

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

Pennichuck Water Works, Inc.

**Petition for Approval of An Amendment to the 2017 Wholesale Water
Supply Contract
with the Pennichuck East Utility, Inc.**

DW 22-_____

Direct Testimony of Donald L. Ware

June 29, 2022

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1 **1. Professional and Educational Background**

2 **Q. What is your name and what is your position with Pennichuck Water Works,**
3 **Inc.?**

4 **A.** My name is Donald L. Ware. I am the Chief Operating Officer of the Pennichuck
5 Water Works, Inc. (“PWW” or “Company”). I have worked for PWW since
6 1995. I am a licensed professional engineer in New Hampshire, Massachusetts,
7 and Maine.

8 **Q. Please describe your educational background.**

9 **A.** I have a bachelor’s in science degree in Civil Engineering from Bucknell
10 University in Lewisburg, Pennsylvania and I completed all the required courses,
11 with the exception of my thesis, for a master’s degree in civil engineering from
12 the same institution. I have a master’s in business administration from the
13 Whittemore Business School at the University of New Hampshire.

14 **Q. Please describe your professional background.**

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

21 **Q. What are your responsibilities as Chief Operating Officer of the Company?**

22 **A.** As Chief Operating Officer, I am responsible for PWW’s overall operations,
23 including customer service, water supply, water supply and water sales contracts,
24 distribution and engineering. I work closely with PWW’s Chief Engineer and

1 other senior managers to help develop PWW’s Annual and Three-Year Capital
2 Improvement Plans.

3 **2. Scope of Testimony**

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to describe the Company’s desire to:

- 6 (1) enter into an Amendment of the 2017 Wholesale Water Supply
7 Contract (“Current Contract”) with Pennichuck East Utility, Inc. (“PEU”),
8 (2) summarize the terms and conditions of the proposed Amendment to
9 the Current Contract, and
10 (3) explain why the proposed Amendment to the Current Contract is in the
11 public interest and should be approved.

12 **3. Description of Existing PWW-PEU Contract**

13 **Q. Does PWW currently have a wholesale water contract with the PEU?**

14 A. Yes. PWW has a Current Contract with PEU that was approved by the New
15 Hampshire Public Utilities Commission (“NHPUC”) in Order No. 26,049 issued
16 on August 23, 2017, in Docket DW 17-071. That Current Contract has an initial
17 term of twenty years and allows for two five-year automatic renewals. In Order
18 No. 26,049, the Commission approved the effective date as follows: “the twenty-
19 year term of the contract should not start until the interconnection is completed,
20 the meter installed, and all other contract terms have been complied with by
21 PWW and PEU.” At a minimum the Current Contract will terminate on October
22 9, 2038. The Current Contract is attached as Attachment DLW-3.

23 **Q. If the Current Contract does not expire until October 9, 2038 why are PWW
24 and PEU seeking to amend the Current Contract at this time?**

1 A. PEU’s need for water supplied by PWW changed significantly at of the end of
2 June 2021, when compared against PEU’s need for water supply from PWW in
3 2017, when the Current Contract was approved. Although the Current Contract
4 does not expire (at the earliest) until October 9, 2038, Section 4 of the Current
5 Contract allows PEU to seek an increase in the maximum quantity of water that is
6 permitted to purchase from PWW. PEU provided notice to PWW in the fall of
7 2021 that it was desirous of changing the terms of the Current Contract in regard
8 to changes in the quantities of water that PEU desired from PWW. In response
9 PWW evaluated PEU’s requested changes to the quantities of water and
10 determined that it could provide the quantities of water being sought by PEU.
11 PWW commissioned a Cost of Service Study (“COSS”) in the Fall of 2021 in
12 order to establish appropriate pricing for the change in quantity of water being
13 sought by PEU via an Amendment to the Current Contract. Because PEU’s
14 usage has changed substantively (an increase of about 33%) since the NHPUC
15 approval of the Current Contract in 2017, and because PEU and PWW have
16 agreed to the terms of an Amendment to the Current Contract, PWW and PEU are
17 requesting the Commission to approve the Amendment to the Current Contract.

18 **4. Description of PEU’s Need for Additional Supply**

19 **Q. What change to PEU’s water supply needs occurred at the end of June 2021?**

20 A. In June of 2021, two of the Town of Hudson’s (“Hudson”) three wells, the Dame
21 and Ducharme wells (“Hudson Twin Wells”), were taken offline due to
22 contamination by Perflouroctanoic Acid (“PFOA”), in excess of the current State
23 MCL. The capacity of the Hudson Twin Wells was 790,000 gallons per day
24 (“GPD”). By contract with Hudson, PEU had rights to 15% of the production

1 from the Hudson Twin Wells. The water from the Hudson Twin Wells was
2 PEU's least expensive source of water in Litchfield, and as such PEU fully
3 utilized its 15% share of the water produced from the Hudson Twin Wells (PEU's
4 15% share of the Hudson Twin Wells production was about 118,000 GPD). PEU
5 purchased the remainder of its water supply needs from PWW. The loss of the
6 Hudson Twin Wells capacity at the end of June 2021 resulted in PEU purchasing
7 about an additional 118,000 GPD from PWW to make up for the loss of the water
8 supply from the Hudson Twin Wells.

9 **Q. If Hudson decides to add treatment to the Hudson Twin Wells and 15% of**
10 **the water from Hudson Twin Wells becomes available to PEU will PEU stop**
11 **using the additional water from PWW and opt to purchase its allotted 15%**
12 **share of the Hudson Twin wells?**

13 **A.** From discussions with Hudson, PEU understands that Hudson is evaluating its
14 options in rectifying this situation, including the cost to install treatment on the
15 Hudson Twin Wells to remove the PFOA and manganese, such that the treated
16 water from the Hudson Twin wells will meet the current drinking water standards.
17 Based on recent events in the Merrimack Village District, which has similarly
18 sized/capacity wells to the Hudson Twin Wells, the ongoing cost of treatment for
19 PFOA and manganese (permanganate, pH adjustment, carbon replacement,
20 electricity) is expected to be in excess of \$1.00 per one hundred cubic feet
21 ("CCF") of water produced. Where PEU would be responsible for 15% of any
22 capital cost associated with Hudson constructing the PFOA and manganese
23 treatment facilities on the Twin Wells, in addition to paying the variable cost of
24 treatment in excess of \$1.00 per CCF, it is likely that PEU would continue to

1 purchase water from PWW instead of from the Hudson Twin Wells, because the
2 overall cost of obtaining water from PWW would be more economically
3 favorable for PEU and its customers.

4 **Q. What if the assumptions and data used in the answer above were not correct**
5 **and cost of water from the Hudson Twin Wells, after adding treatment, was**
6 **less than that paid by PEU to PWW?**

7 **A.** If it turned out that water could be acquired from the Hudson Twin Wells at a
8 lower overall purchased water expense as compared to water purchased from
9 PWW, then PEU would ask PWW to agree to cancel the proposed Amendment to
10 the Current Contract, and return PEU to operating under all the terms of the
11 Current Contract as it existed when it was approved.

12 **5. Differentiation of Proposed PWW-PEU Contract from other Special Contracts**

13 **Q. Is PWW considering offering an emergency supply contract to PEU similar**
14 **to that offered to the Merrimack Village District (“MVD”) in DW21-134?**

15 **A.** No. The supply of water to MVD was for a short-term emergency period of
16 between six to eleven months, allowing MVD to complete the already planned
17 installation of PFOA treatment on 4 of its 6 wells. The design of the treatment
18 facilities for the MVD wells had been completed and construction of the treatment
19 facilities was underway when MVD approached PWW for a short-term
20 emergency supply of water. MVD’s need for an emergency water supply was
21 created by a delay in the delivery of certain treatment equipment from the
22 manufacturer, which was beyond the control of the MVD. As a result of the delay
23 in the equipment delivery, the planned fall 2021 startup of MVD’s PFOA
24 treatment systems on two of the four wells was delayed until early to mid-2022,

1 and the treatment on the remaining wells was delayed until the late summer/early
2 fall of 2022. Without the PFOA treatment systems online and functioning
3 MVD's water supply was non-compliant with the NHDES PFOA Standard. In
4 addition to MVD being a short-term contract, the emergency rate charged MVD
5 would not be appropriate to charge PEU. PWW uses different assets to serve
6 MVD than it uses to serve PEU, therefore, PEU needed its own COSS to
7 determine what rate should be charged based upon those alternate factors.
8 Furthermore, the situation with PEU and Hudson is entirely different than that
9 with MVD, as Hudson is just beginning the evaluation of its water supply options,
10 as opposed to MVD which was in the process of constructing already designed
11 and contracted required treatment to remove PFOA. Hudson needs to evaluate all
12 of its possible water supply options and decide how it will provide for its water
13 supply needs going forward. Once that decision has been made, Hudson will
14 need time to design, plan, and implement the selected water supply option. If that
15 option involves the treatment of the water produced by the Hudson Twin wells,
16 from my engineering experience, it will take a minimum of three years to design,
17 permit, and construct any required treatment. If the selected option involves the
18 development of either a new groundwater or surface water supply, the
19 development and permitting of those supplies will almost certainly take in excess
20 of four years. As a result, PEU's only available water supply, for the next three to
21 four years, is its existing interconnections with PWW, either directly under the
22 Merrimack River or indirectly by "wheeling" water through Hudson via the
23 Taylor Falls PWW-Hudson interconnection. Additionally, where we are aware
24 that Hudson has one of its possible permanent long-term water supply solutions,

1 acquiring all or nearly all of its water from PWW, the determination of the
2 appropriate rate for PWW to charge PEU needed to be determined through a Cost
3 of Service Study (“COSS”) as the conditions of service from PWW to PEU have
4 changed from what they were in 2017 when the PWW- PEU Current Contract
5 was developed. To properly amend the Current Contract a new COSS that reflects
6 the change in PEU’s current demand on PWW created by the loss of water supply
7 from the Hudson Twin Wells needed to be completed.

8 **Q. Why not just continue to operate under the terms of the existing PWW-PEU**
9 **Wholesale Water Contract until it expires?**

10 A. The basis and rates of the Current Contract was based upon a COSS with different
11 PEU purchase water demands than exist at present. PEU was heavily dependent
12 on PWW for its seasonal supply, and also needed substantially less supply from
13 PWW over the period of a year. With the Hudson Twin Wells in service PWW
14 supplied about 38% of PEU’s winter water demands (about 150,000 gpd) and
15 71% of PEU’s summer water demands (about 550,000 gpd). Under the current
16 operating conditions, PWW supplies 70% of PEU’s winter water demands and
17 about 85% of PEU’s summer water demands. These are material differences in
18 usage needs currently, and will continue for the next 3-4 years, at a minimum.
19 The ultimate result is that PEU will be purchasing an additional 40,150,000
20 gallons of water a year from PWW than it did prior to the closure of the Hudson
21 Twin Wells. This change in PEU usage from PWW allows PEU to guarantee a
22 larger amount of annual purchased water (0.40 million gallons per day (“MGD”)
23 versus 0.30 MGD or 33% more) from PWW than under the terms of the Current
24 Contract.

1 **Q. Are the rates in the Current Contract reflective of the current conditions?**

2 **A.** No. PEU's current rates are based on a guaranteed minimum annual usage that is
3 33% less than what PEU is currently willing to guarantee. PEU's 2017 usage
4 profile versus the one that PEU will commit to under the proposed amendment to
5 the Current Contract results in lower rates than the Current Contract rates. The
6 continued charging of the current rates for the remainder of the Current Contract
7 would result in PEU paying more to PWW for its purchased water than would be
8 just and reasonable, given PEU's change in water demands and PWW's cost to
9 produce water to meet that additional demand. For that reason, as requested
10 below, PWW and PEU are recommending the Commission approve the lower rate
11 for effect back to July 2021 to more accurately reflect PWW's cost to provides the
12 water supply to PEU.

13 **6. Cost of Service Study Used to Determine Just and Reasonable Rates**

14 **Q. How does PWW propose to establish just and reasonable rates to charge**
15 **PEU in the proposed amendment to the 2017 Wholesale Water Supply**
16 **Contract?**

17 **A.** The proposed rates are based on a COSS, using current needs and flows as a
18 basis.

19 **Q. Has a COSS been completed based on PEU's revised water demands on**
20 **PWW?**

21 **A.** Yes. An updated COSS was completed by David Fox of Raftelis Financial
22 Consultants, Inc. in the Fall of 2021. A copy of the COSS is attached to this
23 testimony as Attachment DLW-1. The COSS indicates that PWW should charge
24 PEU as follows:

- 1 1. Volumetric Charge of \$0.8240 per CCF and
- 2 2. Fixed Annual Demand Charge of \$190,981.
- 3 3. A monthly fixed meter charge of \$78.33 to cover PWW's cost to read,
- 4 maintain and test the meters in PEU's Merrimack River Booster Station.

5

6 These charges are detailed on page 5 of Attachment DLW-1, on the tab labeled as
7 Summary of Allocations to PEU. These proposed wholesale water rates provide
8 for the recovery of all of PWW's costs of serving PEU, based upon the
9 underlying factors and metrics of the contracted usage levels in the COSS. The
10 COSS is based on PEU purchasing a guaranteed minimum of 195,187 CCF per
11 year (which equals 0.40 MGD) with a maximum daily demand amount of 0.65
12 MGD and a maximum peak demand of 0.90 MGD. The COSS was prepared
13 following the American Water Works Association ("AWWA") recommended
14 allocation methodology as detailed in the AWWA Water Rates Manual and then
15 adjusted to reflect the revenue model approved for PWW in Docket No. DW 19-
16 084.

17 **Q. What is the basis of the expenses and capital investment used in the COSS?**

18 A. The COSS was prepared using PWW's current approved revenue model,
19 including: the operating expenses approved in DW19-084 (the OERR portion of
20 allowed revenues inclusive of the MOEF), 1.1 times the Principal and Interest for
21 all debt financing approved in DW19-084 (the 1.0 and 0.1 DSRR portions of
22 allowed revenues), and the City Bond Fixed Revenue Requirement (CBFRR).

23 The Volumetric Charge in the proposed contract would be subject to the 3.90%
24 and 1.56% Qualified Capital Project Adjustment Charges ("QCPAC") for 2019

1 and 2020 Qualified Capital Projects (“QCP”) approved in DW 20-020 and DW
2 21-023, as those are surcharges which were approved subsequent to the
3 permanent rates being established and approved in Docket No. DW 19-084. The
4 proposed Volumetric Charge would also be subject to future QCPAC charges
5 such as the 1.78% QCPAC being sought in DW 22-006 for 2021 QCP’s.

6 **Q. Did the COSS model also take into consideration recent changes in**
7 **consumption by other large users and other proposed changes to special**
8 **contracts?**

9 **A.** Yes. The COSS model used for PEU reflects the new Special Contracts currently
10 under consideration: (1) Anheuser-Busch, (2) Town of Hudson and the (3) Town
11 of Milford, and (4) the terms of each of those proposed contracts in terms of
12 guaranteed annual purchase amounts, annual average usage, peak day and peak
13 hour usage.

14 **Q. What are PEU’s current charges associated with the 2017 Wholesale Water**
15 **agreement?**

16 **A.** The current Volumetric Charge, as approved in DW 19-084 for PEU, is \$1.3920
17 per CCF. PEU currently pays an annual fixed fee of \$121,213 which was also
18 approved in DW 19-084. PEU also pays a monthly meter charge of \$42.46 for a
19 1-1/2” over six-inch compound meter which is based on the 2017 Wholesale
20 water contract and adjusted for the rate increase that was approved for the PWW’s
21 General metered customers in DW19-084. These rates, exclusive of the annual
22 fixed fee, are subject to any approved QCPAC’s, including the 3.90% approved in
23 DW 20-020 the 1.56% approved in DW 21-023 and the 1.75% QCPAC’s being
24 sought in DW 22-006 respectively.

1 **Q. Will the proposed PEU Volumetric Charge ever change other than to reflect**
2 **PWW's annual QCPAC adjustments?**

3 **A.** Yes, the Volumetric Charge will be adjusted by the same percentage and at the
4 same time as any future changes in the Volumetric Charge for general metered
5 service, as adjudicated by the Commission, which PWW charges to its core
6 system customers in the City of Nashua and the Town of Merrimack. PWW
7 routinely includes this type of adjustment term in special contracts which the
8 Commission approves, and therefore, PWW has included it in the proposed
9 modification of the Current Contract.

10 **Q. What were the primary considerations of the COSS?**

11 **A.** The COSS allocates to PEU a prorated share of the following PWW expenses:

- 12 1. 1.1 x the Principal and Interest (P&I) associated with PWW's investment
13 in source of supply facilities used to provide water supply to PWW's core
14 system.
- 15 2. 1.1 x P&I associated with PWW's investment in its Nashua water
16 treatment plant facilities.
- 17 3. 1.1 x P&I associated with PWW's investment in the water mains between
18 PWW's Nashua water treatment plant and the Merrimack River Booster
19 Station.
- 20 4. Expenses associated with operating and maintaining PWW's source of
21 supply facilities.
- 22 5. Expenses associated with operating and maintaining PWW's Nashua
23 Water Treatment Plant, exclusive of PWW's Snow Station expenses,

1 which is used exclusively to deliver water only into PWW's Northwest
2 High-Pressure system.

3 6. Expenses associated with operating and maintaining PWW's transmission
4 Mains and booster stations noted in paragraph 3 above.

5 7. Expenses associated with the general and administrative costs associated
6 with operating PWW.

7 8. Property tax expenses associated with PWW facilities noted in
8 paragraph's 1 through 3 above.

9 9. PWW's City Bond Fixed Revenue Requirement.

10 These expenses are listed in dollars in Attachment DLW-1 on pages 1 and 2 of
11 the COSS under "Allocation of Rate Base" and "Allocation of Revenue
12 Requirement". The allocation factors appear on pages 3 and 4 of the COSS. The
13 summary of allocation specific to PEU appear on page 5 of the COSS.
14 Supporting data appears on the remaining pages.

15 **Q. What is the basis for the facility investment level and operating and**
16 **maintenance expenses utilized in the COSS?**

17 **A.** The basis for the investment and expenses in the COSS were the Operating
18 expense levels, 1.1 times the P&I payments, 9.5% Material Operating Expense
19 Factor and PWW's City Bond Fixed Revenue Requirement, all as approved in
20 DW19-084.

21 **7. Terms of Proposed modified PWW-PEU Contract**

22 **Q. Please summarize the key provisions of the proposed Amendment to the**
23 **PWW-PEU Wholesale Water Supply contract.**

24 **A.** The key provisions of the proposed Amendment to the Current Contract, attached

1 as Attachment DLW-2, are as follows:

2 1. PEU will guarantee a minimum annual purchase 195,187 CCF (Average daily
3 flow of 0.40 MGD over a period of one year).

4 2. PWW will maintain its facilities to deliver a peak daily flow of 0.65 MGD and
5 a maximum hourly flow rate of 0.90 MGD to PEU.

6 3. PEU will pay a monthly bill, in arrears, consisting of three parts: a monthly
7 meter charge of \$78.33, a monthly fixed charge of \$15,197.07 (the COSS Annual
8 Fixed Charge divided by 12 months), and a monthly Volumetric Charge of
9 \$0.8240 per CCF. PEU will pay monthly volumetric charges based on actual
10 volumetric usage for the month.

11 4. At the end of each calendar year, PEU's actual volumetric usage for the year
12 will be compared to PEU's guaranteed annual minimum usage of 195,187 CCF.
13 In the event PEU has not used the guaranteed minimum annual usage of 195,187
14 CCF, the difference between the PEU minimum guaranteed annual usage of
15 195,187 CCF and the actual annual amount of usage by PEU will billed to PEU at
16 the volumetric rate in effect between PWW and PEU at the end of that calendar
17 year.

18 **Q. Please explain how each of the proposed charges comport with the**
19 **recommendations of the Cost of Service Study.**

20 A. The proposed charges match those detailed in the COSS based on the PEU's
21 guarantying the purchase of an average of 0.40 MGD and PWW reserving 0.55
22 MGD of production capacity and delivery capacity of 0.65 MGD Maximum Day
23 demand and 0.90 MGD Maximum Hour. See Attachment DLW-1, Excel Tab
24 "Sch 4 Cust Alloc Factors", or page 4 "Customer Allocation Factors", for these

1 usages and their relationship to other PWW wholesale customer usages.

2 The proposed monthly fixed meter charge of \$78.33 per month provides PWW
3 with a vehicle to collect the expenses associated with the reading of the meter and
4 billing PEU on a monthly basis in addition to the annual expense of testing the
5 meter. The proposed monthly fixed meter charge will be subject to the QCPAC
6 granted in DW 20-020 and DW 21-023, and that being sought in DW 22-006.

7 The monthly fixed charge ensures that PEU pays its share of the expenses
8 associated with the cost of capital associated with the water supply facilities that
9 are required to provide service to PEU, as well as PEU's share of the CBFRR,
10 regardless of its actual usage. This charge is fixed for the length of the contract
11 unless PWW is required to make an investment in the water supply facilities that
12 provide service to PEU. If PWW is required to make additional investment in
13 these water supply facilities it will complete a new COSS to determine the proper
14 allocation of PEU's expenses and return on the investment in its water supply
15 facilities that would be allocable to PEU. The COSS sets this rate at \$15,915.07
16 per month (or \$190,981 annually) based on the allowed usage volumes and rates
17 specified in proposed modified Current Contract.

18 The PEU Volumetric Charge was determined in the COSS as the rate necessary to
19 pay for the variable costs associated with producing PEU's water as well as
20 providing a prorated contribution from PEU toward PWW's Administrative and
21 Management, Water supply and Distribution expenses. The Volumetric Charge
22 established for PEU by the COSS was \$.08240 per CCF. This rate is based on the
23 DW 19-084 expenses and is subject to the QCPAC granted in DW 20-020 and
24 DW 21-023, and the QCPAC being sought in DW 22-006.

1 The guaranteed annual minimum usage Annual Demand Charge of \$190,981
2 ensures that PEU pays for its share of the expenses associated with the reservation
3 of capacity from the Nashua Water Treatment plant and provides rate stability in
4 the event PEU uses less water than the minimum amount.

5 **Q. What is the proposed term and effective date for the proposed amendment to**
6 **the 2017 PWW-PEU Wholesale Water Contract?**

7 A. The term of the proposed amendment to the Current Contract will remain the
8 same which is twenty years from the Current Contract's starting date of October
9 10, 2018. The terms of the proposed amendment to the Current Contract are
10 proposed for effect as of July 1, 2021.

11 **8. Retroactive Application of the Amendment to the Current Contract**

12 **Q. Why are the terms to the proposed amendment to the Current Contract**
13 **proposed to be effective as of July 1, 2021 as opposed to the actual date the**
14 **NHPUC approves the proposed Amendment to the Current Contract?**

15 A. As stated above, Hudson was required to shut off the Hudson Twin Wells on June
16 29, 2021. Therefore, and as a direct result of the Twin Hudson Wells be shut off,
17 PEU began taking additional water from PWW at the quantities prescribed in the
18 proposed Amendment to the Current Contract, but continued to pay PWW at the
19 approved Current Contract rates. Whereas the timing of the PEU change in
20 demand was a result of Hudson's Twin Wells being shut down, and given the fact
21 that the change in usage by PEU was driven by the contamination of Hudson's
22 Twin Wells, and since neither the Town or PEU were responsible for that
23 contamination of the Twin Wells, PWW believes it is appropriate for the terms of
24 the proposed Amendment to the Current Contract have a retroactive effective date

1 as of July 1, 2021. This effective date would result in PEU’s rates, throughout the
2 term of PEU’s expanded usage, to match the cost to PWW borne in providing this
3 service (based on the current COSS). Based on the rates proposed in the
4 Amendment being retroactive for a period of over a year (estimated July 1, 2021
5 to November 1, 2022, as the estimated date for this Amendment to be approved
6 and in effect), and based on:

- 7 (1) PEU’s projected usage over that time frame, and
- 8 (2) based on Current Contract PEU charges versus the rates proposed in
- 9 the Amendment to the Current Contract charges,

10 PWW would owe PEU a credit of about \$51,000 based on billings between July
11 1, 2021 and October 31, 2022. If the NHPUC approves the revised rates and the
12 Amendment to the Current Contract as approved effective as of July 1, 2021,
13 PWW would propose returning PEU’s “overpayment” over a period of 12
14 months.

15 **Q. If these demands changed on July 1, 2021, why did the Company wait nearly**
16 **12 months to file for an Amendment on this Contract?**

17 **A.** As noted above, there was a ripple effect associated with Hudson’s wells shutting
18 down and PWW’s largest users adjusting their usage. It has taken this past year to
19 conduct the appropriate, respective cost of service studies for Anheuser-Busch,
20 Hudson, Milford, and PEU.

21 **9. PEU’s Unique Usage Supports Approving Deviation from PWW’s Tariff**

22 **Q. Why should PEU have a special contract? Please explain how PEU is**
23 **different from PWW’s other customers.**

24 **A.** As a result of PEU’s change in usage it will become PWW’s 3rd largest customer

1 with a projected annual purchase amount in excess of 0.40 MGD or at least 146
2 million gallons per year. It should be noted that PWW's five largest volumetric
3 users (which would include PEU), are:

- 4 ▪ Anheuser Busch,
- 5 ▪ the Town of Hudson,
- 6 ▪ the Tyngsborough Water District, and
- 7 ▪ the Town of Milford.

8 All of these users are all PWW special contract customers.

9 Besides being one of PWW's largest customers, PEU owns its own infrastructure.

10 PEU has its own water storage tanks, which is beneficial to PWW, as it results in
11 PEU's usage being a level and steady demand, without troublesome hourly or
12 daily peaks during seasonal peaking periods. As noted above, the PEU Rate was
13 arrived at using a COSS approach and is appropriate under the circumstances
14 because it is more reflective of the actual cost to serve PEU, based upon the facts
15 detailed above, as opposed to the tariffed rate that would otherwise apply, absent
16 a special contract. The variable cost of producing water through the Nashua
17 Water Treatment plant in 2021 was about \$0.55 per CCF (based on a complete
18 carbon change out every two years, all chemicals and all power; power costs are
19 based on 100% of water being pumped from the Merrimack River) versus the
20 proposed PEU Volumetric Charge of \$0.8240 per CCF (\$0.8836 with the
21 QCPAC's applied from DW 20-20, DW 20-023, and DW 22-006). The proposed
22 PEU Volumetric Charge, along with the guaranteed annual purchase volume,
23 ensures that PEU pays a ratable share of PWW's administrative and general,
24 water supply and distribution expenses per the COSS.

1 **Q. What is the economic advantage of the proposed Wholesale Water Supply**
2 **Contract to PEU?**

3 A. If PEU were to continue to be billed at the rates in the Current Contract, which
4 consists of:

5 (1) a the Base Monthly Fixed Fee of \$10,101 per month ,

6 (2) the monthly fixed meter charge of \$42.46 per month, and

7 (3) a volumetric rate of \$1.3920 per CCF;

8 PEU's annual purchase water cost for 0.40 MGD (195,187 CCF per year) would
9 result in a total annual bill of \$393,422. Under the provisions of the proposed
10 Amendment to modify the Wholesale Water Contract, PEU's annual bill for 0.40
11 MGD of usage would be \$352,751 or an annual savings of \$40,671.

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

13 A. Yes. PWW believes that the Amendment to the Current Contract is just and
14 reasonable for PEU, PWW, and PEU and PWW's customers and is in the public
15 good. The proposed Amendment to the Current Contract results in PEU paying
16 its fair share of PWW's costs to serve it. PWW and its customers are guaranteed
17 an appropriate contribution to the fixed expenses associated with its water supply
18 facilities as well as a contribution to PWW's general and administrative, water
19 supply and distribution expenses during the duration of the contract. The annual
20 minimum usage requirement ensures that PEU is paying its fair share of PWW's
21 administrative and general expenses, WTP and Distribution expenses for the
22 duration of the Contract. In sum, PWW believes that the proposed Amendment to
23 the Current Contract is just and consistent with the public interest and that special
24 circumstances exist, as described above, that warrant deviation from PWW's

1 general tariff An updated statement of special circumstances has been attached as

2 Attachment DLW-4.

3 **Q. Does that complete your testimony?**

4 A. Yes.