

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

**Pennichuck Water Works, Inc.**

**Petition for Wholesale Water Agreement**

**with the Merrimack Village District**

**DW 22-085**

**Direct Testimony of Donald L. Ware**

**December 16, 2022**

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1 **1. Professional and Educational Background**

2 **Q. What is your name and what is your position with Pennichuck Water Works,**  
3 **Inc.?**

4 **A.** My name is Donald L. Ware. I am the Chief Operating Officer of the Pennichuck  
5 Water Works, Inc. (“PWW” or “Company”). I have worked for PWW since  
6 1995. I am a licensed professional engineer in New Hampshire, Massachusetts,  
7 and Maine.

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

9 **A.** I have a bachelor’s in science degree in Civil Engineering from Bucknell  
10 University in Lewisburg, Pennsylvania and I completed all the required courses,  
11 with the exception of my thesis, for a master’s degree in civil engineering from  
12 the same institution. I have a master’s in business administration from the  
13 Whittemore Business School at the University of New Hampshire.

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

15 **A.** Prior to joining the Company, I served as the General Manager of the Augusta  
16 Water District in Augusta, Maine from 1986 to 1995. I served as the District’s  
17 engineer between 1982 and 1986. Prior to my engagement with the District, I  
18 served as a design engineer for the State of Maine Department of Transportation  
19 for six months and before that as a design engineer for Buchart-Horn Consulting  
20 Engineers from 1979 to 1982.

21 **Q. What are your responsibilities as Chief Operating Officer of the Company?**

22 **A.** As Chief Operating Officer, I am responsible for PWW’s overall operations,  
23 including customer service, water supply, water supply and water sales contracts,  
24 distribution and engineering. I work closely with PWW’s Chief Engineer and

1 other senior managers to help develop PWW’s Annual and Three-Year Capital  
2 Improvement Plans.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to describe the Company’s willingness to:

5 (1) enter into a wholesale water contract (“Wholesale Contract”) with the  
6 Merrimack Village District (“MVD”);

7 (2) summarize the terms and conditions of the proposed Wholesale  
8 Contract; and

9 (3) explain why the proposed Wholesale Contract is in the public interest  
10 and should be approved.

11 **2. Description of MVD’s Current Purchase of Water from PWW**

12 **Q. Does MVD currently purchase water from PWW?**

13 A. Yes. MVD currently has a water main connection with PWW along Route 101A  
14 in Merrimack, just south of the Merrimack Home Depot. For several years, MVD  
15 has used water at this interconnection point on an “as needed” basis to supplement  
16 their water supply when one or more of their wells are out of service or during  
17 heavy periods of summer usage by MVD’s customers. At present MVD draws  
18 between 0-.01 million gallons of water per day as needed, almost exclusively  
19 during the summer months, and not for any extended period of time. As such,  
20 under their current usage conditions, MVD has existed as a General Metered  
21 customer of PWW.

22 **3. Description of Emergency Usage by MVD**

23 **Q. Didn’t the NHPUC approve an Emergency Special Contract between MVD  
24 and PWW earlier in 2022, at rates other than those of a PWW G-M**

1 **customer?**

2 **A.** Yes. By Order No. 26,597 (March 25, 2022), the Commission approved the  
3 Emergency Special Contract and rates through December 31, 2022.

4 **Q. Why doesn't PWW and MVD propose to extend the terms of the Emergency  
5 Special Contract, rather than entering into a new Wholesale Contract?**

6 **A.** The Emergency Special Contract ("Emergency Contract") was unique and based  
7 on short-term environmental conditions outside of the control of MVD. At the  
8 time of the approval of the Emergency Contract, MVD did not envision  
9 purchasing water from PWW, other than their sporadic historic patterns of usage,  
10 as noted on page 4 of my testimony. And based upon this, going forward MVD  
11 felt it had sufficient supply coming on line with their existing wells, once  
12 treatment that was being developed and installed was completed, that it did not  
13 need water from PWW other than for emergency purposes.

14 **Q. Do the rates under the Emergency Contract cover all of PWW's costs to  
15 provide water under the new proposed usage?**

16 **A.** No. The rate that was offered in the Emergency Contract recovered PWW's  
17 variable cost of water production only and did not include any contribution by  
18 MVD toward PWW's general and administrative costs or towards the capital  
19 invested by PWW to provide water to MVD on a long-term and significant and  
20 constant basis. Continuing to charge MVD rates based on PWW's variable cost of  
21 producing the water for MVD, as allowed for under the Emergency Contract,  
22 would not be just and reasonable, as MVD would be getting water at rates, on an  
23 on-going and long-term basis, that would be subsidized by PWW's General  
24 Metered ("GM") customers.

1 **Q. Please explain why MVD’s planned use of PWW’s water for the next 3 to 6**  
2 **years is different than its usage in the past?**

3 **A.** Please see MVD’s testimony which explains its reasoning for seeking to purchase  
4 water from PWW on a continuum, throughout the year for the next three to six  
5 years.

6 **4. Description of Terms and Rates of Proposed Wholesale Contract**

7 **Q. What is the basis for the proposed Wholesale Water Contract?**

8 **A.** The basic form and overall terms of the proposed Wholesale Contract, attached as  
9 Attachment DLW-2, follows the same form as the existing Emergency Special  
10 Contract, with the following specific economic considerations include in the  
11 Wholesale Contract rates:

12 1. MVD will pay an annual fixed fee to provide for its share of the City Bond  
13 Fixed Revenue Requirement, the 1.0 Debt Service Revenue Requirement  
14 and the 0.1 Debt Service Revenue Requirement.

15 2. MVD will pay a Volumetric Charge that is based upon it paying for its  
16 appropriate share of the variable cost to operate the Company’s: (1) raw  
17 water facilities, (2) water treatment facilities, (3) distribution system  
18 maintenance, and (4) administrative expenses.

19 3. MVD will pay a monthly meter charge (“Monthly Meter Charge”) that  
20 reflects the cost of operating and maintaining the water meter serving  
21 Merrimack.

22 4. MVD will purchase a minimum of 91.24 million gallons of water per year  
23 which is equivalent to 121,992 hundred cubic feet (“CCF”) or 250,000  
24 Gallons per Day (“GPD”).

1           5. MVD will limit their annual average daily usage to: (1) 500,000 GPD, (2)  
2           their maximum daily usage to 500,000 GPD and (3) their peak hour usage  
3           to 500,000 GPD.

4   **Q.   Does the Company have sufficient supplies to provide this quantity of water**  
5   **to MVD?**

6   A.   Yes.

7   **Q.   Was a Cost of Services used to determine the proposed rates in the proposed**  
8   **Wholesale Contract?**

9   A.   Yes. PWW had a Cost of Service Study (“COSS”) performed by Raftelis based  
10   on the approved Revenue Requirements from the Company’s last rate case, DW  
11   19-084. The COSS is included as Attachment DLW-1 to this testimony.

12   **Q.   What are the proposed rates in the proposed Wholesale Water contract and**  
13   **how do they compare to PWW’s current General Metered customer rates**  
14   **(those approved in DW19-084 and currently charged to MVD outside of the**  
15   **current Emergency Contract)?**

16   A.   The Base Monthly Fixed Fee is proposed to be \$15,143.13 (\$181,718 per annum).  
17   In comparison, as a GM customer, MVD does not pay a Base Monthly Fixed Fee.  
18   The proposed MVD Volumetric Charge, derived from the Cost of Service Study  
19   (COSS) referenced below, is \$0.9403 per CCF. The current Volumetric Charge,  
20   as approved in DW 19-084 for a General Metered PWW customer is \$3.99 per  
21   CCF (after annual adjustments associated with Municipal Fire protection and  
22   exclusive of any approved QCPAC’s). The \$0.9403 per CCF is subject to the  
23   additional impact of the surcharges from the 3.90% QCPAC granted in DW 20-  
24   020, the 1.56 QCPAC granted in DW 21-023, and the 1.80% QCPAC granted in

1 DW 22-006. The QCPAC's will not be recoupable as the existing MVD  
2 Volumetric Charge is currently being charged the QCPAC. MVD is hopeful that  
3 the proposed MVD Wholesale Contract Volumetric Charge will become effective  
4 on or before June 1, 2023. MVD is very hopeful that the proposed Wholesale  
5 Contract can be approved and effective no later than June 1, 2023, such that MVD  
6 can meet the summer demands created by its customers, with the water and rates  
7 from this Wholesale Contract included in their overall water supply capacity.

8 **Q. On what expenses are the rates calculated?**

9 **A.** The base Volumetric Charge and monthly meter rate proposed in this Wholesale  
10 Contract are based on the expenses approved in the Company's last full rate case,  
11 Docket No. DW19-084, which are subject to any QCPAC's or changes in  
12 permanent rates, that become effective on or before the effective date of the  
13 proposed Wholesale Contract.

14 **Q. What is the monthly meter charge in the proposed Wholesale Water**  
15 **contract?**

16 **A.** There will be a monthly meter charge of \$78.33, which is reflective of the cost to  
17 read and bill MVD monthly, in addition to the cost to test the 6" meter for  
18 accuracy every year.

19 **Q. Will the Volumetric or Monthly Meter Charge ever change other than to**  
20 **reflect the QCPAC adjustments?**

21 **A.** Yes, both the Monthly Meter Charge and the Volumetric Charge will be adjusted  
22 by the same percentage and at the same time as any future change in the  
23 Volumetric Charges for general metered service, as adjudicated by the New  
24 Hampshire Public Utilities Commission ("Commission"), inclusive of QCPAC's,



1 which PWW charges to its core system customers in the City of Nashua.

2 **Q. Please summarize the key provisions of the proposed Wholesale Water**  
3 **Contract.**

4 A. The key provisions of the Wholesale Contract are as follows:

5 1. The proposed Wholesale Contract requires PWW to provide up to an average  
6 annual flow of 500,000 GPD, a peak day flow of 500,000 GPD and a  
7 maximum hourly flow rate of 500,000 GPD.

8 2. MVD will pay a monthly bill, in arrears, consisting of three parts,

9 (1) a monthly meter charge,

10 (2) a base monthly fixed charge, and

11 (3) a monthly Volumetric Charge, which will be based on the actual volume  
12 of water used during the billing month.

13 3. MVD guarantees a minimum a daily base usage of 250,000 gallons per

14 day (equal to 334.2 CCF per day), during each contract year for the

15 duration of this contract, or a minimum annual purchase volume of

16 121,992 CCF. The contract year (“Contact Year”) shall begin on

17 September 1st of each year and end on August 31st of the following

18 calendar year. In the event that the daily usage of MVD is less than an

19 average of 334.2 CCF/day over any monthly billing period within any

20 Contract Year, MVD will pay the Volumetric Charge for 334.2

21 CCF/day for that month, and MVD will carryover a usage credit into

22 the next month in the amount of the difference between the 334.2

23 CCF/day paid for in the previous months bill and the actual CCF/day

24 usage in the months bill. Credits will carry over month-to-month

1 during each Contract Year. There will be no carryover of these  
2 volumetric credits from Contract Year to Contract Year (i.e., from  
3 August to September). If any carryover volumetric credits exist at the  
4 end of August, then that credit will be zeroed out going into September  
5 of the next Contract Year.

6 4. MVD is required to complete upgrades to the SCADA and Station controls of  
7 its existing booster station as part of the Wholesale Contract. The contractual  
8 upgrade of SCADA controls will need to be completed within 9 months of the  
9 Wholesale Contract being approved by the NHPUC.

10 5. MVD will pay for 100% of the costs associated with the design, and  
11 installation of the SCADA and Station controls.

12 6. PWW will purchase and provide the six-inch turbine meter to be  
13 installed in MVD Station.

14 7. MVD will pay 100% of the costs of the COSS which was required to  
15 develop the proposed Wholesale Contract.

16 8. MVD will pay 100% of the legal costs associated with obtaining  
17 regulatory approval of the Wholesale Contract.

18 **Q. Please explain how each of the charges comport with the recommendations of**  
19 **the Cost of Service Study.**

20 A. The charges match those detailed in the COSS based on MVD's contractual rates  
21 of 250,000 GPD Average Day, 500,000 GPD Maximum Day and 500,000 GPD  
22 Maximum Hour. See Attachment DLW-1, "Allocation Factors" schedule.

23 The monthly meter charge provides PWW with the mechanism to collect the  
24 customer related charges associated with monthly meter reading and billing as

1 well as annual testing of the meter.

2 The base monthly fixed charge ensures that MVD will pay its share of the  
3 expenses associated with the water supply facilities that provide service to MVD,  
4 as well as MVD's share of the CBFRR, regardless of its actual usage. This  
5 charge is fixed for the length of the Wholesale Contract unless PWW is required  
6 to make an investment in the water supply facilities specifically required to  
7 service MVD, in which case a new COSS will be completed to determine the  
8 proper allocation of PWW's expenses and return on the investment in its water  
9 supply facilities that would be allocable to MVD, under this Wholesale Contract.

10 The COSS set the base monthly fixed charge at \$15,362.50 per month based on  
11 the allowed usage volumes specified in the proposed Wholesale Contract. This  
12 rate will not change during the duration of the Wholesale Contract unless PWW  
13 must make additional investment in the water supply facilities that specifically  
14 service MVD and a new COSS is completed which establishes the appropriate  
15 sharing of the new investment, that is approved by the Commission. Finally, this  
16 rate is charged each month regardless of whether MVD uses any water or not.

17 The MVD Volumetric Charge were determined in the COSS as the rate necessary  
18 to pay for the variable costs associated with producing MVD's water, as well as,  
19 providing a prorated contribution from MVD toward PWW's Administrative and  
20 Management, Water supply and Distribution Administrative expenses. The  
21 Volumetric Charge established for MVD by the COSS was \$0.9448 per CCF.

22 This rate is based on the DW 19-084 expenses and is to subject to the QCPAC's  
23 granted in in DW 20-020 and DW 21-023 as well as the QCPAC being sought in  
24 DW22-006.

1 The Annual Minimum Annual Usage charge provides rate stability in the event  
2 MVD uses less water than the minimum amount.

3 **Q. What is the proposed term and effective date for the proposed Wholesale**  
4 **Water Contract?**

5 A. The term of the proposed Wholesale Contract is up to six years, consisting of an  
6 initial 3-year term followed by up to (3) one-year extensions. The three successive  
7 extension terms renew automatically, as “evergreen” provisions in the Wholesale  
8 Contract, unless MVD decides to terminate the Wholesale Contract at the end of either:  
9 (1) the initial three-year term (“Initial Term”), or (2) the end of any of the three 1-year  
10 renewal terms following its effective date. Although the Contract Year will run  
11 September to August, PWW and MVD wish to obtain NHPUC approval on or before  
12 June 1, 2023. The months June through August will be referred to as a Stub Year and  
13 usage during the Stub Year will be considered in the usage during the first Contract Year  
14 and is subject to the minimum guaranteed daily purchase amount of 250,000 gallons per  
15 day. In order to terminate at one of these specified termination dates, MVD must provide  
16 written notice to PWW at least 6 months prior to the date on which the Initial Term or  
17 Renewal Term expires.

18 **5. Policy Reasons Supporting a Special Contract**

19 **Q. Why should MVD have a special contract? Please explain how MVD is**  
20 **different from PWW’s General Metered customers.**

21 A. Under the terms of the proposed Wholesale Contract, MVD will be PWW’s 6<sup>th</sup>  
22 largest customer, in terms of demand. It should be noted that PWW’s five largest  
23 current volumetric users: A-B, the Town of Hudson, the Town of Tyngsboro,  
24 Pennichuck East Utility and Milford all have special contracts with PWW. MVD

1 will also be a large customer. Additionally, MVD has:

- 2 1. Its own water storage facilities, which results in MVD's usage being  
3 steady and consistent, without troublesome hourly or daily peaks  
4 during seasonal peaking periods (which are inefficient in the overall  
5 delivery of water by PWW into its distribution system).
- 6 2. MVD paid for the entire cost of constructing the existing Route 101A  
7 interconnection between MVD and PWW.
- 8 3. MVD has six large wells capable of providing 100% of MVD's  
9 essential water supply.
- 10 4. The rates proposed in the Wholesale Contract were arrived at using a  
11 cost of service approach which is appropriate under the circumstances  
12 because it is more reflective of the actual cost to serve MVD based  
13 upon the facts detailed above, as opposed to the tariffed rate that  
14 would otherwise apply, absent a wholesale water contract.
- 15 5. PWW currently provides MVD with a second source of water supply  
16 in the event that one or more of MVD's wells are not operational, or  
17 have become contaminated. The existing interconnection provided  
18 about 50% of MVD's water over the past year while MVD completed  
19 the installation of water treatment facilities to remove Perfluorinated  
20 compounds from its well water.
- 21 6. The variable cost of producing a CCF of water through the Nashua  
22 Water Treatment plant, Year-to-Date in 2022 is about \$0.66 per CCF  
23 (based on a complete carbon change out every three years, plus all  
24 chemicals and electricity for 100% of water being pumped from the

1 Merrimack River) versus the proposed MVD's Volumetric Charge of  
2 \$0.9448 per CCF, which if subjected to the proposed 13.5% increase  
3 in rates being sought by PWV in DW 22-032 would be \$1.0723 per  
4 CCF. The proposed MVD Volumetric Charge, in conjunction with the  
5 guaranteed minimum annual volume purchase amount, ensures that  
6 MVD pays a ratable share of PWV's administrative and general  
7 expenses, Water supply and Distribution administrative expenses per  
8 the COSS.

9 See also, the Statement of Special Circumstances attached to this testimony as  
10 Attachment DLW-3.

11 **Q. What is the economic benefit of the proposed Wholesale Water Contract to**  
12 **MVD?**

13 A. If MVD were to be billed as a G-M customer it would be billed a monthly meter  
14 charge for one 6" water meter at a rate of \$1,091.40 per month, and a Volumetric  
15 Charge of \$3.99 per CCF (based on the permanent rates established in DW 19-  
16 084, inclusive of the 11/23/2022 annual adjustment from that docket, based on the  
17 shift in revenue requirement from G-M customer to Municipal Fire customers)  
18 which would result in annual bill to MVD of \$499,857, based on MVD  
19 purchasing 121,992 CCF of water (250,000 GPD). Under the provisions of the  
20 proposed Wholesale Contract MVD's annual bill would be \$300,548.

21 **Q. Please explain which party, MVD or PWV, are responsible for payment of**  
22 **costs associated with this Wholesale Water Contract?**

23 A. MVD will pay for 100% of the cost to design and construct the required  
24 improvements to its existing Route 101A Booster Station. MVD continue to own,

1 maintain and operate the Route 101A booster station.

2 PWW will purchase, provide, and maintain a 6” turbine meter to MVD to  
3 measure the flow of water from PWW to MVD through MVD’s existing Route  
4 101A booster station. This meter will be the property of PWW and PWW will be  
5 responsible for reading the meter and testing its accuracy on an annual basis.

6 MVD will pay PWW for 100% of the cost to complete COSS required to develop  
7 the various Wholesale Contract charges from PWW to MVD.

8 MVD will pay PWW for 100% of the legal costs associated with obtaining the  
9 regulatory approval required for PWW to serve MVD via a Wholesale Contract.

10 **Q. What is the benefit of the proposed Wholesale Water Contract to the**  
11 **Company and its customers?**

12 **A.** Long term contracts such as what is proposed benefit the Company and its  
13 customers because guaranteed revenues are secured over a term of years. These  
14 guaranteed revenues help stabilize cash flow. As I stated earlier, usage of water  
15 by MVD will not affect peak demand because MVD has its own storage. MVD  
16 already has an interconnection point so no construction is necessary to provide the  
17 water under the proposed Wholesale Contract. For these reasons, the proposed  
18 Wholesale Contract has benefits to MVD, the Company, and customers.

19 **Q. Do you have a sense of whether MVD will need a special contract after the 3-**  
20 **year Initial Term and three 1-year Renewal Terms?**

21 **A.** No. I would defer to the testimony of MVD.

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

23 **A.** Yes. PWW believes that the proposed Wholesale Contract is just and reasonable  
24 for both MVD’s and PWW’s customers. The proposed Wholesale Contract

1 results in MVD paying its fair share of PWW's costs to serve them based upon  
2 the usage constraints defined in this Wholesale Contract. MVD is in need of  
3 additional source of supply, to fully meet its base and seasonal water usage  
4 demands going forward, while it continues to investigate options for that supply,  
5 including consideration of a longer-term Wholesale Contract with PWW. MVD  
6 has committed to purchasing a minimum fixed amount of water each year while  
7 limiting its demands on the PWW system by reducing its peak day and peak hour  
8 flow requirements. MVD as a customer, with a guaranteed minimum annual  
9 purchase amount of 250,000 GPD, for the next 3 to 6 years provides PWW and its  
10 customers a guaranteed contribution to the fixed expenses associated with its  
11 water supply facilities as well as a contribution to PWW's general, administrative,  
12 water supply and distribution expense that will not change regardless of whether  
13 MVD takes no water, or 250,000 GPD. The annual minimum usage requirement  
14 ensures that MVD will pay its fair share of PWW's administrative and general  
15 expenses, WTP administrative and Distribution administrative expenses for the  
16 duration of the Wholesale Contract. In summation, PWW believes that the  
17 proposed Wholesale Contract with MVD is just and reasonable and is consistent  
18 with the public interest.

19 **Q. Does that complete your testimony?**

20 A. Yes.



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16 appropriate share of the variable cost to operate the Company’s: (1) raw  
17 water facilities, (2) water treatment facilities, (3) distribution system  
18 maintenance, and (4) administrative expenses.

19 3. MVD will pay a ~~fixed~~-monthly meter charge (“Monthly Meter Charge”)  
20 that reflects the cost of operating and maintaining the water meter serving  
21 Merrimack.

22 4. MVD will purchase a minimum of 91.24 million gallons of water per year  
23 which is equivalent to 121,992 hundred cubic feet (“CCF”) or 250,000  
24 Gallons per Day (“GPD”).

1 5. MVD will limit their annual average daily usage to: (1) ~~250~~500,000 GPD,  
2 (2) their maximum daily usage to 500,000 GPD and (3) their peak hour  
3 usage to 500,000 GPD.

4 **Q. Does the Company have sufficient supplies to provide this quantity of water**  
5 **to MVD?**

6 **A.** Yes.

7 **Q. Was a Cost of Services used to determine the proposed rates in the proposed**  
8 **Wholesale Contract?**

9 **A.** Yes. PWW had a Cost of Service Study (“COSS”) performed by Raftelis based  
10 on the approved Revenue Requirements from the Company’s last rate case, DW  
11 19-084. The COSS is included as Attachment DLW-1 to this testimony.

12 **Q. What are the proposed rates in the proposed Wholesale Water contract and**  
13 **how do they compare to PWW’s current General Metered customer rates**  
14 **(those approved in DW19-084 and currently charged to MVD outside of the**  
15 **current Emergency Contract)?**

16 **A.** The Base Monthly Fixed Fee is proposed to be \$15,143.13 (\$181,718 per annum).  
17 In comparison, as a GM customer, MVD does not pay a Base Monthly Fixed Fee.  
18 The proposed MVD Volumetric Charge, derived from the Cost of Service Study  
19 (COSS) referenced below, is \$0.9403 per CCF. The current Volumetric Charge,  
20 as approved in DW 19-084 for a General Metered PWW customer is \$3.99 per  
21 CCF (after annual adjustments associated with Municipal Fire protection and  
22 exclusive of any approved QCPAC’s). The \$0.9403 per CCF is subject to the  
23 additional impact of the surcharges from the 3.90% QCPAC granted in DW 20-  
24 020, the 1.56 QCPAC granted in DW 21-023, and the 1.80% QCPAC granted in

1 DW 22-006. The QCPAC's will not be recoupable as the existing MVD  
2 Volumetric Charge is currently being charged the QCPAC. MVD is hopeful that  
3 the proposed MVD Wholesale Contract Volumetric Charge will become effective  
4 on or before June 1, 2023. MVD is very hopeful that the proposed Wholesale  
5 Contract can be approved and effective no later than June 1, 2023, such that MVD  
6 can meet the summer demands created by its customers, with the water and rates  
7 from this Wholesale Contract included in their overall water supply capacity.

8 **Q. On what expenses are the rates calculated?**

9 **A.** The base Volumetric Charge and monthly meter rate proposed in this Wholesale  
10 Contract are based on the expenses approved in the Company's last full rate case,  
11 Docket No. DW19-084, which are subject to any QCPAC's or changes in  
12 permanent rates, that become effective on or before the effective date of the  
13 proposed Wholesale Contract.

14 **Q. What is the monthly meter charge in the proposed Wholesale Water**  
15 **contract?**

16 **A.** There will be a monthly meter charge of \$78.33, which is reflective of the cost to  
17 read and bill MVD monthly, in addition to the cost to test the 6" meter for  
18 accuracy every year.

19 **Q. Will the Volumetric or Monthly Meter Charge ever change other than to**  
20 **reflect the QCPAC adjustments?**

21 **A.** Yes, both the Monthly Meter Charge and the Volumetric Charge will be adjusted  
22 by the same percentage and at the same time as any future change in the  
23 Volumetric Charges for general metered service, as adjudicated by the New  
24 Hampshire Public Utilities Commission ("Commission"), inclusive of QCPAC's,



1 which PWW charges to its core system customers in the City of Nashua.

2 **Q. Please summarize the key provisions of the proposed Wholesale Water**  
3 **Contract.**

4 A. The key provisions of the Wholesale Contract are as follows:

5 1. The proposed Wholesale Contract requires PWW to provide up to an average  
6 annual flow of ~~250~~500,000 GPD, a peak day flow of 500,000 GPD and a  
7 maximum hourly flow rate of 500,000 GPD.

8 2. MVD will pay a monthly bill, in arrears, consisting of three parts,  
9 (1) a monthly meter charge,  
10 (2) a base monthly fixed charge, and  
11 (3) a monthly Volumetric Charge, which will be based on the actual volume  
12 of water used during the billing month.

13 3. MVD guarantees a minimum a daily base usage of 250,000 gallons per  
14 day (equal to 334.2 CCF per day), during each contract year for the  
15 duration of this contract, or a minimum annual purchase volume of  
16 121,992 CCF. The contract year (“Contact Year”) shall begin on  
17 September 1st of each year and end on August 31st of the following  
18 calendar year. In the event that the daily usage of MVD is less than an  
19 average of 334.2 CCF/day over any monthly billing period within any  
20 ~~C~~contract ~~Y~~year, MVD will pay the Volumetric Charge for 334.2  
21 CCF/day for that month, and MVD will carryover a usage credit into  
22 the next month in the amount of the difference between the 334.2  
23 CCF/day paid for in the previous months bill and the actual CCF/day  
24 usage in the months bill. Credits will carry over month-to-month

1 during each Contract Year. There will be no carryover of these  
2 volumetric credits from Cecontract Yyear to Contract Year (i.e., from  
3 August to September). If any carryover volumetric credits exist at the  
4 end of August, then that credit will be zeroed out going into September  
5 of the next Contract Yyear.

6 4. MVD is required to complete upgrades to the SCADA and Station controls of  
7 its existing booster station as part of the Wholesale Contract. The contractual  
8 upgrade of SCADA controls will need to be completed within 9 months of the  
9 Wholesale Contract being approved by the NHPUC.

10 5. MVD will pay for 100% of the costs associated with the design, and  
11 installation of the SCADA and Station controls.

12 6. PWW will purchase and provide the six-inch turbine meter to be  
13 installed in MVD Station.

14 7. MVD will pay 100% of the costs of the COSS which was required to  
15 develop the proposed Wholesale Contract.

16 8. MVD will pay 100% of the legal costs associated with obtaining  
17 regulatory approval of the Wholesale Contract.

18 **Q. Please explain how each of the charges comport with the recommendations of**  
19 **the Cost of Service Study.**

20 A. The charges match those detailed in the COSS based on MVD's contractual rates  
21 of 250,000 GPD Average Day, 500,000 GPD Maximum Day and 500,000 GPD  
22 Maximum Hour. See Attachment DLW-1, "Allocation Factors" schedule.

23 The monthly meter charge provides PWW with the mechanism to collect the  
24 customer related charges associated with monthly meter reading and billing as

1 well as annual testing of the meter.

2 The base monthly fixed charge ensures that MVD will pay its share of the  
3 expenses associated with the water supply facilities that provide service to MVD,  
4 as well as MVD's share of the CBFRR, regardless of its actual usage. This  
5 charge is fixed for the length of the Wholesale Cecontract unless PWW is required  
6 to make an investment in the water supply facilities specifically required to  
7 service MVD, in which case a new COSS will be completed to determine the  
8 proper allocation of PWW's expenses and return on the investment in its water  
9 supply facilities that would be allocable to MVD, under this Wholesale Cecontract.

10 The COSS set the base monthly fixed charge at \$15,362.50 per month based on  
11 the allowed usage volumes specified in the proposed Wholesale Contract. This  
12 rate will not change during the duration of the Wholesale Contract unless PWW  
13 must make additional investment in the water supply facilities that specifically  
14 service MVD and a new COSS is completed which establishes the appropriate  
15 sharing of the new investment, that is approved by the Commission. Finally, this  
16 rate is charged each month regardless of whether MVD uses any water or not.

17 The MVD Volumetric Charge were determined in the COSS as the rate necessary  
18 to pay for the variable costs associated with producing MVD's water, as well as,  
19 providing a prorated contribution from MVD toward PWW's Administrative and  
20 Management, Water supply and Distribution Administrative expenses. The  
21 Volumetric Charge established for MVD by the COSS was \$0.9448 per CCF.

22 This rate is based on the DW 19-084 expenses and is to subject to the QCPAC's  
23 granted in in DW 20-020 and DW 21-023 as well as the QCPAC being sought in  
24 DW22-006.

1 The Annual Minimum Annual Usage charge provides rate stability in the event  
2 MVD uses less water than the minimum amount.

3 **Q. What is the proposed term and effective date for the proposed Wholesale**  
4 **Water Contract?**

5 A. The term of the proposed Wholesale Contract is up to six years, consisting of an  
6 initial 3-year term followed by up to (3) one-year extensions. The three successive  
7 extension terms renew automatically, as “evergreen” provisions in the Wholesale  
8 Contract, unless MVD decides to terminate the Wholesale Contract at the end of either:  
9 (1) the initial three-year term (“Initial Term”), or (2) the end of any of the three 1-year  
10 renewal terms following its effective date. Although the Contract Year will run  
11 September to August, PWW and MVD wish to obtain NHPUC approval on or before  
12 June 1, 2023. The months June through August will be referred to as a Stub Year and  
13 usage during the Stub Year will be considered in the usage during the first Contract Year  
14 year term and is subject to the minimum guaranteed daily purchase about of 250,000  
15 gallons per day. In order to terminate at one of these specified termination dates, MVD  
16 must provide written notice to PWW at least 6 months prior to the date on which the  
17 Initial Term or Renewal Term expires.

18 **5. Policy Reasons Supporting a Special Contract**

19 **Q. Why should MVD have a special contract? Please explain how MVD is**  
20 **different from PWW’s General Metered customers.**

21 A. Under the terms of the proposed Wholesale Contract, MVD will be PWW’s 6<sup>th</sup>  
22 largest customer, in terms of demand. It should be noted that PWW’s five largest  
23 current volumetric users: A-B, the Town of Hudson, the Town of Tyngsboro,  
24 Pennichuck East Utility and Milford all have special contracts with PWW. MVD

1 will also be a large customer. Additionally, MVD has:

- 2 1. Its own water storage facilities, which results in MVD's usage being  
3 steady and consistent, without troublesome hourly or daily peaks  
4 during seasonal peaking periods (which are inefficient in the overall  
5 delivery of water by PWV into its distribution system).
- 6 2. MVD paid for the entire cost of constructing the existing Route 101A  
7 interconnection between MVD and PWV.
- 8 3. MVD has six large wells capable of providing 100% of MVD's  
9 essential water supply.
- 10 4. The rates proposed in the Wholesale Contract were arrived at using a  
11 cost of service approach which is appropriate under the circumstances  
12 because it is more reflective of the actual cost to serve MVD based  
13 upon the facts detailed above, as opposed to the tariffed rate that  
14 would otherwise apply, absent a wholesale water contract.
- 15 5. PWV currently provides MVD with a second source of water supply  
16 in the event that one or more of MVD's wells are not operational, or  
17 have become contaminated. The existing interconnection provided  
18 about 50% of MVD's water over the past year while MVD completed  
19 the installation of water treatment facilities to remove Perfluorinated  
20 compounds from its well water.
- 21 6. The variable cost of producing a CCF of water through the Nashua  
22 Water Treatment plant, Year-to-Date in 2022 is about \$0.66 per CCF  
23 (based on a complete carbon change out every three years, plus all  
24 chemicals and electricity for 100% of water being pumped from the

1 Merrimack River) versus the proposed MVD's Volumetric Charge of  
2 \$0.9448 per CCF, which if subjected to the proposed 13.5% increase  
3 in rates being sought by PWV in DW 22-032 would be \$1.0723 per  
4 CCF. The proposed MVD Volumetric Charge, in conjunction with the  
5 guaranteed minimum annual volume purchase amount, ensures that  
6 MVD pays a ratable share of PWV's administrative and general  
7 expenses, Water supply and Distribution administrative expenses per  
8 the COSS.

9 See also, the Statement of Special Circumstances attached to this testimony as  
10 Attachment DLW-3.

11 **Q. What is the economic benefit of the proposed Wholesale Water Contract to**  
12 **MVD?**

13 A. If MVD were to be billed as a G-M customer it would be billed a monthly meter  
14 charge for one 6" water meter at a rate of \$1,091.40 per month, and a Volumetric  
15 Charge of \$3.99 per CCF (based on the permanent rates established in DW 19-  
16 084, inclusive of the 11/23/2022 annual adjustment from that docket, based on the  
17 shift in revenue requirement from G-M customer to Municipal Fire customers)  
18 which would result in annual bill to MVD of \$499,857, based on MVD  
19 purchasing 121,992 CCF of water (250,000 GPD). Under the provisions of the  
20 proposed Wholesale Contract MVD's annual bill would be \$300,548.

21 **Q. Please explain which party, MVD or PWV, are responsible for payment of**  
22 **costs associated with this Wholesale Water Contract?**

23 A. MVD will pay for 100% of the cost to design and construct the required  
24 improvements to its existing Route 101A Booster Station. MVD continue to own,

1 maintain and operate the Route 101A booster station.

2 PWW will purchase, provide, and maintain a 6” turbine meter to MVD to  
3 measure the flow of water from PWW to MVD through MVD’s existing Route  
4 101A booster station. This meter will be the property of PWW and PWW will be  
5 responsible for reading the meter and testing its accuracy on an annual basis.

6 MVD will pay PWW for 100% of the cost to complete COSS required to develop  
7 the various Wholesale Contract charges from PWW to MVD.

8 MVD will pay PWW for 100% of the legal costs associated with obtaining the  
9 regulatory approval required for PWW to serve MVD via a Wholesale Contract.

10 **Q. What is the benefit of the proposed Wholesale Water Contract to the**  
11 **Company and its customers?**

12 **A.** Long term contracts such as what is proposed benefit the Company and its  
13 customers because guaranteed revenues are secured over a term of years. These  
14 guaranteed revenues help stabilize cash flow. As I stated earlier, usage of water  
15 by MVD will not affect peak demand because MVD has its own storage. MVD  
16 already has an interconnection point so no construction is necessary to provide the  
17 water under the proposed Wholesale Contract. For these reasons, the proposed  
18 Wholesale Contract has benefits to MVD, the Company, and customers.

19 **Q. Do you have a sense of whether MVD will need a special contract after the 3-**  
20 **year Initial Term and three 1-year Renewal Terms?**

21 **A.** No. I would defer to the testimony of MVD.

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

23 **A.** Yes. PWW believes that the proposed Wholesale Contract is just and reasonable  
24 for both MVD’s and PWW’s customers. The proposed Wholesale Contract

1 results in MVD paying its fair share of PWW's costs to serve them based upon  
2 the usage constraints defined in this Wholesale Contract. MVD is in need of  
3 additional source of supply, to fully meet its base and seasonal water usage  
4 demands going forward, while it continues to investigate options for that supply,  
5 including consideration of a longer-term Wholesale Contract with PWW. MVD  
6 has committed to purchasing a minimum fixed amount of water each year while  
7 limiting its demands on the PWW system by reducing its peak day and peak hour  
8 flow requirements. MVD as a customer, with a guaranteed minimum annual  
9 purchase amount of 250,000 GPD, for the next 3 to 6 years provides PWW and its  
10 customers a guaranteed contribution to the fixed expenses associated with its  
11 water supply facilities as well as a contribution to PWW's general, administrative,  
12 water supply and distribution expense that will not change regardless of whether  
13 MVD takes s no water, or 250,000 GPD. The annual minimum usage requirement  
14 ensures that MVD will pay its fair share of PWW's administrative and general  
15 expenses, WTP administrative and Distribution administrative expenses for the  
16 duration of the Wholesale Contract. In summation, PWW believes that the  
17 proposed Wholesale Contract with MVD is just and reasonable and is consistent  
18 with the public interest.

19 **Q. Does that complete your testimony?**

20 A. Yes.