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December 15, 2006

HAND DELIVERED

Ms. Debra A. Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: DW 04-048, City of Nashua

Dear Ms. Howland:

On behalf of Anheuser-Busch, Inc., intervenor in the above-captioned proceeding, enclosed please find an original and seven copies of our Prehearing Brief, as well as a computer disk in word format containing the Prehearing Brief.

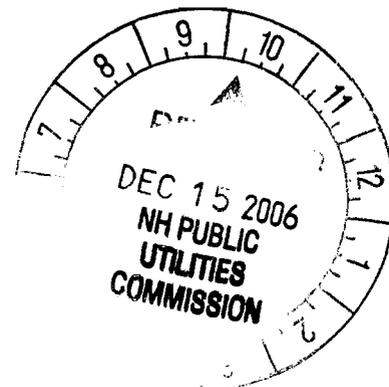
The global email group has been served this day electronically.

Very truly yours,



Dom S. D'Ambruoso
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DSD/dl
Enclosure
cc: Service List
349948



STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 04-048

In Re: City of Nashua Petition
For Valuation of Property of
Pennichuck Water Works

PREHEARING BRIEF
OF ANHEUSER-BUSCH

Anheuser-Busch, Incorporated (“AB”) submits this prehearing brief in accordance with the Commission’s secretarial letter of November 22, 2006.

Background

AB operates a brewery in Merrimack that employs approximately 450 people. AB uses water to produce its beer, as well as for cleaning of machinery and other plant purposes. Since 1970, Pennichuck Water Works (“PWW”) has supplied AB with water pursuant to a series of long-term special contracts approved by the Commission. AB is PWW’s largest customer, accounting for approximately 15% of the system’s average daily volume of water sales.

The nature of AB’s business dictates that it must have a reliable supply of high-quality water at stable, long-term rates. PWW has consistently met that need. Each special contract has had a term of at least ten years, and has established cost-based rates reflecting the high volume of sales and low operational costs associated with service to AB. The special contracts have helped keep rates lower for other customers, and have assured AB a reliable source of quality water.

Discussion

As stated in the pre-filed testimony of Dennis A. Nesbitt, AB has four principal requirements for its water supply:

1. High-quality water;
2. Long-term, stable rates;
3. Rates that are reasonable and cost-based; and
4. Operational cooperation with its supplier.

AB is satisfied with PWW's service on each of these points. The current special contract, effective through July 2015, establishes fair rates and reasonable terms and conditions.

AB presumes that the City of Nashua could also provide adequate service. Thus far, however, the testimony and discovery in this proceeding have not produced enough information to assure AB that its needs will be met in the event of municipalization. The City has not proposed any specific terms for a future service arrangement with AB. As a result, AB cannot meaningfully compare the merits of City service to those of continued PWW service. In addition, Nashua's intention to convey control of the system to a regional water district casts doubt on the City's general assurances about the service and rates AB may expect if municipalization goes forward.

The parties have offered testimony and exhibits on a variety of matters. Those relating to valuation of PWW's system are largely beyond AB's expertise and its interest in the proceeding. The same is true of most questions relating to the public interest. However, the parties have raised several issues of significant concern to AB. Those include the capability of operations supervisors, the efficacy of proposed organizational structures, and the effect on rates of varying valuations and projections of operational

costs. Lacking the knowledge to reach independent conclusions on these issues, AB gives greatest weight to the considered opinions of PUC Staff as professional, disinterested analysts.

The City of Nashua states that municipalization will generally divest the Commission of jurisdiction over rates for water service to customers outside its boundaries. However, it stipulates that the terms and conditions of its Water Ordinance will remain subject to Commission jurisdiction under RSA 362:4 and RSA 374. Assuming a stipulation of subject matter jurisdiction is enforceable, it is unclear whether those statutes confer any regulatory authority over special contracts. It is equally unclear whether the statutory provisions designed to ensure equal treatment of customers outside municipal boundaries have any practical application to a customer in AB's unique position.

The prospect of a lack of regulation creates additional uncertainty. AB believes Commission review and oversight have helped AB and PWW reach and implement their agreements and maintain good working relations. As a customer outside the City's borders, with no assurance of a judicially-enforceable special contract, AB is concerned about the lack of recourse in the event of a dispute about rates or service.

AB has asked the Commission to condition any approval of municipalization on Nashua's assumption of the existing special contract, or the execution of a substantially similar new special contract. That step would allay some of AB's concerns for the life of the contract. However, Nashua indicates that it cannot offer any specific terms until it has conducted a new cost study. Obviously, it cannot perform that study until after the present proceeding has been concluded. AB therefore has no way of knowing what rates

or terms Nashua will be able to offer, even if the Commission conditions municipalization on implementation of a special contract.

Conclusion

The purchase of water is a matter of vital interest to AB. PWW has an established track record of satisfactory service, and AB's needs are well-served by the present contract. AB does not have enough information about the rates, conditions, organization, and oversight of potential City service to support municipalization at this time. The Commission Staff's testimony raises a number of troubling issues. AB must defer to Staff's views at present, and will also be guided by Staff's conclusions about whether Nashua has resolved those issues in the course of the proceeding. AB repeats its request that if the Commission approves municipalization, it condition that approval on Nashua's assumption of the rates and terms of the special contract now in effect. Even that condition, however, would leave open questions about the long-term predictability and stability of rates and service, and the mechanisms available for resolving disputes.

Respectfully submitted,

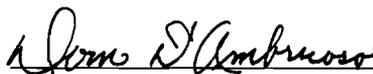
ANHEUSER-BUSCH, INCORPORATED

By Its Attorneys

RANSMEIER & SPELLMAN
PROFESSIONAL CORPORATION

Dated: December 15, 2006

By:



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing prehearing brief has this day been sent electronically to those whose names appear on the attached service list.



Dom S. D'Ambruoso