

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

City of Nashua's Petition for Valuation Pursuant to RSA 38:9

Docket No. DW 04-048

**DIRECT TESTIMONY OF  
GARY L. DANIELS**

**Q. What is your name and your association with the Town of Milford?**

A. My name is Gary L. Daniels. I am chairman of the Town of Milford's Board of Selectmen, and I have served in that capacity since March of 2005.

**Q. What is the Board's position with respect to the City of Nashua's proposed acquisition of assets belonging to Pennichuck Water Works, Inc. and its affiliates?**

A. On January 9, 2006, the Board voted to oppose the acquisition for six reasons.

**Q. What is the first reason?**

A. The Town of Milford currently obtains its backup supply of water from Pennichuck under a written agreement. Under the terms of the agreement, if Nashua acquires Pennichuck's assets, then the agreement terminates. As a result, if Nashua acquires Pennichuck's assets, then Milford will be left without a backup supply of water. Although Milford is trying to negotiate a water supply agreement with Nashua, no agreement has yet been reached, and it is unclear whether the parties will ever reach agreement or, if they do, whether Nashua will agree to terms that are as favorable to Milford as the terms in its current agreement with Pennichuck.

**Q. What is the second reason?**

A. Milford has a long history with Pennichuck, and it has found Pennichuck a reliable partner that has gone above and beyond its contractual requirements to support Milford. By way of example, in December 2003 Milford had a very serious water main break. Pennichuck went beyond its obligations under the backup water supply agreement by directing its own personnel to assist with the repair work at no cost to Milford. The Board knows from past experience that Milford can depend on Pennichuck. We cannot count on the same level of commitment from municipal management.

**Q. What is the third reason?**

A. Nashua originally sought to acquire Pennichuck's assets against the backdrop of a possible merger between Pennichuck and another company that would have placed the local water system under the control of a foreign corporation. The incorporation of the

Regional Water District was to insure local control. Nashua was the vehicle to transfer the control from Pennichuck to the water district. We understood that Nashua sought to keep the local water system under local control. We now understand that Nashua plans to have an out-of-state company manage the water system after the acquisition. The Board opposes the loss of local control over the water system, because out-of-state management will be less responsive to local needs.

**Q. What is the fourth reason?**

A. Nashua proposes to take Pennichuck assets located outside of Nashua's own borders in Milford and other municipalities in the region. Milford opposes Nashua's exercise of authority beyond its own borders as infringing upon the territorial interests of Milford and the other affected municipalities. Milford is in a unique position - we own our water system. What protection do we have from becoming incorporated into the larger system in the future as water needs in the area increase?

**Q. What is the fifth reason?**

A. Nashua proposes to acquire Pennichuck's assets for later transfer to the Merrimack Valley Regional Water District. Milford has not yet voted on whether to join the district, but under the terms of the water district's charter, communities with more users will have greater control over water district decisions. Under such a system, Nashua will have vastly greater control over the water district as compared to Milford or any of the other towns in the region.

**Q. What is the sixth reason?**

A. We understand from the public remarks of Nashua's Mayor Streeter that Nashua expects the Merrimack Valley Regional Water District to reimburse it for legal costs incurred in acquiring Pennichuck's assets. If Milford joins the water district, it will be expected to shoulder some of this cost even though Milford has had no control over the costs incurred.

**Q. Does the Board's believe the acquisition is in the public interest?**

A. The Board believes the acquisition is *not* in the public interest of the people of Milford or of the region as a whole. The original regional concept seemed to work toward protecting the area towns. There is no guarantee that Nashua will honor the regional concept.

**Q. Does this conclude your testimony?**

A. Yes.