

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

**Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company**

**Petition for Approval of
Miscellaneous Utility Service Fees**

DW 22-_____

Direct Testimony of Donald L. Ware

January 18, 2022

Professional and Educational Background

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

A. My name is Donald L. Ware. I am the Chief Operating Officer of Pennichuck Water Works, Inc. (PWW PWW), Pennichuck East Utility, Inc. (PEU), and Pittsfield Aqueduct Company, Inc. (PAC) (together, the Companies)).

Q. Please describe your educational background.

A. I have a Bachelor of Science degree in Civil Engineering from Bucknell University in Lewisburg, Pennsylvania. I have a Master's in Business Administration from the Whittemore Business School at the University of New Hampshire.

Q. Please describe your professional background.

A. I joined PWW in 1995. Prior to joining PWW, I served as the General Manager of the Augusta Water District (District) in Augusta, Maine from 1986 to 1995. I served as the District's engineer between 1982 and 1986.

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

A. As the Chief Operating Officer I am responsible for the overall operations of the Companies, including water quality and supply, distribution, engineering, customer service, and water system capital improvements. I have extensive knowledge of the costs of operating the Companies and the cost of providing the various utility services offered by the Companies under the tariff fee schedules.

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

3 **A.** The purpose of my testimony is to describe why PWW, PEU, and PAC are
4 seeking approval from the New Hampshire Public Utilities Commission
5 (NHPUC or Commission) to update the current tariff rates for
6 Miscellaneous Utility Service Fee tariff schedules. These fees are located,
7 on tariff page 46 for PWW, on tariff page 46 for PEU, and on tariff page 42
8 for PAC. These tariff pages are attached to this testimony as Attachment
9 A for PWW's proposed tariff page 46, Attachment B for PEU's proposed
10 tariff page 46, and Attachment C for PAC's proposed tariff page 42.
11 Track-change versions of the fee revisions are also provided in each
12 attachment. The Companies do not intend to change the Merrimack
13 Source Development Charge that is noted on the Miscellaneous Utility
14 Service Fees tariff pages for PWW and PEU.

15 **Q. Why are the Companies seeking to update the tariffed fees**
16 **associated with Miscellaneous Utility Services?**

17 **A.** The Miscellaneous Utility Service Fees were last updated in 2009. Before
18 that, they were updated in 1999. The fees are meant to recover the costs
19 associated with providing customer-specific services that are outside of
20 the normal realm of general utility water service. Charges for general
21 utility water service are found in the PWW, PEU and PAC tariffs for each
22 customer class. The Miscellaneous Utility Service Fees differ from water
23 service fees because they are created by individual customers by, for
24 example, when there is a returned check from the bank or when the
25 customer requests new service.

2 **Q. What are the Miscellaneous Utility Service Fees that the Companies**
3 **seek to adjust?**

4 **A. Specifically, they are:**

Description of Service	Current Fee	Proposed Fee
PWW, PEU, and PAC		
A. Initiation of Service:	\$20.00	
i. New Service		\$108.00
ii. Transfer of Service		\$30.00
B. Service Pipe Connection	\$160.00	\$230.00
C. Service Connection, Disconnection, and Collection Charge		
i. During Business Hours	\$46.00	\$67.00
ii. During Non-Business Hours	\$63.00	\$95.00
D. Returned Check	\$15.00	\$18.00
E. Design Review/Inspection/As-Built Fee for Main Pipe Extension	\$3.00 per foot	\$3.44 per foot

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6 **Q. What comprises these services?**

7 **A.** 1. The Initiation of Service fee has in the past been calculated regardless
8 of whether it related to a new service or transfer of a service. In breaking
9 out the cost analysis by type of initiated service, it became evident that the
10 administrative time and costs to process a new service request differed
11 from the time and cost to process transferring a service. Therefore, the
12 Companies seek to create two subclasses within Initiation of Service that
13 comprise: i. New Service; and ii. Transfer of Service. The Companies
14 believe breaking the types of initiated service into two subtypes is more
15 cost-based and fair to the affected customers.

16 2. The Service Pipe Connection fee covers the cost of inspecting the
17 installation of the private portion of a customer’s service line (that is, the
18 portion of the service line that runs from the so-called curb stop to the end

2 of the service line).

3 3. The Service Connection/Disconnection/Collection fees cover the cost
4 of collection activities created by a customer's nonpayment of a water bill,
5 both during regular business hours Monday through Fridays, excluding
6 Holidays) and non-regular business hours (those hours that are not
7 regular business hours).

8 4. The Returned Check Fee covers the Companies' administrative costs
9 associated with posting on a customer's account that a customer's
10 payment has not been honored by their bank as well as the fee the
11 Companies are charged by its bank.

12 5. The Design Review/Inspection/As-Built Fee for Main Pipe Extensions
13 covers the administrative cost of reviewing such plans and inspecting
14 Main Pipe Extensions.

15 **Q. How did PWW, PEU, and PAC determine the proposed amount for**
16 **each service fee?**

17 **A.** These fees are meant to recover the direct costs of providing the noted
18 service. Direct costs include: the labor and associated direct overhead;
19 truck costs; administrative support; and in the case of returned checks,
20 bank costs. I calculated these direct costs, by fee, in Attachment D. The
21 proposed fees are based on average 2022 labor rates and direct overhead
22 costs associated with the staff that perform each of the Miscellaneous
23 Utility Services.

24 **Q. Please describe how you calculated the costs for the respective fees.**

25 **A.** For each fee, as shown on Attachment D, I calculated the time and cost

2 for each employee involved in the service. For example, to inspect a
3 service pipe, it involves three hours of an engineering inspector and a
4 truck, and approximately a half-hour of a Geographic Information System
5 (GIS) technician. Based on that time and hourly cost, as well as allocation
6 of indirect overhead, it costs the Companies \$230.00 to provide that
7 service. Accordingly, the Companies seek to increase that fee to \$230.00
8 so that the true cost is covered by the individual customer creating the
9 cost so that those costs are not subsidized by other customer classes. I
10 conducted the same or similar analysis for each fee and those calculations
11 are all shown on Attachment D.

12 **Q. Were these costs based on PWW's most recent rate case?**

13 **A.** Yes, to the extent the most recent labor, administrative, and overhead
14 contracts and rates were included in PWW's most recent general rate
15 case overall revenue requirement, the costs are based on PWW's most
16 recent rate case and approved overall revenue requirement.

17 **Q. Do PAC and PEU use PWW resources for their operations? If so,
18 please explain.**

19 **A.** Yes, PAC and PEU have no employees of their own, therefore, they rely
20 on PWW's employees. The Commission has approved affiliate and cost
21 allocation agreements among the affiliate utilities and among the utilities
22 and its parent which means the costs relied upon to determine the
23 proposed fees for PAC and PEU, in addition to PWW, are based on
24 approved agreements.

25 **Q. Please describe why the fee for New Service under Initiation of**

2 **Service has increased more than the fee for Transfer of Service**
3 **under Initiation of Service.**

4 **A.** This different rate of increase as compared to Transfer of Service is
5 caused by a number of factors. As shown on Attachment D, to initiate a
6 New Service, the Companies must involve an engineer to ensure that the
7 service and meter are properly sized base on the customer's water
8 demand according to the Companies' current technical specifications and
9 applicable regulations. In contrast, to transfer a service only involves a
10 meter technician and administrative staff whose hourly rates are less than
11 an engineers'. In addition to involving less-costly staff, it takes less time to
12 process a transfer of service than it does to process a New Service.
13 Combined, these factors cause the costs to be more for a New Service
14 than a Transfer of Service.

15 **Q. Please explain why the Companies have added Design Review and**
16 **As-Built Review to the Main Pipe Extensions?**

17 **A.** This change is to make the tariff fees more express as to the scope of
18 reviews involved in Main Pipe Extensions. Within a Main Pipe Extension
19 review, there are usually multiple stages of review: Design Review, field
20 inspections, and the creation of as-builts. In the past, the Companies'
21 tariffs did not differentiate each stage. The Companies have modified the
22 fee description in the interest of making more express the phases of Main
23 Pipe Extension review the Companies normally undertake to ensure that
24 main extensions comply with the Companies' technical specifications and
25 applicable regulations.

2 **Q. How are the collected fees treated by each Utility?**

3 **A.** The collected fees are booked as Miscellaneous revenues. The
4 miscellaneous revenues reduce a utilities' overall revenue requirement in
5 its general rate case. Therefore, adjustments of these fees will reduce the
6 portion of the utility's overall revenue requirement that are collected from
7 its general rate classes. The miscellaneous fees are intended to avoid
8 having the general customer classes subsidize expenses caused by
9 individual customers.

10 **Q. If the Miscellaneous Utility Service Fees were to go into effect during**
11 **a test year or within 12 months of the end of a test year, would PWW,**
12 **PEU, and PAC pro form the increased revenues into the rate case**
13 **filing?**

14 **A.** Yes. As stated above, revenues from these fees are treated differently
15 and reduce the portion of PWW, PEU, and PAC's overall revenue
16 requirement that is collected from its general customer classes. An
17 increase in the miscellaneous fees will result in reduced fixed and
18 volumetric charges to the general customer classes, as pro forming these
19 miscellaneous fees into a rate case would reduce the portion of the Test
20 Year Revenue Requirement that is collected from the general customer
21 class.

22 **Q. Do you have an opinion as to whether the proposed Tariff changes**
23 **are in the public interest?**

24 **A.** Yes. I believe that the proposed tariff changes reflect the cost of providing
25 these miscellaneous utility services. The fees need to be reflective of the

2 actual cost of providing that service, otherwise other customers of the
3 utility would be paying for part of the miscellaneous service being provided
4 to a specific customer. That would result in a subsidy. Updating the
5 current fees ensures that the true cost of these miscellaneous services are
6 recovered from each customer causing the service. By minimizing
7 subsidies, it helps keep PWW, PEU, and PAC's rates cost-based and
8 cost-based rates are in the public interest.

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

10 **A.** Yes.