

TAB 6

Joint Temporary Rate Testimony of Larry Goodhue and Donald Ware

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DW 20-156

Pennichuck East Utility, Inc.
Permanent Rate Proceeding

DIRECT JOINT TESTIMONY OF
LARRY D. GOODHUE AND DONALD L. WARE
IN SUPPORT OF PETITION FOR TEMPORARY RATES

November 23, 2020

1 **I. INTRODUCTION**

2 **Q. Mr. Goodhue, would you please state your name, address, and position with**
3 **the Pennichuck East Utility, Inc.?**

4 A. My name is Larry D. Goodhue. My business address is 25 Walnut Street,
5 Nashua, New Hampshire. I am Chief Executive Office and Chief Financial Officer of
6 Pennichuck East Utility, Inc. (the “Company” or “PEU”). I have been employed with
7 PEU since December, 2006. I am also Chief Executive Officer and Chief Financial
8 Officer of Pennichuck Corporation (“Pennichuck”), which is the corporate parent of
9 PEU.

10 **Q. Please describe your educational background.**

11 A. I have a Bachelor in Science Degree in Business Administration with a major in
12 Accounting from Merrimack College in North Andover, Massachusetts. I am a licensed
13 Certified Public Accountant in the State of New Hampshire. My license is currently
14 inactive status.

15 **Q. Please describe your professional background.**

16 A. Prior to joining Pennichuck, I was the Vice President of Finance and
17 Administration and previously the controller with METRObility Optical Systems, Inc.
18 from September, 2000 to June 2006. In my more recent role with METRObility, I was
19 responsible for all financial, accounting, treasury and administration functions for a
20 manufacturer of optical networking hardware and software. Prior to joining
21 METRObility, I held various senior management and accounting positions with several
22 private and publicly traded companies.

1 **Q. What are your responsibilities as Chief Executive Officer of Pennichuck?**

2 A. As Chief Executive Officer, I am responsible for the overall management of
3 Pennichuck and its subsidiaries, including PEU. I report to the Board of Directors. I also
4 work closely with the Chief Operating Officer, the Corporate Controller, Treasurer,
5 Assistant Treasurer, Chief Engineer, Director of Water Supply, Distribution Manager, the
6 Director of Human Resources and the Director of Information Technology to: (1)
7 implement short and long-term financial and operating strategies, (2) insure the adequate
8 funding of debt and expenses, and (3) to enable Pennichuck's utility subsidiaries to
9 provide high quality water service at affordable rates, on a consistent basis.

10 **Q. Mr. Ware, please state your name and position with Pennichuck East Utility.**

11 A. My name is Donald L. Ware. I am the Chief Operating Officer of PEU which is a
12 subsidiary of the Pennichuck Corporation. I am employed by and have worked for
13 Pennichuck Water Works, Inc. since 1995. I am a licensed professional engineer in New
14 Hampshire, Massachusetts and Maine.

15 **Q. Please describe your educational background.**

16 A. I have a Bachelor in Science in Civil Engineering from Bucknell University in
17 Lewisburg, Pennsylvania and I completed all required courses, with the exception of my
18 thesis, for a Master's degree in Civil Engineering from the same institution. I have a
19 Master's in Business Administration from the Whittemore Business School at the
20 University of New Hampshire.

21 **Q. Please describe your professional background.**

1 A. Prior to joining the Company, I served as General Manager of the Augusta Water
2 District in Augusta, Maine from 1986 to 1995. I served as the District's engineer
3 between 1982 and 1986. Prior to my engagement with the District, I served as design
4 engineer for the State of Maine Department of Transportation for six months and before
5 that as design engineer for Buchart-Horn Consulting Engineers from 1979 to 1982.

6 **Q. What are your responsibilities as Chief Operating Officer of PEU?**

7 A. As Chief Operating Officer, I am responsible for PEU's overall operations,
8 including customer service, water supply, distribution and engineering. I work closely
9 with PEU's Chief Engineer and other senior managers to help develop PEU's Annual and
10 three-year Capital Improvement Plans.

11 **II. REQUEST FOR TEMPORARY RATES**

12 **Q. What is the purpose of your joint testimony?**

13 A. The joint testimony is offered for the purpose of supporting PEU's request for an
14 increase in its revenue requirement by 21.05% as shown on Puc 1604.06 Schedule A and
15 Schedule 1 of PEU's permanent rate filing. Pursuant to those schedules, PEU has
16 demonstrated that for the twelve months ended December 2019, its revenues have been
17 insufficient to cover its needs. This joint testimony is also offered to support PEU's
18 request for a temporary rate increase in customer rates presuming the Commission
19 suspends PEU's permanent rate schedules.

20 **Q. Can you explain why the revenue deficiency is not so easy to decipher when**
21 **reading a copy of PEU's 2019 Annual Report on file with the Commission?**

1 A. Sure. As I explained before the Commission in Docket No. DW 19-084 for
2 PEU's affiliate, Pennichuck Water Works, Inc. ("PWW"), PEU's income and expense
3 statements on file with the Commission do not accurately reflect PEU's long-term debt
4 owed to its parent. The Statements of Income and Expense submitted to the Commission
5 are formulated around an investor owned utility that has a return on equity and
6 depreciation expense in its revenue requirement and the statements PEU files don't really
7 reflect the Company's cash position. In PEU's situation, it shares with its sister
8 subsidiaries a requirement to contribute its ranked share of the City Bond Fixed Revenue
9 Requirement ("CBFRR"). That cost is a significant driver of PEU's revenue deficiency.

10 **Q. What increase is PEU seeking for temporary rates?**

11 A. The Company is seeking a temporary rate increase of 15% over the permanent
12 rates granted in DW17-128. The temporary rate increase will be applied evenly to all
13 customer rate classes. The temporary rate increase does not apply to the North Country
14 Capital Recovery Surcharge. Also, the Qualified Capital Project Adjustment Charge
15 (QCPAC) approved for 2018 QCP's granted in DW 19-035 at 2.98% and the QCPAC
16 sought for 2019 QCP's in DW 20-019 at 1.97% will be eliminated if temporary rates are
17 granted. PEU believes eliminating the QCPAC charge will be less confusing to
18 customers because customer bills will not change multiple times during the pendency of
19 this rate proceeding. As noted in the attached joint testimony, stripping away the impact
20 of the 1.97% and 2.98% QCPAC increases, the increase solely attributed to temporary
21 rates is approximately 10%; or less than half of the revenue increase sought in PEU's
22 Rate Filing. PEU believes approving a temporary rate increase balances the interests of

1 PEU and its customers, will result in less frequent rate changes on account of removal of
2 the QCPAC increase and will result in just and reasonable rates.

3 **Q. On what date is PEU requesting temporary rates be effective and why?**

4 A. We are requesting that PEU be granted temporary rates, effective December 24,
5 2020, on a service rendered basis. This effective date complies with the requirement that
6 utilities provide customers with thirty (30) day's notice of a rate change. This proposed
7 effective date is dependent on PEU being able to fully recover the difference between
8 temporary and permanent rates at the conclusion of this proceeding. If temporary rates
9 are granted the QCPAC granted for 2018 and 2019 capital improvements will be
10 eliminated.

11 **Q. Is there any benefit of temporary rates to customers?**

12 A. Yes. The granting of temporary rates in this manner will mitigate the rate impact
13 on customers by phasing-in the rate. Otherwise, if the needed revenue requirement was
14 put into customer rates all at once at the conclusion of the rate proceeding, it might create
15 rate shock to customer's budgets. The rate shock would be exacerbated because the
16 recoupment between temporary and permanent rates would also be reflected in customer
17 rates all at once. Phasing in the permanent rate increase will reduce the rate increase at
18 the conclusion of the rate case and reduce the amount recovered from customers for the
19 recoupment between temporary and permanent rates.

20 **Q. Are you aware that N.H. Admin. Rules Puc 1203.05 provides that rate**
21 **changes be implemented on a service rendered basis?**

1 A. Yes. PEU plans to implement temporary rates on a service rendered basis,
2 consistent with the Commission's rules.

3 **Q. Will the temporary rates be spread uniformly across customer classes?**

4 A. Yes. There will be no change in rates until such time as the Commission
5 approves a final order granting any changes in rate design and granting permanent rates.

6 **Q. What steps will PEU take to notify customers of the temporary rates?**

7 A. Simultaneously, with this filing, PEU is posting its rate filing and request for
8 temporary rates on its web site. PEU will also be completing a direct mailing to each
9 customer with a notice of the rate filing and the requested rates, both temporary and
10 permanent in early December. Additionally, PEU will be sending letter to all town
11 officials and State of NH delegation officials, for the communities the Company serves in
12 its franchise territories, in order to fully apprise them of the filings. This is something the
13 Company has done in the normal course of its rate case filings in the past, in order to
14 keep officials in the communities served aware of proceedings for rate increases. These
15 letters will be mailed in the same timeframe that this case is filed with the NHPUC.

16 **III. JUST AND REASONABLE FINDING AND CONCLUSION**

17 **Q. Do you believe that the temporary rates requested by PEU are just and
18 reasonable and in the public interest?**

19 A. Yes. As demonstrated by the analysis described above and in the permanent rate
20 case materials filed by PEU in this docket, PEU is not earning sufficient revenues to meet
21 its expenses including property taxes, and other necessary and prudent operating
22 expenses. The requested temporary rates will also serve to mitigate rate shock during this

1 pandemic. Temporary rates are fully reconcilable which protects customers from any
2 over-collection. Because the temporary rates are a balance between PEU and its
3 customers, we believe they are just and reasonable.

4 **Q. Does that conclude your testimony on temporary rates?**

5 A. Yes.