STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK WATER WORKS, INC.

DOCKET NO. DW 10-091

PENNICHUCK WATER WORKS, INC.'S RESPONSE TO OCA'S POSITION ON RATE CASE EXPENSE

In compliance with the settlement agreement dated May 19, 2011 (the "Settlement Agreement") approved by this Commission in its Order No. 25,230, on June 21, 2011 Pennichuck Water Works, Inc. ("PWW" or the "Company") submitted a calculation of its rate case expense, including supporting detail and documentation, to the Commission's staff ("Staff"). Pursuant to the Settlement Agreement and the Commission's order, a copy of the same information was provided to the Office of the Consumer Advocate ("OCA"). On August 4, 2011, after Staff and the OCA had conducted discovery on the rate case expense information provided by PWW, Staff submitted its recommendation to the Commission. On August 12, 2011, the OCA filed a response to the Staff's recommendation, asking the Commission to apply a new process for reviewing rate case expense and disallow approximately 50% of the rate case expense incurred by the Company in this case.

PWW requests that the Commission reject the OCA's position on the rate case expense in its entirety because the OCA's position is contrary to the approved Settlement Agreement in this case and contrary to any established Commission policy or precedent, and because adoption of the processes recommended by the OCA is likely to substantially increase rate case expense and the complexity and length of rate cases and the rate case expense review process without any discernable benefit to customers.

I. OCA is Estopped and Barred from Challenging the Rate Case Expense Process Established under the Settlement Agreement Approved by the Commission in Order No. 25,230; The Rate Case Expense Submission and Review Process Approved by the Commission in this Case is Adequate and Proper.

Staff, the OCA, Anheuser-Busch and PWW were all parties to the Settlement Agreement approved by the Commission. The Settlement Agreement in relevant part provides:

> *The Settling Parties agree that Pennichuck should be allowed to recoup its reasonable and prudent rate case expenses for this docket through a surcharge*, which shall be included with the temporary rate reconciliation surcharge described in Section II.E. Rate case expenses are estimated to be approximately $5.50 per customer and may include, but shall not be limited to, Pennichuck's legal expenses and consultant expenses, and incremental administrative expenses such as copying and delivery charges. *Pennichuck agrees to submit its final rate case expense request to Staff and OCA for review and for Staff's recommendation to the Commission regarding recovery of such expense. The OCA may file its own response to the Company's request for recovery of rate case expenses.*
>
> Upon receipt of the Commission's final order, the Company agrees to file a compliance tariff supplement including the approved surcharge relating to the total recoupment of the difference between the level of temporary rates and permanent rates, the average monthly surcharge for each customer class based on customers individual usage, and the recovery of rate case expenses.

Settlement Agreement, Section II.G, at pp. 6-7 (emphasis added).

The Settlement Agreement makes clear that the issue that was reserved for subsequent review and consideration was the *amount* of rate case expense that PWW should be authorized to recover and that the standard to be applied was whether the expenses incurred by the Company were reasonable and prudent. The plain language of the Settlement Agreement laid out the process for submission of the expense for consideration—PWW was to submit its rate case expense to Staff and the OCA, Staff would then make a recommendation, and the OCA would have the right to respond to that recommendation. Having agreed to such a process, the OCA cannot now argue that PWW acted improperly in following it or that some other process must be

applied by the Commission in this case. The Company recognizes that the OCA reserved its right to challenge the amount of rate case expense that the Company might seek to recover, but there is no reasonable basis for the OCA to now argue that the process itself is improper given that the process was laid out in detail in the Settlement Agreement signed by the OCA, the settlement was the subject of a hearing before the Commission in which the OCA actively participated, the Commission approved the Settlement Agreement, and the OCA failed to seek reconsideration of that order.

Even assuming that the OCA could now reopen the issue of the process for reviewing rate case expense after the Commission has approved the Settlement Agreement, the OCA's claim that the process followed in this case is contrary to what is required by New Hampshire law is baseless. The rate case expense phase of this case is not a separate adjudicative proceeding, as the OCA appears to argue. Rather, PWW's rate case expense request was made as part of its overall general rate proceeding, which is itself an adjudicative proceeding, that culminated in a negotiated settlement of all issues including the rate case expense review process.

In addition to the fact that the process for reviewing PWW's rate case expenses was the subject of negotiation and included in the approved Settlement Agreement, the OCA had an opportunity to and did in fact raise a number of questions regarding rate case expenses during the hearing on the merits on May 26, 2011. Tr. at 58:12-59:13, 73:22-74:1 (May 29, 2011). The OCA also had the opportunity to and did propound discovery concerning the rate case expenses. Further, the OCA had an opportunity to and did file a pleading setting forth its position on the issue, so that the Commission will have the benefit of all of the foregoing before it renders a

determination on the issue. Thus, the filing and adjudicative proceeding elements that the OCA seeks have all been satisfied.

The process adopted by the parties to the Settlement Agreement conformed with prior practice accepted by the Commission in numerous other cases in which the OCA has actively participated -- many of which involved settlement agreements that the OCA supported and which provided for rate case expense review and approval processes that were substantially similar to the process approved in this case -- and was in all respects consistent with due process and statutory requirements and the administrative rules of the Commission. RSA 365:38-a, which expressly governs recovery of costs associated with utility proceedings before the Commission, such as rate case expenses, does not provide a hearing requirement. Even RSA 378:7, governing rates and charges, does not require a hearing in all instances. Rather, the New Hampshire Supreme Court has ruled that the statute "*sometimes* require[s] that the PUC provide notice and a hearing before rendering a decision." *Appeal of Office of Consumer Advocate*, 148 N.H. 134, 138 (2002) (emphasis added). Specifically, RSA 378:7 provides that the Commission shall render a determination concerning rates "after a hearing had upon its own motion or upon complaint. . . ."

Here, the OCA did not request a hearing on the rate case expenses at any point during this proceeding or in its filed response, and in fact, in the Settlement Agreement agreed to an approval process that indisputably did not require a hearing. Thus, there is no basis to argue that a hearing on the issue is required as a matter of law. Furthermore, a Commission decision on rate case expenses without a hearing does not otherwise violate any state or federal due process rights. The New Hampshire Supreme Court has recognized that "utility customers do not have a vested property interest in the setting of utility rates sufficient to invoke procedure protections of

the [due process clause]" of the state and federal constitution. *Appeal of Office of Consumer Advocate*, 148 N.H. at 139. Thus, the rate case expense submission, review and approval process approved by the Commission in its Order No. 25,230 and followed by PWW and Staff in this case is adequate and proper.

If the Commission ultimately determines, as urged by the OCA, that a different process for requesting rate case expenses should be implemented for other policy reasons, the proper mechanism for addressing the matter would be by a rulemaking process that would create rules that apply to all utilities on a prospective basis, not by modifying the process that was agreed to by the OCA, that the Commission has already approved in this case, and that comports with long standing practice before the Commission.

II. PWW's Rate Case Expenses were Prudently Incurred, Are Reasonable and Satisfy RSA 365:38-a and RSA 378:7.

It is well settled law that a utility must be allowed to recoup reasonable rate case expenses to avoid rendering the resulting rates unconstitutionally confiscatory. *See Driscoll v. Edison Co.,* 307 U.S. 104, 120-22 (1939); *see generally State v. Hampton Water Works Co.*, 91 N.H. 278, 296-97 (1941). "Prudently incurred rate case expenses are legitimate costs of service of a utility and are properly recovered through rates." *Hampstead Area Water Company, Inc.*, DW 08-065, Order No. 25,025 (October 9, 2009). In addition, as discussed above, RSA 365:38-a provides that '[t]he commission may allow recovery of costs associated with utility proceedings before the commission, provided that recovery of costs for utilities and other parties shall be just and reasonable and in the public interest." RSA 378:7 similarly requires that "the commission shall determine the just and reasonable or lawful rates, fares and charges" to be observed by regulated utilities.

The Commission evaluates requests for recovery of rate case expenses from customers according to the same "just and reasonable" standard applicable to all rates charged by public utilities pursuant to RSA 378:7. *Kearsarge Telephone Company*, DT 01-221, Order No. 24,372 (September 17, 2004). "The touchstones are the magnitude of the expenses and assurance that they do not cover expenses that are attributable to routine operating expenses." *Id.* The magnitude of rate case expenses may be appropriate depending on the length of the case and whether it was fully contested. *Id.*

PWW's rate case expenses in this case were prudently incurred and, on that basis, Staff has recommended recovery of $114,297.08 after a detailed review of the supporting documentation and discovery responses submitted by the Company. Although PWW requested recovery of a total of $144,552.70, it does not contest the dollar amount recommended by Staff.[1] The expenses are comprised of legal, consulting, administrative and publication expenses which relate only to this proceeding and are direct expenses that are not otherwise recovered by PWW through its existing rates. For example, the expenses do not include any compensation for work performed by employees of the Company—only for outside professional services and reimbursement for expenses directly related to the rate case.

The legal and consulting services for which PWW seeks recovery were necessary to address a number of complex issues raised by this case, including in a number of significant

[1] In particular, the Company agrees to withdraw all rate case expense related to the issue of recovery of eminent domain-related costs. (As noted by Staff in its August 4, 2011 letter to the Commission, these costs total $26,727.61.) The Company had previously agreed to defer seeking recovery of its eminent domain-related expenses. While the Company strongly believes that the cost of legal work involved in building the case for recovery of those costs in this rate case is a proper expense, notwithstanding the fact that the Company later agreed to defer recovery of the underlying eminent domain expenses to a later date, it is prepared to withdraw this portion of its rate case expenses on the understanding that they will be fully considered in any later proceeding in which the underlying eminent domain expenses are also considered. Denial of this portion of the Company's rate expenses simply because the Company agreed to defer the underlying issue of eminent domain expense recovery to a later date, would likely have a chilling effect on utilities' decisions to withdraw proposals and settle cases before the Commission. It is hard to believe that the OCA could have intended such a result.

instances, issues raised by the OCA itself. These matters included, among others, issues concerning rate design, the impact of the Company's proposed special contract with Anheuser-Busch, and the proposed water infrastructure and conservation adjustment ("WICA"). Although the OCA unquestionably has the right to oppose any utility proposals that it believes are contrary to its clients' interests, much of the expense for which PWW now seeks recovery resulted from the need to respond to the OCA's very active involvement in this case and, in some cases, its aggressive opposition to the Company's proposals. One notable, but certainly not the only, example was the OCA's dogged opposition to the adoption of a WICA, even though the OCA had only recently supported the adoption of an essentially identical mechanism for another water utility. The Company does not believe it is appropriate for the OCA to first add substantially to the burden and cost of a rate case such as this through significant additional discovery and litigation and then object to the costs incurred by the utility in responding to that aggressive approach.

The amount of the expenses submitted by the Company and recommended by Staff is reasonable given the length of this case and the nature of the issues involved and, in particular, in light of the fact that the Company was required to prepare for and participate in a litigated hearing on a major issue in its filing even after a settlement was reached on all remaining issues. To date, this case has been actively pending for almost a year and a half. It is time to bring it to an end without further litigation or expense.

III. The OCA's Policy and Other Arguments Concerning the Amount of Rate Case Expense Should be Rejected.

The OCA's arguments for reducing the amount of PWW's authorized rate case expenses based on the timing of the rate case filing, PWW's method of engagement of outside consultants and legal counsel, issues concerning the special contract with Anheuser-Busch and other

itemized expenses, and issues concerning PWW's motion for protective treatment lack merit and should be rejected.

A. The Fact that PWW Required Rate Relief Soon after the Conclusion of its Prior Rate Case Provides No Basis to Reduce the Amount of Rate Case Expense that Can be Recovered

The OCA argues that PWW's rate case filing was unreasonable because PWW obtained a rate increase seven months before the instant rate case filing and, on that basis, the OCA seeks to reduce PWW's requested expenses by 50%. This argument is plainly contrary to fundamental principles of ratemaking and borders on being frivolous. Not only did the Commission approve a rate increase for PWW in this case, indicating that the rates previously in effect were no longer just and reasonable, the OCA itself supported the increase. Given the fact that the Commission's ratemaking process relies primarily on an historic test year, it is not surprising that during periods of ongoing capital expenditures, little or no growth in consumption, and rising expenses, rates that are based on historic costs would quickly become inadequate.

If the OCA believed that PWW should not have filed another rate case, it was free to oppose the increase rather than agree to it. It did not, and should not be allowed to reverse course and complain through the rate case expense process that the Company should be denied legitimate costs because the OCA now apparently believes that PWW should either have held out for higher rates in its prior case or gone without an increase in this one. Penalizing the Company for obtaining new rates that are just and reasonable would be confiscatory, a violation of fundamental concepts of substantive due process, and manifestly unreasonable.

The OCA also claims that a portion of PWW's consultant expenses should be disallowed because the use of the same consultants in both the current and prior cases should have resulted in lower cost than was actually incurred. The OCA provides no basis for its position other than

asserting that the Company's witnesses, Ms. Hartley and Mr. Ware, stated that it can obtain efficiencies by using consultants who are already familiar with PWW's business, rather than engaging new consultants from one case to another. *See* PWW Response to Data Request OCA 1-46 (enclosed with OCA Response); Tr. at 53:2-15 (May 29, 2011). Contrary to the OCA's assertion, the Company did not claim that using the same consultants in two consecutive cases would decrease rate case expense from one case to another. Mr. Ware's testimony was plainly intended to indicate simply that, by using a consultant who was already familiar with the Company, the Company could avoid the need to educate a new consultant, which would be likely to increase expense beyond what was actually incurred. The OCA's position on this issue is plainly designed to try to require PWW and other utilities to engage in an RFP process for rate case consulting services, rather than engage advisors with whom they have an existing relationship. As discussed below, the Commission has never imposed such a requirement, and doing so retroactively in this case would be improper.

PWW can only and should only be required to demonstrate through the supporting documentation provided to Staff and the OCA the nature and extent of the work that its consultants did in fact perform and, thereby, demonstrate that the work was appropriate in light of the issues presented by this case. Demonstrating that the work performed in this case was more efficient than the hypothetical work of consultants who were not retained would be impossible and, even if possible, would be wholly irrelevant.

B. Competitive Bidding and Other Issues Regarding PWW's Contractual Relationship with its Consultants and Legal Counsel

Contrary to the OCA's proposal, there is no legal basis for disallowing any portion of PWW's rate case expense based on the grounds that PWW used sole-source contracts for its outside consultants, did not have a written procurement process for consultant services, did not

have a written contract with its outside legal counsel, and did not use a competitive bidding process to retain outside rate case service providers. The OCA plainly is seeking through this case to establish new standards for rate case expense recovery that have never before been articulated by the Commission. The proposals are not only ill-advised, particularly for a relatively small company such as PWW, which operates with a lean administrative staff (many of whom already play multiple roles), it would be fundamentally unfair and improper to apply such standards with no prior notice.

The reasons that the Company selected the consultants and attorneys utilized in this case were adequately explained by the Company during the hearing on the Settlement Agreement. In response to a question from the OCA on this very subject, Company witness [Ware] stated:

> There's a lot of understanding the Company's history, the process, working relationships with all parties, that . . . the Company believes it has got consultants, lawyers, who have high integrity and who understand the process and . . . are very efficient at what they do. Rather than . . . the bidding process very often results in people, again, who need to be brought up to speed, who need to understand the Company and its mechanisms and how it works. So, in the case of a rate case -- in the rate case example, we have historically used certain consultants and lawyers in order to be what we believe is more efficient in the process overall for the customers.

Tr. at 53:2-15 (May 29, 2011). What Mr. Ware did not say, which is also true, is that by using counsel and consultants who are familiar with the Commission's processes and precedents, the Commission's own review of rate cases is greatly facilitated. It is not clear what result the OCA is truly seeking in attempting to force utilities to conduct a competitive bidding process for work that is performed by its consultants and attorneys who already have an established relationship with the Company and are knowledgeable regarding matters before the Commission, but such a process is certain to add to the burden on the Company of preparing for a rate case filing before the Commission and will inevitably lead to additional discovery and litigation before the

Commission. One can only imagine that if such a process is imposed it is nearly certain to bring additional discovery regarding the RFP issued by the utility, the responses received from bidders (which are likely to require protective treatment, extensive redacting, and other time, attention and expense to address other procedural requirements), questions regarding why certain bidders were not selected and the nature of any negotiations with the bidders, etc. All of that will add to the cost and time of the case, and the Commission can be sure that the utility will still select the professional advisors that it believes will best understand its business and represent its interests.

The OCA also argues without any basis that the lack of a written agreement between PWW and its outside legal counsel in this matter is a basis to reduce allowable rate case expense because, the OCA claims, there is no objective basis upon which the Commission or the OCA can verify that its outside counsel performed in accordance with any pre-defined terms of service and scope of work. The scope of legal counsel's work, however, is set forth in extensive detail in the bills provided to the Company and submitted for review by Staff and the OCA. Had the Company determined that the work performed was not appropriately related to the case, it could and would have addressed the matter with its counsel. Similarly, if Staff believed that the scope of work performed by legal counsel was inappropriate or otherwise should not be included in rate case expense in this case, it could have removed that expense from its recommendation. In fact, Staff did exactly that in this case, removing approximately $26,000 in legal costs. Simply put, the detailed invoices describing the legal services that PWW provided for review in this case are more probative than any written contract regarding whether the scope of work provided related to this rate case and thus, should be recoverable by PWW.

The OCA also seeks to attack the Company's legal expense by asserting that the Company's attorneys had no basis to increase their rates during the pendency of this case. To the

contrary, the OCA has provided no basis to assert that a private law firm should not be allowed to adjust its prices periodically simply because it has been engaged for a regulatory proceeding that takes well more than a year to prepare, litigate and bring to final resolution. If the rate change were inconsistent with industry practice or the ongoing historical relationship between PWW and its counsel, the Company might understand the basis for the OCA's objection. But there has been no suggestion that that is the case, and there is no basis for such a position. The OCA's suggestion that any portion of the Company's rate case expense should be disallowed on such a basis is unfounded and should be rejected.

C. Costs Related to Anheuser-Busch Special Contract

The OCA also argues that the portion of PWW's rate case expenses relating to PWW's negotiation of a special contract with Anheuser-Busch should be reduced nearly in half, including costs associated with the cost of service study performed by PWW's consultant Mr. Palko in October 2010. The Commission has previously authorized surcharges of costs incurred by a utility in connection with the negotiation and execution of a special contract as a reasonable rate case expense. *See Lakes Region Water Company, Inc.*, DW 05-137, Order No. 24,708 (December 8, 2006). In this case, the costs associated with PWW's negotiation of its special contract with Anheuser-Busch warrant approval because the contract was an integral part of the rate case and was necessary to its overall resolution, which in fact is the very reason that consideration of the contract was consolidated into the rate case by the Commission with the support of the OCA. *See* Secretary Letter from Ms. Debra Howland, DW 11-018 (February 10, 2011).

Contrary to the OCA's allegation that the October 2010 cost of service study was not related to PWW's rate case, the updated study was necessary in this case because the contract

with Anheuser-Busch required the Company to address issues that had been raised by the OCA itself. The OCA's decision to now oppose recovery of a major portion of that expense, therefore, is impossible to comprehend. The OCA's attempt to characterize the study as having been performed "in preparation" for PWW's negotiations with Anheuser-Busch does not alter the fact that it was necessary to protect the interests of all the Company's customers by ensuring that Anheuser-Busch was required to pay its fair share of the Company's costs and, at the same time, remained a customer of the Company. The design of a special rate in conjunction with a general rate increase is very much an appropriate rate case expense, and should be allowed in its entirety.

D. Mileage Reimbursement and Other Expenses

The OCA makes similarly unfounded arguments in an effort to attack what it calls excessive mileage, which totals $210.07. It also makes vague arguments regarding what it says are "possible" charges for first-class air travel, courier delivery, limousine or private car services, hotel room service, entertainment, recreational activities or services, personal services and alcoholic beverages. *See* OCA Response, at 11-13. To the contrary, as the Company indicated in its response to Data Request OCA 7-11 (attached to this pleading), the only travel expense incurred by the Company was for minimal employee mileage expense. The Company did not incur any travel costs for consultants. The Company is aware of only one consultant who may have incurred travel expenses during the case, and that is the OCA's consultant, Mr. Scott Rubin. Mr. John Palko, of AUS Consultants, who represented the Company did so only via phone conference. Although the claimed "excessive" mileage costs total $210.07, the Company takes particular offense at the OCA's position on this item. The OCA's position entirely ignores the information provided by the Company in discovery, where the Company noted that its employees frequently travel separately because they are coming from different locations and

combine trips to the Commission with trips to other meetings and obligations that they each may have on any given day. *See* PWW Response to Data Request OCA 7-11, attached hereto. The issue here is not the dollars involved, but rather the principle of allowing the Company some minimal discretion in determining how best to run its affairs. The OCA's position simply demonstrates the level of minutia that lies ahead if the Commission accepts the OCA's urging to adopt its proposed standards for rate case expense, rather than conducting the kind of rational review that has historically been conducted by Staff and the Commission. Rather than being criticized by the OCA, the Company should be cited for its prudent judgment and careful cost control, whether looking at the costs associated with the current case or its entire history of rate case expense. Rate case expenses should be viewed in their totality, and by that measure the Company's expenses in this case are well within reason. As previously stated, the Company performs most of its own rate case preparation, testimony, exhibits, and responses in-house. *See* PWW Response to Data Request OCA 7-5, attached hereto. Consultants and legal counsel are judiciously selected and utilized by teleconference whenever possible. There is no basis for the kind of broadside that the OCA has leveled in this case.

E. Motion for Confidential Treatment

Puc 203.08 permits a party seeking confidential treatment of material produced in discovery to assert the confidentiality of the material and subsequently submit a motion for protective treatment prior to the hearing in the relevant matter. At the time PWW submitted its rate case expenses to Staff and the OCA, PWW stated that the supporting documentation contained confidential and propriety rate information and that it would be filing a motion for protective treatment. Consistent with its prior statement, PWW submitted such a motion on August 13, 2011, together with redacted and confidential materials that were compliant with the

Commission's interim rules. The motion included a request for a waiver, to the extent determined to be necessary at all, of Puc 203.08 as it relates to the timing of the motion because the timing requirement under Puc 203.08(d) is ambiguous as it relates to the rate case expense materials. The OCA's allegations that PWW has failed to abide by the Commission's rules are incorrect and its request that the Commission deny interest on the amount the Commission ultimately authorizes it to recover from ratepayers must be rejected. Regardless, such a remedy would go far beyond the bounds of any remedy previously imposed by the Commission for a procedural matter of this nature.

Conclusion

The OCA is barred from challenging or raising any issues concerning the rate case expense review process agreed to by the OCA in the Settlement Agreement and approved by the Commission. Moreover, PWW's rate case expenses were prudently incurred and are reasonable, just and in the public interest in accordance with RSA 365:38-a and RSA 378:7. Accordingly, the Commission should deny the OCA's request to adjust PWW's rate case expenses in its entirety and adopt the recommendation submitted by Staff. In addition, given the lack of any basis in existing law or policy for the OCA's position and the fact that the bulk of the OCA's positions are contrary to law and the Settlement Agreement approved in Order No. 25,230, PWW requests leave to submit additional supporting information to enable it to recover the expense incurred in responding to the OCA's position.

WHEREFORE, Pennichuck Water Works, Inc. respectfully requests that the Commission:

A. Deny the OCA's request to adjust PWW's rate case expenses in its entirety;

B. Approve the rate case expenses submitted by PWW to the extent supported by the Commission staff;

C. Grant the Company leave to submit additional rate case expense information for a determination of the amount to be recovered relating to responding to the OCA's filing regarding rate case expense; and

D. Grant such other relief as is just and equitable.

Dated: August 19, 2011

Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorneys

MCLANE, GRAF, RAULERSON & MIDDLETON, P.A.

By: _____

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Response has been forwarded to the parties on the service list this 19th day of August 2011 by electronic mail.

_____
Steven V. Camerino

DW 10-091
Pennichuck Water Works, Inc. Responses to
OCA Data Requests – Set 7

Date Request Received: 7/21/11 Date of Response: 8/1/11
Request No. OCA 7-5 Witness: Bonalyn J. Hartley

REQUEST: Please identify and explain any charges included in the Company's proposed rate case expense recovery total related to first-class air travel; courier delivery; overnight mail; limousine or private car services; hotel room service; entertainment; recreational activities or services; personal services or alcoholic beverages.

RESPONSE: On June 20, 2011, the Company provided a summary of rate case expenses that includes a description of services rendered. The only expenses related to the above are overnight mail through Unishippers. As the Company performs much of the rate case filing preparation and discovery internally to reduce costs, the Company will need to occasionally send time sensitive documents to its consultants.

DW 10-091
Pennichuck Water Works, Inc. Responses to
OCA Data Requests – Set 7

Date Request Received: 7/21/11 | Date of Response: 8/1/11
Request No. OCA 7-11 | Witness: Bonalyn J. Hartley

REQUEST: Please explain the reason(s) underlying the reimbursement of mileage expenses to each of multiple Company representatives for attendance at meetings at the Commission. For example, the Company's rate case expense filing includes reimbursement for mileage to both Bonnie Hartley and Charles Hoepper. *See* Pennichuck Corporation and Controlled Subsidiaries T&E Expense Report Form for Bonnie Hartley dated July 15, 2010; and Pennichuck Corporation and Controlled Subsidiaries T&E Expense Report Form for Charles Hoepper dated July 30, 2010. Another example is the reimbursement of Ms. Hartley, Mr. Hoepper and Ms. DeBlois for their travel to Concord for a tech session at the Commission. *See* Pennichuck Corporation and Controlled Subsidiaries T&E Expense Report Form for Charles Hoepper dated September 20, 2010; Pennichuck Corporation and Controlled Subsidiaries T&E Expense Report Form for Dawn DeBlois dated August 19, 2010; Pennichuck Corporation and Controlled Subsidiaries T&E Expense Report Form for Bonnie Hartley dated August 19, 2010.

RESPONSE: The Company employees are expected to exercise sound, prudent judgment when they incur travel expense including mileage expense. When feasible, the employees will travel together to reduce costs. However, due to the small number of employees and resulting diverse duties and responsibilities, it's not always possible. Their time and labor costs must be utilized in the most efficient way possible.