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THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

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November 28, 2011

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301



Re: DW 11-198 Pennichuck Water Works, Inc. and Manchester Water Works
Request to Modify Franchise Boundaries

Dear Ms. Howland:

The purpose of this letter is to review the joint petition of Pennichuck Water Works, Inc. (PWW) and Manchester Water Works (MWW) in the above-referenced docket and to offer Staff's recommendation. The petitioners seek to transfer three lots in Bedford from MWW's franchise area to PWW's. PWW asserts it has the requisite managerial, technical and financial abilities to serve the three customers. By implication, PWW is also requesting to be allowed to charge its currently authorized tariff rates in the new franchise area. Based on Staff's review as detailed below, Staff supports granting of the petition.

On September 9, 2011, PWW and MWW filed their joint petition. MWW, which serves customers in Manchester and surrounding towns, was granted a franchise in Bedford in 1979 that includes the three lots, identified as 1-24-1, 1-24-2 and 10-4 on Donald Street near Route 114. See Order 13,783 in DE 79-174. The owners of two of the three lots, 1-24-1 and 1-24-2, have recently requested service. The third lot lies across the street. MWW currently provides service within the franchise up to a nearby PWW booster station just east of the three lots, but would have to extend a water main to service the lots. PWW owns and operates a water main, constructed in 2000 and extending westerly from the booster station, that runs by the three lots. That main supplies a PWW franchise, now known as Powder Hill, to the north and west of, and bordering, MWW's franchise in the area. See Order 22,054 in DR 95-361. The requested franchise transfer would in effect be an extension of this existing PWW franchise. Staff conducted discovery on the petitioners on September 21, 2011, and the responses are attached.

The petitioners have estimated their respective costs to service the three lots. While service by PWW would be at a higher annual cost to customers, the initial cost to connect would be significantly less than under MWW. See responses to Staff 1-1 (revised) and 1-4. Service by

MWW would also result in parallel PWW and MWW water mains in the affected portion of Donald Street, estimated at approximately 600 feet (Staff 1-4). Based on the data responses, PWW proposes to charge its existing general metered rates in the proposed franchise area, as it does in its Powder Hill franchise. The Town of Bedford provided a letter dated October 17, 2011 in support of the proposed transfer, and that letter is attached.

PWW's Powder Hill system serves over 400 customers and operates under a permit issued by the NH Department of Environmental Services. Service to the three lots will impose a relatively small additional impact from a demand perspective, thus satisfying the requirements of RSA 374:22, III regarding the suitability and availability of water for the development. See Staff 1-8.

PWW and its regulated sister companies, Pennichuck East Utility and Pittsfield Aqueduct Company, provide water service to some 34,000 customers in various systems throughout New Hampshire. Staff believes PWW, through its operation of such systems, has demonstrated that it has the technical, managerial, financial and other capabilities to enable it to serve the three lots. According to PWW and MWW, the proposed transfer would enable more efficient service to the three prospective customers. For the reasons indicated above, Staff concurs with the petitioners' request that PWW provide service to, and charge its existing rates in, this limited area. Staff recommends the Commission approve the petition, and that it does so by an order nisi to ensure all three property owners are aware of the proposal and have opportunity to comment.

If you have any questions regarding this matter, please feel free to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas W. Brogan". The signature is fluid and cursive, with the first name "Douglas" being more prominent.

Douglas W. Brogan
Utility Engineer

Attachments:

Discovery Responses
Letter from Town of Bedford

cc: Docket Related Service List (electronic only)

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-1

Date of Revised Response: 11/04/11
Witness: Tom Bowen/Donald L. Ware

REQUEST: Regarding the rate differential between service provided by PWW and MWW, please indicate the following:

- a) To the extent known based on potential meter sizes, etc., please indicate what the rate differential for each lot would be, including factors such as System Upgrade Fees, MSDC and private fire protection to the extent applicable.
- b) Are the three lot owners aware of the rate differentials involved? Please explain.

REVISED RESPONSE:

- a) It is not possible to estimate the rate differential without making an assumption regarding the nature of the end user. Lots 1-24-1 and 1-24-2 are currently being considered as the location for a Hannaford Brothers grocery store. A typical grocery store of this type has a 2" water meter, uses 3,900 ccf of water per year and has a 6" fire service with two private hydrants. Based on those assumptions, a customer of MWW would pay the following one time and annual charges:

MSDC Charge (One time) - \$11,450
Main Extension Cost (One time) - \$87,000
2" meter charge (Annual) - \$409.46
Volumetric Charge (Annual @ \$1.50/CCF) - \$5,850
6" fire service charge (Annual) - \$539.64
2-Private Hydrant charges (Annual) - \$1079.28

Based on the same assumptions described above, a PWW customer would pay the following one time and annual charges:

System Upgrade Fee (One time) - \$15,080
Main Extension Cost (One time) - \$0
2" meter charge (Annual) - \$1,805.64
Volumetric Charge (Annual @ \$3.30/CCF) - \$12,870
6" fire service charge (Annual) - \$1,125.24
2-Private Hydrant charges (Annual) - \$0.00 (in fire service charge)

b) Lots 1-24-1 and 1-24-2 are owned by a common developer. The developer has met with both PWW and MWW representatives regarding water service to these lots. Connection fees have been discussed, but meter and volumetric charges have not yet been discussed.

The owner of lot 10-4 has not yet been contacted. PWW will attempt to contact the owner to ensure that they are aware of any applicable rate differentials that might apply to the development of that lot, but those differentials will vary depending on the nature of the end use.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests -- Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-2

Date of Response: 10/03/11
Witness: Tom Bowen

REQUEST: Does MWW currently provide service to properties on Donald Street up to the point of PWW's booster station?

RESPONSE: Yes, MWW provides service along Donald Street in Bedford from the Manchester / Bedford town line westerly to the PWW Pump Station.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-3

Date of Response: 10/03/11
Witness: Donald L. Ware

REQUEST: Please indicate the purpose of PWW's booster station and when it was placed in service.

RESPONSE: The PWW booster station pumps water from the Manchester Water Works (MWW) system into the storage tanks located on Powder Hill. The MWW retail meter is located inside the PWW booster station which is known as the Donald Street Booster Station. The Donald Street Booster Station was placed into service in May of 2000.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-4

Date of Response: 10/03/11
Witness: Tom Bowen/Donald L. Ware

REQUEST: Please provide an indication of the difference in cost for PWW and MWW to physically extend service to the three lots, including who would be responsible for those costs in each case.

RESPONSE: Since lots 1-24-1 and 1-24-2 are owned by a common developer who plans to use the lots for a commercial entity, we will treat those lots as one. The cost for a customer of PWW to extend service to this parcel would be the cost of installing water service from the existing water main in the street to the property line, plus the Powder Hill System Upgrade Fee of \$1,885 per 5/8" equivalent meter. Based on preliminary conversations with the potential developer of Lots 1-24-1 and 1-24-2, a two inch meter would be used on the domestic water, which would result in a Supply Development Charge of \$15,080. The cost of service from the main to the property line would be roughly the same for either PWW or MWW, depending upon the location of the MWW water main. The existing PWW water main is on the same side of the street as Lots 1-24-1 and 1-24-2.

The cost for a customer of MWW to extend service would include the cost of extending MWW's water main from a point just east of PWW's Donald Street pumping station along the full frontage of the customer's lot along the public ROW (see MWW Main Extension policy, Attachment A to this response) and then installing the water service from the new MWW water to the property line. The customer would also include the MSDC charge. The MWW main extension to service Lots 1-24-1 and 1-24-2 would be about 580 linear feet with an estimated cost of \$87,000 (based on an average cost per foot of \$150/foot for an 8" water main). The MSDC charge for a 2" meter is currently \$11,450.

Please see the response to Staff 1-1 for a breakdown of those costs.

With respect to lot 10-4, the cost differential between service from PWW and MWW will vary greatly and depend wholly on the final property use which could vary greatly.

**MANCHESTER WATER WORKS
281 LINCOLN STREET
MANCHESTER, NEW HAMPSHIRE 03103**

RULES & REGULATIONS

Revised December 16, 2010

Effective January 1, 2011

- g. Testing. Private fire service may be tested by the Customer or by an insurance inspector, provided that the Utility is given adequate prior notice of the test date and time and the testing is conducted in the presence of a Utility agent.
- h. Fees and Expenses.
 - (1) The Customer shall pay a monthly or quarterly charge for private fire service as specified in the application rate schedule.
 - (2) The Customer shall maintain in good repair all fire service appurtenances located on his premises at his expense.
 - (3) Installation by the Utility of its portion of the fire service pipe shall be at the Customer's expense. If the Customer elects to install the Utility's portion of the fire service pipe, on-site inspection by the Utility shall be at the Customer's expense.
 - (4) Fire service meters and metering devices, if required by the Utility, shall be furnished and installed by the Customer at his expense. The cost of maintaining and testing the meter shall be at the Utility's expense.
 - (5) Any costs associated with the Utility's presence during private fire service testing by the Customer or insurance inspector may be charged to the Customer or to the insurance inspector.
- i. Liability. See Article 7.

ARTICLE 14. Main Pipe Extensions.

- a. Definitions
 - (1) "Abutter" shall mean one whose property abuts, is contiguous to, or joins at the border or boundary of a public right-of-way in which a main pipe is to be or has been installed.
 - (2) "Petitioner" shall mean the owner or duly authorized agent of the owner of the premises who is requesting main pipe extension for any purpose.
 - (3) "Frontage" shall mean the number of feet measuring that portion of a petitioner's Premises which abuts the public right-of-way in which the main pipe is to be installed. Where a petitioner's Premises is a corner lot, "frontage" shall mean the average of the two portions of the petitioner's Premises which abut the public right-of-way provided, however, in the case of odd shaped lots, frontage shall be determined by the Utility in its sole and absolute discretion.
 - (4) "Non-Assessable Frontage" shall mean the number of feet measuring that portion of the public right-of-way which, as determined by the Utility in its sole discretion, is not assessable to any one petitioner due to excessive ledge, high water table, public ownership or other circumstance.

b. Main Pipe Installation

- (1) All petitions for main pipe extensions shall be submitted to and approved by the Board of Water Commissioners.
- (2) Each petition shall be accompanied by an application fee for the main pipe extension as specified in the applicable rate schedule.
- (3) Main pipe extensions shall be owned and maintained by the Utility and shall be installed by the Utility or its authorized agent.
- (4) Installation and construction of main pipe extensions shall continue at the discretion of the Utility as frost and weather conditions permit.
- (5) Prior to installation, sub-divisions shall be approved by the local planning authority, and the right-of-way in which the main pipe is to be installed shall be laid out, and lines and grades established.
- (6) The size of the main pipe to be installed shall be determined by the Utility.
- (7) Main pipe extensions shall be installed along the entire frontage of the petitioner's Premises or, in the case of corner lots, along the entire frontage abutting the public right-of-way in which the service pipe is to be installed.

c. Petitioners

- (1) Prior to installation, petitioners shall sign a petition which shall be presented to the Board of Water Commissioners for approval. If the petition has been approved, each petitioner shall enter a contract for the main pipe extension that shall be binding on the petitioner's heirs, assigns, successors, executors, and administrators. The contract shall create a lien upon each petitioner's Premises as provided in 1967 N.H. Laws 526.
- (2) Unless the Utility, in its sole and absolute discretion, determines that the petitioner's use requires a main with a larger diameter, each petitioner shall be charged its proportionate share of the entire cost of installing a main with a diameter of not greater than 8 inches (8"), and each petitioner shall deposit with the Utility the estimated amount of its proportionate share of the extension cost prior to the installation. In cases in which a larger diameter main is installed for reasons other than petitioner's estimated usage, the cost in excess of that which would have been incurred for installation of 8 inch (8") main shall be borne by the Utility. Final billing will be based on actual installation cost where an 8" main is installed. In cases in which a larger diameter main is installed, the costs which would have been associated with the installation of an 8 inch (8") main shall be estimated by the utility at the completion of the job and final billing will be based on that estimate.
- (3) A petitioner's proportionate share shall be calculated by subtracting the non-assessable frontage, if any, from the total frontage passed by the main pipe and dividing that resulting difference proportionately among pe-

tioners according to their assessable frontage. Where a petitioner's property does not abut the public right-of-way in which a main pipe is to be installed, the Utility in its discretion shall determine petitioner's frontage for the purpose of calculating his proportionate share. Notwithstanding anything to the contrary, the petitioner or petitioners shall pay the costs for the entire extension including lots owned by non-participating abutters.

- (4) Where non-assessable frontage would exceed twenty percent (20%) of the total frontage passed by a main pipe extension, no more than such twenty percent will be deemed non-assessable frontage for the purpose of calculating proportionate shares.
- (5) When a non-participating abutter requests service from an extension previously installed, the Utility shall require the abutter to pay its proportionate share of the extension costs, determined in the manner described in Article 14.d, which amount shall be refunded to petitioners.

d. Charges to Non-participating Abutters

An abutter who did not participate in a petition for the main pipe extension to which he is connecting shall be required to pay to the Utility, prior to connecting to an installed main pipe and in addition to other applicable charges, an amount equal to that abutter's proportionate share of the original extension costs, adjusted annually by the ENR Construction Cost Index.

e. Refunds for Extensions under Previous Rules and Regulations

In all cases, refunds made to customers shall be consistent with the terms of the respective agreements based upon the Rules and Regulations at the time of the installation.

- f. Connection to Main Pipes. No connection shall be made to any Utility-owned main or to any private main without prior written authorization by the Utility after application by the Customer. Connection to privately owned mains, if authorized by the Utility, shall be installed in accordance with plans and specifications prepared by the Customer and approved by the Utility. After completion of such projects, the Utility may require the Customer to prepare a set of as built plans showing the location, size and depth of all water facilities.

- g. Reservation of Ownership by Utility. Where the Utility elects to maintain ownership of a main pipe located on private property, the Customer shall grant the Utility an easement sufficient to provide access by the Utility to the main pipe and Utility-owned appurtenances.

- h. Refusal to Install a Main. The Utility reserved the right to refuse or disallow the installation of a main pipe extension where it determines that service demand does not warrant the cost of installation, where the extension will tend in any way to constitute discrimination against other Utility customers.

DW 11-198
Pennichuck Water Works Responses to
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Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-5

Date of Response: 10/03/11
Witness: Donald L. Ware

REQUEST: Is the owner of lot 10-4 aware of the current request?

RESPONSE: The owner of lot 10-4 is not currently aware of this proposal. PWW will attempt to contact the customer to make them aware of the request.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-6

Date of Response: 10/03/11
Witness: Donald L. Ware

REQUEST: The Town of Bedford supported PWW's franchise requests as approved in Orders 20,913 in DE 92-185 (northwest quadrant) and 22,054 in DR 95-361 (most of remainder of town). Has the town been made aware of, or does it have a position on, the current request?

RESPONSE: The Town has not yet been notified. PWW will notify the Town by October 5, 2011.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff I-7

Date of Response: 10/03/11
Witness: Tom Bowen

REQUEST: While a revision to page 4 of PWW's tariff appears appropriate, please indicate what if any revision would be necessary to MWW's tariff if the request were approved (see Petition para. 10).

RESPONSE: There will be no changes required of MWW Tariff as a result of the proposed modification of franchise boundaries

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-8

Date of Response: 10/03/11
Witness: Donald L. Ware

REQUEST: Has NHDES approved the extension of service by PWW to the three lots as far as the suitability and availability of water as required by RSA 374:22 III? Please explain.

RESPONSE: No. The NHDES does not approve the extension of service in relation to suitability and availability with regard to RSA 374:22 III for the expansion of existing permitted CWS' where there is adequate water supply and where the CWS was approved without specific limitation to the number of bedrooms being served. The NHDES reviews and approves the design of any water main extension; such a review was completed of the MWW/Powder Hill interconnection when it was installed.

DW 11-198
Pennichuck Water Works Responses to
Staff Data Requests – Set 1
Request to Modify Franchise Boundaries with Manchester Water Works

Date Request Received: 09/21/11
Request No. Staff 1-9

Date of Response: 10/03/11
Witness: Donald L. Ware

REQUEST: Would acquisition of Pennichuck by the City of Nashua have any impact on the proposed franchise modification?

RESPONSE: No. There is no impact anticipated.



TOWN OF BEDFORD

Website: www.bedfordnh.org

24 NORTH AMHERST ROAD • BEDFORD, NEW HAMPSHIRE 03110-5400

October 17, 2011

New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

**RE: DW 11-198 Modification of franchise boundaries between
Pennichuck and Manchester Water Works Companies.**

The Town of Bedford has received and reviewed the above referenced petition to modify a small section of the franchise boundary in Bedford between Pennichuck Water Works, Inc. (PWW) and Manchester Water Works (MWW). I have discussed the petition and request with our Council Chair and Vice Chair and we are all in agreement. The Town is in full support the petition and would ask that you grant approval of this change.

If you have any questions or wish to discuss this matter, please do not hesitate to contact me at 472-5242, extension 300.

Sincerely,

Russell R. Marcoux
Town Manager

Cc: Bedford Town Council

Board Council / Town Manager
Revenue and Information Section

(603) 472-5242

(603) 472-9860

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Waste Management

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