

MBS EXHIBIT 3

City of Nashua

Petition for Valuation Pursuant to RSA 38:9

DW 04-048

Nashua's Response to Staff Data Requests – Set 4 Round 1

Date Request Received: February 27, 2006

Date of Response: March 20, 2006

Request No. 4-91

Respondents: Bernard Streeter
George E. Sansoucy, P.E.

System Acquisitions

Req. 4-91 Regulated public utilities have an obligation to serve within their franchise boundaries, subject to a main extension policy. What does Nashua believe its obligations to serve would be, if the Commission were to approve Nashua's requests in this proceeding?

Response: Nashua will honor its obligation to serve. We understand that obligation to be the following:

Nashua will serve all customers within its franchise areas outside of Nashua, subject to the main extension policy set forth in its Water Ordinance. Nashua has proposed a Draft Water Ordinance that is attached to Nashua's response to Staff data request 4-60. The Draft Water Ordinance incorporates many elements of the Commission's regulations for water service, Puc 600, as well as the Pennichuck Water Works, Inc., existing tariff. The Draft Water Ordinance currently includes a main extension policy and other important provisions concerning the terms and conditions of service.

Following approval by the Commission, the Nashua Board of Aldermen will adopt a final Water Ordinance, incorporating any changes required or recommended by the Commission, Nashua's bond counsel, oversight contractors. As a duly adopted ordinance of the Board of Aldermen, Nashua believes it will be required by law to provide service under the terms of its Water Ordinance on a non-discriminatory basis.

Nashua's franchises outside its border will continue to be subject to the Commission's jurisdiction under RSA 374. Nashua has committed to providing service to customers outside the City at its core rates. See Nashua's Response to Staff 4-33. As a result, Nashua will not be subject to rate regulation by the Commission under RSA 362:4, III-a (a). However, Nashua will continue to be subject to the franchise requirements of RSA 374. As a result, in addition

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providing service that complies with its Water Ordinance, Nashua will be required to provide a service that meets the franchise requirements of RSA 374 is “reasonably safe and adequate and in all other respects just and reasonable.” RSA 374:1.

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Date Request Received: February 27, 2006

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Request No. 4-92

Respondents: Bernard Streeter,
George E. Sansoucy, P.E.

Req. 4-92 Reference Nashua's proposed Water Ordinance, will this apply to the satellite systems if the Commission approves acquisition of those systems? If the ordinance is approved by Nashua residents, how would customers in the satellite systems have any input?

Response: Yes. See our response to Staff data request 4-91. Nashua will apply its Water Ordinance in a non-discriminatory manner. In addition, Nashua will also be subject to RSA 374:1 with respect to franchises outside of its corporate limits.

As a result, even if customers located outside Nashua do not approve the ordinance, they will continue to have legal recourse concerning rates and terms because:

1. Customers located outside Nashua are entitled to service in compliance with Nashua's duly adopted Water Ordinance;
2. Nashua's service, as well as the terms and conditions of the Water Ordinance, remain subject to the Commission's jurisdiction under RSA 374:1.

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Date Request Received: February 27, 2006

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Request No. 4-93

Respondents: Bernard Streeter,
Brian McCarthy, George E. Sansoucy, P.E.
Jack Henderson, P.E.

Req. 4-93 What measures will Nashua employ to minimize and prevent political bias from factoring in to the prioritizing of capital improvement needs of the satellite systems?

Response: See Nashua's response to Staff data requests 4-91 & 4-92.

Nashua has committed to providing service to customers located at the same rates and terms and conditions as its core customers. Nashua's commitment to the development of a Regional Water Authority in the best interest of the region should be apparent.

Even absent Nashua's commitment to provide high quality service to all customers on a non-discriminatory basis, the water industry is heavily regulated. As the owner of the system, Nashua is required to provide service in compliance with water quality regulations. Furthermore, as noted in its responses to Staff requests 4-91 & 4-92, Nashua will be required to provide service that is just and reasonable under RSA 374:1. As a result, a strategy based on under-funding or delaying necessary capital improvements outside its borders would not likely result in any benefit to Nashua over the long-term.

Nashua operations will also be largely regulated by its bond requirements and auditors. Once the system is acquired, requirements for reinvestment, cash flow managements, bond reserves will be reviewed for the system as a whole, not just Nashua.

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Request No. 4-94

Respondents: Bernard Streeter,
Brian McCarthy, George E. Sansoucy, P.E.

Req. 4-94 Nashua's response to Staff 1-14 states:

"Nashua would be willing to acquire troubled water systems in Towns in which it already had a presence and for which there was no objection by the Town."

Nashua's response to Staff 2-7 states:

"Nashua does not believe that it would be best served by having a definitive rule on this subject [acquiring troubled systems] but would prefer to entertain each proposal on an individual basis. Some of the factors Nashua would likely consider are: the cost of providing the service and whether the existing rate or proposed structure would support the cost; the proximity of the troubled system and other systems operated by the City; the impact on the O&M contract; and whether the owner or municipality in which the system is located wants Nashua to acquire it."

In light of these responses, if a troubled system were losing money, but it met the criteria as outlined in Nashua's two responses, could financial consideration alone prevent Nashua from taking over that system?

Response: The scenario presented is unlikely, but hypothetically possible.

As noted in response to requests 4-91 to 4-93, Nashua will evaluate all requests for service within the context of its Water Ordinance (see Nashua's response to Staff 4-60) and, with respect to systems within its franchise territory outside Nashua, in compliance with RSA 374. All new customers will be treated equally under Nashua's Water Ordinance, regardless of whether they are located in the City of Nashua or connected to the core system.

In that regard, we note the following:

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- Section x-4 of the Draft Water Ordinance, Initiation of Service, provides that “[t]he City will select the appropriate rate to be charged for the requested water service. Where no appropriate rate for the service requested exists, the City may execute a special contract that supersedes portions of this Ordinance for rates and conditions of service.” Nashua will provide service to all customers at its core rate. If a troubled system required special expenditures in order to provide
- Under Section x-31 of the Draft Water Ordinance, Main Extension Policy, all new customers will be required to pay for the costs to construct facilities necessary to connect to Nashua’s water system. New customers may either pay for the costs of construction, enter into a special contract concerning those costs, or construct the necessary facilities to the specifications provided by the Draft Water Ordinance. See Section x-31 (a), (b) & (f); Section x-4 (c).
- If a new Customer or a new use by an existing Customer places a sufficient demand on the Water Utility to require improvements to the treatment, storage or transmission facilities, the City may require that Customer to pay for some or all of the costs of improvement. Section x-31 (c).
- Where a new customer contributes property or funds for connection pursuant to the Main Extension Policy, the persons making such contributions are entitled to recover a portion of their contribution from customers benefiting from their contribution. Section x-31 (d).

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Request No. 4-95

Respondents: Bernard Streeter,
George E. Sansoucy, P.E.

Req. 4-95 Are there any barriers in the contracts Nashua is seeking to use in its operation of the Pennichuck Water Works, Inc. water systems that would hinder Nashua acquiring troubled water systems?

Response: No.

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Request No. 4-96

Respondents: Bernard Streeter,
George E. Sansoucy, P.E.

Req. 4-96 Will Nashua seek to insert a provision in any of its contracts used in the operation of the Pennichuck Water Works, Inc. water systems that will enable Nashua to expand the franchise territory subject to the contracts? If so, will there be an extra charge to add franchise areas after the implementation date of the contracts? If yes, what will that charge be?

Response: As noted in response to other data requests. Nashua will not seek to acquire other systems. Nashua will entertain all requests to connect to its water system within the context of its Water Ordinance and RSA 374. See Nashua's Response to Staff requests 4-91 to 4-95.