

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

CITY OF NASHUA'S PETITION FOR VALUATION PURSUANT TO RSA 38:9

Docket No. DW04-048

**DIRECT TESTIMONY OF PHILIP G. ASHCROFT, DAVID W. FORD, P.E.,
ROBERT R. BURTON, PAUL F. NORAN, P.E.**

- Q. Please state your names, business addresses and positions.
- A. My name is Philip G. Ashcroft, my business address is Veolia Water North America-Northeast, LLC, 200 Cordwainer Drive, Suite 202, Norwell, Massachusetts 02061. I am the President of Veolia Water North America-Northeast, LLC (VWNA).
- A. My name is David W. Ford, P.E., my business address is Veolia Water North America-Northeast, LLC, 195 New Hampshire Avenue, Suite 245, Portsmouth, New Hampshire 03801.. I am a Senior Project Manager/Engineering Services Manager for VWNA and following the acquisition by Nashua I will serve as Project Manager.
- A. My name is Paul F. Noran, P.E., my business address is Veolia Water North America-Northeast, LLC, 9 Forest View Drive, Falmouth, Maine 04105. I am a Technical Manager for VWNA and following the acquisition by Nashua I will be the Field Services Manager.
- A. My name is Robert R. Burton, my business address is 1220 Waterway Boulevard, Indianapolis, Indiana 46202. I am a Director of Special Projects for VWNA and currently serve as the Director of Special Projects with Veolia Water Indianapolis, LLC, which operates and manages Veolia Water's contract with the City of Indianapolis, Indiana, which includes all operations, maintenance and management Project Work and Customer Service facets of the City's water works system. In Nashua I will manage the day-to-day operations of the water treatment and supply system and provide leadership for the operation and maintenance of all elements of the water system.

Q. Do you have current resumes?

A. Yes. Our resumes, along with the resumes for all VWNA staff or employees who will be involved in the operation of any assets the City of Nashua acquires from Pennichuck Water Works Inc., (PWW) are contained in Volume III, Appendix A, to VWNA's Proposal to Nashua (Exhibit A). See also Volume I, Section 3 (Exhibit C) of the Proposal for a description of the management and staffing VWNA will provide to Nashua.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to support Nashua's assertion that it has the managerial and technical capability, through the provisional Operation, Maintenance and Management Agreement ("Agreement") with VWNA (Exhibit B) to operate any assets it acquires from PWW. It is also the purpose of our testimony to support the public-private partnership that Nashua has chosen to operate the assets it acquires from PWW and to identify the benefits Nashua will realize.

Q. What is VWNA?

A. VWNA is a wholly owned subsidiary of Veolia Water North America, which in turn is a wholly owned subsidiary of Veolia Water a division of Veolia Environment. Veolia Environment is a publicly owned company headquartered in Paris, France. It is traded on the French Stock Exchange and the New York Stock Exchange as an ADR. Veolia Water is the largest water service provider in the world with 55,000 employees serving 110,000,000 people. In the United States Veolia Water North America is the largest water services partnership company and provides service in over 600 communities. It has annual revenue of \$530,000,000 and serves approximately 1.4 million customers. It manages approximately 7,400 miles of water distribution mains with average daily water production of 656 MGD and has 3,150 employees, of which approximately 1,200 are licensed operators and 400 are licensed water operators.

VWNA is one of the four regional wholly owned subsidiaries of Veolia Water North America. VWNA operates in all 6 New England states and New York and has approximately 560 operations and maintenance and support employees. It provides services to 36 municipal/government clients and 5 industrial/private clients. It operates 11 municipal water plants, 30 municipal waste water plants, 2 industrial waste water plants and 1 industrial water plant.

All of the resources of VWNA, Veolia Water North America and Veolia Water are available to Nashua through VWNA's operation of the water system.

Q. What are some of the water systems operated by Veolia Water North America's subsidiaries?

- A. Veolia Water North America-Central, LLC is managing the City of Indianapolis' water system which is the nation's largest water public-private partnership. The contract with the City includes all operations, maintenance and management and customer service for a system that currently serves 1.2 million people.

VWNA operates and manages the water and waste water facilities serving the City of Brockton, Massachusetts. The first contract with the City was in 1988 and in 2000, the partnership was renewed for 20 years.

VWNA also provides comprehensive operation maintenance and management services to the City of Lynn, Massachusetts for its municipal water and waste water treatment facilities.

In a Contract Operations, Maintenance and Management Project that began in 1983, VWNA operates and manages the City of Leominster, Massachusetts waste water treatment plant and water treatment plant.

The above projects and many others in which VWNA and other Veolia Water North America subsidiaries have engaged in public-private partnerships are described in Volume III, Appendix B, Part 1 (Exhibit A) and Volume I, Section 5 (Exhibit C) to the Proposal.

- Q. What services will VWNA provide to Nashua under the agreement?

- A. Beginning with the date Nashua acquires the assets and continuing through transition until the end of the Agreement term, VWNA will provide operation maintenance and management of the assets in accordance with Appendix D to the Agreement. The services described in Appendix D are operations and maintenance items having a useful life of less than 1 year. The operations and maintenance items listed in Appendix D are provided for in the annual fee under the Agreement.

VWNA will also provide Renewal, Repair and Replacement Maintenance (RRRM) under Appendix H to the Agreement. RRRM is intended to include all maintenance activities related to the assets to be acquired by the City with a life expectancy greater than one year except where such maintenance activities have been defined under the Agreement as operations and maintenance under Appendix D or as a capital improvement project under Appendix G. Schedule H-1 sets forth the rates and/or prices for performance of the RRRM work.

Capital improvements described in Appendix G will be determined based upon a capital improvements plan prepared by VWNA. The City, in its sole discretion, will negotiate contracts for completion of capital improvement projects with either VWNA or any third party contractors.

VWNA will also provide transition services as detailed in Appendix Q to the Agreement. Getting the project off to a smooth and successful start is absolutely critical. The transfer from an investor owned utility to a public-private partnership is not easy and presents challenges to an operator like VWNA. The manner in which VWNA will provide transition services is also discussed in Volume 1, Section 4 (Exhibit C) of the Proposal. A key element to the success of the public-private partnership with the City will be the transition of existing water system employees to the VWNA team. Existing PWW employees will be given priority for all required positions. The employee- relations plan is discussed in Section 4, referred to above.

It is important to note that upon the selection of VWNA by the City of Nashua a transition team was established. The team members are listed in Volume 1- Technical Proposal (Exhibit C) and their resumes are contained in Exhibit A. Many of the team members, including key technical and management staff, were involved in Indianapolis in 2002 when the City acquired the water assets from an investor owned utility and then transitioned the operations and management responsibility for the system to a public-private partnership with a Veolia Water North America subsidiary providing them with unique experience to carry out this transition.

Because of the size of Veolia Water and its subsidiaries, VWNA believes it has the experience and resources to confront any issue which may arise during the transition and that it has the necessary talents and skills to be successful.

Finally, VWNA will provide supplemental services as set forth in Appendix E to the Agreement. The supplemental services will give the City the opportunity to take advantage of the resources of Veolia Water and its subsidiary corporations including VWNA.

- Q. What are the benefits to Nashua from the public-private partnership with VWNA?
- A. Nashua has avoided the necessity of creating a new city department and has been able to utilize competitive forces to obtain the highest quality of service, experience and resources at the best price. Investor owned utilities like PWW are focused on the stockholder not the customer. The focus in the public-private partnership is on the customer, returning "dividends" to the rate payers through the life-cycle cost and high-quality service. Simply put, in a public-private partnership like the one Nashua has created with VWNA, VWNA must operate the system better for less. Under the public-private partnership VWNA can focus on protecting the assets and operating them for the public benefit and use. In the current investor owned utility model, the utility owns the assets while establishing rates through proceedings at the New Hampshire Public Utility Commission. PWW's profits are derived from capital improvements, rate increases, costly higher life-cycle choices and other measures. Profit incentives are tied directly to capital programs and are passed on to rate payers. None of that is true in the

public-private partnership model where the focus can instead be on conservation and rate stability.

VWNA is aware of the testimony of Donald Correll, the President of PWW, before the United States House of Representatives on July 22, 2004 in which he details many of the benefits of the public-private ownerships. He noted, for example, that more than 2,400 publicly owned water and waste water facilities for nearly 2,000 municipalities are operated by private firms with a 90% contract renewal rate. He also pointed out that the private partners to these partnerships offer “the cutting edge of technical innovation and research” and bring first hand security experience to the industry. Most importantly, he testified that such public-private partnerships generate cost savings of up to 40%, “freeing up much needed capital for infrastructure replacement, without burdening either the customer or the American taxpayer”; and that such “arrangements have often allowed municipalities to avoid significant rate adjustments while still meeting higher EPA water quality standards.” A copy of Mr. Correll’s testimony is attached as Exhibit D.

Q. Does this conclude your testimony?

A. Yes.

Exhibits:

- A. Volume III ,Appendix A and B (Part 1)of VWNA Proposal
- B. Veolia Operation, Maintenance and Management Agreement
- C. Volume I, Sections 3, 4 and 5 of VWNA Proposal
- D. Donald Correll Testimony