

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

**City of Nashua: Taking Of Pennichuck Water Works, Inc.**

**Docket No. DW 04-048**

**DIRECT TESTIMONY OF BONALYN J. HARTLEY**

**January 12, 2006**

- 1 **Q. Please state your name and business address.**
- 2 A. Bonalyn J. Hartley, 25 Manchester Street, P.O. Box 1947, Merrimack, New Hampshire  
3 03054.
- 4 **Q. By whom are you employed?**
- 5 A. Pennichuck Water Works, Inc.
- 6 **Q. Please state your position with Pennichuck Water Works and describe your  
7 responsibilities.**
- 8 A. I am employed as the Vice President of Administration of Pennichuck Water Works and  
9 of Pennichuck Corporation, which holds all of Pennichuck Water Works' stock. I have  
10 held this position since April 2001, and am responsible for human resources, information  
11 technology, customer service, and regulatory relations.
- 12 **Q. Do you provide any services to the other Pennichuck utilities?**
- 13 A. Yes. While I am employed by Pennichuck Water Works, I also provide services to  
14 Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, and Pennichuck Water  
15 Service Corporation pursuant to a management agreement among those entities.
- 16 **Q. Please summarize your professional and educational background.**
- 17 A. I have been employed by Pennichuck Water Works since 1979. Over the past twenty-six  
18 years, I have held a number of positions, including Office Manager, Manager of Systems  
19 and Administration, Vice President-Controller, and since April 2001, Vice President of  
20 Administration. I hold a Bachelor's in Science in Business Management from Rivier  
21 College. A more detailed description of my background is set forth in my resume  
22 attached as Attachment BJH-1.
- 23 **Q. Are you active in any professional associations or community organizations?**

1 A. Yes. I am Chairman and Trustee of the Southern New Hampshire Medical Center and a  
2 Director of the New England Chapter of the National Association of Water Companies.

3 **Q. Have you previously submitted testimony to or testified in person before any court**  
4 **or administrative or other governmental body?**

5 A. Yes. I have testified regularly before this Commission. A copy of all of the dockets in  
6 which I have provided testimony is attached as Attachment BJH-2.

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. Broadly stated, the purpose of my testimony is to describe the service provided by  
9 Pennichuck Water Works to its customers.

10 **Q. Please describe the Company's workforce.**

11 A. Pennichuck Water Works employs approximately 93 employees full time. A recent  
12 photograph of the Company's employees is attached as Attachment BJH-3. The  
13 Company's work force is very stable; the average employee turnover rate for the past five  
14 years is six percent. This is further borne out by the number of employees who have  
15 significant tenure with the Company. Of its current employees, 23 have been with the  
16 Company between ten and twenty years, 9 employees have served between twenty and  
17 twenty-five years, and another 9 have served over twenty-five years at the Company.  
18 Our employees are dedicated and recognize the significance of the Company's mission,  
19 which is to provide safe and reliable water service every time a customer turns on his or  
20 her water faucet.

21 **Q. Are any of the Company's employees members of a union?**

22 A. Yes. Approximately 44 of the 93 employees are members of the United Steelworkers of  
23 America, Local 8938. These employees operate and maintain the Company's water

1 system which includes the distribution and treatment process. For example, union  
2 members conduct service and main pipe repairs, meter maintenance and reading,  
3 operation of the treatment plant, and the installation of new services and mains. The  
4 current contract between the Company and the United Steelworkers remains in effect  
5 until February 16, 2007. The Company has had, and continues to have a very positive  
6 relationship with the Union. In fact, the Union has publicly supported the Company in its  
7 efforts to stop the City of Nashua from taking its assets. The Union's position is reflected  
8 in the advertisement, attached hereto as Attachment BJH-4, which appeared in the  
9 Nashua Telegraph on September 29, 2005.

10 **Q. Please describe the Company's customer service efforts and how the Company**  
11 **interacts with its customers.**

12 A. The Company currently provides service directly to approximately 24,500 customers.  
13 The geographic location of these customers is described in detail in the testimony of  
14 Donald Correll. In addition, through its integrated relationship with its affiliates, the  
15 Company's employees provide service to the approximately 5,550 customers of PEU and  
16 PAC and the approximately 8,600 customers of PWSC. As of February 2006, PWSC  
17 will provide billing and receipts and customer service to an additional 7,300 customers in  
18 Barnstable, Massachusetts. Throughout the Company's relationship with its customers, it  
19 strives to communicate with them regularly. All new customers receive a packet of  
20 information on the Company within days of the initiation of service. A copy of this  
21 packet is attached as Attachment BJH-5. This packet includes detailed information about  
22 the mechanics of how water service is provided from the Company's transmission and  
23 distribution system to each customer's home, how community water systems work, an

1 explanation of the water treatment process for customers served by the water treatment  
2 plant, and information on rates and bill payment. The Company also communicates with  
3 customers through its newsletter, The WaterLine, which is distributed about twice a year.  
4 Samples of these newsletters are attached as Attachment BJH-6.

5 **Q. Once service is established, how does the Company interact with its customers?**

6 A. The Company maintains a customer service phone line that is operated twenty-four hours  
7 a day, 365 days a year. This line is answered by highly trained customer service  
8 representatives during working hours (7:30 a.m. to 5:00 p.m.), and during off hours, is  
9 answered by employees at the Company's water treatment plant. During off hours,  
10 Company managers are on call to make real time decisions and can call in crews when  
11 necessary. Unlike sewer service, which the City of Nashua provides, the product  
12 provided by the Company – water – is ingested by its customers and thus it is critical that  
13 the Company be responsive and use the highest level of care and attention when  
14 providing service. For this reason, the Company provides ongoing training during the  
15 first year of employment to its customer service representatives so that they are equipped  
16 to answer a broad range of calls, including those relating to water quality, the mechanics  
17 of water service, and billing matters, among others. These same representatives are  
18 available to answer calls on off hours in the event of an emergency. These customer  
19 representatives are critical to the Company's ability to provide safe and reliable water  
20 service.

21 **Q. Are there other ways that the Company communicates with its customers?**

22 A. Yes. In the case of emergencies or the temporary unavailability of water, the Company  
23 has the capability of delivering pre-recorded telephone messages to each of its customers

1 with information about any unexpected change in service. This is particularly critical at  
2 times of water outages due to drought conditions, fires, and major main leaks. More  
3 serious matters might involve issues of security or water contamination.

4 **Q. How does the Company handle complaints from customers?**

5 A. The Company goes to great lengths to respond to concerns raised by its customers. The  
6 Company has a system for tracking and responding to complaints from customers. Each  
7 call (or letter) is assigned a number and tracked by a customer service representative until  
8 resolution. In addition, each complaint is coded by category (e.g. water discoloration,  
9 low pressure, etc.) The Company periodically reviews its log of customer complaints to  
10 determine whether there are any trends that might identify particular types of complaints  
11 or geographic location of complaints. This information is shared with the Company's  
12 Engineering Department to determine whether any capital improvements are necessary to  
13 resolve customers' concerns.

14 **Q. What is the Company's record on customer complaints?**

15 A. The Company has an excellent record. On average, 41 customers a year have made  
16 complaints to the Commission. Based on the total number of customers (24,500), this  
17 equates to 0.167% of all customers. The Company works quickly to resolve such  
18 complaints.

19 **Q. How does the Company generate and process customers' bills?**

20 A. The genesis of any customer bill is the reading of the customer's meter. The Company  
21 reads approximately 4,500 meters a week, either through automatic touch reads or radio  
22 reader equipment. Once read, the customer's usage is automatically downloaded into a  
23 sophisticated computer program. This computer system contains detailed information

1 about each customer account, including the location of the service and the meter on each  
2 customer's property, which is invaluable to resolving any issues associated with service to  
3 the customer. The Customer Service Department then reviews customer bills to  
4 determine whether there are any anomalies, such as an unexpected spike in usage. Where  
5 anomalies exist, a customer service representative contacts the customer with notification  
6 of a potential problem and suggestions for resolution (such as checking to make sure no  
7 toilet is leaking, etc.). A mailing house prints and mails the bills to customers. Bills for  
8 customers in multiple locations are combined and sent in one mailing. On average, the  
9 Company mails 20,000 bills each month. The Company has an excellent track record in  
10 issuing bills on schedule, and that predictability is important for its customers.

11 **Q. Does the Company use its billing information for other purposes?**

12 A. Yes. The Company regularly compares the amount of water it pumped against the  
13 amount of water it billed in order to keep close track of unaccounted for water. This is  
14 particularly important for identifying and repairing leaks within the Company's  
15 distribution system.

16 **Q. How does the Company process payments?**

17 A. The Company maintains a lock box in-house to which customers' payments are processed  
18 daily. Once received, accounts are credited and the customer's account is updated  
19 automatically. Each week, the Company runs a report of its accounts receivable balances  
20 in order to determine whether reminders should be sent to customers regarding  
21 outstanding bills or whether any customers' service should be shut-off for lack of  
22 payment. The Company has very good control over its receivables; on average, two to  
23 three percent of the Company's accounts are outstanding for over a 90 day period. This

1 high level of control over outstanding receivables is important to customers so that they  
2 are not subject to inappropriate service disconnections. It also reduces the Company's  
3 need for working capital and its allowance for uncollectibles, thereby reducing the need  
4 for additional rate relief.

5 **Q. How does the Company handle disconnections?**

6 A. The Company follows the Commission's regulations prior to disconnecting any  
7 customer's service. In addition to the fourteen day notice of disconnection that a  
8 regulated utility must provide to its customers, the Company makes courtesy calls to  
9 customers two to three days prior to any scheduled disconnection (for non-payment) in an  
10 effort to help customers avoid termination of service. For example, in 2005, the  
11 Company provided approximately 7,707 such courtesy calls to customers prior to  
12 scheduled disconnections. These calls are highly effective in assisting customers to avoid  
13 disconnections. In 2005, the Company disconnected approximately 2,382 customers,  
14 significantly fewer than those contacted about scheduled disconnection dates.

15 As reflected in the statistics described above, these warning calls have significantly  
16 reduced the number of disconnections, which saves customers money and disruption to  
17 their lives. Once a disconnection occurs, the Company works closely with the customer  
18 to restore service. For example, the Company will reconnect a customer's service as late  
19 as 8:00 p.m. on weekdays, and customers may submit overdue payments to the service  
20 representative at the time of reconnection. The Company also works with its customers  
21 on establishing reasonable payment plans to avoid disconnection of service.

22 **Q. Are you aware of any differences in how a municipal water system would handle**  
23 **unpaid bills?**

1 A. Yes. Municipal ownership could negatively impact customers who are having difficulty  
2 paying their water bills. First, it is unlikely that the City would establish regulations as  
3 comprehensive as the Commission's to govern customer service. In the case of  
4 disconnections, it is highly unlikely that the City would go to the lengths that the  
5 Company does to avoid disconnections, such as placing additional phone calls to  
6 customers to warn them of upcoming disconnections. Under RSA 38:22, the City has a  
7 lien on a customer's real estate for all charges for services furnished by the municipal  
8 water utility. This lien, which would encumber a customer's property, may cause the  
9 customer additional expense, and may even delay the resale of the property or make it  
10 more expensive and difficult.

11 **Q. Do you have any concerns about the level of service that would be provided to**  
12 **customers if the Company's assets were acquired by Nashua?**

13 A. Yes. Water is the sustenance of life. It is critical that the operation of any water system  
14 be taken very seriously. Customers must have the confidence and trust that each time  
15 they turn their faucet on, the water that comes out is safe to drink. Running a  
16 sophisticated water system like Pennichuck's takes a highly skilled and dedicated work  
17 force, and requires detailed knowledge about the physical attributes of the system itself. I  
18 am concerned that if the Company's assets are acquired by Nashua, there would be a huge  
19 loss of institutional knowledge about the system, which ultimately would be to the  
20 customers' disadvantage.

21 **Q. Does the Company provide any assistance to customers experiencing financial**  
22 **hardship?**

1 A. Yes. The Company maintains a hardship fund for customers who are unable to pay their  
2 bills due to tragic experiences. The Customer Service Department may allocate money to  
3 pay a customer's bill in such circumstances.

4 **Q. Is the Company an active participant in the community?**

5 A. Yes. Since it was founded in 1852, the Company has played an active role in the  
6 community. In 2001, the Company formed a partnership with the Charlotte Avenue  
7 School in Nashua, where it sends employees to volunteer and to educate students about  
8 water conservation, water quality, and the environment. Charlotte Avenue School  
9 principal Dr. Susan Nelson stated, "Extensions of science lessons have enriched  
10 classroom instruction in the upper grades. Students in the primary grades eagerly await  
11 the weekly arrival of their Pennichuck guest reader. The Pennichuck team jumps right in  
12 whether it's assisting at the field day events, lending classes educational materials or  
13 helping at the fall barbecue." On the one-year anniversary of the partnership, Pennichuck  
14 and Charlotte Avenue School received a Gold Circle Award from the State of New  
15 Hampshire for going above and beyond what is expected from business to school  
16 partnerships. In addition, representatives of the Company's laboratory department partner  
17 with local science teachers to conduct demonstrations on water testing in local school  
18 laboratories. The Company regularly participates in food drives with the Salvation  
19 Army, the Santa Fund, and other charitable efforts. Annually, Company employees and  
20 their families participate in the Junior Achievement Bowl-a-thon. This program brings  
21 preparatory educational programs to area schools. Pennichuck received a Silver  
22 Leadership Award from Junior Achievement for its charitable contributions to this  
23 worthy organization. Every year, the employees of Pennichuck are rallied together in

1 support of United Way in the greater Nashua area. The Company provides an annual  
2 donation and the majority of our employees contribute through payroll deduction.  
3 Pennichuck employees also volunteer their time to participate in the United Way Day of  
4 Caring such as painting the Nashua Pastoral Care Center, which helps women and  
5 children in crisis. Many of the Company's employees serve on boards of directors of  
6 local non-profits. Over the last fifteen years, Company employees have served on the  
7 boards of the Boys and Girls Club of Nashua, St. Joseph's Hospital, Southern New  
8 Hampshire Medical Center, Nashua Rotary, YMCA, and Home Health and Hospice Care.  
9 In 2000, the Company donated land for a Community Hospice House for the construction  
10 of its first facility. The Company was recently honored for this donation.

11 **Q. What other community events does the Company offer?**

12 A. Annually in May, the Company participates in National Drinking Water Week by  
13 sponsoring several events for area schools, including tours of its treatment plant, children  
14 character shows and plays such as "Alice in Waterland" that teaches the importance of  
15 water conservation and the environment.

16 **Q. Does the Company make any charitable donations?**

17 A. Yes. In 2005, the Company donated a total of \$37,241.52 to a wide variety of  
18 organizations. A list of these donations is attached as Attachment BJH-7.

19 **Q. Why do you think the charitable contributions of PWW and the time giving by its  
20 employees to community organizations are relevant to this proceeding?**

21 A. I think they're relevant because they represent a very tangible benefit that PWW provides  
22 to the public and which would disappear if PWW were taken over by Nashua. The  
23 reality is that community organizations depend heavily on the financial and contributed

1 staff support of major private employers. While I am sure that the employees of the City  
2 of Nashua are as community minded as those of PWW, the City is not in a position to  
3 make charitable contributions and therefore the loss of PWW as a going concern would  
4 mean the loss of every dollar that PWW currently contributes to community  
5 organizations. In addition, as an employer, the city does not offer its employees the same  
6 flexibility as PWW does to participate during the business day in community  
7 organizations. I am confident that if PWW were taken over by Nashua, the result would  
8 be a significant loss to the community and the charitable organizations in which PWW  
9 and its employees are involved.

10 **Q. Does this conclude your testimony?**

11 **A. Yes.**