

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

**PENNICHUCK EAST UTILITY, INC.  
TOWN OF SALEM, NEW HAMPSHIRE  
DOCKET NO. DW 20-\_\_**

**PETITION TO TRANSFER SERVICE TERRITORY AND ASSETS  
AND TO COMMENCE BUSINESS**

**DIRECT PREFILED TESTIMONY  
OF  
ROY SORENSON**

**May 21, 2020**

1 **Q. What is your name and what is your position with the Town of Salem?**

2 A. My name is Roy Sorenson. I am the Director of Municipal Services for the Town of  
3 Salem, where I have worked since January 2016.

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

5 A. I have a Bachelor of Science degree in Civil Engineering Technology from UMASS-  
6 Lowell in Lowell, Massachusetts graduating Magna Cum Laude. In addition, I hold an  
7 Associate's Degree in Business Administration from Middlesex Community College in  
8 Bedford, Massachusetts.

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

10 A. Prior to becoming the Municipal Services Director in Salem, I was the Director of Public  
11 Works for Bedford, MA and was its representative to both the Massachusetts Water  
12 Resources Authority and Boston Region Metropolitan Planning Organization. Over my  
13 twenty-year career, I have also served as the Street Superintendent in Nashua, NH, the  
14 Operations Manager for Public Works in Melrose, MA, and the Foreman of Public  
15 Works in North Reading, MA.

16 **Q. What are your responsibilities as the Director of Municipal Services?**

17 A. As Director of Municipal Services, I manage and direct the operations and activities of  
18 three divisions; Public Works, Utilities, and Engineering, overseeing the largest  
19 department budget in the Town of Salem. My Public Works responsibilities include  
20 Administration, Cemeteries, Fleet, Streets and Shops, Solid Waste, Parks, and Properties.  
21 My Utilities responsibilities include Water Treatment, Distribution, and Metering, Sewer  
22 Distribution to Greater Lawrence Sanitary District, and sewer station management. My  
23 Engineering responsibilities include Department Wide Capital Improvements, Design,

1 Technical Review, and Permitting. I am also responsible for developing and  
2 administering strategic long-range plans for the delivery of municipal services, preparing  
3 and administering budgets and financial plans, and assuring responsible use of resources.  
4 I currently manage Municipal Service's \$60 million Capital Improvements Program,  
5 which includes the regional water line.

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

7 A. My testimony discusses the *Agreement Regarding the Southern New Hampshire Regional*  
8 *Water Interconnection Project* ("Interconnection Agreement") and describes the Town of  
9 Salem's financial, technical and managerial expertise to furnish water service in the  
10 Town of Windham.

11 **Q. Please summarize the Interconnection Agreement and explain the Town of Salem's**  
12 **role.**

13 A. The Interconnection Agreement memorializes a joint public works program for the  
14 provision of water services pursuant to RSA Chapter 53-A to address water issues in a  
15 number of communities in southern New Hampshire, including Salem and Windham.  
16 Among other things, the Interconnection Agreement sets forth the terms and conditions  
17 under which certain infrastructure will be developed, constructed and operated, in order  
18 to deliver clean drinking water from the Manchester Water Works.  
19 As part of Phase I of the Project, Salem will construct, own, operate, and maintain a 20-  
20 inch water transmission main in Windham along Route 28, as well as a 12-inch water  
21 main along Route 111. Funding for Phase I is provided from the New Hampshire  
22 Department of Environmental Services ("DES") Drinking Water and Groundwater Trust

1 Fund, which approved \$19.6 million for Phase I of the overall project, and by MTBE  
2 Settlement Funds in the amount of \$7.3 million.

3 The Interconnection Agreement also provides that, subject to New Hampshire Public  
4 Utilities Commission (“PUC”) approval, the Town of Salem will furnish retail water  
5 service in Windham and PEU will surrender its franchise rights in agreed-to areas.

6 **Q. What is the status of the Town’s activities under the Interconnection Agreement?**

7 A. Consistent with the Interconnection Agreement, the Town of Salem intends to have all  
8 Phase 1 infrastructure to be constructed in Windham complete and in service by  
9 December 31, 2020. The water main along Route 28 and two pressure reducing valve  
10 stations will be completed and ready to place into service by mid-June, 2020. The Route  
11 111 stub has been put out to bid and will be in service by December 31, 2020.

12 **Q. Does the Town of Salem have the financial, managerial and technical expertise to  
13 furnish water service in the Town of Windham?**

14 A. Yes. The Town of Salem has operated a municipal water utility since 1905, when the  
15 Town purchased the private Salem Water Works Company.

16 Currently, the Water Fund’s unrestricted fund balance is \$2.1 million dollars which  
17 represents 51% of the water fund’s operating budget. The Town annually reviews the  
18 rates to ensure that the fund remains fiscally stable. Over ten million dollars of capital  
19 improvements have been approved by Salem voters in the past five years including  
20 securing water rights through purchases of Merrimack Source Development rights from  
21 Manchester Water Works.

22 As Director of Municipal Services, I create the annual budget and capital improvement  
23 requests along with oversight by the Town’s Finance Director, Nicole McGee, and the

1 Town Manager, Chris Dillon. In addition, the town has a water capital reserve fund,  
2 which has money set aside for unforeseen emergency expenditures that cannot be  
3 absorbed by the operating budget. Ultimate approval of all Water Fund Finances are  
4 through the Board of Selectmen.

5 The Salem Utilities Division has twelve full-time employees and provides water service  
6 to over 7,700 homes and businesses in Salem, distributing on average over 2.3 million  
7 gallons of drinking water per day. The Town uses two reservoirs for drinking water;  
8 Canobie Lake from the months of May through October, and Arlington Pond from  
9 October through May. The Canobie Lake Water Treatment Plant, built in 1995, uses a  
10 Trident upflow clarification treatment system designed for a peak flow rate of 6 MGD.  
11 The water system comprises over 140 miles of water main, including 1,750 valves and  
12 932 hydrants. Annual revenues for the water system in 2018 were approximately \$3.6  
13 million and capital investment in that year amounted to approximately \$2.4 million.

14 **Q. Why is it for the public good for the Town Salem to serve retail customers in**  
15 **Windham?**

16 A. The purpose of the Interconnection Agreement is to address water capacity and water  
17 contamination issues that would not otherwise be addressed in a timely and cost-effective  
18 manner. As explained by Mr. Ware in his testimony, if PEU were to construct the water  
19 mains and the facilities along Route 28 and Route 111 required under the Interconnection  
20 Agreement, it would incur significant income tax liability that would increase  
21 construction costs by roughly one-third and increase local property taxes by  
22 approximately \$400,000 annually, which costs would be borne by ratepayers. The Town

1 of Salem, on the other hand, is not subject to the income taxes and local property taxes  
2 that would apply to PEU, which benefits customers in Windham.

3 **Q. How will the Town of Salem prepare to serve retail customers in Windham?**

4 A. Serving retail customers outside of its municipal boundaries will impose additional costs  
5 and risks on the Town of Salem inasmuch as it must be prepared for the eventuality of  
6 serving up to as many as 100 or so new customers. The build-out of the system in  
7 Windham will require the involvement of Municipal Services personnel on an initial and  
8 ongoing basis to, among other things, connect new customers, maintain infrastructure,  
9 respond to complaints, and read meters. In addition, the Town of Salem will need to  
10 expand its billing and collections capacity to serve the new customers. Accordingly, the  
11 Town of Salem is contemplating hiring additional personnel but has not yet resolved the  
12 specific job requirements.

13 **Q. How will the Town of Salem rates compare to PEU rates?**

14 A. PEU customers in Windham pay \$7.51 per 100 Cubic Feet under existing rates. As  
15 permitted by statute, the Town of Salem will charge Windham residents rates 15% above  
16 the rates charged to Salem residents (currently, \$3.65 per 100 Cubic Feet), that is, \$4.20  
17 per 100 Cubic Feet.

18 **Q. Is it correct that PEU will be removing its meters from the customer locations that  
19 are being transferred to the Town of Salem?**

20 A. Yes. PEU will remove its equipment and the Town of Salem will install its own meters  
21 and radios at each of the 17 locations being transferred.

22 **Q. Does the Town of Salem satisfy DES requirements concerning the suitability and  
23 availability of water?**

1 A. Yes. In accord with RSA 364:22, III, DES has submitted a letter attesting that the Town  
2 of Salem has satisfied the DES requirements.

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

4 A. Yes.

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