

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

PENNICHUCK WATER WORKS, INC.
Petition for award of Franchise Area in a Limited
Area of the Town of Derry known as Harvest Estates

DW 2011-_____

Direct Pre-filed Testimony of Donald L. Ware

August 30, 2011

1 Q. Please state your name, business address and your position with Pennichuck Water
2 Works, Inc.

3 A. My name is Donald L. Ware. My business address is 25 Manchester St., Merrimack,
4 NH. I am the President at Pennichuck Water Works, Inc. ("PWW"). I have worked for
5 Pennichuck Corporation ("Pennichuck") since May 1995. I am a licensed professional engineer
6 in New Hampshire, Massachusetts and Maine.

7 Q. Please describe your educational background.

8 A. I have a Bachelor in Science degree in Civil Engineering from Bucknell University in
9 Lewisburg, Pennsylvania and I completed all the required courses, with the exception of my
10 thesis, for a Masters degree in Civil Engineering from the same institution. I have a Masters in
11 Business Administration from the Whittemore Business School at the University of New
12 Hampshire.

13 Q. Please describe your professional background.

14 A. Prior to joining Pennichuck, I served as the General Manager of the Augusta Water
15 District in Augusta, Maine from 1986 to 1995. I served as the District's Engineer between 1982
16 and 1986. Prior to my engagement with the District, I served as a Design Engineer for the State
17 of Maine Department of Transportation for six months and before that as a Design Engineer for
18 Buchart-Horn Consulting Engineers from 1979 to 1982.

19 Q. What are your responsibilities as President of the Company?

20 A. As President, I am responsible for the overall operations of the Company, including water
21 quality and supply, distribution, engineering and water system capital improvements. At times
22 my duties also involve negotiating agreements on behalf of Pennichuck or its related entities,

1 including agreements pertaining to the acquisition of new community water systems. In that
2 capacity I have been involved in the transaction with the Developer relating to this Petition.

3 Q. What is the purpose of your testimony?

4 A. I will be providing an overview of the Company's planned acquisition of a water
5 distribution system to service a Proposed Franchise Area in Derry, New Hampshire to be known
6 as Harvest Estates. I will summarize the terms of the acquisition Agreement described below.

7 Finally, my testimony is offered to explain why the Company believes it is in the public good for
8 the Commission to approve the Petition filed by PWW contemporaneous with this testimony and
9 titled Petition for Pennichuck Water Works, Inc. for Permission to Engage in the Business as a
10 Public Water Utility in a Limited Area of the Town of Derry Known as Harvest Estates and for
11 Approval of Rate Schedules (the "Petition"). .

12 Q. Please describe the terms of the acquisition.

13 A. PWW has entered into an agreement with an entity named Keystone Builders, LLC, a
14 New Hampshire limited liability company with a primary business address of 17 Bridge Street
15 Suite 203 Billerica, MA. 01821, LLC, (the "Developer"), the agreement utilized in this
16 transaction is titled "Main Extension Agreement Construction by Customer." (herein the
17 "Agreement"), the Agreement and appendices are attached hereto and incorporated herein as
18 Exhibit DLW-1. The proposed development is located in the Hampstead and Olesen Road area
19 within the Town of Derry, Hillsborough County, New Hampshire, immediately adjacent to the
20 Drew Woods Community Water System also operated by PWW. The Agreement requires the
21 Developer to complete a water main extension according to the plans previously provided to and
22 approved by PWW staff. The water main extension will be constructed to service the "Proposed
23 Franchise Area" defined in the Agreement and the Petition. The water main extension,

1 easements, and related equipment defined in the Agreement is referred to as the “Project.” and it
2 includes but is not limited to the water mains and equipment meeting the construction
3 specifications provided for in the Agreement. The water mains and all related equipment upon
4 acceptance will become the property of PWW. PWW will receive all necessary easements
5 allowing it to maintain and improve pumping equipment, water mains and other related
6 equipment if necessary within specific common areas of the development as well as within
7 public and private roadways.

8 The Project is a residential development. PWW, under the Agreement, agrees to provide
9 water service to residential customers within the Proposed Franchise Area at PWW’s
10 Commission approved water rates as applicable from time to time. The Project will include up
11 to thirty (30) residential homes.

12 PWW agrees to pay or credit the Developer an investment credit of one times PWW’s
13 annual revenue per connection, whatever that may be based upon its tariff, for each connection
14 made so long as the connection is made within five (5) years of the start up of the system,
15 meaning when service is commenced by PWW upon acceptance of the relevant water main. If
16 the Project is accepted as a part of the municipal fire system within five (5) years of PWW’s
17 acceptance of the water main extension then PWW will invest a one time amount equal to the
18 estimated annual fire protection revenue associated with the Project.

19 Q. Please describe the Proposed Franchise Area.

20 A. The Proposed Franchise Area is located in Derry, New Hampshire off of Hampstead
21 Road. To assist the Commission in clearly defining the franchise area, I attach a Plan entitled
22 “Subdivision Plans, Hampstead Road Subdivision, Hampstead Road, Derry, New Hampshire,”
23 Prepared for Ronald F. Mead, by Promised Land Survey, LLC, and dated March 2, 2005, and

1 recorded in the Rockingham County Registry of Deeds at Plan D34278, sheets 1-12 (the
2 “Subdivision Plan”) as DLW-3. I also attach a second Plan completed by Pennichuck Staff and
3 titled “Town of Derry, Pennichuck Water,” dated and last revised on May 30, 2010, and attached
4 as DLW-4 hereto. This plan shows the current Pennichuck owned community water systems,
5 and specifically the Drew Woods community water system with the Harvest Road water main
6 extensions as proposed to service Harvest Estates/Harvest Village subdivision. A legal
7 description of the Proposed Franchise Area is provided on the Subdivision Plan and in a deed
8 recorded in the Rockingham County Registry of Deeds at Book 5078, Page 2674, attached hereto
9 as DLW-5.

10 Q. Please explain why you believe this acquisition is in the public good.

11 A. PWW and its affiliate entities have been doing business in New Hampshire for at least
12 156 years and serve more people in New Hampshire than any other regulated utility. The
13 company serves approximately 34,000 residential, commercial and municipal customers in and
14 throughout New Hampshire, meaning it supplies water to over 100,000 individuals throughout
15 the state each day. The company has the managerial, technical and financial experience
16 necessary to run the water system effectively and efficiently. PWW has designed the water
17 distribution system for this particular System and will inspect the system as it is built to insure
18 that it is built appropriately. PWW is aware that there are increasing demands on water as a
19 resource, increasing threats to water quality and ever increasing legal and regulatory
20 requirements for operation of community water systems. We believe that it is in the public’s
21 best interest to have PWW operate this water system utilizing PWW’s highly skilled employees
22 and management and its broad technical and financial resources.

23 Q. Have you contacted the Town of Derry relative to your Petition requesting a Franchise

1 within the Proposed Franchise Area?

2 A. We have contacted the Town of Derry. We submitted our desire to obtain the franchise
3 to the Town Counsel for Derry, and I attach a copy of the certificate indicating a vote was held
4 on October 5, 2010, and that the Town Counsel supports and approves of PWW's request for a
5 franchise expansion to allow it to service the Harvest Estates subdivision. See DLW-2.

6 Q. Does PWW provide service in any other parts of Derry?

7 A. Yes. PWW provides service to other portions of Derry, and specifically relevant to this
8 question, PWW owns and operates the Drew Woods Community Water System and related
9 franchise rights (hereinafter "Drew Woods CWS"). The Project as designed will be comprised
10 of a water main extension running from water mains and equipment used to operate the Drew
11 Woods CWS. The Drew Woods CWS obtains its water supply from wells permitted by the NH
12 Department of Environmental Services and from a recently completed interconnection with the
13 Derry Municipal Water System. These same sources of supply will also be used to supply the
14 Proposed Franchise Area/Harvest Estates extension.

15 Q. The referenced water main extension contains a System Upgrade Fee in the amount of
16 \$1,253 per connection. Please explain the reason for this fee.

17 A. The proposed Harvest Estates project could not have connected to the Drew Woods CWS
18 if the recently completed interconnection between the Drew Woods CWS and the Derry
19 Municipal Water System had not been completed. The existing Drew Woods CWS, absent the
20 supply made available by the Derry/Drew Woods interconnection, did not have the supply
21 capacity to service any new customers. In accordance with its tariff the Company may assess a
22 system upgrade fee to customer(s) taking service if the customer(s) requesting service could not
23 have received service but for their ability to connect to Pennichuck's system where service was

1 improved as described in Section 33(C)(2)(b) via a main extension that was made by the
2 Company in the past ten years. The Derry interconnection was completed within the past ten
3 years and enhanced service to existing customers in accordance with and as described in Section
4 (C)(2)(b)(v) of the Company's tariff.

5 Q. Please provide the calculation supporting the System Upgrade Fee in the amount of
6 \$1253 per connection.

7 A. I have attached a spreadsheet detailing the calculation of the Drew Woods system
8 upgrade fee as Exhibit DLW-6.

9 Q. Do you have anything else you would like to add?

10 A. Not at this time.

11 Q. Does that complete your testimony?

12 A. Yes.