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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 11, 2007 - 9:02 a.m.
Concord, New Hampshire

DAY VII

RE: DW 04-048
CITY OF NASHUA, NEW HAMPSHIRE:
Petition for valuation pursuant to RSA 38:9.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk (a.m. session)
Adele Leighton, Clerk (p.m. session)

APPEARANCES: Reptg. the City of Nashua, NH:
Robert Upton, II, Esq. (Upton & Hatfield)
Justin C. Richardson, Esq. (Upton & Hatfield)

Reptg. Pennichuck Water Works, Pennichuck
East Utilities & Pittsfield Aqueduct Co.:
Steven V. Camerino, Esq. (McLane, Graf...)
Sarah B. Knowlton, Esq. (McLane, Graf...)
Joe Conner, Esq. (Baker, Donelson...)

Reptg. Anheuser-Busch:
John T. Alexander, Esq.(Ransmeier & Spellman)

Reptg. the Town of Milford:
E. Maria Reinemann, Esq.(Brown Olson & Gould)

COURT REPORTER: STEVEN E. PATNAUDE CCR

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APPEARANCES: (C o n t i n u e d)
Claire McHugh, pro se
Barbara Pressley, pro se
Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
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Office of Consumer Advocate
Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq.

1

2

I N D E X

3

PAGE NO.

4

WITNESS: DONALD L. WARE

5

Direct examination by Mr. Camerino

4

6

Cross-examination by Mr. Richardson

11, 123

7

Cross-examination by Ms. Thunberg

98

8

Interrogatories by Cmsr. Below

138

9

10

11

WITNESS: BONALYN J. HARTLEY

12

Direct examination by Ms. Knowlton

157

13

14

15

* * *

16

17

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

18

1143

Response to Data Request 5-24

73

19

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21

22

23

24

[Witness: Ware]

1 P R O C E E D I N G S

2 (Moment of silence taken)

3 CHAIRMAN GETZ: Okay. Let's open the
4 hearing in docket DW 04-048, City of Nashua petition for
5 the taking of Pennichuck Water Works. I believe the next
6 item on our list is hearing from Mr. Ware from Pennichuck
7 Water Works. Is there anything else we need to address
8 before we hear from Mr. Ware?

9 (No verbal response)

10 CHAIRMAN GETZ: You can proceed,
11 Mr. Camerino.

12 MR. CAMERINO: Thank you. The Company
13 calls Donald Ware.

14 (Whereupon Donald L. Ware was duly sworn
15 and cautioned by the Court Reporter.)

16 DONALD L. WARE, SWORN

17 DIRECT EXAMINATION

18 BY MR. CAMERINO:

19 Q. Mr. Ware, would you just state your name and title for
20 the record please.

21 A. My name is Donald Ware, and I'm President of the
22 regulated water utilities of Pennichuck.

23 Q. And, that title, is that different from the title that
24 you had when you prefiled testimony in this case?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. Yes, it is.

2 Q. Okay. I'm just going to identify some exhibits for the
3 record, and ask you if they are your testimony or the
4 exhibits submitted with that testimony. I'm going to
5 start with what has been premarked as "Exhibit 3004",
6 which would be your January 12, 2006 testimony.

7 MR. CAMERINO: And, for the Commission's
8 information, that is also the document that's contained in
9 Volume 1A of the bound materials that were prefiled.

10 BY MR. CAMERINO:

11 Q. And, ask you if that testimony is true and correct to
12 the best of your knowledge and belief?

13 A. Yes, it is.

14 Q. And, if you were to give that testimony today, would
15 your answers to the questions be the same as they were
16 in that testimony?

17 A. Yes, they would be.

18 Q. And, your exhibits to that testimony, are those the
19 documents that were premarked as "Exhibit 3004A", and
20 were included in Volume 1B of the prefiled materials?

21 A. Yes, they are.

22 Q. And, then, you filed testimony on February 27th, 2006,
23 correct?

24 A. Yes, I did.

[Witness: Ware]

1 Q. And, that would be the testimony that was marked as
2 "Exhibit 3014"?

3 A. Yes.

4 Q. And, the exhibits to that or the exhibit to that was
5 premarked as "Exhibit 3014A"?

6 A. Yes.

7 Q. And, that is the same as the material that is in the
8 bound volume dated February 27, 2006, behind the tab
9 that says "Ware"?

10 A. Yes.

11 Q. And, then, you are adopting certain testimony of
12 Mr. Donald Correll dated February 27, 2006 as your
13 testimony?

14 A. Yes, I am.

15 Q. As well as -- And, that was premarked as "Exhibit 3012"
16 in this case?

17 A. Yes.

18 Q. And, you're also adopting "Exhibits 3012A", "B" and "C"
19 to that testimony, is that correct?

20 A. Yes.

21 Q. And, all of those materials were also contained in that
22 same bound volume dated February 27, 2006?

23 A. Yes.

24 Q. Okay. Those are under the tab, are they not, that say

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 "Correll", rather than "Ware"?

2 A. That is correct.

3 MR. CAMERINO: And, just for the record,
4 Mr. Chairman, I want to identify the specific pages and
5 lines that are being adopted by Mr. Ware. He would be
6 referring essentially to Page 2 of Mr. Correll's February
7 27th testimony, beginning on Line 3, for the rest of the
8 page, and then Page 3, all the way through Line --
9 Page 10, Line 2. I believe there's just one Q and A at
10 the end that he is not adopting that remains with
11 Mr. Correll. And, also just for the Commission's
12 information, we have discussed with counsel for Nashua,
13 what we will do is, before Mr. Correll testifies, we'll
14 submit what remains of Mr. Correll's testimony that is
15 his, so that that's clear. And, at the end of the case, I
16 think we'll submit a cleaned up version of Mr. Ware's
17 adopting the Correll testimony. But we need to just work
18 out with Nashua, just so that their comfortable that we're
19 not changing anything of substance when we move it over.

20 CMSR. BELOW: Could you repeat where
21 that ends at this point?

22 MR. CAMERINO: Yes. If you look at Mr.
23 Correll's February 27th testimony, the end is Page 10,
24 Line 2. And, this is Exhibit 3012.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 CMSR. BELOW: That's the original number
2 Page 10 and Bates stamp 14, right?

3 MR. CAMERINO: We're checking. But I
4 can tell you that the substance was --

5 MS. KNOWLTON: That's correct, yes.

6 MR. CAMERINO: That is correct. There
7 was a question and answer about the public/private
8 partnerships, and that continues to be Mr. Correll's
9 testimony.

10 CHAIRMAN GETZ: And, Mr. Upton, you're
11 --

12 MR. UPTON: I'm generally okay with
13 this. I mean, we need to see what he's going to do. But,
14 generally, that's a good way to deal with it.

15 MR. CAMERINO: Right. And, the purpose
16 is to make sure they're comfortable before we submit
17 anything.

18 BY MR. CAMERINO:

19 Q. The next testimony that is yours, Mr. Ware, is
20 Exhibit 3015, dated May 22, 2006, is that correct?

21 A. Yes.

22 Q. And, along with that, there are six exhibits, which are
23 premarked as Exhibits 3015A, B, C, D, E, and F, is that
24 correct?

[Witness: Ware]

1 A. Yes.

2 Q. And, those are all contained in Volume 1 of the
3 materials submitted by the Company dated May 22, 2006?

4 A. Yes.

5 Q. And, then, finally, you submitted limited update
6 testimony dated November 14, 2006, did you not?

7 A. Yes.

8 Q. And, that's the information that's been premarked as
9 "Exhibit 3019" in this case?

10 A. Yes.

11 Q. And, was part of the bound volume dated November 14,
12 2006, including any attachments to that?

13 A. Yes.

14 Q. And, again, all of the documents I've referred to, are
15 those true and accurate to the best of your knowledge
16 and belief?

17 A. Yes, they are.

18 MR. CAMERINO: Okay. Thank you very
19 much.

20 CHAIRMAN GETZ: Okay. Before we turn to
21 the examination of Mr. Ware, let's get appearances on the
22 record.

23 MR. UPTON: Robert Upton and Justin
24 Richardson, for the City of Nashua.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 CHAIRMAN GETZ: Good morning.
2 CMSR. MORRISON: Good morning.
3 CMSR. BELOW: Good morning.
4 MS. REINEMANN: Maria Reinemann, Town of
5 Milford.
6 CHAIRMAN GETZ: Good morning.
7 MR. ALEXANDER: John Alexander, for
8 Anheuser-Busch.
9 CHAIRMAN GETZ: Good morning.
10 CMSR. BELOW: Good morning.
11 MS. McHUGH: Claire McHugh, intervenor.
12 CHAIRMAN GETZ: Good morning.
13 MR. CONNER: Joe Conner, Baker,
14 Donelson, Pennichuck.
15 CHAIRMAN GETZ: Good morning.
16 MR. ECKBERG: Stephen Eckberg, with the
17 Office of Consumer Advocate.
18 CHAIRMAN GETZ: Good morning.
19 CMSR. MORRISON: Good morning.
20 CMSR. BELOW: Good morning.
21 MS. THUNBERG: Marcia Thunberg, on
22 behalf of Staff. And, with me today is Mark Naylor, Jim
23 Lenihan, Doug Brogan, and Jayson LaFlamme. Thank you.
24 CHAIRMAN GETZ: Good morning.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 MR. CAMERINO: Steve Camerino and Sarah
2 Knowlton, from McLane, Graf, Raulerson & Middleton, on
3 behalf of the Pennichuck Companies. And, with us today at
4 counsel table are Bonalyn Hartley and Stephen Densberger,
5 from Pennichuck.

6 CHAIRMAN GETZ: Good morning. As I
7 understand the order of cross, turn first to intervenors
8 opposing the Petition. Ms. Reinemann, any questions?

9 MS. REINEMANN: No.

10 CHAIRMAN GETZ: Mr. Alexander?

11 MR. ALEXANDER: No questions.

12 CHAIRMAN GETZ: Mr. Eckberg.

13 MR. ECKBERG: No questions. Thank you.

14 CHAIRMAN GETZ: Mr. Upton?

15 Mr. Richardson?

16 MR. RICHARDSON: Thank you, Mr.

17 Chairman. Good morning.

18 THE WITNESS: Good morning.

19 CROSS-EXAMINATION

20 BY MR. RICHARDSON:

21 Q. Mr. Ware, I understand that you joined Pennichuck in
22 1995 as Chief Engineer, is that correct?

23 A. That is correct.

24 Q. And, prior to working for Pennichuck, you were an

[Witness: Ware]

1 Assistant Superintendent and Engineer, and then General
2 Manager for the Augusta Water District?

3 A. That is correct.

4 Q. And, at the Augusta Water District, you were
5 responsible, from 1986 to approximately 1993 -- no,
6 excuse me, 1995, for essentially all aspects of the
7 operation of that district, is that right?

8 A. Yes.

9 Q. Okay. And, I understand from your resumé that's in
10 Exhibit 3004A the Augusta Water District serves just
11 over 2 million gallons per day is the volume of water
12 that supplies?

13 A. At the time that I left, yes.

14 Q. And, approximately 5,800 customers?

15 A. Yes.

16 Q. So, that's a relatively small system, compared to
17 Pennichuck Water Works?

18 A. Yes.

19 Q. Okay. And, while you were there, they built a surface
20 water treatment plant?

21 A. That is correct.

22 Q. And, that was completed in 1993?

23 A. Yes.

24 Q. And, I did some research on this. And, it appears to

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 me that, according to 2005 report at the Maine PUC,
2 they ceased using those surface water treatment -- or,
3 that surface water treatment plant in April of 2004, is
4 that right?

5 A. That is correct.

6 Q. And, they did that in order to reduce operating costs,
7 among other reasons?

8 A. The primary reason for that was is, after the plant was
9 built, a large number of -- a fair number of industrial
10 clients moved out of the state, and the demands dropped
11 down to a level of about 1.3 million gallons a day.
12 The District has three wells, which were capable of
13 producing that water that were still active and in use.
14 And, consequently, while they could not meet the demand
15 of 2.1 million gallons a day, they could meet the lower
16 demand. And, so, the decision was made just to run
17 those wells to meet the demand.

18 Q. So, now, I looked at their annual report to the Maine
19 PUC for 2005, and it looked like they are carrying
20 approximately \$14 million in treatment plant equipment
21 and structures and improvements?

22 A. Yes. I --

23 Q. Does that sound right?

24 A. I haven't looked at their most recent report, but that

[Witness: Ware]

1 would sound about right.

2 Q. Now, that's a little unusual, isn't it, to just -- the
3 plant was in operation from 1993, ceased operation in
4 2004, I mean that's 11 years?

5 A. There is nothing unusual about it when you looked at
6 what happened with the demands. At the time that we
7 investigated options to meet the Surface Water
8 Filtration Rule back in 1986, the wells that were in
9 use were incapable of meeting either the average day or
10 the peak day of the system. We investigated the
11 potential of wells, purchasing of land, and the
12 continued use of wells, versus the use of a surface
13 water supply. Metcalf & Eddy did an extensive
14 evaluation, and determined that the only way and the
15 most cost-effective way for us to meet the demands was
16 the construction of a filtration plant. Once the
17 filtration plant was complete, over the ensuing years,
18 like I mentioned already, there were a number of large
19 industries, Statler Tissue, there was a big entity that
20 was making computer chips that moved out of the area,
21 and the flow has dropped dramatically, so that, again,
22 in 2005 they had an option, or in 2004, to simply run
23 the wells or to continue to run the treatment plant,
24 and running the wells was less expensive.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 Q. But the supply had been -- had been declining even
2 before or even during the period in which the surface
3 water treatment plant was constructed, didn't they?
- 4 A. The supply had pretty much reached a balance point when
5 we built the treatment plant.
- 6 Q. And, you're sure about that 1.3 million gallons per day
7 average?
- 8 A. No, because I did not run the system. I know it had to
9 drop enough that the wells, which had a capacity of 1.6
10 to 1.8 million gallons safe yield, could meet that
11 demand. Otherwise, the filtration plant could not have
12 been shut down.
- 13 Q. Okay. Could we pull up -- Now, Pennichuck is
14 finalizing or is in the process of constructing a water
15 treatment plant at its own facility in Nashua -- I
16 mean, excuse me, Merrimack, is that correct?
- 17 A. That is correct.
- 18 Q. And, with the exception of the Augusta water treatment
19 plant, this is the first major water treatment plant
20 construction project you've been involved in, is that
21 right?
- 22 A. That is correct.
- 23 Q. Okay. And, that's a pretty major challenge, isn't it?
- 24 A. Yes, it is.

[Witness: Ware]

1 Q. Okay.

2 A. And, that's why we engaged Fay, Spoffard & Thorndike
3 through an RFP process beginning in 2002, since we did
4 not have the internal expertise to carry out an
5 in-depth, detailed study of an appropriate approach for
6 the Company to follow.

7 Q. And, in fact, that major challenge of constructing the
8 water treatment plant was one of the reasons that Mr.
9 Arel cited as a benefit for merging with PSC, wasn't
10 it?

11 A. I am aware of Mr. Arel making that statement.

12 Q. Could we focus on the paragraph here, beginning with
13 "Perhaps the most significant challenge". I'm sorry.

14 MR. CAMERINO: Could we just get some
15 indication of whether this is marked as an exhibit, where
16 we can see the whole document? Excuse me, could we --

17 CHAIRMAN GETZ: Mr. Richardson, what is
18 --

19 MR. RICHARDSON: I don't, I'm just using
20 this for cross. I don't intend to offer the entire
21 document or I don't intend to offer this as an exhibit.

22 MR. CAMERINO: We'd like to see the
23 whole document, so that we can see the context.

24 CHAIRMAN GETZ: Well, I'd like to know

[Witness: Ware]

1 where this is from. Let's get that.

2 MR. RICHARDSON: This is from the
3 Philadelphia Suburban transaction. It's the testimony of
4 Mr. Arel. If you could go to the first page of this
5 document.

6 MR. CAMERINO: I'd still like to see the
7 whole document, not just the front page.

8 CHAIRMAN GETZ: Well, I don't think you
9 need to see the whole document for him to ask a question.
10 But, I think, now that we have a reference to a document,
11 it can be made available.

12 MR. CAMERINO: Yes. I need it to be
13 made available in order to determine whether there would
14 need to be redirect, because there was a lot of discussion
15 about the need to raise capital for the plant, which is
16 different from engineering expertise. So, is that -- I
17 don't know what the timing would be on that, but is that
18 something we could have today, in order to be able to
19 complete this witness?

20 MR. RICHARDSON: We can. I can, I have
21 an electronic copy right here, I can provide that to you.

22 CHAIRMAN GETZ: Okay. Let's do that,
23 because I suspect we'll -- I suspect you have some lengthy
24 cross for this witness?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 MR. RICHARDSON: This is just very brief
2 on this particular issue here.

3 CHAIRMAN GETZ: But we're getting to the
4 issue of when redirect might occur?

5 MR. RICHARDSON: Certainly, I expect to
6 go to lunch time.

7 CHAIRMAN GETZ: Proceed.

8 BY MR. RICHARDSON:

9 Q. Now, if you could -- well, I'll read this for you. Mr.
10 Arel appears to state that "Perhaps the most
11 significant challenge relates to the upgrade of the
12 filters in Pennichuck Water Works' treatment plant in
13 Nashua, in order to meet turbidity requirements of the
14 Safe Drinking Water Act." And, then, if you go down to
15 the last sentence in that paragraph, it says: "PSC's
16 technical personnel have extensive experience in this
17 area and will provide valuable assistance to our Chief
18 Engineer, Donald Ware." Does that sound -- Do you
19 recall Mr. Arel filing his testimony?

20 A. Again, I don't recall. But, certainly, Moe's view was
21 that PSC could bring, as he said, "in-house technical
22 expertise", that was one advantage of the merger that
23 did not go through. Beyond that, though, the
24 expertise, like I already mentioned, we went out of

[Witness: Ware]

1 house, as do almost every other entity in the country,
2 and sought through the process qualified engineers with
3 extensive experience in constructing a plant. And, in
4 fact, I think if you go further, I know one of Moe's
5 major concerns was our ability to finance the plant,
6 which, by the way, is now completely financed.

7 Q. So that, in terms of experience then, Pennichuck was
8 willing to turn to another firm, such as Fay, Spoffard,
9 to bring in resources that it didn't have?

10 A. That is correct.

11 Q. And, that's almost analogous to what Nashua is doing,
12 in that where the City is proposing to turn to
13 consultants that will bring in similar types of
14 experience, aren't they?

15 A. I would disagree. That it's quite a bit different. We
16 brought in experts in one small area of the operations.
17 We have expertise across many areas, including a lot of
18 the smaller scale engineering. What the City is
19 proposing to do is bring in consultants to do
20 absolutely everything.

21 Q. Now, it says here that the treatment plant, and I
22 recognize this is probably not the same proposal,
23 Mr. Arel discusses a range of costs "from 6 million to
24 14 million", is that what Mr. Arel states?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 A. That is correct.
- 2 Q. Okay. Now, and as you mentioned, the PSC transaction
3 didn't get through, and Pennichuck Water Works never
4 got that assistance from them?
- 5 A. From?
- 6 Q. From PSC?
- 7 A. That's correct.
- 8 Q. And, the treatment plant didn't end up costing \$6
9 million, did it?
- 10 A. That is correct.
- 11 Q. And, in fact, on June 16th, you filed testimony in the
12 Pennichuck Water Works rate case documents, excuse me,
13 docket, that's DW 06-073, and you stated that "The
14 final projected cost for the water treatment plant
15 upgrades is expected to be about \$40,425,000, not
16 including AFUDC." Is that what you did? Is that what
17 you stated?
- 18 A. That is the -- That was the estimate of the plant's
19 completion at that time.
- 20 Q. And, you further stated that "the cost of the final
21 project has gone up over \$14 million since the
22 engineer's original preliminary estimate in May of
23 2004"?
- 24 A. That is correct. And, I think it's very important that

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 that was an estimate in 2004 dollars. The engineer had
2 recommended a series of proposals that they thought we
3 should spend about \$33 million. We made an assessment
4 that we could do without some of those things. It was
5 like the difference between a Volvo and a Chevy. We
6 decided for the Chevy. The engineer's estimate in 2004
7 dollars for a five year project was \$25.3 million. As
8 things progressed forward, as you're well aware, fuel
9 costs, steel costs, there was a lot of changes between
10 2004 and when this plant is going to be done in 2009.
11 In 2005, after detailed engineering, when we went out
12 for our first bid, the engineer's estimate at that time
13 was \$35.6 million. And, it's very much like, if you
14 want to look at the proposal that Veolia laid out and
15 said "Well, we can do this on a design/build and we'd
16 never go up that amount." The public process requires
17 us to expose the full range of estimates that were
18 given to us. In this case, Veolia would have never
19 taken a preliminary estimate on a five year project
20 going into a design/build.

21 Q. Mr. Ware, I think we're going a little bit beyond. I'm
22 not asking what Veolia --

23 A. No. And, I'm giving you the reason why, and qualifying
24 a statement that was made the other day by Veolia,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 where they would have never allowed the project to go
2 up that much. The price would have never seen the
3 light of day until they had the bids that we now have,
4 that define the price at what appears to be a final
5 cost of 39.5 million.

6 MR. RICHARDSON: Mr. Chairman, the
7 witness is going far beyond the question that was asked,
8 which is "whether or not the costs are correct and whether
9 or not that was his testimony?" This is going to take a
10 long time if I can't get "yes" or "no" answers to "yes" or
11 "no" questions.

12 CHAIRMAN GETZ: Well, I appreciate that
13 you answered the question directly in the first instance.
14 Your explanation went beyond, you know, first dealt with
15 the issue of why it's distinguishable, but then you
16 travelled into the whole issue of how you would compare
17 Veolia to this. It seems to me that you are -- every
18 question is not going to be an opportunity for you to
19 answer everything that could possibly be related to that
20 question.

21 THE WITNESS: Oh. My apologies. I just
22 thought it was appropriate, because it was brought up with
23 Veolia the other day, and Veolia made a statement that we
24 did not have a chance to respond. I will attempt to keep

[Witness: Ware]

1 my responses more concise.

2 CHAIRMAN GETZ: And, I expect you'll get
3 an opportunity for some of that material on redirect.

4 THE WITNESS: Thank you.

5 BY MR. RICHARDSON:

6 Q. So, from May of 2004 to June of 2006, that \$14 million
7 increase, that's approximately 53 percent?

8 A. That is correct.

9 Q. And, I'd just like to clarify, "AFUDC", it's you're
10 understanding that's basically construction interest or
11 allowance for funds used during construction?

12 A. That is correct.

13 Q. And, Pennichuck accrues AFUDC on funds that are not yet
14 in rates at approximately 8 percent, is that right?

15 A. That is correct.

16 Q. And, in 2006, Pennichuck accrued approximately
17 1.2 million in AFUDC, is that right?

18 A. I wouldn't know what the exact figure is. AFUDC is
19 very similar to the quick type of financing the City is
20 talking about, where they plan to float an \$18 million
21 bond to do three years' worth of construction.

22 Ratepayers, just like they pay AFUDC, will pay the
23 carrying cost of those bonds.

24 Q. Okay. So, now, since this is a capital project, Mr.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Ware, is it your understanding that Pennichuck will
2 earn a return on its investment, yes or no?

3 A. Yes.

4 Q. And, that return on its investment will include the
5 \$14 million over that original estimate, once it's
6 approved in rates?

7 A. Yes.

8 Q. Okay. Now, the \$14 million, that's a fairly
9 significant amount of money, isn't it?

10 A. The amount that will be recovered in rates is the
11 actual amount spent on the plant. And, I've already
12 described why the difference in costs occur.

13 Q. Mr. Ware, my question to you is "is that amount of
14 money significant?"

15 A. Yes.

16 Q. Okay. Now, Mr. Ware, you've filed some testimony.
17 And, why don't we start with your November 14th, 2006
18 testimony. You criticized Nashua's cost projections.
19 And, why don't we bring up Exhibit 3019, Page 3. And,
20 why don't you read what's marked as Paragraph (b) for
21 me please.

22 A. "Property Tax: Mr. Sansoucy estimated \$1,400,000 for
23 property tax. In 2005, PWW paid \$1,801,000 in property
24 taxes. Thus, my adjustment for property tax in DLW-23

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Revised includes an additional \$401,000 in costs to
2 reflect the actual cost of property taxes that will be
3 incurred by Nashua."

4 Q. Okay. I assume you still agree with this statement?

5 A. That is the statement that I made at that time, yes.

6 Q. Now, Pennichuck Water Works reports its property tax
7 payments in its annual report to the PUC, doesn't it?

8 A. Yes, it does.

9 Q. Okay. And, are those reports generally accurate?

10 A. Yes, they are.

11 Q. Okay. Let's take a look at Exhibit 1070, on Page 117.
12 Now, you're aware of the Form -- you're familiar with
13 the Form F-50?

14 A. Yes, I am.

15 Q. And, that's the -- I'd like to take a look at Column
16 (c), and that's "Operating Income Taxes Other Than
17 Income". And, if you look at the bottom of Column (c),
18 you see a figure of "1,800,702". That's the number in
19 your testimony, isn't it?

20 A. Yes, it is.

21 Q. Okay. And, if you look up above, you see something
22 "\$401,000", and that's listed as "FICA". Do you know
23 what FICA is?

24 A. Yes. Yes, I do.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 Q. All right. That's Social Security?
- 2 A. That is correct.
- 3 Q. Okay. Now, that's not a property tax payment, is it?
- 4 A. No, it is not.
- 5 Q. So, in fact, if you were to remove that from your
6 estimate of property tax payments, you end up with \$1.4
7 million?
- 8 A. That is correct.
- 9 Q. Okay. So, I assume then your testimony is in error,
10 and that Mr. Sansoucy's number is correct?
- 11 A. I made a mistake in that error. Mr. Sansoucy made
12 mistakes in his analysis as well.
- 13 Q. Okay. I'm not asking about Mr. Sansoucy, though, am I?
14 We're talking about your testimony?
- 15 A. That is correct.
- 16 Q. Okay. Thank you. Now, another thing I'd like to look
17 at is what's under property taxes, we see "1,380,208",
18 and that appears to be Pennichuck Water Works' property
19 tax?
- 20 A. I would believe that that's correct, yes.
- 21 Q. Okay. And, now, the property taxes are assessed
22 locally, is that your understanding?
- 23 A. There are some local taxes assessed on our property and
24 some statewide property taxes assessed as well.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. Okay. Well, the statewide utility tax, for one, is a
2 property -- is a tax that you're subject to?

3 A. Excuse me?

4 Q. You're subject to a state utility tax that's used to
5 fund education, is that right.

6 A. Yes, we are.

7 Q. Okay. Can you show me where on that form that tax is
8 located? Is it under "State taxes"?

9 A. I do not know where it is on that form. I would
10 believe that it would be in the "property tax" line.
11 But I don't complete this particular form, our
12 Accounting Department does.

13 Q. Because your tax bill comes from the City of Nashua and
14 the other communities you serve, and that includes the
15 utility tax in it, doesn't it?

16 A. No, it does not.

17 Q. It does not. Okay. So, let me represent to you then,
18 if the City of Nashua were to acquire this system, and
19 is not subject to utility tax, in fact, Mr. Sansoucy's
20 estimate of \$1.4 million would be high, wouldn't it?

21 A. I believe his estimate --

22 MR. CAMERINO: Objection. The prior
23 testimony was that he didn't know where that number was on
24 there or whether it was included. And, now,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Mr. Richardson is asking him to adjust for a number that
2 he said he didn't know where it was in there.

3 MR. RICHARDSON: And, I believe it was a
4 hypothetical, based on the fact that he didn't know where
5 it was recorded.

6 MR. CAMERINO: Let's get the
7 hypothetical very clear then. Maybe Mr. Richardson could
8 repeat the question with the hypothetical.

9 MR. RICHARDSON: Could we have the
10 stenographer repeat the question. I'd like to hear it
11 again.

12 (Reporter read back the question.)

13 CHAIRMAN GETZ: I'm looking at this --

14 MR. RICHARDSON: I'll rephrase the
15 question.

16 CHAIRMAN GETZ: Well, I'm looking at
17 this as a general reformulation of the same question. If
18 the witness doesn't know, then he should say he doesn't
19 know.

20 MR. RICHARDSON: Okay.

21 BY MR. RICHARDSON:

22 Q. So, if I were to represent to you that the City of
23 Nashua would not be subject to the state utility tax,
24 that would result in additional savings, if that number

[Witness: Ware]

1 is included in that 1.4 million, wouldn't it?

2 A. Yes, it would. My understanding is the City has
3 committed to pay those statewide property taxes.

4 Q. So, if the City had not made the commitment to pay
5 statewide property tax, that would be another error in
6 your testimony, wouldn't it?

7 A. What was reflected in there was the \$1.4 million should
8 have been the correct figure.

9 Q. And, that's the figure that's in Mr. Sansoucy's
10 estimate, isn't it?

11 A. Yes, it is.

12 Q. Okay. And, if we look at Pennichuck's property taxes,
13 and if that includes the statewide utility tax, there's
14 going to be additional savings off of that number,
15 won't there?

16 A. If the City does not pay that, that would be correct.

17 Q. Thank you. Now, Veolia is going to be hiring -- well,
18 I'll represent to you that Veolia is going to be hiring
19 employees for this and -- no, strike that question.
20 Now, that \$1.8 million that's at the bottom of Column
21 (c), that also includes an entry for "FUTA", doesn't
22 it?

23 A. Yes.

24 Q. And, that's a federal tax, it appears to be

[Witness: Ware]

1 6.5 thousand, is that about right?

2 A. That's what it says right there, yes.

3 Q. So, that's an additional amount that was included in
4 your \$1.8 million estimate?

5 A. We've already concluded that the 1.8 million included
6 all the figures up above.

7 Q. Okay. All right. Let's turn to, if you could bring up
8 Exhibit 3019, Page 3, covering insurance. Highlight
9 Paragraph (c) for me. All right. Could you read
10 Paragraph (c) for me, Mr. Ware?

11 A. Yes. "Mr. Sansoucy estimated that the City would incur
12 \$200,000 in property insurance taxes [costs?]. In
13 2005, PWW paid \$300,000 in property insurance. Thus,
14 DLW-23 Revised includes an additional \$103,000 in
15 property insurance costs to reflect the actual cost of
16 property insurance that will be incurred by Nashua."

17 Q. Okay. Now, so, as I understand correctly then, the
18 \$303,000 is Pennichuck's insurance costs, but not the
19 City of Nashua's?

20 A. That is correct.

21 Q. Okay. And, if the City of Nashua was -- you understand
22 the City probably has approximately \$250 million in
23 assets?

24 A. I don't know what the City's asset amount is.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. Well, if I were to represent to you that the City has
2 lower insurance rates than Pennichuck does, --

3 MR. CAMERINO: Mr. Chairman, each one of
4 these questions where counsel is making a representation
5 of fact that he can't point to in the record I think is
6 essentially counsel testifying. If he's got a document,
7 and I understand, some of these things may be in the
8 record, if he can refer to where this has been introduced,
9 that's fine. But to keep supplementing the record through
10 his questions is not appropriate.

11 MR. RICHARDSON: I don't believe I
12 supplemented the record at all, because the witness
13 responded that he didn't know. And, that answer was
14 perfectly plain, and I don't see a basis for an objection
15 here.

16 CHAIRMAN GETZ: Well, I think, as a
17 matter of course, if he's going to ask "does the witness
18 know a particular fact?" That's legitimate. If he wants
19 to say "would you accept subject to check", that's a
20 legitimate area of inquiry. If we get to the point where
21 he's testifying and saying something is the state of
22 affairs, then we'll deal with that then. But I don't
23 think we've got there yet.

24 MR. CAMERINO: But you could ask that

[Witness: Ware]

1 same question by saying "do you know whether it's higher
2 or lower?" He says "I represent to you that it's lower,
3 do you know that?" There's a big difference.

4 MR. RICHARDSON: Mr. Chairman, --

5 CHAIRMAN GETZ: Well, then, he simply
6 can say "no" in that case.

7 MR. RICHARDSON: -- we afforded
8 Pennichuck substantial leeway in conducting several days
9 of cross-examination. I'd like to have what I consider to
10 be fair leeway in conducting my own. I don't think this
11 is a fair objection.

12 CHAIRMAN GETZ: Well, I believe I just
13 allowed that.

14 BY MR. RICHARDSON:

15 Q. Mr. Ware, you haven't studied Nashua's insurance rates,
16 have you?

17 A. No, I have not.

18 Q. So, if, in fact, the City of Nashua had lower
19 incremental insurance costs to pick up the PWW assets,
20 the number that would be appropriate would be Nashua's,
21 and not what PWW's cost is?

22 A. If, in fact, they were lower, but there's no proof
23 before me that would indicate that that's fact. You're
24 making that statement. I have no way to verify it to,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 in fact, indicate that that is fact.

2 Q. That's right. But you just testified, I believe, that
3 you don't know what the City's incremental insurance
4 costs would be?

5 A. That is correct. It could be higher. And, as a
6 result, my number -- there numbers could be higher as
7 well.

8 Q. But you state here that it was your opinion that there
9 should be "an additional \$103,000 in costs", but you
10 don't know what the City's insurance costs would be?

11 A. That is correct. I do not know what their insurance
12 costs are. All I can look to is what we currently pay
13 for special purpose property, which the City has never
14 owned any sort of property of this type.

15 Q. Okay. Now, let's take look at Paragraph (e) on 3019,
16 at Page 3. Could you read that paragraph please.

17 A. Yes. "Mr. Sansoucy estimated that the City would incur
18 \$100,000 in billing and mailing costs associated with
19 producing water bills. In 2005, PWW paid \$135,000 for
20 billings and mailings. Thus, DLW-23 Revised includes
21 an additional 35,000 in billing and mailing costs."

22 Q. Now, Mr. Ware, you were here during the testimony of
23 Ms. Raswyk and Ms. Anderson, is that right?

24 A. Yes, I was.

[Witness: Ware]

- 1 Q. Okay. And, do you recall them discussing the fact that
2 they receive water billing information from PWW?
- 3 A. Yes.
- 4 Q. Okay. And, do you recall the fact that they intended
5 to consolidate water and sewer billings on a single
6 bill?
- 7 A. I don't recall that being discussed.
- 8 Q. Okay. Well, you're aware that approximately 20,000 PWW
9 customers are also customers of the Nashua sewer
10 system?
- 11 A. I'm not aware of what the number is. I'm sure there's
12 some overlap.
- 13 Q. Well, if there were 20,000 customers that overlap,
14 wouldn't that mean that those customers could be
15 printed out on a single bill?
- 16 A. That is a possibility.
- 17 Q. Okay. And, combining water and sewer bills could save
18 the overall costs, couldn't it?
- 19 A. It could have a reduction in cost.
- 20 Q. And, Pennichuck Water Works has 25,000 customers?
- 21 A. Slightly over 25,000 at present.
- 22 Q. Okay. Now, let's take a look at Paragraph (g) of your
23 testimony in Exhibit 3019, on Page four. Could you
24 read that please.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 A. Yes. "Mr. Sansoucy estimated \$500,000 for utility,
2 electric, and heat. In 2005, PWW paid \$1,012,000 for
3 utilities, electric and heat. I have reduced the
4 adjustment to" -- "I have reduced that adjustment to
5 \$512,000 to reflect PWW's experience" -- error --
6 "PWW's actual expense in 2005."
- 7 Q. Now, just for comparison, I'd like to bring up
8 Exhibit 1017, which is Mr. Sansoucy's update testimony
9 on November 14th, the same date. And, if you could go
10 to Page 20, yes. Could you read for me the entry for
11 the year 2007 that Mr. Sansoucy has under utilities?
- 12 A. Yes, 1,200,000. But also in there, in that area, are
13 many adjustments that still need to be made, if you go
14 back to my testimony.
- 15 Q. Okay. If we could focus on the particular adjustment
16 we're asking about right now. But that \$1.2 million is
17 actually greater than the amount that you say needs to
18 be adjusted?
- 19 A. That was in 2005 dollars, Justin. Since then,
20 electricity has gone up substantially. And, in fact,
21 the \$1,200,000 may be short.
- 22 Q. Okay. And, this testimony was filed on November 14th,
23 2006?
- 24 A. Yes.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 Q. Okay. Now, if that amount is short, then the City of
2 Nashua has to pay those costs, is that right?
- 3 A. Correct.
- 4 Q. Okay. Now, under Pennichuck's ownership, I guess
5 electricity and utilities are free?
- 6 A. No, but we only get adjustments when we go in for rate
7 cases, which typically happen every three years, and
8 they're performed on the previous year before we go in
9 for a rate case. So, typically, we'll carry increases
10 in electrical costs for a two to three year period
11 without any adjustments, where the City will have an
12 automatic pass-through of that, as well as an automatic
13 pass-through of the annual adjustment for Veolia.
- 14 Q. So, you don't think the PUC regulatory model actually
15 compensates you for your electric costs?
- 16 A. It compensates us for the prior year to the rate case
17 filing.
- 18 Q. And, if you expected those costs to be higher, you
19 couldn't recover for it in any way? You couldn't make
20 an adjustment for it?
- 21 A. We can make a pro forma for the following 12 months
22 after the test year.
- 23 Q. And, it's your opinion that the \$200,000, greater than
24 what you estimated was necessary as of May 14th, 2006,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 it's your opinion that's not sufficient?

2 A. That was based on 2005 dollars, as you'll note, and
3 that was based on that because that was the end of 2005
4 was the comparison that we were using at the time.
5 Since then, as we're all aware, electric costs have
6 gone up significantly.

7 Q. And, my question to you is, you don't believe that that
8 amount is sufficient?

9 A. I do not know whether it is or not.

10 Q. Okay. You don't know, okay. Let's look at Paragraph
11 (m), on Pages -- it starts on Page 4 of Exhibit 3019.
12 Could you read that for me please.

13 A. "Under the Veolia contract, Nashua is required to
14 provide and maintain all the vehicles necessary for
15 running the water utility, yet Mr. Sansoucy did not
16 include any of those costs in his estimate. In 2005,
17 PWW paid approximately \$113,000 for repair of its heavy
18 equipment and rolling stock.

19 Q. And, I take it you still agree with this testimony?

20 A. Based on the last iteration of the contract that I saw
21 between the City and Veolia, it appears that the City
22 was still responsible for maintaining heavy equipment
23 and rolling stock.

24 Q. Well, let's take a look at Exhibit 1005, Page 15. Oh,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 1001B, excuse me. Okay. No, no, I'm sorry. Could you
2 go back to Page 15, I apologize.

3 MR. RICHARDSON: Oh, I apologize to the
4 Commission. I'm lost in my own notes. I'm reading ahead
5 to the next series of questions. I want Page 53 of
6 Appendix D.

7 BY MR. RICHARDSON:

8 Q. Could you read for me the paragraph starting at
9 Section 12.0(a).

10 A. "VWNA will implement a comprehensive maintenance
11 program for the vehicles and heavy equipment that will
12 include preventive and predictive maintenance."

13 Q. Okay. So, if Veolia Water is providing the
14 comprehensive maintenance program, it sounds to me like
15 that 113,000 does not need to be added to --

16 A. That's certainly a possibility. It's a little unclear
17 to me where later in the contract it specifically
18 references that the City will maintain the heavy
19 equipment, and Veolia will have to ask to use it. So,
20 will they also have to ask to maintain it?

21 Q. But, if there were a provision in the contract,
22 wouldn't you agree that it's possible that the City
23 owns its own heavy equipment that's not part of the
24 Pennichuck Water Works system?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. That's a possibility. There are a lot of things that
2 are not clear in this contract.

3 Q. All right. So, we know it's possible that the City
4 owns heavy equipment that's not part of the Pennichuck
5 Water Works system. And, would you think it might make
6 sense, if there's a heavy excavator sitting across the
7 street at the Sewer Department, it might make sense for
8 the customers of the system to be able to use that
9 equipment without Veolia having to go out and rent it?

10 A. Yes.

11 Q. Okay. Let's look at Exhibit 3019, Page 5, Paragraph
12 (n). Now, could you read that paragraph for me please.

13 A. Yes. "Under the Veolia contract, Nashua is required to
14 provide and maintain all computers and connectivity
15 necessary for running the water utility. Yet, Mr.
16 Sansoucy did not include any of the costs associated
17 with maintaining the operations and connectivity of the
18 computers in his estimate. Based on its experience,
19 PWW estimates that it will take 1.5 employees to
20 maintain the operations and connectivity of the
21 computers necessary to complete the computer related
22 tasks detailed in the draft Veolia contract with
23 Nashua. Thus, DLW-23 Revised includes an additional
24 \$135,000 to reflect the cost of the direct salaries and

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 benefits associated with these staff."

2 Q. Your lawyer has asked me to request that you read it
3 more slowly for the stenographer's benefit.

4 A. Will do.

5 CHAIRMAN GETZ: I sense Steve was typing
6 off the screen.

7 MR. PATNAUDE: I was, actually.

8 CHAIRMAN GETZ: It would be helpful to
9 slow down a bit.

10 BY MR. RICHARDSON:

11 Q. Now, Mr. Ware, you're aware that the City is -- the
12 City's contract with Veolia requires that Veolia
13 provide five personal computers per year, doesn't it,
14 as part of the annual fee?

15 A. I know there's a reference to "five personal
16 computers". That's not nearly enough in order to
17 operate the system. It takes many different servers.
18 This has -- Then, you've got a lot of high-end software
19 to do the billing, to run Synergen, to do the operation
20 and maintenance software, and you don't run that on
21 five personal computers. It takes a very large effort
22 to get that done.

23 Q. Absolutely. Now, there are existing computers, aren't
24 there?

[Witness: Ware]

1 A. There are existing computers, that is correct.

2 Q. And, the Veolia contract with Nashua requires that
3 Veolia provide five new computers every year?

4 A. The five computers their planning on using are laptops
5 that will go in the trucks of certain operators. And,
6 they have nothing to do with the billing program, they
7 have nothing to do with the scheduling program, they
8 have nothing to do with the maintenance program.

9 Q. Mr. Ware, I'm trying to ask you a very simple question,
10 and I asked you if you knew that those five computers
11 were being added on a per year basis?

12 A. Yes.

13 Q. Okay. Thank you.

14 A. Could you please show that to me in the contract?

15 Q. Certainly. Why don't you go to -- actually, know what,
16 I'm not going to do that. I'm going to move on.

17 A. Because I believe that the City was the one --

18 Q. Mr. Ware --

19 A. -- that was to provide five computers a year.

20 MR. RICHARDSON: Mr. Chairman, I don't
21 -- can we strike the answer? I don't have a question
22 pending right now.

23 CHAIRMAN GETZ: Well, it seems to me,
24 Mr. Ware, that you agreed with the premise?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 THE WITNESS: Yes. If the City is
2 providing five computers -- providing, I mean, if Veolia
3 is providing five, yes.

4 BY MR. RICHARDSON:

5 Q. Now, Mr. Ware, is it your understanding that Veolia is
6 required to, under the contract, to keep all equipment
7 in good and operating condition?

8 A. Yes.

9 Q. Okay. And, wouldn't you think that, as part of that
10 endeavor, someone should maintain the IT infrastructure
11 and keep that in operating order?

12 A. That is the City's responsibility under their contract
13 with Veolia.

14 Q. Okay. Let's look at Exhibit 1005B, Page 45 please.
15 Let's blow up Subparagraph (b). Now, Mr. Ware, the
16 contract states that Veolia is required to "keep all
17 equipment in good operating condition", doesn't it?

18 A. That does not translate to the IT equipment, which
19 later in the contractor it says the City is responsible
20 for providing and maintaining.

21 Q. Okay. Mr. Ware, I'm not -- I'm just asking you to
22 confirm that I've read that sentence properly?

23 A. If we assume that equipment includes IT equipment, then
24 your presumption is correct.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. And, is there -- strike that. Now, I'm going to jump
2 for a bit to your February 27th, 2006 testimony, and
3 that's Exhibit 3014. Let's take Page 3, Paragraph
4 Number 2. Now, you state in this testimony that, with
5 respect to management oversight, that "The cost of R.W.
6 Beck's work, estimated by Nashua at \$315,000 annually,
7 is in addition to the costs incurred for Veolia." And,
8 that "Under PWW's ownership, this type of oversight
9 structure is not required, so the cost is avoided
10 entirely." Do you still agree with that testimony?

11 A. Yes, I do.

12 Q. Okay. Now, you're aware that R.W. Beck has experience
13 in contract procurement for water systems?

14 A. Yes, I am.

15 Q. Okay. But you don't need that, because that's a
16 service that Pennichuck currently provides?

17 A. With the exception of the water treatment plant, we
18 procure and take care of all our contract management.
19 And, internally, we oversee all of our operations.

20 Q. And, yet, when you undertook the first major water
21 treatment plant upgrade on your own, you're saying you
22 don't need oversight and support, do you?

23 A. That is a capitalized cost, first time it was used in
24 20 years. Beck's cost is an annual cost to oversee,

[Witness: Ware]

1 not the capital work, that's a supplemental with Beck,
2 it's to oversee Veolia's operations on a day-to-day
3 basis.

4 Q. So, you would avoid \$315,000 in oversight costs, but
5 incur a \$14 million cost increase in a two year period?

6 A. You're comparing apples to oranges, Justin. What we're
7 talking about here is an oversight fee to look over
8 Veolia's shoulder to make sure that they're doing the
9 job properly. There's a supplemental fee, if you hire
10 somebody to provide engineering services, which is the
11 same supplemental fee that we paid to FS&T.

12 Q. Well, we can debate whether it's extra and not included
13 in that. But I guess my question to you is, it doesn't
14 sound to me like a 53 percent increase in a two year
15 period of \$14 million is a reasonable expense for the
16 customers. Do you think that's a reasonable increase?

17 A. Is absolutely a reasonable and prudently incurred cost.
18 The PUC has made that determination. And, again,
19 you're comparing a preliminary estimate with a final
20 construction cost, and the final construction cost is
21 the real cost.

22 Q. So, it's your position then that Pennichuck couldn't
23 have done things differently and structured a different
24 contractual relationship, so that when you got an

[Witness: Ware]

1 estimate of \$30 million, you came in with a contract in
2 that same ballpark?

3 A. I am -- With what we were to do, we were obligated to
4 complete certain functions in order to ensure continued
5 compliance with the Safe Drinking Water Act. We have
6 spent extensive amount of monies studying the options
7 to meet that requirement. Had winnowed that down to
8 the absolute necessities, and the cost of constructing
9 those in today's market, through 2009, is the 30 -- or,
10 the 39.5 million, excuse me, that the project is now
11 projected to come in at. And, there was no other way
12 to structure it, short of spending less money, and then
13 potentially being out of compliance at some relatively
14 short date in the future with regulations that are
15 pending.

16 Q. I'm sorry, what did you say the final cost of the
17 project was supposed to come in at?

18 A. We're estimating it now at about \$39.5 million.

19 Q. Okay. So, it's going down from 40.4 now?

20 A. That is correct.

21 Q. Okay. I don't remember you saying that that 40.4 was
22 incorrect before?

23 A. The 40.4 was correct at the time, and carried a
24 contingency, which you do with all construction

[Witness: Ware]

1 contracts, with existing equipment, where you're going
2 into an existing plant. And, that contingency was
3 10 percent. We have since reduced that, because, as
4 we've gotten into the project, we have not hit some of
5 those unknowns that you can't anticipate, because you
6 can't see through the walls.

7 Q. But, still, that amount does not include AFUDC, does
8 it?

9 A. That does not include AFUDC.

10 Q. Okay. And, as this is a capital project, that's going
11 to go on Pennichuck Water Works' books, and you're
12 going to ask this Commission for a return on that,
13 aren't you?

14 A. That is correct.

15 Q. And, in fact, you've already done that on the first
16 \$20 million of this project?

17 A. That is correct.

18 Q. Now, let's take a look at Exhibit 3014, Page 5,
19 Paragraph 9. Now, I'll represent -- well, as I
20 understand it, your position is is that Veolia's rates
21 are 30 to 40 percent higher than Pennichuck Water
22 Works' rates?

23 A. That is correct.

24 Q. Okay. Now, isn't it true, Mr. Ware, that Pennichuck's

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 labor rates that you've quoted before this Commission
2 in responses to data requests include only the direct
3 benefits, such as health and retirement costs?

4 A. It's all the direct benefits associated with the
5 employee.

6 Q. Okay. And, as a result, that means that these labor
7 rates that you're discussing do not include things such
8 as Pennichuck's costs for compliance with
9 Sarbanes-Oxley?

10 A. That is correct.

11 Q. You have other administrative employees that do things
12 like filing annual reports with the PUC?

13 A. That is correct. And, all their dollars are accounted
14 for in our G&A fees, which are in our analysis of total
15 costs that Mr. Sansoucy is comparing us against. So,
16 you can't double count by saying "let's put the G&A
17 fees down below with these employees, and then still
18 hold it up above. So, if you want to move the G&A fees
19 down to these individuals, then you have to take it out
20 of our G&A fees above. The comparison here was on the
21 cost of RRR&M work and our charges and the expenses
22 that we're comparing one another against --

23 Q. Mr. Ware, I'm not asking you about Mr. Sansoucy's costs
24 right now. I'm asking you about what --

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. You've asked me relative to this, and I'm giving you an
2 explanation as to counter your statement that the G&A
3 fee should be in here. They should not be in here.
4 This comparison was solely for the purpose of looking
5 at the cost of RRRM services.

6 Q. That's right. And, so, my question to you was is that
7 "those fees do not include G&A?" And, I believe the
8 answer to that is "yes", is that right?

9 A. They are accounted for in a different area. They could
10 not be accounted for down here. If they would, we
11 would have to reduce the G&A fees to make it a true
12 comparison.

13 Q. Mr. Ware, I'm asking you a very simple question. Do
14 you understand that?

15 A. And, I've answered the question.

16 Q. Well, I don't believe that you have. Because my
17 question is a "yes" or "no". The G&A expenses, --

18 A. I've already said "they're not in here."

19 Q. Thank you. Now, let's take a look at Exhibit 1070, at
20 Page 131. That's Pennichuck Water Works' Form F-58.

21 MR. UPTON: What page?

22 MR. RICHARDSON: 131.

23 BY MR. RICHARDSON:

24 Q. If you could blow up this section of the table

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 (indicating). Now, this is -- this form is Pennichuck
2 Water Works' salaries allocated into different
3 categories, is that right?

4 A. It is salaries, and I believe there are benefits in
5 there as well in that figure. But I'm not exactly
6 sure, because I don't prepare this. I believe it says
7 "total salaries and wages", so it's probably just
8 salaries and wages. I think the benefits may be
9 accounted for someplace else.

10 Q. Okay. Now, Pennichuck files these statements
11 accurately, is that right?

12 A. That is correct.

13 Q. And, you're not aware of any changes that need to be
14 made to this report for 2005?

15 A. I would have no reason to be aware of any changes that
16 would need to be made.

17 Q. Okay. So, let's look at, for example, operations of
18 966,000. Now, this is -- the total is in this section
19 right here (indicating). Can you read that?

20 A. I can read it fine, yes. Thank you.

21 Q. Okay. Now, so, 966,000 appears to be Pennichuck's
22 total cost for operations?

23 A. That is the, in that particular area, that's apparently
24 the wages and salaries necessary for governing those

[Witness: Ware]

1 various areas that are identified above.

2 Q. And, under the category of "Maintenance", it appears
3 that the salaries are approximately "\$1,024,846"?

4 A. That appears to be the correct figure, yes.

5 Q. So, you've got "total operations and maintenance" of
6 "\$1,991,348"?

7 A. Yes, that's what the report shows.

8 Q. Okay. Now, it appears to me that on the line
9 immediately above you've got a G&A expense of \$728,000,
10 is that right?

11 A. I'm not, where -- okay, Line 24?

12 Q. Yes, "Administrative and General", exactly.

13 A. Yes.

14 Q. Okay. So, Pennichuck's recording a cost of 728,000 in
15 its salaries, that's in addition to the direct salaries
16 and benefits that are reported elsewhere on this form?

17 A. Whatever is reported there is what the accurate amount
18 is for salaries.

19 Q. Okay. Let's look at this another way. If you take the
20 total amount of "\$1,991,348", that's the total salaries
21 for O&M, and you subtract the 728,000 for the
22 Administrative and General, you're going to end up with
23 approximately 36 percent of your salaries coming from
24 Administrative and General, aren't you?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. I'll take it that you've run it through the calculator
2 and that's a correct number, yes.

3 Q. Okay. And, those would be -- those would be salaries
4 that are being paid, in addition to the staff that's
5 actually performing the work on an operations or
6 maintenance project?

7 A. Well, it's unclear. That's listed under the "total
8 maintenance" area, then you have "total operation"
9 area, you have "Admin. and General", then up under
10 "operation" you have "Admin. and General". So, the
11 Admin. and General salaries, whatever is in that
12 bucket, is distributed amongst those three categories,
13 based on the level of effort spent by the people
14 performing the tasks.

15 Q. Absolutely. So, if you get a pipe break, and you send
16 some staff out there to fix that pipe, they're getting
17 paid at one rate, and I believe you've stated in data
18 requests --

19 A. The Admin. and General people are all salaried people.
20 There is no change in their salary when they go out.
21 There is no change in the structure when they go out.
22 Their fee doesn't go up. The only cost in a break is
23 the hourly rate and the associated direct benefits to
24 the people out in the field, because the Admin. and

[Witness: Ware]

1 General is all here already.

2 Q. That's exactly my point, sir. So, these people go out,
3 they spend four hours fixing a pipe break. You can
4 look at their rates, those people that are fixing the
5 pipe, but you're also carrying approximately
6 36.5 percent of Administrative and General on top of
7 the salaries you're already paying to the people
8 actually doing the work?

9 A. Which is already in our total analysis, when you
10 compare the bottom line. And, Skip has been comparing
11 the two bottom lines. And, by moving the 36 percent
12 from here, which is correct, down to the people in the
13 field, you have to remove it from one and put it in the
14 other, unlike the --

15 Q. Mr. Ware, I don't see Mr. Sansoucy in this room right
16 now. And, I'm not trying to bring him at this point.
17 If you'll just let me ask --

18 A. You're using this as a comparison against the GES-4
19 exhibit, and I'm just trying to relate it back to the
20 GES-4 exhibit. Every question you've asked me is
21 relative to the GES-4 exhibit.

22 Q. I don't believe that to be the case, but, if that's
23 your opinion, we'll let the record reflect that. Now,
24 in addition to Administrative and General, let's look

[Witness: Ware]

- 1 further down. And, why don't we blow up the bottom
2 section there that's below the section that's
3 highlighted in yellow please. Now, it appears that
4 Pennichuck has annual salaries for corporate officers
5 of 1.12 -- all right, I'm sorry -- \$1,129,114, does
6 that sound correct to you?
- 7 A. That would sound about correct, yes.
- 8 Q. Okay. And, accounting of 386,000?
- 9 A. Yes.
- 10 Q. Customer service, approximately 441,000?
- 11 A. Yes.
- 12 Q. Data processing, 234,000?
- 13 A. Yes.
- 14 Q. Engineering, 376?
- 15 A. Yes.
- 16 Q. Jobbing, \$677,000?
- 17 A. Yes.
- 18 Q. And, then, another category called "other" of 212?
- 19 A. Yes.
- 20 Q. And, those are all salaries that get charged to
21 Pennichuck Water Works, outside of any maintenance
22 project or pipe repair that's being performed?
- 23 A. That is correct.
- 24 Q. Okay. And, those aren't included in your analysis of

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 what the direct labor rate is, plus benefits, are they?
- 2 A. No, because they don't belong there. They're already
- 3 accounted for once here. We don't count them twice.
- 4 Q. Okay. So, the customer pays for that, though? They
- 5 don't pay twice, right?
- 6 A. The customer does not pay twice, they pay once.
- 7 Q. And, you all those costs go straight to the customer?
- 8 A. Yes, they do.
- 9 Q. Now, so, Mr. Ware, I've been asked to clarify
- 10 something. All right, we'll move on. I'd like to turn
- 11 back to your February 27th, 2006 testimony. You
- 12 indicate that, in Page 7, Lines 1 to 5, you talk about
- 13 a "CMMS system"?
- 14 A. Correct.
- 15 Q. And, you state that "In its proposal to Nashua, Veolia
- 16 touted its use of a computerized maintenance management
- 17 system (CMMS) as a tool that would make their
- 18 operations efficient." And, you state that "PWW has
- 19 used a CMMS package for over five years so Veolia will
- 20 gain no "operating efficiencies" over Pennichuck's
- 21 current operations by using a CMMS." Is that your
- 22 statement?
- 23 A. Yes.
- 24 Q. Okay. And, do you still agree with this statement?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 A. Yes.
- 2 Q. Now, the CMMS system that you're referring to is the
3 Synergen system?
- 4 A. No.
- 5 Q. No, it's not. Okay. But you're aware that Veolia is
6 talking about its use of the Synergen system. Is that
7 what you're referring to in your testimony?
- 8 A. My understanding is that Veolia uses the -- one part of
9 Synergen, which is an ERP program. There is a part
10 that can carry that's similar to the OPS32 program that
11 we use, which is a maintenance -- computerized
12 maintenance program. And, so, they happen to use that
13 part that's attached to Synergen. We have a different
14 program, OPS32.
- 15 Q. Is that a -- where do you use that?
- 16 A. We use it to govern all of our operation and
17 maintenance planning.
- 18 Q. So, you were making no reference to the Synergen system
19 whatsoever in this --
- 20 A. No. We have OPS32. It's a work order driven computer
21 management system that's identical to the Synergen
22 add-on to the program for CMMS.
- 23 Q. Mr. Ware, is OPS32 a work order system?
- 24 A. Yes, it is.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. So, Mr. Ware, your company spent over \$600,000 using
2 Synergen. What are you using it for?

3 A. I am probably not the best person to answer that.
4 Mrs. Hartley is very familiar with the Synergen
5 program. But, so, I think it would -- that would be
6 better directed to her. I could give you --

7 MR. CAMERINO: Mr. Chairman, could we
8 just take one minute off the record, so I could confer
9 with Mr. Upton?

10 CHAIRMAN GETZ: Please.

11 (Whereupon Atty. Camerino and Atty.
12 Upton conferred and a brief
13 off-the-record discussion ensued.)

14 CHAIRMAN GETZ: Mr. Richardson.

15 MR. RICHARDSON: Thank you, Mr.

16 Chairman.

17 BY MR. RICHARDSON:

18 Q. So, Mr. Ware, I just want to make sure we're absolutely
19 clear on this. It's your opinion that the OPS32 system
20 you've referred to is a work order system?

21 A. Yes, Mr. Richardson. The program develops work orders
22 that our people complete in the field, and then bring
23 it back. And, then, that information out of the OPS32
24 work order program that was generated out of there is

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 then entered into Synergen for purposes of developing
2 our final financials.

3 Q. And, as the Chief Engineer, you indicated you're not
4 familiar with how the Synergen system is being used?

5 A. That is correct.

6 Q. And, this is a system that the Company spent over
7 \$600,000 implementing?

8 A. Yes. We have IT staff that works with our
9 administrative staff that oversees our IT operations
10 and makes those decisions.

11 Q. I'm just asking you about the money. I wasn't asking
12 you about who does what.

13 CHAIRMAN GETZ: Well, I think it's fair
14 for him to explain his answer here. Are you finished, Mr.
15 Ware?

16 THE WITNESS: Yes, I am. Thank you.

17 BY MR. RICHARDSON:

18 Q. Now, I'd like to jump to your testimony in January.
19 And, this is Exhibit 3004, on Page 9 of the document,
20 it's marked as "Page 8" on the document, so Page 9 of
21 the electronic. Now, you indicate that if Nashua's
22 petition were approved, there would be certain, and
23 I'll quote you "inefficiencies and increased costs to
24 all customers." Is that what you were saying?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. That is correct.

2 Q. Okay. And, in your testimony, you listed five of them.

3 And, I believe the first one was on Page 9, Lines 4 to

4 5, you talk about "Loss of engineering expertise".

5 And, states that the Company's "wouldn't have enough"

6 -- "would no longer have enough mass"?

7 A. That street is in reference to, if the core system,

8 Pennichuck Water Works, was taken, and all that was

9 left was Pennichuck East Utility and Pittsfield

10 Aqueduct, that we would not have enough work to do to

11 keep a full-time engineering staff busy.

12 Q. I'd like to go through and list these and just make

13 sure that I've got them, the right list. So, if you'll

14 bear with me, we'll just do that. The next is "Loss of

15 travel efficiencies", is that another one?

16 A. That is correct. If PWW was taken out of the mix, --

17 Q. Okay. I'm not trying to get an explanation at this

18 point. I just want to make sure I --

19 A. Could you please explain the context of the questions

20 then?

21 Q. Okay.

22 CHAIRMAN GETZ: Well, I think he's

23 trying to -- he's going to go through a list, as I take

24 it, to see if you agree. And, then, you'll have a chance

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 to -- just give a "yes" or "no", and then you'll have a
2 chance to explain.

3 THE WITNESS: But I'm not -- I'm not
4 sure I understand the context. In other words, the
5 context, what is the frame of the context? In other
6 words, what was I responding to? I believe I was
7 responding to, but that hasn't come out, that these are
8 efficiencies that would be lost if the Water Works was
9 taken, and PEU and PAC were left.

10 BY MR. RICHARDSON:

11 Q. Mr. Ware, I'll try to make the question really simple
12 so you can understand it. There were five -- you
13 agreed that this testimony discussed "inefficiencies
14 and increased costs", is that right?

15 A. Relative to what, please?

16 Q. Okay. Well, that's what your testimony states. Why
17 don't we try and list those --

18 A. What's the context of the testimony?

19 CHAIRMAN GETZ: Well, I think, Mr. Ware,
20 that he's just asking you to confirm that, the five items
21 that you've listed on Page 8 and 9 of your January 2006
22 testimony. Let's get through that piece. I think that's
23 pretty straightforward. If you need to ask --

24 MR. CAMERINO: Could I just put a copy

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 of the document in front of Mr. Ware, so he can have it?

2 CHAIRMAN GETZ: He doesn't have his
3 testimony up there?

4 MR. CAMERINO: He doesn't have anything
5 up there.

6 CHAIRMAN GETZ: Okay. Let's put it up
7 there.

8 MR. RICHARDSON: That's fine with me.

9 BY MR. RICHARDSON:

10 Q. So, there's five items that you listed?

11 A. Yes.

12 Q. I'll give you a moment to review that. And, there is
13 "loss of engineering expertise"?

14 A. Yes.

15 Q. "Loss of travel efficiencies"?

16 A. Yes.

17 Q. And, then, you discuss "emergency efficiencies"?

18 A. Yes.

19 Q. "Favorable staff ratio"?

20 A. Yes.

21 Q. And "joint use of assets"?

22 A. Yes.

23 Q. Okay. Now, am I correct in categorizing these five
24 items that you've listed as, essentially, they're the

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 result of lost economies of scale that would occur?

2 A. Yes.

3 Q. Okay. Now, is it your testimony that or is it your
4 position that, should the PUC approve Nashua's
5 petition, Pennichuck Corporation would do nothing to
6 mitigate those lost economies of scale?

7 A. We would do everything that we could. But, because of
8 the nature of the integration of all the businesses,
9 there are certain economies that you could never
10 recreate.

11 Q. Okay. So, but one way you may might consider
12 mitigating those would be to sell your other utility
13 assets to a larger utility company, isn't that
14 something you would consider?

15 A. You would certainly give that a consideration.

16 Q. Okay.

17 A. And, it would be quite difficult to attract an
18 acquirer, because you've lost the hub that holds the
19 spokes of the wheel together. There is no major area
20 from which to service and gain the economies that we
21 currently have.

22 Q. But, Mr. Ware, isn't it -- aren't those exactly the
23 same type of efficiencies that you proposed in the
24 Philadelphia Suburban -- that Pennichuck proposed in

[Witness: Ware]

1 the Philadelphia Suburban transaction?

2 A. The Water Works was not gone. The hub that generated
3 the work that maintained enough of the staff and
4 efficiencies that was necessary was not gone. That was
5 going to stay and would have been an integral part of
6 maintaining the spokes. In this taking, the hub is
7 gone, the spokes are left. A wheel with no hub, the
8 spokes fall off.

9 Q. Okay. Mr. Ware, are you saying then that Pennichuck
10 would be unable to sell its utility assets to another
11 utility? Is that your position?

12 A. I can't tell you whether we would be able to sell them
13 or not. If we did, my professional opinion is that it
14 would have to be sold at a very low amount. It would
15 be harmful to the shareholders.

16 Q. Now, Mr. Ware, you're familiar with Aquarion, right?

17 A. Yes, I am.

18 Q. They provide service in three towns on the Seacoast, I
19 believe?

20 A. Yes.

21 Q. Okay. And, they're part of a larger national utility?

22 A. That is correct.

23 Q. Okay. Now, presumably, with their customer base,
24 they're able to provide service to those customers and

[Witness: Ware]

1 benefit from being a part of a larger utility network?

2 A. Yes, I would say that that's probably a fair
3 presumption.

4 Q. Okay. Now, another option for you, in the event that
5 you fail to sell to Aquarion or American Water or Aqua
6 America or another company like that, you could
7 probably sell your remaining assets, your remaining
8 utility operations to the City of Nashua, couldn't you?

9 A. That's purely speculative.

10 Q. Well, is that something that you would consider?

11 A. I guess, if this taking were to occur, we certainly, as
12 a business, would consider everything that we could
13 possibly do in order to extract value from what's left
14 over.

15 Q. And, another approach you might take would be to sell
16 those assets to the other municipalities?

17 A. There's been no interest by any municipality to acquire
18 any of these systems, otherwise they would have been
19 acquired by those municipalities when they first became
20 available.

21 Q. Well, Mr. Ware, you have 25 years experience in the
22 water industry?

23 A. That is correct.

24 Q. Okay. Now, are you telling me that you don't have any

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 reason to believe that the municipalities would come
2 forward and buy water system assets?

3 A. I absolutely don't believe that they would. These are
4 typically small independent systems. The
5 municipalities have shown no interest in them, and, in
6 fact, came to us, community after community, and have
7 asked us along the way to purchase and maintain these
8 assets.

9 Q. Uh-huh. So, then, I guess you wouldn't agree that
10 municipalities are regularly in the business of buying
11 water utility assets from private companies then?

12 A. They are not regularly in the business of buying assets
13 from regulated water utilities that are outside of
14 their municipal boundaries.

15 Q. And, so, I take it they're not in the -- they're not in
16 that, you know, hypothetical population of willing
17 buyers to purchase these assets?

18 MR. CAMERINO: Objection.

19 MR. RICHARDSON: Mr. Chairman, this is a
20 very important question. I'm not going to let
21 Mr. Camerino suggest to the witness -- suggest an answer
22 to the witness. I think he should answer the questions
23 asked.

24 CHAIRMAN GETZ: Well, I'm not sure I

[Witness: Ware]

1 followed your response to the objection. But it seems to
2 me you're asking a very general question that he's
3 objecting --

4 MR. RICHARDSON: That's right. And, I
5 think it's a -- I think it's a fair question, and there's
6 no reason to object to it.

7 CHAIRMAN GETZ: Well, let me just remind
8 everyone. We need to have one person speaking at a time
9 so that the reporter can get this down. And, it seems to
10 me, you've already asked a question about his expertise
11 with the purchase of, in his experience, of utility
12 properties, water utility properties by municipalities.
13 And, he's given you his answer. Now, how does this next
14 question distinguish from what you've already asked him?

15 MR. RICHARDSON: Well, it's a question
16 of really placing it in another context. And, I'm
17 exploring the range of his position that "municipalities
18 don't buy water system assets".

19 CHAIRMAN GETZ: He's already testified
20 that it's his experience that they haven't in the past.
21 Are you --

22 MR. RICHARDSON: I'll withdraw the
23 question.

24 CHAIRMAN GETZ: Is this -- It's 10:30.

[Witness: Ware]

1 Do you have more on this particular line of questioning or
2 is this a good time for a break?

3 MR. RICHARDSON: I think we're at a good
4 time for a break.

5 CHAIRMAN GETZ: Okay. Let's, and, well,
6 let me, before we do that, and are you still expecting
7 that you'll be able to finish your cross in the 90 minutes
8 between 11:00 and 12:30?

9 MR. RICHARDSON: That's my expectation.

10 CHAIRMAN GETZ: Okay. Well, let's take
11 the morning recess, and we will resume at 11:00.

12 (Recess taken at 10:32 a.m. and the
13 hearing reconvened at 11:05 a.m.)

14 CHAIRMAN GETZ: Okay. We're back on the
15 record with the examination of Mr. Ware. Mr. Richardson.

16 MR. RICHARDSON: Thank you, Mr.
17 Chairman.

18 BY MR. RICHARDSON:

19 Q. Mr. Ware, I want to ask you some questions about the
20 OPS32 system. Is that a system that Pennichuck uses to
21 produce schedules of predictive and preventative
22 maintenance that's required?

23 A. Yes, it is.

24 Q. Okay. And, does it record the staff hours spent

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 performing those maintenance activities?
- 2 A. No, it does not.
- 3 Q. Okay. And, does it -- do you have all of the assets
- 4 loaded in the OPS32 system?
- 5 A. The assets that were maintained in the field, hydrants,
- 6 gates, pumping stations, all the pumping equipment,
- 7 treatment equipment is all in OPS32.
- 8 Q. Does it provide you with a maintenance calendar that
- 9 says what days or what times you should be performing
- 10 certain activities?
- 11 A. Yes, there is a scheduler in the program.
- 12 Q. And, do you use that schedule?
- 13 A. Yes, we do.
- 14 Q. Okay. And, does it track your inventory?
- 15 A. No, it does not.
- 16 Q. Okay. And, you indicated already that it generates
- 17 work orders, I believe?
- 18 A. Yes, it does.
- 19 Q. Okay. And, does it -- does it give you the location of
- 20 the assets?
- 21 A. I believe that it does. When the schedule is set out
- 22 by the maintenance person that he gives work orders
- 23 that are generated out of it, that would indicate the
- 24 locations. Everything goes out on Palm Pilots that are

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 carried out into the field for the people to complete
2 the work order information on the Palm Pilot.

3 Q. So, then, let me ask you a question about your
4 maintenance expenses then. It's my understanding, I
5 have a document here, I don't know, if it's been marked
6 as an exhibit. I'll put it on Synergen. Excuse me.

7 (Laughter.)

8 BY MR. RICHARDSON:

9 Q. I'll put it on ELMO. Having a two year old, I
10 shouldn't forget that name. But you probably have to
11 switch that over. Okay. Now, this is Data Response --
12 I believe it's 5-24. Do you recognize this?

13 A. Yes, I do.

14 Q. Okay. And, I understand that, down at the bottom of
15 the page, there's a table, you list the maintenance
16 expense -- operations and maintenance expense, excuse
17 me, for -- excuse me, maintenance expense for 2005. Is
18 that your understanding of what that is?

19 A. Yes.

20 Q. Okay. And, the figure is "1,385,252"?

21 A. Yes.

22 Q. And, is that the correct maintenance expense for that
23 year?

24 A. Yes, it is.

[Witness: Ware]

- 1 Q. Okay. Now, if we could switch the system back to
2 Exhibit 1017, Page 20, I believe. Paragraph (a). No,
3 I'm sorry, it's 3019. I'm running without a script
4 here, I apologize. 3019, Page 3, Paragraph (a). Okay.
5 And, in this paragraph, you state your estimate for
6 Pennichuck Water Works' unplanned maintenance?
- 7 A. That is not correct. It's an estimate of the cost of
8 the unplanned maintenance the City will incur under the
9 RRRM program with Veolia, where the labor rates, since
10 our maintenance costs are just direct labor, no
11 benefits, the Veolia rates are twice what ours are.
12 So, this was an effort to estimate our unplanned
13 maintenance and transfer to the cost that the City
14 would experience under Veolia's plan.
- 15 Q. So, let me show you another document. This is going to
16 be your February 27th, 2014 exhibit. I'm looking at
17 what's likely Page 1 or 2 of the document, Paragraph 1
18 at the bottom, "Unplanned Maintenance". Now, you state
19 here that "Under PWW's ownership and operation,
20 unplanned maintenance is part of the company's
21 operating budget and is included in the current rate
22 structure." Did I read that correctly?
- 23 A. That is correct.
- 24 Q. Okay. And, you say "Based on PWW's historical costs,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 the cost of unplanned maintenance (such as broken
2 mains, hydrant repairs, large meter testing, service
3 box repairs and the like) is probably more on the order
4 of \$1 million." Did I read that correctly?

5 A. Again, the reference is to what Veolia's costs would
6 be, if they were transferred over to our -- If you go
7 to the response that I gave to calculate that
8 \$1 million, it's clearly defined how that number -- how
9 we came up with the \$1 million. And, it defines what
10 we believe our unplanned maintenance costs are.

11 Q. Well, when I read that last sentence, it says "Based on
12 PWW's historical costs". I thought that was pretty
13 clearly defined. But, apparently, this is now Veolia's
14 costs?

15 A. We had to start as a basis of cost. If you recall,
16 Veolia estimated that same figure to be \$593,000. They
17 have done no due diligence. What I did was, I
18 attempted to evaluate our work orders and determine
19 which ones included unplanned -- which were unplanned
20 maintenance under the Veolia contract, withdrew our
21 rates for labor, and imputed -- put in Veolia's rates
22 for labor, in order to generate the \$1 million. So,
23 the historic basis of the \$1 million is our own labor
24 rates overlaid with Veolia's labor rates as a

[Witness: Ware]

1 substitute, in order to come up with this figure.

2 Q. Mr. Ware, that sounds like a pretty detailed or pretty
3 complicated series of calculations for what looks to me
4 to be represented as based on PWW's historical costs.

5 A. Again, I would ask that you simply go back to the
6 original supposition, and the area I reference where
7 the calculation is completed, and it clearly shows
8 where the million dollars came from.

9 MR. CAMERINO: Mr. Chairman, Attorney
10 Richardson showed Mr. Ware a data request that I don't
11 believe is marked, and it is the calculation that Mr. Ware
12 is referring to. I'm wondering if we should just mark
13 that response. I would like to have it marked.

14 MR. RICHARDSON: I have no objection to
15 marking this as an exhibit.

16 CHAIRMAN GETZ: Okay. Let's mark it.
17 That would be the Company's next or who would like to lay
18 claim to this exhibit?

19 MR. UPTON: We have fewer than they do,
20 so we'll take it.

21 MR. CAMERINO: Okay.

22 MR. RICHARDSON: I don't mind taking
23 responsibility for this.

24 CHAIRMAN GETZ: And, what's the exhibit

[Witness: Ware]

1 number?

2 MR. RICHARDSON: 1143. We've gone
3 beyond the sequential list. There were documents I was
4 considering using, I haven't used yet. So, that's, in
5 order to avoid confusion on a later date, we just skipped
6 ahead a few numbers.

7 MR. CAMERINO: The last exhibit we have
8 is marked as "1135", which would have been Mr. Siegfried's
9 resumé.

10 CHAIRMAN GETZ: And, you're just
11 planning to take a gap?

12 MR. RICHARDSON: We'll go back at the
13 end of the hearings and we'll see where the documents are,
14 have been offered. If there are blanks, we'll mark them
15 as "reserved".

16 CHAIRMAN GETZ: Mr. Camerino.

17 MR. CAMERINO: I think what I hear
18 Mr. Richardson saying is he's got other things that he's
19 put numbers on that he plans to ask you to mark that we
20 haven't heard about yet. I think that's where we are.
21 I'm not partial to a particular number, so whatever.

22 CHAIRMAN GETZ: Let's just mark it as
23 proposed, and we'll, if there's issues about whether
24 allowing particular exhibits, we'll deal with them when

[Witness: Ware]

1 they come up.

2 MR. CAMERINO: Yes.

3 (The document, as described, was
4 herewith marked as Exhibit 1143 for
5 identification.)

6 MR. CAMERINO: And, maybe I could
7 reclaim that copy from Ms. Fillion, because that was our
8 only copy. I'll give it to her during the break, when
9 I'll have a chance to make a copy.

10 MR. RICHARDSON: I'll track it down.
11 I've got another.

12 MR. CAMERINO: If there's not going to
13 be any questions about it, I don't need it right now.

14 BY MR. RICHARDSON:

15 Q. Now, while we're looking at -- while we're looking at
16 this exhibit that's up on the screen that's number
17 3014, I believe, now, it seems to me, at the top of
18 Page 3, you say "In fact, in its proposal even Veolia
19 estimated this cost at a range of 850,000 to 1.15
20 million." I mean, it almost sounds to me like you're
21 talking about a separate calculation there, and that's
22 Veolia's estimate? Is that right?

23 A. The calculation of a million dollars was my
24 calculation, and I was just referring it to the

[Witness: Ware]

1 original Veolia number in one of their proposals to the
2 City, where they estimated the RRR&M between 850 and
3 1,150,000. Since then, they have changed that estimate
4 to \$1,750,000.

5 Q. That's your understanding?

6 A. That was presented in testimony the other day.

7 Q. Mr. Ware, let's take this number of \$1 million, or we
8 could even look at the revised estimate, that's the
9 921,000. Now, if you look at the total number in the
10 document we've just marked, as \$1,385,202, and you use
11 that to divide the 921,000 estimate --

12 A. It's an incorrect analysis, Justin. I've already told
13 you --

14 CHAIRMAN GETZ: Mr. Ware, let's let him
15 get his full question out before you get to your answer,
16 because this is just going to be a muddle on the
17 transcript if we don't do that.

18 THE WITNESS: My apologies.

19 MR. RICHARDSON: Well, let's return this
20 document to them. Thank you.

21 BY MR. RICHARDSON:

22 Q. So, we'll bring this up on ELMO again. But if we take
23 your apparently incorrect calculation of \$921,000, and
24 we divide that against what you've answered here for

[Witness: Ware]

1 what you expect the total maintenance costs to be, that
2 would show 66 percent of unplanned maintenance?

3 A. That is an incorrect analysis. Could we please see the
4 entire response? Because, again, the "921,000" is my
5 estimate of Veolia's costs to do it. If we go to the
6 calculation, I show what I believe --

7 Q. Mr. Ware, --

8 A. -- unplanned maintenance --

9 Q. Mr. Ware, I'm just asking -- so, you've stated that,
10 you were clear that you don't accept that calculation
11 at this point. That was my --

12 A. I do not accept your calculation.

13 MR. CAMERINO: Could I just give this
14 response to the witness so he has it in front of him if
15 there's more questions?

16 (Atty. Camerino handing document to the
17 Witness.)

18 BY MR. RICHARDSON:

19 Q. Mr. Ware, let me ask you a general question about
20 unplanned maintenance. Is it your understanding that
21 unplanned maintenance is significantly more expensive
22 than planned maintenance?

23 A. Yes, it is.

24 Q. I think Veolia's testimony indicated that they thought

[Witness: Ware]

1 it was "three times more expensive". Is that a number
2 you'd agree with?

3 A. I would not be able to put a number on it. I think
4 that's a little high. But it's definitely more
5 expensive, because it typically happens off-hours.

6 Q. And, it's generally cheaper to replace a fan belt in
7 the garage than it is to pull the car off the side of
8 the road, bring it back to the garage, and use all the
9 time you spent to replace that?

10 A. That is correct.

11 Q. Now, in your January 12th testimony, I'm going to
12 change subjects here for a minute, I believe you talked
13 about the fact that "Pennichuck Water Works had met all
14 of its environmental" -- or "nearly met its
15 environmental compliance challenges", is that right?

16 A. That is correct.

17 Q. Okay. And, you agree with that characterization still
18 today?

19 A. Yes, I do.

20 Q. Why don't we take a minute to look at Exhibit 1119.
21 I'll start at Page 1. Now, Mr. Ware, have you seen
22 this document before?

23 A. Yes, I have.

24 Q. Okay. Now, it appears to be a Letter of Deficiency

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 from the Department of Environmental Services?

2 A. That is correct.

3 Q. And, stating that there's basically a drinking water
4 violation at this system?

5 A. That is correct. The way the regulations were written,
6 when the regulation passed, you were immediately in
7 noncompliance for this particular item. So, across the
8 country everybody was in noncompliance. Since this
9 letter came out, we have constructed and installed the
10 removal system necessary to correct this issue.

11 Q. So, you were unable to anticipate the new regulation
12 coming into effect?

13 A. When the regulation took effect, it identified, at the
14 final writing, what the figure would be. There were
15 figures that ranged from 30, up towards to 60. And,
16 this particular system had a radon level of about 34.
17 So, we did not and could not have proceeded ahead until
18 the regulation was finalized in order to do this work.
19 Radon is another example where regulations are
20 promulgated, radon was first talked about in 1991. Had
21 we gone ahead and complied with the radon regulation
22 that was proposed, we would have spent tens of
23 thousands of dollars on a regulation that, by the way,
24 still today is not final.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. So, it is your testimony then that Pennichuck had no
2 choice but to wait for this system to find out what the
3 new rules were going to be and then be out of
4 compliance?

5 A. Yes.

6 Q. Okay. You didn't bother to read any notices issued by
7 the EPA as to what the regulations were going to be?

8 A. We read them all. And, I just gave an example of how a
9 regulation can be proposed and never become finalized.
10 And, if we spend money on proposed regulations that
11 aren't finalized, and they aren't finalized, such as
12 the radon standard, we would not be able to earn on
13 that investment.

14 Q. So, it's your opinion then that, when the EPA proposed
15 this regulation, their final rule said "It's effective
16 immediately"?

17 A. When the rule was promulgated, yes. It was then
18 written up, and said "It's now effective today."

19 Q. Okay. Now, let's jump ahead a little bit. Why don't
20 we look at Page 4. This is a Letter of Deficiency
21 related --

22 MR. CAMERINO: I don't mean -- I just
23 want to give Mr. Ware a copy of the exhibit, so he has it
24 in front of him, if I may.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 CHAIRMAN GETZ: Please.

2 MR. UPTON: He has them on the screen,
3 like all the other witnesses.

4 MR. CAMERINO: Well, but these are
5 multipage documents, and the other witnesses have been
6 allowed to look at the hard copy.

7 MR. RICHARDSON: I have no objection, if
8 that's what Mr. Camerino wants to do.

9 CHAIRMAN GETZ: What is this part of
10 though?

11 MR. RICHARDSON: This is Exhibit 1119.
12 And, I apologize, sometimes the graphics conflict with
13 where the exhibit number is. But it says in the top
14 right. Okay. And, then, the page number, frankly, is on
15 the bottom.

16 BY MR. RICHARDSON:

17 Q. Now, Mr. Ware, this apparently is a Letter of
18 Deficiency related to some safety concerns at
19 Pennichuck Water Works' supply pond dam?

20 A. Yes. And, those have all been corrected.

21 Q. Okay. Now, if we look further down, and go to -- why
22 don't we look at Page 9 of the document, we see there's
23 another Letter of Deficiency related to Ministerial
24 Hills, is a PEU system?

[Witness: Ware]

1 A. Yes. That's naturally occurring bacteria that showed
2 up in the well. And, the problem was never able to
3 determine where the bacteria was coming from. There
4 was no indication within the sanitary radii. We added
5 chlorination to the system, and we've had no further
6 instances with the coliform bacteria.

7 Q. Now, the chlorination system, that wasn't a new
8 requirement that just -- the EPA just promulgated?

9 A. There is no requirement for chlorination systems on
10 groundwater systems. And, most groundwater systems do
11 not use chlorination, because customers don't like
12 chlorine in the water.

13 Q. All right. Mr. Ware, I believe my question to you was,
14 "that was not a new requirement promulgated by the
15 EPA?"

16 A. There's no requirement for a chlorination system.

17 Q. So, the answer would be "no", correct?

18 A. Yes. It's not a new requirement, because there is not
19 a requirement.

20 Q. Thank you.

21 CHAIRMAN GETZ: We may be getting a
22 little metaphysical here, but let's move ahead.

23 BY MR. RICHARDSON:

24 Q. Let's look at another Letter of Deficiency.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 MR. RICHARDSON: And, I'm going to
2 apologize for the document that's on Page 14. It's
3 addressed to Mr. Donald Ware. It was my intent that that
4 document not be included in this set of exhibits. I don't
5 believe it's the same Donald Ware.

6 BY MR. RICHARDSON:

7 Q. But why don't we take a look at Page 14, and you can
8 just confirm that for me?

9 A. That is correct.

10 Q. Now, --

11 CHAIRMAN GETZ: Can we see the -- I'm
12 sorry.

13 MR. RICHARDSON: Page 14.

14 CHAIRMAN GETZ: That went very quickly.
15 So, this is a different Donald Ware?

16 MR. UPTON: Yes.

17 CHAIRMAN GETZ: Okay.

18 MR. RICHARDSON: And, this -- I had made
19 that determination, and this was not supposed to be
20 included in our exhibits.

21 MR. CAMERINO: Could we, just as a
22 matter of cleaning from the record, at some point remove
23 that from the exhibit then, so that it's clear? There is
24 a -- as the Commission may not know, there is a second

[Witness: Ware]

1 Donald Ware ironically, who is apparently an engineer in
2 the water business in the State of New Hampshire. But
3 we'd like it not to be part of the permanent record,
4 because I think it will not be clear to people looking at
5 this exhibit.

6 MR. RICHARDSON: I have no objection to
7 removing those pages. I mean, I think that was what I was
8 trying to make clear at this juncture.

9 BY MR. RICHARDSON:

10 Q. Let's take a look at Page 18, again, we have another
11 Letter of Deficiency. And, this one is for the Great
12 Bay Water System. That's a Pennichuck Water Works
13 system?

14 A. Yes, it is.

15 Q. Okay.

16 A. This is the same standard, uranium, that became
17 effective immediately with the promulgation of the
18 rule. And, as you can see, we corrected that problem.

19 Q. So, Mr. Ware, do I understand correctly then that, you
20 know, we're not supposed to read into the fact that
21 there are these Letters of Deficiencies that are issued
22 by DES? We're not to take those to mean that
23 Pennichuck is a bad company?

24 A. That is correct.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. Okay. Now, and that is because sometimes enforcement
2 letters just get written to companies that are doing a
3 perfectly good job?

4 A. It's because standards do change. And, when standards
5 change, then what happens is you need to comply with
6 those standards. And, there are time lines given for
7 compliance, typically 18 to 36 months, dependent upon
8 how long it's going to take, so that the entities who
9 are under those new regulations have a chance to change
10 and implement corrective actions.

11 Q. Okay. So, then, I understand then you're agreeing with
12 my proposition that sometimes good companies can have
13 Letters of Deficiency written to them, where they can
14 violate drinking water standards, and that doesn't mean
15 they're a bad company?

16 A. That is correct.

17 Q. Now, let's -- And, I'm almost done with this line of
18 questioning. Why don't we -- Now, there have been
19 additional violations since these hearings originally
20 began back in January of 2007, is that right?

21 A. I would have to think about that. I know, as a matter
22 of fact, right now we have an E-coli occurrence that
23 happened up in North Conway. That is the result,
24 again, of a wet well, without chlorination in the

[Witness: Ware]

1 integrated system. And, we've taken appropriate action
2 with that particular system.

3 Q. And, in fact, one of the -- one of the PWW systems, is
4 it --

5 MR. RICHARDSON: Steve, do you remember
6 the name of it?

7 THE WITNESS: Woodlands?

8 MR. RICHARDSON: No. Brook --

9 BY MR. RICHARDSON:

10 Q. I'm going to show you a document here that we received
11 recently. This is -- I'll represent to you it's
12 downloaded off the Pennichuck Water Works website.
13 And, it's the Consumer Confidence Reports for 2006.
14 Linda, can you pull that up? I think we have it as
15 1117A. Why don't we --

16 MR. RICHARDSON: Could you give me an
17 exhibit sticker and we'll mark this "1117A".

18 MR. CAMERINO: Mr. Chairman, there was a
19 process that was agreed to by the parties, submitted to
20 the Commission in writing, related to exhibits and marking
21 of exhibits. Nashua took the position that they could
22 update their exhibits, and they did. We objected to that.
23 We said "there should be no updating of exhibits."
24 Regardless, they added two exhibits. Now, they're adding

[Witness: Ware]

1 more exhibits. It's one thing to ask Mr. Ware what he
2 knows about, but to now start submitting documents to the
3 Commission and marking them that we've never seen before
4 is not appropriate. We can produce the letter from
5 Mr. Richardson that says that he has "two additional
6 exhibits" and identifying what they are. He could have
7 indicated that he thought that there should be additional
8 updating of exhibits, and we could have discussed that
9 matter. In our correspondence, we thought it was
10 problematic, and we had a problem even with the two that
11 they sought to add.

12 MR. RICHARDSON: Mr. Chairman, their
13 Exhibit List, in fact, says that "Pennichuck reserves the
14 right to offer other exhibits for impeachment or use in
15 cross-examination or in rebuttal." And, this was a
16 document that was not available at the time of the January
17 hearings. It's one that I only very recently became aware
18 of. And, I think it clearly supplements the Exhibit 117
19 [1117?], which shows their consumer confidence reports,
20 which were marked. This is just the -- coming in at the
21 January hearings, we had the 2005 documents. It's now
22 2007, I have the 2006 documents available. So, I'm adding
23 three to the list.

24 MR. CAMERINO: Yes. And, Mr. Richardson

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 wrote his letter three weeks ago. And, if he didn't do
2 his homework until the last week, I'm sorry, but we need
3 time to review something like this and understand it and
4 discuss it with our witness. And, so, now it's one thing
5 to ask him "Were there other systems? Were there
6 violations?" He's on the stand, he can answer that, and
7 he'll answer truthfully. He's volunteered two that Mr.
8 Richardson hasn't even asked about yet. But, to now start
9 to add exhibits with a lot of data, that he can then brief
10 from, is inappropriate. He had an opportunity to do that.

11 CHAIRMAN GETZ: Well, let me try and
12 make sure I understand the context here. This is -- What
13 you're seeking to do, Mr. Richardson, is basically expand
14 on the --

15 MR. RICHARDSON: This is the --

16 CHAIRMAN GETZ: -- supplement exhibits
17 that are part of Exhibit --

18 MR. RICHARDSON: That's right. Exhibit
19 117A [1117?] was Pennichuck Water Works' Consumer
20 Confidence Reports that were available at the time of the
21 January hearings. Since time has elapsed, I became aware
22 only very recently that, in fact, in preparing for this
23 cross-examination, that there were additional Consumer
24 Confidence Reports out there. And, these show a fairly

[Witness: Ware]

1 significant violation. There's two systems here that have
2 violations for lead levels.

3 MR. CAMERINO: Objection. He's now
4 reading from the exhibit that he shouldn't be allowed to
5 offer.

6 MR. RICHARDSON: And, Pennichuck has
7 offered, for example, in the case of Mr. Sansoucy's
8 cross-examination, they identified, after the hearings
9 commenced, Exhibit 3252X. They said it included 500 pages
10 --

11 CHAIRMAN GETZ: Okay. Well, let's --

12 MR. RICHARDSON: We never had those.

13 CHAIRMAN GETZ: Let's back away from
14 making comparisons to what else has been done. I want to
15 try to make sure I understand the significance of this
16 exhibit, both substantively and procedurally. How does it
17 relate to Mr. Ware's testimony to this issue? Where are
18 you pursuing --

19 MR. RICHARDSON: He testified in
20 January, in his January 12, 2006 testimony, that
21 "Pennichuck Water Works was substantially meeting all of
22 its environmental permit requirements." And, I'm just
23 asking him if he believes that -- I intend to ask him if
24 he believes that these are consistent with that testimony.

[Witness: Ware]

1 MR. CAMERINO: And, Commissioner Getz,
2 if I could just make clear. He hasn't asked the witness
3 yet -- actually, he has asked the witness about additional
4 violations. And, if the witness answers incorrectly and
5 he wants to impeach him and say "well, what about this
6 one? You didn't mention that." That's one thing. But,
7 to start volunteering exhibits that have a lot of data in
8 them before he asks the witness, is really inappropriate.
9 There has been lots of litigation involving Veolia. I
10 didn't come in here with copies of complaints to file as
11 exhibits.

12 CHAIRMAN GETZ: Mr. Richardson, in some
13 respects, some of this, and we've been through some of
14 these types of issues and we'll continue, some of them may
15 end up being elevating form over substance in some
16 respects. But the -- just to introduce exhibits as a
17 general matter at this point I think is late in the
18 proceeding. If you want to ask the witness to respond to
19 what's been the subject contained in Exhibit 1117, whether
20 anything has occurred since that, then you can ask that
21 question. But I'm not just going to allow just
22 introducing additional exhibits that are cumulative.

23 MR. RICHARDSON: And, I believe that I
24 asked the very question that Mr. Camerino referenced, was

[Witness: Ware]

1 "are there additional violations?" I don't remember
2 hearing the witness state that there were lead violations.
3 So, I felt that I needed to introduce this in order to ask
4 him if that was indeed the case.

5 CHAIRMAN GETZ: Well, I think we've
6 heard enough on this issue. I'm not going to introduce
7 this as an exhibit now. If you want to pursue the line of
8 questioning, let's see where it goes. If he knows or is
9 aware of anything that's occurred since this exhibit was
10 completed.

11 BY MR. RICHARDSON:

12 Q. Well, Mr. Ware, is it not true that at Hubbard Hill,
13 which I understand to be a Pennichuck Water Works
14 system, is that correct?

15 A. Yes.

16 Q. In 2006, there were exceedances of the EPA standards
17 for lead in drinking water?

18 A. Yes. And, so you understand the lead rule, promulgated
19 in 1990, samples taken from individual houses, that
20 system had been in compliance from 1990 through 2006.
21 The well water was not aggressive. Over time, the
22 quality of the well water has changed to the point
23 that, when the samples were taken in 2006, you can see
24 that two out of the five locations, it apparently

[Witness: Ware]

1 exceeded the standard of 15, and gave us an average of
2 21.5. Since then, we've added a corrosion control
3 system, adding chemicals that we typically try to avoid
4 in natural well systems, but, in order to comply with
5 this regulation, that's what happened. This system was
6 in compliance. The well water was not aggressive. The
7 internal piping, either copper or the lead that joins
8 it, until 2006, you don't know that, can't possibly
9 know that, until you take your annual samples. We have
10 took them and we corrected the problem.

11 Q. Well, let me understand correctly then. I understand
12 the part about water being corrosive" and you need to
13 avoid that. You do monitor the water, the drinking
14 water, the pH?

15 A. Yes, we do.

16 Q. And, so, wouldn't you be aware of the fact that you
17 had, when water becomes more corrosive, when the pH
18 becomes more aggressive --

19 A. The Langlier's Index for this particular system --

20 (Multiple parties speaking at the same
21 time.)

22 CHAIRMAN GETZ: You need to talk one at
23 a time.

24 MR. UPTON: Yes, but he's jumping in on

[Witness: Ware]

1 the question, I might say.

2 CHAIRMAN GETZ: Mr. Ware, your answer.

3 BY THE WITNESS:

4 A. The Langlier's Index for the system, which we do on a
5 regular basis, did not indicate that the water was
6 corrosive. The sampling inside the house, it depends
7 upon how long you let the water sit. We can't control
8 how long the customer lets the water sit. If the
9 person taking the sample let's it sit for 10 or 12 or
10 14 hours in the pipe, instead of the required 6 hours,
11 then the amount of either lead or copper that will
12 leach out becomes larger.

13 Q. But that's part of the story, Mr. Ware. But isn't it
14 also true that there is a requirement that you just
15 referenced that the sample sits in the pipe for six
16 hours. And, if that procedure isn't followed, if the
17 sampling procedure isn't followed, you can have the
18 sample invalidated?

19 A. No, you can't.

20 Q. So, if the regulations say otherwise, you've never
21 tried to have one of these samples invalidated?

22 A. The customer takes the sample and returns it to us. He
23 indicates on there when he stopped using his water and
24 when he started using his water.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 Q. So, you didn't tell the customer that you wanted a
2 sample that had been sitting for six hours?
- 3 A. Yes, we do.
- 4 Q. And, when you got the result back, showing that there
5 was lead in the water, did you ask the customer what
6 the story was behind how the sample was taken?
- 7 A. We didn't have to ask, the story, the hours between
8 when they last used the water and when they took the
9 sample are indicated on the sample form.
- 10 Q. Okay. And, you're saying that it was 14 hours in this
11 case?
- 12 A. I can't specifically talk about this. I was giving a
13 general example about how lead leaches out very slowly
14 and copper leaches out very slowly, so that the longer
15 the sample sits in the individual's pipes can have an
16 impact. The quality of the faucet and how much lead is
17 in the brass can have an impact on the sample.
- 18 Q. And, lead is a serious violation, isn't it?
- 19 A. Lead is a violation that has a action level. There's
20 been a level set at 15, which is an average of all the
21 samples that you take. And, we have to ensure that a
22 certain percentage of our samples, the 90th percentile
23 of the samples taken has to be less than 15.
24 Otherwise, we then go into mitigation through corrosion

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 control.

2 Q. I recall Ms. Knowlton asking questions of Ms. Raswyk
3 about whether or not Pennichuck drinking water, should
4 Nashua take over the system, how customers would know
5 if this was safe? Now, is it your opinion that the
6 water here, with lead violations being indicated, is
7 that safe to drink?

8 A. We send out a letter, and, after you flush the water
9 for five minutes, it's perfectly safe to drink.

10 Q. But, in this case, if a customer hasn't flushed the
11 water, his water wouldn't be safe to drink according to
12 the EPA standards?

13 A. If you drank the first flush water over 80 years of
14 your life on a consistent basis, yes, there would be a
15 potential problem. This standard was based on an
16 infant drinking formal in Los Angeles, was how the
17 standard was determined. It was determined that "no
18 adverse reaction level was 50 parts per billion". The
19 standard was set at 15. That's the standard we comply
20 with.

21 Q. So, that's, in fact, the very scenario that Ms.
22 Knowlton was painting -- was portraying, was a young
23 mother, coming home from work, she has a baby, she
24 wants to know if the water is safe.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 A. And, she would have notification if it was over this
2 amount, telling her not to use the water or to let the
3 water run for 15 minutes --
- 4 Q. So, --
- 5 A. -- and what our corrective action was going to be.
- 6 Q. So, did you notify customers of this system that their
7 water was potentially unsafe?
- 8 A. Yes. Yes, we did.
- 9 Q. And, in fact, this happened in another PWW system in
10 2006, and that was the Bedford Water Company, is that
11 right?
- 12 A. Yes, it did. Same scenario.
- 13 Q. Okay.
- 14 A. In compliance, untreated well water, from 1990, when
15 the standard was promulgated, through 2006. And that,
16 through changes in the groundwater quality, it reached
17 a point that apparently it became corrosive. And,
18 you'll not that, out of the ten samples taken, only
19 three were over the 15.
- 20 Q. Okay.
- 21 A. But that did put us over the 50 percent -- 90 percent
22 level.
- 23 Q. And, given that we knew the lead standard was
24 promulgated in 1990, and that there are treatment

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 systems, such as adding sodium hydroxide for pH
2 adjustment and phosphate addition for corrosion
3 control, which I believe has now been added, is it
4 appropriate to just sit and wait for a lead violation
5 to occur?

6 A. There's no reason to believe the lead violation was
7 going to happen. Based on the original samples of that
8 system back in 1990, the water was deemed noncorrosive.
9 Continued to be noncorrosive. The one -- one thing
10 that people don't want you to do is add chemicals when
11 you don't have to. The water had always been
12 noncorrosive. Something apparently changed in the
13 groundwater over time, and that resulted in this
14 particular exceedance. We're now adding the chemicals
15 in order to render that water noncorrosive.

16 Q. Now, I mean, I read this notice as representing that
17 there are serious problems with lead in drinking water.
18 And, that I believe the required statement is that
19 "Infants and children who drink water containing lead
20 in excess of the action level could experience delays
21 in their physical or mental development." So, we
22 should just -- we should just not install the
23 treatment, we should not treat the water, even though
24 we know the technology is available, we know it's out

[Witness: Ware]

1 there, we should just wait till we exceed it?

2 A. That is the practice throughout the entire industry.

3 Q. So that --

4 A. Is that, if there's no need to treat the water, you
5 don't treat it.

6 Q. So, you know, my daughter was born July 1st, 2006. Do
7 I have to wait for my water system to notify me, you
8 know, potentially a year later, that there's been a
9 lead exceedance?

10 A. It's immediate, Justin. The letter goes out the minute
11 we get these samples back, like we did here, and we see
12 that the standard is over 15, there's immediate
13 notification to the people in the area.

14 Q. As soon as you know about it. But how often do you
15 sample for lead?

16 A. We sample for lead once a year. We sample for
17 corrosivity on a regular basis.

18 Q. So, it's possible then that as much as a year could go
19 by before the lead sample comes up?

20 A. It's possible.

21 Q. Mr. Ware, a final question for you. If OPS32 is being
22 used as your CMMS system, why would you spend \$600,000
23 on Synergen?

24 A. Synergen, as I mentioned, is an ERP process. It's a

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 program that has many modules to it. We use the two
2 modules of it, fleet maintenance, I believe is the one
3 module we use, and the other module that we use is for
4 the work order program, where we create our financials
5 out of. There are very specific reporting regulations
6 that we have to meet for the PUC. So, when you get
7 software off the shelf, it does one thing. Well, we
8 need to report the work orders and how we complete the
9 work in accordance with PUC standards. So, there was a
10 lot of specialized writing to the Synergen software in
11 order to make it create the financial reporting that
12 the PUC was looking for.

13 Q. But it didn't actually end up meeting those standards,
14 did it?

15 A. Yes, it did.

16 Q. Mr. Ware, am I to understand --

17 MR. RICHARDSON: I have no further
18 questions.

19 CHAIRMAN GETZ: All right. Thank you.

20 Ms. Thunberg.

21 MS. THUNBERG: Mr. Chairman, if I could
22 ask questions from here? My notes used to be in paper
23 form, my system went down, I can't print them off. So, if
24 I could just read off of my computer?

[Witness: Ware]

1 CHAIRMAN GETZ: That's fine.

2 MS. THUNBERG: Thank you. Good morning,
3 Mr. Ware.

4 THE WITNESS: Good morning.

5 BY MS. THUNBERG:

6 Q. I have some questions regarding Exhibit 3004, which was
7 your January 12th testimony. And, I'm not sure if we
8 need to have Page 5 of that testimony pulled up. I
9 just have a general question. In your testimony, you
10 refer to state, regional, and national committees that
11 you are involved with. And, I'd like to have you just
12 state for the record what were the subjects of those
13 various committees that you cite, what subjects did
14 they cover? Or, let me rephrase that question. What
15 issues were you involved with with those committees?

16 A. Okay. I serve on the national committee AWWA, the --
17 or I had served, I no longer serve, had to stop that
18 when this process began, relative to small system
19 operations. On the regional level, I serve on the
20 Program Committee at the New England Water Works
21 Association. And, on the state level, I have served
22 with the State in the Lamprey -- excuse me, the
23 Souhegan River Pilot Study, for the Instream Flow Rule,
24 and have also worked with the DES relative to other

[Witness: Ware]

1 regulations that they're promulgating relative to the
2 Instream Flow Rule.

3 Q. Okay. While we have this page pulled up, I'd like to
4 draw your attention to the bottom paragraph. And,
5 specifically the issue of the subsidiaries and there
6 being a formula approved for cost allocation. Are you
7 familiar with this paragraph?

8 A. Yes, I am.

9 Q. And, is it accurate to state that a cost allocation
10 agreement exists among the subsidiaries, and that would
11 be PEU, PAC, PWW, and the Pennichuck Water Services
12 Corporation?

13 A. Yes.

14 Q. And, when you say, on Line 21 that "Staff approved the
15 cost allocation formula", is it more accurate that you
16 mean that the "Commission has approved the formula",
17 rather than "Staff"?

18 A. That is correct.

19 Q. If I could have the next page of this document please.
20 On Line 5, Mr. Ware, of the Page 6 of this exhibit, you
21 refer to travel time being "carefully planned out" --
22 well, I'm not finding the specific sentence at the
23 moment. But my understanding is that, for travel time,
24 it's not specifically allocated to a utility going out

[Witness: Ware]

1 into the field, is that correct?

2 A. That is, that is correct. We map, we have a computer
3 program called "CLICK" that we use, where we can input
4 the resources that are available to accomplish work
5 orders. The Customer Service staff takes all the
6 different appointments, whether it's backflow
7 appointments or meter reads or final meters or
8 whatever, and inputs them into the computer system for
9 each day. And, at the end of each day or the next day,
10 the computer system maps those resources out, so that
11 it maps out the best path for an employee to follow to
12 get the work done. So, they could go from Pennichuck
13 Water Works to a PWSC system to a PEU system, and back
14 to PWW, and their day is spent optimally routed to get
15 as much work as possible and minimize travel expenses.

16 CHAIRMAN GETZ: Mr. Upton.

17 BY MS. THUNBERG:

18 Q. I appreciate --

19 MR. UPTON: I'm having trouble, even
20 though this is friendly cross-examination, it is
21 cross-examination. And, the purpose of cross-examination
22 is not to march a witness through his direct examination.
23 And, that's what's happening here. Every question has
24 been cumulative to the direct testimony. And, that's

[Witness: Ware]

1 inappropriate cross-examination, even though it's a
2 friendly cross-examination. It should be something -- I
3 think friendly cross-examination should be directed at,
4 like redirect, at our examination. It's unfair that the
5 Staff is going to be able to now march him through his
6 direct testimony and do what Pennichuck can't do.

7 MS. THUNBERG: Mr. Chairman, with
8 respect to Staff's evaluation of all of the witnesses in
9 this case, where it has seen that there are ambiguities,
10 it has brought those out in all of the witnesses. And, it
11 is intending, with Mr. Ware, he has made a statement and a
12 statement subsequent in the next page, but there is no
13 clear nexus identified connecting those two issues. And,
14 it's not in the testimony, and Staff sought or would like
15 to seek to bring that out to make the record more
16 complete.

17 CHAIRMAN GETZ: Well, let me get to one
18 issue. He's raising the issue that you may be marching
19 him through his entire testimony. How much cross are you
20 intending to provide here?

21 MS. THUNBERG: Twenty minutes worth.

22 MR. UPTON: If she's going to do what
23 she says she's going to do, I'll withdraw my objection and
24 sit down happily. But I don't want to be put in a

[Witness: Ware]

1 position where a friendly cross-examination can take
2 somebody and serve him up a whole bunch of softballs in a
3 way that the proposing -- that the proposing party
4 couldn't do. That's inappropriate.

5 CHAIRMAN GETZ: Well, I think we're in
6 the bounds of reasonable cross by Staff on this matter so
7 far. So, let's see where it proceeds.

8 MS. THUNBERG: I'll be brief with my
9 framing questions, Mr. Chairman.

10 BY MS. THUNBERG:

11 Q. Mr. Ware, with respect to the software that you just
12 described, having an ability to track time, knowing
13 that there's a cost allocation formula out there, if
14 you could please state how that cost allocation formula
15 interfaces with that software, so that Pennichuck knows
16 what activities are billed underneath the cost
17 allocation formula?

18 A. Every -- The time is allocated through the work orders.
19 And, the work orders are generated out of the
20 appointments out of CLICK, in this case, or where CLICK
21 is doing the scheduling. Or, if it's being routed out
22 of OPS32, if it's at the treatment plant, again, the
23 work orders that come out of it are then allocated
24 amongst the various entities.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Q. Fair enough. Thank you. I'd like to move on to the
2 next issue that you describe generally in this
3 testimony, relating to watershed and watershed capital
4 improvements. Are you aware of that subject?

5 A. Yes.

6 Q. Or, do you recall that subject? With respect to the
7 capital improvements Pennichuck has proposed in its
8 plan, are those going to be in the core system and
9 satellites? If you could please explain.

10 A. The watershed work that we're now involved with,
11 associated with the core system, you know, is basically
12 being done within the core system. And, the previous
13 watershed work that we did through our source water
14 assessment programs of the individual wells and
15 purchasing of the various easements and ownership to
16 protect the sanitary radii and our wellhead protection
17 programs in all our communities, by the same token,
18 those costs have all been incurred and are part of the
19 Pennichuck Water Works rate.

20 Q. Could you tell me how many satellites Pennichuck
21 operates?

22 A. I don't have the number directly in front of me. I
23 believe that we are at 28 satellites currently.

24 Q. And, can you please tell me the status of watershed

[Witness: Ware]

1 protection work that you do in any of those, if any?

2 A. Again, the majority of those --

3 MR. RICHARDSON: Mr. Chairman, they're
4 using this line of questioning to supplement their direct
5 testimony. This witness hasn't offered any testimony on
6 watershed issues. I think it's unfair to essentially use
7 this as an opportunity to try to rebut, to rebut our
8 testimony on watershed. And, I've already done my
9 cross-examination.

10 CHAIRMAN GETZ: Mr. Camerino.

11 MR. CAMERINO: My only concern,
12 otherwise this is between Staff and Nashua, but he said
13 "they" are doing this.

14 CHAIRMAN GETZ: I had this question of
15 "whose testimony?" You said "their testimony". Is it
16 Staff's testimony or the Company's testimony?

17 MR. RICHARDSON: No, I'm sorry. This
18 line of questioning is allowing this witness to
19 essentially open up a new line of direct testimony,
20 because it is friendly cross. And, I've already done my
21 cross-examination. There's not been any testimony from
22 this witness on "watershed". And, this sounds an awful
23 lot like direct testimony, new information, I've never
24 seen it in writing, I've never expected it from this

[Witness: Ware]

1 witness. I had no reason to believe that we were going to
2 be talking about watershed issues today.

3 CHAIRMAN GETZ: Ms. Thunberg, what's the
4 link to watershed issue to Mr. Ware's testimony?

5 MS. THUNBERG: I have three questions,
6 but I'd like to respond to Mr. Richardson, if I could.
7 With respect to whether this is "new information", these
8 are issues that, or with respect to whether Mr. Ware has
9 testified as to watershed issues, he has minimally in his
10 January testimony, as far as watershed activities in their
11 capital improvement plan. And, that is the limited scope
12 of my questioning. I'm sorry, Mr. Richardson, I forgot
13 your other point. If Staff may move on with these
14 questions?

15 CHAIRMAN GETZ: Well, I want to make
16 sure there is a link. And, so, with respect to the
17 watershed issues, you're talking about the January 12,
18 2006 testimony, and what page are we on?

19 MS. THUNBERG: Yes. If I could have
20 Page 13 pulled up. Okay. In the first full paragraph,
21 Mr. Chairman, there's a discussion "The watershed capital
22 improvement plan". And, Staff has two questions regarding
23 that plan and the scope of that plan.

24 CHAIRMAN GETZ: Okay. Well, let's

[Witness: Ware]

1 proceed. So, you're basically -- you're not really
2 drawing into all of the watershed issues about the --
3 around the -- historically around the City of Nashua?

4 MS. THUNBERG: No. No.

5 CHAIRMAN GETZ: Then, let's proceed
6 then. I'll allow this line.

7 BY MS. THUNBERG:

8 Q. And, Mr. Ware, with respect to the watershed plan, I
9 just wanted to -- Staff wanted to get clear on the
10 record how much of the plan focuses on the core system?
11 And, if it does focus on satellite systems, if you
12 could just please explain that.

13 A. The plan that's referenced here is solely focussed at
14 the core system.

15 Q. Okay. Thank you. If I could have Exhibit 5001,
16 Page 55, pulled up. And, Mr. Ware, while this exhibit
17 is being pulled up, do you recall in your testimony a
18 discussion about Pennichuck's work with the Town of
19 Bedford to address a water supply issue?

20 A. Yes.

21 Q. And, I'd like to draw your attention to Line 5 in
22 Mr. Naylor's testimony. And, it's Lines 5 through 10.
23 And, just ask you to read that for a moment.

24 A. "Karen White, planning director for the Town of Bedford

[Witness: Ware]

1 since 1989," --

2 Q. Mr. Ware, I didn't mean to have you read it into the
3 record. If you could just please review it. Thank
4 you.

5 A. Okay.

6 Q. Now, with respect to your recollection of the
7 Bedford/Manchester, I guess, the project that
8 Pennichuck was solving, is Mr. Naylor's description
9 here accurate with your recollection of the events?
10 And, that being Manchester wasn't as helpful to Bedford
11 as Bedford had wanted?

12 A. Manchester would not expand beyond their current
13 franchise limits, and beyond where -- they have a small
14 franchise area in Bedford, and they would not expand
15 beyond there.

16 Q. I don't need the exhibit up anymore please. Moving on,
17 Mr. Ware, to are you aware that the City of Nashua has
18 asserted that it will "be a municipality that presently
19 and in the future will promote regional cooperation"?
20 Are you aware of that assertion in general?

21 A. I have heard that assertion, yes.

22 Q. And, have you presently been involved with municipal
23 cooperation events or has Pennichuck been involved with
24 resolving water supply issues that mirror the fact

[Witness: Ware]

1 pattern of the Bedford/Manchester situation?

2 A. Yes.

3 Q. And, from that, your experience, what is your opinion

4 as to Nashua's likelihood of being a regional

5 cooperative municipality in situations that involve

6 private developers, like the Bedford situation?

7 A. I really don't feel I'm in a position to speculate what

8 Nashua would or would not do.

9 Q. Thank you. Fair enough. Going back to Exhibit 3004

10 please. And, I'd like to pull up Page 22 please, and

11 draw your attention to Lines 7 and 8. Well, I guess my

12 copy didn't have the right page. If I could just have

13 that whole page. With respect to the first paragraph,

14 Mr. Ware, it discusses "wholesale contracts", do you

15 see that?

16 A. Yes.

17 Q. I apologize, I'm not seeing in this testimony a phrase

18 "reduced rate". But do you recall using that in your

19 testimony to describe the rates that the Hudson and

20 Milford contracts were at?

21 A. I don't honestly recall the use of that term. Hudson

22 and Milford purchase water at a lower rate than our

23 tariffed rate based on a cost of service study, and an

24 allocation of appropriate costs to those entities.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 Q. For the record, I've finally found my "reduced rate"
2 phrase, and it's Line 8 on this Page 22. Thank you.
3 Mr. Ware, I wanted to just ask, when you referred to
4 the "reduced rate", you're not implying that there's a
5 subsidy, are you?
- 6 A. No, there's absolutely no subsidy. As I indicated, the
7 different rate is the result of a cost of service
8 study. And, that rate and that cost of service study
9 are both approved by the Public Utilities Commission.
- 10 Q. And, does Pennichuck Water Works also have a wholesale
11 contract with Anheuser-Busch?
- 12 A. Yes, it does.
- 13 Q. And, are the rates lower than the tariffed rates with
14 the Anheuser-Busch contract?
- 15 A. Yes.
- 16 Q. And, would Pennichuck characterize that contract as
17 having a subsidy?
- 18 A. No. Again, those rates were determined through a cost
19 of service study. Allocation of all appropriate costs
20 were put into that rate. And, that rate was approved
21 by the Public Utilities Commission.
- 22 Q. Mr. Ware, I'm going to be referring to Exhibit 3014,
23 it's your February 27th, 2006 testimony. And,
24 specifically, on Page 3, where you reference "billing

[Witness: Ware]

1 and collections". Can you tell me what experience you
2 have in billings and collections?

3 A. What experience I have or does the Company have?

4 Q. Your experience, because I'm focussing on your
5 testimony and your comments regarding billings and
6 collections.

7 A. Okay. I, obviously, am President of the Water Works
8 Company. I work closely with Bonnie Hartley, who is
9 the Vice President of Administration. The billing and
10 collections fall underneath her jurisdiction, but I am
11 very familiar with the process and how it works.

12 Q. Okay. Thank you. And, with respect to Line 8, and the
13 sentence "The Veolia base fee does not include the cost
14 of the billing and collections function." You are
15 aware that the billing and collections functions is
16 going to be performed by the City of Nashua, is that
17 correct?

18 A. Yes.

19 Q. And, that it is not going to be performed in the Veolia
20 contract, is that correct?

21 A. That is correct, yes.

22 Q. So, if you were to be critical of the Veolia contract
23 not having or that Veolia was not going to be
24 performing the billing and collections function, is it

[Witness: Ware]

1 more accurate that that criticism should be directed at
2 the City, not at Veolia?

3 A. I think the only criticism that we have is that it does
4 not appear that there is sufficient staffing, and who
5 does it, whether it's Veolia or the City, in the City's
6 plan, in order to carry out the myriad of functions
7 that our customer service representatives carry out.

8 Q. Okay. Can I just have Lines 14 through 16 highlighted.
9 And, Mr. Ware, I draw your attention to Line 15, where
10 you state "shows only two customer service employees to
11 handle customer complaints". And, I'd like to compare
12 this to Exhibit 1005B, which is the Veolia OM&M
13 contract, Page 50 and 51.

14 MR. UPTON: I'm just rising again. I
15 thought friendly cross was supposed to occur prior to our
16 cross-examination, so that we would have an opportunity to
17 consider these issues. This has gone on --

18 CHAIRMAN GETZ: Well, yes, let me just
19 get to this issue.

20 MR. UPTON: It's just this has --

21 CHAIRMAN GETZ: Well, Mr. Upton, I'm
22 speaking.

23 MR. UPTON: I'm sorry. Sorry.

24 CHAIRMAN GETZ: I think that your

[Witness: Ware]

1 objections here is not that it -- they don't occur to me
2 that they're beyond the realm of permissible cross of
3 Staff. But what it goes to is the underlying issue of the
4 order of cross, which we set forth originally in
5 November 22nd, 2006, and that you agreed to change that
6 order of cross with Mr. Camerino. So, now, what you're
7 complaining about is the order of cross that you've agreed
8 to.

9 MR. CAMERINO: Mr. Chairman.

10 CHAIRMAN GETZ: And, that's the way I'm
11 reading this issue. Before we hear from you,
12 Mr. Camerino. So, Mr. Upton, am I missing something with
13 respect to the amended order of cross that you submitted
14 and appeared to have agreed to on July 27th?

15 MR. CAMERINO: Mr. Chairman, I think we
16 had an oversight this morning. And, what I would propose
17 is, we would allow Mr. Upton, I think that what we -- what
18 should have happened this morning was that Ms. Thunberg
19 should have gone before Mr. Richardson, for purposes of
20 economy of questioning. And, what we would be willing to
21 do is, before we do our redirect, if the City has some
22 additional questions that relate specifically to what
23 Ms. Thunberg is asking about, we would allow them to ask
24 those questions. But I think we had a hiccup this

[Witness: Ware]

1 morning, frankly. The issue of "what is friendly cross"
2 is a different story that we can take up on specific
3 questions, because the Staff, obviously, has a role, in
4 terms of developing the record for the benefit of the
5 Commission. And, obviously, Pennichuck is the beneficiary
6 in this case in the fact that the Staff happens to agree
7 with the Company's position, but the Staff still has its
8 own obligations. So, that's a separate issue as the
9 questions get asked. But I think we messed up the order
10 this morning.

11 MS. THUNBERG: And, Staff agrees with
12 that and supports the proposal as a fair correction to the
13 error that occurred today.

14 CHAIRMAN GETZ: I'm reading your
15 September 27 -- or, your July 27, 2007 letter on the order
16 of cross. Am I misreading this and what the agreed to
17 order of cross is?

18 MR. CAMERINO: Well, if those are the
19 words, maybe we could resolve it off the record during
20 lunch. But we understand that there's, you know, to the
21 extent that they're new topics, there may be follow-up
22 questions. And, I guess what I'm suggesting is, if we
23 discuss it among ourselves, it may be that --

24 CHAIRMAN GETZ: Well, this --

[Witness: Ware]

1 MR. CAMERINO: I'm sorry.

2 CHAIRMAN GETZ: I mean, this was the
3 order of cross, would have had Staff going before the
4 City. This letter purports to change that. If the
5 parties agree to change the order of cross, I have no
6 objection.

7 MR. CAMERINO: I'm confused at this
8 point, I guess. And, maybe we can just proceed with where
9 we are and discuss among ourselves how to address it over
10 the lunch break.

11 MR. UPTON: I mean, it is, as
12 Mr. Camerino points out, far more appropriate to have
13 friendly cross occur before our cross, just in the nature
14 of things. And, that's what happened when we offered
15 witnesses. The first people that were asked to inquire
16 were the intervenors on behalf of Nashua, who were
17 friendly --

18 CHAIRMAN GETZ: I'm familiar with the
19 normal order of cross-examination. I was surprised to see
20 this letter when it came in, and I was prepared to let the
21 -- to accede to the parties' interests. So, if you want
22 to change the order of cross or if I'm misreading
23 something or if there's some other document, we can deal
24 with that. But let's finish with Ms. Thunberg's cross.

[Witness: Ware]

1 And, if there's some area that you were totally unprepared
2 for, then we'll deal with it when we get to that.

3 Let's continue, Ms. Thunberg.

4 MS. THUNBERG: Thank you.

5 BY MS. THUNBERG:

6 Q. I'll continue with Exhibit 1005B, Pages 50 and 51. Can
7 you move to 51 please? And, Mr. Ware, in Paragraphs
8 (i), (j) and (l), the contract uses the term "customer
9 inquiries", and I'm trying to contrast that with, in
10 your testimony, your use of "customer complaints".
11 And, just find out, when you are referring to "customer
12 complaints", are you intending to refer to the customer
13 inquiries that are contained in these paragraphs?

14 A. Those are some of the customer inquiries that would
15 come relative to there is a wide myriad of them.
16 Again, water quality is one of them, water pressure,
17 taste, odor, aesthetic issues is another. And, then,
18 there's a whole panoply of other water-type related
19 questions relative to the billing functions themselves.
20 The bill that, you know, whether the bill is right,
21 whether it's high or low, whether the consumption is
22 right or whether the meter reading is right, and you
23 can just kind of expand from there. Veolia has
24 committed, as it indicates here, to two people to

[Witness: Ware]

1 handle the water quality and water pressure related,
2 the operational-related complaints.

3 Q. Okay. Then, I think, when I go back to Page 3 of your
4 testimony, and your discussion about the "customer
5 services" and your complaints about "Veolia staffing",
6 you are really referring more broadly beyond just
7 Veolia. You're looking at the whole package of
8 customer complaints, is that correct?

9 A. Really, what I'm looking at is the whole package of
10 customer service. What our customer service
11 representatives accomplish. And, one part of what they
12 accomplish is dealing with operational complaints.

13 Q. I don't need these exhibits anymore. Thank you. Mr.
14 Ware, I'd like to move on to your understanding of
15 Veolia's performance of DigSafe issues. And, at the
16 time that you wrote your testimony, you were aware that
17 Veolia was not going to be a member of DigSafe, is that
18 correct?

19 A. In their first proposal, they were not going to provide
20 DigSafe services.

21 Q. And, are you aware, through testimony this week, that
22 Veolia is now proposing to become a member of DigSafe?

23 A. Yes.

24 Q. And, so, as a member of DigSafe, are you still

[Witness: Ware]

1 critical, from your criticism of DigSafe handling in
2 your testimony, do you still have that concern?

3 A. No, I do not.

4 Q. Okay. Were you also in the room when Mr. Noran
5 testified as to a cost figure that Veolia would offer,
6 that Veolia would be using to cover its DigSafe
7 activities?

8 A. Yes, I am.

9 Q. And, what was that number?

10 A. \$100,000.

11 Q. And, for comparison sake, do you know how much
12 Pennichuck spends on its DigSafe activities? And, I
13 assume that \$100,000 was an annual cost?

14 A. Yes. My understanding, that's an annual cost. And, it
15 includes the fee of belonging to DigSafe. And, I
16 believe I testified that our total DigSafe expenses in
17 2005 were \$78,000.

18 Q. I just have a couple more questions. Mr. Ware, when
19 Pennichuck incurs additional costs, was it your
20 testimony earlier today that those additional costs can
21 only be passed along through to customers through rate
22 cases?

23 A. That is correct.

24 Q. And, is it your understanding that Veolia is not going

[Witness: Ware]

1 to -- or, that Nashua, excuse me, is going to follow a
2 different model of passing costs onto customers?

3 A. It's unclear to me what their model is at this stage.
4 Although, I believe that they have made a statement
5 that they would consider "moderate regulations". I'm
6 not sure what that is.

7 Q. Fair enough. Thank you. Mr. Ware, I'd like to ask you
8 a clarifying question with respect to GIS data layers.
9 Are you familiar with that technology?

10 A. Yes, I am.

11 Q. And, were you present in the room when Veolia was
12 questioned about data layers, including watershed --
13 water distribution layers?

14 A. Yes, I was.

15 Q. And, are you familiar with the Granite system?

16 A. Yes, I am.

17 Q. Can you please comment on whether the Pennichuck data
18 layers for its water distribution system and other
19 assets are the same as what is in that Granite system?

20 A. The Granite system is one small part of what would be
21 in a GIS system. It would be the pipes themselves,
22 although, again, the underlying data attached to the
23 pipes has not been put in there. So, the Granite
24 system shows our distribution piping, but does not get

[Witness: Ware]

1 into sizes or pressure zones or ages or all the types
2 of things, that neither break history, all the types of
3 things you would have in a broader GIS program. The
4 hydrants, hydrant flow tests, meters that are
5 connected, meter history, so on and so forth.

6 Q. So, to the extent that Staff, in its line of
7 questioning that you may have listened to, implied that
8 the Granite system could be a resource for the layers
9 that Veolia would look to, is it accurate then that
10 that is not true, that there's more information that
11 would be required beyond Granite?

12 A. Yes, it would be the beginning of a resource, but
13 there's a lot of additional graphical input that would
14 be necessary to go in, as well as database input, in
15 order to build a complete GIS system.

16 MS. THUNBERG: Thank you, Mr. Chairman.
17 Staff has completed its questions.

18 CHAIRMAN GETZ: Okay. Thank you. Let
19 me just do one thing. Ms. Pressley, are you going to have
20 questions for Mr. Ware?

21 MS. MCHUGH: Ms. McHugh.

22 CHAIRMAN GETZ: I'm sorry.

23 MS. MCHUGH: But no thank you.

24 CHAIRMAN GETZ: Ms. McHugh. And, your

[Witness: Ware]

1 answer was "no", you're not going to have --

2 MS. McHUGH: No.

3 CHAIRMAN GETZ: So, then, I guess we're
4 at the point of, really, I guess the proposal is is to
5 change the order and see if the City has other questions
6 for Mr. Ware, based on the examination of Ms. Thunberg, is
7 that where we are?

8 MR. UPTON: And, I think it's likely
9 that we will, but I think it's probably appropriate to
10 take a break and let us talk with Pennichuck about the
11 agreement and what's going to specifically happen.

12 MR. CAMERINO: Well, I think, for
13 purposes of -- It's clear that I've made a complete mess
14 of whatever we put in that letter. But, for purposes of
15 where we are right now, if there are things that
16 Ms. Thunberg asked that Mr. Upton wants to follow up on
17 specifically, that's fine, we might as well do that now.
18 But I don't want to take a lunch break now and have a
19 growing list of things that go beyond that we inquired
20 into.

21 CHAIRMAN GETZ: Because, as I understand
22 the process then, we have an opportunity for some
23 questioning again by the City, then we would go to -- and
24 Ms. McHugh has indicated she doesn't have any questions,

[Witness: Ware]

1 we would go to the Bench, and then redirect. I guess, Mr.
2 Upton, Mr. Richardson, do you have questions in mind or do
3 you --

4 MR. RICHARDSON: Yes, I do.

5 CHAIRMAN GETZ: All right. Well, let's
6 do this. It's almost 12:25. We'd be breaking at 12:30
7 anyways. Let's break until 1:30. We'll pick up with
8 Mr. Richardson, I presume. One thing I would also like to
9 address, being optimistic, and seeing Ms. Hartley in the
10 room, maybe we could get her to adopt her testimony this
11 afternoon and just at least take care of that little head
12 start on -- I guess she's slated for, let's see, the day
13 after tomorrow. Is there any problem with having her
14 adopt her testimony, if we can get that in today?

15 MS. KNOWLTON: Sure, that's fine. She
16 may not be the first witness that would start on Thursday,
17 but that's fine to put her on the stand and have her adopt
18 her prefiled testimony this afternoon.

19 CHAIRMAN GETZ: Okay. The schedule I
20 have here is that "Mr. Ware (if needed)" for the 13th,
21 then "Ms. Hartley", "Mr. Correll", and "Mr. Joyner".
22 That's correct, isn't it?

23 MS. KNOWLTON: Right. And, Mr. Joyner
24 and Mr. Correll are coming from out-of-town. And, for

[Witness: Ware]

1 purposes, in particular, to get them back to out-of-town
2 commitments, would prefer to start with them on Thursday,
3 whereas Mr. Hartley is local, and we would propose to put
4 her testimony on after they have completed their
5 testimony.

6 CHAIRMAN GETZ: Okay. All right.
7 That's fine. And, maybe we can just take care of the
8 ministerial matter.

9 MR. UPTON: And, that's fine with the
10 City, that procedure. Putting her on today is fine, and
11 having them put on Joyner and Correll first is also fine.

12 CHAIRMAN GETZ: Okay. Let's recess for
13 lunch and resume at 1:30.

14 (Lunch recess taken at 12:24 p.m. and
15 the hearing reconvened at 1:38 p.m.)

16 CHAIRMAN GETZ: Okay. We're back on the
17 record in docket 04-048, and the examination of Mr. Ware.
18 Before we, I think, turn back to Mr. Richardson, let me --
19 one other scheduling item I wanted to direct the parties
20 to. September 25th, is Tuesday, is currently Staff
21 witnesses are scheduled for that day. We cannot hold
22 hearings that day. So, I suspect that what we would do is
23 move Staff to the 26th and see where we are in terms of
24 the need for additional days for completing the hearings.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Anything else, before we turn to the
2 City?

3 (No verbal response)

4 CHAIRMAN GETZ: Okay. Mr. Richardson.

5 BY MR. RICHARDSON:

6 Q. Mr. Ware, you were asked a couple of questions by
7 Staff, and, in particular, related to the cost of --
8 it's a cost allocation of services agreement that was
9 attached to Mr. Ware's January -- Mr. Correll's
10 January 2012 -- January 12, 2006 testimony, excuse me.
11 Do you recall that?

12 A. Do I recall being asked the question?

13 Q. Yes.

14 A. Yes.

15 MR. CAMERINO: Mr. Chairman, sorry we
16 have to go down this road. But there was one question on
17 that subject, and it was "whether the testimony would have
18 been better stated to say that "the agreement was approved
19 by the Commission", rather than "approved by Staff"?" I
20 would take that as a corrective Q&A. There was no other
21 testimony on this subject.

22 CHAIRMAN GETZ: Mr. Richardson, do you
23 have --

24 MR. RICHARDSON: Yes. And, I understood

[Witness: Ware]

1 that line of questioning to imply that the Commission had
2 endorsed it, and that therefore it carried more weight.

3 MR. CAMERINO: If the question is on
4 that specific point, as to who approved it, I don't have
5 an objection. But, if it is going to go beyond that, I
6 do.

7 CHAIRMAN GETZ: Well, let's see --

8 MR. RICHARDSON: Well, I absolutely
9 intend to go beyond it. I honestly didn't hear the full
10 extend of the questioning, but I understood that that was
11 essentially the -- the underlying assumption was is that
12 this was a fair or just and reasonable mechanism for
13 allocating costs. And, that's what I wanted to explore
14 with this witness.

15 CHAIRMAN GETZ: Well, I think it was
16 just -- all that Ms. Thunberg, I took it to do, was make
17 sure we had the right subject and predicate in the
18 sentence. That it wasn't Staff who approved the plan, but
19 it was the Commission, through its order, approved the
20 plan. Ms. Thunberg.

21 MS. THUNBERG: If I can just shed some
22 light on my recollection of the questioning. Yes, there
23 was the correction as to whether Staff or the Commission
24 approved the cost allocation agreement. But I also had a

[Witness: Ware]

1 second question on the issue of the allocation of time in
2 the field pursuant to that agreement, how Pennichuck
3 actually did that. But those were the only two areas
4 relating to the cost allocation agreement; the correction
5 of who approved it and then how it interfaced with their
6 scheduling computer software.

7 CHAIRMAN GETZ: And, your follow-up is
8 something else? Let's make this clear.

9 MR. RICHARDSON: Well, it's --

10 CHAIRMAN GETZ: Just because some
11 agreement is mentioned or, you know, it doesn't open up
12 the door to anything having to do with the topic or an
13 agreement. Let's get this focussed.

14 MR. RICHARDSON: That's true. I
15 intended to ask a couple of questions about the
16 reasonableness of the formula used and whether it fairly
17 allocates costs.

18 CHAIRMAN GETZ: In the plan, as approved
19 by the Commission?

20 MR. RICHARDSON: That's correct. Off
21 the document that's been approved by the Commission.

22 CHAIRMAN GETZ: All right. Well, let's
23 see where this goes.

24 MR. RICHARDSON: This is my only line of

[Witness: Ware]

1 questioning. I don't anticipate a lengthy examination.

2 BY MR. RICHARDSON:

3 Q. I'd like to show you Exhibit -- why don't we bring up
4 1132. And, we can turn to, I believe, the text of the
5 agreement itself is -- it begins on Page 7 of
6 Exhibit 1132. And, that's the document that you were
7 being asked about, is that right?

8 A. Yes, I believe so.

9 Q. Okay. And, why don't we -- you may recall, in the rate
10 case, there was some questions related to the
11 allocation, how the allocation formula is used, and
12 those are in 1132, beginning -- well, the response, I
13 should say, is -- it begins on Page 3, and then
14 continues on to Page 4. And, --

15 MR. CAMERINO: Objection again, Mr.
16 Chairman. I don't know where this is going, but I haven't
17 heard anything yet that couldn't have been asked in the
18 first round of cross-examination. And, this is another
19 one of those where the words "cost allocation agreement"
20 gets mentioned, and Mr. Richardson seems to think that
21 that opens up an entire area for questioning.

22 MR. RICHARDSON: Well, it was, as Staff
23 pointed out, her recollection is much better than mine,
24 there was exploration of whether costs of the employees in

[Witness: Ware]

1 the field were fairly allocated, and --

2 MR. CAMERINO: No, no, no. Not as to
3 whether they were fairly allocated. Just functionally how
4 those costs were tracked, not what the allocation should
5 be. And, that appears to be what Mr. Richardson wants to
6 get into. And, there's no reason he could not have done
7 that previously.

8 CHAIRMAN GETZ: Well, which gets us back
9 to the problem with the order of cross that was agreed to,
10 and now appears not to have been agreed to, as if -- if
11 the normal order had been employed, then he would have
12 been asking these questions, he would have been going
13 last, and then could have asked these questions anyways,
14 Mr. Camerino?

15 MR. CAMERINO: No, no, no. Actually,
16 I'm suggesting just the opposite. That what's happened
17 here is, this wasn't in his list of things to ask, and --

18 CHAIRMAN GETZ: "In his list of things
19 to ask" when?

20 MR. CAMERINO: In other words, when he
21 did his cross-examination before, he wasn't going to ask
22 about cost allocation. He has now decided that, because
23 the agreement got mentioned, it's a good opportunity to go
24 into it. He did not inquire --

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 CHAIRMAN GETZ: Well, let me stop you
2 there.

3 MR. CAMERINO: I'm sorry.

4 CHAIRMAN GETZ: Let's make sure I
5 understand where we are on the order of cross. Now, is
6 the agreement going to be now that the City goes last in
7 crossing the witnesses of the Companies? Just --

8 MR. CAMERINO: Yes, we haven't had a
9 chance to discuss that, as to what will -- what we would
10 like to recommend applies to the rest of the case. The
11 letter reads as it does. In this instance, I, for
12 purposes of today, I have agreed that they could come back
13 and follow up on questions that Ms. Thunberg asked. And,
14 when I say "I have agreed", obviously, it's the
15 Commission's determination, but it would be acceptable to
16 us. But I'm very concerned, for obvious reasons, that it
17 not be used as an opportunity to open the door into new
18 areas. And, I don't believe that they had any plans to go
19 into this, and the reference by Ms. Thunberg --

20 CHAIRMAN GETZ: Well, how do you expect
21 me to enforce what you believe what his plans might have
22 been in the normal course of cross-examination?

23 MR. RICHARDSON: Mr. Chairman, --

24 CHAIRMAN GETZ: Mr. Richardson, we've

[Witness: Ware]

1 got to have one person talking at a time, --

2 MR. RICHARDSON: I stand corrected.

3 CHAIRMAN GETZ: -- for obvious reasons.

4 But let me get back to this underlying issue of the order
5 of cross. Do the parties -- Are the parties asking that
6 the order of cross-examination of Company witnesses be
7 changed?

8 MR. UPTON: The City certainly is. What
9 it's going to do, if we don't do it, it's going to just
10 have me constantly jumping up and saying, you know, "this
11 isn't cross, this is, you know, this is just another form
12 of direct examination done by a friendly witness."

13 MR. CAMERINO: And, I would say two
14 things. First of all, we're not prepared to address that
15 right now. The letter speaks for itself. And, I,
16 clearly, have only made matters more confused with my
17 comments this morning. But, for purposes of this
18 afternoon, we have agreed that Mr. Richardson can follow
19 up. And, beyond that, I don't want to confuse matters
20 further, and, obviously, that whatever the Chair thinks is
21 appropriate is appropriate. I'm sorry, but I --

22 CHAIRMAN GETZ: I like that tautology.

23 MR. CAMERINO: I'm just making that --

24 CHAIRMAN GETZ: We can work under that,

[Witness: Ware]

1 under that regime.

2 MR. RICHARDSON: Mr. Chairman, if I may
3 just clarify one point as to Nashua's intent. Obviously,
4 there's a limited amount of time, and there was a judgment
5 call made. Obviously, the fact that this agreement is
6 marked as an exhibit is indicative of the fact that Nashua
7 intended to pursue this. The only reason I did not pursue
8 it in my cross was is I felt I had to balance the amount
9 of time I have. And, when it was being referenced by some
10 of the other parties, obviously, that increased my concern
11 for it. And, it's something that I would have, in light
12 of that, succinctly addressed.

13 CHAIRMAN GETZ: Well, let's finish off.
14 And, you've represented that this is your only line of
15 inquiry?

16 MR. RICHARDSON: That's correct.

17 CHAIRMAN GETZ: All right. Let's finish
18 it off.

19 BY MR. RICHARDSON:

20 Q. Mr. Ware, I'd like to turn your attention to
21 Exhibit 1132. If you give me a moment to find the page
22 that I'm referring to. Why don't we look at, first, at
23 Page 3, and this is the data request that was
24 submitted, that appears to be responded to by Ms.

[Witness: Ware]

- 1 Hartley.
- 2 A. Yes.
- 3 Q. Okay. And, there's also 2-1 in front of it, which
4 references the attached document, which is referred to
5 here. So, what I'd like to do is ask you about that
6 response that Pennichuck provided. And, if we look
7 here on Page 5 of the document, we're going to see a
8 box on the bottom, this right here (indicating). And,
9 that's entitled "Allocation of Corporate Costs -
10 Calendar Year 2005", dollar amounts in thousands. Is
11 that correct?
- 12 A. That's what it reads, yes.
- 13 Q. Yes. Okay. So, under "real estate", we see a line for
14 revenues that indicates \$101,703, and is that correct?
- 15 A. That's what the chart shows, yes.
- 16 Q. Uh-huh. And, for "total assets", you see zero?
- 17 A. That is correct, because these are as an allocation of
18 the Water Works' expenses to the other entities.
- 19 Q. Are you certain about that? Do you see where it says
20 up at the top "allocation of corporate costs"? This
21 isn't the -- we're not referring to the PWW cost
22 allocation.
- 23 A. Okay. I stand corrected on that one.
- 24 Q. And, the average is 0.2 percent?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. It's whatever the number is that's there.

2 Q. Okay. Now, isn't it true, you know, I looked at
3 Pennichuck's 10-K for the 2005 financial year, that, in
4 2001, Pennichuck had approximately -- excuse me,
5 Southwood had approximately \$3.8 million in revenue?

6 MR. CAMERINO: Mr. Chairman, this
7 information may all be in the record somewhere, but I
8 wouldn't know where, and it's another one of those places
9 of it's not clear whether Mr. Richardson is testifying or
10 if he's getting these numbers from exhibits. And, if
11 they're in the record, that's fine, but I'd like him to
12 give the reference, rather than testifying.

13 MR. RICHARDSON: Well, I'm asking the
14 witness what his understanding is with respect to these
15 figures. He may not have one, in which case we'll pursue
16 this through another witness.

17 CHAIRMAN GETZ: Well, two pieces again.
18 I assume you're trying to lay the foundation for the
19 question. But it would be helpful to know where these
20 are, and if you can cite to the record so that I - I would
21 always find that helpful to know where these figures are
22 coming from.

23 MR. RICHARDSON: The information that,
24 short of identifying the 2005 10-K, I don't have this in

[Witness: Ware]

1 an exhibit. I'm not aware that it's in. I'm prepared to
2 offer it as one. I expect that would invite further
3 delay.

4 CHAIRMAN GETZ: Well, so, you're
5 indicating that this, what's in Table 2, is from --

6 MR. RICHARDSON: This is from -- what's
7 in Table 2 here is a response that was in the 06-073
8 docket. It was marked as an exhibit in this docket. And,
9 what I'm now asking about are the revenues for real estate
10 that have been reported in the Company's annual report to
11 the Securities & Exchange Commission for the same period.

12 CHAIRMAN GETZ: Okay. Well, let's ask
13 the question then. Do you have the question in mind, Mr.
14 Ware?

15 THE WITNESS: And, what were the
16 revenues you stated for the SEC report?

17 BY MR. RICHARDSON:

18 Q. Okay. For 2001, in your report for the 2005 fiscal
19 year, which was filed, I believe, May 30th, 2006, does
20 it sound accurate that Southwood actually realized
21 \$3.8 million in revenue during that year?

22 A. It doesn't sound accurate to me, but it's an SEC
23 report, so, again, I don't have the report in front of
24 me. I can only look at here, at what shows here. And,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 it says, I believe, that 2005 revenues for Southwood
2 were \$101,703.

3 Q. That's right. But, in 2001, they were approximately
4 3.8 million. Does that sound correct to you?

5 A. Again, I don't have anything to do with Southwood. I
6 don't track the Southwood costs. I run the regulated
7 water utility.

8 Q. Okay. Do you read from time to time Pennichuck's
9 annual reports?

10 A. I do read our annual reports.

11 Q. And, so, you're familiar with the financial
12 performance, maybe not intimately familiar, but you're
13 aware of how the other business segments are doing?

14 A. Yes.

15 Q. Okay. Does "3.8 million" sound like an unreasonable
16 number for 2001 Southwood revenues?

17 A. It's a possibility.

18 Q. Okay. And, is it also possible that, in 2002,
19 Southwood reported, for the 2002 year, Southwood
20 reported 2.6 million?

21 MR. CAMERINO: Mr. Chairman, he's
22 testifying again. He's trying to put these numbers into
23 the record. The witness has said he doesn't know. Now,
24 we're talking about "possibilities", which have no

[Witness: Ware]

1 probative value from a witness who said he's not familiar
2 with the earnings of the company, of the subsidiary.

3 MR. RICHARDSON: I think the witness's
4 answer is perfectly clear. And, this in the form of
5 almost a speaking objection.

6 MR. CAMERINO: No, no. It's --

7 CHAIRMAN GETZ: Well, let's hold on.
8 The witness's answer may be clear, but I'm not sure what
9 value it is. If you're going to ask him "is a number a
10 feasible number that may have occurred in a particular
11 year?" And, he says "that sounds like it's possible." I
12 just don't see the value in this line of questioning.

13 MR. RICHARDSON: Well, I'm just trying
14 to put before -- put through this witness that the value
15 that is used for the allocation purposes differs
16 significantly from what the Company has offered in
17 previous years. He said that "3.8 million sounds
18 reasonable for 2001." I have the numbers for 2005. And,
19 I'm prepared to ask him if he thinks that they're correct.
20 Obviously, he does not know if they're exactly correct.
21 He may say he's "unsure". But I think it's fair for me to
22 ask what his knowledge is.

23 CHAIRMAN GETZ: Well, I think we've
24 established he doesn't know the numbers. I'm not --

[Witness: Ware]

1 BY MR. RICHARDSON:

2 Q. Well, Mr. Ware, for 2002, subject to check, does it
3 sound like "2.6 million" is an unreasonable figure for
4 2002?

5 A. Subject to check, if you're saying that's in the 10-K.

6 Q. Uh-huh. And, in 2003, again subject to check, does the
7 figure of "532,000" sound unreasonable?

8 CHAIRMAN GETZ: Mr. Richardson, we're
9 getting now to double qualified answers by the witness.
10 And, I just don't see the value of this line of
11 questioning. Let's move on.

12 MR. RICHARDSON: Okay. Mr. Chairman,
13 I'm in a difficult position, because, if the witness has
14 said that these figures sounded like they were reasonably
15 possible, I feel I should be allowed to pursue this line
16 of questioning to its conclusion. It's only five years
17 that I'm looking at. If I can't do that, then I'm
18 essentially unable to ask the concluding statements that
19 I'd like to ask or the concluding questions.

20 CHAIRMAN GETZ: Well, again, not knowing
21 what the concluding question is, I'd say just ask the
22 concluding question and see where we are. If this is
23 something that's objectionable or something that we'll
24 allow.

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 BY MR. RICHARDSON:

2 Q. Mr. Ware, as the President of Pennichuck Water Works,
3 you're familiar with the land ownership within the
4 watershed?

5 A. Yes.

6 Q. And, in particular, lands that Southwood owns?

7 A. Yes.

8 Q. If we could look at the next line down on this, under
9 "total assets", I believe it's indicated that total
10 assets is "0.0 percent", is that correct? This is
11 under the "real estate" column in Table 2, on Page 5.

12 A. That's what it shows there, yes.

13 Q. Okay. Do you understand approximately how many acres
14 of land Southwood has an interest in?

15 A. I do not know the exact total that Southwood still has
16 an interest in.

17 Q. Uh-huh. Do you understand that Southwood carries
18 approximately \$9.8 million in mortgages on properties
19 that it owns?

20 A. I'm unaware of the mortgages. I know we have
21 partnerships relative to the Heron Cove office
22 buildings.

23 Q. Does "zero dollars" sound like an accurate reflection
24 of the value of the assets held in those partnerships?

[Witness: Ware]

1 A. I'm not sure, again, in the definition of "assets"
2 here, what we're looking at. If it's -- no, I mean
3 there are, obviously, more assets in Southwood than
4 zero dollars. But I'm not sure, in this management fee
5 allocation, the types of assets that we're talking
6 about.

7 Q. So, then, I take it you don't know whether or not the
8 figure that's listed there is appropriate, adequately
9 reflects what the value of the assets held by
10 Pennichuck may be?

11 A. The values of the assets held by Pennichuck or
12 Southwood?

13 Q. Excuse me, Southwood.

14 A. I do not know what the value of the assets held by
15 Southwood are.

16 Q. Have you ever read any of the mortgages that --

17 A. No, I have not.

18 MR. RICHARDSON: I have no further
19 questions.

20 CHAIRMAN GETZ: Okay. Then, --

21 CMSR. BELOW: Yes. Thank you.

22 BY CMSR. BELOW:

23 Q. Mr. Ware, in Exhibit 3004A, you provided a couple of
24 maps. If that could be put up, Map 2, 2 of 2 maps,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 Page 142.

2 MR. MAI: What page?

3 CMSR. BELOW: 142.

4 BY CMSR. BELOW:

5 Q. That's not it. No, it's a single page. You should be
6 able to display it, 142 in the Bates stamp.

7 MR. RICHARDSON: It's Page 3.

8 MR. CAMERINO: Page 3.

9 CMSR. BELOW: Okay. Well, that's the
10 black and white version on the screen. We were provided a
11 color version.

12 MS. KNOWLTON: Excuse me. Let's see if
13 we can put it up on ELMO.

14 CMSR. BELOW: Okay.

15 MS. KNOWLTON: Because I think ELMO will
16 show the color.

17 BY CMSR. BELOW:

18 Q. Well, my question is, or my first question is, at the
19 time that you filed this testimony, on January 12th,
20 2006, is that map and the key in it accurate?

21 A. I would say that, I'm not sure when it was prepared,
22 but I would say, yes, it would be very representative
23 and accurate as to the service that we were providing.

24 Q. Okay. And, there's a blue color coding that's the

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 third square in the key that indicates "operations and
2 maintenance agreements"?

3 A. Yes. Those are with the Water Service Company.

4 Q. Okay. And, for two communities, Hudson and Salisbury,
5 Salisbury, Massachusetts, you have colored -- the map
6 shows it's colored in for the entire community. Are
7 those agreements with the municipalities?

8 A. Yes, they are.

9 Q. And, the other squares, are those all private community
10 systems?

11 A. Those are generally small condo properties, some
12 businesses, anybody who is required to have a certified
13 operator by the State.

14 Q. And, with the exception of some possible acquisitions,
15 does this continue to be an accurate depiction as of,
16 you know, today?

17 A. Yes.

18 CMSR. BELOW: Okay. Thank you. That's
19 all.

20 CHAIRMAN GETZ: Okay. I guess one other
21 thing. Ms. Pressley, you weren't here earlier. Did you
22 have any questions for this witness?

23 MS. PRESSLEY: No thank you.

24 CHAIRMAN GETZ: Then, I believe we're at

[Witness: Ware]

1 redirect.

2 MR. CAMERINO: Thank you, Mr. Chairman.

3 BY MR. CAMERINO:

4 Q. Mr. Ware, this morning you had some questions from
5 Mr. Richardson about a \$14 million increase in the
6 estimated cost of the water treatment plant from the
7 initial estimates. Do you recall that?

8 A. Yes, I do.

9 Q. And, he then asked you "if you were" -- "if the Company
10 was going to earn a profit on that entire \$14 million?"
11 Do you recall that?

12 A. Yes, I do.

13 Q. Will the Company earn a profit on the \$14 million that
14 he referred to?

15 A. Only a portion of the \$14 million.

16 Q. Could you explain what you mean by that?

17 A. Yes. All our capital structure is a mix of debt,
18 which, in this case, is municipal tax free debt that we
19 got through the Finance Authority. So, the rate that
20 we got there is very similar to what Nashua would pay
21 for financing. And, the other part, a second part of
22 the plant, let's say, about 45 percent is funded with
23 equity or shareholder investment. And, that is the
24 portion where we would earn a return, if we were a

[Witness: Ware]

1 municipal entity, instead of the shareholder being
2 there and loaning us the money, we would have a bond
3 company loaning us money through a revenue bond.

4 Q. And, what -- approximately, what's the split between
5 debt and equity for ratemaking purposes for the
6 Company?

7 A. For the Water Works, I believe we're about 45,
8 presently about 45 percent to equity and about
9 55 percent debt.

10 Q. And, so, any additional earnings that the Company would
11 have because of equity is the differential between the
12 cost of debt and the cost of equity on that 45 percent?

13 A. That's a fair analysis.

14 Q. Now, if the City were building this project, and they
15 had imprudent expenditures, what's your understanding
16 of how those would be treated in rates?

17 MR. RICHARDSON: Mr. Chairman, I'm going
18 to object. This is beyond the scope of the
19 cross-examination, I believe.

20 MR. CAMERINO: I think it was fairly
21 implicit in Mr. Richardson's questions that there was
22 something imprudent in those expenditures. I think -- I
23 assume that was the only reason he was asking about it.

24 CHAIRMAN GETZ: Well, I don't know if it

[Witness: Ware]

1 goes to the issue what was implicit in it, but I think
2 it's fairly covered by the questions on cross of what's
3 the relationship or the relative cost between the City and
4 the Company, with respect to the carrying costs of the
5 water treatment plant. So, I'll allow this.

6 BY MR. CAMERINO:

7 Q. So, what is your understanding of how those costs would
8 be treated, if some or all of it was imprudently
9 incurred under municipal ownership?

10 A. Well, they would still be obligated to collect the
11 necessary revenues to service the bond that would be
12 sold to construct the plant. Unlike ourselves, with
13 shareholders and 45 percent portion investment, if
14 that's deemed to be any part imprudent, then we are not
15 allowed to earn on that.

16 Q. Well, how about borrowed money, if you borrow money and
17 you use it imprudently, what happens to that?

18 A. Well, through the rate process, if it's imprudent, then
19 we would not be awarded the necessary rates to support
20 the bond.

21 Q. And, are you, as a regulated utility, able to include
22 costs to the water treatment plant in your rates before
23 the plant is in service?

24 A. No.

[Witness: Ware]

- 1 Q. And, have the costs, the \$14 million, the cost of the
2 water treatment plant that Mr. Richardson was
3 describing, have those been reviewed by an engineer of
4 the Public Utilities Commission?
- 5 A. The project has gone through review with the Staff at
6 the Public Utilities Commission.
- 7 Q. And, have any issues been raised regarding potential
8 disallowances or imprudent expenditures by the Company?
- 9 A. Not to date.
- 10 Q. Now, Mr. Richardson asked you some questions about IT
11 equipment, computers and software and the like. Do you
12 recall that?
- 13 A. Yes, I do.
- 14 Q. And, he asked you whether it was your understanding
15 that whether the City paid for those costs or whether
16 they were included in Veolia's base fee, do you recall
17 that?
- 18 A. Yes, I do.
- 19 Q. I want to show you two sections of the Veolia contract
20 and ask you what your understanding of those provisions
21 is. And, I'm going by memory, but I believe this is
22 Exhibit 1005B. And, actually, maybe we can just pull
23 it up on the screen, that way I can hand on to my
24 documents. But, first, if you'll look at Section 8.16

[Witness: Ware]

1 of the contract, which is on Page 15 of my copy. Let's
2 just highlight that. And, would you read that and tell
3 me if, and I'm going to show you a second section
4 afterwards, but if that, in part, helps with regard to
5 Mr. Richardson's question?

6 A. Yes, I believe that it does.

7 Q. And, would you just read that into the record.

8 A. "Owner shall supply computers, related hardware, and
9 computerized programs for maintenance, process control,
10 cost accounting, customer service, field operations,
11 and laboratory quality assurance and quality control.
12 Owner will ensure that the computerized programs it
13 provides are integrated with one another."

14 Q. And, the "Owner" there is who?

15 A. The City of Nashua.

16 Q. Okay. And, now, I'd like to show you Appendix E of the
17 contract, Page 5 of Appendix E. And, if you'd look at
18 the first part after it's highlighted. And, does that
19 address the same concern? And, what's your
20 understanding from that?

21 A. My understanding that, if the City were to choose to
22 seek Veolia's help to support information technology,
23 it says "information technology and systems support",
24 that it would be a Supplemental Service and the City

[Witness: Ware]

1 would pay extra for it.

2 Q. Okay. Now, Mr. Richardson showed you Exhibit 1070,
3 which was the Pennichuck Water Works Annual Report for
4 2005. And, if you recall, he showed you Page 131, and
5 maybe we could pull that up. And, he indicated that
6 the "Administrative and General", on Line 24, is 30
7 something percent of the "Total operation and
8 maintenance payroll" on Line 25. Do you see that?

9 A. Yes, I do.

10 Q. And, while his math may have been correct, is there
11 some missing information that he didn't explain to the
12 Commission there?

13 A. Yes. As it has been mentioned, with the exception of
14 the Southwood employees, everybody works for Pennichuck
15 Water Works. And, a portion of the salaries of the
16 Administrative and General salaries are allocated via
17 the management fee allocation to the other entities,
18 PEU and PAC and PWSC.

19 Q. And, would that be a substantial portion, some
20 significance portion of that Line 24?

21 A. It would be a good portion, yes, about 20 percent.

22 Q. And, why wouldn't you just take, if that -- 20 percent
23 of that number belongs somewhere else, meaning to the
24 other -- to the affiliates of Pennichuck Water Works,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

- 1 why wouldn't you just reduce all the figures on here by
2 20 percent, so that the ratio that Mr. Richardson was
3 talking about would still be the same?
- 4 A. Well, the other expenses in this area, for instance,
5 Line 18, "Source of Supply", Line 19, "Pumping", those
6 are the direct wages through work orders that are
7 allocated to Pennichuck Water Works. In other words,
8 that's the actual labor performed for Pennichuck Water
9 Works.
- 10 Q. So, in other words, the other figures are solely for
11 Pennichuck Water Works, but the 728,000 belongs to all
12 of the Pennichuck companies?
- 13 A. That is correct.
- 14 Q. And, if we looked on another schedule or other annual
15 reports, we would see those allocated out?
- 16 A. That is correct.
- 17 Q. Now, there's also, on that exhibit, there's a line
18 further down that refers to "officers". You see that,
19 "\$1.1 million" for "officers"?
- 20 A. Yes.
- 21 Q. And, can you tell us who comes within that
22 classification of "officers"?
- 23 A. By name or position?
- 24 Q. Either/or.

[Witness: Ware]

- 1 A. Okay. I'll do it by, we have the CEO, myself, Ms.
2 Hartley, Mr. Densberger, and the CFO, Mr. Patterson.
- 3 Q. So, when it refers to "officers" on that schedule, are
4 those people performing general corporate services to
5 the parent company or are some of them performing
6 direct services for the utilities?
- 7 A. They are -- We do a lot of performing of direct
8 services to the utilities. So, we are working
9 officers. We are very much involved in the day-to-day
10 operations of the Company.
- 11 Q. So, when the various Nashua witnesses refer to that as
12 "overhead", there's actually services being provided in
13 many of the cases?
- 14 A. That is correct.
- 15 Q. Okay. Now, Mr. Richardson also asked you about
16 options, and you may recall some testimony from Mr.
17 Sansoucy on this, but Mr. Richardson asked you about
18 options for Pennichuck to mitigate damages with regard
19 to PEU, PAC, and Pennichuck Water Service. Do you
20 recall that?
- 21 A. Yes, I do.
- 22 Q. And, he asked you whether "a sale of those companies
23 wouldn't be available as a way to mitigate the
24 damages?" Do you recall that?

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 A. Yes, I do.

2 Q. Would a sale mitigate damages to the shareholders of
3 Pennichuck Corporation?

4 A. I do not believe so. And, there would not only be
5 damages to the shareholders, but the lack of
6 efficiencies that I referenced with the loss of the hub
7 of Pennichuck Water Works, would result in higher
8 operating costs to those other entities. So that the
9 customers of those other entities would experience
10 higher operating costs.

11 Q. Well, could you explain to the Commission why, if
12 Pennichuck Corporation could turn around after a taking
13 and sell PEU and PAC and PWSC, and I'll ask you first
14 to comment on whether they could, but, if they could,
15 why that wouldn't eliminate any damages to the
16 shareholders or harm on the shareholder side of the
17 equation?

18 A. Well, again, as we described, and as you could see from
19 the map that we had up there, it's very important to
20 have a hub, a big group of customers, in order to
21 successfully support the smaller outer companies. And,
22 that's an economies of scale thing. You don't have
23 those economies to scale, if you remove that hub. You
24 don't have all the things, the travelling economies,

{DW 04-048} [Day VII] (09-11-07)

[Witness: Ware]

1 the engineering economies, the financing economies. It
2 would be very difficult to attract financing for these
3 little entities. In fact, these little entities, PEU
4 and PAC, depend upon the corporate -- the promise of
5 the corporation for purposes of seeking financing. So,
6 you know, first of all, if it was -- if there was a
7 buyer out there, the loss of those efficiencies means
8 that they're going to want to pay less money. And,
9 secondly, they would not be able to effectively provide
10 the same service for the same costs, because they're
11 going to lose an integral part of their travel path and
12 efficiencies from Pennichuck Water Works.

13 Q. So, are you saying that those systems are less valuable
14 to the Company, when -- to Pennichuck Corporation, if
15 it doesn't own the assets of Pennichuck Water Works?

16 A. Yes.

17 Q. All right. Now, what about on the customer side, what
18 harm is done there?

19 A. As I indicated before, once you take Pennichuck Water
20 Works away --

21 MR. RICHARDSON: Mr. Chairman, he's
22 going through and he's articulating the harm, which is
23 part of his direct case. My question merely dealt with
24 whether or not he could mitigate that harm. If

[Witness: Ware]

1 Mr. Camerino wants to talk about "mitigation", that's
2 appropriate. But I think this is essentially recapping
3 the direct case once again.

4 MR. CAMERINO: That's fine. That's not
5 my intention. I'm trying to ask the witness about
6 "mitigating the harm". And, the way I understood the
7 question from Mr. Richardson is the Company has stated a
8 harm, which is the lost efficiencies. And,
9 Mr. Richardson's question is suggesting that "the Company
10 could sell these utilities to reduce that harm to
11 customers". And, my question to Mr. Ware is, "would
12 selling these entities reduce that harm to customers?"

13 CHAIRMAN GETZ: Well, I guess my concern
14 has been, as he's been going through this, he seems to be
15 just saying exactly what he said on cross-examination. I
16 think this is a slightly different issue. And, I think it
17 is a fair, you know, flip-side of the coin to that
18 question. So, I'll allow this question. But I don't want
19 to just keep covering answers he's already given when he
20 was responding to Mr. Richardson previously. So, I'm
21 going to allow this question.

22 MR. CAMERINO: Okay. Thank you.

23 BY THE WITNESS:

24 A. As I stated, if you brought another purchaser in, they

[Witness: Ware]

1 would not have the hub to work from, they would not
2 have the benefits of the integrated system. And, so,
3 it would be more costly to serve those customers,
4 because of the additional travel time, some of the
5 additional extra cost of engineering that couldn't be
6 supported by the smaller entity, and the higher cost of
7 financing that would have to be paid in order to
8 support those entities.

9 BY MR. CAMERINO:

10 Q. And, that's with regard to a sale. What about if you
11 pursued use of an outside contractor to operate these
12 systems, but didn't sell them?

13 A. I'm unaware of any outside contractor who is available
14 to come up and step forward and do what we currently
15 do.

16 Q. Well, assume there would be, which is what
17 Mr. Richardson's question assumed, that somebody out
18 there would be willing to do that. Would that mitigate
19 the harm to the customers as Mr. Richardson was asking?

20 A. Again, the cost to that outside operator would have to
21 be higher, because they lose the travel efficiencies
22 and the operating efficiencies, of the ability to flow
23 seamlessly from Pennichuck Water Works to PEU to PWSC,
24 and back and forth as it happens, rather than, if PWW

[Witness: Ware]

1 didn't exist, driving past certain locations in order
2 to -- that you normally would have stopped at to get to
3 PEU. So, the costs would be more expensive.

4 Q. And, then, finally, you were asked a question about the
5 level of staffing for Nashua's billing and collection
6 model, and your criticism of that level of staffing.
7 Is that your only criticism of the billing and
8 collection model that Veolia and the City have put
9 forward?

10 A. No, it's not. We're also concerned with the
11 bifurcation of duties between Veolia and the City.
12 And, the very real potential that a customer from Derry
13 calls in or a customer from Nashua and gets shuffled
14 back and forth between the two entities, and ends up
15 not having anyplace to go to get service. We're very
16 concerned about that service model.

17 CHAIRMAN GETZ: And, Mr. Richardson.

18 MR. RICHARDSON: Mr. Chairman, my memory
19 may be failing me, but I don't remember asking a question
20 about the "bifurcation of customer service" during my
21 cross. If I'm incorrect, I'll stand corrected. But,
22 otherwise, I'd like to move to strike the response to the
23 question.

24 MR. CAMERINO: There was a question. It

[Witness: Ware]

1 may have been from Ms. Thunberg, but there was a question
2 about the billing and collection process, and it focussed
3 only on the staffing level. And, that's why I asked this
4 question.

5 CHAIRMAN GETZ: Well, I think, in that
6 regard, it's fair to say "were there other issues or other
7 concerns you had about billing and staffing?" But it's
8 not -- and I think that would be the extent of what would
9 be permissible redirect here. And, not then -- then
10 restate everything that was previously in your testimony
11 on that issue. And, so, I think -- well, let's ask this
12 part of the question. Do you have more than this?

13 MR. CAMERINO: No.

14 CHAIRMAN GETZ: Because I would limit it
15 to this.

16 MR. CAMERINO: Your Honor, I thought
17 that what you just stated was exactly what I asked him,
18 and -- but that is my only question on that subject.

19 CHAIRMAN GETZ: Then, we'll allow that
20 question. But, again, getting back to, the purpose of
21 redirect is not to give the witness an opportunity to
22 revisit his entire direct.

23 BY MR. CAMERINO:

24 Q. And, I did have one other thing on a different subject

[Witness: Ware]

1 that Mr. Richardson asked about. He asked you about
2 the City being responsible for the cost of, as an
3 extra, let's just say, whether it's performed by the
4 City or performed by Veolia isn't so important, but
5 that it's an extra over and above the base fee for
6 maintenance of the vehicles and the heavy equipment.
7 And, I want to show you Appendix H to the contract, at
8 Page 5. I apologize for the delay, but my notes have
9 my own commentary, which wouldn't be fair to Nashua, as
10 much as I'd like to. And, if you look at Item 12,
11 Number 1, is that what you had in mind?

12 A. Yes, it is.

13 MR. CAMERINO: Okay. Thank you. That's
14 all I have, Mr. Chairman.

15 CHAIRMAN GETZ: Anything further for Mr.
16 Ware?

17 (No verbal response)

18 CHAIRMAN GETZ: Hearing nothing, then
19 you're excused. Thank you very much.

20 THE WITNESS: Thank you.

21 CHAIRMAN GETZ: We're going to address
22 Ms. Hartley's direct testimony?

23 MS. KNOWLTON: Yes. And, we'd also be
24 happy for Ms. Hartley to be available for

[Witness: Ware]

1 cross-examination this afternoon. It's, you know, 2:20.

2 CHAIRMAN GETZ: Is there anyone who
3 would seek to partake?

4 (No verbal response)

5 CHAIRMAN GETZ: I guess we would be
6 going to Ms. Reinemann -- well, Ms. Reinemann and
7 Mr. Alexander, are you going to have questions for Ms.
8 Hartley or are you hoping to wait to consider this
9 further?

10 MS. REINEMANN: I don't believe we're
11 going to have any questions.

12 MR. ALEXANDER: And, I don't think we
13 would have any now or any later.

14 CHAIRMAN GETZ: Okay. Thank you. I
15 presume --

16 MR. UPTON: Well, I jumped to quickly.
17 I mean, I would have, but my notes are at the office. So,
18 I didn't expect that that might happen today. But,
19 normally, would be -- I would have done it. I'm sorry.

20 CHAIRMAN GETZ: Well, that's fine,
21 because I wasn't expected that we would get this far
22 either.

23 MS. KNOWLTON: I thought I would just
24 offer.

[Witness: Hartley]

1 CHAIRMAN GETZ: But, Ms. Hollenberg, is
2 the Consumer Advocate going to have any questions for
3 Ms. Hartley?

4 MS. HOLLENBERG: No thank you.

5 CHAIRMAN GETZ: Okay. Well, then, I
6 think what we'll be looking at then is starting in two
7 days with the parties who will have questions, which I
8 presume are going to be the City, and is Staff going to
9 have questions, Ms. Thunberg?

10 MS. THUNBERG: Yes. Staff will have
11 questions of Ms. Hartley.

12 CHAIRMAN GETZ: All right. Well, let's
13 just get as much done today as we can get done.

14 MS. KNOWLTON: Okay. I'll let the court
15 reporter swear in the witness.

16 (Whereupon Bonalyn J. Hartley was duly
17 sworn and cautioned by the Court
18 Reporter.)

19 BONALYN J. HARTLEY, SWORN

20 DIRECT EXAMINATION

21 BY MS. KNOWLTON:

22 Q. Please state your full name for the record.

23 A. Bonalyn J. Hartley.

24 Q. What is your position?

[Witness: Hartley]

- 1 A. Vice President - Administration, for Pennichuck
2 Corporation and its subsidiaries.
- 3 Q. Ms. Hartley, do you recall filing prefiled testimony in
4 this case on January 12th, 2006?
- 5 A. I do.
- 6 Q. And, that testimony has been marked as "Exhibit 3003".
7 Is this testimony -- I'll give you a copy. Is that a
8 copy of the testimony that you filed?
- 9 A. Just one minute. Yes.
- 10 Q. And, do you affirm that that testimony is true and
11 correct today?
- 12 A. Yes.
- 13 Q. And, do you adopt that testimony today?
- 14 A. Yes.
- 15 Q. I'd also like to show you the exhibits that go with
16 your testimony, and this was marked as a separate
17 exhibit, "3003A". Are those the exhibits that you
18 recall filing with your testimony on January 12th,
19 2006?
- 20 A. Yes.
- 21 Q. And, do you adopt those exhibits as part of your
22 testimony today?
- 23 A. Yes.
- 24 Q. And, to the best of your knowledge, are they true and

[Witness: Hartley]

1 correct?

2 A. Yes.

3 MS. KNOWLTON: Thank you. Nothing
4 further.

5 CHAIRMAN GETZ: Well, let me ask this
6 question. Are you in a position, Ms. Thunberg, to
7 question the witness this afternoon?

8 MS. THUNBERG: Unfortunately, no.

9 CHAIRMAN GETZ: Would it make any sense,
10 Mr. Upton, for you to go get your notes and come back
11 later today.

12 MR. UPTON: I would prefer not to. I
13 mean, I'm really thinking more about tomorrow, which is
14 the more significant day for me.

15 CHAIRMAN GETZ: I understand. All
16 right. So, let me ask this question. Is there anything
17 more that we can accomplish today?

18 MS. KNOWLTON: I'd be glad to
19 cross-examine Ms. Hartley.

20 (Laughter.)

21 MR. UPTON: If I could cross-examine
22 Ms. Knowlton afterwards.

23 (Laughter.)

24 CHAIRMAN GETZ: Well, I think we'll let

[Witness: Hartley]

1 you all do that on your own time. So, then, we will be
2 addressing Mr. Reilly and Mr. Riethmiller at 9:00 tomorrow
3 morning, is that correct?

4 MR. CAMERINO: That is correct.

5 CHAIRMAN GETZ: Okay. Then, let's end

6 --

7 MR. CONNER: Mr. Chairman, if I might,
8 please. Mr. Riethmiller and Mr. Reilly may not take all
9 day. And, if Mr. Upton wants to bring his notes tomorrow
10 for Ms. Hartley, we might do that.

11 CHAIRMAN GETZ: Well, your assumption is
12 about how long his cross-examination is going to be?

13 MR. CONNER: Well, we've talked briefly
14 about, one, Mr. Riethmiller, I don't believe he has many
15 questions for him. And, I'll just be --

16 MR. UPTON: I don't know how long it's
17 going to take with Mr. Reilly. I am unlikely to ask
18 Mr. Riethmiller any questions. And, I suggested that they
19 not bother bringing him, because I didn't think I would
20 ask him any questions. They choose to bring him, and
21 that's their choice. I don't know how long my examination
22 of Mr. Reilly will take. A lot of it will depend upon
23 what he -- how he answers questions for me, and how much I
24 have to -- how much time I have to spend on any particular

[Witness: Hartley]

1 area.

2 MR. CONNER: It's just a suggestion.

3 MR. UPTON: But, I mean, again, I'm
4 also, if we break early, the next day is not only Bonnie
5 Hartley, but Mr. Correll and Mr. Joyner, and a number of
6 other very important witnesses. And, if I have any extra
7 time, I'd sure love the opportunity to prepare for them or
8 do additional preparation for them.

9 MR. CAMERINO: Just to be clear, my
10 understanding is that, on Thursday, we have Mr. Joyner,
11 Mr. Correll, and Ms. Hartley. And, there was Mr. Ware,
12 but he's finished. So, there's three witnesses. Also, we
13 have no problem with Mrs. Hartley going tomorrow. The
14 only thing we would ask is for certainty, because she
15 otherwise would not be here tomorrow.

16 CHAIRMAN GETZ: Well, then, I guess part
17 of it's going to go on -- relate to how long your cross
18 is. But, Ms. Thunberg, can you be ready for Ms. Hartley
19 tomorrow, if we have the opportunity?

20 MS. THUNBERG: Yes. If need be, yes.

21 MR. UPTON: I can, but it's going to be
22 imposing quite a burden on me. I mean, if that's what the
23 Commission wants, I'll be prepared to go with it.

24 CHAIRMAN GETZ: Well, I think, at least

[Witness: Hartley]

1 if we have the opportunity, we'll get to Ms. Thunberg's
2 questions, assuming that we're going to work out an agreed
3 to order of cross, she would be going before you.

4 MR. UPTON: Yes.

5 CHAIRMAN GETZ: So, at least let's get
6 that taken care of, if we can.

7 MS. KNOWLTON: And, I guess, you know,
8 our plan for tomorrow would be that, you know,
9 mid-morning, if we see where we are with Mr. Reilly and
10 Mr. Riethmiller, we could then call Ms. Hartley and let
11 her know approximately what time we expect that we would
12 need her. You know, she's got about an hour's drive to
13 come here. So, as long as we give her ample notice, that
14 should be fine.

15 CHAIRMAN GETZ: All right. Well, then,
16 I think we're just going to have to play it by ear and
17 what's fair to both parties on how to handle this. Okay.
18 Then, at the hazard of there being anything else, is there
19 anything else? (No verbal response) Okay. Hearing
20 nothing, then we will recess the hearing for today, and
21 resume tomorrow morning at 9:00 a.m. Thank you.

22 (Whereupon the hearing was adjourned at
23 2:31 p.m. and the hearing to reconvene
24 on September 12, 2007, at 9:00 a.m.)

{DW 04-048} [Day VII] (09-11-07)

