

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 15, 2022 - 9:01 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DW 22-070**
PENNICHUCK WATER WORKS, INC.:
Petition for Approval of a Special
Contract with the Town of Milford.
(Prehearing conference)

PRESENT: Cmsr. Carleton B. Simpson, Presiding
Cmsr. Pradip K. Chattopadhyay

Lynn H. Fabrizio, Esq./PUC Legal Advisor

Tracey Russo, Clerk

APPEARANCES: **Reptg. Pennichuck Water Works, Inc.:**
Marcia A. Brown, Esq. *(NH Brown Law)*
Larry Goodhue
Donald Ware
George Torres
Jamie Soucy *(Town of Milford)*

Reptg. New Hampshire Dept. of Energy:
Suzanne G. Amidon, Esq.
Jayson Laflamme, Dir./Water Group
David Goyette, Water Group
(Regulatory Support Division)

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

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P R O C E E D I N G

1
2 CMSR. SIMPSON: On the record. So,
3 good morning, everyone. I'm Commissioner
4 Simpson. I'll be presiding today, because
5 Chairman Goldner is unavailable. I'm joined by
6 Commissioner Chattopadhyay.

7 We're here this morning in Docket DW
8 22-070 for a prehearing conference regarding the
9 Petition filed by Pennichuck Water Works on
10 October 21st, 2022 for approval of a special
11 contract with the Town of Milford for the
12 wholesale supply of water. The Notice of
13 Adjudicative Proceeding, issued on November 14th,
14 2022, acknowledged that the issues raised by this
15 Petition include whether special circumstances
16 exist to support Commission approval of the
17 proposed new special contract between PWW and
18 Milford as just and consistent with the public
19 interest under RSA 378:18.

20 We hope that this prehearing conference
21 will help move matters forward, particularly with
22 respect to the assessment of the special
23 circumstances and need for a special contract, as
24 well as any additional issues that may arise in

1 the review of the Company's filings.

2 So, let's take appearances. I'll
3 recognize the Company.

4 MS. BROWN: Good morning,
5 Commissioners. My name is Marcia Brown, with NH
6 Brown Law, representing Pennichuck Water Works.
7 With me today from the Company is Larry Goodhue,
8 who is the Chief Executive Officer of Pennichuck,
9 as well as the Chief Financial Officer until the
10 end of the year; to his right is Don Ware, who is
11 the Chief Operating Officer; behind me is Jamie
12 Soucy, who is the Deputy Director of the Town of
13 Milford Water Utilities Department; to his right
14 is George Torres, who is the Controller and
15 Treasurer for Pennichuck, but, as of January 1,
16 he will be taking over the CFO responsibilities.

17 Thank you.

18 CMSR. SIMPSON: Thank you. New
19 Hampshire Department of Energy.

20 MS. AMIDON: Thank you. Good morning.
21 Suzanne Amidon, for the Department Water Group.
22 To my left is Jayson Laflamme, who heads that
23 Water Group; and to his left is David Goyette, an
24 Analyst in that Division.

1 CMSR. SIMPSON: Thank you. So, we'll
2 note that PWW filed an affidavit of publication
3 on November 16th, 2022, with a screen shot of the
4 notice that it posted on its website for the
5 benefit of customers, pursuant to rule Puc
6 203.12(b) and (d).

7 The Petition seeks approval of the
8 termination of an existing 20-year special
9 contract approved on February 6, 2003, by Order
10 Number 24,122, in Docket Number DW 02-157, with
11 automatic renewals of that contract through two
12 10-year extensions. The existing contract
13 permits PWW to provide Milford with a second
14 source of water supply, in the event that one of
15 the Town's two wells becomes nonoperational or
16 the well field becomes contaminated, resulting in
17 the loss of both wells. The 2003 contract will
18 expire on February 5th, 2023.

19 In its current Petition, PWW seeks
20 approval to terminate the existing contract as
21 scheduled in February of 2023, and approval to
22 enter into a new contract for PWW to supply water
23 to Milford for an initial term of five years,
24 followed by three five-year automatic renewals.

1 We note that the Petition indicates
2 that Attachment DLW-1 includes the new Milford
3 cost of service study model that analyzed the
4 rates proposed in the new contract.

5 Are there any preliminary matters to
6 address at this time? I'll recognize the
7 Company.

8 MS. BROWN: None, since there were no
9 other intervenors. Thank you.

10 CMSR. SIMPSON: New Hampshire
11 Department of Energy?

12 MS. AMIDON: And none for us either.
13 Thank you.

14 CMSR. SIMPSON: Thank you. I'll
15 recognize Commissioner Chattopadhyay for some
16 Commissioner questions.

17 CMSR. CHATTOPADHYAY: I really had just
18 one question.

19 With this contract, can you tell me
20 what the impact will be on the other ratepayers
21 that PWW has? Can you just give me a description
22 of, you know, whether their rates will go up or
23 down in the future, whenever that becomes
24 relevant?

1 MS. BROWN: I was going to start off in
2 saying that the rates are not going to go up
3 because of this, because it's cost-based, per the
4 cost of service study. There is a benefit down
5 the road, when you have more customers to spread
6 the costs around, then it helps mitigate or it
7 helps minimize any future rate increases to the
8 general-metered customers going forward.

9 Don, did you want to elaborate on
10 anything further?

11 MR. WARE: No, I think generally that
12 covers it. As Marcia has indicated, Attorney
13 Brown has indicated, the cost of service study
14 was done to ensure an appropriate allocation that
15 is, you know, both appropriate for both our
16 ratepayers and for the special contract customer.

17 From a pure revenue perspective, again,
18 as you look at it, what this brings to the table
19 for Milford is certainty of supply. They're also
20 guaranteeing, unlike the previous contract, to
21 purchase a certain amount of water, which brings
22 certainty of revenues to Pennichuck and coverage
23 of that portion of Pennichuck's facilities that
24 are necessary to serve the Town of Milford.

1 CMSR. CHATTOPADHYAY: So, let me put it
2 differently. I heard what Attorney Marcia said
3 but -- sorry, as far as the cost of service study
4 is concerned, I haven't dived into the details
5 there. What I'm asking is, with this study, does
6 that mean that some of the costs will be borne by
7 the other ratepayers?

8 And, if the answer is "no", that's, you
9 know, just trying to confirm.

10 MR. WARE: Yes, the answer is "no".

11 CMSR. CHATTOPADHYAY: Okay. Thank you.
12 That's all I have.

13 CMSR. SIMPSON: The only question I had
14 was when did you conduct the new cost of service
15 study?

16 MR. WARE: The cost of service study
17 was done between the spring and this fall. And
18 it is based on the rates granted in Pennichuck
19 Water Works in DW 19-084. So, that's the cost
20 basis. And, you know, because that's the basis
21 of the last measurable cost and whatnot.

22 CMSR. SIMPSON: Okay. Thank you.

23 MS. BROWN: If I can also add to that
24 that, during discovery, especially in the Set 1

1 discovery of the Department of Energy, --

2 CMSR. SIMPSON: Uh-huh.

3 MS. BROWN: -- it was further refined.

4 And, you know, the Company appreciates the
5 vetting, essentially auditing, that DOE does on
6 these cost of service studies. So, it has gone
7 through that.

8 And, so, even though the underlying
9 data is as Mr. Ware indicated, it has been
10 further tweaked. We caught a couple of, I don't
11 know if that they're actually errors, but we've
12 fine-tuned it, and I believe --

13 MR. GOODHUE: Refinements.

14 MS. BROWN: Mr. Goodhue has a better
15 word, "refinements" of that cost of service
16 study. So that I believe that the cost of
17 service study that we will be ultimately
18 attaching to the settlement agreement, which is
19 due January 5th, will be the most up-to-date and
20 it's the most accurate.

21 Thank you.

22 CMSR. CHATTOPADHYAY: Does the DOE have
23 anything to add on that issue?

24 MS. AMIDON: Well, typically, at the

1 prehearing conference we give our position on the
2 filing. And the Commission having approved the
3 procedural schedule that was proposed a while
4 back, we've completed discovery. And, at this
5 point, we're having a technical session following
6 this prehearing conference where we hope to
7 discuss settlement.

8 So, consistent with the schedule, as
9 Attorney Brown referenced, the proposed date for
10 filing the settlement is on January 5th, if
11 that's --

12 *[Atty. Brown indicating in the*
13 *affirmative.]*

14 MS. AMIDON: That's correct. And, so,
15 we're basically at the final stages of this
16 docket.

17 The contract is expiring. The special
18 conditions still exist to warrant the contract.
19 And I think that Attorney Brown also explained
20 that, due to the greater volume that many
21 customers are taking, the overall rate impact for
22 the special contract is that the rate will go
23 down. And there is no impact to the residential
24 customers who take their service under a tariff

1 rate.

2 So, we're just proceeding with trying
3 to make sure that the settlement is consistent
4 with the terms of the other agreements with the
5 various towns and entities that PWW has entered
6 into special contracts.

7 CMSR. CHATTOPADHYAY: Thank you. That
8 was very helpful.

9 CMSR. SIMPSON: Anything else,
10 Commissioner Chattopadhyay?

11 CMSR. CHATTOPADHYAY: No.

12 CMSR. SIMPSON: Is there anything else
13 that we need to cover today from any of the
14 parties?

15 MS. BROWN: I just had some remarks to
16 inform the Commission about.

17 CMSR. SIMPSON: Please.

18 MS. BROWN: I mean, thank you very much
19 for, you know, the description that this is the
20 third contract that's proposed among the --
21 between the parties.

22 The need for or the justification for
23 the deviation for the special contract from the
24 general tariff schedules is articulated in the

1 Petition. It is also thoroughly articulated in
2 Mr. Ware's testimony.

3 And if I could just summarize those for
4 the record: That the Town of Milford has its own
5 storage. And, so, the storage is important,
6 because it means that any of the peaking demand,
7 there's less a strain on Pennichuck's system,
8 which benefits everybody, because Milford has its
9 own storage.

10 Milford has also, since the 1988 first
11 contract, has invested significantly in capital.
12 It ran a line from its system, in Milford, out to
13 101A, in Amherst, to an interconnection point,
14 and built a booster station. Now, the booster
15 station, I believe, has, you know, run its
16 course, end-of-life. And, so, it is under
17 construction of a new one. And, you know, here,
18 talking with the Town representative here today,
19 it's still in design phase. But that is another
20 significant investment that general-metered
21 customers don't do. So, it's a further
22 justification for the deviation from the general
23 tariffs.

24 The next point is that the Town of

1 Milford does have its own water supply. So, it
2 could support itself without Pennichuck. But
3 Pennichuck is a necessary backup. There is a
4 benefit to the customers, because, if Pennichuck
5 can secure a large user over a term of years, and
6 know that those revenues are going to come in,
7 that helps the small, you know, it helps the
8 residential, it helps the rest of the
9 general-metered customers, because it's a
10 benefit.

11 Department of Energy/Pennichuck will be
12 presenting a settlement to the Commission on
13 January 5th, on or before. In the past, the
14 Commission has either asked as a record request,
15 we are going to, I'm letting you know now, that
16 the settlement will include a live workbook of
17 the cost of service study, just so that you don't
18 have to issue a record request, unless you want
19 it sooner than January 5th. And, because the
20 formulas in that live cost of service study are
21 proprietary, it will also be filing a motion for
22 protective treatment to cover that live version.

23 There is a slight error in the Petition
24 that I drafted, that was inconsistent with the

1 testimony. And I just wanted to point that out,
2 because, on Page 6 of Mr. Ware's testimony,
3 there's a very handy comparison chart. And,
4 under "Minimum Purchase", in the Petition I had
5 erroneously thought that there was a minimum
6 purchase; there is none under the second
7 contract. This third contract is going to have a
8 minimum. So, that's important for the revenues
9 coming in, and the benefits that the rest of the
10 customers receive.

11 So, I just wanted to alert you of
12 what's coming in the package for the settlement
13 document. As Attorney Amidon stated, we have
14 finished discovery, three rounds of discovery.
15 And we'll be meeting to discuss settlement terms
16 following this prehearing.

17 So, thank you.

18 CMSR. SIMPSON: Thank you. Anything
19 else, Commissioner Chattopadhyay?

20 *[Cmsr. Chattopadhyay indicating in the*
21 *negative.]*

22 CMSR. SIMPSON: Last call, anyone have
23 any other points?

24 *[No verbal response.]*

1 CMSR. SIMPSON: All right. Thank you,
2 everyone. We're adjourned. Off the record.

3 ***(Whereupon the prehearing conference***
4 ***was adjourned at 9:15 a.m., and a***
5 ***technical session was held***
6 ***thereafter.)***

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