

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

October 22, 2013 - 10:46 a.m.
Concord, New Hampshire

NHPUC NOV06'13 AM 9:51

RE: DW 13-130
PENNICHUCK WATER WORKS, INC.:
Notice of Intent to File Rate Schedules.
(Hearing regarding Temporary Rates)

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Pennichuck Water Works, Inc.:
Thomas B. Getz, Esq. (Devine, Millimet...)

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
James Brennan
Office of Consumer Advocate

Reptg. PUC Staff:
Michael Sheehan, Esq.
Marcia A. Brown, Esq.
Mark Naylor, Director/Gas & Water Division
Jayson Laflamme, Gas & Water Division
Robyn Descoteau, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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

I N D E X

PAGE NO.

WITNESS PANEL: DONALD L. WARE
MARK A. NAYLOR

Direct examination by Mr. Getz	6, 15
Direct examination by Mr. Sheehan	9
Cross-examination by Ms. Hollenberg	17
Interrogatories by Cmsr. Harrington	19, 30
Interrogatories by Cmsr. Scott	22, 28
Interrogatories by Chairman Ignatius	25

* * *

CLOSING STATEMENTS BY:

PAGE NO.

Ms. Hollenberg	31
Mr. Sheehan	31
Mr. Getz	31

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

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Pennichuck Water Works Rate Case filing, including testimony and schedules, Petitions for Temporary and Permanent Rates, tariff pages, etc. (05-31-13)	5
2	Settlement Agreement on Temporary Rates (10-02-13)	6

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DW 13-130. This is Pennichuck Water
4 Works' rate case. And, today's business involves a
5 Petition for Temporary Rates and the Settlement that's
6 been proposed.

7 Let's begin with appearances please.

8 MR. GETZ: Good morning, madam Chair,
9 Commissioners. I'm Tom Getz, with the law firm of Devine,
10 Millimet & Branch, on behalf of the Company. Also here
11 today is the CEO of Pennichuck, John Patenaude, and the
12 Chief Operating Officer, Donald Ware.

13 CHAIRMAN IGNATIUS: Good morning.

14 MS. HOLLENBERG: Good morning. Rorie
15 Hollenberg and James Brennan here for the Office of
16 Consumer Advocate.

17 MR. SHEEHAN: Good morning. Mike
18 Sheehan here for the Staff of the PUC. Present with
19 Jayson Laflamme, Robyn Descoteau, co-counsel Marcia Brown,
20 and, on the witness stand, Mark Naylor.

21 CHAIRMAN IGNATIUS: Good morning.
22 Welcome, everyone. Is there anything to take up before we
23 begin with presentation of the proposed Settlement?

24 MR. SHEEHAN: There's just one thing.

[WITNESS PANEL: Ware~Naylor]

1 From the prior hearing, we had a conversation about the
2 exhibits and the packet, that the docketbook version
3 doesn't quite line up with the paper version. So, as in
4 the other docket, we will work with the Company and get a
5 properly numbered package for you after the hearing.

6 CHAIRMAN IGNATIUS: All right. Is it
7 your hope to, as with the other, to mark the entire
8 notebook as "Exhibit 1?"?

9 MR. SHEEHAN: Yes.

10 CHAIRMAN IGNATIUS: All right. That's
11 acceptable to all?

12 (No verbal response)

13 CHAIRMAN IGNATIUS: All right. And, why
14 don't we do that then for identification. And, if the
15 numbering is adjusted down the road, you'll let us know.

16 (The document, as described, was
17 herewith marked as **Exhibit 1** for
18 identification.)

19 CHAIRMAN IGNATIUS: And, then, did you
20 also want to mark the Settlement Agreement?

21 MR. SHEEHAN: Yes. And, the Settlement
22 Agreement, which was filed October 2, 2013, signed that
23 date, which provides basically for temporary rates being
24 the same as existing rates. And, I believe Mr. Getz is

[WITNESS PANEL: Ware~Naylor]

1 going to start with questioning his witness, as we did in
2 the last hearing, and we will proceed from there.

3 CHAIRMAN IGNATIUS: All right. We'll
4 mark that for identification as "Exhibit 2".

5 (The document, as described, was
6 herewith marked as **Exhibit 2** for
7 identification.)

8 CHAIRMAN IGNATIUS: Please proceed.

9 MR. GETZ: All right.

10 (Whereupon **Donald L. Ware** and
11 **Mark A. Naylor** were duly sworn by the
12 Court Reporter.)

13 **DONALD L. WARE, SWORN**

14 **MARK A. NAYLOR, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. GETZ:

17 Q. Good morning, Mr. Ware. Would you please state your
18 name, employer, and business address for the record.

19 A. (Ware) Yes. My name is Donald Ware. My employer is
20 Pennichuck Corporation. And, our business address is
21 25 Manchester Street, in Merrimack, New Hampshire.

22 Q. What is your position with the Company and what are
23 your job responsibilities?

24 A. (Ware) I am the Chief Operating Officer at Pennichuck

[WITNESS PANEL: Ware~Naylor]

1 Corporation, as well as Pennichuck Water Works. And, I
2 have oversight responsibility for the day-to-day
3 operations, including Water Supply, Engineering,
4 Distribution, Meter, and Customer Service Departments.

5 Q. And, I refer you to what's been marked as "Exhibit 1".
6 In Tab 8, in its physical form, is the "Direct Prefiled
7 Testimony of Donald L. Ware". And, Page 13, Lines 4
8 through 11, discuss temporary rates. So, was this
9 testimony prepared by you or under your supervision?

10 A. (Ware) Yes, it was.

11 Q. Do you have any changes or corrections?

12 A. (Ware) No, I do not.

13 Q. If you were asked these questions today, would your
14 answers be the same?

15 A. (Ware) Yes, they would be.

16 Q. Is the testimony true and correct to the best of your
17 knowledge and belief?

18 A. (Ware) Yes, it is.

19 Q. Would you please give a brief overview of the Company's
20 request for permanent rate relief and its position on
21 temporary rates.

22 A. (Ware) Yes. Bear with me one minute please. In
23 regards to the permanent rate increase, the Company has
24 requested a proposed revenue increase of 0.12 percent,

{DW 13-130} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Ware~Naylor]

1 which generates additional revenue of \$34,016, for a
2 total revenue requirement of \$27,689,214.

3 Relative to the temporary rate request,
4 we are requesting that the temporary rates be set at
5 existing rates, with recoupment or -- of either a
6 return or refund or collection of additional rates
7 based on the final permanent decision for service
8 rendered on or after July 1st of 2013.

9 Q. Turning to Exhibit 2, the Settlement Agreement on
10 Temporary Rates, did you participate in the process
11 that resulted in the Settlement?

12 A. (Ware) Yes, I did.

13 Q. Could you please describe the terms of the Settlement.

14 A. (Ware) Yes. Again, as expressed, the Settlement
15 indicates that we were proposing to set temporary rates
16 at existing rates for service rendered on or after
17 July 1st, 2013.

18 Q. In your opinion, does that Settlement provide for just
19 and reasonable rates and is it in the public interest?

20 A. (Ware) Yes, it is.

21 MR. GETZ: No further questions.

22 CHAIRMAN IGNATIUS: Thank you.

23 Mr. Sheehan.

24 MR. SHEEHAN: Yes. If I could ask some

1 questions of Mr. Naylor first.

2 BY MR. SHEEHAN:

3 Q. Mr. Naylor, please state your name and whom you work
4 for.

5 A. (Naylor) Yes. My name is Mark Naylor. And, I'm the
6 Director of the Gas and Water Division here at the New
7 Hampshire Public Utilities Commission.

8 Q. And, your area of expertise is in what field?

9 A. (Naylor) Accounting and finance.

10 Q. And, your work in this case is in that area of
11 accounting and finance?

12 A. (Naylor) Yes, it is.

13 Q. Please describe what involvement you've had with this
14 particular case.

15 A. (Naylor) To this point, the Commission Staff has
16 reviewed the Company's filing, particularly with an
17 emphasis on the temporary rates. And, that involves,
18 of course, reviewing not only the filing itself, but
19 the Company's 2012 operating results, as well as many
20 of the documents resulting from the City's acquisition
21 of Pennichuck Corporation. And, so, all of those --
22 all of those pieces of information have been part of
23 the equation here for reviewing this filing, both in
24 the permanent and the temporary rates.

[WITNESS PANEL: Ware~Naylor]

1 Q. And, by "filing", you're referring to what we've marked
2 as "Exhibit 1"?

3 A. (Naylor) That's correct.

4 Q. And, you have also played a role with the Settlement
5 Agreement that's been marked as "Exhibit 2"?

6 A. (Naylor) Yes.

7 Q. Can you tell us what role you played in that document?

8 A. (Naylor) Essentially, as indicated in the terms of the
9 Agreement, and as just indicated by Mr. Ware, the Staff
10 has agreed with the Company's request for temporary
11 rates to be set at the level of current rates. And,
12 those temporary rates would be proposed for effect on
13 and after July 1st, 2013.

14 Q. That document was filed about three weeks ago. Are you
15 aware of any changes or corrections that need to be
16 made to Exhibit 2?

17 A. (Naylor) No.

18 Q. Can you tell us why Staff's position is to agree with
19 -- to reach this agreement, why you think this is the
20 appropriate step to take for temporary rates?

21 A. (Naylor) Well, it's an unusual case, particularly
22 because PWW's permanent increase request is about
23 one-eighth of 1 percent. So, I think, in normal
24 circumstances, the Company would never have filed this

{DW 13-130} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Ware~Naylor]

1 case. However, it was required to file this case, as
2 was its two sister utilities, resulting from the
3 Commission's approval of the Settlement Agreement in DW
4 11-026, which is the Nashua acquisition of Pennichuck
5 Corporation.

6 So, the case was required to be filed.
7 We felt that it was appropriate, given the range of
8 issues that we have to review in this case, that
9 temporary rates be set. The parties were hopeful, in
10 the Nashua acquisition, that rates might actually go
11 down, customer rates might actually go down, following
12 the acquisition, based on a number of factors,
13 including savings from Pennichuck Corporation no longer
14 being a publicly traded entity, savings in executive
15 costs, and in other areas. And, given the very small
16 permanent rate increase requested here, I would express
17 the opinion, I don't know if Mr. Ware would agree, but
18 I would express the opinion there's still a chance that
19 rates may go down as a result of this case. So, with
20 temporary rates in effect, customers would benefit from
21 that. So, we felt that temporary rates, under all of
22 those circumstances, were appropriate.

23 Q. Circling back, they were required to file this rate
24 case as a part of -- a specific clause in the

[WITNESS PANEL: Ware~Naylor]

1 Settlement Agreement required them to come in for a
2 full rate case by this summer, is that correct?

3 A. (Naylor) That's correct.

4 Q. And, that one of the reasons for that was for the -- to
5 give the Commission and others a chance to review some
6 of the unique accounting mechanisms that were part of
7 that transaction back in -- that was completed by back
8 in 2012?

9 A. (Naylor) That is right. And, that's -- there are a
10 number of areas that are required, or I guess you
11 should say that we are required, the Commission is
12 required to review as a part of this case. Related to
13 some of the unique accounting treatments provided for,
14 including the City Bond Fixed Revenue Requirement,
15 related to the allocation of a portion of the City's
16 acquisition debt to each of the utilities; the creation
17 and accounting treatment of the municipal acquisition
18 regulatory asset that was created and put on the books
19 of each of the three companies; the Company's treatment
20 of a Rate Stabilization Fund, which was established in
21 the acquisition docket. So, there are a number of
22 areas that require review, and that was part of the
23 reason in the Settlement Agreement that the Settling
24 Parties agreed that the utility should make rate case

{DW 13-130} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Ware~Naylor]

1 filings no later than June 1st of 2013.

2 Q. Some of the more typical questions for temporary rates
3 are somewhat moot here, given that the temporary rates
4 are the same as existing, such as effective date is
5 less important because there is no change, correct?

6 A. (Naylor) The effective date is important in that, since
7 temporary rates are proposed to be set at current
8 rates, whatever the ultimate level of permanent rates
9 is approved, then that is the date back to which the
10 reconciliation or recoupment would take place. But,
11 otherwise, there's really no other substantial issue.
12 There's no rate design issues or anything else related
13 to keeping current rates in place as temporary rates.

14 Q. And, Staff agrees that July 1, 2013 is an appropriate
15 effective date because of what?

16 A. (Naylor) Because notice has been provided to customers
17 prior to that date, and all customers were aware that a
18 rate case had been filed by the Company.

19 Q. Mr. Ware, do you take exception with anything Mr.
20 Naylor just said, as describing the reason for us being
21 in this full rate case and for his description of the
22 agreement that you and the Staff have reached?

23 A. (Ware) No, I do not.

24 Q. And, there was a discussion in the prior docket this

[WITNESS PANEL: Ware~Naylor]

1 morning over some complications over the bills that
2 customers would receive as a result of the temporary
3 rate. Again, none of those are present in this case
4 because the temporary rates are the same as existing
5 rates. Is that fair?

6 A. (Ware) That is correct. Yes.

7 Q. And, you agree also that there will be the normal
8 reconciliation process at the end of the permanent rate
9 case should the permanent rates differ either above or
10 below what the current rates are?

11 A. (Ware) Yes.

12 Q. Mr. Naylor, do you believe that the temporary rates
13 proposed today, which are the existing rates, will
14 result in just and reasonable rates?

15 A. (Naylor) Yes, I do.

16 Q. And, Mr. Ware, the same?

17 A. (Ware) Yes, I do.

18 Q. And, one last thing, Mr. Naylor. There was a
19 discussion earlier today over whether the Company
20 needed to show a deficiency to support a temporary
21 rate. What is your position on that, the requirement
22 to show a deficiency under 378:27?

23 A. (Naylor) I don't believe that the utility needs
24 necessarily to demonstrate an earnings deficiency for

{DW 13-130} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Ware~Naylor]

1 the Commission to approve temporary rates. The wording
2 in the statute is surrounding the issue of providing
3 "rates sufficient to yield not less than a reasonable
4 return on property in service". Current rates
5 accomplish that. And, as I indicated earlier, we felt
6 that temporary rates are appropriate, because the
7 Company was required to make this filing, which it
8 would not otherwise have done with such a very tiny
9 revenue deficiency that they have identified in their
10 rate case filing, and with some possibility that
11 customer rates could end up being lower than they are
12 currently. So, we felt that, until we have reviewed
13 all of the issues surrounding some of the unique
14 accounting for this Company and its sister utilities,
15 we felt that temporary rates were appropriate.

16 MR. SHEEHAN: Thank you. I have nothing
17 further.

18 CHAIRMAN IGNATIUS: Thank you.

19 MR. GETZ: Madam Chair, there's one
20 question I neglected to ask.

21 CHAIRMAN IGNATIUS: All right. Go
22 ahead.

23 BY MR. GETZ:

24 Q. Mr. Ware, could you please state for the record the

[WITNESS PANEL: Ware~Naylor]

1 Company's actions that it took with respect to notices
2 to customers in advance of the effective date.

3 A. (Ware) Yes. We followed two methods of notification.
4 One was that we mailed the notice of the proposed rate
5 increase to each of our customers as part of their
6 billings. In the case of Pennichuck Water Works, those
7 bills went out over a four-week period. So, the
8 notices went out over a four-week period. The notices
9 were mailed on June 6th, June 13th, June 20th, and June
10 27th. We also published a display ad in the Manchester
11 Union Leader and the Nashua Telegraph on June 26th.

12 CHAIRMAN IGNATIUS: Thank you.

13 Commissioner Harrington.

14 CMSR. HARRINGTON: What about the OCA?

15 CHAIRMAN IGNATIUS: You're right. I'm
16 losing control here.

17 MS. HOLLENBERG: I had every confidence
18 you were going to remember me.

19 CHAIRMAN IGNATIUS: I was going to
20 remember you, just maybe out of order. Do you have any
21 questions for the witnesses?

22 MS. HOLLENBERG: Yes. Thank you.

23 **CROSS-EXAMINATION**

24 BY MS. HOLLENBERG:

[WITNESS PANEL: Ware~Naylor]

1 Q. And, in terms of the notices that you did provide to
2 customers, Mr. Ware, did the Company work with the
3 Commission's Consumer Affairs Division in crafting the
4 form and the content of those notices to customers?

5 A. (Ware) Yes. We worked with Amanda Noonan of the
6 Consumer Affairs Division, and worked with her to get a
7 notice that was acceptable to her, and also a
8 methodology for delivering those notices to the
9 customers.

10 Q. Okay. Good. Thank you. And, in terms of meeting the
11 standard for temporary rates, and I recognize that this
12 isn't the same issue that we just dealt with, it's the
13 same issue, but not the same circumstances that we just
14 dealt with in the PAC hearing this morning. But where
15 would a person look, in the Commission's books and
16 records, to see that the Company is not overearning at
17 this point in time?

18 A. (Ware) Well, I guess you have the schedules before
19 you, --

20 Q. Uh-huh.

21 A. (Ware) -- is probably the most illustrative form. But
22 we are in a unique position, I guess to reflect back to
23 Commissioner Ignatius's question, in that 2012 was a
24 transition year. So, the *pro formas* not only include

[WITNESS PANEL: Ware~Naylor]

1 the *pro formas* relative to financing, changing equity
2 over to the debt of the City, but also with the fact
3 that, during the early part of 2012, we still had the
4 public, you know, cost. We still had the executive
5 staff that was there, some through late April, I think,
6 into early May, where we proformed expenses out. We
7 actually proformed out -- we got a savings in office
8 space that we proformed out. So, there isn't a good
9 2012. If you looked at the Annual Report, that Annual
10 Report in 2012, expenses includes prior company
11 expenses that were proformed out here, plus present
12 company expenses. So, not a real good place to look.
13 Certainly, in the future, that standard, you know,
14 would be one that we would look to. We'll have a nice
15 clean set of books. We won't be -- the test year will
16 not be a transition year, where you've got a mix of
17 costs, where some costs were being eliminated.

18 MS. HOLLENBERG: Okay. Thank you for
19 that explanation. One moment please.

20 (Atty. Hollenberg conferring with Mr.
21 Brennan.)

22 MS. HOLLENBERG: Okay. Nothing further.
23 Thank you.

24 CHAIRMAN IGNATIUS: Thank you.

[WITNESS PANEL: Ware~Naylor]

1 Commissioner Harrington.

2 CMSR. HARRINGTON: Yes. Just one
3 question.

4 BY CMSR. HARRINGTON:

5 Q. Just it seems as if these, the multiple hearings here
6 are linked together on the Pennichuck family of water
7 companies. But I just wanted to clarify, in this
8 particular case, was any thought given to requesting an
9 extension for the rate case filing? Because the costs
10 are going to be fairly extensive, and it looks as if
11 the permanent rates are going to, you know, moves very
12 slightly up or very slightly down. Yet, the biggest
13 impact to ratepayers may be the rate case costs when
14 they come. Was that considered at all? And, if not,
15 why not?

16 A. (Ware) No. That was not considered. We believed, and,
17 you know, I think Staff was anxious to see, and I don't
18 want to speak for them, but wanted to see, you know,
19 where the Company or what the Company looked like after
20 the *pro formas* in 2012. You know, and until we ran all
21 the numbers, we didn't know whether there was a
22 potential for a reduction in rates, which I think, you
23 know, again, the Staff was interested in seeing.

24 And, as Mark indicated, you know, until

[WITNESS PANEL: Ware~Naylor]

1 we get down to the final, you know, bottom line,
2 through audit and other discussion, you know, we're not
3 quite sure whether rates are going to stay the same, go
4 up slightly, go down slightly.

5 Q. All right. Thank you. Mark -- Mr. Naylor, do you have
6 anything to comment on this?

7 A. (Naylor) We certainly did not give any consideration to
8 anything suggesting to the Company that they seek a
9 delay in the filing. We knew, during the 11-026
10 docket, the Nashua acquisition of Pennichuck
11 Corporation, and had known for a couple of years, that
12 Pennichuck East Utility was showing a very, very small
13 earnings, if any at all, and was in need of rate
14 relief. That Company's last rate case I believe was in
15 2007, with a 2006 test year. One of the provisions of
16 the Settlement Agreement in the Nashua docket was that
17 a rate proceeding for Pennichuck East be delayed an
18 additional year, until 2013. Probably one of the
19 provisions of the Settlement that was one of the
20 give-and-take items. The Company probably wouldn't
21 have preferred that one. But PEU was in need of rate
22 relief.

23 But, significantly, we felt it was
24 important to have a look at these three companies, once

[WITNESS PANEL: Ware~Naylor]

1 the acquisition had taken place, all of the changes had
2 taken place, in terms of the reduction in costs related
3 with executives and public -- the costs of operating a
4 public company, all of the implementation of the
5 special accounting treatments, with respect to the
6 City's acquisition debt, we felt it was very important.
7 And, we were also hopeful that rates would go down, as
8 I said.

9 Now, when we were in discussions in the
10 Company's filing, the City and the Company's filing in
11 2011, the *pro forma* number we were looking at for the
12 acquisition bonds was 6.5 percent, I believe. And, I
13 think many of the schedules that we were looking at
14 were based on a 6.5 percent rate. Ultimately, the debt
15 was issued at 4.09, I believe. And, as we got closer
16 to consummating the Settlement Agreement, the Company
17 was indicating that they were hopeful that the rate
18 would be somewhere in that range. Which really led us
19 to that agreement that the companies would file in
20 2013, so that the rates could be reset. And, in
21 Pennichuck Water Works' case, we were hopeful that they
22 would actually go down.

23 CMSR. HARRINGTON: Okay. Thank you.

24 That's all the questions I had.

[WITNESS PANEL: Ware~Naylor]

1 CHAIRMAN IGNATIUS: Commissioner Scott.

2 CMSR. SCOTT: Thank you.

3 BY CMSR. SCOTT:

4 Q. A couple questions on your -- since you went over your
5 testimony, Tab 8 of Exhibit 1, I had a couple questions
6 on some of that. One is the -- just wanted to ask
7 about the WICA Pilot. During the pendency of this rate
8 case, the full rate case, is there any impact to the
9 WICA Pilot?

10 A. (Ware) No. We've continued to move forward. You know,
11 we will be filing our second year WICA filing this
12 December. We are doing WICA projects during 2013 that
13 we hope to have reviewed in the normal course of
14 business during the first part of 2014, and have an
15 adjustment for those WICA projects for the associated
16 expenses in 2014.

17 Q. Thank you. And, I think it's the last page of your,
18 again, Exhibit -- Tab 8 of Exhibit 1, on water usage.
19 I was just curious, from your chart on that, which is
20 -- it's labeled "Exhibit DLW-1" on the top, I was
21 curious, under "Industrial", it shows -- that's really
22 the only place we're showing a particular increase that
23 I can identify, under water usage, from 2009 to 2012,
24 you're showing an "8.3 percent" increase?

[WITNESS PANEL: Ware~Naylor]

1 A. (Ware) Yes.

2 Q. And, I was just curious, if you could characterize any
3 idea why, since everybody else was going down, they
4 were going up, is there a particular customer need?

5 A. (Ware) Well, you know, we actually have a few less
6 customers, but I think what you're seeing is the
7 economy. In 2009, we were at kind of the depths of the
8 economy, in terms of business. 2012, you're starting
9 to climb out of that. We have some chip manufacturers
10 in the area who are definitely more busy than they were
11 in 2009. We haven't done a detailed analysis of that.
12 But, you know, on the surface, I see that as related
13 to, you know, a change in the economy, the economy
14 getting better.

15 Q. So, in theory at least, where residential, unless you
16 get more customers, obviously, you're expecting a
17 decrease, as you mentioned at the last docket, on
18 appliances, for want of a better word?

19 A. (Ware) Yes.

20 Q. For the industrial sector, it's fair to say that it's
21 possible, as the economy gets better, you'll see
22 actually continued increase, is that --

23 A. (Ware) You know, I guess it's a matter of not knowing
24 the particular industries, and whether they're at full

[WITNESS PANEL: Ware~Naylor]

1 steam now, or whether they still have additional steam
2 to pick up. So, there's a potential that maybe
3 consumption could go up. In today's world, there's a
4 potential it could go down. Somebody goes in -- comes
5 in, buys out a chip manufacturer, and they move out of
6 town.

7 Q. And, either way, I assume you do some kind of
8 forecasting to make sure you have enough capacity to
9 cover these things?

10 A. (Ware) We have lots of capacity. Our peak year, it was
11 2002, and the average, including the summer, of
12 14.4 million gallons a day of pumpage. We're down to
13 about 9 and a half million gallons a day of pumpage
14 right now. A million gallons a day of that was
15 Anheuser-Busch tightening up their belt. They dropped
16 from, in 2002, they were using about 2 million gallons
17 a day, they're now down to slightly under
18 900,000 gallons a day. They tell us they're still
19 making the same amount of brew. So, just being more
20 conservative in their use of water. And, they have a
21 goal to get down to around 700,000 gallons a day.

22 Q. Interesting. And, while I'm on the same page,
23 obviously, it's just three customers, but you do show a
24 "63 percent" increase on "Other". I was just curious?

[WITNESS PANEL: Ware~Naylor]

1 A. (Ware) I have no idea who "Other" is. I would have to
2 talk to our Customer Service Rep. I didn't realize we
3 had a category "Other". That possibly could be, maybe
4 "Other" is like people coming and filling trucks to
5 fill pools, maybe they're in "other", as opposed to a
6 commercial. I'm not quite sure.

7 CMSR. SCOTT: Fair enough. Thank you.
8 That's all I had.

9 WITNESS WARE: You're welcome.

10 CHAIRMAN IGNATIUS: I have no questions
11 on the Settlement Agreement. They have all been
12 addressed. But I do have one item I wanted to mention
13 that may come up in permanent rates, so, give you some
14 warning to think about it.

15 BY CHAIRMAN IGNATIUS:

16 Q. Is there any issue with water quality that PWW is
17 experiencing?

18 A. (Ware) In terms of customer complaints that we're aware
19 of?

20 Q. Yes.

21 A. (Ware) Generally, we have fairly good, you know, and,
22 again, when you talk about "Pennichuck Water Works",
23 there's the core system, and then there are the 28
24 little detached systems. By and large, we believe that

[WITNESS PANEL: Ware~Naylor]

1 water quality is good. We certainly have no issues
2 with the Safe Drinking Water Act standards.
3 Occasionally, you know, during a high-flow event,
4 meaning a fire or something along those lines, we will
5 get a reversal flow or we'll get a high volume of flow
6 that will pull some -- there's a buildup of manganese
7 that occurred over 100 years that is on the -- lines
8 the inside of the mains that will come off and you'll
9 get some black water. But that's pretty rare.

10 Q. Well, we have a complaint from a customer who says
11 that, well, two complaints. One is that it "smells
12 like rotten eggs sometimes". And, then, the other
13 complaint is that there's a "black slime" that she has
14 to wash off "shampoo bottles and the toilet bowl every
15 other day." And, that the Company, a Company employee
16 had told her it was because she was so far away from
17 the pumping station that the water had "to go through
18 miles of pipes" and was collecting more of this
19 something.

20 A. (Ware) What -- do you know which, I mean, it would be
21 helpful to know, like I said, whether she's in one of
22 those smaller systems or in the core system?

23 Q. Yes. I'll get you a copy of it. She's on Troutbrook
24 Drive. So, we'll make a copy of that available to you.

[WITNESS PANEL: Ware~Naylor]

1 A. (Ware) Okay.

2 Q. And, obviously, if there are water quality issues that
3 the Company is aware of and is struggling to resolve,
4 an update on that would be helpful.

5 A. (Ware) There are none aware. Like I said, you'll get
6 occasional complaints like that. We keep a customer
7 complaint log, and we respond to that complaint log.
8 Obviously, you know, that complaint log is available to
9 the Consumers Affairs Division. You know, there are
10 areas where people will get, you know, a buildup of,
11 say, that what you're seeing is that manganese, you
12 know, sometimes on showerheads or other places. The
13 good news is is the current treatment plant is removing
14 all the manganese. The bad news is that the manganese
15 got lined over 150 years. And, like I said, it's a
16 pretty tenacious line, but, on occasion you'll get a
17 release of some of that in the core system. Now, this
18 could be one of the other systems. All of our systems,
19 we not only treat to meet the Safe Drinking Water Act
20 primary standards, but the secondary standards as well,
21 which include, you know, your secondary standards would
22 be taste and odor-related, aesthetic-related, iron and
23 manganese are two of those.

24 Q. What's an indicator of manganese buildup? When you

[WITNESS PANEL: Ware~Naylor]

1 said you'd see it on your showerhead, what you would be
2 seeing?

3 A. (Ware) You'd see, you know, a black buildup. You'd
4 see, on the inside of your washing machine over time,
5 you might see a buildup of going -- becoming gray, and
6 then black.

7 Q. All right. So, it may be consistent with what she's
8 describing?

9 A. (Ware) Yes.

10 CHAIRMAN IGNATIUS: All right. Well,
11 why don't, afterwards, I'll get a copy of this to
12 Mr. Sheehan, and you can make copies for everyone. Thank
13 you.

14 WITNESS WARE: Thank you.

15 CHAIRMAN IGNATIUS: Commissioner Scott.

16 CMSR. SCOTT: Yes. Thank you. Your
17 last comment just drove another question for me.

18 BY CMSR. SCOTT:

19 Q. So, from your statement, would imply that you have --
20 some of your system is 100 to 150 years old, the piping
21 is?

22 A. (Ware) Yes. The piping began in 1852.

23 Q. And, you have sections that haven't been replaced from
24 the original, is that --

[WITNESS PANEL: Ware~Naylor]

1 A. (Ware) That is correct.

2 Q. Wow. Do you have an idea how much we're talking for
3 that?

4 A. (Ware) Well, there's roughly, you know, we know the age
5 of all our pipe. The reality is is that the oldest
6 pipe, when cleaned and lined, is a pipe that will last
7 probably 400 years. Today's pipe, because it's so much
8 thinner, and, so, you're problem in failure of pipe
9 comes from exterior corrosion. So, the thin pipe, you
10 know, we're starting so see some initial failures of
11 ductile iron pipe from exterior corrosion where the
12 soils are relatively hot. And, so, we expect the
13 thin-walled pipe, the ductile iron pipe, to have a life
14 of just about 100 years, which is what AWWA, the
15 American Water Works Association, ascribes to a life.
16 We expect some of that older pipe, you know, the goal
17 is to clean and line it where we can. That's a less
18 expensive process than replacing it. And, again, the
19 pipe is just so much thicker that exterior corrosion
20 takes much, much, much longer to work its way through
21 the pipe.

22 CMSR. SCOTT: Interesting. Thank you.

23 WITNESS WARE: You're welcome.

24 CMSR. HARRINGTON: Just one follow-up on

1 that.

2 BY CMSR. HARRINGTON:

3 Q. The older pipe is what, cast iron, I assume then?

4 A. (Ware) Yes.

5 Q. And, then, the replacement pipe you put in now, is that
6 plastic?

7 A. (Ware) Primarily, ductile iron. Some plastic on the
8 areas where there's less competing utilities that you
9 have to worry about, in terms of the excavation and
10 whatnot.

11 CMSR. HARRINGTON: Thank you.

12 CHAIRMAN IGNATIUS: Any redirect, Mr.
13 Getz?

14 MR. GETZ: No. Thank you.

15 CHAIRMAN IGNATIUS: Any redirect,
16 Mr. Sheehan?

17 MR. SHEEHAN: No, ma'am.

18 CHAIRMAN IGNATIUS: Thank you. Then,
19 you're excused. Is there any other matters to take up,
20 other than striking the identification on the exhibits?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: Any objection to
23 doing that?

24 MR. GETZ: No. No objection.

1 MR. SHEEHAN: No objection.

2 CHAIRMAN IGNATIUS: All right. Then,
3 we'll do that. Then, opportunity for closing statements.
4 Ms. Hollenberg.

5 MS. HOLLENBERG: Thank you. We do not
6 oppose the Settlement as proposed by the Staff and the
7 Company for approval by the Commission. We don't oppose
8 the Agreement. Thank you.

9 CHAIRMAN IGNATIUS: Thank you.
10 Mr. Sheehan.

11 MR. SHEEHAN: Thank you. Briefly, we
12 would ask the Commission approve the Settlement Agreement.
13 No change in rates. The rates have been shown to be
14 reasonable by the testimony. There is a modest risk of a
15 over- or an underearning, but that would be fully
16 reconcilable at the end of the full rate case. And, the
17 effective date of July 1, 2013 has been proven to be
18 reasonable, given the Company's prior notice, as the
19 witness has testified.

20 So, we think it meets the criteria of
21 the statute, and we ask that you approve the Agreement.

22 CHAIRMAN IGNATIUS: Thank you.
23 Mr. Getz.

24 MR. GETZ: Madam Chair, we have nothing

1 further to add. Just simply ask that the Commission
2 approve the Settlement Agreement as submitted. Thank you.

3 CHAIRMAN IGNATIUS: Thank you. Then, we
4 will take all of this under advisement. Appreciate
5 everybody's help in sorting it out today. And, let me
6 give a copy of the customer letter to the Clerk, and then
7 we'll make sure that copies are available to all three of
8 you. Thank you. We're adjourned.

9 **(Whereupon the hearing ended at 11:22**
10 **a.m.)**

11
12
13
14
15
16
17
18
19
20
21
22
23
24