

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Petition by Pennichuck East Utilities, Inc. for
Authorization to Transfer Real Property

DW 2011-_____

Direct Pre-filed Testimony of Donald L. Ware

October 3, 2011

1 Q. Please state your name, business address and your position with Pennichuck Water
2 Works, Inc.

3 A. My name is Donald L. Ware. My business address is 25 Manchester St., Merrimack,
4 NH. I am the President at Pennichuck East Utilities, Inc. ("PEU"). I have worked for
5 Pennichuck Corporation ("Pennichuck") since May 1995, and currently also serve as President of
6 its other regulated subsidiaries. I am a licensed professional engineer in New Hampshire,
7 Massachusetts and Maine.

8 Q. Please describe your educational background.

9 A. I have a Bachelor in Science degree in Civil Engineering from Bucknell University in
10 Lewisburg, Pennsylvania and I completed all the required courses, with the exception of my
11 thesis, for a Masters degree in Civil Engineering from the same institution. I have a Masters in
12 Business Administration from the Whittemore Business School at the University of New
13 Hampshire.

14 Q. Please describe your professional background.

15 A. Prior to joining Pennichuck, I served as the General Manager of the Augusta Water
16 District in Augusta, Maine from 1986 to 1995. I served as the District's Engineer between 1982
17 and 1986. Prior to my engagement with the District, I served as a Design Engineer for the State
18 of Maine Department of Transportation for six months and before that as a Design Engineer for
19 Buchart-Horn Consulting Engineers from 1979 to 1982.

20 Q. What are your responsibilities as President of the Company?

21 A. As President, I am responsible for the overall operations of the Company, including water
22 quality and supply, distribution, engineering and water system capital improvements. At times
23 my duties also involve reviewing and negotiating agreements on behalf of Pennichuck or its

1 related entities, including agreements pertaining to the operation of community water systems we
2 own and the relevant assets used to operate the systems. In that capacity I have been involved in
3 the decision to sell the lots in question, and in the determination by PEU that the real property
4 being transferred is no longer used and useful to PEU.

5 Q. What is the purpose of your testimony?

6 A. I will be providing testimony in support of the proposed transfer of three lots to the New
7 Hampshire Institute of Agriculture and Forestry (hereinafter "NHIAF"). I will summarize the
8 terms of the purchase and sale agreement executed with NHIAF on August 23, 2011, a copy of
9 which is attached hereto as DLW-1 (hereinafter the "Agreement"). My testimony is also offered
10 to explain why the Company believes it is in the public good for the Commission to approve the
11 Petition filed by PEU contemporaneous with this testimony, titled Petition by Pennichuck East
12 Utilities, Inc. for Authorization to Transfer Real Property (hereinafter the "Petition").

13 Q. Why is PEU interested in selling the real property in question?

14 A. The land was originally acquired to establish a new source of water supply for the Birch
15 Hill Community Water System (hereinafter "BHCWS"). It was acquired after the Pittsfield
16 Aqueduct Company's (hereinafter "PAC") initial request to interconnect the BHCWS and the
17 North Conway Water Precinct (hereinafter "NCWP") water system was denied by the voters of
18 the NCWP. The NCWP vote rejecting PAC's request to interconnect the BHCWS and the
19 NCWP systems forced PAC to pursue other water supply solutions for the BHCWS. PAC is a
20 related entity to PEU both being owned by Pennichuck Corporation. Subsequent to PAC
21 acquiring the property, but prior to PAC establishing new wells, the NCWP held a second vote.
22 NCWP's second vote approved the BHCWS/NCWP interconnection, reversing NCWP's prior
23 denial. The interconnection was preferable to drilling new source wells as a result of several

1 issues including expensive and time consuming well permitting costs and other related
2 challenges. The NH Department of Environmental Services also preferred the interconnection as
3 a water supply option for BHCWS. Overall, the life cycle cost for the BHCWS water supply
4 was less under the interconnection option than the well development option. PAC eventually
5 entered into a 20 year water supply agreement with the NCWP and completed the construction of
6 a water main extension connecting BHCWS to the NCWP water system. As a result of the
7 interconnection PEU does not need the property proposed for transfer for purposes of water
8 supply. PEU no longer needs the real property interest being transferred and retaining that real
9 property interest is no longer useful to PEU in its operation of the BHCWS;

10 Q. Please describe the terms and background of the proposed sale of real property.

11 A. PEU entered into the purchase and sale Agreement with NHIAF, a New Hampshire not
12 for profit company with a primary business address of 1857 White Mountain Highway, North
13 Conway, New Hampshire 03660, (the "Purchaser"), on August 23, 2011. DLW-1. Under the
14 Agreement three separate lots are to be transferred to the Purchaser. The three lots are described
15 in the two separate deeds held by PEU attached as DLW-2. PEU has a water main located under
16 limited portions of the roughly fifty-five (55) acres to be transferred. PEU will be retaining
17 easement rights over an area twenty-five (25) feet wide centered on the water main as it runs
18 across the lots, allowing it to operate, maintain and replace its water main. The purchaser will be
19 paying PEU the sum of Sixty-five Thousand Dollars (\$65,000.00) for the three lots, which is
20 believed to be a fair market value for the lots given their location in the flood plain of the Saco
21 River and the general restrictions placed upon the use of the lots restricting the use of each lot,
22 231-106, 231-147 and 231-148, to farming or grazing of animals.

23 Q. Please describe the location of the parcels to be transferred.

1 A. The lots in question are located in the town of Conway between West Side Road and the
2 Saco River. The lots to be transferred are identified on the two deeds attached hereto as DLW-2.
3 The lots and the easement area being retained are also identified on a "Plain titled Preliminary
4 Proposed Water Line Easement" prepared for Pennichuck Water Works, Inc., (hereinafter the
5 "Plan") which is attached as DLW-3. The lots will be transferred by a deed substantially similar
6 to that which is attached as DLW-4, with relevant reservations of easement rights contained
7 therein. PEU's water main runs from the banks of the Saco River across lots 231-106 and 231-
8 147 and lot 231-109 to West Side Road. The easement area shown on the Plan west of the lots
9 across lot 231-109 is already controlled by PEU.

10 Q. Please explain why you believe this acquisition is consistent with the public good.

11 A. The real property in question is no longer used or useful to PEU. By reserving easement
12 rights PEU will ensure its ability to continue to operate and maintain the water main that
13 interconnects the BHCWS with the NCWP water system which provides the water supply to the
14 BHCWS. The transfer will also have no impact on PEU's ability to operate the BHCWS.
15 Transferring the land to the Purchaser, a non-profit agricultural business development entity will
16 benefit the public by making it available to a charitable organization for education, and training
17 focused on forestry and agriculture. Transferring the land will eliminate the associated property
18 taxes from these parcels for future rate making purposes.

19 Q. How is this land held relevant to rate making purposes?

20 A. Lots 231-147 and 231-148 were purchased together by PEU for a total of \$16,961.47.
21 The value of Lots 231-147 and 231-148 is booked to PEU's Land Account 303-100 and 15
22 recognized as part of the Birch Hill Capital Recovery Surcharge Assets for rate making purposes.
23 PEU bought Lot 231-106 for \$54,287.04. Lot 231-106 is booked as Land Held For Future Use

1 on PEU's books. The difference between the proposed sale price for Lots 231-147, 231-148 and
2 231-106 of \$65,000 and PEU's book value for these lots of \$71,248.51 for these lots recognizes
3 a value of \$6,248.51 for the easement retained over these lots for the water main interconnection
4 between the BHCWS and the NCWP. The \$10,712.96 difference between the \$16,961.47
5 currently recognized in the Birch Hill Capital Recovery Surcharge and the value of the retained
6 easement of \$6,248.51 will be booked as a gain to PEU from the disposition of Non Utility
7 Property.

8 Q. Have you contacted the City of Nashua in light of the proposed acquisition of Pennichuck
9 by Nashua?

10 A. Yes. I attach a Resolution whereby the Board of Alderman of the City of Nashua gave
11 written authorization for the proposed transfer of land subject to reservation of easement rights.

12 See DLW-5.

13 Q. Do you have anything else you would like to add?

14 A. Not at this time.

15 Q. Does that complete your testimony?

16 A. Yes.