

STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION
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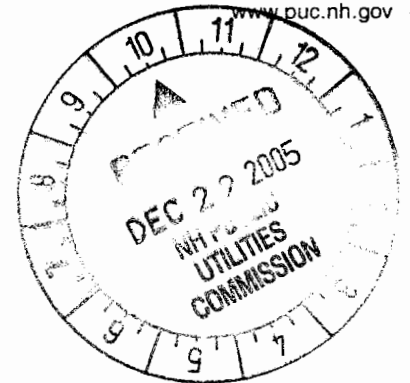
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December 22, 2005

Debra A. Howland
Executive Director and Secretary
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, N.H. 03301

Re: Docket No. DW 04-048 City of Nashua Valuation Petition
Docket No. DW 05-179 Waiver of Uniform System of Accounts

Dear Ms. Howland:

Enclosed please find an original and eight copies of Staff's Objection to Motion to Consolidate and Comments relative to whether the information sought to be waived is critical to the valuation issue presently before the Commission in DW 04-048.

Copies of this cover letter and Objection and Comments are being mailed this day by e-mail to all the parties in the above-referenced dockets as well as to the Commission.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Christine Thunberg".

Marcia A. B. Thunberg
Staff Attorney

cc: Service list for DW 04-048 and DW 05-179

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and
Pittsfield Aqueduct Company, Inc.
Request for Waiver of Section 610.01 (e)(15) of the
Uniform System of Accounts for Water Utilities

Docket No. DW 05-179

City of Nashua – Petition for Valuation

Docket No. DW 04-048

OBJECTION TO MOTION TO CONSOLIDATE

STAFF COMMENTS ON WHETHER UNIFORM SYSTEM OF ACCOUNTS PLANT
ACCOUNT REQUIREMENTS ARE CRITICAL TO VALUATION

On November 10, 2005, Pennichuck Water Works, Inc. (PWW), Pennichuck East Utility, Inc. (PEU), and Pittsfield Aqueduct Company, Inc. (PAC) filed a request to waive Section 610.01(e)(15) of the Uniform System of Accounts for Water Utilities relative to subdividing plant accounts into functional operations. The Commission assigned Docket No. DW 05-179 to this request.

On December 8, 2005, the City of Nashua (Nashua) filed a petition to intervene and motion to consolidate the waiver request with Docket No. DW 04-048, Nashua's petition for valuation. The City of Nashua explained that it had been unsuccessful during discovery in obtaining from PWW Continuing Property Records broken down by functional operations.

On December 14, 2005, the Commission deferred consideration of the Motion to Consolidate, held in abeyance the waiver request as it applies to PEU and PAC, and offered parties in Docket No. DW 04-048 an opportunity to comment on whether subdivision of plant accounts is critical to the valuation issue in DW 04-048.

A. Staff Believes Nashua has the Information Necessary to Create Functional Operation Subaccounts

When the discovery dispute arose in DW 04-048, regarding the functional operation designation of Continuing Property Records, Staff offered to assist Nashua and PWW in resolving the dispute. Nashua notes Staff's intervention in paragraph 5 of its petition. Not mentioned in Nashua's petition, however, is PWW's assertion that, although PWW did not keep their accounts according to the functional operations breakdown specified in the Uniform System of Accounts for Water Utilities, Nashua could create the functional operation subaccounts by reviewing PWW's main pipe inventory listing and plant records. Staff also confirmed that both of these set of records were provided to Nashua. In this effort to assist Nashua and PWW, Staff was careful not to make any conclusion or findings, as implied by Nashua in paragraph 6 of its petition. Instead, Staff believed it had made it clear that further investigation of the issue was necessary.

B. A Separate Docket is Necessary for a Thorough Investigation of Whether Class A Water Companies Ought to Keep Functional Operation Subaccounts

The discovery issue between PWW and Nashua caused Staff to realize that the Commission had not required any Class A water utility to keep Continuing Property Records according to functional operations. Because PWW was involved in DW 04-048 presently before the Commission and because PEU had an active rate proceeding before the Commission, DW 05-072, Staff recommended the Pennichuck companies submit a waiver request so that a separate docket could be opened to investigate the usefulness of the functional operation requirement. Although Docket No. DW 05-179 would specifically address whether the functional operations subaccount requirement of the Uniform System of Accounts for Water Utilities applies to PWW, PEU, and PAC, Staff envisioned the docket developing into a review of whether the requirement

is necessary for all Class A water utilities. According to the Commission's records, Staff believes the functional operations subaccount issue affects eight water utilities regulated by this Commission.¹ Staff believes reviewing the issue in one docket rather than in two, DW 05-179 and DW 04-048, will promote a more uniform resolution of the necessity of functional operations subaccounts for all affected water utilities.

Commission rule Puc 203.08 states that the Commission may consolidate hearings when it finds doing so will promote the orderly and efficient conduct of the proceeding. Staff agrees that the issue arose in DW 04-048 and could have been addressed in that docket. Nevertheless, the issue affects far more water utilities than those involved in DW 04-048. The fact that Nashua has the information it needs to create the functional operations subaccounts itself diminishes any urgency to resolve the issue posthaste in DW 04-048. Staff believes a thorough review is warranted and that it is important to ensure the resolution is uniformly applied to all regulated utilities. For these reasons, Staff objects to Nashua's motion to carve PWW's waiver request out of DW 05-179 and address it in DW 04-048. Staff firmly believes the most appropriate way to address the issue is in a separate docket wherein all interested parties, including the Class A water utilities, can conduct a thorough review without being distracted by valuation and public interest issues.

C. Staff has no Opinion as to Whether the Information is Critical to Valuation

At this juncture, Staff has no opinion as to whether the functional operations subaccounts are critical to the issue of valuation in Docket No. DW 04-048. Historically, neither Staff nor the Commission has found the lack of strict adherence to the requirement to keep functional

¹ Aquarion Water Company; Central Water Company; Hampstead Area Water Company; Hanover Water Works; Lakes Region Water Company; Pennichuck East Utilities, Inc.; Pennichuck Water Works, Inc.; and Pittsfield Aqueduct Company, Inc. Tilton-Northfield Aqueduct Company would be the ninth water company subject to this requirement, however, it is in the process of being sold to a village district and thus will no longer be under the Commission's jurisdiction.

operation subaccounts detrimental to its oversight of regulated utilities. The issue simply has not come up in past rate cases. The information may be useful for regulation in general but Staff needs additional time to investigate and identify the usefulness of the requirement. Because Staff has found such little information to date, Staff recommends the Commission fully investigate the issue in one docket, DW 05-179.

WHEREFORE, Staff respectfully states and requests:

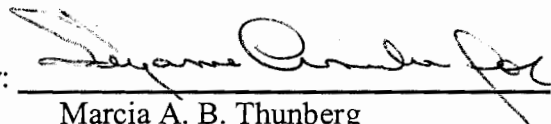
- A. the Commission grant the City of Nashua's motion to intervene in Docket No. DW 05-179;
- B. that to the extent the Commission entertains the City of Nashua's Motion to Consolidate, that the Commission reject the motion;
- C. that the Commission defer ruling on whether all Class A water utilities, including Pennichuck Water Works, Inc., must create functional operation subaccounts until after a complete investigation has occurred in Docket No. DW 05-179;
- C. that the Commission allow Staff and all interested and affected parties to proceed in investigating the waiver request in DW 05-179; and
- D. that the Commission grant such other and further relief as justice may require.

Respectfully submitted,

Staff of the N.H. Public Utilities Commission

Date: December 22, 2005

By:



Marcia A. B. Thunberg
Staff Attorney