opportunity to have much time, for Mr. Upton, much time
24 for redirect. It really depends on how it goes. I think

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1 we will be moving along. It's not my intent to drag this
2 out.

3 CHAIRMAN GETZ: Please proceed.

4 MR. UPTON: If I may, I'm concerned
5 about it also, because the Veolia witnesses are all flying
6 in tomorrow, and they're available this week, only
7 tomorrow. So, I have -- I have a real concern about what
8 happens if we don't complete this panel, what will happen
9 tomorrow and what will happen to the continuation of this
10 panel. So, it's of great concern.

11 CHAIRMAN GETZ: Mr. Boutin, I think
12 we've got the ground covered. Let's proceed.

13 MR. CONNER: Thank you.

14 BY MR. CONNER:

15 Q. Mr. Sansoucy, I believe in March, on March 19, 2004,
16 you signed a contract, pull it up, it's T -- our number
17 is "E 3036".

18 A. (Sansoucy) Yes, sir.

19 Q. Okay. And, this is the contract that you signed with
20 the City of Nashua, correct?

21 A. (Sansoucy) Yes, subject to amendment.

22 Q. And, it has been amended?

23 A. (Sansoucy) Yes, it has.

24 Q. Now, this contract called for four phases of work,

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1 correct?

2 A. (Sansoucy) Yes.

3 Q. Go to the next page please. Go to the next page. And,
4 just so that we run through this very quickly, I want
5 to make sure that we understand what you were hired to
6 do. The scope of work included "engineering and
7 valuation reports", that's the appraisal, correct?

8 A. (Sansoucy) No, it says "engineering and valuation
9 services" on the previous page. The first line, "Scope
10 of Work", "provide engineering and valuation reports,
11 business plans, consulting engineering, and testimony
12 --

13 Q. That's right.

14 A. (Sansoucy) -- relating to the purchase of the water
15 property owned by Pennichuck."

16 Q. I said "valuation reports".

17 A. (Sansoucy) Correct.

18 Q. And, you were to provide "business plans", that's
19 there, and "consulting engineering and testimony",
20 correct?

21 A. (Sansoucy) Yes, sir.

22 Q. All right. Now, Phase 1 or Phase A was a fixed price
23 phase for \$239,000, correct?

24 A. (Sansoucy) Subject to check, I think that's correct.

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- 1 Q. I think the last page of the document has the price
2 index. We'll subject to check it. Now, in Phase 1 you
3 were to prepare an inventory of assets, correct? I
4 believe this is on Page 03 of this exhibit.
- 5 A. (Sansoucy) Yes, sir.
- 6 Q. And, the inventory was necessary for you to do the
7 initial valuation appraisal?
- 8 A. (Sansoucy) Adequate for the initial public interest
9 finding.
- 10 Q. Okay.
- 11 A. (Sansoucy) And, of course, for valuation.
- 12 Q. You were also to determine the scope of capital
13 improvements adequate for a public interest finding,
14 correct?
- 15 A. (Sansoucy) Where are you reading from?
- 16 Q. Third bullet under Phase A.
- 17 A. (Sansoucy) The third bullet says "inventory of assets
18 for Pittsfield Aqueduct." The second bullet is an
19 inventory of assets for Pennichuck East. And, the
20 first bullet is an inventory of assets for Pennichuck
21 Water Works.
- 22 Q. Okay. Go to the next page.
- 23 A. (Sansoucy) What's your question, sir?
- 24 Q. Seven, that's where I asked about the costs of capital

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[WITNESS PANEL: SANSOUCY|WALKER]

1 improvements, you were to prepare "initial scope and
2 costs of capital improvements required for the assets
3 to be purchased adequate for a public interest
4 finding." Correct?

5 A. (Sansoucy) That is correct.

6 Q. Now, when you say "adequate for a public interest
7 finding", it was your job to develop what you
8 considered would be necessary for Nashua to do in a
9 capital plan to support the public interest analysis?

10 A. (Sansoucy) No. It was adequate for developing the
11 public interest testimony.

12 Q. In support of the taking?

13 A. (Sansoucy) You don't know if it's going to be in
14 support of it or not until you've completed the
15 analysis.

16 Q. So, it still --

17 A. (Sansoucy) But the scope of the contract is to develop
18 public interest testimony.

19 Q. I understand that. Mr. Sansoucy, at the time this
20 contract was entered, had you reached your own opinion
21 as to whether or not it was appropriate and within the
22 public interest for Nashua to take over this system?

23 A. (Sansoucy) No.

24 Q. Okay. I believe you were also to prepare an initial

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1 study of rates, is that correct?

2 A. (Sansoucy) Yes. For all three companies.

3 Q. And, then, you were also to prepare the RFP for
4 operation and maintenance?

5 A. (Sansoucy) Yes, sir.

6 Q. And, then, your analysis, just following on down, you
7 were to prepare a summary of public interest findings?

8 A. (Sansoucy) That's correct.

9 Q. And draft a set of ordinances for rates, rules, and
10 regulations for regional ownership?

11 A. (Sansoucy) That is correct.

12 Q. Now, the regional ownership, that didn't go anywhere,
13 did it?

14 A. (Sansoucy) It hasn't yet.

15 Q. But you did participate in efforts to regionalize or
16 set up the regional authority?

17 A. (Sansoucy) I participated wherever requested by the
18 City of Nashua to assist in those efforts, yes.

19 Q. You prepared an analysis of income taxes saved and
20 carry over and any kind of exchange for capital gains
21 avoidance?

22 A. (Sansoucy) Yes.

23 Q. Do you have any tax background, Mr. Sansoucy?

24 A. (Sansoucy) No, I'm not a tax attorney. The City has

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1 hired a tax attorney and we work with them.

2 Q. So, you just work to support the tax attorney?

3 A. (Sansoucy) If some tax attorney needs information, we
4 provide it to the tax attorney.

5 Q. All right. When did you complete Phase A?

6 A. (Sansoucy) Phase A? Phase A has had a second
7 reiteration, and it was completed for the November 2004
8 testimony.

9 Q. So, the November 2004 testimony, and that testimony is
10 where you've presented your first public interest
11 testimony?

12 A. (Sansoucy) Yes, I believe that's correct.

13 Q. So, when you presented your testimony, at least at that
14 point in time, you were of the opinion that it was in
15 the public interest for Nashua to take over this
16 company, correct?

17 A. (Sansoucy) Yes.

18 Q. All right. Now, between --

19 A. (Sansoucy) Well, the original request was to take over
20 the three companies.

21 Q. Correct.

22 A. (Sansoucy) And, that was changed by the Commission, and
23 then it was rescaled to just Pennichuck Water Works and
24 the assets of Pennichuck Water Works.

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- 1 Q. Did you reduce the scope of your work or give the City
2 a credit for anything that --
- 3 A. (Sansoucy) There has, yes, there have been some credits
4 that have flowed back to the City, that is correct.
- 5 Q. Now, Mr. Sansoucy, isn't it true that you carry about
6 \$125,000 of AR, accounts receivable, on Phase 1 for
7 almost a year before the City paid you?
- 8 A. (Sansoucy) I don't remember the exact amount.
- 9 Q. But it was about a year?
- 10 A. (Sansoucy) Possibly. I don't remember.
- 11 Q. All right. Take a look at Exhibit 3235 please. Mr.
12 Sansoucy, this is a letter that you wrote to Carol
13 Anderson on January 7, 2005. Do you recall this
14 letter?
- 15 A. (Sansoucy) Yes.
- 16 Q. Okay. And, it appears from this letter that Task A was
17 completed at that point in time?
- 18 A. (Sansoucy) January '05, Task A should have been
19 completed.
- 20 Q. All right.
- 21 A. (Sansoucy) At least the elements of Task A that are
22 listed there.
- 23 Q. All right. In the first line, it indicates that the
24 final payment for Task A is \$124,280, and you're asking

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- 1 for that payment?
- 2 A. (Sansoucy) Yes, sir.
- 3 Q. If you would go back to the document, towards the
- 4 middle, where it says "It is important", bottom third.
- 5 "It is important that we process this invoice as we
- 6 have carried the cash flow of Task A for nearly a year
- 7 for the City of Nashua." Correct?
- 8 A. (Sansoucy) Yes, that's what it says.
- 9 Q. Now, going back to Phase B, Mr. Sansoucy, on
- 10 Exhibit 3036.
- 11 A. (Sansoucy) Phase what, sir?
- 12 Q. Page 004 of Exhibit 3036. Are you there? At the very
- 13 bottom it starts "Item B".
- 14 A. (Sansoucy) Yes, sir.
- 15 Q. All right. Item B and Phase B is the "RSA 38 testimony
- 16 before the New Hampshire Public Utilities Commission
- 17 and subsequent appeals." Correct?
- 18 A. (Sansoucy) Correct.
- 19 Q. Now, Phase B, 1 through -- it appears 1 through 5,
- 20 basically tracks Phase 1, 1 through 5, in that you're
- 21 to prepare inventories and do appraisals, and, in Phase
- 22 B, you're to finalize those?
- 23 A. (Sansoucy) Phase B are the detailed final valuation
- 24 appraisals.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Correct. And, again, in Item 6, on Page 005, "the
2 final study of the rates and fees needed to yield the
3 revenues required for the financial plan for the assets
4 to be acquired from PWW", you also list "Pennichuck
5 East" and "Pittsfield" for the public interest finding,
6 correct?
- 7 A. (Sansoucy) That is correct.
- 8 Q. Now, you, in addition to that, you're to "Participate",
9 in Number 7, "in all technical settlement meetings and
10 hearings at the PUC"?
- 11 A. (Sansoucy) Yes.
- 12 Q. As an appraiser and also as a consultant to the City,
13 correct.
- 14 A. (Sansoucy) Our company represents both.
- 15 Q. "Prepare prefiled testimony to the extent and price of
16 the assets to be acquired, and the terms of their
17 acquisition, and the public benefits of the
18 acquisition"?
- 19 A. (Sansoucy) Yes.
- 20 Q. "Prepare prefiled rebuttal testimony as required"?
- 21 A. (Sansoucy) Yes.
- 22 Q. And, "Assist in the preparation of the trial plan for
23 the main proceedings"?
- 24 A. (Sansoucy) Yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. Now, the trial plan is a plan that is being run
2 primarily by the City's counsel, Mr. Upton and
3 Mr. Richardson, correct?

4 A. (Sansoucy) Yes.

5 Q. And, so, you're participating in their trial planning
6 for this process?

7 A. (Sansoucy) Whatever they asked us to assist them, we
8 would help.

9 Q. You're participating in the trial planning for this
10 process, aren't you?

11 A. (Sansoucy) To the extent that Mr. Upton asked us to do
12 something, we help.

13 CHAIRMAN GETZ: I'll take that as a
14 "yes".

15 MR. CONNER: Thank you.

16 BY MR. CONNER:

17 Q. "Provide oral testimony" and "technical support for any
18 appeals and responses to appeals from the PUC
19 decision"?

20 A. (Sansoucy) Yes, sir.

21 Q. So, it doesn't stop with just your testimony today on
22 valuation and public interest, correct, your
23 assignment?

24 A. (Sansoucy) My assignment goes through -- it

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1 contemplates going through the date of taking.

2 Q. And not after?

3 A. (Sansoucy) No.

4 Q. Item C or Phase C, "General consulting during all
5 phases providing attorney legal staff" -- "supporting
6 attorney legal staff", correct?

7 A. (Sansoucy) Yes.

8 Q. Now, "Support attorneys on issues for declaratory
9 judgment." Now, that's a separate case, wasn't it? It
10 wasn't at the PUC, the declaratory judgment?

11 A. (Sansoucy) There have been a number of motions back and
12 forth and a number of decisions made by this Commission
13 on where this whole proceeding is headed. And,
14 whatever requests are made by the attorneys to us for
15 technical information, we provide that support.

16 Q. Whether it's in this proceeding or another proceeding?

17 A. (Sansoucy) I don't understand. There's only one
18 proceeding, which is this.

19 Q. Okay. I'm not aware of a declaratory judgment in this
20 case before this tribunal.

21 A. (Sansoucy) This Commission has made some decisions on,
22 you know, what can and can't be done.

23 Q. Okay. It may just be semantics then. "Support efforts
24 related to regionalization." Again, that's with the

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Water District?
- 2 A. (Sansoucy) With the City.
- 3 Q. With the City? "Support efforts related to preparation
- 4 of legal documents" and "Support efforts related to
- 5 likely appeals", and then "Public presentation and
- 6 participation in meetings of the City related to all
- 7 issues of the taking"?
- 8 A. (Sansoucy) Yes.
- 9 Q. Whatever those issues are, you're asked to participate
- 10 in presentations, you participate?
- 11 A. (Sansoucy) That's correct.
- 12 Q. "Prepare data requests", number 6, on Page 006, and
- 13 "information required to develop the scope of the work
- 14 above"? Number 6?
- 15 A. (Sansoucy) Yes, sir.
- 16 Q. And, then, "Participate in responding to data requests
- 17 made to the City"?
- 18 A. (Sansoucy) Yes.
- 19 Q. And, you've done that?
- 20 A. (Sansoucy) Yes.
- 21 Q. Now, that's -- I guess that's the line, isn't it, of
- 22 demarcation? That's where your engagement ends with
- 23 respect to this case?
- 24 A. (Sansoucy) I don't understand the question, as I told

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1 you "through the date of taking".

2 Q. Okay. Item D, "Final asset transfer to public
3 ownership". That occurs after this Commission makes a
4 ruling, correct?

5 A. (Sansoucy) If this Commission made a ruling, and if the
6 ruling were that Nashua could purchase Pennichuck Water
7 Works or some components of it thereof, and if the City
8 voted to proceed, then these are items to assist the
9 City in the orderly transfer of assets to the City and
10 the completion of those things necessary to have an
11 orderly transfer to a city-owned utility.

12 Q. So, the final phase, Phase D, is contingent on the PUC
13 finding in favor of Nashua on public interest, correct?

14 A. (Sansoucy) If the City -- If the Public Service -- If
15 the Public Utilities Commission found that to be the
16 case, and if the City voted to do it, the City wanted a
17 contract provision that we would continue and assist
18 them through date of taking.

19 Q. Mr. Sansoucy, is Phase D contingent on this Commission
20 ruling in favor of the City of Nashua on public
21 interest, "yes" or "no"?

22 A. (Sansoucy) It's not going to happen if they don't.

23 CHAIRMAN GETZ: Mr. Sansoucy, I think
24 it's a -- give me a "yes" or "no".

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1 BY THE WITNESS:

2 A. (Sansoucy) Yes, it's contingent upon it.

3 MR. CONNER: Thank you.

4 BY MR. CONNER:

5 Q. And, in this final phase, the contingent phase, you're
6 basically going to do everything from a due diligence
7 standpoint to support the acquisition going forward,
8 correct?

9 A. (Sansoucy) No. We're doing a very limited piece of
10 this, a very small piece of the actual -- the actual
11 transfer. We have a very limited portion to continue
12 and assist the city as necessary.

13 Q. Well, let's just walk through it. You're going to
14 "Provide asset descriptions for purchase and sale
15 documents"?

16 A. (Sansoucy) That's very minor.

17 Q. And, you're going to "Assist in the wording of transfer
18 documents to ensure that all required elements of the
19 assets of a functional water utility are included." Is
20 is that minor?

21 A. (Sansoucy) That's minor, in the big picture, yes.

22 Q. You're going to "Assist and participate with the
23 financial advisors in the participation of" --
24 "preparation of materials to facilitate the optimum

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1 debt structure and cost for the acquisition, and the
2 placement of tax-exempt debt." Is that minor?

3 A. (Sansoucy) In the big picture, yes, that's minor.

4 Q. Whose "big picture"?

5 A. (Sansoucy) In the big picture of the -- of the team
6 that's going to do the transition. We're a very minor
7 piece of that. But, yes, we will provide that to the
8 bond advisors to the City.

9 Q. You're also going to "Prepare contracts" -- "final
10 contracts for the operation, maintenance, and
11 management of the publicly owned system including
12 assisting with development and hiring of appropriate
13 public staff"?

14 A. (Sansoucy) That's correct. We will help with that,
15 with finalizing the final Veolia contract, and the --
16 making our recommendations on the final staffing at the
17 City level.

18 Q. Do you have -- Do you provide employment services for
19 any other clients?

20 A. (Sansoucy) In the takings that we have done, we have
21 described how we recommend that that be done, yes.

22 Q. Would you view that as a "minor assignment"?

23 A. (Sansoucy) In the big picture, it's minor.

24 Q. "Assist with the development and adoption of a final

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1 rate ordinance and ordinances/rules governing the
2 operation of this system"?

3 A. (Sansoucy) Yes, sir.

4 Q. Is that a minor function?

5 A. (Sansoucy) That's not minor, but it's not major. It's
6 been ongoing. We have a draft ordinance ready, ready
7 for any changes that might come from a request by the
8 Commission.

9 Q. So, Mr. Sansoucy, it's fair to say then, there is no
10 final rate ordinance for this Commission to consider?

11 A. (Sansoucy) We have a draft ordinance for which we have
12 made representations related to, pending any decisions
13 from the Commission.

14 Q. Mr. Sansoucy, is there a final rate ordinance --

15 A. (Sansoucy) We have no --

16 Q. -- that has been -- let me finish, sir.

17 A. (Sansoucy) We have no rates to level, so there is no
18 final ordinance. That's a question I can't answer,
19 because we don't have rates to level.

20 Q. Is there a water ordinance?

21 A. (Sansoucy) There was a draft water ordinance.

22 Q. My question, sir, is there a final water ordinance that
23 has been approved?

24 A. (Sansoucy) I can't answer your question, because we

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1 don't have authority for a final. I cannot answer your
2 question "yes" or "no". There is a draft, it's very
3 simple.

4 MR. BOUTIN: Excuse me. This is exactly
5 why this is going to take longer than today. These are
6 "yes" and "no" questions. And, if he keeps dodging them,
7 we're going to be here all day listening to the dodgers,
8 when all of us know full well that the answer is "no".

9 MR. UPTON: He's answering the
10 questions. He's just not answering them with a "yes" or a
11 "no". But the question is being answered. And, if
12 there's anybody here, including Mr. Conner, who doesn't
13 know that it's either a "yes" or a "no" answer based upon
14 what he said, I'd be surprised.

15 CHAIRMAN GETZ: Well, we are dealing
16 with the reality of Mr. Sansoucy's manner of repeating
17 what has been said by the attorney. And, I think it is
18 clear what his answer is. But it would be just a lot more
19 helpful to the process if you said "yes" or "no", when you
20 mean "yes" or "no", rather than just repeating, repeating
21 the question.

22 But I'm getting back to another issue,
23 Mr. Conner. We really -- This is all very cumulative kind
24 of inquiry around the issues, intertwined issues of the

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1 expertise of the witnesses, the credibility of the
2 witnesses, the weight that we should assign to their
3 testimony, whether there is some sort of implicit or
4 structural bias or something else in their conduct in this
5 case, which I assume, and correct me if I'm wrong, that
6 this will be a big part of your brief at the end of these
7 proceedings. And, I've been trying to give you a lot of
8 leeway, and which I will do to all the attorneys in their
9 inquiry to try and make your case. But this is really
10 getting duplicative from my view at this point.

11 Do we have much more along this line?

12 MR. CONNER: Well, I can move on,
13 Mr. Chairman. But I do think that the point needs to be
14 made that we agree totally with the Chair that credibility
15 is key with respect to this testimony. And, to the extent
16 that the Chair has already recognized the points that have
17 been made, I appreciate that. But I can't know that for
18 certain unless the Commission announces that as we go
19 forward. I will try --

20 CHAIRMAN GETZ: I recognize that you're
21 going to have a view of this, and then we're going to have
22 a different view from the Petitioner.

23 MR. CONNER: That's totally -- That's
24 fine, Mr. Chairman. The point I'm trying to make is, on

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1 cross-examination, these are factual items that were
2 coming out, and it's your job to interpret those. Now,
3 I'm not creating any opinions here, I'm not giving any
4 opinions. I'm just asking the questions. And, that's the
5 way I've tried to structure the examination.

6 CHAIRMAN GETZ: Well, let's move along,
7 because I think going through this list is not going to be
8 helpful, to finish off this item-by-item.

9 BY MR. CONNER:

10 Q. Mr. Sansoucy, what amount have you been paid in total
11 by the City of Manchester in regard to this assignment?

12 A. (Sansoucy) I don't know.

13 Q. I mean the City of New --

14 CHAIRMAN GETZ: Nashua.

15 BY MR. CONNER:

16 Q. -- of Nashua please?

17 A. (Sansoucy) I don't know.

18 Q. You don't know?

19 A. (Sansoucy) No, I do not.

20 Q. Is it over \$300,000?

21 A. (Sansoucy) I would think so, yes.

22 Q. Is it over \$400,000?

23 A. (Sansoucy) I don't know.

24 Q. Do you have any idea, Mr. Walker?

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- 1 A. (Walker) I do not.
- 2 Q. Do they still owe you money today?
- 3 A. (Sansoucy) I think so. I think they have just some
- 4 current outstanding invoices.
- 5 Q. Now, your engagement did not include a -- I'll call it
- 6 a "retainage", did it?
- 7 A. (Sansoucy) No. A retainage from them, no. They have a
- 8 retainage from me on Item -- on I believe Item A.
- 9 Q. What do you mean "they have a retainage from you"?
- 10 A. (Sansoucy) There was a retainage on Item A subject to
- 11 the completion of the public interest testimony.
- 12 Q. How much are they holding of your payment until you
- 13 finish your testimony?
- 14 A. (Sansoucy) I think around 11,000.
- 15 Q. Mr. Walker, in this assignment, the appraisal
- 16 assignment, isn't it true that you were retained to
- 17 consider all three approaches to value, Income, Cost,
- 18 and Sales Approach, is that correct?
- 19 A. (Walker) We were retained to perform an appraisal, yes.
- 20 And, that would typically include all three. But I
- 21 don't believe there was a statement that that was a
- 22 requirement.
- 23 Q. All right. Is that what you did?
- 24 A. (Walker) That is what we did. We looked at all three

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1 appraisals -- appraisal methods.

2 Q. All right. Now, Mr. Walker, with respect to appraisal
3 standards and practice, it's not appropriate to tell
4 your client on the front-end of an assignment that
5 you're definitely not going to give any weight to the
6 Cost Approach or any other approach, is it?

7 A. (Walker) Again, it's not a "yes" or "no" question, I
8 apologize. It depends on the type of appraisal.
9 Typically, that decision is made by the appraiser,
10 based on what he knows about the property or based on
11 analysis of the appraisal problem, in this case
12 valuation of the Pennichuck water system.

13 Q. Now, when you say "typically", in this instance, there
14 is no reason, no statutory or no direction given to you
15 on the front-end of your assignment as to how much
16 weight you should give any one of the three approaches,
17 was it?

18 A. (Walker) That's my understanding. That's correct.
19 They asked for an appraisal; we performed an appraisal.

20 Q. Okay. And, Mr. Walker, GES, the company, did not give
21 the City a predetermined value for the Pennichuck
22 assets that it intended to propose to this Commission
23 for the taking prior to performing the appraisal, did
24 it?

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- 1 A. (Walker) That's my understanding. That the concluded
2 value was developed in this appraisal, which was
3 prepared, I believe, in January of 2006.
- 4 Q. If you would, let's go to Exhibit 3197A please. Now,
5 Mr. Walker, this is a document that we brought up
6 earlier, these were the Budget Review Committee minutes
7 for the City of Nashua, dated March 16, 2004. And, at
8 this proceeding or this meeting, Mr. Upton and Mr.
9 Sansoucy were present. If you'll go to Page 002 on
10 that please. You see that? "Also in attendance:"
11 "Mr. Sansoucy" and "Mr. Upton".
- 12 A. (Walker) I see that.
- 13 Q. You were not there?
- 14 A. (Walker) No.
- 15 Q. Were you aware, Mr. Walker, that this meeting, if
16 you'll turn to Page 003, and look under R-04-14 please,
17 that paragraph. It appears that the purpose of this
18 meeting was considering by the Board or the Water
19 Committee, and the endorsers are Mr. Streeter and
20 Mr. McCarthy -- or, Mayor Streeter and McCarthy.
21 "Relative to transferring \$100,000 from the General
22 Contingency - Energy Costs - Account and 200 from
23 anticipated bond interest, totaling \$300,000, into
24 capital improvements, water system acquisition, to hire

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1 consultants and attorneys for the Public Utilities
2 Commission and court proceedings in connection with
3 acquiring Pennichuck Water Works." Correct?

4 A. (Walker) That's what I assume was a motion made or an
5 endorsement made.

6 Q. Yes.

7 A. (Walker) That's what it says.

8 Q. By Mr. McCarthy, Alderman-at-Large McCarthy and Mayor
9 Streeter. And, the date on this again is March 16,
10 2004, and your engagement agreement that we just looked
11 at is March 19, 2004, correct? Subject to check?

12 A. (Walker) Subject to check, sure.

13 Q. Okay. If you would go to Page 16, I believe, 016.
14 Fourth paragraph down. "The Cost Approach", and I'll
15 just read it for you, Mr. Walker, "The Cost Approach is
16 used and we will do one." This is Mr. Sansoucy
17 talking. "It will be part of the package. The PUC
18 will want to consider it and look at it, but most
19 importantly it will be used to help allocate value
20 between towns, cities, and the three companies. It
21 allocates value based on actual pipe. It will not be
22 weighted for value in our analysis, but it will be
23 presented because it is very important too", it says
24 "took", "in determining and spreading out the costs and

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1 assessing (assisting?) the no net harm standard." Do
2 you agree with that?

3 A. (Walker) I see that's what it says.

4 Q. Okay. I take it, Mr. Walker, that Mr. Sansoucy did not
5 consult with you when he told the City that GES had no
6 intention of giving any weight to the Cost Approach
7 before they were even hired?

8 A. (Walker) I don't know that he consulted me with respect
9 to this statement, no.

10 Q. All right. But, at this point in time, Mr. Upton knew,
11 Mr. Sansoucy knew, the Mayor knew, and the aldermanic
12 board knew, but you didn't, correct?

13 A. (Walker) That the Cost Approach wouldn't be given
14 weight?

15 Q. Yes, sir.

16 A. (Walker) It would probably be a fairly logical
17 conclusion, and I don't know --

18 Q. That's not what I asked you. They knew, but you
19 didn't?

20 A. (Walker) You have to ask -- Can I have the question
21 back, because I'm not sure what the question you're
22 asking is?

23 Q. I think we can move on.

24 CHAIRMAN GETZ: Well, actually, I'd like

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1 some explanation on this.

2 MR. CONNER: Okay.

3 CHAIRMAN GETZ: Because there seems to
4 be some ambiguity about "it will not be weighted".

5 WITNESS SANSOUCY: Can I answer the --

6 CHAIRMAN GETZ: If I can -- Well, if I
7 could complete my question.

8 WITNESS SANSOUCY: Certainly. I'm
9 sorry.

10 CHAIRMAN GETZ: And, let's try and
11 remember this, too, at least for no other reason, for Mr.
12 Patnaude can only record one person at a time. Whether
13 this is "not weighted for value", and I direct this to Mr.
14 Walker, whether it means "not given any weight at all" or
15 whether it will "be given a disproportionate weight"?
16 That's not what's clear to me. Can you --

17 WITNESS WALKER: Okay. And, if I could
18 put it in a general context, Commissioner? Typically,
19 when we look at the valuation of a utility property like
20 this, the Cost Approach is going to result in the highest
21 value or a value in excess of what the market is willing
22 to pay. So, in the majority of the valuations we perform,
23 the Cost Approach is given no weight or very little
24 weight, and the Sales Comparison or Income Capitalization

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1 Approaches are given the majority of the weight. So, if
2 you were to ask me, on a particular assignment, prior to
3 doing that assignment, "what do you think will happen?" I
4 can pretty much tell you from past experience what
5 approach we will give the most weight to and what
6 approaches will be supportive of that value.

7 With respect to this statement, I just
8 wasn't there for the statement, which is why I was trying
9 to figure out what the question was getting at.

10 CHAIRMAN GETZ: And, since you --

11 WITNESS SANSOUCY: But I made the
12 statement.

13 CHAIRMAN GETZ: Mr. Sansoucy, let me run
14 the hearing.

15 WITNESS SANSOUCY: I'm sorry.

16 CHAIRMAN GETZ: I was about to turn to
17 you. Since they're your words, what did you mean?

18 WITNESS SANSOUCY: What I meant, your
19 Honor, is that we had valued this property up until this
20 time for nine years. In 1995, when we valued this
21 property, we applied economic and functional depreciation
22 to the Cost Approach, and reduced the Cost Approach to a
23 lower number, based on income and market sales. And, we
24 knew going into the valuation of this company that the

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1 Cost Approach was going to be reduced by sales and market,
2 because we knew a lot about this property and the
3 valuation of this property, in the past.

4 So, for example, in 1995, the Cost
5 Approach yielded a value in Nashua of 55 million, which we
6 reduced to 37 million for income and market. So, Mr.
7 Walker is exactly correct. That, while we are doing the
8 Cost Approach, it is not going to be given a statistical
9 weighting, because it's going to be reduced by the effect
10 of income and market.

11 CHAIRMAN GETZ: Mr. Conner, do you have
12 any more on this line?

13 MR. CONNER: I have what he said in his
14 deposition.

15 CHAIRMAN GETZ: No further questions
16 then on this issue?

17 MR. CONNER: Well, it was different than
18 what he just said.

19 CHAIRMAN GETZ: Well, then --

20 MR. CONNER: Let's take a look at
21 Deposition 2, Page 215 and 216. On Page 215, "Question:"
22 Line 10: "So, when you began your engagement in this case
23 in March of 2004, you contemplated or knew that you were
24 going to utilize the Cost Approach, the Market Approach,

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1 and the Sales Approach in your appraisal process? Answer:

2 We knew we were going to do at least those three.

3 Question: All right. At that point in time, though,
4 that's not when you decide how much weight to give each
5 approach, is it? (Answer?) That's correct."

6 That's the point, your Honor.

7 CHAIRMAN GETZ: Please proceed.

8 MR. CONNER: Thank you.

9 BY MR. CONNER:

10 Q. Mr. Walker and Mr. Sansoucy, I'll give you both this.

11 It's not appropriate or consistent with appraisal
12 standards to decide what weight to give an appraisal --
13 I'm sorry, it's not appropriate to give the City a
14 predetermined value for the Pennichuck assets that it
15 intended to propose to the Commission for the taking,
16 correct, prior to performing the appraisal?

17 A. (Walker) Could you just repeat the question --

18 Q. Sure.

19 A. (Walker) -- or have it read back, because there was --

20 Q. You've already testified that GES did not give the City
21 a predetermined value for the Pennichuck assets that it
22 intended to propose to this Commission for taking prior
23 to the appraisal, correct, that you're aware of?

24 A. (Walker) Correct.

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1 A. (Sansoucy) Well, he's correct, but you've got to
2 remember that we provided the City with a range of
3 values based on all of the documents and prior
4 appraisals that we had done for Pennichuck from 1995
5 forward, utilizing forms filed here with the State, the
6 E-22s and additions and deletions. We then completed a
7 final appraisal, and Mr. Walker did a final weighting,
8 and that appraisal is the January '06 Final Valuation
9 Appraisal. It is very appropriate for us to provide
10 valuation ranges based on the information in the
11 appraisals that we have in our file.

12 Q. Okay. Mr. Sansoucy, so you gave them ranges. You
13 didn't tell them specifically that you will be
14 proposing on their behalf a value of 81 to 82 million
15 dollars for the taking at the PUC? Is that what you're
16 saying? You didn't do that?

17 A. (Sansoucy) Oh, yes, we did. I narrowed that range
18 within a few million dollars. We had sufficient enough
19 public documents from Pennichuck that we were able to
20 narrow that range based on previous discovery from
21 Pennichuck in previous valuations the Company had
22 provided us, and that's a public record.

23 Q. Okay. So, you knew --

24 A. (Sansoucy) I knew.

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1 Q. You knew that --

2 A. (Sansoucy) And, I gave that presentation. Mr. Walker
3 did final weighting and final valuation. But I knew,
4 when I made the presentation to the Board of Aldermen,
5 what the range was likely going to be.

6 Q. And, you told them that the range that you would
7 propose or would be proposing to the PUC was "81 to 82
8 million dollars"?

9 A. (Sansoucy) In that range, that's correct.

10 Q. All right. But they still went ahead and paid you to
11 do -- paid you over \$124,000 to do an appraisal for
12 \$85 million?

13 A. (Sansoucy) Yes, they did, because we needed to do the
14 discovery to get the final asset and inventory
15 calculations to adjust the inventory from that which
16 was presented, and to do the final market evaluation
17 and market analysis.

18 Q. All right. Mr. Sansoucy and Mr. Walker, isn't it true
19 that you've been instructed by counsel not to make any
20 determination as to whether there are any legal or
21 factual bases for any severance damages suffered by
22 PWW, PEU, PAC, Southwood or PWSC in this proceeding?

23 A. (Walker) That is correct. We have not been asked to
24 perform any analysis for severance.

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1 Q. Mr. Walker, with respect to valuation, is the test of
2 value or the standard of value that you utilized in
3 your appraisal fair market value?

4 A. (Walker) It's market value, which is oftentimes
5 synonymous with fair market value.

6 Q. Do you review it -- Do you view it as being fair market
7 value?

8 A. (Walker) I do. And, the definition that we use is at
9 Exhibit 1007A, and starts on Page 7.

10 Q. And, what is that definition?

11 A. (Walker) Would you like me to read the whole --

12 Q. Yes, sir.

13 A. (Walker) "The definition of "market value", as used in
14 this report, is defined as follows: The most probable
15 price which a property should bring in a competitive
16 and open market under all conditions requisite to a
17 fair sale, the buyer and seller each acting prudently
18 and knowledgeably, and assuming the price is not
19 affected by undue stimulus. Implicit in this
20 definition is the consummation of a sale as of a
21 specified date and the passing of title from seller to
22 buyer under conditions whereby: (A) Buyer and seller
23 are typically motivated; (B) Both parties are well
24 informed or well advised, and acting in what they

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- 1 consider their own best interests; (C) A reasonable
2 time is allowed for exposure in the open market; (D)
3 Payment is made in terms of cash in United States
4 dollars or in terms of financial arrangements
5 comparable thereto; and (E) The price represents the
6 normal consideration for the property sold unaffected
7 by special or creative financing or sales concessions
8 granted by anyone associated with the sale."
- 9 Q. Okay. Thank you. Mr. Walker, there's nothing in that
10 definition that refers to the ultimate test of value or
11 standard of value being "no net harm", is there?
- 12 A. (Walker) No.
- 13 Q. And, you would agree that the standard of value is as
14 set forth in your appraisal, as opposed to some other
15 standard, correct?
- 16 A. (Walker) Correct.
- 17 Q. Is it your understanding that your company intended to
18 go into this Commission with an appraisal that would be
19 using no rate increase as the standard of value?
- 20 A. (Walker) No, that -- the standard of value is as
21 defined and I just read.
- 22 Q. Okay. And, "no increase" -- "no rate increase" is not
23 a standard of value, is it?
- 24 A. (Walker) No. No. I mean, it may be one of the inputs

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1 to value, but it's not a standard of value.

2 Q. All right. Now, would you agree that what sets water
3 rates and the rates are set by the purchase price or
4 cost of a company?

5 A. (Walker) This Commission would set water rates, either
6 in historic orders or future orders.

7 Q. So, it's not the -- the purchase price is not the
8 primary factor to determine what those rates may be?

9 A. (Walker) It may factor into what those rates would be,
10 but the rates would be a function of a proceeding in
11 front of the Commission.

12 Q. Let's pull up Exhibit 3179A (3197A?) again please.
13 97A, do we not have an "A" in there? Okay. It's 3197,
14 Page 6. Mr. Walker, would you take a look at that
15 section that's been highlighted, "Valuation analysis".

16 A. (Walker) I see the section.

17 Q. Okay. In the middle of that section, this again is
18 from Mr. Sansoucy: "The test of value -- the ultimate
19 test of value is no net harm." You would not agree
20 with that then, would you?

21 A. (Walker) That was a question to me, whether I would
22 agree with that statement? If you just give me a
23 second, counsel, because I'd like to read it in
24 context.

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- 1 Q. Sure.
- 2 A. (Walker) Mr. Conner, could you repeat your question?
- 3 Q. Sure. Why don't you just go ahead and let's finish
- 4 reading: "The test of value - the ultimate test of
- 5 value is no net harm. That (What?) is the no net harm
- 6 standard -- it is a very practical standard that we
- 7 applied in Hudson, we applied in Ashtabula where the
- 8 rate payers are not asked to carry any greater" -- or,
- 9 "carry a greater rate because of the sale, the Company
- 10 is not asked to give up or constrict assets. We pay
- 11 fair market value for the assets, but we don't overpay
- 12 those assets so that there is a rate increase. We will
- 13 be going in with no rate increase as the standard of
- 14 transfer of the value." That's not fair market value,
- 15 is it, Mr. Walker?
- 16 A. (Walker) Well, the "fair market value" is referenced
- 17 here as to what is being paid for the assets. The
- 18 "test of value" or the "test of no net harm", I believe
- 19 is referring to someone else, and I could interpret it,
- 20 but I'm not sure that's your question.
- 21 Q. So, you wouldn't agree then that it's not appropriate
- 22 -- you would agree that it's not appropriate to go into
- 23 this Commission or tell the client that you're going to
- 24 go into the Commission with a proposal for no rate

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1 increase as a standard of value as an appraiser?

2 A. (Walker) Well, --

3 A. (Sansoucy) As a panel --

4 Q. My question is to Mr. Walker.

5 A. (Walker) I think it's a compound question. There's a
6 fair market value for the asset. And, as a result of
7 the fair market value, there may or may not be a
8 potential for a rate increase or rate decrease.
9 Typically, in a utility transfer, whether it be through
10 a municipalization effort or through the purchase of a
11 utility -- the purchase or sale of a utility between
12 investor-owned utilities, one of the things that the
13 Commission looks at is that the transfer will have no
14 rate impact or no impact on the public interest, to the
15 existing ratepayers. They don't want to see rate
16 increases or a stepped up rate base as a result of the
17 sale. Or, if there is an allowed stepped up rate base,
18 there is usually a justification for it through
19 economies of scale or lower operating costs or some
20 other compounding factor that corresponds with the sale
21 and/or transfer of the assets. So, I'm just -- it's
22 hard for me to figure out what you're asking, without
23 understanding the context. So, there's the sale, which
24 is presumed to be at fair market value, and then

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1 there's the result of the sale, which would be the
2 rates that may or may not take into consideration the
3 sale price. And, we see utilities sell from time to
4 time with no increase in rates. Sometimes there are
5 increases in rates, but usually they're justified
6 through economies of scale associated with larger
7 operating units or other efficiencies that would be in
8 the public benefit to allow greater rates.

9 Q. Mr. Walker, when you're going into an appraisal
10 assignment, you're trying to determine the fair market
11 value of that company, correct?

12 A. (Walker) Fair market value of the assets, correct.

13 Q. And, it's not your job to say what rates are going to
14 be with respect to that number, is it, as an appraiser?

15 A. (Walker) Well, as an appraiser, when you look at fair
16 market value, one of the approaches you use is the
17 Income Approach and Sales Comparison Approach. And,
18 one thing that's obviously important to a buyer are (A)
19 what do my existing rates look like? What's my income?
20 What's my capital available to satisfy debt and equity?
21 And, what expectation do I have of either future rate
22 increases or no rate increases?

23 Q. But you don't --

24 A. (Walker) So, there are things that factor in, but they

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1 don't set the standard of value.

2 Q. Okay. That's fine. But I guess the point I'm trying
3 to make, Mr. Walker, is, you don't decide what you want
4 the rate to be or the rate for the customers to be, and
5 then you back into your value? You don't do that, do
6 you?

7 A. (Walker) No, it's typically the other way around.

8 Q. Okay. Because that's not appropriate, is it? To back
9 into your value if you're trying to do a fair market
10 valuation from rates?

11 A. (Walker) Again, I would say, typically, that's correct.
12 I mean, there may be an instance, but I can't think of
13 one.

14 Q. Not in this case, was there?

15 A. (Walker) In this case, we looked at the cash flows of
16 the Company and derived value.

17 Q. Mr. Sansoucy, isn't it true that you told the Board of
18 Aldermen and the Mayor, before you -- before they
19 signed this engagement agreement or you signed the
20 engagement agreement on March the 19th, that "when I've
21 done my job, and if all goes well, I'll come back to
22 you with a price that you can accept and a deal and a
23 structure that you can live with to go forward"?

24 A. (Sansoucy) That's what you have to have to go forward.

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- 1 Q. Is that what you told them?
- 2 A. (Sansoucy) I probably did, yes.
- 3 Q. You did or you probably did?
- 4 A. (Sansoucy) I probably did say that, because that's what
- 5 you have to have to go forward. You can't have a price
- 6 that's in excess and you can't have a structure that
- 7 doesn't work.
- 8 Q. Mr. Sansoucy, with respect to the other items in your
- 9 assignment, isn't it true that Mr. Munck drafted
- 10 talking points for the City of Nashua, in regard to
- 11 various items that had occurred in the case for press
- 12 releases?
- 13 A. (Sansoucy) I can't remember whether he did or Mr. Upton
- 14 did.
- 15 Q. Okay. Take a look at E 3032, please. This is an
- 16 e-mail, Mr. Sansoucy, from Mr. Munck to Mark Sousa?
- 17 A. (Sansoucy) "Sousa".
- 18 Q. "Sousa". And, who is Mr. Sousa?
- 19 A. (Sansoucy) Mr. Sousa is, at the time, was the Mayor's
- 20 Direct Assistant, the Mayor's office.
- 21 Q. And, this is an e-mail from your company --
- 22 A. (Sansoucy) I probably botched his title. Excuse me,
- 23 Mark.
- 24 Q. This is an e-mail from your company?

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- 1 A. (Sansoucy) Yes, it is, from Phil.
- 2 Q. And, Phil had drafted the talking points on Page 2,
3 correct?
- 4 A. (Sansoucy) Bring up Page 2, because I think Mr. Upton
5 drafted some. My recollection is this was drafted out
6 of the Upton office, and we transferred it to Mark. I
7 think we proofed the numbers in it. I think the first
8 draft came from Mr. Upton, and we proofed the numbers.
- 9 Q. But then you sent it on or Mr. Munck sent it on to the
10 City?
- 11 A. (Sansoucy) Yes, that's correct.
- 12 Q. Take a look at 3033 please. This is another, and this
13 is 3033, 02, and 01 is the e-mail. But, again, this is
14 an e-mail from Mr. Munck, and it's to Mayor Streeter,
15 Mr. McCarthy, Carol Anderson, Katherine Hersh,
16 Mr. Souza, Mr. Connell, and Mr. Upton, and you,
17 correct?
- 18 A. (Sansoucy) Yes.
- 19 Q. Is that your team? Is that the team that Nashua put
20 together for this proceeding?
- 21 A. (Sansoucy) No, not quite.
- 22 Q. Who else would make up that team?
- 23 A. (Sansoucy) Veolia.
- 24 Q. They didn't come in till later in the game, though,

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1 correct?

2 A. (Sansoucy) That's right.

3 Q. Now, again, these are talking points drafted on 1/25/05
4 for consideration. Now, did Mr. Munck draft these?

5 A. (Sansoucy) I don't know. Bring them up.

6 Q. Page 1.

7 A. (Sansoucy) I don't know if he did, Mr. Upton did, or
8 they did collectively. I don't know the answer to
9 that.

10 Q. All right. Do these points reflect the opinions of
11 your company at that point in time?

12 A. (Sansoucy) I think these points are factual.

13 Q. Okay. They're factual. Do they reflect the opinion of
14 you and your company at that time?

15 A. (Sansoucy) Well, if they're factual, they're not based
16 on opinion. So, then, no, they just -- I can't answer
17 "yes" or "no", there's no opinion. I think these are
18 factual that were proofed for a press release by the
19 City, based on a Commission order of January 21, 2005.

20 Q. Again, by your company to the City?

21 A. (Sansoucy) Well, I think they went through our hands
22 for proofing, and they probably started out at Upton's
23 office.

24 Q. Throughout this process, Mr. Sansoucy, isn't it true

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1 that you have been guiding the Board of Aldermen with
2 your thoughts and ideas with respect to the taking of
3 this company?

4 A. (Sansoucy) I am a Professional Engineer. I was hired
5 as a Professional Engineer and a Valuation Specialist.
6 And, yes, I have provided the City with my thoughts, my
7 analysis, my experience. That's certainly true,
8 because that is my -- that's one of my jobs in the
9 public interest side of this issue.

10 Q. And, you've been providing that direction for them
11 throughout the whole process, haven't you?

12 A. (Sansoucy) To the best of my ability, absolutely.

13 Q. Isn't it true that it's your job, under your
14 engagement, to testify to the PUC about why the City
15 can do this?

16 A. (Sansoucy) That's correct. Mr. Walker has come up with
17 value, if you look at the previous paragraph. The
18 value does enter into the ratemaking process, along
19 with many other things. My job is to take all of that,
20 Mr. Walker's value, Veolia's contract, etcetera, and to
21 package that up into a sound, financially sound and
22 administratively sound operating plan, to provide the
23 citizens with equal to or better service than
24 Pennichuck, at a lower cost.

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- 1 Q. That's your job?
- 2 A. (Sansoucy) That is my job.
- 3 Q. And, you actually have to testify on their behalf, the
- 4 Board's behalf, and tell the PUC what they're thinking?
- 5 A. (Sansoucy) I have to provide facts to the Public
- 6 Utilities Commission.
- 7 Q. And, you're testifying on their behalf?
- 8 A. (Sansoucy) For the City of Nashua.
- 9 Q. Now, with respect to the Merrimack Valley Regional
- 10 Water District Authority, you came up with that name,
- 11 too, didn't you?
- 12 A. (Sansoucy) Yes, we did.
- 13 Q. And, I believe you did individually?
- 14 A. (Sansoucy) I came up with it individually, yes, I did.
- 15 Q. Now, in addition to responding to inquiries, isn't it
- 16 true, Mr. Sansoucy, that you were encouraging the City
- 17 to go out and recruit other communities to join the
- 18 Authority to make their case better before the
- 19 Commission?
- 20 A. (Sansoucy) Yes. I have always been a long-standing
- 21 advocate of regional -- regionalization of utility
- 22 property and utilities in the State of New Hampshire,
- 23 dating back to 1975. It is public knowledge that I
- 24 participated in some regional activities in this state.

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1 I have always been a proponent of regional --
2 regionalization of utility -- utilities and utility
3 systems in the State of New Hampshire. There's no
4 secret to that.

5 Q. And, you're a very strong proponent for that in this
6 case, correct?

7 A. (Sansoucy) No, I'm not a strong proponent in this case.
8 I have done everything the City has asked me to
9 participate in that. And, I personally believe in
10 regionalization, in the long run, it's the best way to
11 go.

12 Q. Okay. You've not criticized, openly criticized the
13 Company, Pennichuck Water Works, in talking with these
14 communities, have you?

15 A. (Sansoucy) How so?

16 Q. Well, I mean, saying --

17 A. (Sansoucy) I have criticized the Company for different
18 things. How so?

19 Q. Well, I'm asking you in regard to trying to enlist
20 support from outside communities. Have you criticized
21 the Company to them, their operations and such?

22 A. (Sansoucy) I have not criticized the Company's
23 operations. I have been a critic of the Company's
24 financial model.

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- 1 Q. All right. You've also, before there was even a
2 district formed, you reserved websites for them, didn't
3 you?
- 4 A. (Sansoucy) No, I think the District was formed. The
5 legislation was formed, the district was formed. We
6 assisted them in preserving websites.
- 7 Q. Mr. Munck did that?
- 8 A. (Sansoucy) Yes, he did.
- 9 Q. Take a look at Exhibit 3038 please. Were you asked at
10 a certain point, Mr. Sansoucy, to respond to questions
11 from the Town of Hollis by Ms. Hersh?
- 12 A. (Sansoucy) I think we were, yes.
- 13 Q. Okay. And, this e-mail is an e-mail from you to
14 Ms. Hersh, dated May 24, 2004, correct?
- 15 A. (Sansoucy) Yes.
- 16 Q. Now, that would have been prior to your first testimony
17 being filed in this case, correct?
- 18 A. (Sansoucy) Yes.
- 19 Q. Go to the next page. This is from Ms. Hersh to you.
20 And, then, I believe the next few pages, go ahead,
21 reflect your responses, is that correct?
- 22 A. (Sansoucy) They reflect mine, but also Mr. Upton's, and
23 probably Mr. Connell's. If there's anything related to
24 legal, I would have consulted them.

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1 Q. Okay. But this is --

2 A. (Sansoucy) But Kathy asked me to address questions
3 raised by Hollis, and we did.

4 Q. All right. And, your position on the first line, I
5 believe, the first: "In the opinion of the City of
6 Nashua's legal experts, joining the District is an
7 event for which there is no conceivable liability."

8 A. (Sansoucy) That's what I said.

9 Q. All right. Now, go down to the second paragraph, you
10 also said: "If the District and its potential members
11 want this effort to succeed, everyone is going to have
12 to stand up and be counted. If towns sit on the
13 sideline waiting for the outcome of the eminent domain
14 proceeding, they are sending a signal to Pennichuck
15 that its threats can be successful. Nashua has sought
16 the acquisition of all of the regulated assets because
17 it believes in the concept of regionalization. The
18 acquisition of the Nashua core system will be a much
19 easier and less expensive taking for the City." Those
20 are your words?

21 A. (Sansoucy) I believe they are.

22 Q. Is it also your opinion then, go to the next to the
23 last paragraph, that "The Company", and I take it
24 that's Pennichuck Water, "will do whatever it can to

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1 prevent a unified effort"?

2 A. (Sansoucy) Oh, I think that's been demonstrated
3 clearly.

4 Q. No, sir. That's your opinion?

5 A. (Sansoucy) Oh, the Company has done that. They have
6 tried everything to divide the communities.

7 Q. At least at this point in time, Mr. Sansoucy, that's
8 May 24, if I'm not mistaken, in 2004, and I believe you
9 were hired on March 19, 2004 for this engagement. So,
10 from -- by May 24th, 2004, at that point from this, I
11 take it you were already of the opinion that it was in
12 the public interest for Nashua to take over this
13 company?

14 A. (Sansoucy) We hadn't formulated our final public
15 opinion, but we were working on it.

16 Q. Mr. Sansoucy, at some point in time or at numerous
17 points in time, have you advised the City and your team
18 to not speak openly about this proceeding, and to
19 really recommend that they not hire any other experts?

20 A. (Sansoucy) I have asked the City not to chatter in
21 e-mail. And, we were approached by a lot of different
22 people, and, in some respects, whose motives I
23 questioned, and I asked the City to be cautious in who
24 they hire.

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- 1 Q. Now, Mr. Sansoucy, why have people come to you or why
2 do companies come to you to lobby for them on behalf of
3 the City, instead of going directly to the City?
- 4 A. (Sansoucy) Because they have asked me to lobby on their
5 behalf to get work from the City on this matter.
- 6 Q. Who's asked you to lobby on their behalf?
- 7 A. (Sansoucy) I think it was IMG, John Joyner, at one
8 point did.
- 9 Q. And, why did they come to you? Why didn't they go
10 directly to the City?
- 11 A. (Sansoucy) Ask them, don't ask me.
- 12 Q. Take a look at 3028 please. Do you recall this e-mail,
13 Mr. Sansoucy?
- 14 A. (Sansoucy) Yes, I do.
- 15 Q. And, this e-mail is from you to Mr. Streeter,
16 Ms. Hersh, Anderson, Connell, McCarthy, Upton,
17 Morrissey?
- 18 A. (Sansoucy) Yes.
- 19 Q. All right. And, it states "let's not talk publicly,
20 i.e., open e-mail, about people or companies who have
21 approached us to do work. Let's put it in our meeting
22 agenda only." Now, "our meeting agenda only", you're
23 including yourself in that meeting with the City?
- 24 A. (Sansoucy) "Our meeting", we had weekly Water Committee

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1 meetings, mayor -- mayoral Water Committee meetings.

2 Q. And, you participated on those committee meetings?

3 A. (Sansoucy) Either personally or by telephone.

4 Q. And, it indicates that you have "received numerous
5 calls from engineers, other lawyers, financial
6 consultants, all looking for some piece of the action
7 in Nashua." Correct?

8 A. (Sansoucy) Yes.

9 Q. And, so, not just IMG?

10 A. (Sansoucy) No. Others.

11 Q. What other lawyers called you?

12 A. (Sansoucy) A number of law firms called offering their
13 services.

14 Q. Who?

15 A. (Sansoucy) There was a group in Connecticut, I don't
16 remember their exact names, but a group in Connecticut.

17 Q. And, you were being courted by financial consultants,
18 too?

19 A. (Sansoucy) Yes. A number of financial consultants
20 would call.

21 Q. Which ones?

22 A. Advest - Cleveland was one of them.

23 Q. What about other engineers? Which engineers?

24 A. (Sansoucy) Engineers? A number of them talked to me

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1 over a period of time. At some point in the process we
2 have probably been approached by most of the major
3 firms in New England asking if there was additional
4 services that they could provide.

5 Q. And, you were the conduit, correct?

6 A. (Sansoucy) I do not know who called or talked to the
7 City. These are just people that called me.

8 Q. Okay. You next stated that "we have a team that
9 includes Carol Anderson's group, Rob's people, Dave
10 Connell, and my staff that have a proven track record
11 and loyalties to the City of Nashua." Is that your
12 entire team?

13 A. (Sansoucy) That's the team at that time.

14 Q. And, you indicated that you were "skeptical about
15 getting anyone else involved at this time that might
16 innocently say something about Pennichuck and trigger
17 any type of investigation type of investigation." What
18 type of investigation were you worried about?

19 A. (Sansoucy) SEC investigation, because this was a
20 publicly traded company, and I'm very concerned about
21 too much chatter and something happening to the stock
22 inappropriately.

23 Q. Okay. Now, your recommendation is based on I think the
24 past two takings, correct, that you were involved with?

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1 A. (Sansoucy) Well, I referenced the last two takings.

2 Q. Well, by example, you state "In the last two takings,
3 for example, the operating contracts were drafted
4 originally by myself and Phil and reviewed by various
5 attorneys involved. Many conditions of these contracts
6 will ultimately be a product of the PUC hearings and
7 negotiations. Any backup legal review is only cost
8 effective in the final phase of the contract twelve or
9 more months from now."

10 A. (Sansoucy) That's right.

11 Q. That's Phase D that's contingent, correct?

12 A. (Sansoucy) That may or may not be Phase D. It might be
13 Phase C. And, this was in response to a lawyer making
14 a call looking for work, and it references legal.

15 Q. I haven't heard of such a thing.

16 MR. UPTON: I'm sorry? Was that your
17 testimony?

18 MR. CONNER: No.

19 MR. UPTON: Okay. Do I get to put my
20 testimony in in response?

21 MR. CONNER: Your Honor, I'm at a -- Mr.
22 Chairman, I'm at a topping point, if you'd like to --

23 CHAIRMAN GETZ: Well, give me a flavor
24 for how much cross you have left and how we're going to

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1 conduct ourselves this afternoon?

2 MR. CONNER: I think I have probably I
3 can finish in three hours, two to three hours.

4 CHAIRMAN GETZ: So, you're less than
5 halfway through your cross?

6 MR. CONNER: I'm about halfway.

7 CHAIRMAN GETZ: Are we going to be
8 pursuing more issues along these lines --

9 MR. CONNER: No, sir.

10 CHAIRMAN GETZ: -- or are we moving into
11 a different segment?

12 MR. CONNER: I'll be moving into a
13 different segment.

14 CHAIRMAN GETZ: All right. Well, then,
15 let's take the lunch break now, and we'll return at, let's
16 see, it's 12:20, let's be back here at 1:20. Thank you.

17 (Lunch recess taken at 12:20 p.m. and
18 the hearing reconvened at 1:23 p.m.)

19 CHAIRMAN GETZ: Okay. We're back on the
20 record. Mr. Conner.

21 MR. CONNER: Thank you, Mr. Chairman.

22 BY MR. CONNER:

23 Q. Mr. Walker, I'd like to spend a few minutes on the
24 various approaches that you utilized for purposes of

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1 your appraisal, an appraisal approach, as you

2 understand what I mean by that?

3 A. (Walker) I believe I do, yes.

4 Q. And, the three approaches that you considered in your

5 valuation were the Sales Comparison Approach, the Cost

6 Approach, and the Income Approach, correct?

7 A. (Walker) Yes.

8 Q. All right. I'll ask you a few questions about the

9 Sales Approach, if we could?

10 A. (Walker) Yes.

11 CHAIRMAN GETZ: One moment. Can we do

12 something about the box?

13 (Box removed from in front of

14 witnesses.)

15 CHAIRMAN GETZ: Thank you.

16 BY MR. CONNER:

17 Q. Mr. Walker, isn't it true that the Sales Approach to

18 value is a process whereby appraisers develop a value

19 of a subject property based on a comparison of prices

20 that are paid for similar properties in the same or

21 similar market?

22 A. (Walker) Generally, that's correct, yes.

23 Q. Now, and you conducted the Sales Approach, and I think

24 you identified 28 transactions in your analysis,

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1 correct?

2 A. (Walker) Yes.

3 Q. And, I would direct your attention to Exhibit 1007A,
4 Page 49. This is your Self-Contained Appraisal Report.

5 A. (Walker) I see Page 49.

6 Q. Okay. Mr. Walker, under Page 49, on "Trends in the
7 Sale of Water Systems", you state "there still exists a
8 significant number of transactions that can be used to
9 develop comparisons for the subject." And, the subject
10 in this case is Pennichuck Water, correct?

11 A. (Walker) Yes.

12 Q. "Examples include PWW's acquisition of both the
13 Pennichuck East system from the Town of Hudson, New
14 Hampshire and the Pittsfield Aqueduct in 1998",
15 correct?

16 A. (Walker) Yes.

17 Q. Now, you indicate that those are systems or
18 transactions that can be used for comparison for the
19 subject, but you did not utilize those transactions in
20 your comparative sales analysis, did you?

21 A. (Walker) We did not include those in the calculation of
22 the ratios, that's correct.

23 Q. Well, let's, just so we're clear, of the 28
24 transactions that you've listed, you only considered

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1 nine of those transactions significantly or
2 sufficiently comparable to the subject property to
3 include them in your sales comparison analysis?

4 A. (Walker) Not to quibble with you, counselor, but most
5 comparable. The nine would be the most comparable, and
6 those are the ones we weighted, yes.

7 Q. Okay. Well, the others you didn't consider for
8 comparability purposes in your calculation of the fair
9 market value of the Company, correct?

10 A. (Walker) And, I'm not trying to be difficult. Once you
11 have identified the sales, it's hard not to consider
12 them. But I will conceive that they weren't weighted
13 or they weren't used for direct comparison.

14 Q. And, the reason they weren't used for direct comparison
15 is that, in your analysis of the factors that we're
16 going to get to for comparability, you did not find
17 them comparable to the Pennichuck water system?

18 A. (Walker) That's correct. They were small, yes.

19 Q. Now, in doing a Sales Comparison Approach, Mr. Walker,
20 the first step is developing -- in this approach is to
21 identify the transactions, correct, or identify
22 transactions?

23 A. (Walker) That's simply the first step, yes.

24 Q. Okay. Now, and again, you identified 28 to start with,

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1 correct?

2 A. (Walker) Yes.

3 Q. Now, to do a comparability analysis, though, you have
4 to look at the companies themselves and the
5 transactions involved, correct?

6 A. (Walker) That is something that you do, yes.

7 Q. And, I've written some of the factors that I think you
8 considered. On Page -- beginning on Page 49, and going
9 to Page 50, the factors that you indicate -- actually,
10 you state: "The following is a summary of the
11 characteristics that were considered in selecting
12 comparable sales for comparison to the subject." And,
13 those factors include the size of the system, and that
14 means you've got highlighted or in paren "customers,
15 revenue, assets, and etcetera", correct?

16 A. (Walker) Yes.

17 Q. You considered the location or the region of the
18 country in which the sale was located?

19 A. (Walker) Yes.

20 Q. And, to do that, I mean, that's something reasonable,
21 because a company or transaction that occurs, let's
22 say, in Texas or Illinois or California, they're
23 subject to different jurisdictional requirements and
24 regulatory requirements, correct, than a company here

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[WITNESS PANEL: SANSOUCY|WALKER]

1 in New Hampshire?

2 A. (Walker) That would be one of the differences, sure.

3 Yes.

4 Q. And, there would be differences in relation to water
5 source and things of that nature as well?

6 A. (Walker) Correct.

7 Q. All right. So, you look at the location or region of
8 the country. And, then, you also look at the
9 motivation of the buyer and the seller to the
10 transaction?

11 A. (Walker) Correct.

12 Q. And, why do you do that?

13 A. (Walker) It's one of the things you want to consider.
14 You know, was the transaction the result of someone in
15 distress? Was the transaction the result of
16 negotiation? Was the property exposed to the market?
17 Etcetera.

18 Q. Okay. You also want to look to see if the transaction
19 that's reported may have been a part of a bigger
20 transaction?

21 A. (Walker) That's something to consider, yes.

22 Q. Okay. The expectation of future cash flow, you have
23 that listed?

24 A. (Walker) That's correct.

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1 Q. The age of the assets being acquired is something you
2 consider?

3 A. (Walker) Correct.

4 Q. And, the physical condition and economic
5 characteristics of the transactions?

6 A. (Walker) Correct.

7 Q. Now, you indicate that you considered each of these
8 factors in selecting the sales for your comparison,
9 correct?

10 A. (Walker) Correct.

11 Q. If you'll turn to Page 60 of your report -- no, I'm
12 sorry, I believe it is marked -- let me ask you this
13 question before we go to the report. Isn't it true
14 that the only comparability factor that you relied upon
15 in doing your comparison, your multiple comparison, was
16 the fact that these were companies, the nine companies
17 that you selected, have revenues in excess of
18 \$10 million?

19 A. (Walker) That's how we grouped the sales, yes.

20 Q. Okay. So, really, out of this list, the size of the
21 system and the revenue, with revenue more than
22 10 million, correct?

23 A. (Walker) Correct.

24 Q. So, the other factors, location, motivation,

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1 expectation of cash flow, age of assets, physical
2 condition and economic characteristics, really did not
3 play any significant role in your consideration of
4 those nine transactions or selection of those nine
5 transactions, correct?

6 A. (Walker) Well, with respect to the nine, certainly,
7 they were grouped by size. With respect to location,
8 for the most part, we tried to keep them in the
9 northern part of the country. Although, there are some
10 from Florida and Texas in there. Using the ratio of
11 sale price to EBITDA that we did, in my opinion, you're
12 accounting for some of those other factors, such as
13 expectation of future cash flows. I mean, someone is
14 buying that based on the expectation of future cash
15 flows. And, by looking at the sale price to net book
16 or net book less CIAC, you're taking in consideration,
17 you know, age of assets and physical condition.

18 Q. All right. So, you really focussed on those ratios and
19 multiples, as opposed to looking at the underlying
20 transactions, is that what you're saying?

21 A. (Walker) We gave the most weight to the ratios,
22 correct.

23 Q. So, you didn't look into the underlying transactions
24 themselves?

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1 A. (Walker) We did.

2 Q. If you would, let's turn to Exhibit 107B2, and that's
3 Appendix H.

4 MR. BOUTIN: Excuse me. Joe, you keep
5 referring to "107".

6 MR. CONNER: I'm sorry.

7 MR. BOUTIN: And in each case it's
8 "1007".

9 MR. CONNER: It's 1007. That's correct.
10 Thank you, Ed.

11 MR. BOUTIN: The previous exhibit was
12 also "1007".

13 MR. CONNER: That's correct. 1007B2.
14 Can you pull that up, Daniel, or is the screen working?
15 All right. Go to the next page, please.

16 BY MR. CONNER:

17 Q. Mr. Walker, can you explain to the Commission what this
18 exhibit is?

19 A. (Walker) Yes, I can. This exhibit is a summary of the
20 transactions, the 28 transactions we previously
21 identified that we included in the appraisal. And, it
22 provides summary statistics about each of the
23 transactions which are identified. The general topics
24 are identified in Column B, and then each transaction

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1 is identified in Column C forward.

2 MR. CONNER: Okay. Let's go, Daniel,
3 two pages over.

4 BY MR. CONNER:

5 Q. And, if I'm not mistaken, you began or you started the
6 nine companies that are comparable, that you view as
7 comparable in your analysis, began with Column V, which
8 is "New York-American Water Works"?

9 A. (Walker) That would be correct, yes.

10 Q. Is that correct?

11 A. (Walker) That is correct.

12 Q. So, for purposes of our examination, we can really not
13 have any discussion concerning the other transactions
14 listed C through U, correct? Your focus is on V
15 through AD, the next page?

16 A. (Walker) Okay.

17 Q. Well, that's what you did your comparability on,
18 correct?

19 A. (Walker) That's what we developed the multiples from,
20 correct.

21 Q. Now, in doing this type of approach, Mr. Walker, as in
22 any appraisal approach, it's critical to have the most
23 reliable data possible, correct?

24 A. (Walker) That's correct.

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1 Q. If you don't have reliable data, then garbage in,
2 garbage out. You can't get a decent appraisal, can
3 you?

4 A. (Walker) We try to find the most reliable data, yes.

5 Q. And, I believe that Mr. Sansoucy has stated that these
6 are "transparent transactions". Would you view these
7 as "transparent transactions", the nine?

8 A. (Walker) I would -- I believe there's information
9 available to discern what's going on with these
10 transactions, yes.

11 Q. All right. Now, I find it curious, you did not in your
12 report, that I can tell, give any kind of description
13 with respect to any of these companies, other than the
14 financial information that's listed on Exhibit H, is
15 that correct?

16 A. (Walker) I believe that's correct, yes.

17 Q. So, we can't tell from your report if a stock
18 transaction was involved or an asset transaction was
19 involved, correct?

20 A. (Walker) Yes, that's correct.

21 Q. We can't tell from your report if one or more of these
22 transactions was involved in a larger transaction,
23 correct, or was in a larger transaction?

24 A. (Walker) It would depend on how you define that. But

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1 that's correct, yes.

2 Q. And, from this analysis, we really can't tell anything
3 about the physical condition or the age of the assets
4 or the motivation of the buyers, can we?

5 A. (Walker) With respect to "motivation of buyers", no.
6 With respect to "age of assets", I think you can look
7 at your net utility plant per customer and the net
8 plant per -- net CIAC per customers to look at some of
9 the condition issues.

10 Q. Okay. So, let's take one. "Net Utility Plant per
11 Customer", that's Line 15, correct?

12 A. (Walker) Correct.

13 Q. All right.

14 MR. CONNER: If you go over to the next
15 page, Daniel. Line 15. Can you highlight that line?

16 Whoa, it's growing. Okay.

17 BY MR. CONNER:

18 Q. Now, which of these companies would you say did not
19 have or had older assets, based on that line?

20 A. (Walker) Typically, you'd have less plant or older
21 assets with the lower net utility plant per customer.

22 Q. Okay. So, let's just take one. AA, Column AA, just
23 highlight that column, Daniel, if you can. Okay. AA,
24 and that's the Citizens Company acquisition by

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1 Illinois-American Water, is that correct?

2 A. (Walker) Correct.

3 Q. Now, are you aware, Mr. Walker, that that transaction
4 was really a multistate transaction by American Water,
5 where American Water acquired assets for a total price
6 of \$850 million in cash and \$120 million in assumed
7 liabilities, in the states of Arizona, California,
8 Indiana, Illinois, Ohio, and Pennsylvania?

9 A. (Walker) You know, that would be subject to check. I
10 know some of these are individual purchase and sales of
11 the assets within a state on a larger transaction. So,
12 you know, subject to check, that's approximately,
13 right, yes, sir.

14 Q. Okay. But you knew that when you chose this as a
15 comparable?

16 A. (Walker) Well, without getting the file out and just
17 confirming that information with that one, I believe
18 that to be correct, but I'd want to check the file. If
19 you would like me to do that, I will?

20 Q. Well, I'll tell you what. Let's just ask you a few
21 more questions about it, and then we'll look at it.
22 All right. With respect to this one, it appears that
23 the sale's date you have was "2000", the financial data
24 date is "12/31/99", the number of customers is

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- 1 "214,000", and the sales price is "\$219 million"
- 2 approximately, correct?
- 3 A. (Walker) Correct.
- 4 Q. And, then, you get down to "Net Utility Plant" of
- 5 "\$683". So, that's really the lowest one on your
- 6 schedule, correct?
- 7 A. (Walker) That's correct.
- 8 Q. So, you would think -- what would you opine from that
- 9 or draw from that?
- 10 A. (Walker) Well, generally, what you'd expect is there is
- 11 less investment per capita, so older plant or less
- 12 property per customer.
- 13 Q. All right.
- 14 A. (Walker) Yes.
- 15 Q. But you didn't make any adjustments for comparability
- 16 or lack of comparability because this apparently is a
- 17 very old system, did you, in your multiple analysis?
- 18 A. (Walker) No, because it would be picked up in the sales
- 19 price to, you know, to EBITDA ratio.
- 20 Q. And, Mr. Walker, isn't it true that you did not do any
- 21 type of comparability analysis between the subject and
- 22 the nine companies to make any adjustment or to make
- 23 any judgement as to whether or not the subject should
- 24 be accorded the average multiples of the pack that you

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1 came up with?

2 A. (Walker) Well, I mean, if you look at it, you've got a
3 group -- how do I say this -- we used the average of
4 the nine as the multiple, that's correct.

5 Q. Right. And, if you found that there were any
6 transaction that, you know, well, this system wasn't
7 nearly as good as Pennichuck, you didn't make any
8 adjustments to either the Pennichuck multiples or to
9 that system's multiples in your comparison, did you?

10 A. (Walker) Correct.

11 Q. And, appraisal techniques allow you to do that, when
12 appropriate, correct?

13 A. (Walker) That's correct. Or, we could have chosen
14 something other than mean, we could have chosen median,
15 we could have chose the high end of the range. But,
16 yes, that's correct.

17 Q. So, all you did was really take the average?

18 A. (Walker) Well, we --

19 Q. And, I'm not belittling it, but that's what you did.

20 A. (Walker) No. And, again, we took the -- we looked at
21 the mean and the median, which are shown -- it's not
22 shown on this page, but if you went back to the first
23 of four, and I don't know how I get to the first of
24 four on this?

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1 Q. Which is -- Oh, I'm sorry. Go to Page 1, Daniel.

2 A. (Walker) If you look at the ratios in the bottom of
3 that page, on the A-1 transactions, which is the
4 transactions we weighted, you've got the "Median Sale
5 Price to EBITDA" ratio, "11.04", and the "Mean Sale
6 Price to EBITDA" ratio of "12.96".

7 Q. Okay.

8 A. (Walker) I believe we used "13".

9 Q. All right. Now, let's go and let's find out about this
10 transaction. Take a look, and what we may want to do
11 is put it on the ELMO. It's Exhibit 3252, and I want
12 to go to Page Number N221585, Daniel.

13 MR. UPTON: I just want to point out to
14 the Commission, this was produced for us last week, this
15 box of some 2,000 pages of documents that is being -- that
16 was marked as an exhibit. We hadn't previously seen it.
17 There was some discussion about it back in January, but it
18 was never delivered. And, the first time we saw it was
19 last week. So, if the witnesses have some difficulty
20 finding things, that may account for it.

21 MR. CONNER: These are their workpapers,
22 Mr. Chairman. And, I think what had occurred, we
23 identified them in the exhibit list, and the entire range
24 was not copied like it should have been. But we've

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1 delivered copies. The documents, they came from -- the
2 documents came from them. We numbered them and sent them
3 back to them.

4 MR. UPTON: It was originally identified
5 as "500 pages". It's now expanded to over 2,000 pages.
6 We've never had an opportunity to see them up until now,
7 other than the fact that they tell us it's these
8 witnesses' papers. We don't know that. And, we don't
9 control the Bates numbering. The Bates numbers are
10 theirs.

11 CHAIRMAN GETZ: So, are you objecting to
12 their introduction?

13 MR. UPTON: I'm not objecting. I'm just
14 saying, this is -- it's been really difficult to get these
15 people to provide us that stuff in a timely fashion.

16 MR. CONNER: And, actually, Daniel, if
17 you'll go to 221583, so we can see what this is.

18 BY MR. CONNER:

19 Q. Mr. Walker, these were produced to us as your
20 workpapers, and this is on the Connecticut-American
21 Water/Aquarion 2002 file, N221583.

22 MR. CONNER: I'll be glad, you want me
23 to show him the document, that may speed them along, Mr.
24 Chairman?

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1 CHAIRMAN GETZ: That would be helpful.

2 MR. CONNER: I'm not going to go through
3 2,000 pages, I promise.

4 BY MR. CONNER:

5 Q. Mr. Walker.

6 (Atty. Conner showing document to
7 Witness Walker.)

8 MR. CONNER: How do you guys want to
9 handle this, because these are public documents that we're
10 using?

11 MR. CAMERINO: Can we go off the record
12 for one minute?

13 CHAIRMAN GETZ: Amongst yourselves or --

14 MR. CAMERINO: Yes, just so we could
15 confer.

16 CHAIRMAN GETZ: Let's take a second for
17 the attorneys to confer.

18 (Short pause.)

19 CHAIRMAN GETZ: Okay. Well, let's get
20 back on the record and let's go through the -- Mr.
21 Patnaude, are you --

22 MR. PATNAUDE: Yes.

23 CHAIRMAN GETZ: Okay. Let's go through
24 the steps here.

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1 MR. UPTON: Yes, the Exhibit 3252 was
2 marked confidential by Mr. Sansoucy, at Mr. Sansoucy's
3 request. The Court -- I mean "the Court" -- the
4 Commission, the Commission granted a request for
5 confidentiality. Mr. Sansoucy is prepared to waive the
6 confidentiality order that the Commission entered on this,
7 with respect to this exhibit.

8 CHAIRMAN GETZ: Thank you.

9 MR. CONNER: Thank you. And, I
10 apologize, Mr. Chairman.

11 BY MR. CONNER:

12 Q. Mr. Walker, let's go back to Exhibit 221583, that's the
13 first page. Now, I'm asking you about a transaction
14 involving Citizens' sale to Illinois, but I'm directing
15 you to this document because, or this file, because I
16 think the information is there.

17 CHAIRMAN GETZ: Is that all we're going
18 to see?

19 MR. CONNER: No, we'll go the next page,
20 and then let's go to the 221585.

21 BY MR. CONNER:

22 Q. And, Mr. Walker, can you identify this as the 10-Q for
23 American Water Works Company for the period ending
24 June 30, 2002, this document?

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1 A. (Walker) Yes.

2 MR. CONNER: Okay. And, let's go to the
3 next page, Daniel, on Note 3, if you could highlight that
4 and bring it up. No, it starts on the other page, the
5 prior page, the very bottom.

6 BY MR. CONNER:

7 Q. Okay. "Acquisition of Water and Wastewater Assets of
8 Citizens Communications Company".

9 MR. CONNER: And, we'll need the next
10 page with that, Daniel. Can you put them together?

11 BY MR. CONNER:

12 Q. Okay. Glenn, let's see if we can get through this.
13 "On January 15, 2002, the Company and its
14 subsidiaries", the "Company" being American Water,
15 "completed their acquisition of all the water and
16 wastewater assets of Citizens Communications Company
17 for \$859 million in cash and 120 million of assumed
18 liabilities." I'll skip down, where it says "The
19 acquired operations provide water and wastewater
20 service to almost 300,000 regulated customers in
21 Arizona, California, Illinois, Indiana, Ohio,
22 Pennsylvania. Citizens also had developed a water
23 supply project in Illinois with the possibility of
24 additional wholesale customers along the pipeline."

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1 Were you aware of that when you did this analysis?

2 It's in your workpapers.

3 A. (Walker) Yes. Right. I mean, we weren't focussing on
4 the larger transaction. We were focussing on the
5 individual transaction.

6 Q. It's just one transaction, though, wasn't it, Mr.
7 Walker? It wasn't one, two, three, four, five, six,
8 correct?

9 A. (Walker) My understanding is, like the docket in this
10 case, there's individual purchase and sales for each of
11 the individual systems.

12 Q. But isn't it true that when an organization negotiates
13 for the sale of a multiple asset system in
14 multi-jurisdictions, you have to look at the entire
15 transaction in order to determine motivation of the
16 buyers and the facts about the transaction, correct?
17 That's what you should do?

18 A. (Walker) Not necessarily. I mean, if you have
19 individual components, like the transaction that we're
20 involved in, where the Connecticut Water --
21 Connecticut-American Water transaction, and I believe
22 that was four individual purchase and sales that were
23 part of a larger transaction, each state had a
24 regulatory proceeding with a sale price and --

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- 1 Q. They did a price allocation, didn't they?
- 2 A. (Walker) That's -- But, presumably, the price
3 allocation was based on the value for each system. It
4 wasn't an across-the-board --
- 5 Q. Let me ask you this, Mr. Walker. Did you contact
6 American Water and anyone at American Water and ask
7 them if the price allocations, is that what they
8 specifically negotiated for in that transaction?
- 9 A. (Walker) Well, it was laid out in the documents. So,
10 presumably, that is what it was.
- 11 Q. Did you contact anyone?
- 12 A. (Walker) We did not contact anyone.
- 13 Q. All right. And, you would equate a regulatory price
14 allocation of a sale to a fair market transaction?
- 15 A. (Walker) It wasn't a regulatory price, it was the
16 individual purchase and sale for each of the
17 components.
- 18 Q. All right. Now, Pennichuck doesn't have any wastewater
19 systems, does it?
- 20 A. (Walker) No.
- 21 Q. Do you know if the Citizens' assets acquired in
22 Illinois by American Water in this transaction had
23 wastewater attached to it?
- 24 A. (Walker) Off the top of my head, no.

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1 Q. Wouldn't that be something important, because waste
2 water and water systems are not the same for valuation
3 purposes, are they?

4 A. (Walker) Certainly, they're different components, but
5 there the similar business category.

6 Q. But you don't know, do you?

7 A. (Walker) Well, like I say, I'd have to look at the
8 file.

9 Q. If you would, let's take a look at Exhibit 221746.

10 MR. UPTON: Is this the same exhibit?

11 MR. CONNER: Yes, it's the same exhibit,
12 221746. And, the first page is 221745, 745, Daniel, so we
13 can see.

14 BY MR. CONNER:

15 Q. That's your workpapers, Mr. Walker, on this
16 transaction, Citizens Utility/Illinois-American Water,
17 2000, correct?

18 A. (Walker) Correct.

19 Q. Okay. Now, on your summary for this transaction, you
20 testified that we have "214,000 customers" that were
21 acquired by Illinois-American from Citizens, correct?

22 A. (Walker) Correct.

23 Q. If you would take a look on Page 221746, bottom right,
24 Daniel, highlight that paragraph. That's your "214,000

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1 customers", Mr. Walker, that was the customers that
2 Illinois-American already had, isn't it? Mr. Walker?

3 A. (Walker) Yes, I'm just looking at another file.

4 Q. Mr. Walker, I've got the answer for you.

5 A. (Walker) Okay.

6 Q. You would agree with me that this sale, that
7 Illinois-American "is a public utility within the
8 meaning of the Act. Illinois-American has its
9 principal office in Belleville, Illinois, and presently
10 provides water utility service to approximately 214,000
11 customers in 87 communities in Illinois." Correct?

12 A. (Walker) That's what it says, yes.

13 Q. Do you doubt that? These are your workpapers.

14 A. (Walker) No, I don't. I don't doubt that.

15 Q. All right.

16 A. (Walker) I'm just looking at the file.

17 Q. And, that's the number you used for the customers,
18 Daniel, let's go back to -- well, before we go from
19 there, let's go to the next page.

20 CHAIRMAN GETZ: Let me just interject
21 one point here. If we're going to be expecting him to
22 answer questions about voluminous workpapers, then let's
23 give him a second to make sure he's comfortable with the
24 materials.

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1 MR. CONNER: That's fine.

2 BY MR. CONNER:

3 Q. Glenn, whenever you're ready.

4 A. (Walker) Yes, that appears to be an error. That is
5 correct.

6 Q. Excuse me?

7 A. (Walker) That appears to be an error.

8 Q. Okay. It appears to be or it is?

9 A. (Walker) It is.

10 Q. If you'll go to the second page, and paragraph number
11 five, and I'm still -- and I'm on Page 221747 of
12 Exhibit 3252. "CC" -- or "CUCI", which is the
13 Citizens' system that's being acquired, "provides water
14 services to approximately 35,000 customers and
15 wastewater collection and/or treatment to nearly 32,000
16 customers. CUCI is a wholly-owned subsidiary of
17 Citizens Communications Company."

18 A. (Walker) Correct.

19 Q. So, the correct number is "35,000", correct?

20 A. (Walker) Well, in my interpretation, it would be 67,000
21 for the combined customers. But, for water, that's
22 correct, yes.

23 Q. Well, for water that's correct, and, typically,
24 Mr. Walker, the Company that provides the water, if

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- 1 they also have the sewer, those are the same customers,
2 correct?
- 3 A. (Walker) That's correct, but it would be different
4 property.
- 5 Q. Yes, but you don't -- you don't know that from this,
6 though, do you?
- 7 A. (Walker) Well, clearly, you do.
- 8 Q. Okay.
- 9 A. (Walker) I mean, they're distinguishing the customers.
- 10 Q. So, if you put "35,000" in your transaction, would you
11 use 35 or would you try to find another number?
- 12 A. (Walker) In the transaction?
- 13 Q. In your comparison analysis.
- 14 A. (Walker) I'd use the 67.
- 15 Q. You would?
- 16 A. (Walker) Yes.
- 17 Q. Without checking any further?
- 18 A. (Walker) Well, again, --
- 19 Q. Okay, Mr. Walker, let's go to the next one.
- 20 A. (Walker) The next page or --
- 21 Q. No, sir. The next transaction I want to ask you about
22 is the Connecticut-American Water sale that -- there
23 you go. That's Z, Item Z. Now, this transaction, Item
24 Z, Daniel, can you highlight that column? The sale's

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1 date you list is "5/2/02", correct?

2 A. (Walker) Correct.

3 Q. Okay. Now, you also have other transactions on that
4 same day, if you'll go to the next page. That is the
5 last page. Let's go to the page before that. You have
6 on W, Column W, Daniel, highlight that one. Column V.
7 All right. Now, those are -- that's where your nine
8 transactions start. Now, both of those, New
9 York-American Water Works sale to Aquarion and
10 Massachusetts-American Water Works sale to Aquarion,
11 all are dated "5/2/02". Then, if you take a look at
12 Column S, that's not listed for comparability purposes,
13 you also have -- that's Hampton Water Works to
14 Aquarion, dated "5/2/02". Now, who owned Hampton Water
15 Works?

16 A. (Walker) That was American.

17 Q. Okay. Isn't it true that those four transactions were
18 all one transaction from American Water to Aquarion?

19 A. (Walker) They were part of one transaction, but there
20 were individual purchase and sales for each of the
21 systems identified.

22 Q. Was it a stock sale or an asset sale?

23 A. (Walker) Well, it was the purchase of shares and the
24 assumption -- purchase of shares/assumption of debt,

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1 and I believe cash payments.

2 Q. Okay. Is that a stock deal or an asset deal?

3 A. (Walker) Well, if you buy the shares or the equity,
4 you're going to have the assets. But it was paid for
5 through the purchase of stock and assumption of debt.

6 Q. All right. Now, were there only four transactions
7 involved in that overall sale?

8 A. (Walker) I believe so, yes. There may have been -- I
9 believe that's it, because I believe the whole thing
10 was 225, if you add the pieces up.

11 Q. Okay. Do you recall the name of the subsidiary that
12 American sold these assets through or held them? If
13 you don't, you can look through your file to get that.
14 But you can't recall off the top of your head?

15 A. (Walker) I just don't recall. I mean, we have the
16 purchase and sales.

17 Q. Okay.

18 MR. CONNER: Clinton, I'd like the
19 220584 section. Is that it?

20 BY MR. CONNER:

21 Q. The transaction number, and this is, again,
22 Exhibit 3252, the file page is 220582. Did you find
23 it?

24 A. (Walker) What was the page number again? I'm sorry.

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- 1 Q. 220582, that's where the series starts, and it goes
2 through 220834.
- 3 A. (Walker) Okay.
- 4 Q. Okay. Now, we'll go to the next page. This is your
5 workpaper file for the American Water Works sale of the
6 New England systems to Aquarion, Hampton Water,
7 Massachusetts-American Water, Connecticut-American
8 Water, and New York -- or, yes, New York-American
9 Water, correct?
- 10 A. (Walker) Correct.
- 11 Q. And, then, the next page, 220583, this is an 8-K Form
12 for American Water Works, dated August 29, 2001,
13 correct?
- 14 A. (Walker) Correct.
- 15 Q. Is this the document that you relied upon to draw your
16 information or some of your information?
- 17 A. (Walker) Some of the information, yes.
- 18 Q. All right. Now, you indicated only four subsidiaries
19 or transactions were involved. Take a look at the next
20 page, Mr. Walker, 220584.
- 21 A. (Walker) Yes.
- 22 Q. "Other Events", Daniel, please highlight that, or
23 enlarge it. "On August 29, '01, American Water Works
24 and Greenwich Water System, a wholly-owned subsidiary

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1 of American, entered into definitive purchase
2 agreements to sell four subsidiaries of Greenwich Water
3 and one subsidiary of American Water Works to Aquarion,
4 a Delaware corporation. The subsidiaries included in
5 the sale are Connecticut-American Water,
6 Massachusetts-American Water, Massachusetts Capital
7 Resources Company, Hampton Water Works Company, and New
8 York-American Water." So, there was an additional
9 subsidiary, correct?

10 A. (Walker) I believe, yes, I believe that was in the
11 Massachusetts one. That was part of the Massachusetts
12 transaction, yes.

13 Q. Okay. And, I assume you deducted in your financial
14 analysis the figures and the assets relating to or
15 revenues relating to Massachusetts Capital Resources
16 Company, because that's a non-regulated entity? Did
17 you do that?

18 A. (Walker) I believe we did, yes. I mean, I looked at
19 that last night and it appears to be included in that
20 American Massachusetts transaction, yes.

21 Q. So, it was included, but you didn't do a deduction for
22 it in your analysis, did you?

23 A. (Walker) No, because what they were doing is they were
24 buying the capital out of that that had revenue

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1 associated with the water system or it had equity
2 interest in the water system.

3 Q. But, for purposes of your comparative sales analysis,
4 the transaction that you list for Connecticut-American
5 Water for Aquarion -- I'm sorry, for
6 Massachusetts-American Water, includes the acquisition
7 by Aquarion of the non-regulated capital company,
8 correct?

9 A. (Walker) I believe so, yes.

10 Q. Now, shouldn't you have accounted for that and adjusted
11 that financial information, Mr. Walker?

12 A. (Walker) No, I don't, I don't believe so, because my
13 understanding of the transaction was they owned a piece
14 of American -- Massachusetts-American Water Works, and
15 they were being paid for their piece.

16 Q. But we have separate sales agreements. Daniel, go to
17 the page back again. There is a separate sales
18 agreement for Item or Exhibit 2.3, "Purchase Agreement
19 among American Water Works, Greenwich and Aquarion
20 relating to the sale of Massachusetts Capital Resources
21 Company." Sold as a separate entity, correct?

22 A. (Walker) That's correct.

23 Q. And, it's your understanding that, since these -- this
24 overall transaction has separate agreements, that you

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1 can view each transaction separately, correct?

2 A. (Walker) I suppose you could, yes.

3 Q. You suppose, but you did that. That's what you did.

4 A. (Walker) With respect to each of the state entities.

5 Q. But you combined them with respect to the Massachusetts
6 entities?

7 A. (Walker) Right, because I believe that was, and I'm

8 looking for the document, but that is an entity that

9 had an ownership piece in the Massachusetts asset.

10 And, what they did was they paid two times book for the

11 equity in each of the companies. I mean, that's

12 generally what they did, plus they assumed the debt, so

13 they had to buy out the equity in each of the

14 companies.

15 Q. Mr. Walker, there's not a footnote, there's no

16 discussion whatsoever in your report to explain to the

17 Commission that kind of unique circumstance, is there?

18 A. (Walker) That's correct. There is no footnote.

19 Q. Mr. Walker, I'd like to direct your attention to

20 another transaction.

21 A. (Walker) Sure.

22 Q. If you would, let's take a look at, excuse me, Column

23 AC, on Exhibit 1007B2.

24 A. (Walker) I see that, yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. All right. Can you tell us about this transaction?
- 2 It's Aquarion being acquired by the Kelda Group?
- 3 A. (Walker) Correct.
- 4 Q. Is that a stock deal or an asset deal?
- 5 A. (Walker) Stock and debt.
- 6 Q. Okay. And, the date of that transaction was
- 7 "January 7, 2000", correct?
- 8 A. (Walker) Correct.
- 9 Q. The date of the financial information that you reviewed
- 10 for purposes of your analysis is "9/30/99"? Correct?
- 11 A. (Walker) Correct.
- 12 Q. The number of customers, "168,567", correct?
- 13 A. (Walker) Correct.
- 14 Q. Now, it appears the net utility plant per customer was
- 15 "2,661", that's Line 15. So, that was, in your view, I
- 16 guess a fairly good system, from a condition
- 17 standpoint, based on that multiple?
- 18 A. (Walker) It's consistent with the other transactions
- 19 with respect to net utility plant per customer.
- 20 Q. Okay. But, again, like all the others, you made no
- 21 personal review of the assets or followed up on
- 22 anything with respect to the Company on the asset
- 23 condition, correct?
- 24 A. (Walker) Other than what was here in the file, that's

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1 correct.

2 Q. Now, it appears that this transaction only involved the
3 Connecticut -- State of Connecticut, right, Line 4?

4 A. (Walker) That's what it says, yes.

5 Q. That's what it says. This is your report. Is that
6 what it did?

7 A. (Walker) That's correct.

8 Q. All right. So, Kelda only purchased the stock of, I
9 assume, Aquarion Connecticut?

10 A. (Walker) If you give me a second.

11 (Short pause.)

12 BY MR. CONNER:

13 Q. Let me help you out, Mr. Walker.

14 A. (Walker) It's Connecticut, and I believe there was a
15 piece in New York.

16 MR. CONNER: That's what I was going to
17 direct him to, your Honor.

18 MR. UPTON: I'd appreciate it if he'd
19 give him an opportunity to look at this, though. He's
20 pulled this out for the first time, as I said, last week.

21 CHAIRMAN GETZ: In some respects, it
22 goes to how you're going to phrase these questions in the
23 first instance, Mr. Conner. If you're going to ask him
24 for an answer, and then he wants to --

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[WITNESS PANEL: SANSOUCY|WALKER]

1 MR. CONNER: I understand, your Honor.

2 I understand.

3 BY THE WITNESS:

4 A. (Walker) Yes.

5 BY MR. CONNER:

6 Q. Excuse me?

7 A. (Walker) Connecticut and New York.

8 Q. All right. And, actually, if you'll go to your
9 exhibit, Page -- Daniel, go back a page. Go to Line L,
10 L. Aquarion acquired Sea Cliff Water on "5/30/96", and
11 that was in -- those are the Long Island, New York
12 assets that Aquarion owned at the time of the Kelda
13 purchase, correct?

14 A. (Walker) I believe that's correct. Yes. Those are the
15 Long Island assets, yes.

16 Q. And, that's one of the 28 transactions you have on your
17 list that you didn't consider for comparability
18 purposes?

19 A. (Walker) That's correct. That was a smaller system.

20 Q. All right. So, again, on -- go back to V, Daniel.
21 Column V. I'm sorry, Column AC. So, Mr. Walker, you
22 should have stated "CT and New York", correct, for
23 "states", on Line 4?

24 A. (Walker) Yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. All right. Mr. Walker, I'll direct your attention to
2 your workpapers on the Kelda transaction. And, it's
3 Exhibit 3252. It begins at N221948.

4 CHAIRMAN GETZ: And, I'm correct that
5 these exhibits, these workpapers aren't separately
6 available to us electronically, is that correct?

7 MR. CONNER: They are. They're not?
8 They haven't been?

9 CMSR. BELOW: They're not on our system.

10 CMSR. MORRISON: They're not on our
11 system.

12 MR. CONNER: Okay. We'll take care of
13 that. We can do that this evening.

14 CHAIRMAN GETZ: Thank you.

15 MR. CONNER: We do have hard copies, but
16 we'll take care of that this evening.

17 BY MR. CONNER:

18 Q. Do you have it, Mr. Walker?

19 A. (Walker) Yes.

20 Q. I'll direct your attention to the first document in
21 that set. And, the page that I'll direct you to is
22 221959. 221951, I'm sorry, the first two paragraphs.

23 Are you with me? Mr. Walker?

24 A. (Walker) Yes, I am.

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1 Q. Okay. Just so that we understand the transaction, it
2 states that "Kelda merged and completed" -- or, "today
3 completed its acquisition of Aquarion Water Company" --
4 or "Aquarion Company. The merger brings significant
5 benefits to Aquarion customers and employees. Under
6 the terms of the merger, American's former" -- or,
7 "Aquarion's former shareholders were entitled to \$37.05
8 a share" -- or, "in cash for each share. The
9 transaction is valued at about 596 million, which
10 includes assumption of approximately 141 million in
11 debt." Is that where you got your number for the sales
12 price in Column AC?

13 A. (Walker) Yes.

14 Q. All right. Now, if you would go down, Daniel, to the
15 third paragraph from the bottom. The next one, I'm
16 sorry. Here it lists "Aquarion's principal business is
17 public water supply. Through its BHC and Sea Cliff
18 Water Company subsidiaries". So, clearly, Sea Cliff
19 was included, correct? Correct, Mr. Walker?

20 A. (Walker) That's what it says, yes.

21 Q. And, it serves 141,000 customers, but your customer
22 number -- Daniel, go back to Exhibit 1007B2, Column AC.
23 The customer number you used in your analysis -- in
24 your document for the comparability was "168,567",

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1 correct?

2 A. (Walker) Correct.

3 Q. Where did you get that number?

4 A. (Walker) If we go to 221953, there's a note that
5 tabulates that.

6 Q. 221953?

7 A. (Walker) Correct.

8 Q. Okay. All right. Where did you draw the raw numbers
9 from?

10 MR. CONNER: Your Honor, could I
11 approach the witness? I think I have something else that
12 may assist him in this.

13 CHAIRMAN GETZ: Any objection?

14 MR. UPTON: No.

15 CHAIRMAN GETZ: Please.

16 MR. CONNER: It's his deposition
17 exhibit.

18 BY MR. CONNER:

19 Q. Mr. Walker, this is your deposition exhibit that you
20 brought with you to your Deposition Number 1, and it's
21 the Aquarion/Kelda file. Can we have that on the
22 screen?

23 MR. CONNER: Mr. Chairman, I've got
24 copies, if you'd like to follow?

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1 (Atty. Conner handing documents to the
2 Chairman and Commissioners.)

3 CHAIRMAN GETZ: Mr. Conner, are you
4 going to point to --

5 MR. CONNER: I'll be glad to.

6 BY MR. CONNER:

7 Q. Mr. Walker, if you'll take a look at Deposition Exhibit
8 1.

9 A. (Walker) Right. And, those are the pages I was looking
10 for in this other document.

11 Q. Well, the pages are in this, your excerpts are?

12 A. (Walker) That's correct.

13 Q. So, it appears that you went -- your second page says
14 "number of customers", and then you have a listing, and
15 you have references to "Page 423A", "B", "C" and "D",
16 which are the last pages in this exhibit.

17 A. (Walker) That's correct. It's for each of the
18 divisions.

19 Q. All right. For each of the divisions, and you counted
20 meters, correct?

21 A. (Walker) Correct.

22 Q. By doing that. Now, the question I have for you, Mr.
23 Walker, this sale, you said you used sale data for this
24 transaction in 2000 of -- on 9/30/99, correct? That's

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1 what you told me earlier.

2 A. (Walker) Correct. That's what it says, that's right.

3 Q. On the schedule. But the information you just referred
4 us to in your deposition, I'm sorry, is an Annual
5 Report of Aquarion Water Company of Connecticut for the
6 year ending 12/31/2002, correct?

7 A. (Walker) That is correct.

8 Q. So, what you've done, Mr. Walker, it appears, is that
9 you utilized 2002 financial data to analyze a
10 transaction which occurred in 2000?

11 A. (Walker) At least that's what it appears with respect
12 to number of customers, yes.

13 Q. Well, let's take a look at some of the other entries
14 there then. Didn't you also use the 2002 data to
15 determine net utility plant, net utility plant-net
16 CIAC, and gross revenue, and EBITDA? I'll direct your
17 attention to Page 300 of your deposition exhibits,
18 which has "EBITDA" listed at the bottom of it.

19 A. (Walker) Uh-huh.

20 Q. That also is on, though, or that document that you
21 wrote on is from 12/31/02. Correct?

22 A. (Walker) Correct.

23 Q. That was an error, wasn't it, Mr. Walker?

24 A. (Walker) Yes. Something appears to be an error there,

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1 yes. Whether it's the date or whether it's that
2 information, I'm not sure.

3 Q. Well, we know from the press release that we just --
4 when you say you "don't know if the transaction
5 occurred in 2000"?

6 A. (Walker) Well, that's -- I'm wondering if the
7 transaction occurred later on, and I have some other
8 files here, I'm just trying to --

9 Q. Well, your workpapers reflect when it occurred. Let's
10 go back to 221951, on Exhibit 3252.

11 CHAIRMAN GETZ: Well, I'm taking it from
12 the witness that he's agreeing that there's a discrepancy.
13 He's not clear what the source of it is.

14 MR. CONNER: I understand.

15 CHAIRMAN GETZ: I'm not sure that we
16 need to go any further along this line. Do you have
17 others? Otherwise, I think it's fair to let him, if
18 you're going to push along this line, he needs time to dig
19 out his papers, and there's a lot there.

20 MR. CONNER: I understand, Mr. Chairman.
21 And, that's the extent of the work file on the Kelda
22 transaction. As far as the date of the transaction, the
23 document that we referenced earlier lists the date. He
24 said he wasn't sure of that, and I was just directing him

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1 back to that.

2 BY THE WITNESS:

3 A. (Walker) And, if I might just add, counsel. A lot of
4 times what happens is we get an announcement date for
5 this, say it's 1999, and that's when the transaction
6 was announced. But, due to the regulatory process
7 associated with these transactions, a lot of times it
8 may take a year or two years to actually close the
9 transaction. And, so, that's just my discrepancy is,
10 is this something that was announced in '99 and did not
11 close or actually occur until 2002.

12 BY MR. CONNER:

13 Q. Okay. Well, let's go to --

14 MR. CONNER: I can answer that, your
15 Honor, I think, if you went just to document 221949.

16 WITNESS WALKER: I sorry, the number?

17 MR. CONNER: 221949. It's Exhibit 3252,
18 guys.

19 BY MR. CONNER:

20 Q. I think it's on your screen, Mr. Walker.

21 A. (Walker) I have paper everywhere.

22 Q. Mr. Walker, 221949, that's the 8 -- go down to the
23 bottom, let's see what this document is. It's
24 Securities and Exchange Commission, Form 8-K, correct?

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- 1 A. (Walker) Correct.
- 2 Q. Dated January 7, 2000. Now, go to the next page. Item
- 3 5, "Other Events. "On January 7, 2000, Aquarion issued
- 4 a press release announcing the consumption of the
- 5 merger and the acquisition." So, you're saying that
- 6 that's not the acquisition date?
- 7 A. (Walker) I'm not saying it is or isn't. I just -- What
- 8 I'm saying is, --
- 9 Q. You just don't know?
- 10 A. (Walker) -- with the discrepancy, I'd just like to
- 11 check that. That's all.
- 12 Q. Okay. Let's go on to Exhibit -- same exhibit, 3252,
- 13 Page 221977. The first paragraph, "Note 9
- 14 Acquisition". These are the "Notes to the Financial
- 15 Statement" of 2002, Mr. Walker, for Aquarion. And,
- 16 actually, it's the Aquarion Water Company of
- 17 Connecticut, correct?
- 18 A. (Walker) Correct.
- 19 Q. Now, Mr. Walker, --
- 20 A. (Walker) Yes.
- 21 Q. -- since you just used the Aquarion Water Company of
- 22 Connecticut Annual Report, this would not include the
- 23 assets in New York, would it?
- 24 A. (Walker) That's correct.

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1 Q. Okay. If you'll take a look of "Note 9 Acquisition".

2 A. (Walker) Yes.

3 Q. "On appraisal 25, 2002, BHC Company acquired
4 outstanding common and preferred shares of CAWC,
5 Connecticut-American Water Company. The result of the
6 operation of CAWC have been included in the financial
7 statements since that date." Now, that transaction,
8 Mr. Walker, is one we talked about earlier, isn't it?

9 A. (Walker) The one we talked about earlier? Yes, the
10 Connecticut-American Water Works, yes.

11 Q. Okay. Let's go back to that one, Daniel, 1007B2, Item
12 Z, Column Z. So, isn't it true, Mr. Walker, that the
13 financial statements on which you relied upon for we
14 think a 2000 transaction, potentially, subject to
15 check, of Kelda of Aquarion, the Company, included an
16 entire company that was acquired in 2002 by Aquarion,
17 which is Connecticut Water?

18 A. (Walker) Again, it's subject to check, that may be,
19 yes.

20 Q. That would be a serious -- assuming that the
21 Kelda/Aquarion transaction occurred and closed prior to
22 2002, that would be a serious flaw in your
23 comparability analysis for this transaction, wouldn't
24 it?

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1 A. (Walker) With respect to that transaction, yes, that
2 would be a problem.

3 MR. CONNER: Your Honor, that's all I
4 have on the Sales Approach. We're getting a little
5 closer.

6 CHAIRMAN GETZ: While you're looking at
7 your papers, let me just ask this question. Ms. Thunberg,
8 is there going to be cross-examination from Staff of these
9 witnesses today?

10 MS. THUNBERG: No.

11 CHAIRMAN GETZ: Mr. Boutin, are you
12 going to have questions for these witnesses?

13 MR. BOUTIN: I may. And, I'm going to
14 have to wait till I see what he does with the Cost
15 Approach and the Income Approach before I decide.

16 CHAIRMAN GETZ: And, Ms. Reinemann?

17 MS. REINEMANN: No.

18 CHAIRMAN GETZ: And, for Anheuser-Busch?

19 MR. ALEXANDER: Little or none.

20 CHAIRMAN GETZ: Thank you. Now, don't
21 take that, Mr. Conner, that you have all of the time in
22 the world to do whatever you would like. We would still
23 like to move it along.

24 MR. UPTON: As I understand, though,

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1 Mr. Camerino was also going to make inquiry of these
2 witnesses.

3 CHAIRMAN GETZ: Mr. Camerino?

4 MR. CAMERINO: I could be 15 minutes,
5 depending on how it goes. It might be a little more than
6 that.

7 MR. CONNER: Your Honor, if Steve would
8 like to go ahead and go, I could -- it will take me just a
9 second to get my notes together, and then, if you'd like
10 to do that?

11 CHAIRMAN GETZ: Is there any objection?

12 MR. UPTON: No.

13 CHAIRMAN GETZ: Then, let's move along.

14 MR. CONNER: Get that out of the way.

15 MR. UPTON: I'm assuming in all of this
16 that we're going to be afforded the same kind of latitude?

17 CHAIRMAN GETZ: Absolutely.

18 BY MR. CAMERINO:

19 Q. Good afternoon, gentlemen. Mr. Sansoucy, are you the
20 person who prepared the revenue requirement exhibits to
21 your testimony and the bonding requirements or is that
22 Mr. Walker?

23 A. (Sansoucy) I did.

24 Q. Okay. Then, I believe my questions will be directed

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1 primarily to you. Exhibit GES-4 to your testimony, and
2 I believe that was the January 2006 testimony, that
3 sets forth the revenue requirements for the system as
4 owned by Nashua, is that correct? I want to make sure
5 we're working from the right document.

6 A. (Sansoucy) Well, the January testimony is the
7 appraisal.

8 Q. Well, you filed the revenue requirements, didn't you?

9 A. (Sansoucy) And, then, the separate exhibit would be the
10 --

11 Q. There's a GESGES Exhibit 4, which sets forth the
12 revenue requirements for the City of Nashua. I just
13 want to make sure we're working from the same document.

14 A. (Sansoucy) Okay.

15 Q. I believe that was Exhibit 1007.

16 A. (Sansoucy) So, you're not working off of 11/14/06,
17 right?

18 Q. It's your revenue requirements, which is under Tab
19 GES-4. Should be Exhibit 1007, I believe, that's where
20 the revenue requirement was.

21 CHAIRMAN GETZ: And Attachment C to that
22 or what we're calling --

23 MR. CAMERINO: There's a tab that says
24 "GES-4", GES Exhibit 4. I just want to make sure

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1 literally we're all on the same page.

2 BY MR. CAMERINO:

3 Q. Most of my questions are going to relate to that
4 exhibit. A couple may be related to tabs behind it.

5 A. (Sansoucy) Four that you're referring to is 2007 to
6 2036?

7 Q. That's correct.

8 A. (Sansoucy) It has a "7" in the bottom right corner?

9 Q. Well, I don't see that, but --

10 A. (Sansoucy) 1007-C is the exhibit number?

11 CHAIRMAN GETZ: Yes.

12 WITNESS SANSOUCY: Okay.

13 BY MR. CAMERINO:

14 Q. Okay. What we're putting up on the screen is just the
15 first page of that.

16 A. (Sansoucy) Yes, that's correct.

17 Q. Okay?

18 A. (Sansoucy) Yes.

19 Q. All right. So, we are literally on the same page.

20 That is your revenue requirements analysis, is it not?

21 A. (Sansoucy) Yes. That is for the appraisal, the January
22 '06, not the revised 11/14/06 exhibit, the same
23 exhibits.

24 Q. Okay. And, what I want to understand, what that does,

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- 1 and the 11/14 update you're talking about, that
- 2 projects the overall rate levels for the system as
- 3 owned by Nashua, is that correct?
- 4 A. (Sansoucy) Yes, it does.
- 5 Q. And, the only thing that would be left to do, taking
- 6 those revenue requirement figures, would be to design
- 7 rates to figure out how those get charged to the
- 8 different customer classes, so that all of that revenue
- 9 gets collected?
- 10 A. (Sansoucy) Yes, you're correct.
- 11 Q. Okay. And, up above, on your Lines 1 through 13,
- 12 you've got the various components of the revenue
- 13 requirement, correct?
- 14 A. (Sansoucy) Yes.
- 15 Q. Okay. And, is there any amount that's included up in
- 16 any of those lines for the contract with Tetra Tech?
- 17 A. (Sansoucy) Yes. Line 3, "Oversight".
- 18 Q. Okay. So, you say that, in that "\$315,000" figure for
- 19 year 2007, that includes any amounts payable to Tetra
- 20 Tech?
- 21 A. (Sansoucy) That's Beck and Tetra Tech, fixed fee, not
- 22 supplemental services that would be capitalized.
- 23 Q. Okay. Combined total?
- 24 A. (Sansoucy) Correct.

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- 1 Q. Okay. Is there any amount in that schedule, say, let's
2 focus on 2007, is there any amount in there for
3 Dufresne-Henry?
- 4 A. (Sansoucy) No, that would be not in Line 3, that would
5 be a supplemental capital expense.
- 6 Q. So, if any amount is paid to Dufresne-Henry, that would
7 be added into this column somewhere?
- 8 A. (Sansoucy) No, it would be coming out of Line 13
9 somewhere.
- 10 Q. So, if it -- I guess what I don't understand is, you
11 said it's not included anywhere?
- 12 A. (Sansoucy) It's not included in Line 3, as it would be
13 a supplemental capital expense.
- 14 Q. But payments to Dufresne-Henry are included in Line 13?
- 15 A. (Sansoucy) If there were. Your question was "if there
16 were any --
- 17 Q. If there's any?
- 18 A. (Sansoucy) -- expenses to Dufresne & Henry, they would
19 be under the supplemental capitalized services, and
20 they would be part of Line 13.
- 21 Q. So, you have made --
- 22 A. (Sansoucy) -- or future bond proceeds.
- 23 Q. So, have you made an assumption regarding whether there
24 will be payments to Dufresne-Henry and how much?

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- 1 A. (Sansoucy) No, I have not.
- 2 Q. So, how did you know what to include in Line 13?
- 3 A. (Sansoucy) Line 13 is a requirement of the bond, the
- 4 bond structuring, and it's a debt coverage ratio
- 5 requirement, it must be put into rates, and it must be
- 6 applied to the
- 7 restoration/repair/rehabilitation/replacement or
- 8 expansion of the core system, and the other Pennichuck
- 9 water systems.
- 10 Q. I guess I don't understand what your answer is. Did
- 11 you assume payments to Dufresne-Henry?
- 12 A. (Sansoucy) There will be some payments to Dufresne &
- 13 Henry to capital, if that is Nashua's decision to use
- 14 them in the Beck/Tetra Tech relationship. If there are
- 15 costs to Dufresne & Henry, they will be capital
- 16 expenses, and they will either be, in the first
- 17 instance, coming their bond reserves, as that item is
- 18 required to be used for capital, repair, expansions,
- 19 maintenance, etcetera, and/or future bond -- bond
- 20 issuances for new projects.
- 21 Q. I think what you're confusing is, I understand that the
- 22 bond reserves would be the source of the payment for
- 23 Dufresne-Henry. But, in determining what revenues are
- 24 required to pay these costs, you must have done a

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- 1 bottom-up, meaning "what are the costs we're going to
2 incur?" And, then, "this is how much we have to bond"?
- 3 A. (Sansoucy) Yes. If you go into the future exhibits,
4 Exhibit 5, for example, let me find it, Exhibit 5 has
5 the future capital expenditures of \$6 million per year
6 in current dollars escalated and new bond borrowings of
7 \$18 million in today's money.
- 8 Q. Okay. So, what you're saying is, any amounts for
9 Dufresne-Henry are included in Exhibit 5, in the
10 build-up of the bond amount?
- 11 A. (Sansoucy) No. They're included in 4 and 5.
- 12 Q. Okay. Five is the source of that line in 4, is that
13 correct?
- 14 A. (Sansoucy) No, that's not correct. The source for 4 is
15 Exhibit 6. Line 13, source for 4 is Exhibit 6. It's a
16 required debt coverage bond reserve ratio with two
17 separate bond reserve funds.
- 18 Q. Okay. Let me move onto something that maybe will be
19 easier. Your revenue requirement reflects the recovery
20 of costs for capital additions to the existing plant,
21 is that correct? In other words, it reflects that
22 there's going to be a borrowing to pay for capital
23 additions and the revenue requirement associated with
24 that is in this Exhibit 4, is that correct?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) Exhibit 4, Revenue Requirements, assumes the
2 bond outlined in Exhibit 5, 145 million.
- 3 Q. And, the bond includes capital additions to the system,
4 is that correct?
- 5 A. (Sansoucy) The bond includes the purchase of the
6 property --
- 7 Q. I'm not asking about the purchase. Let me just focus
8 --
- 9 A. (Sansoucy) I'm answering the question --
- 10 Q. No, let me state the question very narrowly. Does the
11 bond include capital additions after the system has
12 been purchased?
- 13 A. (Sansoucy) No, not the 145. That is the future
14 borrowings shown in Exhibit 5. The 145 is to purchase
15 the capital additions that are being done now.
- 16 Q. Is there another bond to cover capital additions?
- 17 A. (Sansoucy) Which capital additions, Mr. Camerino?
- 18 Q. Any -- After the system is purchased, there will need
19 to be construction of new capital items, is that
20 correct?
- 21 A. (Sansoucy) Yes.
- 22 Q. There will be a borrowing to pay for those, will there
23 not?
- 24 A. (Sansoucy) Yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Are those, are the revenues associated with paying
2 those bonds in this revenue requirement somewhere?
- 3 A. (Sansoucy) Yes.
- 4 Q. Okay. That's all I want to know. Now, are the amounts
5 borrowed before the capital additions are completed?
- 6 A. (Sansoucy) Are the amounts borrowed before they're
7 completed?
- 8 Q. Yes. In other words, --
- 9 A. (Sansoucy) That's up to the City. The City may choose
10 to build with its own working capital and then borrow
11 at the end, or it may choose to borrow first.
- 12 Q. And, in those situations where it chooses to borrow
13 first, it will be recovering through its rates the cost
14 of those capital additions, will it not?
- 15 A. (Sansoucy) Yes, it will.
- 16 Q. And, in fact, in a response to a data request, you've
17 indicated that it was Nashua's plan to include in rates
18 the cost of that construction work even before the
19 plant was in service, did you not?
- 20 A. (Sansoucy) Yes.
- 21 Q. Okay. And, that is commonly known as "construction
22 work in process", is it not?
- 23 A. That's commonly known as "municipal capital
24 accounting".

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. And, it is Nashua's intention, and this was the data
2 request that you answered, is it Nashua's intention to
3 include in rates construction work in process, is it
4 not?

5 A. (Sansoucy) Nashua will pre-bond, will likely pre-bond,
6 as it needs to, its capital projects.

7 Q. Let me read to you your response to Staff's data
8 request, Set 4, Question 35: "Will Nashua include in
9 rates costs associated with construction work in
10 progress?" Your response was "Yes." Is that still
11 your answer?

12 A. (Sansoucy) Yes.

13 Q. Okay. Now, when Nashua -- if Nashua were to buy this
14 plant, the rates will include the full purchase price,
15 am I correct?

16 A. (Sansoucy) The rates will include the purchase price as
17 one item.

18 Q. Okay. And, you've reflected that in that \$145 million
19 bond, correct?

20 A. (Sansoucy) Yes.

21 Q. And, if the purchase price is more than the book value,
22 the depreciated book value of the assets as they are
23 today, that full purchase price will be included in
24 rates, will it not?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) Yes, it will.
- 2 Q. And, that differential between the purchase price and
3 the book value of the assets, if this were a private
4 company to private company transaction, that's commonly
5 referred to as an "acquisition premium"?
- 6 A. (Sansoucy) That will be an acquisition premium.
- 7 Q. And, that acquisition premium would be in rates,
8 recovered from customers, whether they're in-town or
9 out-of-town customers, is that correct?
- 10 A. (Sansoucy) Yes.
- 11 Q. Okay. Now, I'd like to take you to GES-4, and I want
12 to ask you to do something very simple. I just want to
13 take you line by line and understand what is in each of
14 these items. And, most of them, I believe, should be
15 pretty straight forward, okay. First of all, the first
16 line is "taxes", right? Those are the pilot payments
17 and any other real estate taxes are due to communities
18 where the Company owns property?
- 19 A. (Sansoucy) "Taxes" are the City's commitment to
20 continue to pay ad valorem real estate taxes to towns
21 and cities, including the general fund of the City of
22 Nashua. It excludes the State's utility -- utility
23 tax.
- 24 Q. Okay. And, those dollars, what was the source of that

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 "\$1,400,000" figure?
- 2 A. (Sansoucy) Company records.
- 3 Q. From what year?
- 4 A. (Sansoucy) That is 12/31, let's see, this is the '05,
- 5 12/31/04.
- 6 Q. Did you escalate them for inflation?
- 7 A. (Sansoucy) Yes.
- 8 Q. Okay. The next line, "Oversight", that's the Beck
- 9 contract, right?
- 10 A. (Sansoucy) Beck/Tetra Tech.
- 11 Q. Okay. And, that's the "315" from the -- "\$315,000"
- 12 from the draft contract, right?
- 13 A. (Sansoucy) Yes.
- 14 Q. Okay. The next line, "Insurance", that's the City's
- 15 estimate of its incremental insurance costs?
- 16 A. (Sansoucy) That is the incremental insurance costs on
- 17 top of the City's existing policies.
- 18 Q. I think "yes" would have been fine there. I think I
- 19 used the word "incremental". Item 4, that's your
- 20 estimate of the purchased water cost?
- 21 A. (Sansoucy) Yes.
- 22 Q. Item 5, "Customer Service", that is your estimate of
- 23 what it will cost the City to provide the customer
- 24 service element of service to the customers?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) Their portion.
- 2 Q. That is your estimate of the City's costs of providing
- 3 the customer service element of service to customers?
- 4 A. (Sansoucy) Yes.
- 5 Q. "Sludge" is the next item. That's just sludge removal,
- 6 seems self-explanatory, right? There's nothing else in
- 7 there?
- 8 A. (Sansoucy) No, there's nothing else.
- 9 Q. Okay. "Unplanned Maintenance", that's your estimate of
- 10 what is called in the Veolia contract "RRRM", and I
- 11 won't try to define that here today, that is the
- 12 maintenance, that is not in the day-to-day preventive
- 13 maintenance, preventive and predictive maintenance in
- 14 the Veolia base fee, is that correct?
- 15 A. (Sansoucy) Not quite.
- 16 Q. Okay. Explain please.
- 17 A. (Sansoucy) The "185" is one half of Veolia's projected
- 18 unplanned maintenance that is above and beyond their
- 19 base fee. Their unplanned maintenance is approximately
- 20 590,000, or one -- twice that, 580, that is one half
- 21 that would be expensed, as opposed to my estimate that
- 22 one half would be capitalized, of the unplanned
- 23 maintenance in their RRR&M, which includes many other
- 24 things.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. You've lost me. When I double 185, I get 370.
- 2 A. (Sansoucy) That's correct. 370, it's one half of that,
3 it's corrected in the 11/14 exhibits to 290.
- 4 Q. Okay.
- 5 A. (Sansoucy) Which is one half of the 580.
- 6 Q. All right. Now, the next item, "Veolia-Operations",
7 that says "5,150". What I want to understand is, the
8 Veolia contract says it's for "4,996,000". Can you
9 tell us what the "5,150" represents?
- 10 A. (Sansoucy) Yes. That's one year of escalation from the
11 Veolia contract, to synchronize this exhibit with the
12 date of the exhibit.
- 13 Q. Okay. So, you assumed a 2006 figure of 4,996 and
14 escalated at one year for inflation to 5,150?
- 15 A. (Sansoucy) Yes, for the beginning, beginning the first
16 year.
- 17 Q. Okay. Where in here -- Veolia is going to charge you
18 \$1,380,000 for a one-time transition charge.
- 19 A. (Sansoucy) Capitalized. It's in Exhibit 5.
- 20 Q. So, which line would that be included in?
- 21 A. (Sansoucy) The 145 million.
- 22 Q. Okay. You know what caught me by surprise a little bit
23 is the 5,150 seems to be precisely the number that
24 Veolia came with if you wanted to include the

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[WITNESS PANEL: SANSOUCY|WALKER]

1 transition costs in their annual fee instead. That's
2 just a coincidence?

3 A. (Sansoucy) I don't understand that question.

4 Q. All right. Then, --

5 A. (Sansoucy) It is their annual fee is 4,990, escalated
6 one year.

7 Q. If you don't understand the question, there's no need
8 to answer it. "Utilities" I think is self-explanatory.
9 "Operational Contingencies"?

10 A. (Sansoucy) Yes. But, excuse me, "utilities" are
11 self-explanatory, but the number is wrong.

12 Q. But you corrected that later?

13 A. (Sansoucy) Yes.

14 Q. Okay. And, then, finally, "Operational Contingencies",
15 what's in that number?

16 A. (Sansoucy) Contingencies.

17 Q. Well, such as?

18 A. (Sansoucy) Such as a wide variety of additional
19 contingencies that we anticipate and expect. Such
20 that, for example, we have determined that the sludge
21 is going to be low by probably 60,000, based on
22 additional documents provided by the Company. A whole
23 host of minor customer service items, such as billings,
24 mailings, and these sorts of things, that are going to

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1 have to be added, etcetera. The RRRMRFP or the
2 unplanned maintenance portion is going from 185 to 290
3 in the revised exhibits.

4 Q. Okay. What I don't understand is, in your reply
5 testimony, when, in response to Mr. Ware's statement
6 that you had under-represented the unplanned
7 maintenance by a million dollars or by 800 --

8 A. (Sansoucy) I didn't --

9 Q. No, Mr. Ware said that you had understated it, I think
10 the number was by "\$850,000", you said "That's what the
11 contingency is for." Wasn't that your testimony?

12 A. (Sansoucy) I don't remember my testimony saying that
13 the contingency was for the 850. I do remember me
14 saying that "Mr. Ware has indicated that he believes we
15 underestimated the unplanned maintenance."

16 Q. No, let me keep it focussed.

17 MR. UPTON: I'd like him to be able to
18 answer his questions.

19 MR. CAMERINO: That's not the question.

20 MR. UPTON: I don't care.

21 MR. CAMERINO: The question is --

22 CHAIRMAN GETZ: Mr. Camerino, I'd like
23 to hear the end of that, --

24 MR. CAMERINO: All right.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: -- that statement.

2 BY THE WITNESS:

3 A. (Sansoucy) Mr. Ware has indicated that he believes we
4 have underestimated the unplanned maintenance. In
5 those areas where I think we, in fact, have, that will
6 be coming from the contingency. We disagree on what
7 constitutes unplanned maintenance between Pennichuck's
8 current operation, where they classify it, and the way
9 it's going to be classified and handled in the Veolia
10 contract.

11 BY MR. CAMERINO:

12 Q. Okay. What I don't understand is, if you know that you
13 have additional unplanned maintenance costs, why
14 wouldn't they be reflected in the "UnPlanned
15 maintenance" line?

16 A. (Sansoucy) They have been reflected in the 11/14/06
17 revision to this document.

18 Q. Okay. Next question: There are other costs that the
19 City knows that it's going to bear, accounting systems,
20 paving costs, fixed asset accounting, permit and
21 license fees, regulatory expense, fuel costs, and I
22 won't list them all. You're familiar with those,
23 correct?

24 A. (Sansoucy) Yes.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. Where are those in this revenue requirement analysis?

2 A. (Sansoucy) You need to take them one at a time, if
3 you'd be so kind. Some of those you just mentioned are
4 maintenance, they're going to be in Veolia's costs.
5 Some of those are going to be in the City.

6 Q. I understand that. What I'm talking about is costs
7 that Veolia will not cover under its contract that are
8 in addition to the \$4.9 million fee, we'll be talking
9 with Veolia about those tomorrow. All I want to
10 understand is, when the contract says that "the City
11 has to pay for fuel" or "the accounting systems", where
12 are those? You'll see you have a line item for
13 customer service, so you clearly identified that one
14 and said "that needs to be here", and you separated it
15 out. There are these other costs that the parties
16 recognize the City will pay, and I don't see where they
17 are?

18 A. (Sansoucy) Could you go down them one at a time and
19 I'll tell you?

20 Q. Well, I'm going to take a few. I don't want to take
21 too much time today. Paving?

22 A. (Sansoucy) Paving?

23 Q. Yes.

24 A. (Sansoucy) Paving is generally going to be capitalized

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[WITNESS PANEL: SANSOUCY|WALKER]

1 or in unplanned maintenance, in RRRM.

2 Q. What about regulatory expense?

3 A. (Sansoucy) Which means it will be in Line Item 145, the
4 Line Item 12 and Line Item 13.

5 Q. Okay. What about regulatory expense?

6 A. (Sansoucy) Regulatory expense is picked up in the
7 11/14/06 exhibits, where we have agreed to remain
8 regulated. That is not the assumption in the January
9 '06 exhibits that you've got on the screen. And, we've
10 added additional expenses for regulatory costs.

11 Q. What about fuel?

12 A. (Sansoucy) What type of fuel?

13 Q. Vehicle fuel, --

14 A. (Sansoucy) Vehicle fuel is going to -- the operational
15 vehicle fuel will be picked up by Veolia. Heat, fuel
16 related to heat of the buildings, natural gas for heat
17 of the buildings and electricity are what we call
18 "power and building fuels", will be picked up by the
19 Company, and they are part of utilities, under Line 10,
20 "Utilities".

21 Q. Okay. Now, you keep talking about the bond. One last
22 question: The source for those various figures, I take
23 it, other than pulling contract amounts, amounts
24 directly from a contract, you were the source for

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[WITNESS PANEL: SANSOUCY|WALKER]

1 those, meaning you either conceived of them or you
2 located the records, like the Company's records, which
3 were the basis for your determination of the amounts to
4 put into this document?

5 A. (Sansoucy) The source for these, all of these numbers
6 that are on this exhibit I have put on this exhibit.

7 Q. Okay.

8 A. (Sansoucy) These numbers are from our research, data
9 requests, interviews, and discussions with the
10 insurance companies for the City of Nashua, etcetera.

11 Q. So, let me just be clear. Because tomorrow, when I
12 talk to Veolia, if I ask them "where did this number
13 came from?" They're going to tell me "Mr. Sansoucy put
14 that in there. That's not our figure."

15 A. (Sansoucy) They are going to tell you that.

16 Q. That's what I want to make sure --

17 A. (Sansoucy) They will tell you where Line 9 is coming
18 from.

19 Q. Okay. So, now, you keep talking about the bond amount.
20 Can you tell me exactly what is in, first, the
21 \$145 million figure?

22 A. (Sansoucy) Yes. You go to Exhibit 5 of this same set
23 of exhibits, the running exhibits. The first page of
24 Exhibit 5, you might want to put it up, if you'd be so

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[WITNESS PANEL: SANSOUCY|WALKER]

1 kind.

2 Q. Yes.

3 A. (Sansoucy) Ready? All set, Steve?

4 Q. Go ahead.

5 A. (Sansoucy) Okay. Thank you. The first series of bonds
6 relate to 145 million. They're shown in the first line
7 under 2007, and they show the purchase bond amount of
8 95 million, which is the value of 85 million, plus
9 10 million of soft -- soft costs and transaction fees,
10 capitalized transaction fees. The second bond is the
11 \$30 million treatment plant bond. That will be added
12 to buy down the treatment plant funding. And, the
13 third bond will be the reconstruction, the
14 non-treatment plant improvements that are part of the
15 BFA package that will be paid down, for a total of
16 145 million in the initial purchase bond. And, then,
17 any additional reconstruction and operating bonds are
18 shown starting in line 2010, at the rate of \$6 million
19 per year, every year, for \$20 million tranches, bond
20 tranches every three years.

21 Q. Okay. And, actually took me to exactly where I want to
22 go. Let me restate the last thing you said and see if
23 I've got it right. You're assuming the Company is
24 going to have capital additions to its system of

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[WITNESS PANEL: SANSOUCY|WALKER]

1 approximately \$6 million a year?

2 A. (Sansoucy) For the purposes of this rate path, we have
3 assumed that we are matching Pennichuck's average
4 annual capital contributions of \$6 million a year, so
5 we can compare apples to apples for the Commission's
6 benefit. So, the Company has spent at a rate of
7 approximately 6 million.

8 Q. Okay.

9 A. (Sansoucy) Both new and reconstruction. Our rate path
10 mirrors the Company's spending.

11 Q. Mr. Sansoucy, "yes" would be fine.

12 A. (Sansoucy) No, that's -- that needs an explanation.

13 Q. Okay. You're own your own time.

14 A. (Sansoucy) The rate path mirror Pennichuck's average
15 spending of \$6 million per year, every three years.
16 Nashua will be doing the same type of reconstruction.

17 Q. So, you have assumed \$6 million a year. You adjust
18 that for inflation, you come out to roughly \$20 million
19 every three years?

20 A. (Sansoucy) Well, it's 20 million in the first three
21 years. It's 22 million the next six years. It's just
22 adjusted for inflation.

23 Q. So, what you've assumed is that your model shows,
24 instead of borrowing \$6 million every year, you assume

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[WITNESS PANEL: SANSOUCY|WALKER]

1 it's going to be approximately \$20 million every three
2 years, is that correct?

3 A. (Sansoucy) Yes. To get a reasonable pay on the bond
4 costs, we're using \$20 million tranches.

5 Q. Let me be clear, Mr. Sansoucy. I am not trying to
6 argue with you or make any points. What I want to
7 understand, for the Commission's purposes, is how to
8 read these schedules. So, I just want to understand
9 what the schedule says, not why you did what you did,
10 okay? You borrow \$20 million every three years
11 approximately, it varies with inflation, every three
12 years, is that correct?

13 A. (Sansoucy) Yes.

14 Q. If I'm looking at this schedule GES-5, show me how I
15 can see that every three years there's a borrowing of
16 approximately that amount? What would I look for and
17 show me each entry of the borrowing, okay? I just want
18 to find that.

19 A. (Sansoucy) Sure. Go to Line -- after you've done the
20 purchase bond, okay, the purchase bonds run from Line 1
21 through Line 15. That's your initial \$145 million
22 purchase bonds.

23 Q. And, that reads the way it does because that's a
24 one-time borrowing, right?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) That's a what?
- 2 Q. You borrow that, all of that money at once, the 100 --
- 3 that amount, correct?
- 4 A. (Sansoucy) Yes, you do. Yes, you do.
- 5 Q. As opposed to the amount you're about to show me, which
- 6 is approximately \$20 million every three years?
- 7 A. (Sansoucy) That's correct. And, that starts on Line
- 8 16, "System Repair and Replacement Bond 18 million,
- 9 escalated at 4 percent". And, it shows it's first
- 10 entry in 2010, on Line 17. And, it states "Beginning
- 11 Year Bond Balance 20,248,000".
- 12 Q. Can you give me that line number again there?
- 13 A. (Sansoucy) Line 17.
- 14 Q. So, that's in 2010, right?
- 15 A. (Sansoucy) That's correct.
- 16 Q. So, you have a borrowing in Line 15, in the initial
- 17 borrowing, right, 19 million or so?
- 18 A. (Sansoucy) No, that's the bond balance. That's the
- 19 end-of-the-year bond balance. Your borrowing is Line
- 20 12, "20 million", --
- 21 Q. Okay.
- 22 A. (Sansoucy) -- Line 7, "30", and Line 2.
- 23 Q. Thank you. Okay. So, the second borrowing is in 2010?
- 24 A. (Sansoucy) Correct.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Line 17?
- 2 A. (Sansoucy) Correct.
- 3 Q. The third borrowing is three years later, in 2013?
- 4 A. (Sansoucy) Correct.
- 5 Q. And, the next borrowing is in 2016, down on Line 27, is
- 6 it?
- 7 A. (Sansoucy) Correct.
- 8 Q. Where do I go next?
- 9 A. (Sansoucy) You continue on the exhibit, go to the next
- 10 page. That's the bottom summary, the add-up summary,
- 11 shows you the total outstanding borrowings, borrowing
- 12 paid. Go to the next page and you build up with your
- 13 debt reserve requirements. The bottom of that page
- 14 you'll see the next, right at the very bottom, you see
- 15 "28,818,000"?
- 16 Q. Just a reminder, so the last borrowing was in 2016,
- 17 right?
- 18 A. (Sansoucy) Correct.
- 19 Q. And, we're --
- 20 A. (Sansoucy) This is 2019.
- 21 Q. 2019. The next borrowing is on Line 32?
- 22 A. (Sansoucy) That's correct.
- 23 Q. Where is the next borrowing?
- 24 A. (Sansoucy) You'll find the next borrowing on the next

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[WITNESS PANEL: SANSOUCY|WALKER]

1 page, under "2022", you'll see Line 37 of "32,417,000",
2 which is the same 6 million escalated. Then, you'll
3 have a borrowing in 2025 of 42 million -- Line 42 of
4 "36 million". You grab that, the very last line,
5 "2028", on the previous one, Mr. Camerino, was Line 47,
6 was "41 million", for 2028.

7 Q. Okay.

8 A. (Sansoucy) And, then, on this one --

9 Q. And, these are the last three?

10 A. (Sansoucy) Are the last three.

11 Q. Okay.

12 A. (Sansoucy) 46 million and 50 -- well, the last two.

13 Q. All right.

14 A. (Sansoucy) 46 million and 51 million.

15 Q. Can you tell me, just going back to the first year of
16 that, can you tell me what's in the \$6 million a year?
17 Itemize that for me?

18 A. (Sansoucy) The 6 million will be all of your pipe
19 system repairs, your capital repairs, your treatment
20 plant projects, pump station projects, your new capital
21 expansions, and your pipeline system replacements
22 within the City of Nashua.

23 Q. Is it the exact same things that Pennichuck had because
24 of the assumption you made at the beginning?

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1 A. (Sansoucy) Well, you -- it's not the exact same things
2 they had, because we've bought their capital program,
3 but it's the future capital program anticipated to be
4 required at a current rate of 6 million per year in
5 today's dollars.

6 Q. You used Pennichuck's budget for that figure, didn't
7 you?

8 A. (Sansoucy) Absolutely, because we're synchronizing
9 Pennichuck's capital rates with our capital expense to
10 show the rate differential for the public interest.

11 Q. So, if you added things to that, if you have expenses
12 that I asked you about before that Pennichuck didn't
13 have in the 6 million, that would be in addition,
14 right?

15 A. (Sansoucy) I don't understand the question. What
16 expenses have I added that Pennichuck doesn't have?
17 I'm cutting expenses.

18 Q. No, you're talking about expenses, I'm talking about
19 capital. If you have capital -- If you identify
20 things, if I ask you about capital expenditures and
21 they're -- and you say "they're in the borrowing", if
22 they are not, if they weren't part of what went into
23 Pennichuck's calculation of that 6 million, they're in
24 addition to the items that Pennichuck had, correct?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Sansoucy) If Pennichuck expensed something and we
2 capitalized it, they would be above the 6 million.
- 3 Q. Okay.
- 4 A. (Sansoucy) Was that your question, Mr. Camerino?
- 5 Q. Yes.
- 6 A. (Sansoucy) Okay.
- 7 Q. Now, what interest rate did you assume for purposes of
8 the bonds?
- 9 A. (Sansoucy) Let's go back to the very first page of
10 Exhibit 5. Can we put it up? If you look on Line 4,
11 you will see the bond interest rate of "4.7 percent".
- 12 Q. Okay.
- 13 A. (Sansoucy) And, that same 4.7 is carried throughout the
14 analysis.
- 15 Q. Now, interest rates have gone up since you prepared
16 this analysis, haven't they?
- 17 A. (Sansoucy) Yes, they have.
- 18 Q. And, have you made any adjustment for that?
- 19 A. (Sansoucy) Yes.
- 20 Q. And, where would that be?
- 21 A. (Sansoucy) That would be on the 11/14 exhibits with --
- 22 Q. And, interest rates have gone up since then, have they
23 not?
- 24 A. (Sansoucy) In revenue bonds, they have flattened.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. So, there's been no change?

2 A. (Sansoucy) There's been very little change in revenue
3 bonds. They have flattened. They have only gone up
4 about 25 basis points since then. We added 50 basis
5 points onto the then rate to get to the 4.7. And, we
6 added 50 basis points to get to the revised 11/14/2006
7 to handle the interest rate increases for which we are
8 now experiencing. At this time, as we sit here today,
9 on our Exhibit 5 11/14, we estimated 4.83 percent.
10 And, as of today, revenue bonds are 4.83 percent. So,
11 we hit the escalation right on the nose.

12 Q. Okay. And, to the extent that interest rates have
13 risen or rise further, that would affect your revenue
14 requirement, correct?

15 A. (Sansoucy) If interest rates continue to rise above
16 4.3? That may affect, that may affect the revenue
17 requirement, depending on how we structure the bonds.

18 Q. A couple more quick questions. You don't have any
19 legal training, do you?

20 A. (Sansoucy) No.

21 Q. Okay. You did file testimony, though, in the
22 Philadelphia Suburban case involving the acquisition of
23 Pennichuck by Philadelphia Suburban? I can show you
24 that, if you'd like, just to refresh your recollection?

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1 A. (Sansoucy) Sure.

2 (Atty. Camerino showing document to
3 Witness Sansoucy.)

4 BY MR. CAMERINO:

5 Q. And, in that case, you took the position that "an
6 acquisition of Pennichuck had to meet a net benefit
7 standard"?

8 A. (Sansoucy) Yes, I believe it did.

9 Q. And, I'm just going to show you a page out of the
10 transcript of that proceeding. And, in that
11 proceeding, you were testifying on behalf of the City
12 of Nashua, were you not?

13 A. (Sansoucy) Yes, I was.

14 Q. And, the portion of the transcript I'm showing you,
15 there's a statement by Attorney Connell on behalf of
16 the City? I've highlighted it for you.

17 A. (Sansoucy) Yes.

18 Q. And, presumably, he does have legal training?

19 A. (Sansoucy) Yes, he does.

20 Q. And, he makes the same statement you made, that the
21 "acquisition of Pennichuck needs to meet a net benefit
22 standard", is that correct?

23 A. (Sansoucy) Mr. Connell has suggested to the Commission
24 that the Commission apply a net benefit standard to the

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1 merger.

2 MR. CAMERINO: Thank you.

3 CHAIRMAN GETZ: Mr. Upton.

4 MR. UPTON: I'm going to object. What
5 Mr. Connell says is, number one, hearsay. But, number
6 two, Mr. Connell is a lawyer, and the document says what
7 it says. To ask Mr. Sansoucy to testify about it I don't
8 think is proper cross-examination.

9 MR. CAMERINO: All right. Why don't I
10 do this.

11 CHAIRMAN GETZ: I assume you're laying a
12 foundation for something. Can we --

13 MR. CAMERINO: Well, I am, but not for
14 any further questions, actually. What I'd like to do is,
15 if Mr. Upton has a problem with Mr. Sansoucy reading this
16 into the record, is simply to ask the Commission to take
17 administrative notice of the transcript from DW 02-126,
18 where the statement is made. It's Page 28. And, we can
19 let it speak for itself.

20 CHAIRMAN GETZ: Well, I don't think we
21 need to take administrative notice of our own orders.

22 MR. CAMERINO: It's not an order,
23 actually, Mr. Chairman. It's in a transcript.

24 CHAIRMAN GETZ: So, this is a transcript

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1 --

2 MR. CAMERINO: From the Philadelphia
3 Suburban/Pennichuck docket. I think the witness has read
4 it into the record, and I don't think there's any doubt
5 that it was said and that that was the City's position.
6 But, if Mr. Upton would like, we can have administrative
7 notice taken of the fact that it was said.

8 CHAIRMAN GETZ: Okay. Well, let's -- I
9 think we'll deal with how to treat that statement when we
10 see where you're headed, in terms of how you're trying to
11 introduce this, use this in the record. But we'll note
12 that it is -- appears to be a legitimate copy of the
13 transcript from one of our own proceedings.

14 MR. CAMERINO: Thank you. That
15 completes my questions.

16 CHAIRMAN GETZ: Okay. I think we're
17 past break time. It's 3:15. And, our intention is to go
18 to 5:00. Mr. Upton raised the issue earlier, well, let's
19 start with the predicate question. Mr. Conner, how much
20 further cross-examination do you anticipate?

21 MR. CONNER: Your Honor, I have
22 questions relating to the Cost Approach and the Income
23 Approach. I don't expect the Income Approach to be very
24 long, and the Cost Approach shouldn't be either. But I

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1 can't imagine, I think it will probably take at least an
2 hour.

3 CHAIRMAN GETZ: Okay. Well, I would --
4 I think we're going to take -- we'll take a break to 3:30,
5 but recognizing this. It looks like, and I'm hopeful to
6 get through, if you have an hour, that would be -- then we
7 might be able to get through all of the cross. And, I
8 assume we have a tight schedule with the Veolia people.
9 Is there any objection to, if we complete the cross today,
10 start with Veolia tomorrow, and then have the redirect --
11 we'll put in the schedule at some other time, is that --

12 MR. UPTON: Yes, that would work with
13 us.

14 CHAIRMAN GETZ: Okay. All right. Then,
15 let's -- we'll take a recess and we'll return at 3:30.

16 (Recess taken at 3:16 p.m. and the
17 hearing reconvened at 3:37 p.m.)

18 CHAIRMAN GETZ: Okay. We're back on the
19 record. Mr. Conner.

20 MR. CONNER: Thank you, Mr. Chairman.

21 BY MR. CONNER:

22 Q. Mr. Sansoucy, in regard to your Cost Approach, I think
23 you testified earlier that, even before you signed the
24 engagement on March 19, 2004, I believe, that you felt

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1 that the Cost Approach would be given very little
2 weight, if any, correct, based on your prior
3 experience?

4 A. (Sansoucy) What I testified to is that our Cost
5 Approach would be used for allocation and other
6 purposes, but it would not likely be weighted in the
7 valuation of the three, because economic and functional
8 depreciation would likely be applied to the Cost
9 Approach.

10 Q. I think that was a "yes", but thank you. Mr. Sansoucy,
11 the method that you used in developing your Cost
12 Approach is different than the method that you've used
13 in the past to apply the Cost Approach to Pennichuck
14 Water Works, correct?

15 A. (Sansoucy) No, not necessarily. We have used trending
16 in the past and we have used quantity survey take-off
17 in the past with Pennichuck in various parts of the
18 state.

19 Q. With respect to the trended original cost method, isn't
20 it true that that method will not provide a reliable
21 estimate of the cost of new property if the original
22 cost documentation is not accurate?

23 A. (Sansoucy) If the original cost documentation is not
24 accurate, there will be inaccuracies in the trended

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1 reproduction cost.

2 Q. Okay. And, if there are inaccuracies in the trended
3 reproduction cost, it really doesn't matter what type
4 of depreciation you apply to those numbers, because
5 they're flawed to begin with, correct?

6 A. (Sansoucy) Not necessarily. It depends on how flawed
7 they are. We know for a fact there's about \$400,000
8 worth of inaccuracies on pre-1900 costs in the CPRs,
9 that represents 1 percent of the original cost. So,
10 for the pre-1900 accounting, they basically took
11 everything prior to 1900 and put it in 1900. That's de
12 minimus in the big picture of valuation.

13 Q. Okay. We'll get to your analysis on that in just a
14 moment. But, with respect to trending in general, you
15 would agree with me then, and I think that you've even
16 stated that, if the original cost data is not accurate,
17 then you really shouldn't use the trended original cost
18 method?

19 A. (Sansoucy) No, we didn't say "you shouldn't use it".
20 You just have to make sure you understand where
21 inaccuracies are and be careful with it.

22 Q. Okay. Now, the trended original cost method has a
23 number of shortcomings, doesn't it?

24 A. (Sansoucy) Sometimes.

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1 Q. Isn't it true that original cost data may be presented,
2 if it is presented and it's not accurate, then, again,
3 you can't use it?

4 A. (Sansoucy) You can use it. You just have to have a
5 sense for its inaccuracies, because many times it's de
6 minimis.

7 Q. Would you please turn to Exhibit 3212, 101. Can you
8 pull it up? I'm sorry. Mr. Sansoucy, I believe this
9 is a valuation overview that you did for the New York
10 State Real Property Tax Directors. I believe that was
11 in August of 1995, correct?

12 A. (Sansoucy) Yes, it was.

13 Q. Please go to Page 003, and start at "shortcomings".
14 And, this is in reference to the trended original cost
15 method, is it not? Do you need to look at the other
16 page?

17 A. (Sansoucy) Yes, that's what it says.

18 Q. Okay. And, those shortcomings are identified by you,
19 sir. Says "Its shortcomings are clear, in that the
20 original cost data presented by the utility for
21 analysis must be accurate, the indices used must
22 accurately reflect the true appreciation of cost, and
23 the depreciation used must reflect the actual
24 depreciation versus book depreciation. Attempting to

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1 determine the real versus hypothetical appreciation,
2 cost, and depreciation, and not properly adding
3 indirect costs, generally render a trended reproduction
4 cost analysis the least reliable indicator of a
5 cost-based valuation." You would agree with that
6 today?

7 A. (Sansoucy) In the State of New York, that's true.

8 Q. Does that not apply equally as well in the State of New
9 Hampshire?

10 A. (Sansoucy) Less. In New York, your Honor, the
11 valuation of utility property is legislative to be
12 reproduction cost new, less depreciation. Therefore,
13 it becomes very -- therefore, the towns, cities, and
14 utilities work very hard to keep very accurate records,
15 because it's the only method of valuation in New York.
16 When you move into other states that are what we call
17 "three-legged states", where all three methods of value
18 are considered, like New Hampshire, then there are
19 times where it is very efficient to trend a set of
20 utility books. For example, we do it routinely with
21 Public Service's books for ad valorem taxes. It's an
22 efficient method of arriving at a good band of
23 reproduction costs. And, some of the inaccuracies that
24 are bound to occur in regulatory bookkeeping become de

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1 minimus.

2 Q. And, it's your position that any irregularities in
3 bookkeeping, in regard to the Pennichuck Water Works'
4 records, are de minimus for purposes of your trended
5 original cost analysis?

6 A. (Sansoucy) We demonstrated that in the appraisal.

7 Q. So, as far as you're concerned, the trended original
8 cost analysis that you performed is just as valid for
9 purposes of valuing under the Cost Approach Pennichuck
10 Water Work assets as the RFPC and LD approach, the
11 Reproduction Cost New or Replacement Cost New that was
12 performed by Mr. Reilly?

13 A. (Sansoucy) Our -- Well, I don't understand the
14 question. Say it again. "Our reproduction cost new
15 less physical depreciation that I did, for --

16 Q. Which was trended?

17 A. (Sansoucy) -- for Pennichuck is the reproduction of its
18 existing property that is in Pennichuck Water Works and
19 physical depreciation. That's the extent of the cost
20 new less physical depreciation analysis. Because that
21 analysis arrives at a value much higher than the
22 reconciled value that Mr. Walker found with economic
23 and functional depreciation derived from market sales
24 and income, then I believe it is efficient and reliable

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1 to use trended original cost of Pennichuck's records
2 for Pennichuck Water Works for this valuation.

3 Q. And, the records that you relied upon were the
4 continuing property records, correct?

5 A. (Sansoucy) They were the Company's CPRs.

6 Q. All right. Now, you also had available to you the
7 Company's engineering inventory, which was a separate
8 document, correct?

9 A. (Sansoucy) Yes. And, that's provided in our Exhibit, I
10 think, 8. And, we relied upon that for our Capital
11 Replacement Program.

12 Q. In your revenue requirements analysis?

13 A. (Sansoucy) Yes, that's correct.

14 Q. But you did not compare the engineering pipe inventory
15 or asset inventory to the CPR for purposes of your Cost
16 Approach?

17 A. (Sansoucy) No, we did not back reconcile the Company's
18 engineering inventory to its original cost records,
19 which don't show a footage of pipe and a size of pipe.
20 They just show the original costs, per se, per year.
21 So, we did not back reconcile that. We did not feel
22 that that was necessary.

23 Q. And, why did you feel that, Mr. Sansoucy?

24 A. (Sansoucy) As I stated, the cost new less physical

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1 depreciation exceeded the functional and economic
2 depreciation that was going to be taken in the Income
3 and Market Approach, and any further analysis provided
4 no further accuracy to the value.

5 Q. Is what you're saying then, Mr. Sansoucy, because of
6 the numbers that you came up with or Mr. Walker came up
7 with in his Income Approach and his Sales Approach,
8 that the analysis with respect to reconciling those
9 numbers to the Cost Approach would have reduced the
10 Cost Approach down to the Income Approach and the Sales
11 Approach?

12 A. (Sansoucy) You're reconciling, as Mr. Walker pointed
13 out, he has reconciled to Income and Market, has not
14 weighted the Cost Approach in the reconciliation. And,
15 it does reduce the Cost Approach.

16 Q. Okay. So, you get it down to the numbers that you come
17 up with for your Income Approach and Sales Approach?

18 A. (Sansoucy) You don't get it down to any number. You
19 reconcile it to fair market value. We are in a value
20 that's greater than two times book.

21 Q. Mr. Sansoucy, with respect to this, I took your
22 deposition, you recall that?

23 A. (Sansoucy) Yes.

24 Q. And, I showed you a number of questions relating to the

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- 1 CPR, correct?
- 2 A. (Sansoucy) Yes.
- 3 Q. And, at one point, I think at the conclusion, you
- 4 finally stated "We relied on the CPR records and assets
- 5 of the Company in doing our trended original cost,
- 6 regardless of their accuracy." Do you remember that?
- 7 A. (Sansoucy) That's correct. If you notice, I also said
- 8 "we analyzed their accuracy and found it to be de
- 9 minimus."
- 10 Q. Mr. Sansoucy, in pricing, let's talk just about pricing
- 11 the inventory, because, in a Cost Approach analysis,
- 12 you have to come up with your inventory first, correct?
- 13 A. (Sansoucy) In a Cost Approach, you either are going to
- 14 come up with an inventory or an original cost.
- 15 Q. And, in this case, you came up with an original cost --
- 16 A. (Sansoucy) That's correct.
- 17 Q. -- of the inventory reflected on the CPR?
- 18 A. (Sansoucy) You assume the inventory is reflected in the
- 19 costs.
- 20 Q. Okay. So, whatever invent -- you didn't go through an
- 21 inventory of the system physically, did you?
- 22 A. (Sansoucy) No, we had the Company's inventory. That's
- 23 in Exhibit 8. We used that for a different purpose, to
- 24 establish a Capital Replacement Program.

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1 Q. All right. Let's take a look at Exhibit 1007B1,
2 please.

3 MR. CONNER: And Mr. Chairman, this is
4 very tedious to look at on the screen. I have copies. I
5 might be a little easier to follow.

6 (Atty. Conner distributing documents.)

7 BY MR. CONNER

8 Q. This is Appendix F to your appraisal, correct, Mr.
9 Sansoucy?

10 A. (Sansoucy) Yes, it appears to be a copy of that.

11 Q. Okay. Now, you indicate --

12 A. (Sansoucy) Excluding the last -- yes. Yes, it appears
13 to be it.

14 Q. You agree that's what it is?

15 A. (Sansoucy) I haven't checked every page, but it appears
16 to be, yes.

17 Q. Okay. I'd like to just go to a couple of issues. If
18 you'll take a look at the first page, actually, the
19 second page, 1 of 1, and go to row, the very top, 776,
20 and it's the 320 account. Now, Mr. Sansoucy, these are
21 the mass account numbers, correct?

22 A. (Sansoucy) These are the mass accounts, that's right.

23 Q. All right. For the various categories of property of
24 Pennichuck Water reflected in the continuing property

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1 records?

2 A. (Sansoucy) Yes.

3 Q. Now, the water treatment plant, you have an original
4 cost of "\$5,600,000", correct?

5 A. (Sansoucy) That's the Company records.

6 Q. All right. And, then, "accumulated depreciation" is
7 the next entry. And, then, "net book value" of
8 "2,747,000". And, then, you have "cost new". Now,
9 just so that we understand what these numbers are, that
10 is your trended original cost number, is that correct?

11 A. (Sansoucy) Yes, it is.

12 Q. Now, Mr. Sansoucy, you've relied upon almost
13 exclusively on indices in order to come up with your
14 trended original cost factors, correct?

15 A. (Sansoucy) We relied upon the nationally recognized
16 Handy-Whitman Index for Water Utilities.

17 Q. All right. You did not go out and try to contract or
18 get bids or estimates with respect -- you're an
19 engineer, you performed estimates before for
20 construction purposes, haven't you?

21 A. (Sansoucy) Yes.

22 Q. You did not estimate what a new water treatment plant
23 would cost in today's dollars, did you?

24 A. (Sansoucy) That wasn't the objective. It was

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1 estimating the reproduction cost of the existing plant,
2 with all of its deficiencies.

3 Q. I understand that. I'm just asking what you did and
4 what you didn't do.

5 A. (Sansoucy) We're doing a reproduction. So, we're not
6 going out to estimate a replacement.

7 Q. Okay. And, then, you applied depreciation to that
8 number, correct?

9 A. (Sansoucy) Physical depreciation.

10 Q. All right. In your physical depreciation, you came up
11 with a "59 percent", and that's 59 percent to the good?

12 A. (Sansoucy) Correct.

13 Q. All right. For a total cost new of "\$5,500,000"?

14 A. (Sansoucy) Correct.

15 Q. Now, that's what you view as the cost of that plant
16 today, to reproduce it under a trended original cost
17 analysis?

18 A. (Sansoucy) That's a reproduction cost of the existing
19 assets in the ground, less physical depreciation of
20 those assets.

21 Q. All right. Mr. Sansoucy, would you turn with me please
22 to I believe it's Account 330. No, I'm sorry, 331.

23 A. (Sansoucy) On Page 2 or 1 of 1?

24 Q. No, sir, I'm going to go into the body of the report.

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- 1 If you go to Page 15 of 64, there's not a Bates number
2 on it, but it's Page 15 of 64. You with me?
- 3 A. (Sansoucy) Yes, I am.
- 4 Q. All right. Well, go down, Daniel, if you want to
5 follow this, too. It's the last 330, those account
6 numbers where they start. Now, Mr. Sansoucy, you're
7 aware that this system was first constructed in the
8 late 1800s, correct?
- 9 A. (Sansoucy) 1887.
- 10 Q. And, the first entry, though, you have on this document
11 is for 1911, correct?
- 12 A. (Sansoucy) For 331, yes.
- 13 Q. And, that reflects several entries for "rock
14 excavation", "railroad crossing", "cast iron pipe -
15 river crossing", "14-inch cast iron pipe - 600 feet",
16 "3-inch cast iron pipe - 186 feet". And, then, it has
17 original cost numbers that you pulled from the CPR
18 apparently, correct?
- 19 A. (Sansoucy) These are from the Company's CPRs. This is
20 what they provided to us in their GAAP reports.
- 21 Q. And, this document in and of itself, though, you
22 prepared from those records, correct?
- 23 A. (Sansoucy) We typed this document in, yes. We typed
24 this up.

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1 Q. Now, Mr. Sansoucy, the period of installation and
2 operation from 1887 to 1910 is simply not reflected on
3 this document, is it?

4 A. (Sansoucy) Not in this document, no.

5 Q. All right. Now, Mr. Sansoucy, is it your understanding
6 that the reason there are no assets listed prior to
7 1911 in the pipe inventory of the CPR is that those
8 assets had been retired?

9 A. (Sansoucy) Partly because they had been retired and
10 partly because the Company's accounting system --
11 recordkeeping system is not capable of accounting for
12 assets prior to 1901. It can't take a 1900 as a digit
13 in the data source. It can't do anything in 1800. So,
14 they brought everything forward.

15 Q. And, you were made aware of that, is that correct?

16 A. (Sansoucy) Yes, that's right.

17 Q. So, you don't have any dates of installation for --
18 accurately for the pipe listed in 1911, do you?

19 A. (Sansoucy) We went in and we made an adjustment based
20 on the GAAP reports for everything brought forward,
21 it's Line 3436 in this document here, it's also shown
22 on Page 1 of 1, of 391,000, and then trended that
23 forward.

24 Q. So, what you did, you came up with a number that you

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1 felt was reflective of pipe that wasn't accurately
2 recorded in the CPR, is that --

3 A. (Sansoucy) No, the GAAP report, you can actually, and
4 we did it, we actually computerized the GAAP report.
5 We were able to extract the amount that was brought
6 forward that is still remaining and placed in service,
7 and then we trended that as a lump block.

8 Q. So, the figure on the first Page 1 of 1 of this
9 document, on your Line 3436, "2004 adjustment", that
10 reflects an "Adjustment - Plant in Service difference
11 from GAAP Asset Reports and 2004 Annual Report assumed
12 to be pre 1900 plant"?

13 A. (Sansoucy) That's correct.

14 Q. All right. So, that takes care of the pre-1900 plant,
15 correct?

16 A. (Sansoucy) Right. And, if you notice, that's trended
17 on Line 3436 of the first page of this Exhibit 1 of 1
18 to 22.9 million for everything prior to 1900.

19 Q. Isn't it true the Handy-Whitman Index only starts
20 trending in 1943?

21 A. (Sansoucy) No. Handy-Whitman starts trending in 1910.

22 Q. 1910. Okay.

23 A. (Sansoucy) That's right.

24 Q. All right. Then, you have another adjustment for

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1 "additional intangible plant listed in 2004 annual
2 report" of "176,000" on Line 3437?

3 A. (Sansoucy) That's correct.

4 Q. Now, what did those intangibles include, Mr. Sansoucy?

5 A. (Sansoucy) My understanding under PUC accounting is
6 those intangibles are the original intangibles to set
7 up franchises, the cost of setting up the franchises
8 for the Company, and those are booked as intangibles by
9 the Company on its annual report.

10 Q. So, those were the only two adjustments you made in
11 regard to the inaccuracies or inadequacies in the
12 records that you found, is that correct?

13 A. (Sansoucy) No. Go to Page 1 of 1. Where you have the
14 total, line 3433 is repeated. And, then, we made an
15 adjustment for construction work in progress from Table
16 F-6 of the annual report. We made an adjustment for
17 plant in service difference in the GAAP report versus
18 the annual report, and then we made an adjustment, this
19 is to -- this is to tie the annual report's total plant
20 in service with the GAAP report. And, then, we made
21 the pre-1900 adjustment. We added the intangible
22 franchise permits and fees. And, then, we added the
23 grand total in service and CWIP.

24 Q. Mr. Sansoucy, I want to take you back to Page 15 of 64

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- 1 of Exhibit 1007B1. Are you there?
- 2 A. (Sansoucy) I'm on Page 15.
- 3 Q. Okay.
- 4 A. (Sansoucy) Of the cost, of Appendix F, sir?
- 5 Q. Yes, sir.
- 6 A. (Sansoucy) Yes.
- 7 Q. All right. If you go to 1922 then, it lists "\$111,701"
- 8 of "original cost" and "17,000 feet" of pipe, correct?
- 9 A. (Sansoucy) The entry for 1922 is "17,853 feet of
- 10 24-inch cast iron pipe", at an original cost of
- 11 "111,701".
- 12 Q. All right. And, did you go back and check the Company
- 13 records to if, actually, 17,000 linear feet of pipe was
- 14 installed in 1922?
- 15 A. (Sansoucy) No, I did not.
- 16 Q. All right. But your trend factors basically ran from
- 17 1922, correct?
- 18 A. (Sansoucy) We trended this. This is the account entry
- 19 that the Company has on its CPRs, and that's what we
- 20 trended.
- 21 Q. Okay. With respect to the next entry, it appears that
- 22 there are no entries from 1922 to 1934, correct?
- 23 A. (Sansoucy) Yes, that's what it appears.
- 24 Q. Now, does that mean that --

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- 1 A. (Sansoucy) For 331.
- 2 Q. Excuse me?
- 3 A. (Sansoucy) For Account 331.
- 4 Q. Yes, that's the account we're on, Mr. Sansoucy. For
- 5 Account 331, from 1922 to 1934, it doesn't appear that
- 6 anything was installed in this system from these
- 7 records, correct?
- 8 A. (Sansoucy) That's what it appears.
- 9 Q. Does that mean that those items were retired during
- 10 that year, anything installed during that period?
- 11 A. (Sansoucy) One can assume that some items were retired.
- 12 Q. But you didn't check with the Company records to verify
- 13 what happened between 1922 and 1934, did you?
- 14 A. (Sansoucy) No, I did not.
- 15 Q. Let's take a look then, because we skip, in Line 803,
- 16 to Line 804, we go from 1933 to 1943, correct?
- 17 A. (Sansoucy) Yes, we do.
- 18 Q. And, in 1934, there was "22,277 linear feet of 10-inch
- 19 cast iron pipe" installed. That's all that's listed,
- 20 correct?
- 21 A. (Sansoucy) Well, 1943 has a long series of lists on
- 22 Page 16.
- 23 Q. No, sir. I said '34. 1934 --
- 24 A. (Sansoucy) 1934? Has got one entry for "22,277 feet"

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1 of pipe, "50,974" bucks.

2 Q. And, then, it doesn't show anything in these records of
3 being installed from 1934 to 1943?

4 A. (Sansoucy) That's correct.

5 Q. Did you check the Company records to determine if that
6 was accurate?

7 A. (Sansoucy) I did not reconcile these to the engineering
8 reports.

9 Q. Although, those engineering reports were in your very
10 report that you submitted to this Commission?

11 A. (Sansoucy) Oh, yes. They're used to create the Capital
12 Replacement Plan, that's correct.

13 Q. Okay. If you would, it appears that, in 1943, you had
14 cast iron -- "16-inch cast iron pipe" installed, but
15 there's no lengths involved, correct? No length of
16 pipe listed?

17 A. (Sansoucy) They do not list the length of pipe in all
18 of their entries for 1943.

19 Q. And, if you go to the next page, and go all the way
20 from Line or Row 805 to 843, and it's all 1943,
21 correct?

22 A. (Sansoucy) Yes, it is.

23 Q. Okay. Now, did you find -- did that raise a flag for
24 you at all when you were looking at these records, to

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 determine, "well, was this pipe actually all installed
2 in 1943?"
- 3 A. (Sansoucy) It's not likely it was all installed in '43,
4 but this is the Company's original cost records.
- 5 Q. You didn't do any investigation into that, did you?
- 6 A. (Sansoucy) We did not back reconcile this and adjust
7 it, because we do not have the unit cost for any other
8 year to apply, even if we did back adjust it, we didn't
9 have the unit cost.
- 10 Q. Because the engineering records didn't have the unit,
11 the original cost listed, correct?
- 12 A. (Sansoucy) That's correct. They only have pipe type
13 and year.
- 14 Q. And, you have to have the original cost, unit cost, in
15 order to do a trended original cost?
- 16 A. (Sansoucy) You want the -- the unit cost? No, you
17 don't need the unit cost.
- 18 Q. You need the original cost.
- 19 A. (Sansoucy) You need the original cost by year.
- 20 Q. Now, let's go to Line 843, from Line 843 to 844, you
21 jump from 1943 to 1956. And, again, there's no
22 indication in these records what was installed in the
23 Pennichuck Water system during that period of time, is
24 there?

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- 1 A. (Sansoucy) No, there isn't.
- 2 Q. Now, one of the things that I wanted to ask you about,
3 it appears that "pavement" is listed twice in this
4 account, 848 and 853?
- 5 A. (Sansoucy) That's correct.
- 6 Q. So, this is pavement that has to be installed whenever
7 a pipe's replaced, correct, or put in the ground?
- 8 A. (Sansoucy) Well, this would be new pipe put in the
9 ground, and that would be your first pavement.
- 10 Q. Okay. Now, Mr. Sansoucy, it appears that they -- that
11 this is the first "pavement" entry that I've seen in
12 this account, would you agree?
- 13 A. (Sansoucy) I think it is, yes.
- 14 Q. So, and you trended that number, just as if that was
15 the year it was installed, correct?
- 16 A. (Sansoucy) Yes, because it was part of the first
17 installation of pipe, that's correct.
- 18 Q. How do you know it was part of what year?
- 19 A. (Sansoucy) It's 1965.
- 20 Q. Well, in 1965, Mr. Sansoucy, these records don't show
21 any pipe installed.
- 22 A. (Sansoucy) No, but they do show that they paved. So,
23 it's part of the cost of laying pipe.
- 24 Q. Well, I understand that, sir. But you didn't go back

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1 and check to see if you had 202,000 in 1965 dollars for
2 pavement, but nothing listed, Mr. Ware (Sansoucy?), for
3 installation of pipe here during that year?

4 A. (Sansoucy) No, not for this entry. That's the way the
5 Company's booked this as "pavements - transite mains".

6 Q. Okay. So, you just relied on what --

7 A. (Sansoucy) You would have to go back to the work orders
8 to find out if that's been -- if transite mains were
9 laid with that pavement or not. We did not go back to
10 the work orders.

11 Q. Same thing for 1968, "pavement for distribution mains"?
12 And, here you have "\$473,000".

13 A. (Sansoucy) That's listed as "pavements - distribution
14 mains". We did not check the 1968 work orders. We
15 used the Company's records.

16 Q. Well, those are the Company's records, aren't they, the
17 work orders? The work orders?

18 A. (Sansoucy) We did not ask the Company to produce the
19 1950s, '60s, '40s, '30s, and '20s work orders from
20 their records.

21 Q. Those are the assets, part of the assets, though, that
22 you're asking or that Nashua is trying to take in this
23 proceeding, now aren't they?

24 A. (Sansoucy) Nashua wants to buy these pipes that are

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 still in service and remain.
- 2 Q. And the works orders?
- 3 A. (Sansoucy) The work orders would be documents that come
- 4 with it, yes.
- 5 Q. Well, you listed those as assets to be acquired, work
- 6 orders?
- 7 A. (Sansoucy) Right. The Company is required to keep work
- 8 orders under PUC rules.
- 9 Q. Now, let's just jump ahead, if we can, because it
- 10 appears that there is another, looks like a significant
- 11 entry. From 1970 to '72, there's nothing installed in
- 12 this record. But, in 1972, it looks like they got
- 13 busy. Would you agree?
- 14 A. (Sansoucy) In 1972, the Company booked a series of
- 15 entries for 12-inch cast iron pipe and ductile iron
- 16 pipe.
- 17 Q. Again, from this record, though, you can't verify what
- 18 year those actually were put in?
- 19 A. (Sansoucy) Well, the Company's records say '72.
- 20 Q. But you didn't check it?
- 21 A. (Sansoucy) I did not back check, no.
- 22 Q. Okay. Mr. Sansoucy, let's just take a look, if we can,
- 23 at your exhibit 8C, and you guys will have to help me
- 24 out where that is in the -- I'm sorry, 8A.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: What's the document,

2 Mr. Conner?

3 MR. CONNER: It's GES Exhibit 8C.

4 MR. UPTON: It's probably 1007C.

5 MR. CONNER: 1007C. Let's try that.

6 There we go.

7 BY MR. CONNER:

8 Q. Okay. Mr. Sansoucy, this is a summary that your
9 company prepared of the engineering records, which
10 reflect the pipe inventory, correct?

11 A. (Sansoucy) Yes, it is.

12 Q. And, so, you have an installation year date, and I
13 believe the first one is 1887, correct?

14 A. (Sansoucy) You should be on 8C, right?

15 Q. That's where I am. Page 134.

16 A. (Sansoucy) 1887.

17 Q. Correct?

18 A. (Sansoucy) Yes.

19 Q. All right. So, we have 35,000 linear feet of pipe
20 installed in 1887. And, it's identified by type and
21 diameter, correct?

22 A. (Sansoucy) Yes, it is.

23 Q. In 1888, we have 42,000 linear feet of pipe installed.
24 In '89, 6,009. Go to the next page. In 1890, 12,796

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- 1 linear feet; '91, 5,573; 1892, 19,894; 1893, 6,742; in
2 '94, 1,764. And, as you go through these, you see that
3 there is a significant amount of or significant amount
4 of assets that are installed prior to 1911, correct?
- 5 A. (Sansoucy) Yes, there is.
- 6 Q. Let's take a look at what was installed between 1911
7 and 1922. We'll go to Page 6 of 34, Daniel. Do you
8 have that? And, again, for each year, it appears that
9 you have installation in 1912 of 3,300 feet; 1913,
10 1,800 feet; 1914, 2,400 feet. And, in 19 -- it goes on
11 to the next page. And, then, to 1922. Each year you
12 have pipe that's been installed. But you didn't
13 compare this data that was in your report even to the
14 CPR, correct?
- 15 A. (Sansoucy) No, because this data, the engineering
16 report, does not have the original cost of that pipe.
- 17 Q. You could have costed it out though, couldn't you, Mr.
18 Sansoucy?
- 19 A. (Sansoucy) I could have done a individual unit cost, if
20 I elected to.
- 21 Q. Okay. You've done that before?
- 22 A. (Sansoucy) Yes, I have.
- 23 Q. And, as a matter of fact, I believe you did that
24 process for the pipe in 1995 of the Pennichuck Water

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Works system?
- 2 A. (Sansoucy) I think we did.
- 3 Q. And, in 19 -- or, in 2002, for Nashua, you used those
- 4 same records in the 1995 unit price, unit records, and
- 5 added what was actually installed from '95 to 2002 for
- 6 your RFP and LD in that appraisal, didn't you?
- 7 A. (Sansoucy) No, we trended the '95 numbers up, and then
- 8 we added the additions and deletions.
- 9 Q. Okay. But you trended based on original records up to
- 10 that point? Original installation records up to that
- 11 point?
- 12 A. (Sansoucy) I'd have to go back and check what we
- 13 trended. I think we trended the cost that we came up
- 14 with in the '95 appraisal, and I think we trended it up
- 15 seven years.
- 16 Q. Now, Mr. Sansoucy, I've gone to the liberty of adding
- 17 up the pipe from 1911 -- I'm sorry, from 1887 to 1911
- 18 that was actually installed, subject to check, it's
- 19 124,420 linear feet?
- 20 A. (Sansoucy) It's about right.
- 21 Q. Between 1911 and 1922, the total installation, 32,595
- 22 linear feet, subject to check?
- 23 A. (Sansoucy) Subject to check, sure.
- 24 Q. Now, also, between 1922 and 1934, there was 71,542

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1 linear feet of pipe installed in the system, subject to
2 check? Correct?

3 A. (Sansoucy) Subject to check.

4 Q. From 1934 to 1943, which there was another gap in the
5 CPR, you had 40,209 linear feet of pipe installed,
6 based on your numbers in Exhibit 8C?

7 A. (Sansoucy) There's not a gap in my numbers. It's a gap
8 in the Company's numbers.

9 Q. I understand, Mr. Sansoucy. But you based your numbers
10 on what you received from the Company?

11 A. (Sansoucy) That's correct.

12 Q. And, then, from 1943 to 1956, there was 103,649 linear
13 feet of pipe installed, as reflected on your Exhibit
14 8C, correct?

15 A. (Sansoucy) Subject to check, that's correct.

16 Q. Now, let's just take a look, if we could, in 1972,
17 which I'm going back now to Exhibit 1007B1, Page 17 of
18 64. Daniel, we'll come back to 8C. In 1972, it looks
19 like everything that was installed was 12-inch cast
20 iron pipe and ductile, correct?

21 A. (Sansoucy) That's what the Company booked.

22 Q. And, that's what you relied upon in trending your
23 original cost numbers, correct?

24 A. (Sansoucy) Those are the original costs the Company

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1 booked, and we used that to trend. These are the same
2 costs that have been used to make rates and make
3 depreciation. They came up with a cost greater than
4 the reconciled cost. And, we found any further
5 analysis to be de minimus.

6 CHAIRMAN GETZ: Mr. Conner, I recognize
7 you're summarizing, but it seems to me you're covering the
8 same ground in terms of comparing the continuing plant
9 records and the pipe inventories, and he's testified a
10 number of times that he didn't reconcile the two types of
11 records.

12 MR. CONNER: That's true.

13 CHAIRMAN GETZ: I don't know what's more
14 to be gained from --

15 MR. CONNER: Well, the indices as well,
16 your Honor. The indices that he relied upon -- I'll ask
17 this question and move on, if that's okay?

18 BY MR. CONNER:

19 Q. The indices you relied upon, do you know if there are
20 any different trend factors for the different diameter
21 of pipe?

22 A. (Sansoucy) No, there isn't. But, if I had reconciled,
23 your Honor, to the pipe, figured out -- come up with an
24 estimate, it would have, number one, been an estimate,

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1 number two, you likely would have been trying to trend
2 something three or four years earlier, and it likely
3 would have come up with a higher original cost, a
4 higher reproduction cost new less depreciation, and
5 just more economic depreciation. It was de minimus in
6 the analysis.

7 Q. So, what you're saying, Mr. Sansoucy, is, if you had
8 gone back and investigated and come up with an
9 inventory and developed the cost on that -- actual cost
10 on that inventory, it would have been a much higher
11 Cost Approach number or conclusion?

12 A. (Sansoucy) If we had trended, and if you backed up
13 three or four years, you will get a higher trend. You
14 may not get a higher cost, because of the depreciation.
15 In the '30s, the trend went down, for obvious reasons.
16 After the war, the trend went up, because of inflation.
17 So, no, it would have been -- could have been higher,
18 could have been the same, could have been lower.

19 Q. Mr. Sansoucy, in the depreciation, with respect to your
20 Exhibit F, on pipe, you used a 75 year life for
21 depreciation purposes, correct?

22 A. (Sansoucy) Yes, that's correct.

23 Q. Now, if I'm not mistaken, in 1995, you used a 90 year
24 life for depreciation?

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- 1 A. (Sansoucy) That is correct.
- 2 Q. Mr. Sansoucy, what did you -- it's my understanding
3 that you and Mr. Walker got together and talked about
4 which percentage of depreciation to apply in your
5 trended original cost analysis, correct?
- 6 A. (Sansoucy) Mr. Walker is fully aware of the lives and
7 the depreciation that I used in my cost analysis.
- 8 Q. Did you do an age/life study on this system?
- 9 A. (Sansoucy) No, we did not.
- 10 Q. You did not review any records of retirements of pipe
11 or assets?
- 12 A. (Sansoucy) No, we did not.
- 13 Q. In developing that 75 percent?
- 14 A. (Sansoucy) No. We looked at the Company's depreciation
15 studies and depreciation reports. And, we have
16 assigned 75 year life, with 20 percent to the good,
17 anything remaining in place, used and useful, that is
18 longer than 75 years old.
- 19 Q. So, even the pavement that was installed in 1965, you
20 used a 75 year life to it?
- 21 A. (Sansoucy) That's part of the original cost of the
22 pipe, and that does get assigned 75 years.
- 23 Q. With respect to depreciation, Mr. Sansoucy, because
24 there's additional depreciation that you included,

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1 correct?

2 A. (Sansoucy) That I included?

3 Q. In your report.

4 A. (Sansoucy) Mr. Walker has included additional
5 functional and economic depreciation.

6 Q. So, you did not do the functional and economic
7 depreciation?

8 A. (Sansoucy) I might have consulted, I consulted with Mr.
9 Walker on it, but I did not do the final preparation of
10 the report.

11 Q. Okay. Let me find my copy of your report. Mr. Walker,
12 I guess let's go back to you on this. Mr. Walker,
13 there's identified in your report "curable physical
14 depreciation". And, your report is at 1007A, and the
15 Cost Approach is on Page 49.

16 A. (Walker) Yes.

17 Q. All right. Now, on Page 53, I believe. Could you guys
18 pull that up? It's Exhibit 1007A. Mr. Walker, I'm
19 going to direct you to Page -- actually, it's Page 40
20 of your original appraisal. Right there, Daniel.
21 Mr. Walker?

22 A. (Walker) Yes.

23 Q. "Curable physical depreciation" -- or "deterioration",
24 I'm sorry, and can you identify for me what items are

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- 1 included in your 10 million curable physical
2 deterioration as of the valuation date deduction that
3 you made?
- 4 A. (Walker) Yes. That is a series of capital requirements
5 for the system that are set forth on Page -- in
6 Appendix G of the appraisal.
- 7 Q. Appendix G?
- 8 A. (Walker) Yes. Mr. Conner, I'm going to let Mr.
9 Sansoucy answer the question on the 10 million.
- 10 Q. Well, I'm not finished asking you the questions.
- 11 A. (Walker) Okay. You can ask me the questions.
- 12 Q. Can we go to -- Well, before we do that, it says
13 "curable physical deterioration". Did you not -- I
14 thought he just said you were responsible for all the
15 other depreciation?
- 16 A. (Walker) I think he said "functional and" --
- 17 A. (Sansoucy) I think I said "I consulted with him, and he
18 applied that to the appraisal."
- 19 Q. Well, who wants to ask -- who wants to answer this?
- 20 A. (Sansoucy) I'll take the questions on "curable".
- 21 Q. Okay.
- 22 A. (Sansoucy) And, then, I'll take the questions on what
23 we deem to be functional replacements.
- 24 Q. All right. "Curable physical deterioration", is that

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1 the same as "curable physical depreciation"?

2 A. (Sansoucy) They're one in the same. They're
3 synonymous.

4 Q. Okay. Now, it appears that "A deduction", in the
5 second paragraph, "was made for curable physical
6 depreciation based on the known capital budget items
7 summarized in the Fay, Spoffard and Thorndike Capital
8 Improvement Plan for the deferred maintenance items as
9 of the valuation date. These deferred maintenance
10 items are estimated to represent 10 million of curable
11 physical deterioration as of the valuation date." And,
12 you've pointed me to G-1 of your report. Do you have
13 that?

14 A. (Sansoucy) Yes.

15 Q. All right. What items were included in this category,
16 Mr. Sansoucy?

17 A. (Sansoucy) We estimated \$10 million worth of items from
18 the 52,916,000. This is the capital program that was
19 in the bond financing docket provided by the Company
20 that has the five year capital program or four year
21 capital program that totalled 52 million, your Honor.
22 That's where this document comes from in the first
23 instance. That was used to support the 52 -- the
24 \$50 million BFA financing.

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1 Now, as we purchase utility property, if
2 we are purchasing property that is in immediate need of
3 repair, restoration or replacement, such as
4 Pennichuck's property, treatment plant, etcetera, that
5 forms both curable and incurable functional
6 depreciation. That's where this is coming from. We
7 estimated 10 million of the 52 million as short-term
8 curable items. And, we estimated 37.5 million as
9 long-term functional deficiencies that are being
10 replaced.

11 Q. All right, Mr. Sansoucy. In your deposition, you
12 couldn't tell me how you came up with that \$10 million
13 number. Can you tell me now?

14 A. (Sansoucy) Well, I don't know if I can tell you
15 exactly. I've got my original notes on that and what
16 everything, you know, where I came up with the
17 different items. I know that, in the 37 million, we
18 took 1888 from --

19 Q. Mr. Sansoucy, first, I want the 10 million.

20 A. (Sansoucy) The 10 million is an estimate. It says it
21 in the report.

22 Q. So, it's just an estimate, I can't tick and tack the
23 10 million to find out where you came up with your
24 number, can I?

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1 A. (Sansoucy) Yes, you can. The Company is spending
2 52.9 million in Exhibit G -- in Appendix G.

3 Q. Okay.

4 A. (Sansoucy) Of that 52.9 million, on Page 42 of the
5 appraisal, we deduct the net present value of
6 37,566,000 from 52 million. That leaves us with
7 approximately 15 million remaining for short-term items
8 and other items. The 37.56 million of hard cash
9 functional replacements is net present valued back to
10 30,234,000 in 2000 -- 12/31/2004 dollars, and that is
11 subtracted as functional deficiency and depreciation.

12 Q. All right. What --

13 A. (Sansoucy) The balance of 15 million, we estimated that
14 10 million of that is short-term items that have to be
15 cured. It's still money that has to be spent in the
16 valuation.

17 Q. Okay. That's fine, Mr. Sansoucy. I'm just trying to
18 figure out what it's being applied to. You said the
19 37.5 million you present valued back to 30.2 million,
20 correct?

21 A. (Sansoucy) Yes, on Page 42 of the report.

22 Q. I got you. I understand that. Now, that's for the
23 water treatment plant? What is that for? And, what
24 are you depreciating this system for?

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- 1 A. (Sansoucy) The long-term items that are functional
2 deficiencies, for example, include the vulnerability
3 upgrade, the EPA vulnerability upgrade.
- 4 Q. Can you point to me the line items on G-1?
- 5 A. (Sansoucy) Have you got G-1 up on the screen? The
6 vulnerability upgrades, under "Supply and Watershed",
7 are long-term functionals. The "Parallel 72-inch from
8 Harris Pond" is added in. That's a functional.
- 9 Q. Where is that? Oh, okay. Right below it?
- 10 A. (Sansoucy) Yes. Under the treatment plant, you're
11 going to get the "treatment plant engineering", then
12 the "upgrade", the 1,480,000 in '04, the 14 million,
13 the 14 million. And, then, the "UV light
14 disinfection", the 1 million. And, "various pump
15 upgrades and equipment upgrades". So, you're going to
16 pick up virtually all of the 31,190,000 as the
17 treatment plant functional upgrade, because that's what
18 you're required to spend to replace -- functionally
19 replace the existing plant.
- 20 Q. Okay.
- 21 A. (Sansoucy) Then, you work down and you pick up some
22 miscellaneous items: The "Radio Read Program" is a
23 functional replacement. The "Water Main Cleaning and
24 Lining" would be short-term. That would be in the

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1 10 million. "Water Main Replacements" I think are
2 either long-term or short-term. I've got them circled
3 as "short. "Bon Terrain Tank Painting" is short-term.
4 "Fifield Tank replacement" is long-term functional, is
5 part of the 37. "Armory Pump House", the 225,000
6 repair to the Armory Pump House is long-term. And, the
7 "Shakespeare High Pressure" functional corrections of
8 135,000 is long-term. And, then, on the "Community
9 Systems", I think that we carried the 450 the Company
10 has as short-term curables on the Community Systems.
11 So, 37 for long-term, 10 for short-term, 5 for
12 nonfunctionals that are not added.

13 Q. Did you do any type of physical depreciation analysis?
14 You know what I mean by that?

15 A. (Sansoucy) Sure. It's in the Cost Approach. The
16 physical analysis is the age/life, and that's in the
17 Cost Approach.

18 Q. Okay. And, that's -- But you didn't do an inspection,
19 you didn't dig up any pipe?

20 A. (Sansoucy) We did not dig up pipe, no.

21 Q. And, I think you toured the system a couple of times,
22 correct?

23 A. (Sansoucy) Yes.

24 Q. But you've not done any type of analysis of the

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1 maintenance records on the pump stations?

2 A. (Sansoucy) We did look at maintenance records, the
3 Company provided those. We looked at maintenance
4 costs. But the most important item is this docket.
5 It's this report, this docket, that's supported the
6 capital funding of 50 million functional replacements
7 for the company.

8 Q. Okay. Let's go to, Daniel, Page 43.

9 MR. UPTON: Forty-three of what?

10 MR. CONNER: I'm sorry. Of
11 Exhibit 1007A, 49 -- 1007A.

12 MR. UPTON: That's the report?

13 MR. CONNER: Yes.

14 BY MR. CONNER:

15 Q. Okay. Mr. Sansoucy, would you agree with me that the
16 "less functional obsolescence", the \$30 million number,
17 the primary part of that is the water treatment plant?

18 A. (Sansoucy) Yes, that's the prime -- that's the net
19 present value of the water treatment plant improvements
20 in round numbers.

21 Q. Okay. Now, if we go back to Exhibit 1007B1.

22 MR. CONNER: Commissioner, that's the
23 one I handed you, I believe.

24 BY MR. CONNER:

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. And, you go to the water treatment plant on the second
2 page or 1 of 1.

3 A. (Sansoucy) Yes.

4 Q. It appears what you've done in this case is the water
5 treatment plant, which you have valued in your trended
6 analysis, that includes physical depreciation on your
7 estimate, correct?

8 A. (Sansoucy) Yes.

9 Q. At \$5,500,000?

10 A. (Sansoucy) That's the reproduction cost of the existing
11 assets.

12 Q. I understand that. Okay. And, now, what you've done
13 as well, you're taking right off the top another
14 \$30 million, because the water treatment plant is being
15 replaced several years after 2004?

16 A. (Sansoucy) We are taking off the functional
17 depreciation, because the water treatment plant has
18 been declared "functionally deficient".

19 Q. So, the value of the water treatment plant, and your
20 numbers, in 2004, December 31, 2004, when you take into
21 account the deduction for that item, for your
22 functional obsolescence of 30 million, you have a
23 negative value of this water treatment plant as of
24 December 31, 2004 of approximately \$24 million, don't

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- 1 you?
- 2 A. (Sansoucy) Yes. The functional deficiency of the water
- 3 plant is impacting the value of the whole.
- 4 Q. Now, as of December 31, 2004, that water treatment
- 5 plant was still working, wasn't it?
- 6 A. (Sansoucy) It was working, but it was declared
- 7 "functionally deficient", and the Company had requested
- 8 of this Commission to borrow 50 million bucks to fix
- 9 it.
- 10 Q. That's not what I asked you, Mr. Sansoucy. It was
- 11 still treating water and providing service to the
- 12 citizens of Nashua, wasn't it?
- 13 A. (Sansoucy) Sure, it was. Absolutely.
- 14 Q. Thank you. Mr. Walker, one of your specialties is
- 15 appraising special purpose utility property, correct?
- 16 A. (Walker) Yes.
- 17 Q. Isn't it true that the Pennichuck water system is
- 18 special purpose utility property?
- 19 A. (Walker) It's either limited market or special purpose,
- 20 but you could define it as "special purpose".
- 21 Q. Okay. You would agree with that?
- 22 A. (Walker) That is a type of discretion, it's unique.
- 23 Q. And, it has a limited market?
- 24 A. (Walker) That's correct.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Now, the appraisal of real estate defines "special
2 purpose property" the same way, I believe. "A limited
3 market property with a unique physical design, special
4 construction materials or layout that restricts its
5 utility to the use for which it was built." You would
6 agree with that?
- 7 A. (Walker) Subject to check, I would agree with that.
- 8 Q. Now, with respect, Mr. Sansoucy, to your prior
9 appraisals, in 1995, the appraisal of this system, you
10 determined that and stated that this was "special
11 purpose property", didn't you?
- 12 A. (Sansoucy) Are you talking the 1995 Nashua appraisal?
- 13 Q. Yes.
- 14 A. (Sansoucy) Have you got a copy?
- 15 Q. Sure. Exhibit 3061, 001.
- 16 A. (Sansoucy) 3061, 001?
- 17 Q. Mr. Sansoucy, I'll direct your attention to Page 8.
18 Second paragraph.
- 19 A. (Sansoucy) Okay.
- 20 Q. This is from your report of the 1995 appraisal of the
21 Pennichuck Water Works system: "In assessing the true
22 fair market value of utility property for purposes of
23 ad valorem taxation, Nashua faces certain unique
24 characteristics that are associated with the valuation

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1 of public utility or special purpose property. These
2 types of properties, such as a water utility, are
3 designed, constructed, franchised, and utilized for a
4 specific monopolistic purpose and regulated by state
5 government, federal government, or both. Public
6 utility property is not routinely bought and sold
7 between willing buyers and sellers, and therefore does
8 not lend itself to a recurring and commonly known
9 market system." Correct?

10 A. (Sansoucy) What's your question?

11 Q. You valued and -- or you considered Pennichuck Water
12 Works system as special purpose utility property in
13 1995, didn't you?

14 A. (Sansoucy) Yes. In 1995, we did. In 1995, the market
15 was very limited.

16 Q. All right. And, so, do you disagree with Mr. Walker
17 and today view that it is or is not, it should be
18 considered a special purpose utility property?

19 A. (Sansoucy) Today, Mr. Walker is absolutely correct,
20 because today it's a special market property within its
21 market. But there's an active and transparent market
22 for the utility property. This Commission has voted on
23 repeated utility sales itself. The market has become
24 transparent, and the "special purpose" element of it is

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1 diminishing, i.e., the ultimate Hampsey decision. So,
2 yes, it is no longer special purpose in its market,
3 because we are getting transparent sales of everything
4 from water systems, electric, gas, and nuclear.

5 Q. So, now you're comparing the Pennichuck water system to
6 nuclear plants?

7 A. (Sansoucy) Nuclear plants used to be the ultimate
8 special purpose property, and they're selling all over
9 the country because of new rules and regulations.
10 We're 12 years later. And, in 12 years, the market has
11 developed, a substantial market in water companies and
12 water systems, including this system. They are no
13 longer special purpose. We are beginning to be able to
14 use significant income, market sales, and cost data for
15 the valuation of utility property, including water.

16 Q. So, in your opinion, then there is no special purpose
17 property in water utilities, sanitary sewers, nuclear
18 plants, coal plants, any of the utilities?

19 A. (Sansoucy) They are no longer -- most of them are no
20 longer limited market properties. They have
21 transparent markets. They are special purpose within
22 their marketplace.

23 Q. Well, okay, I guess that's what we need to define.
24 "Within the marketplace", is the marketplace for

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1 Pennichuck Water Works New Hampshire?

2 A. (Sansoucy) No, because there's only one Pennichuck
3 Water Works in New Hampshire, not two. They're special
4 in its marketplace, but it has an international market
5 for Pennichuck Water Works.

6 Q. So, now we have an international market, as well
7 as appraisal a national market, that people, whether it
8 be municipalities, any other nonprofits, or investor
9 owns, could conceivably buy this system?

10 A. (Sansoucy) Yes, they could.

11 Q. And, --

12 A. (Sansoucy) And, Glenn, would you want to add something
13 to that?

14 A. (Walker) Can I?

15 A. (Sansoucy) Please do.

16 A. (Walker) You may have just misspoke on the --

17 A. (Sansoucy) Wait a minute, that's a good point. Maybe
18 not all municipalities can buy all utility property
19 under various laws in various states.

20 Q. Okay. Thank you. All right. So, now that we've
21 determined then that Pennichuck Water Works is special
22 purpose property within its market, you said within the
23 City of or the state, correct?

24 A. (Sansoucy) Pennichuck is a special purpose property

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1 within its marketplace. There's only one Pennichuck,
2 but it is not a limited market property that limits its
3 methods of value.

4 Q. All right. Would you agree with me, Mr. Sansoucy, that
5 if it was considered "special purpose property", as
6 defined by the Appraisal Institute for the appraisal of
7 real estate that the Cost Approach should be looked
8 primarily in determining its value?

9 A. (Sansoucy) No. Absolutely not. Because the test of
10 "special purpose" is a multi-prong test, which Mr.
11 Walker will explain. It's a multi-prong test, of which
12 only one test is its special purpose in its own
13 marketplace. The Seabrook Nuclear Plant, there's only
14 one in New Hampshire, but it has a national market, and
15 it sold for fair market value.

16 (Cellphone ringing.)

17 CHAIRMAN GETZ: Hold on a second please.

18 I don't know if you're getting all of this, Steve.

19 MR. PATNAUDE: I am, but -- I have got
20 it all.

21 CHAIRMAN GETZ: Is there anything
22 anybody can do about this? Okay. Please resume.

23 BY MR. CONNER:

24 Q. Mr. Sansoucy, are you disagreeing or do you dis -- or

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1 agree that the cost method has been determined to be
2 the most appropriate to estimate the value of special
3 purpose properties?

4 A. (Sansoucy) Special purpose properties that are limited
5 market properties, that have no other market, no other
6 comparable, no sales, no income, no nothing, are
7 generally valued by the Cost Approach. This is not the
8 case for Pennichuck in 2004.

9 Q. All right. And, so, that's how you define "special
10 purpose property"?

11 A. (Sansoucy) That's not how I define it. That is the
12 definition. Mr. Walker can read it to you.

13 Q. Mr. Walker, I think you -- I read it to you earlier in
14 the gray portion. Can you read that for us?

15 A. (Walker) All right. "Special purpose property: A
16 limited market property with a unique physical design,
17 special construction materials or layout that restricts
18 its utility to the use for which it was built. Also
19 called "special design property".

20 Q. Thank you. Mr. Walker, there's nothing in that
21 definition that says "it has to have no market", does
22 it? It says a "limited market"?

23 A. (Walker) With respect to what I read, you are correct.

24 Q. Thank you. Mr. Sansoucy, if the PUC finds that the

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1 property in this case that's subject to the take,
2 Pennichuck Water Works system, is special purpose
3 property, the Cost Approach should be given the primary
4 weight, correct?

5 A. (Sansoucy) No, absolutely not. They should look at all
6 three methods of value.

7 Q. But you've told them not to look at the Cost Approach.

8 A. (Sansoucy) We feel that the Cost Approach should not be
9 weighted in this instance.

10 Q. Okay. Take a look at deposition exhibit or deposition
11 -- Sansoucy Deposition 2, Pages 339 and 340.
12 "Question, Line 17: If the PUC were to find today that
13 the Pennichuck Water Works assets consist of
14 income-producing special purpose property, isn't it
15 true that the Cost Approach should be relied upon and
16 given significant weight? Answer:" You need to go to
17 the next page of that as well. "If they determine that
18 the property is special purpose property and has
19 regulated income, then they are likely to look at the
20 Cost Approach."

21 Now, Mr. Sansoucy, with respect to your
22 definition, what you've given us for "special purpose
23 property", and you said that "Pennichuck is no longer
24 special purpose property, because if there's one sale

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1 out there, and it's transparent, then there's a limited
2 market." Correct?

3 A. (Sansoucy) If you have sales or beginning to have sales
4 and offers, you now have market information that you
5 should consider.

6 Q. All right. And, in 1995, it's your testimony that you
7 did not have that market information?

8 A. (Sansoucy) Very little market information in 1995.

9 Q. All right.

10 A. (Sansoucy) I would like to point out, though, that when
11 you read that, you need to point out in my deposition,
12 you asked a question and I gave you the answer with
13 regulated property. This Commission has historically
14 looked at the cost, the original cost, less
15 depreciation in its valuation analyses, because of --
16 because it is regulated property. And, I don't suspect
17 that this Commission would not consider the original
18 cost to the property and premium over book value.

19 Q. Thank you. Take a look at T -- I'm sorry, Exhibit
20 3061, Page 30. That's the 1995 report. And, if you
21 would, I'll direct your attention, Mr. Sansoucy, to the
22 last four lines of the second paragraph. "Table 13 is
23 a summary analysis of five sales that have been
24 considered as part of the total 21 sales under this

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1 review. When analyzing water utilities or any
2 comparable sale, it is necessary to create, from the
3 market surrounding the sale, key relationships or
4 indicators that can be applied to" -- next page -- "the
5 subject sale parcel being valued (in this case,
6 Pennichuck)." So, there were sales in 1995, correct,
7 Mr. Sansoucy?

8 A. (Sansoucy) Yes, we started looking at them.

9 Absolutely.

10 Q. Mr. Walker, a question for you. You're determining
11 special purpose property by the definition that you
12 read for me, and it said a "limited market". Do you
13 agree with Mr. Sansoucy that, in determining that
14 limited market, it doesn't matter if the sale is
15 comparable, it simply has to be transparent?

16 A. (Walker) I think that the -- well, there have to be
17 sales and market data, and I can read from the text, if
18 you'd like me --

19 Q. No, I'm asking you, sir. I'm asking your opinion.

20 A. (Walker) My opinion is, you have to have sales. What
21 happens, to go from special purpose to limited market,
22 and most special purposes properties ultimately are
23 defined as "limited market properties", is a market
24 exists for a limited market property, the appraiser

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1 must search diligently for whatever evidence of market
2 value -- market value is available. And, so, what you
3 would do is you would seek whatever market data is
4 available for that transaction, may or may not be
5 comparable, but it may give you indications as to what
6 a willing buyer and a willing seller would transact
7 that property for.

8 Q. And, if it's not comparable, Mr. Walker, then it's a
9 limited market, correct? If the sales aren't
10 comparable?

11 A. (Walker) I'm not sure it's the -- I'm not sure it's
12 dependent on the sales being comparable that it would
13 be a limited market.

14 Q. You don't know?

15 A. (Walker) No, I do know.

16 Q. Okay. Mr. Walker, with respect to the Income Approach,
17 you would agree with me that simply determining rate
18 base or rate base does not equate to fair market value,
19 does it?

20 A. (Walker) Correct. I would agree with that.

21 Q. Now, on Page 59 of your report, I believe that's
22 Exhibit 107 --

23 MR. BOUTIN: 1007.

24 BY MR. CONNER:

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Q. 1007B -- I'm sorry, 1007A. Now, Mr. Walker, you did a
2 direct capitalization approach here, didn't you?

3 A. (Walker) Yes.

4 Q. Your report indicated it was a "yield cap method", but
5 you did a direct cap?

6 A. (Walker) I'm sorry. We had this discussion. It's a
7 yield capitalization, with no growth, which results in
8 a capitalization.

9 Q. All right. Now, if you would, let's go to
10 Exhibit 1007A, Page 59. I'm sorry, Daniel. It's the
11 report Page 59, middle number. This is your "Summary
12 of Cash Flow and Value Estimate as of 12/31/04" in the
13 Income Capitalization Approach?

14 A. (Walker) Yes.

15 Q. All right. Now, Mr. Walker, you've assumed, for
16 purposes of this analysis, that the buyer is a
17 regulated, investor-owned buyer, correct?

18 A. (Walker) Not necessarily. I assumed that the buyer
19 could either be a municipal buyer or a regulated buyer.

20 Q. Well, you used the financial data and inputs that would
21 -- basically are attributable to an investor-owned
22 buyer, didn't you?

23 A. (Walker) That's correct. And, in a market value
24 appraisal, a municipal entity looking to purchase this

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1 would be looking at the same type of data. They would
2 be looking at what the market, the typical return,
3 market return was for a buyer.

4 Q. Okay. Now, in the Sales Approach that you did, you
5 didn't consider any sales from a investor-owned to a
6 municipal, did you?

7 A. (Walker) Well, with respect to the nine we discussed,
8 we did not include any municipal purchasers. But,
9 within that sales data, there are sales where a
10 municipality purchased property from investor-owned
11 utilities, and they're included in the matrix of the 28
12 transactions.

13 Q. Very good. I'd like to walk you through this approach,
14 if we can. You have "Total Operating Revenue", in the
15 first line, of "14,731,000", correct?

16 A. (Walker) Correct.

17 Q. And, you have a "Revenue Deficiency" of "2,414,000",
18 what is that?

19 A. (Walker) These figures correspond to the rate sought by
20 Pennichuck Water Works in docket number 04-056, and
21 they correspond to one of the schedules presented by
22 the Company in that rate proceeding, which showed the
23 historic revenues for the Company, as well as the
24 increase to those revenues being sought at that time.

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 Q. Okay. So, you pulled that number specifically from the
2 information concerning the Pennichuck Water Works
3 system, not industry?
- 4 A. (Walker) That is correct. That would be these systems.
- 5 Q. All right. Then, you've estimated gross revenue at
6 "17,145,000", correct?
- 7 A. (Walker) Correct.
- 8 Q. Now, in order to get to a net income, because that's
9 what you need to get to in order to do your income
10 capitalization, correct?
- 11 A. (Walker) Correct.
- 12 Q. You have deducted total O&M expenses, and, again, those
13 are the Pennichuck O&M expenses, as reflected in docket
14 04-056?
- 15 A. (Walker) Or they would be a buyer's expenses. But
16 those are the ones set forth in the docket, that is
17 correct.
- 18 Q. You just copied those? That's where you got the
19 schedule from, correct?
- 20 A. (Walker) Correct.
- 21 Q. Okay. I'm just asking where the numbers came from.
22 Then, you've also included payment of property taxes,
23 correct?
- 24 A. (Walker) Correct.

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- 1 Q. And, that's "1,641,966"?
- 2 A. (Walker) Correct.
- 3 Q. Okay. So, that will be -- those two will be deductions
- 4 from your gross revenue number. Then, you have "other
- 5 taxes". What are those?
- 6 A. (Walker) Known income taxes, sales type taxes, workers
- 7 comp type taxes, those kind of taxes.
- 8 Q. Okay. And, again, those came from Schedule 1 of
- 9 Pennichuck's docket 04-056?
- 10 A. (Walker) Correct.
- 11 Q. So, you have "Total Cash Expenses" of "9,779,708",
- 12 correct?
- 13 A. (Walker) Correct.
- 14 Q. And, then, you deducted that from the 17,145,000 to get
- 15 EBITDA, correct?
- 16 A. (Walker) Yes.
- 17 Q. Now, you can't -- it's not appropriate for you to
- 18 deduct taxes from that number, is it?
- 19 A. (Walker) Income taxes? No.
- 20 Q. That's because it includes depreciation?
- 21 A. (Walker) Correct. Or, depreciation, yes. It does
- 22 include depreciation, yes.
- 23 Q. So, in order to get to your EBIT, Earnings Before
- 24 Interest and Taxes, you have to deduct depreciation?

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[WITNESS PANEL: SANSOUCY|WALKER]

- 1 A. (Walker) That's correct. Income tax depreciation.
- 2 Q. And, that's "\$3,425,000"?
- 3 A. (Walker) Correct.
- 4 Q. All right. But that's -- that's really not an expense,
- 5 is it?
- 6 A. (Walker) It is not.
- 7 Q. You simply did that in order to get to Earnings Before
- 8 Interest and Taxes, correct?
- 9 A. (Walker) Correct.
- 10 Q. Okay. Then, we have Earnings Before Interest and
- 11 Taxes, and you applied an income tax calculation to
- 12 that of "39.61 percent", correct?
- 13 A. (Walker) Correct.
- 14 Q. And, then, deducted that from your EBIT in order to get
- 15 after tax income of "2,379,332"?
- 16 A. (Walker) Correct.
- 17 Q. Now, here I was a little confused about this at first,
- 18 but you've added the depreciation number back in. And,
- 19 why did you do that?
- 20 A. (Walker) Because, as you said, the depreciation was
- 21 deducted to calculate the taxes. It's a non-cash
- 22 expense.
- 23 Q. Right.
- 24 A. (Walker) And, it's a function of how the Company is

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1 capitalized and what your capital structure is. So, it
2 goes back into the pre cash flow or the cash flow that
3 we capitalized.

4 Q. Right. So, that does get counted and applied -- the
5 capitalization rate is applied to that number as well,
6 correct?

7 A. (Walker) Yes.

8 Q. All right. So, that's where you get your cash flow to
9 be capitalized at "\$5,804,889", correct?

10 A. (Walker) Yes.

11 Q. Now, the capitalization rate that you used in this
12 instance was "7.2 percent", correct?

13 A. (Walker) Yes.

14 Q. And, that is the Pennichuck capitalization rate or
15 attributable to the Pennichuck capitalization rate,
16 correct?

17 A. (Walker) Yes, it's -- it's the Pennichuck rate sought
18 in the rate case, less the tax shield associated with
19 the debt embedded in that number.

20 Q. Okay. The deferred income tax that we talked about, is
21 that what you're talking about?

22 A. (Walker) Not deferred income taxes. In other words, --

23 Q. Well, it's the Pennichuck number?

24 A. (Walker) It's generally the Pennichuck number, adjusted

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1 for the tax shield associated with income expense.

2 Q. All right. Now, the number you came up with was

3 "80,623,452", correct?

4 A. (Walker) Yes.

5 Q. Rounded at \$80 million?

6 A. (Walker) Yes.

7 Q. Now, Mr. Sansoucy mentioned, I think in questioning

8 from Mr. Camerino, I was half listening, you'll have to

9 forgive me, but I think he indicated that he had

10 calculated or put in a number for capital expenditures

11 under a city ownership, not assuming the

12 out-of-the-ordinary capital expenditures, like a water

13 treatment plant, but just ordinary capital repairs. Do

14 you agree with that?

15 A. (Walker) I believe that's correct, yes.

16 Q. And, that's something that you would factor -- that

17 typically a water company would factor into their

18 financial statements and into their expenses in an

19 ordinary year, assuming that you could determine what

20 it was?

21 A. (Walker) Well, if they are new capital that's being

22 added to the system and added to rates, that would be

23 new rate base that would be added to the entity's

24 books, and eventually be subject to a rate hearing

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1 before the Commission.

2 Q. That's -- I understand that. And, I think that's why
3 you didn't put any cap -- "cap ex", we'll call it, in
4 this calculation, did you?

5 A. (Walker) That's correct. I did not.

6 Q. And, cap ex, capital expenditures, would be an expense
7 item from your -- it would be deducted from gross
8 revenues?

9 A. (Walker) No. I mean, what the new capital in a water
10 system would be would be new property that would be
11 subject of a new rate base, and then, ultimately, new
12 revenues.

13 Q. Well, it's an expense of the company, and the company
14 doesn't recoup that expense for maybe three years,
15 depending on their rate case schedule, correct?

16 A. (Walker) That, depending on the rate case schedule and
17 depending on when the capital is invested, the Company
18 will have typically a construction work in progress
19 account that looks at this new addition to rate base.

20 Q. Okay. But, if you're the appraiser, and you're trying
21 to determine what this Company's expenses are, this
22 bundle of assets that the City is trying to take, and
23 you're determining what the income is and the revenue,
24 I mean, the gross revenue, and then you're trying to

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1 get to net income, correct? You have to take all
2 expenses into account?

3 A. (Walker) You have to take those expenses that you would
4 expect to occur in a typical year or in this case.

5 Q. Now, you didn't look at anything yourself. I believe,
6 in your deposition, you said you didn't come up with
7 any type of normalized or normal capital expenditure
8 amount that you would expect this system to incur, did
9 you?

10 A. (Walker) I believe that is correct, again, subject to
11 check the deposition. But I believe that's correct.

12 Q. Okay. Let's take a look, if you would, at
13 Exhibit 3234. This is a memo from Mr. Munck to Carol
14 Anderson, isn't it?

15 A. (Walker) Appears to be, yes.

16 Q. All right. I'd direct your attention to the last
17 sentence in the second to last paragraph. "It
18 therefore appears that a 3.7 million allowance for
19 capital repairs in 2006 inflated at three percent per
20 year is a reasonable allowance."

21 A. (Walker) I see that statement.

22 Q. Okay. Now, assuming that would be a reasonable
23 allowance for capital expenditures in any given year,
24 that year, 2006, let's back it back, and let's just

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1 assume it's 3 percent -- I mean, \$3 million. If you
2 deduct \$3 million in your capital --

3 MR. CONNER: Mr. Chairman, Mr. Sansoucy
4 is passing notes to the witness. I'd like to see what the
5 note says.

6 CHAIRMAN GETZ: Yes, let's share this.

7 MR. CONNER: This is ridiculous.

8 WITNESS SANSOUCY: I sent him a note
9 that said "At the 28 million, the depreciation allowance
10 is going to be more than 4 million a year." Because this
11 goes onto --

12 CHAIRMAN GETZ: Well, let me just
13 caution you on this. And, I thought we had raised this
14 earlier in the day. The questions are being directed to
15 Mr. Walker. If he wants to defer to you because he
16 doesn't know the answer, then that's appropriate. If he
17 doesn't know the answer, and the attorney wants to ask you
18 something, this is not a situation where you should be
19 coaching one another, passing notes. I think that's an
20 unfair advantage to the parties. The idea of the panel is
21 a convenience for the Commission to get the full
22 appreciation of all of the issues and do it at one time,
23 and not a chance for one witness to coach the other. So,
24 I would caution you to refrain from whispering or passing

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1 notes on these issues. If Mr. Walker has an issue, he can
2 ask. If you want to take care of something on redirect,
3 then we'll take care of it on redirect.

4 Please proceed.

5 MR. CONNER: Thank you, Mr. Chairman.

6 BY MR. CONNER:

7 Q. Mr. Walker, if you --

8 A. (Walker) I'm sorry, I think 3 million was the number
9 you raised?

10 Q. Yes, sir. If you take \$3 million and deduct that as a
11 capital repair expense item in your analysis --

12 A. (Walker) Okay. And, we're doing this as a
13 hypothetical?

14 Q. Yes, sir.

15 A. (Walker) And, you'd like me to take it out of the cash
16 flow to be capitalized?

17 Q. Well, that's what it would come out of, wouldn't it?

18 A. (Walker) Well, either that or come out of new equity
19 instead as capital replacements and new rate base
20 additions, but --

21 Q. I'm talking about this year, this point in time. This
22 was an expense that the Company incurred.

23 A. (Walker) If this was an expense the Company incurred,
24 it could come out of this year's cash flow, sure.

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1 Q. All right. And, what would that bring your value to,
2 as of 12/31/04?

3 A. (Walker) I'm not sure. And, I don't think it would
4 change my value. But I'm not sure what it would do to
5 my value.

6 Q. Do you have a calculator?

7 A. (Walker) I do.

8 Q. Have you simply not -- I mean, tell me how you do this?
9 I'm just the lawyer. You have your capitalized -- your
10 capitalization rate of 7.2 percent, and you applied
11 that to your cash flow to be capitalized, correct?

12 A. (Walker) That's what we have done, that's correct.

13 Q. That's where you got your \$80 million. If you reduce
14 your cash flow to be capitalized by \$3 million and
15 apply the same cap rate, what number do you get?

16 A. (Walker) Oh, if you assume the same cap rate, and that
17 there isn't going to be growth in the cash flows
18 because of the new capital that's being invested in the
19 system?

20 Q. Yes.

21 A. (Walker) Well, I just caution you. I can do the math,
22 but you'd probably want to look at adjusting the
23 capitalization rate for the growth that's going to
24 occur due to the addition of this new rate base.

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1 Q. Well, if you did that, you'd have to do a yield
2 capitalization approach, wouldn't you?

3 A. (Walker) Well, that's what we've done here. We've just
4 assumed zero growth.

5 Q. Okay.

6 A. (Walker) Would you like me to just do the math?

7 Q. Yes.

8 CHAIRMAN GETZ: Well, Mr. Conner, have
9 you already done the calculation?

10 MR. CONNER: I have not, your Honor.

11 BY THE WITNESS:

12 A. (Walker) The math, that calculation would result in a
13 value estimate, using no growth in the capitalization
14 rate, of 38,956,791.

15 BY MR. CONNER:

16 Q. Okay. And, what is rate base, as of that date?

17 A. (Walker) I believe rate base was approximately --

18 Q. I believe it's approximately \$44 million.

19 A. (Walker) I believe that's correct. I just -- Yes.

20 Approximately \$44 million, yes.

21 Q. Mr. Walker, isn't it true that an income analysis
22 presented from a point of view of a hypothetical
23 municipal entity presents a sound indication of value
24 in the valuation of utility property?

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[WITNESS PANEL: SANSOUCY|WALKER]

1 A. (Walker) I'm sorry?

2 MR. UPTON: If he's reading from
3 something, it would be really helpful for him to identify
4 what he's reading from, rather than asking it as a
5 question, and then whipping out the document and trying to
6 ambush the witness with it.

7 MR. CONNER: Your Honor, this is
8 cross-examination. I'm asking the questions.

9 MR. UPTON: And, there's a level of
10 fairness that's required. That you obviously were reading
11 from something.

12 CHAIRMAN GETZ: Well, I think there's --

13 MR. CONNER: I'd reading from my notes.

14 CHAIRMAN GETZ: There's a couple of
15 directions you can go here. If you're asking and say "is
16 this a fair statement?", then I think it's fair to make
17 the inquiry in that regard. If you want him to agree to
18 some definition from some other document, then, you know,
19 I don't see the need for the mystery. But --

20 MR. CONNER: Well, there's no mystery,
21 your Honor. I'm just asking his position.

22 CHAIRMAN GETZ: Okay. Let's restate
23 your --

24 MR. CONNER: Sure.

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1 BY MR. CONNER:

2 Q. Isn't it true, Mr. Walker, that an income analysis
3 presented from the point of view of a hypothetical
4 municipal entity presents a sound indication of value
5 in the valuation of utility property? Do you agree
6 with that or not?

7 A. (Walker) What type of value are we seeking?

8 Q. Fair market value.

9 A. (Walker) So, an Income Approach -- I guess I'm having a
10 hard time figuring out some of the terms that you're
11 using in your statement.

12 Q. What do you not understand?

13 A. (Walker) "Municipal valuation", I guess I --

14 Q. I said "municipal entity".

15 A. (Walker) Okay. Valuation from a municipal entity's --

16 Q. Perspective.

17 A. (Walker) -- perspective? I guess that would be my
18 concern. What is the municipal -- what is the
19 perspective of the municipality your seeking me to
20 define?

21 Q. Would you consider the cap rate and financial
22 characteristics attributable to a municipality in
23 developing your Income Approach or not, as a sound
24 indication of value?

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- 1 A. (Walker) Of market value, no, I would not.
- 2 Q. Would you agree that the highest and best use of the
3 Pennichuck Water Works distribution system is a utility
4 property owned and operated by a nontaxable municipal
5 entity?
- 6 A. (Walker) That may be. We have a definition of "highest
7 and best use" in our appraisal that I would refer to.
8 And, I'd be happy to point it out for you.
- 9 Q. Is that the position you're taking is highest and best
10 use in your appraisal? I don't think it is.
- 11 A. (Walker) Our position in the appraisal, and I'll read
12 from it, as opposed to try and remember it. This is
13 set forth at Page 35 of Exhibit 1007B, I believe.
14 That's correct. It's statements at the last paragraph
15 of Page 40.
- 16 Q. Did you view it as -- let's see. But you didn't state
17 in your appraisal that "the highest and best use of the
18 PWW distribution system is as a utility property owned
19 and operated by a nontaxable municipal entity", did
20 you?
- 21 A. (Walker) I did not make that statement.
- 22 Q. Did you agree with that statement?
- 23 A. (Walker) The highest and best use of this property
24 would be use as a water system, either owned by an

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1 investor-owned or a municipal entity.

2 Q. All right. Let's take a look at Exhibit 3061, Page 27.

3 This is the valuation that your company did in 1995 of

4 the Pennichuck Water Works system. Would you -- you

5 don't agree with that statement today, I take it?

6 A. (Walker) I guess I don't disagree with the statement.

7 But, at the same time, I'd say it's either a municipal

8 entity or an investor-owned entity.

9 MR. CONNER: All right. Thank you,

10 Mr. Walker. Your Honor, I have just a couple of clean-up

11 items, and I don't know how you want to handle that?

12 CHAIRMAN GETZ: I'd like to get them

13 done. I'd like to have your cross-examination finished

14 today, but let's --

15 MR. CONNER: Would it be possible for me

16 to take just a couple of minutes, and I think I can pare

17 it down?

18 CHAIRMAN GETZ: If that will speed

19 things along, let's do it. And, you say a "couple of

20 items"?

21 MR. CONNER: Yes, sir.

22 CHAIRMAN GETZ: Okay. Let's --

23 MR. CONNER: If I could take five

24 minutes or ten, whatever the Commission would prefer?

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[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: Well, I was thinking
2 more like two.

3 MR. CONNER: Okay. That's fine, too.

4 CHAIRMAN GETZ: Mr. Upton?

5 MR. UPTON: I'm just going to go consult
6 with my witnesses.

7 CHAIRMAN GETZ: Okay. We'll give you
8 till 5:15. But you're talking about two items, five or
9 ten minutes?

10 MR. CONNER: I don't think it will take
11 very long.

12 CHAIRMAN GETZ: Okay. Let's take a very
13 brief recess.

14 (Recess taken at 5:11 p.m. and the
15 hearing reconvened at 5:18 p.m.)

16 (Brief off-the-record discussion
17 ensued.)

18 CHAIRMAN GETZ: Well, let's get back on
19 the record. And, if you have a question for Mr. Walker,
20 let's start with that.

21 MR. CONNER: Okay. Thank you. Thank
22 you, Mr. Chairman.

23 BY MR. CONNER:

24 Q. Mr. Walker, we went through the sales analysis earlier

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1 today. In the Kelda transaction, there was some
2 confusion at that time in your mind, I think, as to
3 when the transaction may have closed, correct?

4 A. (Walker) Correct.

5 Q. And, since that point, have you gone back and looked at
6 your data? And, I believe it was in the Aquarion or
7 the acquisition of the Connecticut-American system by
8 Aquarion, which gave the date for the sale transaction
9 of Kelda?

10 A. (Walker) I agree with the sale date. It's January 7th,
11 2000, if I remember correctly.

12 Q. Okay. So, there's no question of that?

13 A. (Walker) No. No.

14 MR. CONNER: Thank you. That was all I
15 had for him. The other questions will be directed to him
16 as well, but no need to ask them twice.

17 CHAIRMAN GETZ: All right. You don't
18 want to send out a scouting party?

19 MR. BOUTIN: I'll go up and testify for
20 him, how about that?

21 CMSR. MORRISON: Wait your turn.

22 (Short pause.)

23 CHAIRMAN GETZ: Mr. Richardson, do you
24 have any objection?

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1 MR. RICHARDSON: We can proceed.

2 MR. CONNER: Okay.

3 CHAIRMAN GETZ: Please.

4 MR. CONNER: Thank you, Mr. Chairman.

5 BY MR. CONNER:

6 Q. This is directed to the panel. Have either of you ever
7 knowingly misled a court or governmental agency?

8 A. (Sansoucy) Not knowingly.

9 A. (Walker) No.

10 Q. Mr. Sansoucy, you said "not knowingly". You have
11 misled a court or governmental agency in the past,
12 haven't you?

13 A. (Walker) I haven't misled them. I have been accused of
14 misleading them. It's public knowledge.

15 Q. Okay. And, this was, I believe, occurred in 1985, at
16 the Federal --

17 A. (Sansoucy) '84.

18 Q. 1984, Federal Energy Regulatory Commission?

19 A. (Sansoucy) Yes, sir.

20 Q. Now, if you'll turn to Exhibit 3072, Mr. Sansoucy, I
21 take it that you did not agree with the accusation that
22 you had "willfully misled the FERC Commission",
23 correct?

24 A. (Sansoucy) Oh, I've never agreed with that,

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[WITNESS PANEL: SANSOUCY|WALKER]

1 Mr. Conners. We wrote an exemption application at the
2 request of FERC for an existing site, a hydro electric
3 power plant exemption application, which you have to
4 write in the future tense. And, then, FERC came back
5 and said "you lied to us, because you said it was going
6 to be built, and it is built," but they asked us to
7 write it. So, the classic catch-22, and our local P.E.
8 Board found that, for all practical purposes.

9 Q. I'm not asking about your local P.E. Board.

10 A. (Sansoucy) Well, it's important for the Commission to
11 know that.

12 Q. Well, was someone trying to take your license?

13 A. (Sansoucy) The Federal Energy Regulatory Commission
14 asked the P.E. Board to review it, and they found no
15 wrongdoing. That's our local P.E. Board.

16 Q. I understand. Now, when asked this question, you were
17 asked in Data Request 1-27: "Has Mr. Sansoucy ever
18 been sanctioned, fined censured or otherwise
19 disciplined with regard to any professional license or
20 other qualification he has held or any testimony or
21 other participation in any legal or regulatory
22 proceeding? If so, please provide a copy of the
23 documents", etcetera. "Response: Mr. Sansoucy entered
24 a consent decree with the Federal Energy Regulatory

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1 Commission on February 14, 1985, in which he agreed not
2 to represent anyone other than himself before FERC for
3 a period of three months." Now, that was the limit of
4 your sanction, is that correct?

5 A. (Sansoucy) That's the limit of my sanction, that's
6 right.

7 Q. All right. Mr. Sansoucy, a little more detail, if we
8 can. Isn't it true that you were working as an
9 engineer for Cumberland Power Corporation in regard to
10 the dam, the Smelt Hill Hydro Plant?

11 A. (Sansoucy) Mr. Conners, what is clear is that this PUC
12 has heard this before. Everyone in the state has heard
13 it. Every court in the state's heard it. This is
14 brought up every time we testify. This PUC has heard
15 this issue. This is common knowledge in the State of
16 New Hampshire.

17 Q. And, in your --

18 A. (Sansoucy) If you want to go through the details of it,
19 we will. But I would defer to the Commission on this,
20 because they have heard this. It's no secret that we
21 were sanctioned for what we did working for a developer
22 in Maine. It was no secret it was a catch-22. And,
23 it's been brought up at this Commission before in
24 testimony.

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1 CHAIRMAN GETZ: Well, let's just answer
2 the questions. If it gets to the point where it's
3 repetitive or cumulative, we'll cut it off. But let's
4 just answer the questions. You will have your chance to
5 respond.

6 BY MR. CONNER:

7 Q. You were a consultant for Cumberland from December '82
8 through August 1983 on the Smelt Hill project, weren't
9 you?

10 A. (Sansoucy) We were the consulting engineers on the
11 Smelt Hill project in Falmouth, Maine.

12 Q. During that time period?

13 A. (Sansoucy) Yes, sir.

14 Q. And, during that time period, you were aware that
15 Cumberland was engaged in the construction of the Smelt
16 Hill project and was generating and selling
17 electricity?

18 A. (Sansoucy) Yes, we were.

19 Q. In March of 1983, this is the application I think you
20 said you filed, on behalf of Cumberland Power
21 Corporation, correct, for an exemption --

22 A. (Sansoucy) We were asked by the Federal Energy
23 Regulatory Commission to talk Cumberland into filing an
24 exception from licensing on their site that they were

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1 -- that they owned and were operating.

2 Q. Mr. Sansoucy, is that reflected in the FERC order?

3 A. (Sansoucy) It's reflected in the original findings. Go
4 back to the original findings.

5 Q. Let's pull up the FERC order, just go to it. It's
6 Exhibit 3201. This is the FERC order, Order Approving
7 Stipulation and Consent Agreement, correct, Mr.
8 Sansoucy?

9 A. (Sansoucy) Yes, it is.

10 Q. And, as you stated, you've been questioned about this
11 in a number of occasions, correct?

12 A. (Sansoucy) Every time I testify, this is brought up.

13 Q. All right. And, I believe in your deposition you
14 called this "dried over cow flop", correct?

15 A. (Sansoucy) I don't remember what I called it, but I've
16 called it many things.

17 Q. Now, Mr. Sansoucy, it appears that it states on Page 3,
18 can you go to Page 3, Daniel, the very first sentence
19 at the top, "in addition". Let's go to the second
20 paragraph -- third paragraph, I'm sorry. "On March 3,
21 1983, Cumberland filed with the Commission an
22 applicationappraisal to exempt the Smelt Hill Project
23 from the licensing requirements of part I of the
24 Federal Power Act." Now, Mr. Sansoucy, there's nothing

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- 1 in this consent order that you signed by agreement
2 which indicates that the Federal Commission or the
3 Staff of FERC actually asked you to go ahead and
4 directed you to sign that application, is there?
- 5 A. (Sansoucy) No, but what they did do, and it's been
6 absolutely clear for years, is they came to us to ask
7 us to talk this gentleman who owned a number of
8 unlicensed hydros, just like we had in New Hampshire at
9 the same time, to file a license application or
10 exemption, not knowing whether or not they had pre 35
11 jurisdiction or not. We agreed to talk the gentleman
12 into it. And, we did the license application. They
13 were aware of it because of the environmental -- the
14 environmental coordination we were doing.
- 15 Q. So, Mr. Sansoucy, --
- 16 A. (Sansoucy) So, when we filed it, they then turned
17 around and said "this is improper, because it's already
18 built." Those are the facts of the case. Those facts
19 are in the transcripts. You can bring in the consent
20 order, but you need to bring in the transcripts,
21 because those are the facts of the case.
- 22 Q. Mr. Sansoucy, this is the document you signed, the
23 order that you signed. That entire story that you just
24 --

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1 A. (Sansoucy) We signed the consent. We signed the
2 settlement.

3 CHAIRMAN GETZ: Well, let's hold up
4 here. Because I think it deserves an answer in the first
5 instance, but we're recovering the ground. He agrees that
6 the consent says what it says. I've heard this testimony
7 before. I'm not sure that Commissioner Below has
8 addressed this issue, or, for that matter, whether
9 Commissioner Morrison has. So, we need to get it on the
10 record. What I would say is, at this point, that there's
11 been some comments by Mr. Sansoucy that there is other
12 material, other places that explains his side of the
13 story. Let's stick to getting this piece on. You've
14 already explained more than once already why you think
15 there's a distinction surrounding this issue. If Mr.
16 Upton wants to follow up on redirect, we can do that. But
17 let's just stick to this issue, so we can get through this
18 today. I'm assuming this is your last item?

19 MR. CONNER: One more, and then I'm
20 done.

21 CHAIRMAN GETZ: Okay. So, how much more
22 do you need to go on this issue?

23 MR. CONNER: Well, if he could answer my
24 questions without the explanation of his story, then it

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1 will go much quicker.

2 CHAIRMAN GETZ: Okay. And, Mr.

3 Sansoucy, let's not go back into the story again. I

4 understand your position about this issue. You've stated

5 it at least twice today. So, let's just answer the

6 question.

7 WITNESS SANSOUCY: Yes, sir. Thank you

8 for acknowledging that you've heard it, though.

9 MR. CONNER: We all have.

10 BY MR. CONNER:

11 Q. Now, Mr. Sansoucy, when you made the decision to sign
12 that application, that was a decision of your own free
13 will, correct?

14 A. (Sansoucy) No, not my free will. It was under severe
15 duress.

16 Q. Mr. Sansoucy, if you'll turn to page -- or, it's
17 Page 3, at the bottom, last sentence. "Solely for
18 purposes of this agreement, Sansoucy agrees to the
19 facts set forth in part II." Correct?

20 A. (Sansoucy) Solely for the purposes of settlement.

21 Q. Right. And, no exceptions were given there or further
22 information, correct, in this order?

23 A. (Sansoucy) That's what the lawyers negotiated for
24 settlement, my lawyer and the federal lawyers. And, we

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1 had to settle the issue, because we managed so much
2 loan portfolios for some many banks in New England on
3 hydro electric plants that it was essential that we
4 settle the issue.

5 Q. The enforcement's position on Page 4, Item III,
6 considered your conduct "unethical and improper
7 professional conduct within the meaning of Rule 2102 of
8 the Commission's Rules of Practice and Procedure",
9 correct?

10 A. (Sansoucy) That's what they said.

11 Q. And, you denied that, correct?

12 A. (Sansoucy) Absolutely.

13 Q. But, Mr. Sansoucy, on Page -- in the next section, IV,
14 "For purposes of this agreement, Sansoucy neither
15 admits nor denies that his conduct constituted
16 "unethical, improper professional conduct" within the
17 meaning of 2102 of the Commission's Rules of Practice
18 and Procedure"?

19 A. (Sansoucy) That's correct. And, our P.E. Board took no
20 action when notified of this either. So, I think that
21 is some validation that I was correct.

22 Q. I'm not asking for validation, Mr. Sansoucy. In this
23 document, you did not admit or deny those allegations,
24 did you?

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1 A. (Sansoucy) No, I settled. It is ironic, though, that
2 you bring it up representing a company itself who was
3 sanctioned for fraud by the SEC.

4 MR. CONNER: Move to strike, your Honor.

5 CHAIRMAN GETZ: I'm going to strike that
6 from the record.

7 MR. CONNER: Thank you.

8 MR. UPTON: Just want to make sure that
9 I have my objection on the record also to striking.

10 CHAIRMAN GETZ: And, if you want to try
11 and bring up the issue in some other context at some other
12 point, then you'll have that opportunity. But we're going
13 to --

14 MR. UPTON: I suspect it will, and I
15 don't have to do it with this witness.

16 BY MR. CONNER:

17 Q. Mr. Sansoucy and Mr. Walker, you've both signed the
18 appraisal report, the certification page?

19 A. (Walker) Yes.

20 Q. And, by doing so, you both are equally responsible for
21 the entire appraisal, correct?

22 A. (Sansoucy) Yes, we are.

23 A. (Walker) Yes.

24 Q. Mr. Walker, has any court or tribunal ever rejected

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1 appraisal opinions and/or methodologies?

2 A. (Walker) "Rejected" as in not allow the testimony in?

3 Q. No, sir. Not given it any weight and rejected the
4 opinions? Allowing you to testify, but not giving your
5 opinions on appraisal or your appraisal opinions or
6 methodology any weight?

7 A. (Walker) Can't say that I've won all the court cases,
8 but I'm not sure that the testimony has been rejected.

9 Q. Mr. Sansoucy, has a court or tribunal ever rejected
10 your appraisal opinions or methodologies?

11 A. (Sansoucy) Sure, they have. We do a lot of valuations
12 throughout the United States. And, we don't win
13 everything. And, we have had our appraisals rejected
14 in the past. We've also had them accepted, and they've
15 also been affirmed by Supreme Courts in the United
16 States.

17 Q. Gentlemen, are you aware that in 2006, August 2006,
18 there are two cases, recent cases, Mirant-New York,
19 Inc. versus Town of Stony Point, 824 New York
20 Supplement Second, 756, and Orange & Rockland Utilities
21 versus Assessor of Town of Haverstraw, 824 New York
22 Supplemental Second, 769? Are you aware of those
23 cases?

24 A. (Walker) I am.

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- 1 Q. Isn't it true in those cases the court rejects your
2 income DCF model and your trended original cost
3 methodologies?
- 4 A. (Walker) I'd have to review that. That is correct. I
5 believe that some of the concluded values are the same
6 as our concluded values in the case though.
- 7 Q. That's fine. But your methodologies on income and your
8 cost -- your trended original cost RCRFP and LD methods
9 were rejected?
- 10 A. (Walker) Again, and you're characterizing a fairly long
11 decision. I believe the judge disallowed both income
12 approaches.
- 13 Q. You represented respondents?
- 14 A. (Walker) We represented respondents.
- 15 Q. In both cases.
- 16 A. (Walker) And, my understanding is the Income Approach
17 for both parties was thrown out. I don't recall what
18 happened with the Sales Comparison Approach and the --
- 19 Q. You didn't do one.
- 20 A. (Walker) Pardon?
- 21 Q. You didn't do one.
- 22 A. (Walker) We didn't do a Sales Comparison Approach? I'm
23 not sure that's correct in both cases. I believe sales
24 information was --

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1 Q. Subject to check?

2 A. (Walker) Subject to check.

3 Q. Subject to check, and this is a statement from the
4 Court, subject to check. "Stated simply, the Court
5 rejects respondent's income DCF and cost RCRFP and LD
6 methodologies."

7 A. (Walker) Subject to check, that is.

8 A. (Sansoucy) It's important to note, your Honor, that
9 that is a coal-fired plant on the Hudson River, right
10 above New York City, and old coal plant, and a very
11 large oil-fired plant coming out of deregulation in New
12 York, a very contentious tax case that he's cited.

13 CHAIRMAN GETZ: We'll allow the
14 opportunity to read the orders.

15 MR. CONNER: Thank you, your Honor, and
16 we'll brief it.

17 CHAIRMAN GETZ: Is that all?

18 MR. CONNER: I think that's it.

19 CHAIRMAN GETZ: All right. Thank you.

20 So, we're going to end the hearings for today. I believe
21 we have to -- Mr. Boutin, will you be having questions for
22 the panel when they come back?

23 MR. BOUTIN: I'm going to see what I can
24 do about that tonight, but probably half an hour.

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[WITNESS PANEL: SANSOUCY|WALKER]

1 CHAIRMAN GETZ: Well, I'm not saying
2 that we're actually going to do that tomorrow. We're
3 going to turn to Veolia tomorrow. And, then, I guess, Mr.
4 Upton, if you can work with the parties to when we can get
5 back to the last two questioners, I believe, were
6 Mr. Boutin and Mr. Alexander, and then your redirect.

7 MR. UPTON: Right. I'm guessing that
8 the best day to do that is going to be the 10th, September
9 10th.

10 CHAIRMAN GETZ: Well, --

11 MR. UPTON: But I'll --

12 CHAIRMAN GETZ: Try to work it out and
13 --

14 MR. UPTON: I'll discuss that with Mr.
15 Camerino.

16 CHAIRMAN GETZ: Okay.

17 MR. UPTON: But I think that's probably
18 going to be the best day.

19 CHAIRMAN GETZ: All right. Then, we'll
20 recess for today, and we'll start tomorrow morning at 9:00
21 with the Veolia panel.

22 MR. CONNER: Your Honor, Mr. Chairman,
23 I'm unsure how we want to do the exhibits, but we'll have
24 a list of the ones that I relied upon today, and we can

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[WITNESS PANEL: SANSOUCY|WALKER]

1 note those for the record, if you'd like, first thing in
2 the morning?

3 CHAIRMAN GETZ: That would be fine.

4 And, if nobody has any objection, I'll instruct Mr.
5 Patnaude, every time that Mr. Conner said "107", we'll
6 change the record to say "1007".

7 MR. CONNER: Thank you, Mr. Chairman.

8 CHAIRMAN GETZ: Thank you.

9 (Hearing adjourned at 5:38 p.m. and the
10 hearing to resume on September 5, 2007,
11 commencing at 9:00 a.m.)

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