

TESTIMONY OF JOHN M. MILLS
ON BEHALF OF ANHEUSER-BUSCH, INCORPORATED

Q. Please state your name, the name of your employer, and your business address.

A. My name is John M. Mills. I am employed by Anheuser-Busch, Inc. ("A-B") as the plant manager of A-B's brewery at 221 Daniel Webster Highway, Merrimack, New Hampshire.

Q. Please state your educational background and your work experience.

A. I received my formal education at University of Missouri, obtaining a bachelor's degree in mechanical engineering and at Rutgers University, obtaining a master's of business degree. I have 21 years experience with Anheuser-Busch, gained at five different Anheuser-Busch brewery locations.

Q. What are your duties as plant manager of the Merrimack brewery?

A. I have general supervision of all packaging, shipping, human resource and business operations at the brewery.

Q. Describe A-B's Merrimack facility.

A. A-B employs approximately 450 people at the Merrimack brewery. A-B is the principal customer on the Pennichuck Water Works ("PWW") system, and accounts for approximately 15 percent of the system's average daily volume of water sales.

Q. What is A-B's arrangement for water service with PWW?

A. Since 1970, PWW has supplied A-B with water pursuant to special contracts. The current contract, designated the "Third Special Contract" (*Attachment A*), is a 10-year contract approved by the Commission on March 4, 2005 (Order No. 24,441, Docket DW 04-228) and effective on July 1, 2005 (*Attachment B*).

Q. What is the purpose of your testimony?

A. A-B uses the water it purchases from PWW to produce its beer. It is therefore crucial to A-B to have high-quality water at long-term rates that are stable and reasonable, and to maintain good working relations with its supplier. Water is an essential ingredient in A-B's product and cleaning processes. A reliable supply of high-quality water is a fundamental factor in the brewing process and in A-B's decisions regarding utilization of its breweries.

Q. Have the special contracts with PWW met A-B's needs?

A. Yes. The special contracts have permitted A-B to make long-term decisions for its Merrimack facility by providing stable, cost-based rates for water. In addition, PWW has been responsive in addressing operational issues that arise from time to time. A-B believes that the special contracts have also benefited PWW by assuring a reliable, high volume of sales with minimal operational complications and costs, and have helped keep rates lower for PWW's other customers.

Q. What rate does A-B pay for water?

A. A-B pays a cost-based rate approved by the Commission in 2005 in accordance with PWW's 2001 Cost of Service Study. In approving the "Third Special Contract," the Commission found that "service to AB constitutes a special

circumstance because of its high level of consumption and the low level of cost associated with providing that service. [...] [W]e find special circumstances exist which justify departure from PWW's schedules of general application. We further find that the departure described in the terms and conditions of the Third Contract with AB are just and reasonable, and consistent with the public good in accordance with RSA 378:18." Order No. 24,441, March 4, 2005, Docket DW 04-228.

Q. What concerns does A-B have about municipalization of PWW's system?

A. As I stated, A-B's primary need is for a stable, long-term, cost-based rate. The "Third Special Contract" meets that need. A-B would be pleased to continue to receive what has been reliable service from PWW under that contract. However, A-B has no reason to doubt that the City of Nashua could also provide satisfactory water service. If municipalization is to go forward, A-B asks the Commission to condition its final approval order on the City's assumption and continuation of the "Third Special Contract." Alternatively, A-B asks the Commission to condition its final approval order on implementation of such other, similar agreement as A-B and the City may enter into before the final order is issued.