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PUBLIC UTILITIES COMMISSION

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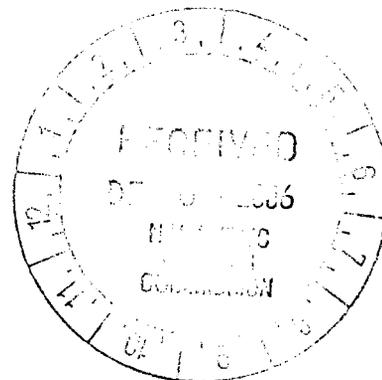
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Ms. Debra Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 04-048 - City of Nashua
Petition for Valuation Pursuant to RSA 38:9



Dear Ms. Howland:

Enclosed please find the corrected testimony of Amanda O. Noonan, Director - Consumer Affairs Division. On April 13, 2006, Staff filed Ms. Noonan's testimony with an incorrect attachment (AON-3). In Ms. Noonan's testimony, she refers to Attachment AON-3 as Nashua's response to Pennichuck Water Works, Inc. data request 3-32, however, Nashua's response to data request 3-22 was inadvertently attached. Therefore, Staff would like to replace that testimony with this version which now has the correct attachment.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Marcia A.B. Thunberg".

Marcia A.B. Thunberg
Hearings Examiner/Staff Attorney

Encloses

cc: Service List

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 04-048

In the Matter of:
City of Nashua
Petition For Valuation Pursuant to RSA 38:9

Direct Testimony

of

Amanda O. Noonan
Director of Consumer Affairs

April 13, 2006

1 **Q. Ms. Noonan, please state your name, occupation, and business address.**

2 **A.** My name is Amanda O. Noonan. I am employed as the Director of Consumer
3 Affairs for the New Hampshire Public Utilities Commission (Commission) located at 21
4 South Fruit Street, Suite 10, Concord, New Hampshire.

5 **Q. Please outline your educational background and professional experience.**

6 **A.** I graduated from the University of New Hampshire - Whittemore School of
7 Business with a B.S. in business administration. I completed the National Association of
8 Regulatory Utility Commissioners (NARUC) Annual Regulatory Studies program in
9 August 1992. I am also a member of the NARUC Staff Subcommittee on Consumer
10 Affairs and chairperson of the New England Conference of Public Utility Commissioners
11 Staff Committee on Consumer Affairs. I have been employed with the Commission since
12 January 1992. Prior to joining the Commission, I was employed by BankEast
13 Corporation for 6 years. During that time, I was involved with the corporate training
14 department holding first the position of staff instructor and later the position of training
15 manager. I was responsible for the design and development of corporate training
16 programs relating to management and customer service as well as bank operations.

17 **Q. Please state the purpose of your testimony.**

18 **A.** The purpose of my testimony is to identify the potential impact on service quality
19 of the proposed taking of Pennichuck Water Works, Inc. (PWW) by the City of Nashua
20 (Nashua).

1 **Q. Please describe the potential impact you believe the taking could have on**
2 **service quality.**

3 **A.** The proposed taking of PWW by Nashua raises several issues. First, the taking
4 would result in the transfer of the management and operation of a water system, currently
5 serving approximately 24,000 customers, to an entity with little experience in providing
6 water service or utility service. While Nashua intends to contract the operation,
7 maintenance, and oversight of the water system to third parties, notably Veolia and R. W.
8 Beck, Staff has concerns about the effectiveness of the relationships between Nashua,
9 Veolia, and Beck. I agree with Mr. Naylor's testimony that there is considerable risk
10 that the lack of ownership or other long term interest in the water company assets on the
11 part of the contractors may cause inefficient and uneconomic operation. The quality of
12 the service provided to customers could be degraded should the taking occur.

13 The management of the relationships between Nashua, Veolia, and customers has
14 the potential to negatively impact service quality. Nashua has indicated that Veolia will
15 handle customer calls regarding water system operating issues, such as water quality
16 questions and field service inquiries, and that customer calls related to billing and
17 collections will be handled by Nashua. On March 28, 2006, a deposed statement was
18 taken from Nashua employee Ruth Raswyck, Deputy Treasurer and Deputy Tax
19 Collector for the City of Nashua. See, Attachment AON-1. In her deposition, Ms.
20 Raswyck stated that billing and collection functions for the water system would fall under
21 her. Ms. Raswyck further stated that any calls regarding operational issues would not be
22 handled by her staff but would instead be referred to Veolia. In my experience many of
23 the issues that water system customers call about are a combination of operational issues

1 and billing and collection issues. For example, water quality issues overlap with billing
2 issues when customers are seeking an adjustment in their water bill to compensate for the
3 water they used to clear their service line after the utility has flushed a water main. High
4 bill complaints may require leak detection activities or a review of water usage patterns
5 with the customer along with bill adjustments. Disconnection of service is both an
6 operational function and a billing and collection function.

7 **Q. Please state how the discovery evidence factored in to your analysis.**

8 **A.** After reading Ms. Raswyck's deposition, it was evident to me that Nashua's
9 policy on service disconnections is not yet finalized. See for example, Attachment AON-
10 1, deposition pages 62 and 98. Nashua's testimony and data responses have provided
11 little detail and insight into how interactions with customers will be managed. Without
12 clear cut procedures for managing customer relationships, the potential for customer
13 problems to fall through the cracks or for customers to be given misinformation is great.

14 Another concern is the level of staff Nashua has indicated will be available to
15 respond to questions, problems and concerns raised by water system customers. In
16 response to Staff 4-2, in which Staff inquired as to the number of customer service
17 representatives handling incoming calls from customers and the monthly call volume
18 levels, PWW stated it had nine full time staff and two part time staff available to handle
19 incoming customer calls. See, Attachment AON-2. Over the past two years, the call
20 volume handled by PWW has been approximately 1,862 calls per month.

21 In contrast, Nashua has indicated through its responses to PWW 3-32 and Staff 4-
22 21 that it will have four full time staff available to handle incoming customer calls. See,
23 Attachments AON-3 and 4. Of those, two customer service representatives will be

1 Veolia employees who will only handle water system operating issues such as water
2 quality questions and field service inquiries. The remaining two customer service
3 representatives will be employed by Nashua and will handle billing and collection related
4 calls for the water system. These employees will be employed in the tax collectors office.

5 The reduction in staffing levels contemplated by Nashua represents a decrease in
6 staff available to respond to customer calls and inquiries of approximately 60%. It is
7 difficult to imagine that the quality of service to customers would not be degraded as a
8 result of these staffing reductions.

9 **Q. Please describe the potential impact you believe the taking could have on**
10 **service quality for customers not residing in Nashua.**

11 **A.** While all of the above have the potential to degrade the level of service provided
12 to all water system customers, non Nashua residents face another risk to the quality of the
13 service they receive. As a customer of PWW, both Nashua and non-Nashua residents can
14 turn to the Commission for billing problems, water quality issues, etc. For Nashua
15 residents, the Mayor and Board of Alderman would, in theory, serve in that role. As
16 elected officials, they would have a duty to their constituents to ensure all such matters
17 are resolved fairly and equitably. However, non-Nashua residents would have no such
18 recourse. Additionally, as Mr. Naylor has pointed out in his testimony, there is also the
19 possibility that non-Nashua residents who are not physically interconnected with the core
20 system serving Nashua could see degraded levels of service as Nashua invests more
21 money in the water system infrastructure serving Nashua and less in the infrastructure
22 which services other municipalities.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

THE STATE OF NEW HAMPSHIRE
PETITION FOR VALUATION PURSUANT TO RSA 38:9

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 CITY OF NASHUA * Docket No. DW-04-048
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DEPOSITION OF RUTH E. RASWYCK

Deposition taken at Nashua City Hall,
 229 Main Street, Nashua, New Hampshire,
 on Tuesday, March 28, 2006, commencing
 at 9:35 a.m.

Court Reporter:
 Pamela A. Nostrand, CCR

1 Pennichuck Water Works customer in Nashua there
 2 appears to be no reference to any late charges,
 3 is there?
 4 A (Perused the documents.)
 5 No. They have a better leverage. They
 6 can just shut off my water if I don't pay.
 7 Q You consider that better leverage than a
 8 lien?
 9 A Yes.
 10 Q And also with water, do you know whether
 11 there's a state statute that requires liening for
 12 late payment of water bills to a municipality?
 13 A I'm not aware of it.
 14 Q If that were handled comparably to
 15 wastewater that would be handled by ordinance, is
 16 that right?
 17 A I believe you would go with the
 18 disconnect. I would believe you would notify the
 19 customer that you were going to disconnect if you
 20 didn't receive their payment, similar to what
 21 Pennichuck must do now.
 22 Q Your office, as we said earlier, has no
 23 experience with disconnects because you don't

1 that would be required for customer service here
 2 in the city should you take on those
 3 responsibilities?
 4 A Well, I believe we run a real tight ship
 5 and we're very efficient. I believe that there's
 6 been a discussion to take on two additional
 7 employees. Because all of the staff is highly
 8 cross trained and because we balance, you know,
 9 to the penny our wastewater accounts, I don't
 10 believe that it's going to be anything major
 11 other than more collections.
 12 Q Right. I've seen a data request
 13 response that mentions two additional staff.
 14 I've also seen a data request response that talks
 15 about one additional staff. Has any final
 16 decision been made?
 17 A That's to be determined, I would say.
 18 Q Okay. Do you think you will need two?
 19 Do you think you need one or do you think you
 20 don't need any more?
 21 A Again, that's to be determined.
 22 Q You've been working for the city for 30
 23 years and you run the office so you must have

1 disconnect for a sewer, right?
 2 A That's correct. But neither does
 3 Pennichuck have any experience with liening a
 4 piece of property.
 5 Q You would agree with me that disconnect,
 6 at least in the first instance, raises more
 7 immediate issues of safety and related concerns
 8 than does liening, correct?
 9 A Yes. They would be handled efficiently
 10 just like we handle everything else in my office.
 11 Q Now, I take it that the plan would be
 12 that your office would handle the billing and
 13 collection side of water; is that right?
 14 A Correct.
 15 Q And your staff, because they're cross
 16 trained, as you say, would also answer calls
 17 relating to water; is that right?
 18 A Correct. If it's operational it would
 19 be directed to Veolia. I knew I would
 20 mispronounce that. If it's billing and
 21 collection it would be directed to us, just as
 22 property is, just as wastewater is.
 23 Q Okay. And have you discussed staffing

1 some opinion.
 2 A I don't know how the water company
 3 currently operates so I can't make that decision
 4 until we get some information back on, you know,
 5 what each of the people at Pennichuck do. And if
 6 the need be and we have to put on more staff, I'm
 7 sure that, again, will be determined.
 8 Q Have you put together any type of pro
 9 forma budget for what additional costs will be
 10 required in Nashua to operate the billing and
 11 collection responsibilities?
 12 A Additional?
 13 Q Yes.
 14 A Right off the bat we're going to be
 15 saving \$85,000. We're not going to have to pay
 16 for the meter readings so I am going to be ahead
 17 of the game right there because we will not have
 18 to pay for meter readings so that's going to be a
 19 big savings right off the bat.
 20 Q And that's because Veolia will be
 21 handling the meter readings?
 22 A Correct.
 23 Q Apart from that, have you figured out

1 the department manager. I don't know who the
2 department manager is. Do you have any
3 knowledge?
4 A I will give that some thought, you know,
5 if that's the direction we choose to go in. We
6 may elevate somebody in my office to be manager.
7 You know, I don't know yet.
8 Q Okay. If you could, please explain how
9 the lien process for water customers, how the
10 lien process is going to interface with the
11 disconnection process. I'm not clear on it
12 having read this water ordinance on where the
13 lien is going to pick up, where disconnection may
14 leave off or how the two are going to overlap at
15 all.
16 A If there's a disconnect procedure in
17 place there wouldn't be -- the lien process would
18 not apply.
19 Q Okay. I suppose I should ask you a
20 baseline question of what was the extent of your
21 involvement or your department's involvement in
22 the creation of Nashua's draft water ordinance?
23 A None.

1 Nashua uses for its wastewater billing and
2 collection system?
3 A We have an in-house software system that
4 was programmed by Michael Roy, our IT staff.
5 Q And did you build it from some
6 commercial software?
7 A No. No.
8 Q What language is it written in?
9 A I believe it's ADMINS. I'm not a
10 programmer so I don't know.
11 Q How long have you been using that
12 system?
13 A Since he's come and joined the city,
14 probably 26 years. He started developing
15 software applications for various different
16 departments.
17 Q Is it a main frame system?
18 A Yes.
19 Q Is your plan that water billing would
20 use the same system?
21 A I would say at this point we would use
22 that system unless there's a better system.
23 Q Are you aware of whether there is a

1 Q Okay. If there's a provision in the
2 water ordinance for liens and you haven't had any
3 input into this document, do you have an opinion;
4 as to the certainty of that lien provision
5 staying in the ordinance?
6 A It would make sense to me that we would
7 follow a procedure that we would adopt based on
8 our current procedure or similar, you know,
9 wastewater lien procedure and property tax lien
10 procedure. It's a very strict, you know,
11 procedure that we have to follow by state
12 statute.
13 MS. THUNBERG: I don't think I have
14 anything else that she can answer so that's
15 it for right now. I'm done. I appreciate
16 it. Thank you.
17 THE WITNESS: Thank you.
18 MR. DONOVAN: Unfortunately, this time
19 gave me a chance to think about some things I
20 forgot before. I will be very brief.
21 FURTHER EXAMINATION
22 BY MR. DONOVAN:
23 Q What is the software application that

1 better system?
2 A It would be up for review.
3 Q Is the software that's used for the
4 waste system up for review?
5 A Not at this time. Pennichuck is
6 changing their account numbers so we're going to
7 modify our wastewater billing system to
8 accommodate that new change of the account
9 structure.
10 Q But using your same billing software?
11 A Correct. It's not a canned package. Is
12 that what you're asking? It's not something that
13 we went out and bought.
14 Q You developed it in-house?
15 A Correct.
16 Q So presumably you would need to develop
17 in-house the system for water.
18 MR. UPTON: Well, wait a minute. We're
19 buying the Pennichuck system.
20 A Not necessarily.
21 MR. UPTON: That's one of the assets
22 we're trying to acquire. We may use that.
23 You know, I mean, there are any number of

26 (Pages 98 to 101)

Bragan Reporting Assoc., Inc.

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City of Nashua: Taking of Pennichuck Water Works, Inc.

DW 04-048

Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
Staff's Fourth Set of Data Requests

Date of Request: February 27, 2006

Date of Response: March 20, 2006

Data Request No.: Staff 4-2

Witness: Bonalyn J. Hartley

REQUEST: With respect to customer service issues, please identify the following:

- a) How many customer service representatives, expressed as full-time equivalents, handle incoming calls from customers?
- b) What was the monthly call volume over the past two years?
- c) What are the responsibilities of the customer service representatives? What types of calls do they handle?
- d) Please provide the internal performance benchmarks used to measure call center service quality.

RESPONSE: (a) The Company has six full time customer service representatives (which includes the receptionist, who routes customers' calls) and two part time customer service representative who regularly handle customer calls. In addition to those staff, there is one utility disconnect staff, one customer service supervisor and one customer service manager who are available to handle with customer calls as needed. This is in contrast to two customer service representatives proposed by Veolia. I understand that the City has indicated that it will spend an additional \$100,000 on customer billing and collections, which would have to include the cost of preparing and mailing bills, bill and envelope supplies and postage. This is woefully inadequate to meet the needs of the Company's 24,000 customers.

(b) Over the past two years, the Company has received approximately 1,862 calls per month and an average of 22,344 calls per year.

(c) The Company's customer service representatives are responsible for taking phone calls and resolving customer issues, scheduling appointments for customers, tracking all aspects of billing for water usage for customers including analyzing meter readings, loading and unloading handheld devices, reviewing billing edit lists, and updating bills to customer accounts and providing billing information for printing and mailing of bills, taking payments from customers through mail and through electronic file transfers, handling all customer relations correspondence, handling property transfers, name changes, questions about consumption history, water conservation

Pennichuck Water Works, Inc. DW 04-048
Response to Nashua 4-2
Page 2 of 2

programs, periodic meter testing, back flow appointments, plumbing leaks in the home, service leaks, main breaks, managing the Consumer Confidence Report program for all customer notifications, and mailing information to new customers. The employee who is responsible for disconnection related issues handles customer calls regarding the disconnection program, including customer notification, visiting past due accounts, collecting payments on site at the customer's location, shutting off service for non payment and turning the service back on when payment is received.

(d) The Company tracks the time frame for response to customer complaints through a computerized system. These records are regularly reviewed by the customer service supervisor and the customer service manager. Any ongoing, unresolved issues raised by customers are brought to the attention of the Vice President for Administration for resolution. The Company's customer service representatives respond to calls in accordance with the Commission's regulations. There have been very few complaints to the Commission regarding the Company over the years, which is testament to the high level of the Company's service to its customers.

City of Nashua

Petition for Valuation Pursuant to RSA 38:9

DW 04-048

Nashua's Responses to Pennichuck Water Works, Inc. Data Requests – Set 3 Round 2

Date Request Received: January 26, 2006

Date of Response: February 6, 2006

Request No. 3-32

Respondents: Robert R. Burton, Paul
F. Noran, P.E.

Req. 3-32 Regarding Veolia's proposed operation of the Nashua water system:

- a. Where will customer service representatives be located?
- b. How many customer service representatives will there be?
- c. What will be the on-call hours of the customer service representatives?

OBJECTION: N/A.

ANSWER: a. Veolia's customer service representatives will be located at 31 Will Street, Nashua, N.H.

b. Veolia will have two customer service representatives to handle water system operating issues such as water quality questions and field service inquiries. In addition, we understand that Nashua is providing customer service related to billing and collections. Nashua will handle all customer service inquiries and refer the appropriate calls related to operations to Veolia.

c. Veolia will have 24/7 customer service for emergencies such as water main breaks. Except as noted above, Veolia's customer service representatives will work a normal Monday through Friday, 40 hour work week. Nashua will determine its on-call hours for its customer service representatives.

City of Nashua

Petition for Valuation Pursuant to RSA 38:9

DW 04-048

Nashua's Response to Staff Data Requests – Set 4 Round 1

Date Request Received: February 27, 2006 Date of Response: March 20, 2006
Request No. 4-21 Respondents: Carol Anderson

Req. 4-21 Nashua responded to data request 3-32 that Veolia will have two customer service representatives to handle "water system operating issues such as water quality questions and field service inquiries." The response further states that Nashua will provide customer service related to billing and collections. In light of these responses:

- a) How many customer service representatives, expressed as full-time equivalents, will be available to handle billing and collection calls?
- b) Will these positions be new or existing positions?
- c) Will these customer service representatives be dedicated to water system calls? If not, what other responsibilities will these customer service representatives have?

Response: *Carol Anderson states as follows:*

Nashua billing and collections customer service representatives will be integrated into its current Treasury / Tax Collection Department. That Department currently consists of 6 full time employees responsible for, on an annual basis, approximately: 56,000 property tax bills (28,000 bills twice a year); 72,000 residential sewer bills (18,000 bills per quarter); and 13,000 commercial / industrial sewer bills (250 per week), as well as other functions. While individual employees are assigned to different programs such as property tax or sewer bills, all employees within the Department are "cross-trained" to provide Nashua greater flexibility to respond to customer inquiries.

Nashua anticipates hiring 2 new full equivalent customer service representatives specifically assigned to billing and collection for water operations. These employees will work within the existing Department.