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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

August 27, 2008 - 6:00 p.m.  
Pittsfield Middle High School  
23 Oneida Street  
Pittsfield, New Hampshire

RE: DW 08-052  
PITTSFIELD AQUEDUCT COMPANY, INC.:  
Notice of Intent to File Rate  
Schedules. (Hearing to take  
public statements)

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

APPEARANCES: (No appearances taken)

Court Reporter: Steven E. Patnaude, LCR No. 52

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I N D E X

PAGE NO.

Presentation by Ms. Knowlton (PAC)

7

PUBLIC STATEMENTS BY:

Mr. Covalucci

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Mr. Hast

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Mr. Troy

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

2 CHAIRMAN GETZ: Okay. Good evening,  
3 everyone. It's 6:00, so we're going to start the public  
4 statement hearing in docket DW 08-052. My name is Tom  
5 Getz. I'm the Chairman of the Public Utilities  
6 Commission. On my left is Commissioner Graham Morrison  
7 and on my right is Commissioner Clifton Below. And, we  
8 also have, from Staff, is Mark Naylor, is the Director of  
9 our Gas and Water Division, and with him is Jayson  
10 LaFlamme, who's a Utility Analyst in our Gas and Water  
11 Division. Also present tonight, from the Office of  
12 Consumer Advocate, is Christina Martin, who is in the back  
13 of the room.

14 In case you haven't got it already,  
15 there are forms, if you would like to speak tonight. Mark  
16 has handed them out, I understand, to the people who are  
17 here, if you could just fill in if you want to speak.  
18 And, if you choose to just make a written comment and not  
19 speak, just fill out the form and make sure that it gets  
20 to Mr. Naylor before we leave this evening.

21 I want to start with some background on  
22 the Commission, and then describe the process that we use  
23 for dealing with cases that are brought before us. The  
24 Public Utilities Commission is an independent regulatory

{DW 08-052} (08-27-08)

1 agency, which operates more like a court than it does like  
2 other types of State agencies. The term "Public Utilities  
3 Commission" refers both to the 65 employees that work for  
4 the agency and the three Commissioners that are here this  
5 evening who make the decisions in the cases that are filed  
6 with the agency. It's like a multimember court in that  
7 respect. The three of us will be acting in the same  
8 manner as judges in this case, and are subject to the same  
9 types of rules as judges. Most important, we are subject  
10 to what are called "ex parte rules". And, this means that  
11 we cannot talk about the merits of an ongoing case with  
12 anyone outside the Commission, except when there is an  
13 expressed opportunity and notice for all parties to  
14 participate, such as this evening's public statement  
15 hearing and the adjudicative hearings that will be held in  
16 October and in March in Concord.

17 As for the process used in this case,  
18 it's a formal judicial style proceeding, that includes  
19 written and oral testimony, discovery, cross-examination,  
20 briefs, and ultimately a written decision that is subject  
21 to rehearing and appeal to the New Hampshire Supreme  
22 Court. So, it's very much like what happens in a typical  
23 civil trial.

24 I'll note that we're relatively early in

{DW 08-052} (08-27-08)

1 the proceeding. The Company, Pittsfield Aqueduct Company,  
2 filed a petition on May 2nd asking that we approve its  
3 request to increase rates for Pittsfield customers. That  
4 increase to an average annual bill would be about \$181.76.  
5 We held the initial procedural hearing in Concord, it's  
6 called a "prehearing conference", on July 16. And, based  
7 on that prehearing conference, we've approved a procedural  
8 schedule that provides for hearings on temporary rates,  
9 which will be held on October 7, and for hearings on  
10 permanent rates, that will occur on March 26th.  
11 Pittsfield Aqueduct Company has filed its written  
12 testimony, and other parties at this point, which includes  
13 the Birch Hill Water District, Sunrise Lake Estates  
14 Association, the Locke Lake Colony Association, the  
15 Consumer Advocate and Commission Staff, and the Town of  
16 Pittsfield as well is a party. And, what it means is, at  
17 this point, those parties are asking the Company  
18 questions, requesting documents, that will be the basis  
19 for them to file testimony of their own and eventually to  
20 cross-examine the Company's witnesses.

21 And, I want to emphasize one very  
22 important point about the process, and our roles, and that  
23 is this: We have formed no opinion on whether the  
24 petition to increase rates should be approved or denied.

1 In fact, we should not have, because it's our obligation  
2 to hear all the evidence, and then make a decision based  
3 on that evidence.

4 We've also scheduled three public  
5 statement hearings. This is the third. So, at this time,  
6 I'd like to address the purpose of tonight's public  
7 statement hearing. Anyone who is here tonight who would  
8 like to speak will have the opportunity to speak. You  
9 will not be under oath, you will not be subject to  
10 questions. And, we will also hear from the Company  
11 tonight, who will give a brief explanation of its request.  
12 We expect that there are many questions about the request.  
13 We're hopeful that the Company's presentation will give  
14 you answers to some of those questions. But I want to  
15 point out that tonight is not the occasion to  
16 cross-examine the Company about its proposal. But it is  
17 prepared to stay around after the public statement hearing  
18 portion is over to answer questions and try to answer them  
19 individually. And, members of our Staff will also be  
20 prepared to answer specific questions that you might have  
21 about how the process works, how ratemaking works, and  
22 those types of questions.

23 The second purpose for tonight's public  
24 statement hearing is this is for an opportunity for you to

1 tell us your concerns about the request, and to recommend  
2 areas that you think we should be examining as part of the  
3 case. While the statements tonight do not constitute the  
4 kind of sworn evidence that can ultimately be the basis  
5 for our decision, we have found in our experience that  
6 these comments prove helpful in identifying areas that our  
7 Staff can investigate during the discovery phase and  
8 pursue at hearing, and it also is very helpful to us in  
9 preparing lines of questioning that we can pursue through  
10 our own questions at the hearing. And, unlike a civil  
11 trial, the three Commissioners tend to ask lots of  
12 questions of the witnesses.

13 So, that's what we're hoping to  
14 accomplish tonight. We have a stenographer, Mr. Patnaude  
15 is going to be recording comments, and that will be part  
16 of a transcript that will be available to you on our  
17 website. So, I ask that you speak clearly. There's a  
18 podium here with a microphone. If you -- Mark, do you  
19 have sheets handed in? If anybody would like to speak,  
20 just get them to Mark. But, first, we'll hear from the  
21 Company and Ms. Knowlton. And, then, after she speaks,  
22 then we'll hear from you all. So, Ms. Knowlton.

23 MS. KNOWLTON: Thank you. Good evening.  
24 My name is Sarah Knowlton. I'm with the McLane law firm.

1 And, I'm representing Pittsfield Aqueduct Company in the  
2 rate case that's pending before the Public Utilities  
3 Commission. Don Ware, Bonnie Hartley, and John Boisvert  
4 from the Company are also here tonight, and if you have  
5 questions afterwards, they're glad to answer them. First,  
6 I want to thank you all for coming. I want to take just a  
7 few minutes to give you some information on the rate case  
8 as it relates to Pittsfield. And, I know also that  
9 there's some customers here from Locke Lake, so I'll speak  
10 about that as well. But the point is really to hear from  
11 you, so I don't want to take up too much of your time. We  
12 did bring some fact sheets, which are on the chairs out by  
13 the front. So, if you didn't pick up some fact sheets,  
14 and would like to do so, feel free to do that.

15 I want to start with some history. Just  
16 over ten years ago, in January of 1998, Pennichuck  
17 Corporation acquired Pittsfield Aqueduct Company, which at  
18 the time served approximately 657 customers in the Town of  
19 Pittsfield. Prior to Pennichuck's acquisition of  
20 Pittsfield Aqueduct Company, the Company was in the  
21 process of completing construction and beginning start-up  
22 of a new water treatment plant. The water system had been  
23 in noncompliance with the Environmental Protection  
24 Agency's Surface Water Treatment Rule. PAC had no

1 full-time employees and no one was trained or certified to  
2 run that plant. Pennichuck provided the technical and  
3 managerial resources to fulfill those needs and was  
4 instrumental in starting up and operating the new water  
5 treatment plant.

6                   Since 1998, Pittsfield Aqueduct Company  
7 has had one rate increase, which was granted in 2003. The  
8 Company is seeking a rate increase now because of  
9 significant capital improvements that it's made to its  
10 systems, as well as certain increases in costs of  
11 operation that have occurred over the past four years.

12                   In the Town of Pittsfield, the Company  
13 has made important improvements, such as, as I said,  
14 upgrades to the water treatment plant, to make sure that  
15 it's compliant with federal drinking water requirements  
16 governing water turbidity standards, and also undersized  
17 mains have been replaced. The Company is asking for  
18 different levels of rate increases, a different level here  
19 in Pittsfield, versus the North Country systems. In  
20 Pittsfield, the Company is requesting a rate increase of  
21 approximately 44.01 percent. For the North Country  
22 systems, that include the Locke Lake system, the Company  
23 is requesting two increases in rates. The first would  
24 generate approximately \$757,000. And, the second, which

1 is a step increase, would be for \$228,000 roughly, for  
2 improvements that would be completed by the end of  
3 November of this year. In total, that would be  
4 approximately a 311 percent increase.

5 Just to talk about Locke Lake for a few  
6 minutes, when the Company acquired the Locke Lake and  
7 Sunrise Estates systems in 2006, there were a lot of  
8 problems that had not been addressed by the prior owner,  
9 and they needed attention. In Locke Lake, there were  
10 significant water quality problems, such as an excess of  
11 arsenic and manganese, both of which were in violation of  
12 the federal Safe Drinking Water Act regulations. There  
13 was also insufficient storage, such that, during times of  
14 peak demand, the demands of the customers could not be met  
15 in terms of the flow of water. There were problems with  
16 the distribution system, booster pumps, gate valves, and  
17 water mains.

18 Since the Company acquired the Locke  
19 Lake system, it's installed a new well on Peacham Road,  
20 and that produces 35 gallons a minute. Treatment systems  
21 have been installed for arsenic, iron, and manganese.  
22 And, a 250,000 gallon storage tank and water meters have  
23 also been installed, and there have been various upgrades  
24 to the distribution system.

1                   The Company is very aware that the rate  
2           increase, in particular, for these North Country systems  
3           that it's seeking is substantial. But the Company hopes  
4           that customers will recognize the value of the  
5           improvements that been made and how important they are to  
6           bring the systems into compliance with federal law. We  
7           certainly appreciate all of the cooperation that the  
8           Company has received from the customers while it's been  
9           making these improvements.

10                   So, with that, I'll close, because we  
11           really do want to hear your thoughts tonight. And, I very  
12           much appreciate that you have taken the time to come out.  
13           So, thank you.

14                   CHAIRMAN GETZ: Thank you. Jim  
15           Covalucci.

16                   MR. COVALUCCI: Good evening. I'm from  
17           Locke Lake. Prior to that, I worked 37 years with a major  
18           utility in a different state. I'd rather not name them.  
19           But the only time things got fixed is when they broke.  
20           Completely. I must commend Pennichuck in taking the tiger  
21           by the tail up in Locke Lake, even putting in a backup  
22           generator. But Pennichuck has to understand that Locke  
23           Lake, Pittsfield, is not Orlando, Florida, is not  
24           Wolfeboro, New Hampshire, and is not any other high priced

1 area. You have done good, but you knew what you were  
2 buying into. That's not my problem, that's your problem  
3 as a utility. And, with a 311 percent increase for Locke  
4 Lake, you're going to bankrupt yourself, because these are  
5 -- my people cannot pay that. End of statement.

6 CHAIRMAN GETZ: Thank you. Fred Hast.

7 MR. HAST: I've been a resident of  
8 Pittsfield for 62 years. The Aqueduct system had been  
9 very sufficient, and they kept the rates way down, the old  
10 Aqueduct. They came about to have underneath all your  
11 rules and regulations to increase it, a million dollars  
12 for a filter, they could not borrow the money. So, they  
13 tried to find it, and they couldn't borrow it, they  
14 borrowed it, but at very high interest.

15 In the meantime, there was a group that  
16 wanted -- or, Pittsfield wanted to buy it from the  
17 Aqueduct Company as the Town of Pittsfield water system.  
18 We didn't get very good cooperation with the president  
19 then of the old Aqueduct. Unbeknownst to us, the deal had  
20 already been done to go with Pennichuck. All right. So,  
21 we had to buy it. And, fortunately, the only increases  
22 that it's cost me is for the hydrant system. And, when  
23 they presented, the young lady said that "the only  
24 increase was 2003". Am I under the misunderstanding there

1       wasn't a huge increase when they bought that in 1998 of  
2       about 180 percent? People were up in arms about that.

3                       But I -- And, we went to you people, and  
4       asked "why such a rate and why such a rate for the hydrant  
5       system?" And, it was told to us that they had to --  
6       excuse me -- put more onto the hydrant system so to keep  
7       the rate to the residents down. All right? So, that  
8       effects me, because I don't have their drinking water.  
9       Thank goodness. But our hydrant rate had gone up. What  
10      does it do for us? We cannot flow enough water through  
11      those hydrants to put out a major fire. We fortunately  
12      have the Suncook River going by us. And, when the Dam  
13      Committee doesn't want to drain the river, we've got  
14      plenty of water to extract from. There's several times  
15      we've had to go there and pump large volumes of water.

16                      Another thing that I read here is that  
17      they have a 500,000 gallon. Well, excuse me, but pardon  
18      me for my ignorance, I always was told it was a 300,000  
19      gallon. Now, if you have a major fire and you're pumping  
20      out of two or three hydrants, that's not going to last  
21      very long. So, that's why we rely on the river.

22                      But I'm getting away from what you want,  
23      I think. But I do, I wish you people would look into, in  
24      the late '90s, right after Pennichuck took over, to see if

1       there was a substantial rate increase, because I believe  
2       there was.  Because, right after we presented the program  
3       to buy the -- the Town of Pittsfield to buy the Aqueduct,  
4       people voted it right down.  A couple heads went rolling  
5       down the floor.  But I told them they're going to pay for  
6       it.  It wasn't but six or eight months later they were all  
7       crying because their rates went way up.  So, if people  
8       could check that rate system, I'd greatly appreciate it.

9                       And, another thing is, Pennichuck has  
10       got people working in Pittsfield.  I'm sure they're  
11       charging their time to Pittsfield.  But are those  
12       Pittsfield employees working over at Locke Lake or other  
13       places and still being charged -- Pittsfield being  
14       charged?  Because, yes, at the end of the year, they got  
15       to show a profit or else they got to come to you people  
16       and say "well, we're losing money, we need more rate  
17       increase."  So, I'd like that checked out.

18                      CHAIRMAN GETZ:  Thank you.  And, I think  
19       Staff can probably address some of those questions after  
20       we finish this portion of the public statement hearing.  
21       Rustic Crust.

22                      MR. TROY:  Hello.  My name is Doug Troy.  
23       I'm with Rustic Crust, an employer here in Pittsfield.

24                      CHAIRMAN GETZ:  I thought that was a

1 name.

2 MR. TROY: No, that's not my name.

3 CHAIRMAN GETZ: Good evening.

4 MR. TROY: Good evening. We're a local  
5 employer of about 45 employees in town here. We're a  
6 small, growing company. And, we got the notice, we were  
7 quite concerned over the size of this increase. Being a  
8 food processor, we can use a fair amount of water. We use  
9 water in our product, our product goes out the door. We  
10 also use water to clean with. And, we're concerned about  
11 the size of this increase. And, you know, times are  
12 tight. We can't pass this along to our customers in the  
13 supermarkets and things like that. So, we just plain have  
14 to eat this amount of this increase, and that's tough for  
15 a small, young company to do. And, just we're not like  
16 this utility or whatever, who can just pass it along as if  
17 they're a government agency almost, taxes or whatever. We  
18 can't do that. We can't pass -- I'd love to be able to  
19 pass a 40 or 50 or 300 percent increase along to our  
20 customers, it would make our business very easy to run,  
21 but we can't do that. So, your attention to reducing the  
22 size of this increase to somewhere around where inflation  
23 is or those levels would be, I think, a whole lot more  
24 reasonable. We have to operate under those parameters in

{DW 08-052} (08-27-08)

1 our business. We expect all our suppliers to operate  
2 under that. And, water is another supplier of ours that  
3 we need to have in those same parameters. Thank you.

4 CHAIRMAN GETZ: Thank you. I have a  
5 form from Mr. MacLellan, but did you want to speak or just  
6 --

7 MR. MacLELLAN: If you could just read  
8 the question.

9 CHAIRMAN GETZ: Well, there is a  
10 question and follow-up afterwards is "Has the Company made  
11 any attempt to bond or use other methods to gradually pay  
12 back their expenses, rather than expensing it all right  
13 now?" I think Mr. Naylor and someone from the Company can  
14 speak to you after we finish this portion of the public  
15 statement hearing. Are there -- Is there anyone else who  
16 would like to make a public statement this evening?

17 (No verbal response)

18 CHAIRMAN GETZ: Okay. Then, let me just  
19 say one thing in closing that I didn't include in my  
20 opening remarks. It is a judicial type process. So,  
21 whenever there's a proposal made to the Commission, in  
22 this case, like any other case, the Petitioner, Pittsfield  
23 Aqueduct Company, has the burden of proof of showing by  
24 preponderance of the evidence that it should be granted

1 the rate increase. And, part of that investigation looks  
2 at "Are the expenses just and reasonable?" "Have the  
3 investment decisions they have made been prudent?" And,  
4 "Is the property used and useful for the public interest?"  
5 And, then, "Are the rates that come out of it, of the  
6 process, are they just and reasonable?" So, that's what  
7 we'll be looking at over the next number of months.

8 And, I think, with that, is there  
9 anything else?

10 (No verbal response)

11 CHAIRMAN GETZ: Then, if there's nothing  
12 else, then we'll close the public statement hearing. And,  
13 please take advantage of asking questions from our Staff  
14 or from the Company. Thank you for coming, everyone.

15 (Whereupon the hearing ended at 6:23  
16 p.m.)

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