

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**

**September 28, 2022** - 9:03 a.m.  
21 South Fruit Street  
Suite 10  
Concord, NH

RE: **DW 22-040**  
**PENNICHUCK WATER WORKS, INC.:**  
Petition for Approval of Amendment  
to Special Contract with Pennichuck  
East Utility, Inc.  
**(Prehearing conference)**

**PRESENT:** Cmsr. Pradip K Chattopadhyay, *Presiding*  
Commissioner Carleton B. Simpson

Tracey Russo, Clerk

**APPEARANCES:** **Reptg. Pennichuck Water Works, Inc.:**  
Marcia A. Brown, Esq. (*NH Brown Law*)  
**Reptg. New Hampshire Dept. of Energy:**  
Suzanne G. Amidon, Esq.  
Jayson Laflamme, Director/Water Group  
David Goyette, Water Group  
(*Regulatory Support Division*)

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

**I N D E X**

**PAGE NO.**

**DISCUSSION RE:** Copies of the notices published in newspapers 5

**STATEMENTS OF PRELIMINARY POSITION BY:**

Ms. Brown 11

Ms. Amidon 19

**QUESTIONS BY CMSR. SIMPSON** (to NH DOE) 21

**QUESTIONS BY CMSR. SIMPSON** (to PWW) 23, 32

**QUESTIONS BY CMSR. Chattopadhyay** (to PWW) 26, 34

**FINAL STATEMENTS BY:**

Ms. Amidon 51

Cmsr. Chattopadhyay 51

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

**P R O C E E D I N G**

CMSR. CHATTOPADHYAY: Good morning, everyone. I'm Commissioner Chattopadhyay, in the presiding role, as Chairman Goldner is not available. I'm joined today by Commissioner Simpson.

We are here this morning in Docket 22-040 -- just a moment -- for a prehearing conference noticed on August 17, 2022. That notice acknowledged that the issues that this instant docket raises include whether special circumstances exist so that the Commissioner -- sorry -- the Commission's approval of the proposed amendments to the Special Contract between PWW and PEU providing for rates different from the general schedules would be just and consistent with the public interest under RSA 378:18.

The Commission also notes that the docket raises the question of whether the deviation from a general tariff can retroactively amend the wholesale water supply contract between PWW and PEU to July 1st, 2021.

We also have some analytical questions

1 with respect to the rate design that  
2 characterizes the contract amendment. For  
3 example, even with significant increases in the  
4 fixed meter charge and base monthly fees and  
5 one-third increase in the minimum purchase volume  
6 per day, why is PEU's projected bill for annual  
7 purchase lower? Is it entirely because of the  
8 decrease in the volumetric rates, or is there  
9 something else going on?

10 So, we hope that this prehearing  
11 conference will help move matters forward,  
12 particularly with respect to the adjudicative  
13 issues at hand pertaining to the amendment of the  
14 Special Contract between PWW and PEU.

15 Let's begin by taking appearances. For  
16 Pennichuck Water Works?

17 MS. BROWN: Good morning,  
18 Commissioners. Thank you for holding today's  
19 prehearing. My name is Marcia Brown, and I'm  
20 with NH Brown Law. And I am representing  
21 Pennichuck in this case.

22 And present today, to my right, is  
23 Larry Goodhue, who is Pennichuck Water Works' and  
24 Pennichuck East Utility's CEO and Chief Financial

1           Officer; to his right is Don Ware, who is  
2           Pennichuck Water and Pennichuck East's Chief  
3           Operating Officer; immediately behind me is Jay  
4           Kerrigan, who is the Regulatory and Treasury  
5           Financial Analyst for Pennichuck; and to his  
6           right is George Torres, who is the Corporate  
7           Controller, Treasurer, and Chief Accounting  
8           Officer.

9                     Thank you.

10                    CMSR. CHATTOPADHYAY: Thank you.

11                    MS. AMIDON: Good morning.

12                    CMSR. CHATTOPADHYAY: Good morning.

13                    MS. AMIDON: I'm Suzanne Amidon. I'm  
14           here for the Department of Energy Regulatory  
15           Division, the Water Group.

16                    To my left is Jayson Laflamme, who is  
17           the Director of the Water Group; and to his left  
18           is David Goyette, who is an Analyst in the Water  
19           Division.

20                    Thank you.

21                    CMSR. CHATTOPADHYAY: Thank you. So,  
22           I'm just going to begin with the preliminary  
23           matters. There's one that I want to talk about.

24                    I was just looking at the Puc 200

1 rules, and stumbled upon the Rule 203.12(d). It  
2 appears that the affidavits of publication that  
3 were filed did not include the copies of the  
4 notices that were published.

5 And, so, I think it would be helpful if  
6 the Company could file those. So, I know that  
7 you had filed the affidavits. But the copies of  
8 those publications were not provided. So, that  
9 would be helpful if you include them.

10 MS. BROWN: If I could speak to that  
11 issue, too?

12 CMSR. CHATTOPADHYAY: Sure.

13 MS. BROWN: Because I had, in past  
14 years, filed both the affidavit, which was  
15 notarized, and the tear sheet, and noticed that  
16 the Commission never published the tear sheet.  
17 So, I figured, why file them?

18 But I am happy to file those tear  
19 sheets, and will do those today by end of day.

20 If I can also speak to the affidavits  
21 of publication? The Commission's order had  
22 required that the order postings be by September  
23 7th, and that indeed was the case. For Conway  
24 Daily Sun, that tear sheet or the notice appeared

1 on August 25th; for the Union Leader, that  
2 appeared on August 31st; for the Telegraph, that  
3 appeared on September 4th; and, for the Concord  
4 Monitor, that order appeared on August 26th.

5 The hiccup, in complying with the  
6 September 16th deadline, because we had tariff  
7 affidavits -- sorry -- we had affidavits of  
8 publication filed on the 12th and the 19th. We  
9 had a hard time getting the notarized, the  
10 physical notarized copy to file in time for the  
11 16th. So, I filed two that I had received on the  
12 12th, and then followed up with the remaining two  
13 on the 19th.

14 I don't think the Commission needs to  
15 waive its order deadline of the 16th, because I  
16 think we substantially complied by filing proof  
17 of the affidavits of at least two out of the four  
18 newspapers that we had to notice in, because of  
19 the wide geographic area of PEU.

20 So, I just wanted to raise that. We  
21 think that we complied with the order, because at  
22 least two out of the three were filed by the time  
23 of September 16th, and, in fact, all of the  
24 notices did occur in the newspapers by the

1 required deadline.

2 CMSR. SIMPSON: And can you elaborate  
3 on that a bit more? I just didn't follow the  
4 perceived deficiency that you articulated for us.  
5 Can you just restate that for me?

6 MS. BROWN: The order required that the  
7 affidavits be filed --

8 CMSR. SIMPSON: Uh-huh.

9 MS. BROWN: -- by the 16th. I had two  
10 ready and filed on the 12th. And the two  
11 stragglers I did not get and file until the 19th.

12 CMSR. SIMPSON: Okay.

13 MS. BROWN: So, I was technically  
14 after. And, while we're crossing t's and dotting  
15 i's, I just wanted to bring that to the  
16 Commission's attention, and make the argument  
17 that we think that we substantially complied with  
18 the order. And, if not, we would ask, you know,  
19 forgiveness, because the reason was the logistics  
20 in this remote -- still remote world of getting a  
21 physical notary to sign a piece of paper and then  
22 get it.

23 CMSR. SIMPSON: Thank you for restating  
24 that for me.

1 CMSR. CHATTOPADHYAY: Do you have  
2 anything else? I saw you conferring, so --

3 MS. BROWN: Yes. Yes. In addition to  
4 the publication in the newspapers, the Company  
5 posted the orders on its website. So, we think  
6 that there's been sufficient notice to the public  
7 with that addition as well.

8 Thank you.

9 CMSR. SIMPSON: And are you able to  
10 provide a copy of the publication notice as well?

11 MS. BROWN: Yes. So long -- so, I take  
12 this as a record request, and I will submit all  
13 of the tear sheets, so that the Commission has  
14 documentation of that, as well as a screen  
15 capture of the notice that was published on the  
16 website, for completeness.

17 CMSR. CHATTOPADHYAY: Yes.

18 MS. BROWN: Thank you.

19 CMSR. CHATTOPADHYAY: You know, this is  
20 what happens when an economist becomes a  
21 commissioner. Because there are legal stuff that  
22 I rely on, and I look at Commissioner Simpson,  
23 and I have other lawyers that are helping me.  
24 So, we will take that matter under advisement

1 about the 16th versus 19th issue.

2 But, personally, I'm quite fine with  
3 what I've seen. It's just that I want to make  
4 sure that we follow the rules.

5 Are there any preliminary matters,  
6 other than the one that I talked about, that  
7 needs to be looked into or talked about?

8 MS. BROWN: If I can ask for  
9 clarification? Can we address that question, the  
10 Commissioner question, after putting our  
11 preliminary remarks in?

12 CMSR. CHATTOPADHYAY: The question for  
13 the 16th versus 19th?

14 MS. BROWN: No. The question that you  
15 posed about "why PEU's rate was going down?", and  
16 the explanation behind it?

17 CMSR. CHATTOPADHYAY: Oh, absolutely.  
18 We will have some questions on that. So, not an  
19 issue. We'll go there.

20 MR. GOODHUE: Good.

21 CMSR. SIMPSON: And if you want to  
22 address it in the opening, --

23 CMSR. CHATTOPADHYAY: Yes.

24 CMSR. SIMPSON: -- I'm sure we'd

1 entertain that.

2 CMSR. CHATTOPADHYAY: So, okay. So,  
3 let's start with the preliminary positions.  
4 Let's go with PWW, and PEU, because both are here  
5 at the same time.

6 MS. BROWN: Thank you. Good morning,  
7 Commissioners.

8 Pennichuck Water Works and Pennichuck  
9 East have petitioned the Commission to approve an  
10 amendment to its existing contract. And this  
11 contract, as noted in the Petition, does not  
12 expire until October 9th, 2038, and that's if the  
13 two five-year extensions aren't triggered.

14 The amendment seeks to amend the rates  
15 only, so that the rates are more closely aligned  
16 to the new and existing forward-looking cost of  
17 production. The result is that the base monthly  
18 fixed fee will slightly increase, but the  
19 volumetric charge will decrease. And these  
20 changes were dictated by a cost of service study  
21 that was conducted.

22 And, by way of background, for the  
23 record in this proceeding, and as the Commission  
24 is aware, Pennichuck Water Works has filed a

1 number of revised special contracts recently, and  
2 this is because there was a major change in use  
3 among one of Pennichuck's large special contract  
4 customers, and that was that the Town of Hudson  
5 lost two major water supply wells, its Dame and  
6 Ducharme wells, so that suddenly Hudson needed  
7 much more water from Pennichuck than it had  
8 previously taken.

9 Now, there was also a ripple effect in  
10 that, because PEU also took up to 15 percent of  
11 Hudson's production from the Dame and Ducharme  
12 wells, that Pennichuck East also needed to find a  
13 new supplier, and that was in Pennichuck Water  
14 Works, and that's reflected in the filing here.  
15 Now, these changes occur in the use, from Hudson,  
16 occurred on or about July 1st, 2021.

17 Now, the change -- the ripple effect  
18 that I was talking about is specifically that  
19 there was a change in the relative share of plant  
20 and distribution capacity that is shared among  
21 the customers based on the customer's average day  
22 guaranteed minimum purchase, peak day, and peak  
23 hour usages.

24 So, then, to summarize the filings that

1 have been caused because of this change in  
2 Hudson's use, as the Commission is aware, there  
3 was a existing review docket for Anheuser-Busch,  
4 that was Docket DW 21-115. And midway through  
5 the Commission's review, Pennichuck asked for a  
6 pause, and refiled a special contract and cost of  
7 service study to reflect that there was a change  
8 in Hudson's use that would ripple through the  
9 share that Anheuser-Busch would have of plant and  
10 distribution capacity.

11 Also, there was the filing for a  
12 special contract for Hudson, and that is  
13 presently docketed as DW 22-029. That, at a high  
14 level, is to convert it from a seasonal special  
15 contract usage, to a more permanent for a term of  
16 years.

17 And then, Pennichuck has filed the  
18 instant docket. And, under this docket,  
19 Pennichuck East seeks to replace the about  
20 118,000 gallons per minute per day -- I'm  
21 sorry -- gallons per day that it used to take  
22 from Hudson, it is now taking it from Pennichuck  
23 East. And, by order of magnitude, this is about  
24 a 33 percent increase in Pennichuck East's take

1 of water from Pennichuck Water Works. So, it's  
2 not insubstantial.

3 For completeness, there's a Town of  
4 Milford contract that is coming up for expiration  
5 next year, that will be coming soon, and this  
6 ripple effect from Hudson's use will also flow  
7 through to that filing, and that filing is  
8 imminent.

9 And, to round out, there was a special  
10 contract with the Town of Tyngsborough. But  
11 Hudson's use did not affect that special  
12 contract, so that you're not going to see any  
13 contract revision for that special contract.

14 Now, as I mentioned, a cost of service  
15 study was performed for this instant Special  
16 Contract. And, by way of background, the cost of  
17 service study is used to determine the cost to  
18 provide the water service under the unique needs  
19 of that particular customer, and it ensures that  
20 there is no cost-shifting to other customer  
21 classes.

22 Now, there is a rate case going on for  
23 Pennichuck Water Works. And Pennichuck has  
24 proformed the changes in these various special

1 contracts into its rate filing, so that there is  
2 a accurate reflection in the proposed revenue  
3 requirement by these changes. And, you know,  
4 these -- having a separate docket for a special  
5 contract is not unusual, and also proforming  
6 these known changes into the revenue -- proposed  
7 revenue requirement is also a normal course of  
8 action.

9 And I mentioned that this is not the  
10 first time that there have been active reviews of  
11 special contracts while there's been a rate case  
12 pending. Because, in 2017, in DW 17-071,  
13 Pennichuck Water and Pennichuck East had a  
14 special contract under review while Pennichuck  
15 East had its general rate case, in Docket DW  
16 17-128. And also, back in 2010/2011 timeframe,  
17 Pennichuck Water Works had its general rate case  
18 at the same time that the Anheuser-Busch Special  
19 Contract was open.

20 I say that because -- or, I raise this  
21 issue because there was some criticism from OCA,  
22 in a past special contract docket for Hudson,  
23 that, you know, "special contracts should be  
24 reviewed in the context of a rate case". Well,

1 the history before the Commission is that that's  
2 not been the case. You know, these have been  
3 separately noticed investigations. They do  
4 relate, you know, we're not denying that. But  
5 that the review is not placed into the rate case  
6 so as to burden that rate case review. We  
7 believe it can be a stand-alone docket, as it is  
8 right now.

9 Now, with respect to the retroactive  
10 effective date, because Hudson's change of use  
11 occurred on or about July 1, 2021, Pennichuck is  
12 trying to start all of its special contracts that  
13 need to be revised all on the same footing, and  
14 have a retroactive application in effect back to  
15 July 1, 2021.

16 And there may be some question as to  
17 why, you know, here it is in September 2022, that  
18 this request is being made, it's because cost of  
19 service studies take months to do to conduct.  
20 When you're dealing with municipalities, there's  
21 also that delay. Then, you overlay regulatory  
22 lag. So, it's, you know, not surprising that,  
23 here we are in yet another docket, and Milford to  
24 be coming, too, that it took this time -- oh,

1 well, Milford is not being -- is not a  
2 retroactive docket. I just misspoke about that,  
3 sorry. It's not unusual that it took this long  
4 to determine the true rates past a July 1, 2021  
5 proposed effective date.

6 There is a policy reason for asking for  
7 the retroactivity, and that is because, if these  
8 rates aren't allowed to go back to 2021, then, in  
9 effect, Pennichuck East's customers are going to  
10 be paying more than what the cost of service  
11 study dictates that they should be paying. And,  
12 so, it becomes a fairness issue of "why should  
13 one particular customer base be paying more than  
14 they should?", when there is a ability to  
15 reconcile or give a credit, such as what the  
16 Commission has allowed in the Anheuser-Busch  
17 docket.

18 And, with respect to the  
19 reconciliation, and this is an issue that  
20 Department of Energy raised in the Hudson docket,  
21 is the Pennichuck East/Pennichuck Water Works  
22 Special Contract is just an amendment to the  
23 rates. We didn't amend and include a clause for  
24 the reconciliation. We were thinking that would

1 be something separate. But, I think, after this  
2 prehearing, we will talk in the tech session of  
3 perhaps having that reconciliation either spelled  
4 out in a settlement agreement or as a addendum to  
5 the Special Contract amendment. So, I just  
6 wanted to flag that issue, that we are aware  
7 that, you know, it probably would be a good idea  
8 to write that down, other than in a -- in  
9 testimony, you know, have that presented to you  
10 in a settlement agreement, or amendment to the  
11 Special Contract amendment.

12 So, with that, I will close, and say  
13 that we will look forward to working with OCA and  
14 DOE in this matter, and in the tech session  
15 afterwards. And we'll propose a procedural  
16 schedule. I know DOE has also gotten a jump on  
17 discovery, and we responded to discovery already.

18 And, as far as the questions, we  
19 will -- I'll let Don Ware or -- and Larry Goodhue  
20 respond to the questions more fully, after we  
21 finish with opening statements.

22 Thank you.

23 CMSR. CHATTOPADHYAY: Thank you. Let's  
24 go to DOE.

1 MS. AMIDON: Thank you.

2 As Attorney Brown indicated, we've  
3 already commenced discovery. And there may be --  
4 I think that we can look at the procedural  
5 schedule, probably somewhat shortened. However,  
6 you know, Don Kreis, the Consumer Advocate, is  
7 not here today. We don't know if he will be  
8 participating in later phases of the docket.  
9 Obviously, any procedural schedule we agree to  
10 today, will have to be subject to his --

11 MS. BORDEN: Excuse me. Do you have  
12 your mike on?

13 MS. AMIDON: Nope. You don't want me  
14 to begin again, do you? Steve, --

15 MR. PATNAUDE: I got it.

16 CMSR. CHATTOPADHYAY: As long as Steve  
17 is good, I'm good.

18 MS. AMIDON: All right. I can hear  
19 myself. So, that's -- I'm the primary audience  
20 for myself.

21 CMSR. SIMPSON: And we could hear you  
22 as well. And the stenographer has a record of --

23 MS. AMIDON: Yes.

24 CMSR. SIMPSON: -- your comments.

1 MS. AMIDON: Thank you very much.

2 CMSR. SIMPSON: Please proceed.

3 MS. AMIDON: So, and now I forget where  
4 I left off.

5 We don't know what role the Consumer  
6 Advocate will play in this docket. Obviously,  
7 we'll have to run the procedural schedule that we  
8 may agree to with the Company by him as well.  
9 And, hopefully, we'll get his assent. Otherwise,  
10 we'll probably file it as agreed to by the two  
11 parties you see today, and note that the Consumer  
12 Advocate has not taken a position.

13 With respect to whether this contract  
14 should be part of the rate case, we agree with  
15 the Company, provided that -- pardon me again --  
16 all of the special contracts have been able to be  
17 reviewed and resolved in some manner before PWW  
18 submits its final revenue -- its required revenue  
19 calculation for the rate case.

20 So, we're looking to have this done by  
21 mid-March. So, as long as we can have those  
22 revenue requirements modified, and then updated  
23 in the rate case, along with the other elements  
24 that may have to be updated, we look to finish

1           this -- conclude this proceeding by mid-March.  
2           And I just wanted to alert the Commission to  
3           that, because the deadline is important, in that  
4           that is the impact it has on the rate case, it's  
5           the revenue requirement.

6                         We know that this is a unique contract,  
7           but we're trying to be sensitive to all the  
8           environmental issues going on around the state,  
9           and understand that the Department of  
10          Environmental Services has a role in this process  
11          as well. So, we will move ahead and work with  
12          the Company to, you know, answer any questions we  
13          might have, and to hopefully move the process  
14          along for the Commission.

15                        Thank you.

16                        CMSR. CHATTOPADHYAY: Thank you. I  
17          will note that I'm aware that the Consumer  
18          Advocate has filed a participation letter. But,  
19          obviously, he's not here today. So, you know,  
20          just I understand that.

21                        Then, we will go to the Commissioners'  
22          questions now. So, I'll start with Commissioner  
23          Simpson.

24                        CMSR. SIMPSON: I'd ask Attorney

1 Amidon, with respect to the question of  
2 retroactivity, do you have any preliminary  
3 thoughts for us on the matter?

4 MS. AMIDON: One moment please.

5 *(Atty. Amidon conferring with*  
6 *Mr. Laflamme.)*

7 CMSR. SIMPSON: Sure.

8 MS. AMIDON: I think that it's a little  
9 unusual. And that will be part of our review, to  
10 make sure that we understand how the various  
11 pieces work together. As Attorney Brown said,  
12 there's a cost of service study and multiple  
13 impacts on different entities with whom they have  
14 special contracts. So, we're going to have to  
15 take a close look at that.

16 Thank you.

17 CMSR. SIMPSON: And, just so I clearly  
18 understand your position, it's the Department's  
19 view that you want to resolve any of the special  
20 contract matters through final order from the  
21 Commission prior to finalizing the revenue  
22 requirement for the Company's general rate case?  
23 Is that -- did I understand that correctly?

24 MS. AMIDON: I think that is the

1 preferred way to go, because the rate case is on  
2 a definite schedule.

3 CMSR. SIMPSON: Uh-huh.

4 MS. AMIDON: These contracts are not.  
5 But, in this case, because they do affect revenue  
6 requirement calculations for the rate case, we,  
7 you know, we aspire to have those completed.  
8 Like I said, we're trying to work towards  
9 expediting the Commission's ability to review  
10 these contracts and to look at the issues that it  
11 wishes to examine in connection with them, such  
12 as the retroactivity.

13 CMSR. SIMPSON: Okay. Thank you.

14 MS. AMIDON: You're welcome.

15 CMSR. SIMPSON: And then, for the  
16 Company, with respect to the cost of service  
17 study that you updated, given the sought changes  
18 in the Special Contract, would you use the same  
19 cost of service study in your general rate case?

20 MR. WARE: No.

21 CMSR. CHATTOPADHYAY: It was specific  
22 for PEU, as a customer?

23 MR. WARE: Right. So, there was no  
24 overarching cost of service study as part of the

1 Pennichuck Water Works rate case.

2 CMSR. SIMPSON: Uh-huh.

3 MR. WARE: The last rate case, it had a  
4 cost of service study, which allocated amongst  
5 the General-Metered class of customers.

6 CMSR. SIMPSON: Uh-huh.

7 MR. WARE: Each special contract that  
8 we have has its unique cost of service study done  
9 specific to that customer and what it takes to  
10 serve them. So, in this case, the cost of  
11 service study between PWW and PEU is unique to  
12 the sales from PWW to PEU.

13 CMSR. SIMPSON: And, in terms of scale,  
14 relative to PWW's total customer base, how large  
15 is PEU?

16 MR. WARE: So, this contract requires a  
17 guaranteed minimum purchase of 400,000 gallons a  
18 day by Pennichuck Water Works. We also have a  
19 guaranteed purchase amount, I believe it's a  
20 million gallons a day from Hudson that's under  
21 consideration, 900,000 gallons a day -- or,  
22 excuse me, something less, 667,000 gallons from  
23 Anheuser-Busch.

24 And, so, when you aggregate the various

1 special contracts, they amount to about a little  
2 over 20 percent of the usage or sales above and  
3 beyond the General-Metered class.

4 CMSR. SIMPSON: Okay. That's helpful.

5 MS. BROWN: If I can also just clarify,  
6 when Mr. Ware was referring to the take of  
7 "400,000 gallons per day", "Pennichuck East", not  
8 "Pennichuck Water".

9 MR. WARE: Yes.

10 MS. BROWN: Just to clarify.

11 CMSR. SIMPSON: Thank you. And it  
12 sounds like the parties are going to convene in a  
13 tech session after this hearing and develop a  
14 procedural schedule. Any initial thoughts on a  
15 requested final hearing or order in this matter?

16 And you can defer that question. Just  
17 my own for planning.

18 MS. BROWN: I think it would be the  
19 Company's preference to have a approval of a  
20 settlement agreement patterned after the  
21 Anheuser-Busch investigation. Because, in that  
22 docket, the Commission considered the Settlement  
23 Agreement, and I believe issued an order *nisi*, so  
24 that we could just efficiently dispense. I mean,

1           there doesn't seem to be a lot of interest in  
2           this docket. So, I think an order *nisi*, rather  
3           than a full-fledged expensive hearing, would be  
4           preferred.

5                        CMSR. SIMPSON: Okay. I don't have any  
6           further questions at this time, Commissioner  
7           Chattopadhyay. Thank you.

8                        CMSR. CHATTOPADHYAY: Thank you. So, I  
9           have a record request to start with. And I'm  
10          going to read it exactly the way it's written  
11          here, which is: Refer to Attachment DLW-1 to the  
12          direct testimony of Mr. Ware. Please provide the  
13          Cost of Service Study in live Excel format,  
14          inclusive of formulae, links to other worksheets  
15          or attachments, and explanations for assumptions.

16                       And, so, this will be -- we'll prepare  
17          a PO with the RRs. Okay. How much time would  
18          you need? That would be good to know.

19                        (*Atty. Brown conferring with Mr. Ware*  
20                        *and Mr. Goodhue.*)

21                        MS. BROWN: I would just offer that we  
22          could provide that within the week, within a  
23          week, you know, by next Wednesday. However, I  
24          will also note to the Commission that the docket

1 clerk and I are having a dialogue on how you  
2 redact a formula. Because, under the 200 rules,  
3 it's envisioning redactions on *pdf* pages. But,  
4 if you, you know, if this vendor wants to protect  
5 their formulas, then I'm going to need to file a  
6 Motion for Protective Treatment, and then we have  
7 to grapple with the 200 rules in how you mark a  
8 hidden formula that doesn't appear on a page.

9 So, we have -- I have, hopefully, a  
10 discussion with the Clerk's Office after this  
11 prehearing.

12 CMSR. CHATTOPADHYAY: Okay. I hear  
13 what you're saying, and you might need a little  
14 bit more time to wrap this up. So, maybe Friday  
15 next week would be a good deadline.

16 MS. BROWN: Thank you. Yes. We'll use  
17 that one.

18 CMSR. CHATTOPADHYAY: Okay.

19 MS. BROWN: Will the Commission be  
20 issuing a formal paragraph on that record  
21 request, so I can just use that in my cover  
22 letter? I've taken notes, but --

23 CMSR. CHATTOPADHYAY: Yes. So, what I  
24 meant was, with the PO, we'll have this question,

1 this RR clearly spelled out there.

2 MS. BROWN: Thank you.

3 CMSR. CHATTOPADHYAY: Okay? And, if  
4 there are anything else that come up as we talk  
5 about stuff here, we will also include them.

6 MR. GOODHUE: Got it.

7 CMSR. CHATTOPADHYAY: Okay. So, I  
8 think you have addressed this in your opening  
9 comments. But, in the Petition, on Page 3, it  
10 says something to the effect of "This cost change  
11 for the water supplied by PWW to PEU in this  
12 existing special contract is also affected by  
13 other large users changing how much supply they  
14 will be taking on an ongoing basis going  
15 forward."

16 So, I heard you talk about Town of  
17 Milford, you know, --

18 MR. GOODHUE: -- and Hudson.

19 CMSR. CHATTOPADHYAY: -- and Hudson, as  
20 well as perhaps even Anheuser-Busch. So, I don't  
21 know. Can you give me -- can you go back to that  
22 question and give us a general sense what you  
23 meant there?

24 MR. WARE: So, typically, cost of

1 service studies for special contracts don't all  
2 fall in a line. So, a cost of service study is  
3 done at the time, based on what's known and  
4 measurable, as far as General-Metered customer  
5 usage. And, again, you're looking at the  
6 components of, you know, guaranteed minimums,  
7 average day, peak day, and peak hour are the  
8 parameters that distribute costs amongst the  
9 parties. So, typically, again, these are kind of  
10 done as stand-alones. And, when you do a new  
11 one, because you have a contract that's 20 years  
12 long, you don't go back and revisit that.

13 As it was, we had the Anheuser-Busch  
14 Special Contract, which was due July 1st of -- to  
15 transition July 1st of 2021 from the Fourth  
16 Special Contract to the Fifth.

17 Simultaneously, we had two existing  
18 contracts, with Hudson and PEU, that weren't due  
19 for a number of years. But, because of the PFAS  
20 contamination and change in usage, we said "Well,  
21 let's line up all these special contracts that we  
22 can and use the same platform." So, you know,  
23 make sure that the relative usage, which, you  
24 know, has changed, is the same in all the

1 contracts. Make sure that the base for the  
2 analysis, in this case, DW 19-084's revenue  
3 requirement is the same. So, it was a unique  
4 opportunity to wrap those all up.

5 But we kind of stretched out. We had  
6 filed the Anheuser-Busch case before we knew  
7 about the PFAS contamination. When that came up,  
8 we said "Oh, that's going to change the relative  
9 percentages of those four components across the  
10 special contracts. So, let's pull them  
11 altogether."

12 And, in the case of Milford, Milford  
13 came to us in May of this year, because their  
14 contract is up next February, and said "Oh, we  
15 want to renegotiate a special contract. And, oh,  
16 we want to change the parameters that are" --  
17 "those four parameters."

18 So, we wrapped everything up, with the  
19 idea that, you know, everything is -- will be all  
20 aligned for those particular special contracts.

21 CMSR. CHATTOPADHYAY: Thank you. So,  
22 have the customer "guaranteed take" allocations  
23 across customer classes changed between the  
24 previous and the amended contracts as a result of

1           this additional need for PWW to serve PEU's  
2           additional water needs?

3                       MR. WARE:   Okay.   So, relative to PEU,  
4           in the original contract, there was a guaranteed  
5           usage of 300,000 gallons per day.   And that is  
6           changing from 300,000 gallons a day to 400,000  
7           gallons a day.   And that differential is the lost  
8           water that PEU used to buy from Hudson.   But,  
9           when Hudson had to shut down the Dame and  
10          Ducharme wells, which produced roughly 785,000  
11          gallons a day, PEU had a 15 percent allotment of  
12          that, or, roughly, 118,000 gallons.   So, that  
13          water had to come from someplace.   And, so, that  
14          hence, PEU would, you know, in terms of cost,  
15          PEU's cheapest cost of water is from Hudson.  
16          And, so, -- but Hudson couldn't provide all of  
17          PEU's needs, hence the contract with PWW.

18                       Now, Hudson can produce less, PEU needs  
19          more.   And, again, we looked, in the original  
20          contract, Manchester was a potential source of  
21          water, but a more expensive source than PWW,  
22          based on the cost of service study.   So, this is  
23          a change, because PEU needs additional water, and  
24          because of Dame and Ducharme.   And, so, this

1 contract changes the dynamics micks of how much  
2 PEU will guarantee to purchase on a daily basis.

3 CMSR. SIMPSON: May I ask a question  
4 about that, Commissioner Chattopadhyay?

5 CMSR. CHATTOPADHYAY: Absolutely. Yes.

6 CMSR. SIMPSON: Is Hudson water still  
7 the least expensive, given the closure of the  
8 wells?

9 MR. GOODHUE: Yes.

10 CMSR. SIMPSON: And, just generally  
11 speaking, can you comment on the cost of  
12 water, --

13 MR. WARE: Yes.

14 CMSR. SIMPSON: -- from a macro  
15 perspective right now in New Hampshire?

16 MR. WARE: Yes. So, relative to  
17 Hudson, Hudson still has one active well, which  
18 is a Weinstein well, which produces about 800,000  
19 gallons of water a day. PEU is allowed 15  
20 percent of that, or roughly 120,000 gallons a day  
21 at Hudson's current variable cost of production,  
22 which there is no treatment, so it's electricity  
23 and disinfection or chlorine. And it runs about  
24 35 cents a hundred cubic feet. You know, we're

1 looking at rates, and there is no guaranteed  
2 minimum and there's no annual payment fixed  
3 charge to Hudson, so, by far, the cheapest source  
4 of water.

5 This contract, based on cost of  
6 service, again, based on current 19-084 rates,  
7 which again are subject to the QCPACs that are in  
8 effect or coming starts at 84 cents. So, more  
9 than twice the relative cost, plus it has a  
10 substantial, you know, annual fixed charge, so  
11 that PEU is covering their cost of -- PWV's cost  
12 of capital investment in its raw water and  
13 production facilities.

14 *(Mr. Goodhue and Mr. Ware conferring.)*

15 MR. WARE: Yes.

16 MR. GOODHUE: So, we do still take  
17 advantage -- we do still take advantage in  
18 obtaining our allotment of that water from the  
19 Weinstein well. It's the water loss from the  
20 other wells that is being made up for from PWV  
21 through the Special Contract. So, we still do  
22 take advantage of that cheapest source of water,  
23 to the extent it's available.

24 CMSR. SIMPSON: Thank you both.

1 CMSR. CHATTOPADHYAY: So, maybe the  
2 term "guaranteed take" isn't the right term. And  
3 I will try to phrase my question differently  
4 right now. What I'm trying to understand is, you  
5 have a new situation, you're trying to deal with  
6 it. And how does the -- so, ultimately, this is  
7 still about PWW providing a service to others.  
8 So, you have a customer base. And I'm trying to  
9 understand how this has altered the allocation  
10 across customer classes, and meaning "what burden  
11 the customers across the different classes will  
12 face?"

13 And I'm not sure whether "guaranteed  
14 take" is the right term, because it's used in the  
15 context of the contract. But, if you know what  
16 I'm trying to get a sense of, like, how does this  
17 change the allocation?

18 MR. WARE: So, it results in PEU using  
19 a larger part, if you look at the total  
20 production in PWW, and that production goes out  
21 to its General-Metered customers, as well as the  
22 five special contract customers. PEU and Hudson,  
23 in particular, are taking a large -- when you  
24 look at the total, they are a larger percentage

1 of the total. And, as a result, their share of  
2 the fixed costs, the principal and interest on  
3 the raw water facilities and the treatment plant,  
4 go up, because they are using a larger percentage  
5 of that. So, the percentage of that, those costs  
6 to the General-Metered, comes down.

7 CMSR. CHATTOPADHYAY: In the -- in the  
8 effort to accommodate this, the new situation, I  
9 understand what you just said. So that, if you  
10 look at the apportionment, it's going to be  
11 smaller for the general customers.

12 But, because of this new reality, is  
13 there something incremental that's happening out  
14 there that also has, I mean, if the allocation is  
15 not necessarily the way you describe it, and  
16 there's more stuff that you also have to -- more  
17 costs you have to assign to the general  
18 customers? That's what I'm trying to get a sense  
19 of.

20 MR. WARE: So, there's no -- when you  
21 look at this contract, and, you know, the  
22 change -- if PEU could stay where they were,  
23 their, you know, if they didn't need any more  
24 water, and the rates were charged that are under

1 the existing contract, their contribution towards  
2 general and admin. costs and towards the plant is  
3 less than with them using more water. So,  
4 there's a net increase in revenues to PWW, which  
5 reduces the revenue requirement to the  
6 General-Metered with this transition. PEU, if  
7 they buy this additional water, but at the  
8 current cost, would be paying more than their  
9 share of general and admin. and fixed costs.

10 And it goes back to -- it's very  
11 important, the most important part of a special  
12 contract is, one, the guarantee: If they don't  
13 buy it, they're still paying for it. So, it's a  
14 known and measurable stream of income.

15 Secondly, what's equally important to that is  
16 the fact that it's a year-round demand. It's  
17 not -- there's not a big seasonal adjustment.  
18 When you look at the spread of the  
19 General-Metered usage from average day to peak,  
20 the factor is 2.0. When you look at PEU, the  
21 difference is something less than that, it's like  
22 1.5, I believe, is what the differential is. So,  
23 again, it's, you know, and, because PEU has its  
24 own storage, you know, the production out of the

1 plant doesn't have to meet the demands in the  
2 system. PEU takes water on a consistent basis  
3 based on the pump rate. It doesn't vary with the  
4 usage by time of day, which happens in the  
5 typical core system.

6 CMSR. CHATTOPADHYAY: Can you provide  
7 an explanation as to why there is a reduction in  
8 the maximum daily demand, from 0.7 million  
9 gallons per day to 0.65 million gallons per day?  
10 Because, intuitively, someone might think that  
11 they need more. So, what's going on?

12 Just, and maybe I misunderstand it,  
13 based, you know, in some very basic way.

14 MR. WARE: It's based on the pump  
15 station as it finally ended up. So, when the  
16 station was designed under the original contract,  
17 the goal was to pump 700,000 gallons a day. Due  
18 to the complexity of the hydraulics and pump  
19 selections, and varied usage, that station can  
20 only put out 650,000 gallons maximum rate. And,  
21 so, that peak hour rate reflects, if all the  
22 pumps are on, what can it do? And this is just  
23 now having knowledge that, when the original  
24 contract was done, the target was for that

1 station to produce 700,000 gallons a day; it  
2 can't.

3 CMSR. CHATTOPADHYAY: Thank you. That  
4 was helpful. So, you mentioned something about  
5 the administrative and general, you know, the  
6 cost. Give me a sense of how does PEU pay its  
7 share of PWW's administrative and general costs,  
8 like, you know, based on the contract that you  
9 have?

10 MR. GOODHUE: So, as been discussed in  
11 prior rate cases and dockets, there is a  
12 preapproved cost allocation methodology, a  
13 management fee. And what that is is a  
14 multi-tiered and consistently applied formulaic  
15 approach to how shared costs are allocated  
16 between PWW and its sister subsidiaries, and  
17 Pennichuck Corporation and all of its  
18 subsidiaries, relative to, you know, the cost of  
19 the operations that are shared costs. And, so --  
20 and one of the drivers in that is the *pro rata*  
21 revenues between the entities. And, so, you  
22 know, if you had more revenues, that's going to  
23 gobble up more of those fixed costs *pro rata*.  
24 It's also based on assets, it's based on number

1 of customers, based on employees, the whole bit.  
2 But it's based on that approved cost allocation  
3 formula, which is consistently applied, as  
4 approved. And, like I say, is involved in every  
5 docket that we have relative to general rate  
6 cases.

7 CMSR. CHATTOPADHYAY: So, I'm going to  
8 go to the point that I made right at the  
9 beginning when we started the prehearing  
10 conference today. I mean, I notice that you have  
11 a 102 percent increase in the fixed meter charge.  
12 There is an increase in the minimum annual  
13 purchase volume, you know, from 0.3 gallons [sic]  
14 per day to 0.4 gallons [sic] per day. So,  
15 roughly, 60 percent increase in the Base Monthly  
16 Fee. So, and then, yet you have the PEU's bill  
17 for an annual purchase cost for 0.40  
18 million gallons per day is lower. So, resulting  
19 in savings of \$40,700, roughly, \$40,700. Can you  
20 just explain what's going on?

21 MR. WARE: Yes. So, you go back to the  
22 cost of service study, and the cost of service  
23 study relates to our revenue requirements. So,  
24 PWW has, as you're aware, buckets of revenue

1 requirements. The CBFRR, the payment to the  
2 City, which is fixed, regardless of usage. So  
3 the cost of service study, in that monthly or  
4 annual fixed charge, includes PEU's share of that  
5 CBFRR. That's why it's fixed.

6 Now, since their share of, you know,  
7 their desired share went from 300,000 gallons a  
8 day to 400,000 gallons, that affects the amount  
9 of their share. Also, in that fixed charge is  
10 the recovery of the principal and interest  
11 associated with PWW's investment in the  
12 facilities necessary to serve its customers. So,  
13 the raw water transmission facilities and pumping  
14 station, and the treatment plant, and any  
15 distribution main and storage that serve that  
16 area. So, there's a dollar amount there that's  
17 picked up in that fixed charge.

18 The volumetric charge recovers the  
19 variable costs, plus a contribution towards  
20 general and admin. So, in this case, the  
21 volumetric charge, because they're willing to  
22 guarantee a volume, can be lower, because we can  
23 be assured that gives a -- that, you know, a  
24 similar contribution towards the general, you

1 know, and admin. as the cost of service study  
2 says. So, if we lowered again that -- if PEU  
3 said "we're only going to guarantee 300,000  
4 gallons a day", that volumetric rate goes up.

5 But it is more than -- so, again, it's  
6 all driven by the cost of service study. The  
7 fact that the volumetric rate is meant to pick up  
8 or cover the variable cost of production, plus a  
9 *pro rata* share of the general and admin., and,  
10 you know, distribution and water supply  
11 operational costs of staff and labor and whatnot,  
12 that are not variable, but are there.

13 CMSR. CHATTOPADHYAY: I'll try to frame  
14 this question as best as I can. But what I'm  
15 going into is maybe a confusion that I have.

16 So, you had, you know, a mention in  
17 Page 18 of your testimony, in Lines 10 through  
18 14, that there's an "overpayment" issue of  
19 \$51,000, right? And, so, what I want to  
20 understand, that's because of the retroactive  
21 issue?

22 MR. WARE: Yes.

23 CMSR. CHATTOPADHYAY: Your calculation  
24 of the "\$40,671", does that already account for

1           that?

2                       MR. WARE:    So, --

3                       CMSR. CHATTOPADHYAY:   And maybe --

4                       MR. WARE:    Not sure, the 41,000 you're  
5           referring to --

6                       CMSR. CHATTOPADHYAY:   That is the  
7           difference that you just talked the rates are  
8           going to go down, okay?

9                       MR. WARE:    Yes.

10                      CMSR. CHATTOPADHYAY:   And I'm trying to  
11           focus on, generally, when you do a cost of  
12           service study, you're looking into the future.  
13           So, I want to get a sense of, regardless of what  
14           happened over the last, you know, from July 1st,  
15           2021 through now, I want to get a sense of what's  
16           going on, what's going to happen going forward?  
17           So, do the costs go up for PEU customers or go  
18           down? That's what I'm trying to understand.

19                      MR. WARE:    So, the component here,  
20           first of all, is is that the 41,000 is an  
21           annualization based on the difference in rates in  
22           the same usage pattern that is proposed by the  
23           current contract. Okay? So, PEU, if it  
24           continued to buy water as it has since July 1 of

1           2021, but under the current special contract  
2           rates, would pay a little over \$41,000 more a  
3           year than under the proposed contract. So,  
4           that's number one.

5                        So, PEU saves, at the current -- at the  
6           current purchase amount, since July of last year,  
7           41,000. The \$51,000 credit is more than a year.  
8           That's from July 1 through October 1. But that  
9           reflects that same, if you extended instead of  
10          over 12 months, you're now looking over 15  
11          months. That's where the -- they're one in the  
12          same number.

13                       CMSR. CHATTOPADHYAY: So, I think I  
14          understand what you're saying. The \$40,671, that  
15          amount, is really about sort of getting a sense  
16          of going forward what's -- that's what I wanted  
17          to understand.

18                       MR. WARE: Yes.

19                       MR. GOODHUE: Yes. That's the new  
20          platform.

21                       CMSR. CHATTOPADHYAY: Yes. So, Page 3  
22          of the Amendment to the Special Contract,  
23          Section 2(a) indicates that "any change in the  
24          base monthly fixed fee may be adjusted only in

1 direct response to a regulatory change by the  
2 U.S. EPA or New Hampshire DES", and I'm  
3 paraphrasing a bit there.

4 Can you please explain what regulatory  
5 change triggered the requested amendment to the  
6 contract? First of all, if I'm true, that this  
7 is about a regulatory change.

8 MR. WARE: So, what happened is is that  
9 the state established a standard for the PFAS  
10 contaminants. So, they regulated four out of the  
11 36 contaminants. One of those being PFOA, which  
12 they set a standard of 12 parts per trillion.  
13 That 12 parts per trillion standard resulted in  
14 the -- again, the Dame and Ducharme wells, which  
15 are a source of supply both for Hudson and for  
16 PEU, the level of PFOA over the last -- since  
17 they started monitoring in 2016, has gone from 7  
18 and 8, in last -- June of last year, the  
19 quarterly average was going to exceed 12. So,  
20 they were going to be in violation, and it's  
21 continued to creep up, of a standard that the  
22 state established that the first compliance  
23 period was effectively after four quarters of  
24 monitoring, the last of those quarters was second

1 quarter of 2021. And, so, that was the driver.

2 CMSR. CHATTOPADHYAY: So, --

3 MR. GOODHUE: Can I just offer?

4 CMSR. CHATTOPADHYAY: Sure. Yes.

5 MR. GOODHUE: That, prior to that 12,  
6 the state had had in place for about two years an  
7 emergency standard at 70 parts per trillion. So,  
8 you had a change in regulation that caused the  
9 situation to change. So, the numbers, as they  
10 were, were well in compliance with the 70. But  
11 now, with the new standard established at 12, now  
12 became problematic.

13 CMSR. CHATTOPADHYAY: Yes. I think  
14 that is what I was trying to get at. That, if it  
15 was 12 right from the beginning, --

16 MR. GOODHUE: It wasn't.

17 CMSR. CHATTOPADHYAY: -- and you just  
18 ended up bumping up, and then going beyond 12,  
19 then that's not a regulatory change. That's --  
20 and, so, what you're saying is, before that, the  
21 standard was 7, and I forget what units it would  
22 be, and then, yes, that when this was projected,  
23 you were aware that that emergency option wasn't  
24 available anymore. So, I think I understand that

1 piece.

2 Can you tell me whether 12 was the  
3 standard, you know, if you ignore the emergency  
4 issue, and even before, and from when? I just  
5 want to --

6 MR. WARE: So, there is still no  
7 national standard for PFAS. There was a health  
8 advisory from the EPA going back to 2016 at what  
9 was 400, and then they dropped it to 70 parts per  
10 trillion, combination of the various PFAS  
11 constituents. The state, in the meantime, moved  
12 forward with its own, and they can, as a primacy  
13 agency, its own set of standards that, you know,  
14 for PFAS. And that process went through, and,  
15 like I said, there was the beginning of quarterly  
16 sampling, they, as Mr. Goodhue had mentioned,  
17 they had a health advisory established at 70  
18 parts per trillion going back to 2016 that  
19 mirrored EPA's. But, when EPA did not move  
20 forward with rapidity that the state felt was  
21 appropriate, given the contaminant, the state, in  
22 its own rulemaking, established its own standard  
23 for PFAS, which, again, is a combination of  
24 they're looking at four of the 36 compounds, each

1 one of them has an individual standard, that is  
2 based on a quarterly running average of four,  
3 that base level was set at 12. And, you know,  
4 the samples were third quarter '20, fourth  
5 quarter '20, first and second quarter of 2021 to  
6 get the first four-quarter compliance sample.

7 And, so, you know, it really -- there  
8 was a change, and it all took effect as of July,  
9 end of second quarter of 2021. And, again, that  
10 was the driver.

11 Hudson was looking at, you know, the  
12 fact that they pumped those wells after July 1st,  
13 that they were going to have a violation of the  
14 state standard for PFOA. Which, in turn, was  
15 going to impact us, because we get water from  
16 their wells, "us" being Pennichuck East.

17 CMSR. CHATTOPADHYAY: Okay. So, this  
18 is kind of a hypothetical question, but I'll ask  
19 this.

20 Let's say the standard remains  
21 unchanged, okay? But, for some reason,  
22 there's -- the quality of the water deteriorates,  
23 and at some point you are violating that  
24 standard. You don't consider that to be a

1 regulatory change, right?

2 MR. GOODHUE: Can I say that your  
3 hypothetical question is very optimistic. The  
4 standard will be changing, and it will be  
5 lowering, based on information that we know is  
6 happening at the EPA. So, a national standard is  
7 in the process of being set that is below the 12  
8 part per trillion.

9 CMSR. CHATTOPADHYAY: Yes. I think,  
10 again, I'm not talking about the numbers here.

11 MR. GOODHUE: Right.

12 CMSR. CHATTOPADHYAY: Think about the  
13 hypothetical situation as forget about the  
14 numbers, if there is a standard, and then you're  
15 not violating it, but, over time, you end up  
16 violating it.

17 MR. WARE: So, --

18 CMSR. CHATTOPADHYAY: Would you  
19 consider that as a "regulatory change" or not?

20 MR. WARE: So, --

21 CMSR. CHATTOPADHYAY: Because I'm  
22 really, and let me finish, I'm really trying to  
23 get at the point about it has impacts on the  
24 rates. So, I'm trying to understand what -- is

1           that, in the Company's belief, is that a  
2           "regulatory change" or not?

3                     MR. WARE:    So, relative to this  
4           contract, so, this is, when we think about this,  
5           this is saying that PWW, not Pennichuck East, --

6                     CMSR. CHATTOPADHYAY:   Uh-huh.

7                     MR. WARE:    -- has a standard that has  
8           to be met, you know, that -- and, so, again, even  
9           if there's an established standard, if water  
10          quality were to diminish, that would require us  
11          now to build, as an example, if the PFAS  
12          regulation changes, we may have to put in  
13          tertiary filtration at the Pennichuck Water Works  
14          plant to meet that standard that would meet that  
15          requirement.

16                    If the standard didn't change, but,  
17          say, the raw water quality out of the Merrimack  
18          River or Pennichuck Brook went from under 12 to  
19          over 12, that would require an investment, which,  
20          in turn, would trigger impact to the base monthly  
21          fixed fee under the paragraph in the contract  
22          where it talks about that's a fixed fee, it  
23          doesn't change, unless there is a, you know,  
24          change required, you know, as it mentions,

1 "improvements to PWW's Nashua water treatment  
2 plant, raw water source of supply facilities,  
3 dams", you know, all those things that are  
4 currently fixed, because the investment's done.  
5 But, now, something cause -- you know, changes  
6 that causes us to have to invest more in one of  
7 those facilities.

8 CMSR. CHATTOPADHYAY: The way you have  
9 described it, when I read, again, the same thing  
10 from the Page 3 of the Amendment to the Special  
11 Contract, Section 2(a), it says any change in the  
12 Base Monthly Fixed Fee may be adjusted only in  
13 direct -- it says "only in direct response to a  
14 regulatory change."

15 The second scenario that you described,  
16 the one that I was creating hypothetically, I  
17 really don't see that as a "regulatory change".  
18 I mean, you're required to meet the standards,  
19 that's true. But I'm a little concerned about  
20 this language. I'll just leave it at that, and  
21 we will move on.

22 So, that's all I have. I'm going to go  
23 back to the issue of the procedural order, we'll  
24 send it out. And we'll have -- I'll have to

1 quickly look at the dates, next Friday would be  
2 7th. So, we'll have a deadline for that.

3 Is there anything else we need to talk  
4 about?

5 *(Atty. Amidon indicating in the*  
6 *negative.)*

7 CMSR. CHATTOPADHYAY: Okay. It's still  
8 better to look at my notes before I speak.

9 CMSR. SIMPSON: I think Attorney Amidon  
10 has a comment.

11 MS. AMIDON: Yes. I would suspect  
12 that, as between the Company and the Department,  
13 we would be able to reach agreement on a  
14 procedural schedule probably today. Would you  
15 like to see that, even though the Office of  
16 Consumer Advocate is not here, or would you  
17 rather wait until -- to receive that and do a  
18 separate order or, you know, approval?

19 CMSR. CHATTOPADHYAY: My recommendation  
20 would be, because the OCA has filed a  
21 participation letter, I would appreciate if you  
22 talk to OCA, and then finalize that.

23 MS. AMIDON: Very good. Thank you.

24 CMSR. CHATTOPADHYAY: Yes. So, we will

1 let you all proceed to the technical session.

2 Thank you, everyone. We are

3 adjourned.

4 ***(Whereupon the prehearing conference***  
5 ***was adjourned at 10:04 a.m., and a***  
6 ***technical session was held thereafter.)***

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24