

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 16, 2008 - 10:21 a.m.
Concord, New Hampshire

RE: DW 08-052
PITTSFIELD AQUEDUCT COMPANY, INC.:
Notice of Intent to File Rate
Schedules. (Prehearing conference)

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

Connie Fillion, Clerk

APPEARANCES: Reptg. Pittsfield Aqueduct Company, Inc.:
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. Locke Lake Colony Association:
Arthur Hoover, Esq.

Reptg. the Town of Pittsfield:
Laura A. Spector, Esq. (Mitchell...)

Reptg. Birch Hill Water District:
Kirk W. Smith

Reptg. Sunrise Lake Estates Association:
Jerri Waitt

COURT REPORTER: Steven E. Patnaude, LCR No. 52

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

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

Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
Stephen Eckberg
Office of Consumer Advocate

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

1

2

I N D E X

3

PAGE NO.

4

STATEMENTS OF PRELIMINARY POSITION BY:

5

Ms. Knowlton

11

6

Mr. Hoover

18

7

Ms. Spector

23

8

Mr. Smith

23

9

Ms. Waitt

24

10

Ms. Hollenberg

30

11

Ms. Thunberg

34

12

13

STATEMENTS FROM THE PUBLIC BY:

14

Mr. Brown

37

15

Ms. Kalar

39

16

Mr. Jones

40

17

Mr. Schroth

42

18

Mr. LeDuc

44

19

Ms. Poslusny

45

20

Mr. Crane

46

21

Mr. Powers

49

22

Ms. Batte

50

23

Mr. Preston

52

24

{DW 08-052} [Prehearing conference] (07-16-08)

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

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. Let me begin by explaining how the prehearing
4 conference will proceed this morning. I will start with a
5 brief procedural background and introduction for the
6 record. You'll notice that Mr. Patnaude, our court
7 reporter, will be compiling a transcript, and you will
8 also notice that there are microphones at the tables where
9 the parties are seated, and there is a microphone at the
10 podium. When you do speak, it's important to remember
11 that only one person can speak at a time, if Mr. Patnaude
12 has any chance of doing his job this morning. After the
13 background introduction, I'll take appearances. That
14 means I'll be asking that whoever will be speaking on
15 behalf of a party identify him or herself for the record.
16 This applies only to the parties who have petitioned to
17 intervene. And, I understand that there were indicators
18 on the tables for the parties, so I think we should have
19 some coordination for that.

20 After we take appearances, I'll address
21 the Petitions to Intervene. And, after addressing those
22 petitions, we will begin with the Applicant and provide
23 the parties an opportunity to state their positions about
24 the case. After all of the parties have had an

{DW 08-052} [Prehearing conference] (07-16-08)

1 opportunity to speak, then we will provide an opportunity
2 for public statements from customers. I understand that
3 forms have been distributed, it appears I have them in
4 front of me, that folks have had a chance to indicate
5 whether they want to speak or if they just want to submit
6 a written comment. And, I have those here and those will
7 be put in our docket file for the case.

8 I want to emphasize that this prehearing
9 conference is the beginning of a formal judicial process
10 that will have a number of additional steps that will
11 unfold over the coming months. The burden in this case is
12 on the Company to prove by a preponderance of the evidence
13 that it should be granted the relief that it seeks, in
14 this case seeking a rate increase. The Company has
15 submitted written testimony that will be subject to
16 discovery that will begin with a technical session
17 following the prehearing conference this morning. Its
18 witnesses will be subject to cross-examination, they will
19 be testifying under oath, the witness stand is to the
20 right of the bench up here, and the parties will be able
21 to cross-examine and the Commissioners will be able to ask
22 questions as well when we get to the hearings on the
23 merits, which will take place likely sometime in the fall.

24 Finally, it is likely that there will be

{DW 08-052} [Prehearing conference] (07-16-08)

1 an opportunity to file briefs. After that process is
2 complete, we will file a written or issue a written
3 decision. That written decision, as is the case in
4 superior court trials and other formal administrative
5 hearings, will be subject to rehearing, and ultimately to
6 an appeal to the New Hampshire Supreme Court.

7 After we close the prehearing conference
8 this morning, there will be a technical session to begin
9 the discovery process, and it will also be the opportunity
10 for the parties to discuss a procedural schedule, which it
11 will then -- the parties will submit in writing to us a
12 recommendation on the procedural schedule for the conduct
13 of this proceeding. And, we will issue an order that will
14 approve whatever the procedural schedule will be for this
15 case.

16 I also want to make sure that everyone
17 is aware that we will be holding some evening public
18 statement hearings in the service territories to hear from
19 customers who could not be here today, but we have not
20 finalized the dates and locations for those public
21 statement hearings. Having said that, I'll turn to the
22 introductory information for the record.

23 On May 2, 2008, Pittsfield Aqueduct
24 Company filed a petition for temporary rates and for an

{DW 08-052} [Prehearing conference] (07-16-08)

1 increase in permanent rates. Pittsfield Aqueduct seeks an
2 overall increase in gross revenues of \$957,641, and it
3 requests separate rates for its Pittsfield customers and
4 for its North Country customers. Pittsfield also requests
5 a step increase in rates to its North Country customers.
6 The proposed rate increases would result in an increase of
7 \$181.76 to the average annual residential bill for
8 Pittsfield customers and an increase of \$682.72 to the
9 average annual residential bill for North Country
10 customers. If approved, the new average annual
11 residential bill would be respectively \$593.58 for
12 Pittsfield customers and \$1,159.92 for North Country
13 customers. The Commission issued an order suspending the
14 proposed tariffs and scheduling the prehearing conference
15 and temporary rate hearing for this morning on May 23rd,
16 2008.

17 With that introductory information taken
18 care of, let me also point out that we have notice from
19 the Consumer Advocate that it will be participating in
20 this proceeding. We also have Petitions to Intervene on
21 behalf of Locke Lake Colony Association, the Town of
22 Pittsfield, the Birch Hill Water District, and the Sunrise
23 Lake Estates Association. I also note for the record that
24 the Company has filed the affidavits of publication that

{DW 08-052} [Prehearing conference] (07-16-08)

1 it was required to do, and also note for the record that
2 we have already received numerous customer statements for
3 all of the -- for Pittsfield and the North Country
4 customers.

5 I think that takes care of the formal
6 statements that I wanted to make as an introductory
7 matter. Let's then turn to appearances.

8 MS. KNOWLTON: Good morning, Chairman
9 and Commissioners. My name is Sarah Knowlton. I'm with
10 the law firm of McLane, Graf, Raulerson & Middleton. And,
11 I'm here today on behalf of Pittsfield Aqueduct Company.
12 And, with me from the Company today is its President,
13 Donald Ware, Bonnie Hartley, Charlie Hoepper, Dawn
14 Deblois, and John Bouvert. Thank you.

15 CHAIRMAN GETZ: Okay. Thank you.

16 CMSR. BELOW: Good morning.

17 CHAIRMAN GETZ: And, just for folks
18 understanding the process, we'll typically start with the
19 Company and move around to the intervenors, to the
20 Consumer Advocate, and finish with Staff. So, is there
21 someone from Locke Lake Colony Association to make an
22 appearance?

23 MR. HOOVER: Good morning. My name is
24 Arthur Hoover. I'm the attorney for Locke Lake Colony.

1 I'm from Alton, law office is in Alton. I have with me
2 the President of the Board of Locke Lake, as well as the
3 Executive Director.

4 CHAIRMAN GETZ: Good morning.

5 CMSR. MORRISON: Good morning.

6 CMSR. BELOW: Good morning.

7 CHAIRMAN GETZ: Town of Pittsfield?

8 MS. SPECTOR: Good morning, Mr.

9 Chairman. My name is Laura Spector, from the Mitchell
10 Municipal Group. I'm here on behalf of the Town of
11 Pittsfield. I have with me this morning two of the Town
12 Selectmen, Denise Morin and Linda Small, as well as the
13 Town Administrator, Leon Kenison.

14 CHAIRMAN GETZ: Good morning.

15 CMSR. MORRISON: Good morning.

16 CMSR. BELOW: Good morning.

17 CHAIRMAN GETZ: And, Birch Hill Water
18 District?

19 MR. SMITH: Good morning. I'm Kirk
20 Smith, Chairman of the Birch Hill Water District
21 Commissioners. I have with me Phil Jones, who is
22 Moderator for the Birch Hill Water District.

23 MR. JONES: Good morning.

24 CHAIRMAN GETZ: Good morning.

{DW 08-052} [Prehearing conference] (07-16-08)

1 CMSR. MORRISON: Good morning.

2 CMSR. BELOW: Good morning.

3 CHAIRMAN GETZ: And, Sunrise Lake
4 Estates Association?

5 MS. WAITT: Good morning. I'm Jerri
6 Waitt. I am President of the Sunrise Lake Estates
7 Association. And, I have with me two neighbors, Chris
8 Reeves and Janet Kalar.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 CHAIRMAN GETZ: Okay.

13 MS. HOLLENBERG: Good morning. Rorie
14 Hollenberg, here for the Office of Consumer Advocate.
15 And, with me today is Stephen Eckberg.

16 CHAIRMAN GETZ: Good morning.

17 CMSR. MORRISON: Good morning.

18 CMSR. BELOW: Good morning.

19 MS. THUNBERG: Good morning. Marcia
20 Thunberg, on behalf of Staff. And, with me today is Mark
21 Naylor, Jayson LaFlamme, Doug Brogan, and Jim Lenihan.
22 And, Staff just wishes to make an administrative note to
23 -- for your edification that Staff has been mingling about
24 with the attendees here today, and believes most of the

{DW 08-052} [Prehearing conference] (07-16-08)

1 customers are affiliated with a intervened representative.
2 So, I know that you had mentioned hearing customer
3 comments, but I believe they -- most of them have an
4 affiliate with an intervened person, just for your
5 edification. Thank you.

6 CHAIRMAN GETZ: Thank you. Okay. Now,
7 we'll turn to the Petitions to Intervene. Are there any
8 objections to any of the Petitions to Intervene?

9 MS. KNOWLTON: We have none.

10 CHAIRMAN GETZ: Okay.

11 MS. THUNBERG: Staff has none.

12 MS. HOLLENBERG: The OCA has none.

13 CHAIRMAN GETZ: Well, then, recognizing
14 that the Petitions to Intervene by Locke Lake, Town of
15 Pittsfield, Birch Hill Water District, and the Sunrise
16 Lake Estates Association have demonstrated rights, duties,
17 privileges or other interests that will be affected by
18 this proceeding, and acknowledging that there are no
19 objections to those petitions, we will grant all of the
20 Petitions to Intervene.

21 Next, we then turn to Ms. Knowlton to
22 state the Company's position in this proceeding.

23 MS. KNOWLTON: Thank you. I actually
24 have two procedural matters I want to address before I get

1 to the Company's opening position. And, the Company
2 submitted a motion for a waiver of certain provisions of
3 PUC Rule 1604.01(a), and we would ask that the Commission
4 grant that motion. In addition, I would note that the PUC
5 Rule 1203.02(c) required certain notice to customers,
6 individual notice to customers within 30 calendar days
7 from the date of filing. And, in this case, in the order
8 of notice the Commission ordered the Company to provide
9 individual notice to customers, so I believe that that
10 requirement has been satisfied. And, I just wanted to
11 point that out, at least from our perspective.

12 Thank you. The Company is very aware of
13 the significant -- excuse me -- the significant magnitude
14 of the rate relief it has requested in this case, and the
15 concern among its customers regarding the increase. The
16 request for higher rates is not something that the Company
17 did lightly, but rather it reflects the substantial
18 investment that the Company has made in its systems, and
19 in its North Country systems in particular, to comply with
20 legal mandates for drinking water systems and to ensure
21 that customers receive the quality of water service to
22 which they're entitled.

23 In essence, this case involves two
24 different requests for rate relief; one for the Company's

1 original Pittsfield system and another for the three
2 systems that it more recently acquired in the North
3 Country. With regard to Pittsfield, the Commission will
4 recall that just over ten years ago, in January of 1998,
5 Pennichuck Corporation acquired Pittsfield Aqueduct
6 Company, which at the time served approximately 657
7 customers in the Town of Pittsfield. Prior to
8 Pennichuck's acquisition of Pittsfield, Pittsfield was in
9 the process of completing construction of a water
10 treatment plant and the startup of the plant. The water
11 system had been in non-compliance with the EPA Surface
12 Water Treatment rules. The Company had no full-time
13 employees, and no one was trained or certified to operate
14 that plant. Pennichuck provided the technical and the
15 managerial resources that were necessary to fulfill those
16 needs in Pittsfield and was instrumental in the startup
17 and operation of that water treatment plant.

18 In the last ten years, Pittsfield
19 Aqueduct Company had one rate increase, which was granted
20 in 2003. Something that's remarkable, compared to what
21 other water utilities have experienced. The Company is
22 seeking a rate increase in this case because of
23 significant capital improvements it has made to its
24 systems, as well as increases in the cost of operation

1 that have occurred over the past four years. In the Town
2 of Pittsfield, the Company has made important improvements
3 over the past four years, including upgrades to the water
4 treatment plant process necessary to maintain compliance
5 with the Safe Drinking Water Act's finished water
6 turbidity standards.

7 As reflected in the Company's filing,
8 it's proposing different level of rate increases for
9 customers in Pittsfield and for those customers in its
10 other systems, which are often referred to as the "North
11 Country customers". The division of customers into two
12 rate classes is in large part the result of the Company's
13 cost of service study, which it filed with this case.

14 Given that the Company is proposing a
15 significant increase for the North Country systems, I want
16 to take a few minutes to provide some additional
17 background information specifically with regard to those
18 systems. In May of 2006, the Company acquired Central
19 Water Company and Consolidated Water Company, adding
20 approximately 1,100 customers to its customer base, and
21 expanded its operations into the Town of Middleton,
22 Barnstead, and North Conway. In Middleton, the Company
23 owns a system in the community of Sunrise Estates; in
24 Barnstead, at Locke Lake; and, in North Conway, the Birch

1 Hill community.

2 The Central Water Company and the
3 Consolidated Water Company systems had a long history of
4 problems, and were repeatedly in violation of state and
5 federal requirements governing drinking water, and were
6 the subject of difficult dockets here at this Commission,
7 some of which you may remember. It's fair to say that the
8 level of customer dissatisfaction with the quality and
9 quantity of water they were receiving was extremely high.
10 There have been very real public health issues with some
11 of these water systems that had to be addressed.

12 Since acquiring these systems,
13 Pittsfield Aqueduct Company has made and continues to make
14 significant capital improvements which have dramatically
15 improved the quality of water provided to customers, to
16 ensure that it meets the public health requirements, as
17 well as improving the supply so that it's reliable. All
18 of the improvements that are currently underway are
19 necessary to ensure an improved supply of reliable water
20 to customers and will be completed by the end of this
21 year.

22 Prior to their acquisition, some of
23 these systems were in significant non-compliance with
24 federal and state drinking water requirements. All of the

1 systems were experiencing water quality and water pressure
2 issues. There was no choice but to bring these systems
3 into compliance and with -- with state and federal
4 regulations, which exist to protect the public.

5 At the time the Company acquired these
6 systems, it indicated that, in order to get the systems up
7 to speed, it would have to operate them first to be able
8 to fully diagnose the problems and then determine the
9 appropriate solutions. The Company has undertaken
10 significant efforts to do that since May of 2006, from
11 gathering data from customers about the inadequacy of
12 their water service, installing water meters to obtain
13 reliable consumption data, undertaking an engineering
14 analysis of the distribution systems, meeting and
15 communicating with local officials and customers, to
16 addressing the always difficult issues that exist around
17 sources of supply.

18 The Company is pleased that it's been
19 able to significantly improve water service to its North
20 Country systems over the past two years. Unfortunately,
21 the capital projects required to bring the systems up to
22 speed come with a price. While some of the improvements
23 have been in service for an extended time without the
24 Company recovering its investment, the Company did not

{DW 08-052} [Prehearing conference] (07-16-08)

1 believe that it should come before this Commission and
2 request a rate increase until the customers had seen the
3 significant benefit from those improvements.

4 We've reached that time now, and the
5 rate relief that we're asking for is necessary to ensure
6 the Company remains strong and is in a position to
7 maintain and operate the system in the manner required by
8 law and justifiably expected by its customers. The
9 Company recognizes the significant impact of the proposed
10 rate increase on customers and wants to work with the
11 parties in this docket and customers on ways to ensure
12 that the Company has the capital that's necessary to
13 operate, while at the same time structuring rates in a way
14 that makes sense for customers. The Company has made and
15 continues to make substantial efforts to locate
16 alternative sources of funding for these improvements, and
17 welcomes the opportunity to work with parties and
18 customers on those efforts.

19 All of the Company's costs that are
20 included in this case will be audited by the Commission
21 Staff. The Company looks forward to providing Staff the
22 information that it needs to conduct that audit and to the
23 parties during the discovery process in this case. We
24 appreciate your time today and your consideration of the

1 Company's request. Thank you.

2 CHAIRMAN GETZ: Thank you. I'll turn to
3 Mr. Hoover, on behalf of Locke Lake. Let me just, before
4 we do that, in looking at the public statement forms, I
5 notice that there are forms submitted by Mr. Hoover and
6 Ms. Spector, Mr. Smith, and Ms. Waitt. So, I'll take
7 those out of the public statement forms, as I understand
8 you'll be making -- effectively making your statements on
9 behalf of the parties you represent at this point. So,
10 we'll start with you, Mr. Hoover.

11 MR. HOOVER: Good morning. I'm speaking
12 for a rather large group of people, around seven or eight
13 hundred of them, and many of them may have their own
14 comments to make. And, I was informed before we started
15 that one of the sessions, that your public sessions you
16 will be holding will be in Barnstead, and we'll have an
17 opportunity to attend that, because that was the first
18 thing I was going to ask for that we have that
19 opportunity.

20 I'm just going to categorize my remarks
21 in some very broad categories. So, I will not be terribly
22 specific, because I think the opportunity for that will
23 come later. The first issue is that we'd like a better
24 understanding of how it is that Locke Lake, which is --

1 borders Pittsfield, is now grouped in this rate system
2 with the North Country, and how that came about and how
3 the allocations were made. We don't have a full
4 understanding of that, and we think we're entitled to
5 that. Because, clearly, the rate increase for the Locke
6 Lake people is very significant, where the rate increase
7 for Pittsfield is not. So, we'd like a better
8 understanding of how that occurred. I am aware that the
9 stipulation that was filed in 2006, and which was approved
10 by the court, provides the opportunity for the Company to
11 make these adjustments. But we were supposed to receive
12 an annual report from them indicating what their
13 anticipated cost was going to be, what it was going to
14 cost for funding, what the interest rates were going to
15 be. And, to the best of my clients' knowledge, that
16 report has not been received. So, this is -- we're just
17 curious as to how we got to this point and how it is
18 separated into those categories.

19 Initially, the rate, when the Company
20 took over from Central, the rate actually dropped, because
21 we were assessed the same tariff as Pittsfield was
22 assessed, and it's been at that level until this petition
23 was filed.

24 We're also concerned about the method of

{DW 08-052} [Prehearing conference] (07-16-08)

1 borrowing, and, in turn, as a broad category, the interest
2 rates. We were informed by representatives of the Company
3 that they anticipated they would be borrowing from the
4 State Revolving Fund at a very favorable interest rate,
5 and they also looked into the possibility of obtaining
6 grants. They appeared before the Town of Barnstead
7 Selectmen, Board of Selectmen, and in that meeting
8 indicated that they were in it for the long haul, and they
9 were going to be looking at grants and low cost financing
10 in order to make these improvements and it would not be
11 that costly. The Town of Barnstead voted to cooperate
12 with them and participate in obtaining grants. That has
13 not happened. There was a survey apparently conducted, I
14 believe on behalf of the Company or someone, which
15 suggested that Locke Lake could not qualify for the grant
16 money because of the average income of the residents. We
17 think that that survey is incomplete. It didn't canvas
18 everybody, only a small percentage of the people. And, we
19 feel that, if it were accurately reported, that we might
20 very well qualify for the grant money. That is our --
21 That's one of the concerns.

22 We also note that part of the borrowing
23 was internal borrowing between the Company and one of its
24 other companies, and their interest rate was 7 percent.

{DW 08-052} [Prehearing conference] (07-16-08)

1 We'd like an explanation of that, as to how that happened
2 and why it happened, and I don't think that's -- that
3 shouldn't be very difficult to obtain.

4 It's interesting to note that, in
5 February of this year, Mr. Ware, from the Company,
6 appeared at the Board of Directors meeting of Locke Lake,
7 and indicated -- and said, this is the first time he came,
8 and said "Well, you're going to have a rate increase,
9 because we need to recapture some of our money that we've
10 invested in this process." And, he said "Your rate might
11 be as much as \$100." That's what we were told in February
12 of 2008 this year by an authorized representative of the
13 Company. The next thing we know is we get this order or
14 this petition saying that they're now looking for an
15 incredible rate which is far more than the \$100 that was
16 recited to us in February of '08.

17 The last category, not the last, but
18 perhaps the most important category is, as I read this, as
19 I understand it, and programs more information is
20 required, the total borrowing was around \$4 million, and
21 some of that is allocated to Locke Lake and some is
22 allocated to other projects that the Company had. That's
23 what we understand from the latest information we've had.
24 What they're looking for is a rate increase of

1 approximately \$957,000 a year to address that debt. And,
2 our numbers suggest that, if you run the numbers out that
3 they're calculating the rate increases, that the return
4 actually would be over a million, over a million dollars
5 on an annual return. And, I think -- I respectfully
6 request that somebody tell us, explain to us why you need
7 that million dollars to retire a \$4 million debt on an
8 annual basis, because they did say that this would be
9 amortized over an extensive period of time. That just
10 seems excessive, when you have \$4 million they're
11 collecting by their own numbers, at least \$957,000 a year
12 annually to address that issue.

13 And, finally, I don't think it needs to
14 be said, but it should be said, is the actual percentage
15 of the rate increase is extremely significant, and most of
16 these people can't afford to pay it. And, I leave it at
17 that. Thank you.

18 CHAIRMAN GETZ: Thank you. Just one
19 question.

20 MR. HOOVER: Sure.

21 CHAIRMAN GETZ: When you said the
22 "\$100", you meant "\$100 rate increase"?

23 MR. HOOVER: No, the bill would be \$100.

24 CHAIRMAN GETZ: All right. Thank you.

1 Ms. Spector.

2 MS. SPECTOR: Good morning. The Town of
3 Pittsfield is opposed to the rate increase on its
4 taxpayers and itself, on both the temporary and permanent
5 basis. It takes no position with regard to the rate
6 increase on the North Country customers. As this
7 Commission might recall, when Pittsfield Aqueduct Company
8 acquired the North Country customers, Pittsfield was very
9 concerned about the impact that acquisition would have on
10 its rates, and particularly the issue of whether
11 Pittsfield customers would be subsidizing those other
12 customers. We remain concerned about that. We request
13 time to be able to review the voluminous documents which
14 have been submitted, and I'm sure Staff needs that time as
15 well.

16 I will point out that, although the
17 proposed increase for the Town of Pittsfield looks
18 reasonable in comparison to the other proposed increases,
19 it's still a significant increase, and the Town is
20 concerned about it. I know there are other citizens of
21 the Town who wish to comment as well, but that is the
22 Town's position. Thank you.

23 CHAIRMAN GETZ: Thank you. Mr. Smith.

24 MR. SMITH: Good morning. Well, first,

{DW 08-052} [Prehearing conference] (07-16-08)

1 I'd like to say that the residents of Birch Hill have
2 enjoyed a much improved water system since Pittsfield
3 Aqueduct has taken over the system. We think they have
4 done a very good job. There have been -- There's no one
5 that I have talked to that has been dissatisfied with the
6 service provided. However, the people are concerned about
7 the rate increase, which is not a surprise. We don't
8 understand the details, as does Locke Lake, on how the
9 loans are going to be recovered over what period of time
10 and what the interest rates are. And, we understand that
11 our area does not qualify for the low cost loans based on
12 the survey that was run by Pittsfield Aqueduct Company.
13 But we are confident that the due process will clarify the
14 situation and we'll have answers to these questions.
15 Thank you.

16 CHAIRMAN GETZ: Thank you, sir.

17 Ms. Waitt.

18 MS. WAITT: Hi. I have a previously
19 prepared statement that basically goes over some of the
20 things that our people feel, and some of the information
21 I've come across in researching this. My name is Jerri
22 Waitt, and I live at Sunrise Lake Estates Development. I
23 am currently the president of the association there. I
24 moved to Sunrise Lake nine years ago, mainly because it

1 was affordable to me, as a single, working person looking
2 for a home, and what I bought was a summer camp. I work
3 in Derry, New Hampshire, in Rockingham County, but was
4 unable to find a home in that area that I could afford to
5 pay for. So, I looked in Strafford County. I found what
6 I was looking for. And, I have been making the 120-mile
7 daily round trip ever since. Because, unfortunately,
8 along with low housing prices in Strafford County came low
9 wage prices.

10 I made ends meet quite well the first
11 year, the first few years I moved there. I made
12 improvements to my new home so that it was more economical
13 to heat in the winter. I insulated the attic, removed the
14 siding, installed proper insulation, sheathing, ty-vek,
15 along with new siding, and I installed a fireplace insert
16 and shingled the roof. As the years have gone by, though,
17 the cost of living has increased, taxes have gone up,
18 firewood and propane prices are up, and gasoline prices
19 are through the roof, and my paycheck hasn't been keeping
20 up, and now Pittsfield Aqueduct wants \$96 a month for
21 water. I've reviewed the rates across the state, and this
22 proposed increase would make our rates the highest in the
23 state. And, it's more than I pay for electricity in a
24 month.

1 When Sunrise Lake Estates was first
2 developed, it was a resort community, for the more wealthy
3 people to have a summer home or camp. Originally, there
4 were approximately 61 camps, and every one was a seasonal
5 resident. Then, as time went by, some places were rented
6 out and they started getting sold. And, a lot of the
7 people who bought the old camps were not buying them for
8 seasonal residences, they were buying them because they
9 were affordable, and it was a home for themselves and
10 their families or soon-to-be families. The same reason I
11 bought at Sunrise Estates. Now, there are 80 homes, and
12 only 22 of them are seasonal, and some of those are for
13 sale. So, there are many residents at Sunrise Estates
14 that will find Pittsfield Aqueduct's 311.91 percent
15 increase a hardship to bear. I am sure even those that
16 are using their homes at Sunrise Estates as a second home
17 will not appreciate the added expense, not only because of
18 the amount, but, if the owner of the home decides to sell,
19 it may be difficult to find a buyer with such a high water
20 bill.

21 Back in the fall of 2005, when I
22 received Docket Number 05-132 announcing the proposed
23 merger of Consolidated, Central, and Pittsfield Aqueduct,
24 based on the initial letter I received, I thought it was a

{DW 08-052} [Prehearing conference] (07-16-08)

1 good idea. I knew Consolidated was a little lacking from
2 conversations with my neighbors and my own experience.
3 The only thing I was concerned with was that we got water
4 meters installed, so that I was no longer paying the same
5 for my water as my neighbor who had six people living in
6 his house. I didn't know, and the letter didn't say, and
7 I'd like to know why the letter didn't say, that Locke
8 Lake and Birch Hill needed extensive work. If the letter
9 had said that, Sunrise Lake Estates would have intervened
10 then as well, and perhaps we wouldn't be standing here
11 today.

12 Many of my neighbors at Sunrise Estates
13 have spoken to me about the fact that they have not seen
14 Pittsfield Aqueduct doing any major work in our area to
15 justify such an increase. I agree. I went online and
16 read the finished Docket Number 05-132. In it, it
17 explains in some detail how much work was needed at Locke
18 Lake and Birch Hill. So, those that attended the hearings
19 found out what this merger really entailed. And, I don't
20 blame Public Utilities Commission for approving it,
21 because it appears, the way things were going, neither
22 Consolidated or Central could handle the problems at Birch
23 Hill or Locke Lake, and Pennichuck and Pittsfield Aqueduct
24 could. Also, according to the finished Docket Number

{DW 08-052} [Prehearing conference] (07-16-08)

1 05-2 [05-132?], the Public Utilities Commission said, and
2 I'll thankfully add, "Pittsfield Aqueduct must maintain
3 separate accounting for each system until the next rate
4 case." And, these approved -- And, they approved the
5 merger because Pittsfield Aqueduct could obtain favorable
6 financing and had the backing of their parent company,
7 Pennichuck. But, in 2007, according to the dockets number
8 07-010 and 07-120, when Pittsfield Aqueduct applied for
9 financing, they were unable to get the applied for and
10 approved 3.488 percent over 20 years financing fast enough
11 for the summer construction period. So, they got
12 7 percent financing over 10 years to make the improvements
13 they needed to make at Locke Lake and Birch Hill, which I
14 realize is actually the same amount of money, but the time
15 period makes for much higher payments.

16 Is it Sunrise Lake Estates' or Locke
17 Lake's or Birchhill's problem that Pittsfield Aqueduct
18 couldn't get favorable financing for their construction?
19 Do the residents of these communities have to tighten
20 their belts because Pennichuck and Pittsfield Aqueduct
21 won't tighten theirs? Is it possible for Pennichuck to
22 spread the costs out company-wide like other utilities do?
23 I don't mean spreading the costs out among Pittsfield
24 Aqueduct customers, I mean all Pennichuck customers, all

{DW 08-052} [Prehearing conference] (07-16-08)

1 31,000 plus of them. \$4.3 million is a drop in the bucket
2 for that many customers. Is the fact that improved water
3 systems -- Is it a fact that the improved water systems
4 don't provide service to the 31,000 plus customers a
5 problem, so that Pennichuck can't charge them for the
6 improvements? If this is the case, Locke Lake system
7 doesn't provide service to Pittsfield, Birch Hill or
8 Sunrise, nor does any of the other systems provide service
9 to any of the other communities. Therefore, how can Locke
10 Lake, Birch Hill, Sunrise, and the Town of Pittsfield be
11 expected to pay for improvements -- for each other's
12 improvements. Locke Lake's improvements were 30 times
13 more than the improvements at Sunrise, and Birch Hill's
14 improvements were 14 times more than the improvements at
15 Sunrise. Is it fair or legal that the smallest community,
16 with the least improvements has to help pay for the larger
17 community systems, when they get nothing for their money?

18 I ask the New Hampshire Public Utilities
19 Commission to please consider our small community at
20 Sunrise Lake when making their decision on this matter.
21 This increase could be the last straw for many families.
22 Thank you.

23 CHAIRMAN GETZ: Thank you. Ms. Waitt.

24 CMSR. BELOW: Could I ask you to clarify

1 a point you just made. You said that the Locke Lake
2 improvements were "30 times as much as those done at
3 Sunrise".

4 MS. WAITT: Yes.

5 CMSR. BELOW: Is that in absolute
6 numbers or per customer?

7 MS. WAITT: That was based on an e-mail
8 I received that came from Don Ware, that itemized all the
9 expenses from 2005 until I believe present. And, Sunrise
10 was 76,000. Locke Lake's was 2.3 million, I believe.

11 CMSR. BELOW: So that would be in sort
12 of absolute numbers then?

13 MS. WAITT: Yes.

14 CMSR. BELOW: Okay. Just wanted to get
15 a sense of that. Thank you.

16 MS. WAITT: Okay.

17 CHAIRMAN GETZ: Thank you.

18 Ms. Hollenberg.

19 MS. HOLLENBERG: Thank you. This case
20 comes at a difficult time, when the costs of daily living
21 are increasing at a disturbingly fast pace. The news each
22 day is unrelentingly bad. Consumers are challenged to
23 meet ends -- to make ends meet, and the forecast for the
24 winter ahead is bleak. Rate increases are particularly

1 worrisome, though, when they are at the magnitude proposed
2 in this proceeding. No Public Utilities Commission
3 proceeding in recent history that I am aware of has
4 concerned rate increases of the magnitude proposed in this
5 case, more than 300 percent for some customers, those
6 receiving service in Locke Lake, Birch Hill and Sunrise
7 Lake's communities. If approved, the proposed rates for
8 these "North Country customers", as the Company calls
9 them, will be the highest in the State of New Hampshire.

10 Although the number of customers
11 impacted is relatively small, when compared to some of the
12 larger electric and gas utilities in the state, this case
13 is no less significant and deserves no less scrutiny and
14 attention by the PUC and its Staff, which is well equipped
15 with the economic and engineering expertise to scrutinize
16 the case.

17 In light of the heightened public
18 attention to this case, we think it's important to take a
19 moment at this time to explain the OCA's role in this
20 proceeding. I do this for those who do not work with us
21 on a regular basis. And, for those of you who do, I ask
22 your indulgence for a moment.

23 The Office of Consumer Advocate is an
24 independent state agency, which is charged by statute to

1 represent the interests of residential utility customers.
2 Although we are administratively attached to the Public
3 Utilities Commission for the purposes of our budgeting, we
4 are a separate agency. We are not private attorneys and
5 we do not represent individual consumer interests.
6 Rather, we advocate for the interests of all residential
7 utility customers. The Office of Consumer Advocate's
8 statutory charge puts us in a challenging position in this
9 proceeding, as it involves the interests of customers in
10 four different communities, and a proposal to drastically
11 alter the way in which the Company's costs are recovered
12 from these customers.

13 Without going into specifics, and as
14 evidenced by the statements made this morning, even at
15 this early stage in the proceeding, we can see a number of
16 ways in which the interests of these customer groups may
17 conflict. Rather than advocating for the interests of one
18 of these communities individually, the OCA's role in this
19 proceeding will be to investigate the Company's filing and
20 to advocate a result that we believe is the most just and
21 reasonable to all the Company's customers. We will be
22 guided in this effort by our advisory board, which
23 includes representatives of a broad spectrum of customer
24 interests, including low income, individuals with

1 disabilities, and the general public.

2 Since the Company filed its request for
3 rate increases, the OCA has heard from a number of
4 customers in these communities, particularly those living
5 in the North Country. We want them, the Company, and the
6 PUC to know that we are concerned about rate increases,
7 too. We are pleased that customers from these communities
8 will be proceeding -- will be participating in these
9 proceedings, as they are the best advocate of their own
10 individual concerns. To the extent that the customers
11 have questions about the process, we encourage them to
12 contact the PUC's Executive Secretary, Debra Howland. The
13 PUC also has information on its website about
14 participating in adjudicative proceedings, such as this
15 one. While not authorized to represent individual
16 customers, we at the OCA are available to answer
17 procedural questions.

18 At this time, the OCA does not have a
19 position on the Company's filing and rate relief
20 requested. We plan to participate in discovery and in all
21 other process included in the schedule that we expect will
22 result from today's technical session. Any position that
23 we ultimately take will be informed by this process and by
24 the guidance we receive from our advisory board. As

{DW 08-052} [Prehearing conference] (07-16-08)

1 always, we will work with the parties and Staff to ensure
2 that the proposal made by the Company is thoroughly
3 reviewed. Thank you.

4 CHAIRMAN GETZ: Thank you. Ms. Amidon.
5 Or, I'm sorry, Ms. Thunberg.

6 MS. THUNBERG: Thank you, Mr. Chairman.
7 Staff will conduct its usual thorough investigation of
8 this rate case. It will conduct discovery. As you have
9 mentioned earlier, it will conduct a full audit of the
10 Company's financial documents. And, Staff will be filing
11 testimony on issues that will include revenue requirement,
12 rate of return, cost of equity, and rate design. Staff
13 and this Commission have been aware for time time about
14 the quality of service issues at Locke Lake, Birch Hill,
15 and Sunrise Estates.

16 In 1996, Locke Lake, Sunrise Estates,
17 and Birch Hill were experiencing water quality problems,
18 and the systems were sold in the hope that the new owner
19 would make necessary capital improvements. This did not
20 happen. The owner could not obtain financing in the
21 amounts that were adequate for the work needed.
22 Essentially, only band-aids were applied, when actually
23 surgery was needed.

24 In the early 19 -- early 2000's, the
{DW 08-052} [Prehearing conference] (07-16-08)

1 Commission opened an investigation into the previous
2 owner's service quality problems at Locke Lake and Birch
3 Hill, and ultimately these systems were purchased by
4 Pittsfield Aqueduct in 2006. That docket was DW 05-132.
5 And, since 2006, as you have heard from the Company, it
6 has been able to make the long overdue capital
7 improvements to these systems, and many customers have
8 written to the Commission acknowledging that their water
9 service has improved. Staff is pleased that these systems
10 finally have a solvent owner -- a financially solvent
11 owner, rather, who can ensure customers receive safe and
12 adequate service pursuant to RSA 374:1.

13 Staff recognizes the major issue in this
14 case is the magnitude of the proposed rate increase for
15 the so-called "North Country customers". It is
16 unfortunate that the cost of the capital improvements
17 could not be spread over years, as they should have been,
18 and are being absorbed in one fell swoop with a over
19 300 percent increase in rates for an average user in the
20 North Country systems. This rate increase in and of
21 itself is unprecedented. Staff is sympathetic to the rate
22 shock that this type of increase can cause and will
23 actively pursue the Commission's policy of gradualism and
24 mitigation of rate shock. Staff will be giving a great

{DW 08-052} [Prehearing conference] (07-16-08)

1 deal of thought to rate design and the possibility of
2 phasing the rates in over time or building in inclining
3 block rate structures, which we do not have -- we do not
4 see much of in water rates right now. This will be a
5 delicate balance, because the Company has a right to
6 timely earn a rate of return on its investments, and
7 customers have a right to just and reasonable rates.
8 Staff expects to lead a frank and open discussion with the
9 Company and Intervenors to see what common ground exists
10 and how best to get through this difficult case.

11 With respect to the capital
12 improvements, it is not a forgone conclusion that these
13 capital improvements meet the "prudent, used and useful"
14 test of RSA 378, and Staff will be looking at those
15 capital improvements to assure that they meet "prudent,
16 used and useful".

17 With respect to the Company's request to
18 waive certain filing requirements, on the record now Staff
19 does not oppose that request, but will be filing a formal
20 position with the Commission later today. And, Staff
21 looks forward to working with the Company and intervenors
22 in the technical session after this prehearing to explore
23 some of the issues that were raised this morning. Thank
24 you.

1 CHAIRMAN GETZ: Thank you. Is there
2 anything further from the parties before we open up to
3 public statements from the customers?

4 (No verbal response)

5 CHAIRMAN GETZ: Okay. Hearing nothing,
6 from the parties, then I have a number of forms indicating
7 that certain customers would like to speak this morning.
8 And, I'll just take them in the order in which I was given
9 them. And, the first name is Gordon Brown, Jr.

10 MR. BROWN: Mr. Chairman, my name is
11 Gordon Brown. I live at 66 Attitash Lane, in Birch Hill.
12 I have just really two questions or two statements to
13 make. Number one, about a year and a half ago we were
14 visited by a thing called "Giagardia", I believe it's
15 called, which is an intestinal disease usually started
16 because of water or something like that. Some of us were
17 only hit lightly; some were hit very, very hard, one
18 individual in particular. That seems to have cleared up,
19 although most of us do not drink the water. We buy
20 bottled water, because we feel a little safer that way.
21 We bathe, we wash our dishes and we wash our clothes in
22 the water.

23 As far as the other thing is concerned,
24 that I have a concern with, is that they want a meter

1 change -- or, a meter charge on the 5/8ths inch meters
2 that we have. Right now we're paying \$123.24 on an annual
3 basis. They want to move that up finally to \$507.60.
4 Now, a meter is just a meter. It doesn't increase in
5 value, it doesn't decrease in value. It requires, I
6 think, some kind of perhaps maintenance over a period of
7 time. But a meter doesn't run over \$500, even this kind
8 of meter, as far as I can find out from the people I've
9 contacted. And, I just can't see why we're going to have
10 to pay for that meter annually more than it costs
11 individually. So, under those circumstances, I would like
12 to have somebody take a look at it, just to see what is
13 going on there.

14 As far as the -- As far as the
15 satisfaction is concerned, I had one problem prior, and
16 I've lived in that house since 1970, I had one problem
17 prior to the takeover by Pittsfield Aqueduct. And, that
18 particular problem was the line broke in the street, it
19 was repaired within two days. So, I really had no
20 argument about it. I've had a problem since, and that was
21 just about a month ago, when my water pressure went down,
22 and that was taken care of about a day later. So, under
23 those circumstances, I think that, as far as we're
24 concerned, this is a prohibitive kind of charge to be made

1 against -- against us, and I say "against us" because
2 we're paying a pretty healthy fee for water that some of
3 us consider is undrinkable, even though we are assured
4 that it is through letters and tests. But we've all been
5 visited by or some of us have been visited by some rather
6 intestinal ailments that we don't wish to have again.
7 Thank you.

8 CHAIRMAN GETZ: Thank you. Janet Kalar?
9 "Kaler"?

10 MS. KALAR: Kalar. That's okay. Better
11 than the way most people pronounce it. Hi. I'm Janet
12 Kalar, and I live at 20 Dudley Drive, in Middleton. And,
13 back when Pennichuck, well, Pittsfield Aqueduct took over
14 for Consolidated, we were sent letters telling us that our
15 bill wasn't going to rise more than \$3.00 a month. We got
16 this thing here that says "a typical customer would end up
17 paying \$36.67 a month". My first bill was over \$100.
18 Took three months to get them to come in and test the
19 meter. They tested the meter and said "nothing was
20 wrong", but they changed the meter. My bills dropped
21 above \$40. But, even at that, my bills still run between
22 \$66 and \$86 a month. Now, if you take that \$66 bill
23 currently, and they raise it to the 311 percent, just the
24 water alone is going to cost us \$205.80 a month. My new

{DW 08-052} [Prehearing conference] (07-16-08)

1 budget for my oil is 294. Why am I going to technically
2 be paying more for water than I'm going to pay for oil?
3 Water is a natural resource.

4 The state gives USA Springs, and I
5 understand they're in bankruptcy, but gives USA Springs
6 the right to withdraw 400,000 gallons of water a day from
7 the aquifer down in Nottingham, and turn around and sell
8 it. They're not getting charged for it. But they're
9 selling something that they're getting out of the ground
10 for nothing. Yet, we have to pay for a natural resource?
11 I don't think so. Something's wrong here. This just
12 isn't right. Considering, like Jerri said, all they have
13 done in our town or in our water district is \$76,000 worth
14 of work. It doesn't amount to much, and yet we're going
15 to pay for everybody else? No. I'll put a well in before
16 I pay this kind of money. This is not right. Somebody
17 has got to change it. And, you're not getting any answers
18 from the water company at all. So, that's my complaint.

19 CHAIRMAN GETZ: Thank you.

20 MS. KALAR: Thank you.

21 CHAIRMAN GETZ: Bill Jones.

22 MR. JONES: Thank you, Commissioners. I
23 speak as Bill Jones, and not as the moderator of Birch
24 Hill Water District. But my contacts with Pennichuck and

1 the Staff have been excellent. As a matter of fact, last
2 Saturday night, at 8:30, I was visited by the crew that
3 was working up there to increase the pressure. And,
4 subsequently, they put a meter on my house, a pressure
5 meter. We saw the pressure go from 30 pounds, just under
6 30 pounds, to over 45 pounds. That was an effort that was
7 done by the employee of Pennichuck. It's been the
8 consistent kind of service that we've had since Pennichuck
9 took over the system.

10 I understand that the impact of the rate
11 increase is going to be tremendous. It's tremendous on
12 me, too. I pay the same bill. We all pay the same bill.
13 To see my water bills go from under \$250 a year, to over
14 \$100 a month, at my state of life, is a hardship. I would
15 ask probably the Staff if we could look at the formula,
16 which I downloaded, the formula that you normally use,
17 percentage of the meter charge versus the consumption
18 charge. And, I understand the meter charge is not paying
19 for the actual meter, but is paying for the system that
20 delivers the water.

21 I would suggest that maybe there could
22 be a allowance by the Commission to allow Pennichuck to
23 have a temporary adjustment of the formula meter charge
24 versus consumption charge, because in our area of Birch

1 Hill, we have a number of residences that are second homes
2 or rental units for people that don't live there. We are,
3 as residents, using most of the water, and we're paying
4 most of the burden. And, I think, if the meter charge was
5 increased percentagewise in the formula, it would help
6 those of us that live there. It would make it a little
7 bit more fair and equitable. And, I'll gladly discuss
8 with Staff if that comes to that.

9 Again, I have praise for Pennichuck in
10 their service that they're delivering, their schedules
11 that they've submitted to us, and I've had to moderate the
12 meetings have been held to. All I can say is, you know,
13 the hardship is there. We're paying for water. It's a
14 necessary thing. The water we are now getting is coming
15 from North Conway Water Precinct. It's sampled and tested
16 frequently. It's excellent water. I drink a lot of it
17 each and every day. And, I'm 76 years old, and I'm
18 considered very, very healthy. Thank you.

19 CHAIRMAN GETZ: Thank you. Dan Schroth.

20 MR. SCHROTH: Yes. Good morning. My
21 name is Dan Schroth. I'm from Pittsfield. I live on the
22 outskirts of Pittsfield, but we fight like crazy when it
23 comes to our downtown, because we all work on our downtown
24 to make it better. That's very important. So, I care a

1 lot about their water increases. A friend told me "Water
2 is the new oil." I think he's onto something.

3 If Pennichuck and Pittsfield had 682
4 users in 1998, how many users have we increased since
5 1998? Hasn't this been an increase in Pennichuck's
6 revenue? I don't have that answer, because I didn't get
7 that idea until I heard it a little bit here. But I would
8 like somebody to look at that. I mean, we've had some
9 growth. Maybe some of them have hooked onto the water
10 system. I mean, that's going to increase the revenue
11 right there.

12 It was mentioned "rate of return".
13 Well, in today's world, the rate of return should be less
14 than what they originally came up with. I don't know if
15 you're looking at the rate of returns lately. It's not
16 what they probably, you know, I mean it's changed since
17 when they first came up with this rate increase, look
18 what's happening. In my business, in order to get a stone
19 job, I'm a stone mason, I had to reduce my rate by
20 30 percent this year in order to get everybody working. I
21 just wanted people to know that. That's what it takes in
22 business right now, you have to reduce your rate in order
23 to work.

24 Pittsfield is trying to buy our water.

{DW 08-052} [Prehearing conference] (07-16-08)

1 Giving them no increase will be an incentive to sell, to
2 get our water back. That's my position. As a community,
3 we are struggling to keep our downtown alive. Talking to
4 landlords, individual apartment dwellers are moving out
5 and doubling up, because of the cost of housing. People
6 are realizing they can't afford their own place and
7 they're doubling up. What's happening is there's a glut
8 of empty apartments in Pittsfield that's going to get
9 worse. There's a high vacancy rate. And, you couple that
10 with the rise in taxes and the increase in heating oil, in
11 the last three years we've had increases in taxes, this 44
12 percent water increase will be the death of many buildings
13 in our town. It's a slow death, caused by lack of
14 maintenance. And, that's probably what we've got to look
15 forward to with these increased costs.

16 The selectmen are working on a
17 zero percent tax increase this year, and have asked the
18 school to do the same. Pennichuck is going to screw that
19 up. That's all I got to say.

20 CHAIRMAN GETZ: Thank you. Gerard
21 LeDuc.

22 MR. LeDUC: Good morning, Mr.
23 Commissioner. I was serving on the Planning Board in
24 Pittsfield when their water facility was put in. I could

1 have swore that construction that they're asking us to pay
2 for now was part of that building. I don't see we need to
3 have a rate increase. I feel that that was part of the
4 original plan of that facility. Thank you.

5 CHAIRMAN GETZ: Thank you. Patricia
6 Poslusny.

7 MS. POSLUSNY: I won't -- I'm not going
8 to walk up to your microphone, but I think you can hear
9 me, in all likelihood. I'm actually here representing a
10 son who lives in Locke Lake and a daughter who has a
11 summer home there. My son is a full-time resident. He
12 lives alone. He's, unfortunately, disabled. And, with
13 the increases of everything, including this water
14 increase, he will probably have to give up his
15 independence and his home, in all likelihood, he'll move
16 in with me, but that would be fine. I just don't want to
17 have to see people like himself, who does work hard,
18 doesn't ask for anything, have to give up their
19 independence.

20 On the other hand, my daughter, as I
21 said, is a summer home, she does have a little bit of
22 money, and thank goodness. But I was listening to a
23 comment made about the demographics that there's a lot of
24 people there with money. I think that's not the case

1 today. I think more of those people are year-round
2 residents, who are -- a lot of whom are retired or on
3 fixed incomes. And, that really does need to be taken,
4 you know, looked at quite seriously. Thank you.

5 CHAIRMAN GETZ: Thank you. Dave Crane.

6 MR. CRANE: Thank you, Commissioners.
7 I'm a resident of Locke Lake. I'd like to start out by
8 stating that I will freely admit that I have very good
9 water service. I have adequate pressure. I have adequate
10 volume. The only times that I've had problems with
11 pressure or volume are when the power goes out. I don't
12 think that's Pennichuck's fault.

13 The problem that I have is that I had
14 very good service before Pennichuck bought the system.
15 I've never, in the five years that I've been there, had a
16 problem with pressure. I've never had a problem with
17 volume. So, I'm not sure why these supposed improvements
18 for those problems needed to be made. I spoke with a
19 technician when he was out working in front of my house,
20 probably a year or two ago, and somewhere in the
21 conversation I mentioned that I never had a problem with
22 water pressure. He looked at me like I had three heads.
23 He said "Well, you're at the end of the line. If anyone
24 in this development should have a problem with water

{DW 08-052} [Prehearing conference] (07-16-08)

1 pressure, it should be you." So, I have no doubt that
2 probably people have complained about water pressure.
3 That's human nature sometimes to complain. Maybe they had
4 problems. But I had never had any. So, I really don't
5 see any need to increase rates. I don't think making
6 improvements for something that wasn't a problem to begin
7 with falls under the prudent use that the Staff mentioned
8 earlier.

9 I will admit that, obviously, the
10 standards for arsenic changed, and that brought us out of
11 compliance, and those improvements had to be made, and I
12 have no problem with the costs incurred, prudent costs
13 incurred to make those changes. I do have an issue, I do
14 remember shortly after Pennichuck bought the system
15 attending a hearing that one of their representatives came
16 to and he said they were aware of the arsenic problem,
17 that it came up in their due diligence when they were
18 buying the property, and that Consolidated was going to be
19 paying or Central Water Company was going to be paying for
20 the cost of those improvements. So, I'm not sure why
21 Pennichuck is asking to be reimbursed for that, if that
22 was the case. And, I would ask Staff to look into those
23 sales agreements to see if that was the case.

24 I would also like the Staff to look into

{DW 08-052} [Prehearing conference] (07-16-08)

1 the prudence of this. I know there is a tendency among
2 public utilities, and I know this as an employee of a
3 public utility. There are rumors in our company that
4 "It's okay to go ahead and invest whatever in the system,
5 because you'll get it back plus nine percent or whatever
6 the ROE is that the Commission deems necessary." I can
7 tell you that's not the way I look at my job, and I don't
8 believe that's the way any of my co-workers look at it. I
9 haven't questioned upper management to see if that's how
10 they look at it. I don't intend to, I need to stay
11 employed, especially if we see this kind of a water
12 increase. But it does seem to -- that, when I had no
13 problems with service before, before Pennichuck bought,
14 when I have no problems afterwards, they seem to have
15 invested money just so they could get a return. That's my
16 concern. And, I would hope that Staff would take a very
17 hard look at that, especially with the kind of increase
18 that they're asking. This is, I think, unprecedented,
19 certainly unprecedented in the 20 years that I've been
20 involved with public utilities in this state. It's
21 outrageous, it's unreasonable, and I don't find any way
22 that it is justifiable. Thank you.

23 CHAIRMAN GETZ: Thank you. Michael
24 Powers.

1 MR. POWERS: Good morning, your Honor.
2 My name is Michael Powers. I'm also a resident of Locke
3 Lake. I'm glad somebody else mentioned it, because my
4 wife also came down with Giardia last year, as well as my
5 two year-old son and my five year-old sone; I didn't come
6 down with it because I was deployed in the theater. My
7 wife is stuck at home, taking care of herself. I mean, we
8 had great water beforehand, and now we get this problem
9 with this new company comes in, and my wife gets sick
10 while I'm gone, and I can't do anything about it. Now, we
11 had no idea what the source of the problem was, and the
12 doctors didn't know where it was coming from. Now that
13 he's mentioned it, it makes sense, because my wife was
14 feeding my sons water, because that's all they would take,
15 they wouldn't eat, they couldn't drink, they wouldn't
16 sleep right. So, my wife kept feeding the problem. It
17 took almost eight months to completely irradicate the
18 house of the problem.

19 My other problem is, I got hurt while I
20 was mobilized, and I'm unable to work at this point. Now
21 I'm on a fixed income. I don't make a lot of money,
22 because I didn't serve 20 years in the military, I only
23 served 17 and a half. And, they retired me medically.
24 I'm going to get my VA pension, but it's still not a lot

1 of money.

2 Now, my biggest concern is, when they
3 shut off my water because I can't afford to pay it, what
4 kind of benefits are they going to get out of it, because
5 there's no way I'm going to be able to afford the
6 328 percent increase that's going to happen from what they
7 have said. And, my thanks to the board for their time to
8 take a look at this. Thank you.

9 CHAIRMAN GETZ: Thank you. Jody Batte.

10 MS. BATTE: "Batte".

11 CHAIRMAN GETZ: "Batte".

12 MS. BATTE: Good morning. I'm new to
13 New Hampshire in the last year. My husband and I recently
14 retired from the United States Navy and chose New
15 Hampshire for its beauty and its affordability. This
16 increase, for my husband and I, we would be able to handle
17 it, but my concern is my surrounding neighbors, who have
18 lived there for years, mostly are those of lower incomes,
19 fixed incomes, young families. And, for some of these
20 persons, this is going to be the last step. They're going
21 to have to sell their homes or they're going to go into
22 foreclosure. And, the concern now is with this, how are
23 they supposed to sell their homes? Who's going to want to
24 move to a community where your water bill is more than

1 your power bill? And, it just concerns me.

2 I understand the improvements made to
3 the water system, compared to the old one, are very good.
4 I don't have complaints about that. I understand that the
5 Company needs to be paid for the upgrades that they made.
6 But can't we do it over a slower amount of time, so these
7 poor young families and people on fixed incomes have a
8 chance to make it through yet what's going to be another
9 very hard winter. Thank you.

10 CHAIRMAN GETZ: Thank you. That
11 completes the list I have of customers wanting to make
12 public statements. It looks like there's a number of
13 written comments, and it also looks like there's a number
14 of Locke Lake customers who initially indicated they
15 wanted to speak, but have decided to coordinate with the
16 presentation by Mr. Hoover and the other statements of the
17 customers.

18 So, with that, are there any other, turn
19 back to the parties, are there any other issues that we
20 need to discuss? Sir?

21 MR. PRESTON: Good morning. My name is
22 Gordon Preston. I did withdraw, but I would like to have
23 a brief word. I'm Chairman of the Board of Selectmen in
24 Barnstead.

1 CHAIRMAN GETZ: Okay. Please, if you
2 could come up. And, let me just make sure I understand,
3 you did fill out a form?

4 MR. PRESTON: Pardon?

5 CHAIRMAN GETZ: You did fill out a form,
6 but --

7 MR. PRESTON: Yes, but then it was
8 agreed in the prehearing that we would have one speaker.
9 I would like 30 seconds.

10 CHAIRMAN GETZ: Please.

11 MR. PRESTON: It's clear from these
12 hearings what we're looking at is what the Company is
13 looking for in the way of a rate of return. The fact that
14 they -- a utility company like this, with all its
15 expertise, has failed to negotiate long-term financing is
16 a management problem of the Company. It should not be
17 passed onto the ratepayers. In other words, I don't
18 believe that they are managing this company fiscally. If
19 they made mistakes, its the shareholders of the Company
20 that should pick it up, not the ratepayers. They should
21 come back, and let's discuss with the town, because we
22 voted on this, that we would help them with block grants,
23 etcetera. But this should not be passed onto the
24 consumer, if it's a management mistake. Thank you.

{DW 08-052} [Prehearing conference] (07-16-08)

1 CHAIRMAN GETZ: Thank you. Okay,
2 turning back to the parties, anything else that we need to
3 discuss, before we close the prehearing conference and
4 move onto the technical session?

5 MS. KNOWLTON: We have nothing further.

6 CHAIRMAN GETZ: Okay. All right. Then,
7 we will close the prehearing conference, a technical
8 session will follow, and we will wait for a proposal from
9 the parties with respect to a procedural schedule. Thank
10 you, everyone.

11 (Whereupon the prehearing conference
12 ended at 11:26 a.m. and the Staff and
13 the parties convened a technical session
14 thereafter.)

15

16

17

18

19

20

21

22

23

24

