

DW 05-143

PENNICHUCK WATER WORKS, INC.

Petition for Special Contract for Water Service to the Town of Hudson

Order *Nisi* Approving Special Contract

ORDER NO. 24,611

March 31, 2006

I. BACKGROUND

On September 2, 2005, Pennichuck Water Works, Inc. (PWW), a public utility providing water service in communities in southern New Hampshire, petitioned the New Hampshire Public Utilities Commission (Commission) for authority, pursuant to RSA 378:18, to provide service to the Town of Hudson, New Hampshire (Hudson) in accordance with the terms of a Proposed Wholesale Water Supply Contract (Proposed Contract) entered into between PWW and Hudson, dated July 12, 2005. The Petition was accompanied by a copy of the executed Proposed Contract as well as a Statement of Special Circumstances pursuant to N. H. Code of Admin. Rules, Puc 1606.03(b).

The Proposed Contract supersedes a Special Water Supply Contract between PWW and Southern New Hampshire Water Company, Inc. (Original Contract) which was entered into in 1991 and approved by the Commission, on November 16, 1992, by Order No. 20,668, in combined Docket Nos. DR 91-107 and DR 91-110. Southern New Hampshire Water Company, (Southern,) assigned its rights under the Original Contract to the Town of Hudson in 1997.

In Docket Nos. 91-107 and 91-110, the Commission approved PWW's purchase of certain utility asserts and franchise rights owned by Southern in the Town of Amherst, New

Hampshire. See Order No. 20,688 (November 16, 1992). As part of the negotiated sale of the assets to PWW, PWW and Southern negotiated the Original Contract. The Original Contract obligated PWW to provide Southern with rights to take up to 3 million gallons of water a day for an initial term of 50 years. The value of the water rights in the Original Contract to be included in Southern's rate base as a valuable and useful asset was \$755,000.

The Original Contract required Southern to pay a one-time maximum fee not to exceed \$1,500,000. Under the terms of the Original Contract, Southern's initial payment of \$150,000 ($\$.30 \times 500,000 = \$150,000$) was to be applied to the maximum fee for the first 500,000 gallons per day of capacity. The Original Contract also provided that, when Southern's usage exceeded 500,000 gallons per day for 30 consecutive days, the capacity cost per gallon would increase to \$.40 per gallon up to 1,000,000 million gallons per day, and provided further capacity cost increases as follows: \$.50 per gallon from 1,000,000 to 1,500,000 gallons per day, and \$.60 per gallon in excess of 1,500,000 million gallons per day. The Original Contract also obligated Southern to pay the volumetric rate per 100 cubic feet in the amount and manner provided for in PWW's tariff on file with the Commission and in effect for PWW's Nashua core system.

The Original Contract contemplated that the water supplied by PWW would be used primarily to assist Southern in improving the hydraulics in the southern portion of Hudson and to improve fire protection capability in an industrial area. However, unlike the early years of the Original Contract when Southern bought limited quantities of water, Hudson's usage has increased and has become more regular. In 2001, Hudson's annual consumption was 11,404 hundred cubic feet. In 2005, Hudson's annual consumption increased to 134,505 hundred cubic feet (Staff Data Requests – Set 1, Request 1-2). As a result, PWW, at the request of Hudson,

revised the terms and conditions of the Original Contract with the result that the Proposed Contract is consistent with similar bulk sale contracts that PWW has with other municipal customers.

The Proposed Contract has a term of 20 years with an automatic 5-year renewal and a 3-year notice for termination. The Proposed Contract reduces the maximum quantity of water that can be taken in a single day from 3 million gallons to 2 million gallons, and provides that in the event Hudson requests amounts in excess of 2 million gallons per day, a new price would be negotiated for the addition consumption. In lieu of the incremental capacity payments in the Original Contract, the Proposed Contract provides for an annual demand charge of \$32,800 and a non-tariff volumetric charge of \$1.116 per hundred cubic feet, which will be adjusted by the same percentage and take effect as of the same dates as any adjustment in the rates paid by residential customers in Nashua pursuant to the PWW's tariff on file with the Commission.¹ Finally, the Proposed Contract contains a provision which allows for PWW to terminate the agreement if a governmental entity acquires the assets that PWW needs to fulfill its obligation under the Proposed Contract.

In support of the Petition, PWW submitted a written statement of special circumstances, pursuant to RSA 378:18, asserting that a deviation from the tarified rate is appropriate given that the cost of providing water on a bulk basis to Hudson at a single-metered location is lower than the cost of serving other customers, and that supplying a large quantity of water to Hudson through a single meter will generate revenues that will benefit PWW's remaining customers. PWW further stated that the charges under the contract cover all of

¹ The rates in the Proposed Contract were derived from the results of an analysis conducted by AUS Consultants on behalf of PWW to determine the costs and expenses related to the provision of service to Hudson.

PWW's variable costs to provide service and contribute to PWW's fixed costs of providing service while also providing a significant supply of water for Hudson.

On February 22, 2006, the Commission Staff (Staff) filed a letter, with PWW's responses to Staff's data requests as an attachment, recommending approval of the Proposed Contract. According to Staff, the Proposed Contract provides benefits for PWW's customers in the form of additional revenue while satisfying the needs of Hudson in conducting its operations in the town. Staff noted that the Proposed Contract, unlike the Original Contract with Southern, contains a provision which allows for PWW to terminate the agreement if a governmental entity acquires the assets that PWW needs to fulfill its obligation under the Proposed Contract.

Staff opined that, consistent with RSA 378:18, special circumstances exist to justify a departure from general rate schedules of the utility and to conclude that the special contract is in the public interest. According to Staff, the Proposed Contract will provide additional revenues that will benefit its other customers and that the rates contained therein will provide sufficient revenue to cover the cost of providing service to the Town of Hudson.

II. COMMISSION ANALYSIS

Under RSA 378:14, no public utility "shall charge or receive a greater or different compensation for any service rendered to any person, firm or corporation than the compensation fixed for such service by the schedules on file with the commission and in effect at the time such service is rendered." The Commission may deviate from this general rule and approve special contracts for services by a public utility "if special circumstances exist which render such departure from the general schedules just and consistent with the public interest. . . ." RSA 378:18. Based on our review of the Proposed Contract between PWW and the Town of Hudson, and Staff's recommendation, we find that service to Hudson constitutes a special circumstance

because of its increased level of consumption and the low level of cost associated with providing that service. We recognize PWW's need for stability in usage and revenues and believe the provisions of the Proposed Contract regarding minimum payment obligations and maximum water use address those needs.

We take administrative notice that the City of Nashua has before us, in Docket No. DW 04-048, a petition seeking valuation of PWW's assets relative to the City of Nashua's eminent domain authority under RSA 38. The Proposed Contract contains language that allows the termination of PWW's obligations to Hudson in the event of a municipal take-over of assets necessary to serve Hudson and provides, to the extent permissible, for transfer of those obligations to an acquiring governmental entity. We believe such a clause is reasonable and demonstrates that both PWW and the Town of Hudson recognize that although the term of the special contract runs through July 12, 2025, this contract may be affected by developments in DW 04-048.

For the above reasons, we find special circumstance exist which justify departure from PWW's schedules of general application. We further find that the departure described in the terms and conditions of the Proposed Contract with the Town of Hudson are just and reasonable, and consistent with the public good in accordance with RSA 378:18. In accordance with Commission Order No. 24,441, the Proposed Contract with the town of Hudson shall be identified as PWW Town of Hudson Special Contract No. 2005-2.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that pursuant to RSA 378:18, Pennichuck Water Works, Inc. Contract with the Town of Hudson dated July 12, 2005 is APPROVED; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 10, 2006 and to be documented in an affidavit filed with this office on or before May 1 2006; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than April 17, 2006 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 24, 2006; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective May 1, 2006, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of March, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary

Wholesale Water Supply Contract

This Agreement is made effective as of the 12th day of July, 2005 by and between Pennichuck Water Works, Inc., a New Hampshire corporation with an address of 25 Manchester Street, Merrimack, New Hampshire 03054 ("Company") and the Town of Hudson, acting by and through its Board of Selectmen, with a principal place of business at 12 School Street, Hudson, New Hampshire, 03051 ("Town").

WHEREAS, the Company and the Town are parties to a Special Water Supply Contract dated June 10, 1991 ("First Agreement"), which was originally entered into by the Company and Southern New Hampshire Water Company, Inc. ("Southern") and was subsequently assigned by Southern to the Town; and

WHEREAS, the Company and the Town wish to terminate the First Agreement and enter into a new agreement under which the Company would continue to make water available to the Town for purchase at wholesale.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth below, the parties agree as follows:

1. Term. This Agreement shall be binding upon the parties upon execution by both the Town and the Company, but the terms hereof shall not take effect until any necessary approval of the New Hampshire Public Utilities Commission ("NHPUC") has been obtained. This Agreement shall remain in effect for an initial period of twenty (20) years ("Initial Term"), subject to extension of the term pursuant to Section 2 or termination pursuant to Section 2 or Section 10.

2. Renewal Terms. The term of this Agreement shall be automatically extended for an unlimited number of additional terms of five (5) years each (each a "Renewal Term") unless either party gives written notice to the other, at least three (3) years prior to the date on which the Initial Term or any Renewal Term expires, of its intention to terminate the Agreement at the expiration of the Initial Term or the then current Renewal Term, as the case may be.

3. Delivery Point and Metering. The water to be sold by the Company to the Town under this Agreement shall be delivered by the Company to the Town at the point of interconnection between the Town's water system and the Company's water system on the Nashua side of the Taylor Falls Bridge ("Interconnection Point"). The Company shall, at its own cost, install and maintain metering equipment ("Meter") on the West side of the Merrimack River at the westerly end of the Interconnection Point, which shall be used to measure the quantity of water taken by the Town on a monthly basis.

(a) The Meter shall be inspected and calibrated by the Company in accordance with the applicable regulations of the NHPUC. A copy of any inspection and calibration reports shall be available at the Company's principal office for examination by the Town during normal business hours on reasonable notice from the Town.

(b) The Town may have the accuracy of the Meter tested by an independent third party at the Town's expense at any time, but not more frequently than once each month, provided that the Town gives the Company at least seven (7) days advance written notice of its desire to test the Meter. The Company shall have the right to be present during any such test. If the Meter reads within the specifications established by the NHPUC, the cost of such test shall be borne by the Town. If Meter does not meet the specifications established by the NHPUC, the cost of the tests shall be paid by the Company, and the Company shall adjust its next bill to the Town accordingly.

(c) In the case of missing or inaccurate flow records due to a faulty Meter or other circumstances, the Company shall calculate the payments due from the Town using a reasonable estimate of the flow based on past records and other relevant data for a comparable period.

4. Town's Right to Further Connections to Expand Service. The Town shall have the right, at its sole expense, to construct and connect transmission mains, main pipe extensions, hydrant branches and service connections located within Hudson to the Interconnection Point, in accordance with all applicable industry engineering standards and practices, to supplement its current service and provide additional service within the Town, but not to provide water service outside of the Town.

5. Quantity of Water.

(a) Subject to the provisions of Section 5(b) and Section 6, the Town shall have the right to take up to, but not in excess of, two million gallons of water per day (2 MGD) at the Interconnection Point; provided, however, that water taken for fire fighting purposes and other declared emergencies shall not be counted toward such maximum quantity.

(b) At all times, the Town's peak draw at the Interconnection Point shall be limited to 1.5 times its average gallon per day usage (converted to gallons per minute). Average gallon per day usage is defined as the average daily use for those days when the interconnection was in use during the prior twelve month period. If the Company in its sole discretion determines (i) that its water supply is inadequate to serve the needs of the Town or (ii) that, due to circumstances beyond the Company's reasonable control, its water supply is impaired, the Company may, upon twenty-four hours notice to the Town, reduce the maximum volume that may be taken by the Town. The Company will promptly notify the Town when such circumstances cease to exist, and, thereupon, the rights of the Town to take water as set forth in this paragraph shall be restored. In exercising its discretion concerning a reduction in the amount of water thereafter to be taken by the Town, the Company shall afford at least as favorable treatment to the Town as to its other wholesale bulk customers, except insofar as its special contracts, existing on the date hereof, with such customers or the rules of the NHPUC require a different standard to be applied with respect to such customers. The Company will promptly employ its best efforts to cure such inadequacy or impairment, to the extent it is commercially reasonable to effect such a cure. The Town shall not be entitled to compel the Company to supply it with any specific quantity of water nor shall it be entitled to any damages as a result of the Company's determination that its supply is inadequate and/or impaired.

6. Increase in Quantity of Water. If the Town wishes to increase the maximum quantity of water that it is permitted to purchase under Section 5, it shall provide the Company with written notice sufficient for the Company to evaluate the capacity of its facilities to produce water to meet such increased demand in light of existing and reasonably anticipated additions to demand on the Company's own system. Such notice shall be given at least one year in advance of the desired implementation date of the increase. The Company shall respond to such a request within ninety (90) days, indicating whether it agrees to provide the additional supply. If the Company agrees to increase the maximum quantity of water that may be taken by the Town, the Company and the Town shall negotiate in good faith to determine the price of any such increase based on the cost of the incremental capacity. If despite such good faith negotiations, the parties are unable to agree on the cost of the incremental capacity, the Company shall not be required to increase the maximum quantity provided for in Section 5. Any increase in the maximum quantity of water to be purchased under this Agreement shall be reflected in an amendment to this Agreement, signed by the parties. Such amendment shall become effective upon execution and shall not require additional approval of the NHPUC.

7. Fees. The Town shall pay the Company the following amounts for the water supplied or to be supplied by the Company under this Agreement:

(a) Annual Demand Charge. The Town shall pay the Company an annual demand charge of Thirty Two Thousand Eight Hundred Dollars (\$32,800) (the "Demand Charge") payable to the Company in equal monthly installments. The Demand Charge shall be due and payable without regard to the amount of water actually taken by the Town or any volumetric charges for such purchases. The Demand Charge shall be adjusted from time to time to reflect changes in the levels of property tax and operating and maintenance expenses associated with the Taylor Falls pumping station and the pipeline connecting the pumping station to the Interconnection Point. Any such adjustment shall be effective upon written notice to the Town of the amount of the adjustment. The Town shall have the right to review the expenses used to calculate the demand charge.

(b) Volumetric Charge. In addition to the Demand Charge, the Town shall pay the Company \$1.116 per 100 cubic feet (748 gallons), the Company's production cost excluding administrative and general cost for all water taken by the Town (the "Volumetric Charge"). The Volumetric Charge shall be adjusted from time-to-time by the same percentage and effective as of the same dates as any adjustment in the rates paid by residential customers in Nashua pursuant to the Company's tariff on file with the NHPUC. If the Company no longer has a tariff for service to residential customers in Nashua, the parties shall negotiate in good faith to determine an appropriate reference point for adjustments to the Volumetric Charge.

(c) Invoices. The Company shall bill the Town on a monthly basis for water taken by the Town under this Agreement. Payment shall be due on presentation of each invoice and amounts unpaid after thirty (30) days shall be subject to one and one-half (1-1/2%) percent interest per month on the unpaid balance from the date of such invoice.

8. Use of Mains. The Town shall wheel water from the Company through the Town's transmission and distribution mains to service territories of the Company or its affiliates that are interconnected with the Town's water system, provided that the Company's right to transmit its water through the Town's system shall be contingent upon (i) the Town's having adequate capacity over and above such use to provide the Town with the water supply required under Section 5 above and (ii) such use not significantly reduce the pressure in the Town's distribution lines. For any water wheeled by the Town through its water system for the Company, the Company shall pay the Town the Volumetric Rate set forth in Section 7 plus twenty percent (20%) of the Volumetric Charge.

9. Assignment and Sale. The Town agrees that any water provided to it by the Company shall be used only to provide service to customers within the Town who are served by the Town's water system. No water shall be sold by the Town, either directly or indirectly, to any private or investor owned water utility, municipality, village district or individual doing business or residing outside of the Town for any purpose without the Company prior written consent.

10. Termination. In the event of a material breach of this Agreement by either party, this Agreement may be terminated by giving the breaching Party written notice of termination, which notice shall set forth with specificity the nature of the claimed breach by the other party. Any such termination shall not be effective until three (3) years from the date of such notice. In no event may this Agreement be terminated on less than three (3) years prior written notice, except as may be determined by order of the NHPUC or as provided in Section 11.

11. Acquisition by Municipality. If any governmental entity or group of governmental entities acquires properties, assets and/or facilities of the Company necessary for the Company to perform its obligations under this Agreement, the Company's obligations shall thereupon terminate.

12. Miscellaneous.

(a) Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration administered by the NHPUC, or its successor for resolution of the dispute.

(b) Severability. If any term or condition of this Agreement is found to be unenforceable, the remaining terms and conditions shall remain binding upon the parties as though said unenforceable provision were not contained herein.

(c) **Amendments, Assignment, Governing Law.** This Agreement may be amended upon the mutual agreement of the parties, subject to any required approval of the NHPUC. This Agreement may be assigned by the Company to a wholly owned subsidiary or an affiliate under common control with the Company without the prior consent of the Town. This Agreement shall be binding upon and inure to the benefit of the respective successors and legal representatives of the parties. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

(d) **Notices.** All notices, requests, demands and other communications given pursuant to this Agreement shall be in writing and shall be deemed to have been given if they are delivered by hand or by nationally recognized overnight courier or mailed by certified or registered mail with postage prepaid to the Town or the Company, as the case may be, at the address first noted above or to such other address as the receiving party may have given written notice to the other party.

(e) **Action Necessary to Complete Transaction.** The Town and the Company agree to execute and deliver all such other documents or instruments and take any action that may be reasonably required to effectuate the transactions contemplated by this Agreement.

(f) **Headings.** The headings in each section of this Agreement are for convenience of reference only, and do not form a part hereof and in no way modify or shall be used to interpret or construe the meaning of this Agreement.


(g) **Integration.** This Agreement constitutes the entire agreement and understanding between the parties regarding the subject matter hereof, and supersedes all prior understandings, agreements, statements and representation, whether written or oral, between or made by the parties. Upon taking effect, this Agreement shall supersede and terminate the First Agreement in its entirety.

[Signature Page to Follow]


IN WITNESS WHEREOF, the parties have caused their corporate names to be subscribed by an officer duly authorized and their corporate seals to be affixed.


PENNICHUCK WATER WORKS, INC.



Witness

By: 
Name: Stephen J. Densberger
Title: Executive Vice-President


**TOWN OF HUDSON,
By Its Board of Selectmen**


Witness

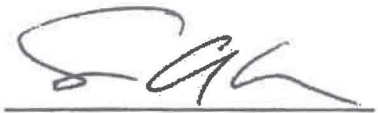
By: 
Selectman


Witness

By: 
Selectman


Witness

By: 
Selectman


Witness

By: 
Selectman

Witness

By: _____
Selectman



Pennichuck Water Works, Inc.
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Attachment to Response to Staff 1-3
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JOHN R. PALKO
Vice President

AUS CONSULTANTS
UTILITY SERVICES

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May 20, 2005

FEDERAL EXPRESS

Mr. Stephen J. Densberger
Executive Vice President
Pennichuck Water Works, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack, NH 03054-1947

Re: Proposed Contract Service to Hudson

Dear Mr. Densberger:

In accordance with your request and authorization, we have analyzed the costs and expenses related to the provision of water service to the Town of Hudson and have developed a proposed charge for contract water service to the Town of Hudson. Our analysis is premised upon sound ratemaking and cost of service principles and upon certain data and information provided by Pennichuck Water Works.

Currently, Pennichuck Water Works serves the Town of Hudson through its general water service tariff. Given its increasing water purchases, the Town of Hudson is seeking to enter into a long-term water purchase contract with Pennichuck Water Works. It is our understanding that a 20-year contract term with two 10-year renewal options is under consideration. Further, contract water service would commence on July 1, 2005.

The analysis developed herein is related to the combined 40-year term of service. It is noted that Pennichuck Water Works has in the past made certain investments in facilities specific to the Town of Hudson in order to be able to provide water service to the Town of Hudson. Based on information provided by Pennichuck Water Works, as set forth on the attached Schedule A, the original cost of this investment is \$189,036. The accumulated depreciation taken through April 30, 2005 is reported

Mr Stephen J. Densberger
Pennichuck Water Works, Inc.
May 20, 2005
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at \$50,024, leaving a net investment value of \$139,012. Utilizing the currently-effective depreciation rates, the net investment value becomes \$137,909 at June 30, 2005 as shown on Schedule A.

Further, it is noted that Pennichuck Water Works is planning on installing a second pumping unit to serve the Town of Hudson. Installation is scheduled for 2006. Estimated investment costs include \$30,000 for the pumping unit and \$70,000 for structural modifications and additions.

Pennichuck Water Works should be able to recoup the \$137,909 remaining investment in existing facilities, the planned \$100,000 investment in new facilities, and its costs for the use of its funds for these investments, from the Town of Hudson over the proposed term of service. This is accomplished through an annual amortization of the investment (both existing and planned) and a return on the unamortized portion of the investment.

The attached Schedule B illustrates the development of the proposed annual charge for water service to the Town of Hudson. This development is premised upon the investment data and the maintenance expense information recently provided by Pennichuck Water Works together with the 8.3% overall rate of return allowed in the most recent rate proceeding and the property tax expenses and 60.39% income tax gross-up factor provided by Pennichuck Water Works.

As shown on Schedule B, the proposed annual charge over the contemplated 40-year term is \$32,800. This charge includes amortization of the investment (both existing and planned), a return on the unamortized portion of the investment, recognition of income taxes due on the return component, an allowance for estimated property taxes, an allowance for maintenance costs, and an allowance for electric costs. The attached Schedule C summarizes the historic maintenance costs and electric costs applicable to the existing facilities used in providing water service to the Town of Hudson. Due to the limited maintenance costs shown thereon and also due to the planned installation of a second pumping unit, an allowance of \$500 for annual maintenance is used in the annual charge development on Schedule B. Similarly, given the continually increasing electric costs shown on Schedule C, an allowance of \$6,000 for annual electric costs is used on Schedule B.

The proposed \$32,800 annual contract charge is intended to be a minimum annual payment. It relates only to the specific facilities constructed and installed by Pennichuck Water Works to be able to provide water service to the Town of Hudson. No actual water allowance is included in the \$32,800 minimum annual payment.

Further, it is suggested that, given the length of the proposed contract term, language be included in the contract to cover any unanticipated increases to the levels of property taxes, maintenance expenses, and electric costs utilized in the annual charge development set forth herein. Additionally, similar language should be incorporated into the proposed contract to allow Pennichuck Water Works the ability and opportunity to recover any additional investment it may need to make to continue the



Mr. Stephen J. Densberger
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provision of water service to the Town of Hudson.

As noted above, no actual water allowance is included in the \$32,800 minimum annual payment. Any water taken by the Town of Hudson would be paid for separately on a volumetric basis. Pennichuck Water Works has a certain amount of latitude with respect to the volumetric water charge for service to the Town of Hudson. In the past, AUS Consultants has analyzed Pennichuck Water Works' production costs. In a letter dated December 21, 2001, the production cost was shown to be in the range of \$0.979 per hundred cubic feet to \$1.185 per hundred cubic feet depending upon whether no consideration or fully allocated consideration was given to administrative and general costs. That production cost analysis was based on then current costs as set forth in the rate proceeding which resulted in a rate increase effective on March 1, 2002. Since that time, a 13.99% rate increase was granted on April 29, 2005. Applying the 13.99% increase to the production costs developed in December 2001, results in updated production costs ranging from \$1.116 per hundred cubic feet to \$1.351 per hundred cubic feet.

It is offered that a volumetric charge to the Town of Hudson within the \$1.116 to \$1.351 per hundred cubic feet range is reasonable. The exact level of the volumetric charge could be dependent upon the terms and conditions set forth in the proposed contract. Provisions should be included in the proposed contract to allow for the change of the volumetric charge in any future rate proceeding.

The above analysis assumes that the Town of Hudson is the sole user of the facilities considered herein. Should these same facilities be used to serve customers other than the Town of Hudson, the proposed contract could contain a provision to credit the Town of Hudson for any such usage.

We appreciate the opportunity to prepare this study for your consideration and use. We would be pleased to answer any questions you may have or to provide any additional analyses which you may require.

Respectfully submitted,

AUS CONSULTANTS - UTILITY SERVICES

By:


John R. Palko

JRP/s
att.

