

# **PETITION**

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

RE: PITTSFIELD AQUEDUCT COMPANY, INC.

DOCKET NO. DW 13-128

**PETITION FOR TEMPORARY RATES**

Pittsfield Aqueduct Company, Inc. ("PAC" or the "Company"), pursuant to RSA 378:27 and 378:29, petitions the New Hampshire Public Utilities Commission (the "Commission") to fix, determine and prescribe, effective with service rendered on or after July 1, 2013, reasonable temporary rates pending the Commission's final decision on the Company's request for permanent rate relief in this docket. This filing is made in accordance with Paragraph III. B. 5. of the Settlement Agreement approved by the Commission in Order No. 25,292 (November 23, 2011) in Docket No. DW 11-026 (Settlement Agreement). In support thereof, the Company states as follows:

1. On April 29, 2013, in accordance with Puc Rule 1604.05, the Company filed a Notice of Intent to file Rate Schedules with the Commission and the Office of Consumer Advocate.
2. Contemporaneous with this Petition for Temporary Rates, the Company is filing revised tariff pages to Tariff NHPUC No. 5 - Water, proposing an increase in the Company's permanent rates. The Company is proposing a permanent rate increase of 9.34%, which will generate an additional \$63,909 in annual operating revenues. The proposed rates are based on a December 31, 2012 test year.
3. As described in the testimony of Donald L. Ware in support of Temporary Rates, the Company is requesting that the Commission grant it an increase in annual

operating revenue of \$47,878 on a temporary basis, which represents an overall increase of 7%. The Company has calculated its revenue deficiency for purpose of temporary rates based on 75% of the Company's pro forma test year, which is significantly less than the Company's actual performance during the test year with no pro forma adjustments, based on its books and records on file with the Commission. The Company requests that the temporary rates take effect on July 1, 2013, on a service rendered basis.

4. As set forth in Mr. Ware's testimony, current rates do not provide funds sufficient to cover the costs of short term borrowings. The Company therefore seeks temporary rates to generate revenues sufficient to minimize borrowing to maintain operations. Based on Mr. Ware's testimony, temporary rates as proposed are just and reasonable, and therefore should be granted.

WHEREFORE, the Company respectfully requests that the Commission:

- A. Grant this Petition for Temporary Rates, allowing the Company an increase in the amount of \$47,878 in annual operating revenue to be effective on July 1, 2013, on a service rendered basis, subject to refund or recoupment;
- B. Order such temporary rates to remain in effect until such time the Commission issues a final order establishing permanent rates; and
- C. Grant such other relief as is just and equitable.

Respectfully submitted,

PITTSFIELD AQUEDUCT COMPANY, INC.

By Its Attorneys

DEVINE, MILLIMET & BRANCH  
PROFESSIONAL ASSOCIATION

Dated: May 31, 2013

By:

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## TESTIMONY

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

**Pittsfield Aqueduct Company, Inc. – Rate Case**

**DOCKET NO. DW 13-128**

**NOTICE OF INTENT TO FILE RATE SCHEUDLES**

**DIRECT PREFILED TESTIMONY OF DONALD L. WARE**

**In Support of Temporary Rates**

**May 31, 2013**

1    **Professional and Educational Background**

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

4    A.    My name is Donald L. Ware. I am the Chief Operating Officer of the  
5       Pittsfield Aqueduct Company ("the Company"). I have worked for the  
6       Company since 1995. I am a licensed professional engineer in New  
7       Hampshire, Massachusetts and Maine.

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

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

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

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

22

1 Q. What are your responsibilities as Chief Operating Officer of the  
2 Company?

3 A. As Chief Operating Officer, I am responsible for the overall operations of  
4 the Company, including customer service, water quality and supply,  
5 distribution, engineering and water system capital improvements. With  
6 regard to capital improvements overseen by the Company's Engineering  
7 Department, I work closely with the Department and the Company's Chief  
8 Engineer regarding project selection, project design, project management  
9 and construction management.

10 Q. What is the purpose of your testimony?

11 A. This testimony has been prepared to support the Company's request for a  
12 temporary rate increase of 7%, or an annual increase in revenues of  
13 \$47,878 based on proforma revenues of \$683,969, for the Pittsfield water  
14 system. The Company seeks temporary rates at 75% of the proposed  
15 permanent rates.

16 Q. Why is the Company seeking temporary rates?

17 A. Paragraph III. B. 5. of the Settlement Agreement approved by the Public  
18 Utilities Commission by Order No. 25,292 (November 23, 2011) in Docket  
19 No. DW 11-026 requires that the Company request establishment of  
20 temporary rates in accordance with RSA 378:27.

21 In addition, as explained below, the Company is currently experiencing a  
22 revenue deficiency. As a result, the Company seeks temporary rates in  
23 order to generate operating revenues sufficient to avoid borrowing to



1 maintain operations. In addition, temporary rates will mitigate the rate  
2 impact on customers associated with recouping nearly a full year of  
3 revenues from a permanent increase approved in the summer of 2014.

4 **Q. Please explain Schedule A, Temporary Rates, entitled "Pittsfield**  
5 **Aqueduct Company, Inc.", Computation of Revenue Deficiency.**

6 **A.** Schedule A, Temporary Rates, which is attached to this temporary  
7 rate testimony, was prepared to illustrate the Company's revenue  
8 deficiency for the twelve months ended December 31, 2012,  
9 which is the test year used in this docket. As shown on Schedule A,  
10 Temporary Rates, the Company is utilizing an overall rate of return of  
11 6.85%, based on the test year's weighted average cost of debt and a  
12 return on equity of 5.90% based on methodology authorized in Order No.  
13 25,292 in DW 11-026. The revenue deficiency for the twelve months  
14 ended December 31, 2012 was \$126,808 and would result in a revenue  
15 increase of 30.70%. This revenue deficiency calculation is based on the  
16 Company's actual performance during the test year and includes no pro  
17 forma adjustments. Based on a pro forma test year, the Company would  
18 be entitled to a proposed revenue increase of 9.34% based on a revenue  
19 deficiency of \$63,909.

20 **Q. Mr. Ware, please explain the principal reasons for the shortfall in**  
21 **the Company's revenue.**

22 The deterioration in the Company's revenue is primarily due to a short-fall  
23 in water sales and an increase in property taxes. The \$683,969 in

1 revenues generated in 2012 fell \$48,612 short of the revenue level set in  
2 DW 10-090 due to a 17.1% decline in base residential consumption and a  
3 1.4% decrease in customers over the past three years. At the same time,  
4 property taxes continue to escalate at rates in excess of inflationary  
5 levels. The increase in property taxes between 2009 and 2012 in the  
6 amount of \$19,485 translates to an increase of just over 24%. During this  
7 same time frame, Plant in Service, net of depreciation expense and the  
8 Municipal Acquisition Regulatory Asset, only increased by 10.1%.

9 **Q. Please explain the status of the Company's overall rate of return.**

10 **A.** As part of a request for temporary rates, the Company would normally  
11 point to a shortfall between its achieved rate of return and its authorized  
12 rate of return as a basis for its request. In this case, however, the  
13 Company's last authorized return has been obviated by the change in the  
14 Company's rate structure pursuant to the City's acquisition in Docket DW  
15 11-026. Consequently, a comparison to the last authorized rate of return  
16 is not pertinent.

17 **Q. What is the basis of requesting 75% of the permanent request as a**  
18 **temporary request?**

19 **A.** Operating costs continue to be driven up by inflation and the Company is  
20 in need of rate relief to cover current operating expenses. The granting of  
21 temporary rates will allow the Company to minimize short term borrowing  
22 required to cover revenue shortfalls. There are no provisions in the  
23 current rate structure to provide funds to cover the cost of short term

1 borrowing. The proposed rate structure provides for a very modest profit  
2 of about \$2,046, which is not sufficient to cover the cost of any short term  
3 borrowings needed to cover operating expenses that exceed operating  
4 revenues.

5 **Q. Will the proposed increase be spread uniformly across the various**  
6 **customer classes?**

7 **A. Yes.**

8 **Q. Was a Cost of Service Study prepared as part of this case?**

9 **A. No.** The last cost of service study was prepared as part of DW10-090.  
10 Inasmuch as there was little change in the mix of customers, assets and  
11 expenses since DW 10-090, the Company concluded that a Cost of  
12 Service Study was not justified.

13 **Q. Please summarize the impact of the Company's rate increase**  
14 **request by Customer Class.**

15 **A.** The Tariff pages and Report of Proposed Changes sheets, which detail  
16 the impact of the rate increase by customer class, is found in Sections 6  
17 and 13, respectively, of the filing. An average annual residential bill for a  
18 single family home would be approximately \$734 based on average usage  
19 of 70 one hundred cu. ft. This would represent an increase of \$4.02 per  
20 month for residential customers over current rates.

21 **Q. How does the Company plan to notify its customers of the pending**  
22 **rate increase?**

- 1     **A.**   In accordance with Puc 1203.02(c) and (d), the Company will be notifying  
2           its customers regarding the rate filing by providing a form of notice. The  
3           notice will be included in mailings to customers as part of its regular cycle  
4           billing. Additionally, when the Commission issues the order to suspend  
5           tariffs and schedule a prehearing conference, the Company will provide  
6           notification in area newspaper(s).
- 7     **Q.**   Mr. Ware, when is the Company requesting that temporary rates  
8           become effective?
- 9     **A.**   The Company is requesting that temporary rates become effective for  
10          service rendered as of July 1, 2013.
- 11    **Q.**   Does this conclude your testimony on temporary rates?
- 12    **A.**   Yes it does.