

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

September 5, 2007 - 9:12 a.m. DAY IV  
21 South Fruit Street  
Concord, New Hampshire

RE: DW 04-048  
CITY OF NASHUA, NEW HAMPSHIRE:  
Petition for valuation pursuant to RSA 38:9

BEFORE: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below  
  
Connie Fillion, Clerk

APPEARANCES

Representing the City of Nashua, NH:  
Robert Upton, II, Esq.  
Justin C. Richardson, Esq.  
Linda Regan, paralegal

Representing Pennichuck Water Works, Pennichuck  
East Utilities & Pittsfield Aqueduct Co.:  
Steven V. Camerino, Esq.  
Sarah B. Knowlton, Esq.  
Joe Conner, Esq.

Court Reporter:  
Pamela Carle, CCR, RPR  
New Hampshire CCR No. 98

## 1 APPEARANCES (Continued)

2 Representing Anheuser-Busch:  
3 John T. Alexander, Esq.  
4 Daniel Mullen, Esq.

5 Representing the Town of Milford:  
6 E. Maria Reinemann, Esq.

7 Representing the Town of Merrimack:  
8 Edmund Boutin, Esq.

9 Representing PUC staff:  
10 Marcia A.B. Thunberg, Esq.

11 Representing Residential Ratepayers:  
12 Office of Consumer Advocate  
13 Kenneth Traum  
14 Stephen Eckberg

15 Claire McHugh, pro se

16 Barbara Pressley, pro se

17

18

19

20

21

22

23

24

25

26

27

1

2

## I N D E X

3

WITNESS PANEL:

PHILLIP G. ASHCROFT

PAUL NORAN

4

STEPHEN SIEGFRIED

ALYSON WILLANS

5

DAVID FORD

ROBERT BURTON

6

7

8

EXAMINATION:

PAGE

9

Direct Examination

By Mr. Richardson

6

10

Cross-Examination

By Mr. Camerino

15

11

By Ms. Thunberg

290

By Mr. Alexander

330

12

By Mr. Boutin

334

13

14

15

16

## EXHIBITS

17

EXHIBIT

DESCRIPTION

PAGE

18

3257

Contract arrangement description

179

19

20

21

22

23

1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Good morning. We'll  
3 resume the hearing of docket DW 04-048. And let's  
4 take appearances, please.

5 MR. UPTON: Robert Upton on behalf of  
6 the city of Nashua, along with Justin Richardson.

7 CHAIRMAN GETZ: Good morning. Maria?

8 MS. REINEMANN: Maria Reinemann for the  
9 town of Milford.

10 CHAIRMAN GETZ: Good morning.

11 MR. ALEXANDER: John Alexander for the  
12 Anheuser-Busch Companies.

13 CHAIRMAN GETZ: Good morning.

14 MR. BOUTIN: Ed Boutin for the town of  
15 Merrimack.

16 CHAIRMAN GETZ: Good morning.

17 MS. PRESSLEY: Good morning, Barbara  
18 Pressley, citizen intervenor.

19 MS. MCHUGH: Claire McHugh.

20 MR. TRAUM: On behalf of the Office of  
21 Consumer Advocate, Ken Traum.

22 CHAIRMAN GETZ: Good morning.

23 MR. CONNER: I'm in the back row today,

1 Joe Conner of Baker Donelson, co-counsel with  
2 Mr. Camerino.

3 CHAIRMAN GETZ: Good morning.

4 MS. THUNBERG: Marcia Thunberg on  
5 behalf of staff; with me today is Mark Naylor,  
6 Doug Brogan and Jason Laflamme.

7 CHAIRMAN GETZ: Good morning.

8 MR. CAMERINO: Good morning,  
9 Commissioner, Steve Camerino and Sarah Knowlton  
10 from McLane, Graf, Raulerson & Middleton, on  
11 behalf of Pennichuck Companies, and with us at  
12 counsel table today is Donald Ware, president of  
13 Pennichuck Water Works.

14 CHAIRMAN GETZ: Are there any issues  
15 that we need to address before we hear from the  
16 Veolia panel? Ms. McHugh?

17 MS. MCHUGH: Yes. I had written last  
18 week saying I would not be available the last two  
19 weeks. If I'm going to be questioned on the  
20 stand, I would like to know when that would be  
21 exactly, because I'm available this week and next  
22 week.

23 CHAIRMAN GETZ: Okay, I did see your

1 letter, and I would just ask that you try to  
2 discuss that with the parties and see if we can  
3 come up with a joint recommendation on when you  
4 could be substituted into the schedule.

5 MS. MCHUGH: All right, thank you.

6 CHAIRMAN GETZ: Is there anything else  
7 before we -- I have never seen the panel two deep  
8 before, but -- Mr. Camerino?

9 MR. CAMERINO: I don't know whether  
10 this is the right time, but I just want to alert  
11 the commission I do having continuing concerns  
12 about the presence of Ms. Willans and  
13 Mr. Siegfried, and I think what I'll probably do  
14 is wait and see what Mr. Richardson does on his  
15 direct and address it at that point.

16 CHAIRMAN GETZ: Okay, if there's  
17 nothing further, then we could swear the panel,  
18 please.

19 (Philip Ashcroft, Paul Noran,  
20 Stephen Siegfried, Alyson Williams,  
21 David Ford and Robert Burton, sworn)

22 DIRECT EXAMINATION

23 BY MR. RICHARDSON:

1                   MR. RICHARDSON: Good morning. Could  
2                   you please state your names and positions?

3                   MR. ASHCROFT: Philip Ashcroft,  
4                   president of Veolia Water North America-Northeast,  
5                   LLC.

6                   MR. NORAN: Paul Noran, senior project  
7                   manager, Veolia Water North America-Northeast LLC.

8                   MS. WILLANS: I'm Alyson Willans --

9                   MR. CAMERINO: Mr. Chairman, at this  
10                  point I do want to object. Essentially  
11                  Pennichuck's position as it's put forward already  
12                  in its objection to Nashua's request that it be  
13                  allowed to substitute witnesses is that  
14                  Ms. Willans and Mr. Siegfried should not be  
15                  allowed to testify at all in this proceeding. So  
16                  we would renew that objection.

17                  It is our intention to file a motion  
18                  for reconsideration with regard to that ruling by  
19                  the commission, but our feeling is that they're  
20                  not necessary, they're certainly not related to  
21                  any of my questions for the panel, and we just  
22                  want to be on record that we object to their being  
23                  allowed to testify.

1                   CHAIRMAN GETZ: I'll give you the  
2                   opportunity to respond.

3                   MR. RICHARDSON: We set forth the  
4                   reasons for our request in our motion to  
5                   substitute these witnesses to summarize for the  
6                   commission's benefit. This is a very important  
7                   issue in this case. We would like to have the  
8                   witnesses who are actually going to be involved in  
9                   the project and provide the information if there  
10                  are questions about how Veolia would operate the  
11                  system.

12                 In discussing this with staff at one  
13                 point it was mentioned to me that over time  
14                 employees can come and go in any organization, and  
15                 that that's what's happened here. These witnesses  
16                 are not here to provide new information, they're  
17                 here for the purposes, you'll see, to adopt the  
18                 testimony that's already been submitted, and then  
19                 to respond to those questions.

20                 Mr. Ford and Mr. Burton who previously  
21                 were prepared to testify last January have now  
22                 been -- had no involvement in the project for  
23                 essentially a year, and to have Nashua have to



1       come in and to provide the details of how we're  
2       going to operate the system with somebody who's  
3       had no involvement for nearly a year would be  
4       unnecessary, it would complicate the proceedings,  
5       and we do think it will benefit the commission's  
6       deliberations to hear from the actual witnesses  
7       who will be involved in the project.

8                   CHAIRMAN GETZ: I'm going to overrule  
9       the objection. We've already decided that we'll  
10      allow Mr. Siegfried and Ms. Willans to adopt the  
11      testimony, and Mr. Ford and Mr. Burton are here to  
12      answer questions about their underlying testimony.  
13      If -- if the company has no questions for  
14      Mr. Siegfried and Ms. Willans, then I guess that's  
15      their -- that's at their discretion.

16                   At this point there will be no  
17      supplemental direct from them, they will just be  
18      subject to cross to the extent that they are  
19      adopting the underlying testimony, and I think we  
20      can proceed then.

21                   MR. CAMERINO: Understood.

22                   MR. RICHARDSON: As part of your  
23      participation in this proceeding, did you prepare

1 or do you adopt testimony that was submitted on  
2 January 12th, 2006, that is your direct testimony  
3 that has been marked as Exhibit 1005, and I  
4 believe also includes in the electronic version,  
5 the subfiles 10005A, 10005B, and 0005C.

6 THE PANEL: Yes.

7 MR. RICHARDSON: It's been brought to  
8 my attention that we did not introduce all of the  
9 witnesses. Could we continue? Mrs. Willans, I  
10 believe you were interrupted.

11 MS. WILLANS: Yeah. My name is Alyson  
12 Willans. I'm with Veolia Water Indianapolis. I'm  
13 director of operation support for them.

14 MS. REINEMANN: We can't hear back  
15 here.

16 MS. WILLANS: Is that better?

17 CHAIRMAN GETZ: Try again. Alyson  
18 Willans, Veolia Water.

19 MR. CAMERINO: I think the button turns  
20 the microphone off.

21 MS. WILLANS: I'm Alyson Willans,  
22 Veolia Water, Indianapolis, director of operation  
23 support.

1                   MR. SIEGFRIED: I'm Steve Siegfried,  
2                   Veolia Water, area manager.

3                   MR. FORD: David Ford, former employee  
4                   of Veolia Water as project manager, now director  
5                   of public works for the town of Wolfeboro,  
6                   New Hampshire.

7                   MR. BURTON: Rob Burton, former  
8                   director of special projects, Veolia Water  
9                   Indianapolis, currently project manager with ESG  
10                  Operations in Conyers, Georgia.

11                  MR. RICHARDSON: Thank you. And to  
12                  follow up on the testimony prepared and submitted  
13                  in this proceeding, you also are prepared or are  
14                  here to adopt today testimony submitted on May  
15                  22nd, 2006 that is marked as Exhibit EX 1013, is  
16                  that correct?

17                  THE PANEL: Yes.

18                  MR. RICHARDSON: And following the  
19                  preparation of your testimony, did you respond to  
20                  data requests in this proceeding that are marked  
21                  as Exhibits 1051, 1052, 1053 and 1054?

22                  THE PANEL: Yes.

23                  MR. RICHARDSON: And do you adopt that

1 testimony and data responses as part of this  
2 proceeding?

3 THE PANEL: Yes.

4 MR. RICHARDSON: And we've heard from  
5 the panel that there have been certain changes in  
6 the individuals. Could you -- could you explain  
7 those?

8 MR. FORD: I'll go first. Dave Ford as  
9 the project manager working on this project. I  
10 have resigned in December of '06 and took the  
11 position as public works director in the town of  
12 Wolfeboro, and I've been there since, and I'm  
13 adopting the testimony in the responses as I  
14 stated earlier.

15 MR. BURTON: Rob Burton. I was  
16 formerly, as I indicated, a manager of production  
17 on this project. I have since left Veolia Water  
18 for another company in February of this year.

19 MR. RICHARDSON: And --

20 MR. BOUTIN: We're going to have some  
21 trouble hearing in the back row. At least talk a  
22 little slower, because the mike isn't picking it  
23 up and sending it back here.

1 CHAIRMAN GETZ: Yeah, I just ask,  
2 especially for Mr. Ford and Mr. Burton, that you  
3 please speak up.

4 MR. RICHARDSON: And, Ms. Willans and  
5 Mr. Siegfried, what is the purpose of your  
6 testimony here today?

7 MR. SIEGFRIED: I'm designated to be  
8 the project manager of the Nashua project, and I'm  
9 here to adopt Mr. Ford's testimony.

10 MR. RICHARDSON: And Ms. Willans?

11 MS. WILLANS: I'm designated to be the  
12 director of operations in this project, and I'm  
13 here to adopt Rob Burton's testimony.

14 MR. RICHARDSON: Thank you. I have no  
15 further -- no further questions.

16 CHAIRMAN GETZ: Thank you. Let me just  
17 -- purely administrative matter. Maybe we can  
18 redistribute those -- there's three microphones,  
19 and if we can move one further back towards  
20 Mr. Siegfried -- well, just right there on the  
21 edge. And if you could just try to be cognizant  
22 of speaking into the microphones, thank you.

23 Then cross-examination opportunity

1 starts with Ms. McHugh. Do you have any  
2 questions?

3 MS. MCHUGH: No, thank you.

4 CHAIRMAN GETZ: Ms. Pressley?

5 MS. PRESSLEY: No, thank you.

6 CHAIRMAN GETZ: And then Mr. Traum?

7 MR. TRAUM: No, thank you.

8 CHAIRMAN GETZ: And then we turn to the  
9 company. Mr. Camerino?

10 MR. CAMERINO: Thank you, Mr. Chairman.  
11 I just want to note again for the record our  
12 continuing objection to Nashua's introducing their  
13 own responses to data requests to supplement their  
14 direct testimony from their witnesses, and it's my  
15 understanding we'll address that at the end of the  
16 hearing.

17 CHAIRMAN GETZ: That's still the case.

18 MR. CAMERINO: And as I noted before,  
19 I'm not going to have any questions for  
20 Ms. Willans and Mr. Siegfried. No disrespect, I  
21 know you took time out of a busy schedule to come  
22 here.

23 CROSS-EXAMINATION

1 BY MR. CAMERINO:

2 MR. CAMERINO: What I am going to do is  
3 I'll try to give the witnesses a sense of the  
4 topic that I'm on so you know what subject matter  
5 we're talking about, we don't jump all around. I  
6 do have quite a bit of material, so if you can  
7 just answer the question as asked, and you have  
8 counsel here; if he wants to bring some other  
9 points out, he'll do that on his redirect.

10 If we can just start with your  
11 background. Mr. Ashcroft, Mr. Noran, Mr. Burton  
12 and Mr. Ford, you're all appearing here as  
13 representatives of Veolia Water, is that correct?

14 MR. ASHCROFT: Yes.

15 MR. NORAN: Yes.

16 MR. SIEGFRIED: Yes.

17 MR. CAMERINO: And the purpose of your  
18 testimony -- well, excuse me. Mr. Ford, you're  
19 not testifying as a representative of Veolia?

20 MR. FORD: I'm not sure how to answer  
21 that question. I think I really -- you know, I  
22 said I resigned nine months ago. I'm here to  
23 adopt my testimony from the previous -- you know,

1       depositions and follow-up.

2               MR. CAMERINO:   Okay, so you're not here  
3       as a representative of Veolia, but you are here  
4       able to discuss the facts related to your  
5       involvement in this case before you left Veolia?

6               MR. FORD:   Yes.

7               MR. CAMERINO:   And the same would be  
8       true for you, Mr. Burton?

9               MR. BURTON:   Yes.

10              MR. CAMERINO:   And you're all able,  
11       based on your involvement, to discuss various  
12       aspects of the contract between Nashua and Veolia?

13              THE PANEL:   Yes.

14              MR. CAMERINO:   And Mr. Ashcroft and  
15       Mr. Noran, then, you're able to testify regarding  
16       the capabilities of Veolia to provide service to  
17       the city of Nashua, is that a fair statement?

18              MR. ASHCROFT:   Yes.

19              MR. NORAN:   Yes.

20              MR. CAMERINO:   I'd like to have each of  
21       the four of you just very briefly describe your  
22       role in the negotiations between Nashua and  
23       Veolia.   And in no particular order, I guess maybe



1 we should just start with Mr. Ashcroft and go to  
2 Mr. Noran and then the back row, but if you want  
3 to handle it differently, feel free.

4 MR. ASHCROFT: Thank you. As president  
5 of the LLC I was not directly involved in the  
6 negotiations. My role perhaps is best described  
7 as oversight, and someone who got involved in  
8 discussions to understand the risk profile  
9 associated with this draft contract.

10 MR. CAMERINO: And, Mr. Ashcroft, is it  
11 fair to say that you had ultimate responsibility  
12 for the proposal that was made to the city?

13 MR. ASHCROFT: Yes, that's fair.

14 MR. CAMERINO: Noran, why don't we move  
15 on to you.

16 MR. NORAN: I was on the negotiating  
17 team for Veolia Water, I was mainly a technical  
18 resource for that team.

19 MR. CAMERINO: Excuse me, a what  
20 resource?

21 MR. NORAN: A technical resource of  
22 that team.

23 CHAIRMAN GETZ: Mr. Noran, if you

1 can --

2 MR. CAMERINO: What kind of technical  
3 resource, what does that mean?

4 MR. NORAN: In developing the details  
5 related to operations and maintenance of the  
6 system.

7 MR. CAMERINO: Is it fair to say that  
8 you participated in setting the labor rates.

9 MR. NORAN: Yes.

10 MR. CAMERINO: Anything else? I don't  
11 want to cut you off if there were other things.

12 MR. NORAN: That's primarily it.

13 MR. CAMERINO: Mr. Burton, what was  
14 your involvement in the proposal?

15 MR. BURTON: In the proposal?

16 MR. CAMERINO: Yes.

17 MR. BURTON: I was on the proposal  
18 development team and assisted in writing the  
19 proposal for the city of Nashua.

20 MR. CAMERINO: And one of the things  
21 that you did, I believe, with Mr. Noran was help  
22 to put together the organizational chart?

23 MR. BURTON: That would be correct.

1                   MR. CAMERINO: And what was your role  
2                   in the negotiations themselves?

3                   MR. BURTON: I was not a party to the  
4                   negotiations.

5                   MR. CAMERINO: All right, and you,  
6                   Mr. Ford?

7                   MR. FORD: I was not party to the  
8                   negotiations but on the proposal team working  
9                   mainly on the design construction issues, capital  
10                  upgrades, capital program management aspects of  
11                  the proposal.

12                  MR. CAMERINO: And you were the project  
13                  manager at this time for this project?

14                  MR. FORD: I was designated in the org  
15                  chart as the overall project manager, yes.

16                  MR. CAMERINO: And, Mr. Noran, just to  
17                  return to you, I'm reading from something  
18                  Mr. Burton said in his deposition. It says that  
19                  you were responsible for transmission and  
20                  distribution and field customer service, is that a  
21                  fair statement?

22                  MR. NORAN: Yes.

23                  MR. CAMERINO: And, Mr. Ford, you may

1       have said this and I missed it; you were  
2       responsible for supplemental services portion of  
3       the proposal, the capital and engineering support?

4               MR. FORD:   Yes.

5               MR. CAMERINO:  I'd just like to go  
6       through each of you one by one and ask you how  
7       long you have been with Veolia or were with Veolia  
8       before your departure.  Mr. Ashcroft, can we start  
9       with you?

10              MR. ASHCROFT:  I joined Veolia in '98.

11              MR. CAMERINO:  So nine years; nine or  
12       ten years.

13              MR. ASHCROFT:  That is correct.

14              MR. CAMERINO:  And what positions have  
15       you had since you've been with Veolia?

16              MR. ASHCROFT:  I joined Veolia as the  
17       operations director with a company called Three  
18       Valleys Water serving about 3 million customers in  
19       greater London.  I then moved on to be the  
20       managing director, in U.S. parlance that would be  
21       the president and CEO of North Surry Water, and  
22       subsequently took on the operations director's  
23       role for the combined companies.

1                   And subsequent to that I joined what  
2           was then U.S. Filter, the Veolia Water --  
3           predecessor of Veolia Water North America, senior  
4           vice president, and then in the spring of '05 I  
5           was appointed as president of the Northeast LLC.

6                   MR. CAMERINO: Were those jobs in  
7           different locations?

8                   MR. ASHCROFT: The initial jobs in  
9           Three Valleys was -- and North Surry was the same  
10          location, London. When I moved to the U.S. I was  
11          based in Houston, Texas, and obviously when I  
12          moved here, I moved to Massachusetts.

13                  MR. CAMERINO: So how many different  
14          places have you lived during those ten years you  
15          have been with Veolia?

16                  MR. ASHCROFT: Three.

17                  MR. CAMERINO: Mr. Noran, how long have  
18          you been with Veolia.

19                  MR. NORAN: I have been with Veolia for  
20          six years. I started as a collection and  
21          distribution manager, and I'm currently a senior  
22          project manager.

23                  MR. CAMERINO: And where do you live

1       currently?

2                   MR. NORAN: I live in Falmouth, Maine.

3                   MR. CAMERINO: And you have been around  
4       New England, I know. How many places have you  
5       lived?

6                   MR. NORAN: Since I worked for Veolia I  
7       have not changed my location. I still live in  
8       Falmouth, Maine.

9                   MR. CAMERINO: In fact, you lived in  
10      Maine before you joined Veolia, didn't you?

11                  MR. NORAN: Yes.

12                  MR. CAMERINO: And you worked for a  
13      utility that was based in New England?

14                  MR. NORAN: Yes, my prior employment  
15      was with Consumers Water Company. I was with  
16      Consumers Water Company for 20 years, and I was  
17      headquartered in Portland, Maine.

18                  MR. CAMERINO: And Consumers had a  
19      subsidiary here in New Hampshire, didn't they?

20                  MR. NORAN: Yes.

21                  MR. CAMERINO: Just for the record,  
22      what was the name of that? It went under a couple  
23      of names.

1                   MR. NORAN: Consumers New Hampshire  
2           Water Company.

3                   MR. CAMERINO: It was also called  
4           Southern New Hampshire Water Company.

5                   MR. NORAN: Correct.

6                   MR. CAMERINO: And before that, Hudson  
7           Water Company.

8                   MR. NORAN: Yes.

9                   MR. CAMERINO: Or Hudson Water Works, I  
10          think.

11                  MR. NORAN: Yes.

12                  MR. CAMERINO: Mr. Burton, how long did  
13          you work for Veolia?

14                  MR. BURTON: I was an employee of  
15          Veolia or a predecessor to Veolia for 11 years.

16                  MR. CAMERINO: And how many positions  
17          did you have with Veolia during that period?

18                  MR. BURTON: Approximately five or six  
19          different positions.

20                  MR. CAMERINO: Could you tell us where  
21          those positions were located?

22                  MR. BURTON: Boonville, Indiana, Storm  
23          Lake, Iowa, and Boonville, Indiana again, and then

1 Indianapolis, Indiana; so, four locations.

2 MR. CAMERINO: And Mr. Ford, how about  
3 you? How long were you employed with the company?

4 MR. FORD: I started with the company  
5 in 2000 and left in the end of 2006; six years.

6 MR. CAMERINO: And how many positions  
7 did you have?

8 MR. FORD: Basically one position. I  
9 was the, again, project manager of the engineering  
10 construction group, capital project manager group,  
11 basically same thing, capital projects with the  
12 operations group.

13 MR. CAMERINO: Thank you. I'm going to  
14 have some questions -- not right now but later --  
15 about the contract, needless to say, and I guess  
16 I'm wondering, who is the person on the panel  
17 that's most knowledgeable about the contract,  
18 would that be you, Mr. Ashcroft?

19 MR. ASHCROFT: Probably not in the  
20 detail, but I'm sure between us we will be able to  
21 answer those questions.

22 MR. CAMERINO: There was a gentleman  
23 named Richard Johnson who was associated with the



1       Veolia team at one point, was there not,  
2       Mr. Ashcroft?

3                   MR. ASHCROFT: That is correct.

4                   MR. CAMERINO: And, in fact, he's  
5       referenced in at least one of the cover letters to  
6       the city to contain the proposal, do you recall  
7       that?

8                   MR. ASHCROFT: I don't recall that  
9       exact proposal.

10                  MR. CAMERINO: We're going to put up on  
11       the screen -- this is just really to refresh your  
12       recollection. I don't know where this is in terms  
13       of exhibits and we don't need to add an additional  
14       marking on it. But if you look down at the bottom  
15       you'll see there's an intended paragraph and he's  
16       listed as essentially the contact person. Does  
17       that refresh your recollection?

18                  MR. ASHCROFT: Yup.

19                  MR. CAMERINO: And did he work for you?

20                  MR. ASHCROFT: That's correct.

21                  MR. CAMERINO: And who replaced him on  
22       the team?

23                  MR. ASHCROFT: Sammy Sullivan.

1                   MR. CAMERINO: And that proposal says  
2                   at the bottom, doesn't it, it says, I invite you  
3                   to contact Mr. Johnson or me if you need any  
4                   additional information. Do you see that?

5                   MR. ASHCROFT: Yes, I do.

6                   MR. CAMERINO: And that was an  
7                   indication essentially that you were, again, the  
8                   lead contact person with the city?

9                   MR. ASHCROFT: That's correct.

10                  MR. CAMERINO: I want to ask you some  
11                  questions about the contract negotiations. First,  
12                  Mr. Ashcroft, and the other three gentlemen  
13                  certainly should feel free to add in if  
14                  Mr. Ashcroft misses something.

15                  Can you tell me who participated in the  
16                  negotiating process for the city?

17                  MR. ASHCROFT: For the city?

18                  MR. CAMERINO: Yes. Identify the  
19                  employees as best you can or tell me what  
20                  positions they were.

21                  MR. ASHCROFT: Mr. Sansoucy represented  
22                  the city. I think Mr. Upton was part of that  
23                  team, was the lawyer. Paul, do you recall?

1                   MR. NORAN: Justin was part of that.

2                   CHAIRMAN GETZ: We're going to have to  
3 speak up. Remember that there's a big room, and  
4 if we can get those microphones closer.

5                   MR. ASHCROFT: I believe R.W. Beck were  
6 also involved at some stage.

7                   MR. CAMERINO: Anybody else that you  
8 can think of?

9                   All right, I think you know this, but I  
10 asked you about city employees, and so far you've  
11 named two outside lawyers, an outside engineering  
12 firm, and the outside appraisal witness. I'm just  
13 wondering, was there anybody participating for the  
14 city? Or these folks were representing the city's  
15 interest?

16                  MR. ASHCROFT: That's my understanding.

17                  MR. CAMERINO: And can you tell us who  
18 participated for Veolia?

19                  MR. ASHCROFT: The negotiating team for  
20 Veolia was a gentleman called Joe Tomashosky. The  
21 lawyer who works with me in the Northeast, Robert  
22 Randall, and Paul Noran.

23                  MR. CAMERINO: Okay, let me mention

1       some other names that came up during  
2       Mr. Tomashosky's deposition and in some other  
3       materials and just see if these ring a bell for  
4       you.

5                       There was an indication that Mr. Ford  
6       and Mr. Burton participated in an August 18th  
7       meeting with the city, does that sound correct?

8                       MR. ASHCROFT: I wouldn't know. I  
9       would have to ask them to respond to that.

10                      MR. CAMERINO: Mr. Tomashosky indicated  
11       that in his deposition. Could I ask you, Mr. Ford  
12       and Mr. Burton, do you recall an August 14th  
13       presentation to the city that you participated in?

14                      MR. FORD: Can you be more specific,  
15       what that presentation was about, where, what the  
16       location was?

17                      MR. CAMERINO: I wasn't there, I don't  
18       know the locations, but there was a rather  
19       voluminous package with I believe a 124 page  
20       PowerPoint presentation dated August 18th that  
21       laid out the city's proposal, and I can show you  
22       Mr. Tomashosky's deposition, his recollection was  
23       that the two of you were there.

1                   MR. BURTON: I do recall a meeting, I  
2                   do not recall a date, and I do not recall the  
3                   specifics of it, and you are correct, there was a  
4                   PowerPoint presentation.

5                   MR. CAMERINO: Does that ring a bell  
6                   with you, Mr. Ford, subject to checking on the  
7                   date?

8                   MR. FORD: Yeah, we had a couple of  
9                   meetings at Sansoucy's office just north of  
10                  Portsmouth; I recall, yeah, that we had a meeting,  
11                  we made a presentations, a PowerPoint  
12                  presentation.

13                  MR. CAMERINO: And you made the  
14                  presentation at Mr. Sansoucy's office, not at the  
15                  city's office.

16                  MR. FORD: Correct.

17                  MR. CAMERINO: And, Mr. Ashcroft, you  
18                  would have been at that meeting?

19                  MR. ASHCROFT: I don't recall attending  
20                  a negotiating meeting with city, but we attended  
21                  several meetings and made several presentations.

22                  MR. CAMERINO: So in your mind you're  
23                  distinguishing between actual negotiations and

1       presenting your proposals to them?

2                   MR. ASHCROFT:   That's correct.

3                   MR. CAMERINO:   And Mr. Johnson would  
4       have attended some of these meetings?

5                   MR. ASHCROFT:   Might well have done.  
6       My recollection is hazy in terms of his  
7       involvement.  He certainly wouldn't have attended  
8       any negotiating meeting, perhaps some of the  
9       presentations of the proposal, yes.

10                  MR. CAMERINO:   Why do you say he  
11       wouldn't have attended any negotiation meetings if  
12       he was the contact person for the proposal?

13                  MR. ASHCROFT:   Because he wasn't  
14       involved in any negotiation.

15                  MR. CAMERINO:   What makes you so  
16       certain of that?

17                  MR. ASHCROFT:   My recollection is he  
18       was not involved in any negotiations; that team  
19       was led by Mr. Tomashosky.  I could be wrong, I  
20       don't recall the details.

21                  MR. CAMERINO:   It's not unusual that  
22       the person who is the lead -- the contact person  
23       on the proposal wouldn't be present for the

1 negotiations, is that how you normally do it?

2 MR. ASHCROFT: That wouldn't be  
3 unusual.

4 MR. CAMERINO: What about Laura  
5 McCormack? Mr. Tomashosky indicated she was  
6 present. Does that ring a bell?

7 MR. ASHCROFT: Might well have been  
8 present for presentations, but I don't think she  
9 was involved in any negotiation.

10 MR. CAMERINO: We're going to put up on  
11 the screen another letter to the city dated  
12 September 6th, and it's the -- what I'll call the  
13 final proposal, the revised proposal from Veolia  
14 that I understand the city ultimately accepted,  
15 and it refers in the very first line to  
16 clarifications requested by Mr. Sansoucy in the  
17 letter of August 31, 2005. Do you see that  
18 reference?

19 MR. ASHCROFT: Yes.

20 MR. CAMERINO: Can you tell me how the  
21 August 18th letter relates -- August 18th meeting  
22 we were talking about relates to this August 31  
23 letter? What's happening here?

1                   MR. ASHCROFT: I believe the earlier  
2 meeting in August was to seek clarification.

3                   MR. CAMERINO: So what did Mr. Sansoucy  
4 say in the August 31 letter?

5                   MR. ASHCROFT: I honestly can't  
6 remember, it's two years ago now. There were lots  
7 of meetings and lots of letters.

8                   MR. CAMERINO: Was he asking you to  
9 change your proposal?

10                  MR. ASHCROFT: He was requiring  
11 clarification.

12                  MR. CAMERINO: Was there a time when  
13 there was -- let's describe it as a strained  
14 conversation or a heated discussion with  
15 Mr. Sansoucy about the company's proposal? Were  
16 there difficulties at some point?

17                  MR. ASHCROFT: Mr. Sansoucy is a  
18 colorful character; from time to time those  
19 conversations might well have got quite  
20 interesting, but nothing out of the ordinary, no.

21                  MR. CAMERINO: Was there any insistence  
22 by him that the company change its proposal?

23                  MR. ASHCROFT: I think that's the same



1 question you asked me a few minutes ago, and those  
2 meetings were about clarifying the proposal.

3 MR. CAMERINO: So the proposal that the  
4 commission has in front of it today is a  
5 clarification of the original proposal, but there  
6 haven't been any substantive changes?

7 MR. ASHCROFT: I believe that's the  
8 case, yes.

9 MR. CAMERINO: Your initial proposal  
10 was dated July of 2005, wasn't it?

11 MR. ASHCROFT: I believe so.

12 MR. CAMERINO: And you submitted a  
13 revised proposal in September, correct?

14 MR. ASHCROFT: I believe so.

15 MR. CAMERINO: Was there any change in  
16 the fee, the base fee between those two proposals?

17 MR. ASHCROFT: I can't recall, I have  
18 to study the documents.

19 MR. CAMERINO: So you're sitting here  
20 today and you don't remember whether the initial  
21 fee that was proposed by Veolia was higher or  
22 lower or the same as what you agreed to finally,  
23 that's your testimony?

1 MR. ASHCROFT: I don't recall, no.

2 MR. CAMERINO: All right. Now, that  
3 proposal that's been presented to the city, it's  
4 been made up of a base fee for a certain package  
5 of services and then other fees that get added on  
6 top of that for other services, is that correct?

7 MR. ASHCROFT: Substantially, yes.

8 MR. CAMERINO: It's what you have  
9 referred to in your deposition at times as a fixed  
10 and a variable component for obvious reasons,  
11 correct?

12 MR. ASHCROFT: Correct.

13 MR. CAMERINO: And the reason you've  
14 broken it down that way is Veolia didn't want to  
15 assume the risk of a fixed price for the whole  
16 contract, is that correct?

17 MR. ASHCROFT: I -- one of the issues  
18 was the lack of our ability to do detailed due  
19 diligence; so, yes, we weren't certain what those  
20 costs were going to be. To be fair to the client,  
21 it was best to break it out in that way.

22 MR. CAMERINO: And, in fact, in your  
23 deposition you said to Mr. Donovan to assume all

1       the risks would have made it unattractive to the  
2       client and inappropriate.

3                   MR. ASHCROFT: That sounds about right,  
4       because the more risk you put in, the more risk  
5       one adopts, generally the higher price to the  
6       client; therefore, sharing that risk was probably  
7       the best proposal we could make to the client.

8                   MR. CAMERINO: So a fixed fee that  
9       would have covered all or a greater portion of the  
10      services would have had a higher price on it,  
11      wouldn't it?

12                  MR. ASHCROFT: Quite possibly.

13                  MR. CAMERINO: So if you made an  
14      alternate proposal to the city initially to cover  
15      a broader scope of services that would have had a  
16      higher base fee, wouldn't it?

17                  MR. ASHCROFT: If it had been a fixed  
18      fee, yes.

19                  MR. CAMERINO: If it had been a fixed  
20      fee, is that what you said?

21                  MR. ASHCROFT: Yes.

22                  MR. CAMERINO: But you don't recall  
23      whether you made such a proposal contract with a

1 higher price?

2 MR. ASHCROFT: I'm responsible for  
3 about 45, 46 contracts, we've signed several since  
4 that time. It's two years ago, and I do not in  
5 these matters like to rely entirely on my memory.

6 MR. CAMERINO: That's fair. Let's take  
7 a look at Exhibit 1005B on page 27. That's the  
8 contract that's been submitted in this case. And  
9 if you look at it -- it should be on your  
10 screen -- it's not signed, right?

11 MR. ASHCROFT: Correct.

12 MR. CAMERINO: In fact, it's stamped  
13 draft?

14 MR. ASHCROFT: Correct.

15 MR. CAMERINO: Don't want any confusion  
16 about that, so somebody's put that stamp on there,  
17 correct?

18 MR. ASHCROFT: Correct.

19 MR. CAMERINO: Now, it could have been  
20 signed, couldn't it?

21 MR. ASHCROFT: The client didn't want  
22 it signed at that time because it was still a  
23 draft agreement and it was subject to due

1 diligence.

2 MR. CAMERINO: And let me repeat to you  
3 something I've heard in this proceeding, there was  
4 a concern on the part of Nashua that the  
5 commission might require changes to the contract?

6 MR. ASHCROFT: This is, in my  
7 experience, a unique situation where we're  
8 involved in supporting a client through an eminent  
9 domain taking. We have no sort of road map of how  
10 this will all take place. It's very unusual.

11 Normally we would make the bid, there  
12 would be a proposal, there would be contract  
13 negotiations. During those negotiations what we'd  
14 end up with would probably be significantly  
15 different to the original proposal, then we would  
16 sign the contract.

17 We made that proposal over two years  
18 ago. We concluded the draft agreement a year and  
19 a half ago, and still we have no contract because  
20 the process continues. It's, from my experience,  
21 a very unusual process.

22 MR. CAMERINO: Are you familiar with  
23 contracts that public utilities enter into that

1       are subject to PUC approval where they sign the  
2       contract and they include a provision that says  
3       it's subject to commission approval?

4                   MR. ASHCROFT: I believe such contracts  
5       exist, but I haven't been closely involved with  
6       any.

7                   MR. CAMERINO: You could have put a  
8       provision in this contract that said here's the  
9       extent of our obligations, but if changes are made  
10      the parties reserve their rights, couldn't you,  
11      and committed to what's in the document?

12                  MR. ASHCROFT: An interesting thought,  
13      yes.

14                  MR. CAMERINO: But the contract that  
15      stands, that's not binding on Veolia, is it?

16                  MR. ASHCROFT: Correct.

17                  MR. CAMERINO: And it's not binding on  
18      Nashua?

19                  MR. ASHCROFT: As I understand it,  
20      correct.

21                  MR. CAMERINO: And, in fact, in your  
22      deposition you testified that it's likely to  
23      change before it's actually entered into.

1                   MR. ASHCROFT: Because we're hoping to  
2 undertake due diligence.

3                   MR. CAMERINO: You said the contract is  
4 incomplete, it isn't signed, it still has some  
5 work to do. Does that sound correct?

6                   MR. ASHCROFT: That sounds correct.

7                   MR. CAMERINO: And, we know, I think  
8 you referred to this earlier, at a minimum the  
9 price is going to have to be adjusted, correct?

10                  MR. ASHCROFT: Yes.

11                  MR. CAMERINO: And other changes, too,  
12 presumably?

13                  MR. ASHCROFT: Presumably, yes.

14                  MR. CAMERINO: I don't know if you were  
15 here yesterday. I was asking Mr. Sansoucy about  
16 his revenue requirement analysis where he was  
17 totaling up the various costs that he anticipated  
18 for the total operations. Did you hear that  
19 testimony or were you not here?

20                  MR. ASHCROFT: I wasn't here yesterday.

21                  MR. CAMERINO: Let me ask you this,  
22 Veolia didn't provide any of that data, did it?  
23 As far as you know, that was Mr. Sansoucy's data?

1                   MR. ASHCROFT: Correct.

2                   MR. CAMERINO: All right, I'm going to  
3       try and take you through some places where it  
4       appears that your proposal is different from the  
5       contract that's been submitted and just see if we  
6       can clarify those.

7                   It sounds to me, first of all -- and I  
8       don't want to put words in your mouth,  
9       Mr. Ashcroft, so if you want to correct this,  
10      please do so -- sitting here today you're not  
11      really sure what changed from the initial proposal  
12      to the final contract?

13                  MR. ASHCROFT: I can't recall that  
14      detail, no.

15                  MR. CAMERINO: And you don't recall  
16      whether services were moved out of the base fee  
17      portion over to the variable part?

18                  MR. ASHCROFT: No, I can't. Mr. Noran  
19      I might be able to, I can't.

20                  MR. CAMERINO: Mr. Noran, do you want  
21      to add anything to that?

22                  MR. NORAN: I can't specifically  
23      identify changes between the proposal and the



1 contract. I know in negotiating the contract the  
2 proposal was -- was -- was used and referenced,  
3 but in -- in the final situation we go by the  
4 contract, that's what -- that's what's been  
5 negotiated, and that's as a result of analyzing,  
6 deliberating on the proposal and coming up with  
7 the contract.

8 MR. CAMERINO: Now, Mr. Ashcroft, you  
9 said that the company didn't want to bear the risk  
10 here and that's why it structured the contract the  
11 way it did. That risk then is going to be borne  
12 by Nashua as to these additional costs that may be  
13 incurred?

14 MR. ASHCROFT: As the contract stands  
15 at the moment, but you do recall a few minutes ago  
16 we were talking about due diligence and the fact  
17 that this contract or elements of it might have to  
18 be renegotiated in the light of due diligence.

19 At the end of the day what we need is a  
20 balanced contract that shares the risk between the  
21 client and Veolia equally in order to develop a  
22 long-term relationship, a successful one.

23 MR. CAMERINO: So you're suggesting

1       that the contract could change?

2                   MR. ASHCROFT:   Yes.

3                   MR. CAMERINO:   In fact, you're saying  
4       it will change.

5                   MR. ASHCROFT:   I'm saying it could.

6                   MR. CAMERINO:   In the proposal there is  
7       a reference to reliability centered maintenance;  
8       you're familiar with that term, Mr. Ashcroft?

9                   MR. ASHCROFT:   Yes, I am.

10                  MR. CAMERINO:   Okay.   And, Mr. Ford,  
11       you're actually the one who explained this at your  
12       deposition briefly, and you said -- first you  
13       said -- actually, I don't want to mix up my  
14       witnesses, maybe it was Mr. Burton -- but  
15       whichever of the four of you is most familiar with  
16       reliability centered maintenance, or RCM, could  
17       you just explain what that concept is?

18                  MR. ASHCROFT:   I'll start that, and if  
19       the others want to add, they could do that.

20                  Reliability centered maintenance means  
21       looking at a whole system, divide that system  
22       down, understanding the functionality of the  
23       component parts, and the risk of failure, a single

1 point of failure on the whole system, and from  
2 that deciding the most appropriate way to maintain  
3 that system, and indeed replace it going forward.

4 MR. CAMERINO: And your initial  
5 proposal included a reliability centered  
6 maintenance aspect, correct?

7 MR. ASHCROFT: Correct.

8 MR. CAMERINO: And, Mr. Burton, in your  
9 deposition you said that RCM is the most cost  
10 effective way to go, is that a fair statement?

11 MR. BURTON: Yes.

12 MR. CAMERINO: And that's true even  
13 though there are higher up-front costs when you do  
14 RCM?

15 MR. BURTON: Typically, yes, there are  
16 higher up-front costs.

17 MR. CAMERINO: But that option wasn't  
18 chosen by Nashua, was it?

19 MR. BURTON: I actually don't recall,  
20 but that's my understanding.

21 MR. CAMERINO: I'll represent to you it  
22 was not in the contract, that would indicate  
23 somewhere it got dropped?

1                   MR. BURTON:  If it was not in the  
2                   contract, that would be true.

3                   MR. CAMERINO:  But in your deposition  
4                   you indicated that in Indianapolis they do have  
5                   RCM, is that a fair statement?

6                   MR. BURTON:  To the best of my  
7                   recollection, yes.

8                   MR. CAMERINO:  Mr. Ford, in your  
9                   deposition you said that asset management is more  
10                  than just being a system operator.  You believe  
11                  that, I take it?

12                  MR. FORD:  Could you restate that  
13                  question?

14                  MR. CAMERINO:  You said that asset  
15                  management is more than just being a system  
16                  operator, does that sound correct?

17                  MR. FORD:  If that's what I said.  I'd  
18                  have to look at the testimony to see if -- that  
19                  doesn't seem to be a complete thought there.

20                  MR. CAMERINO:  Well, I can show you the  
21                  excerpt.  Let me ask the other three gentlemen.  I  
22                  read that and it makes sense to me, and I think I  
23                  understand what it means.  Let me ask

1       Mr. Ashcroft, do you agree with that, rather than  
2       going to Mr. Ford's deposition?

3                   MR. ASHCROFT: I think that's  
4       reasonable, but it needs explaining.

5                   MR. CAMERINO: Let me start with the  
6       explanation and then turn it over to you. What I  
7       hear when I read that sentence is it isn't a  
8       matter of just turning valves and making sure the  
9       water comes out, that's the system operator part,  
10      in a sense, if you want to look at it in a very  
11      diminutive way, preserving the assets involves a  
12      lot of other significant activities, is that a  
13      fair statement?

14                  MR. ASHCROFT: That's a fair statement.

15                  MR. CAMERINO: And I don't mean to cut  
16      you off. If you did want to add something to  
17      that, you're welcome.

18                  MR. ASHCROFT: No, that's okay.

19                  MR. CAMERINO: Now, another comparison  
20      between the original proposal and the final  
21      contract, if we look at Exhibit 3043, section 6.2  
22      of the proposal, we're going to see that Veolia  
23      included its Indianapolis model of a combined

1       billing and collection and customer service  
2       system. Does that sound correct, Mr. Ashcroft?

3                   MR. ASHCROFT: I believe so.

4                   MR. CAMERINO: And that proposal of  
5       having Veolia provide all of the billing and  
6       collection and customer service aspects, that  
7       didn't survive into the final contract either, did  
8       it?

9                   MR. ASHCROFT: That is correct.

10                  MR. CAMERINO: And, Mr. Burton, you  
11       said in your deposition that Veolia believes that  
12       there are problems with dividing the  
13       responsibility for customer service and billing,  
14       is that correct?

15                  MR. BURTON: Yes, that's correct.

16                  MR. CAMERINO: And you said that you  
17       think that having all customer service functions  
18       in one party is the best way to operate, didn't  
19       you?

20                  MR. BURTON: Based on experience, yes.

21                  MR. CAMERINO: That using one entity to  
22       resolve customer concerns is less complicated and  
23       less time consuming?

1                   MR. BURTON: Based on experience, yes.

2                   MR. CAMERINO: Now, I have to say, I've  
3       become quite familiar with the picture of that  
4       young lady there, it seems to be in almost  
5       everything you guys put out. I've decided she's  
6       related to somebody on the staff.

7                   If you look down at the fourth full  
8       paragraph where it starts for instance,  
9       Mr. Ashcroft -- and this I just want to represent,  
10      if you look, the bottom of the page, this just  
11      indicates that it's page I.1-37 from the proposal.

12                  And if we look at that paragraph that  
13      starts for instance. Mr. Ashcroft, would you read  
14      the first two sentences -- the full sentence and  
15      the one in the parenthetical.

16                  MR. ASHCROFT: For instance, requiring  
17      the customer to call multiple contact numbers for  
18      resolution of water related issues tends to be  
19      confusing and frustrating to customers. Bracket,  
20      many consumers don't clearly understand the  
21      difference between a billing or field service  
22      issue, end bracket.

23                  MR. CAMERINO: And, Mr. Burton, that

1       concept is essentially what you were referring to  
2       in your deposition?

3                   MR. BURTON: That would be correct.

4                   MR. CAMERINO: And, in fact, let's turn  
5       to the original contract proposal that was  
6       submitted, or an earlier draft, anyway, had a  
7       section 6.5 that actually contemplated this one  
8       call contact center, if we look at section 6.5  
9       there?

10                  MR. UPTON: Are you representing that  
11       is the proposal or a prior proposal?

12                  MR. CAMERINO: I will represent --  
13       well, to be clear this has preceded the proposal  
14       that is in front of this commission.

15                  MR. UPTON: As long as I understand.

16                  MR. CAMERINO: I will represent to you,  
17       but ask you to clarify if you think I'm wrong,  
18       that this is not the contract that is in front of  
19       the commission today, this was part of the earlier  
20       proposal by Veolia which contained a section 6.5  
21       and contemplated a one call contact center that  
22       appears to be consistent with the other language  
23       in your proposal. Is that a fair



1       characterization, Mr. Ashcroft?

2                   MR. ASHCROFT:  It seems to be, yes.

3                   CHAIRMAN GETZ:  Do you have an issue,  
4       Mr. Boutin?

5                   MR. BOUTIN:  Yes, I do.  Previously he  
6       has referred to a contract and a proposal, and now  
7       it may be -- the record is showing that there may  
8       be multiple proposals that he's been referring to.  
9       Can we have a style that the proposal before the  
10      commission is the contract and that anything that  
11      preceded it is the proposal?

12                  MR. CAMERINO:  I'll try to maintain  
13      those words.

14                  CHAIRMAN GETZ:  I'm not confused.

15                  MR. CAMERINO:  I can understand what  
16      Mr. Boutin is saying.  And it may make the record  
17      confusing, frankly, if I'm not careful.

18                  Mr. Ashcroft, in your deposition you  
19      were explaining why the city hired Veolia, and you  
20      said -- and I want to ask you if this sounds -- if  
21      you recall this -- you said that Nashua engaged  
22      Veolia because they've got no expertise in water  
23      treatment or managing assets of this type.  Does

1       that sound correct?

2                   MR. ASHCROFT: I can't recall  
3       specifically, but it sounds reasonable.

4                   MR. CAMERINO: Well, actually your  
5       exact words -- and I can put the deposition  
6       transcript up if you'd like -- but let me just  
7       read it again and see if you'll accept this. This  
8       is from your deposition page 120, and you said the  
9       city of Nashua has no expertise in water treatment  
10      or managing assets of this type, that's precisely  
11      why we're there.

12                  MR. ASHCROFT: Yes.

13                  MR. CAMERINO: What strikes me as odd  
14      is you're the ones with the expertise in how to  
15      run a water system, you come in, you make a  
16      proposal, it's a comprehensive proposal as to how  
17      you as professionals believe it is best to run the  
18      system. It includes reliability centered  
19      maintenance, it includes one contact customer  
20      calling -- those things are more expensive for  
21      obvious reasons -- and the city, which you say  
22      knows nothing about operating a water system,  
23      tells you to take those things out.

1                   MR. ASHCROFT: My understanding  
2                   specifically with the customer service issue was  
3                   that the city already ran a customer service  
4                   center for the wastewater billing, and they  
5                   believed it had the resource there to be able to  
6                   deal with that.

7                   MR. CAMERINO: Isn't it fair to say  
8                   that dealing with customers related to drinking  
9                   water is a much more intense and intensive  
10                  experience than dealing with customers about what  
11                  goes down their drain?

12                  MR. ASHCROFT: I'm not sure I'd use the  
13                  word intensive, but it is different, yes.

14                  MR. CAMERINO: There is a much  
15                  different level of customer concern, anxiety,  
16                  fear, about their drinking water, isn't there?

17                  MR. ASHCROFT: That would seem  
18                  reasonable, yes, it is what they ingest.

19                  MR. CAMERINO: All right, I'm going to  
20                  ask you now to do some comparing of -- I want to  
21                  look at some of the other contracts that you have  
22                  for operating other systems, because you've relied  
23                  on those, haven't you, fairly heavily to show your

1       experience and ability to operate this system?

2                   MR. ASHCROFT:  As I said earlier, I'm  
3       responsible for about 45 contracts; they're all  
4       different.

5                   MR. CAMERINO:  You answered a data  
6       request from the company.  It was data request  
7       3-1, and it asked you to identify all municipal  
8       and privately owned water systems directly or  
9       indirectly operated by Veolia or any subsidiary  
10      thereof in the United States.

11                  And I can show you the answer, if you'd  
12      like -- in fact, I will show you the answer -- but  
13      in the first sentence you said you operate over  
14      400 municipal and privately owned water systems  
15      serving over 14 million people.

16                  What you're looking at there on the  
17      screen is a supplemental answer that actually  
18      listed the systems.  If you look under the letter  
19      C, that first sentence has the reference to the  
20      400.

21                  I have a very simple question.  When  
22      you say you operate over 400 municipal and  
23      privately owned water systems, do you mean

1       drinking water?

2                   MR. ASHCROFT: Can I just read this a  
3       second?

4                   MR. CAMERINO: Please. Go ahead.

5                   MR. ASHCROFT: Yes.

6                   MR. CAMERINO: You mean drinking water?

7                   MR. ASHCROFT: No, not drinking water,  
8       water systems.

9                   MR. CAMERINO: And when you say water,  
10      you don't mean just drinking water, do you?

11                  MR. ASHCROFT: That appears to refer to  
12      the United States, and we certainly don't have 400  
13      drinking water systems in the United States; many  
14      more than that worldwide.

15                  MR. CAMERINO: You actually mean  
16      drinking water and wastewater?

17                  MR. ASHCROFT: Yes.

18                  MR. CAMERINO: Some of those may even  
19      include groundwater contamination sites, what are  
20      sometimes called Superfund sites?

21                  MR. ASHCROFT: Certainly not in the  
22      Northeast.

23                  MR. CAMERINO: But in the 400?

1                   MR. ASHCROFT: May or may not. I don't  
2                   know what happens in other parts of the U.S. We  
3                   did operate a number of those in the Northeast,  
4                   but they closed down some years ago.

5                   MR. CAMERINO: I want to take you  
6                   through -- you probably have this in front of you.  
7                   In your January 2006 testimony there was an  
8                   Exhibit A attached. For the record, it was  
9                   Exhibit 1005A. That's the part where you attached  
10                  everybody's resumes and a number of other project  
11                  examples, and I'm just going to ask you about  
12                  those.

13                  First of all, I'm assuming you included  
14                  those in the filing with the commission because  
15                  you felt they were representative of the company's  
16                  experience for purposes of this case?

17                  MR. ASHCROFT: Correct.

18                  MR. CAMERINO: And do you have those in  
19                  front of you?

20                  MR. ASHCROFT: No, I do not.

21                  MR. CAMERINO: Maybe you could get them  
22                  in front of you. Actually, before I start you on  
23                  that, can you pull up Exhibit 3046? Exhibit 3046

1 is section 5 of your proposal, and if you look at  
2 page I.5-4 you're going to see a box in the upper  
3 right-hand corner, which maybe we can enlarge, and  
4 I'm just going to ask you to count up some numbers  
5 to see if we get to around 400, okay?

6 If we take the 186 municipal wastewater  
7 facilities, and the 104 municipal water  
8 facilities, and the 76 industrial wastewater  
9 facilities, and the 36 industrial water  
10 facilities, we come to 402 facilities, is that  
11 right?

12 MR. ASHCROFT: Yeah.

13 MR. CAMERINO: And that's probably the  
14 400 that was in response to the data request?

15 MR. ASHCROFT: It seems like a  
16 reasonable assumption.

17 MR. CAMERINO: So, just for starters,  
18 262 of those are wastewater facilities, right?

19 MR. ASHCROFT: Yes.

20 MR. CAMERINO: And so well over half  
21 are wastewater, and then the other 140 are water  
22 facilities, correct?

23 MR. ASHCROFT: 104 plus 36 -- yes.

1                   MR. CAMERINO: But what we don't know  
2                   is of those water facilities, how many are a pump  
3                   station water supply treatment versus a  
4                   distribution system, correct?

5                   MR. ASHCROFT: Most of them are water  
6                   treatment facilities. We run far more water  
7                   treatment facilities than we do distribution  
8                   systems in the U.S.

9                   MR. CAMERINO: And, actually, very few  
10                  would be water distribution systems?

11                  MR. ASHCROFT: I honestly don't know.  
12                  I'd have to check those facts for you.

13                  MR. CAMERINO: Okay, so now going to  
14                  Exhibit 1 to your January '06 testimony which is  
15                  Exhibit 1005A, I just want to very generally take  
16                  you through each of those projects that you put  
17                  forward as representative.

18                  And just to move it along, I'm going to  
19                  characterize each one, but if I mischaracterize  
20                  it, please stop me, okay, I'm not trying to get it  
21                  wrong. We'll going to just take it one at a time.  
22                  The first one -- some of these will be familiar to  
23                  the commission from other matters.



1                   The first one is called the Savage  
2     well. That's an environmental remediation site,  
3     right?

4                   MR. ASHCROFT: Yes.

5                   MR. CAMERINO: Contaminated well.

6                   MR. ASHCROFT: Yes.

7                   MR. CAMERINO: No water distribution of  
8     any kind?

9                   MR. ASHCROFT: No.

10                  MR. CAMERINO: The next one is the  
11     Gilson Road Superfund site. That's another  
12     environmental remediation site, isn't it?

13                  MR. ASHCROFT: I believe so, yes.

14                  MR. CAMERINO: No water distribution of  
15     any kind?

16                  MR. ASHCROFT: No.

17                  MR. CAMERINO: The next one is  
18     Indianapolis, we're going to be talking about  
19     that, that's a complete water treatment and  
20     distribution system?

21                  MR. ASHCROFT: Yes.

22                  MR. CAMERINO: The next one is  
23     Brockton, that's a wastewater and water supply

1 treatment?

2 MR. ASHCROFT: Yes.

3 MR. CAMERINO: No water distribution?

4 MR. ASHCROFT: No.

5 MR. CAMERINO: The next one is Lynn.

6 That one is also wastewater and water supply?

7 MR. ASHCROFT: One of each, yes.

8 MR. CAMERINO: No water distribution.

9 MR. ASHCROFT: Correct.

10 MR. CAMERINO: The next one is

11 Leominster. That one is wastewater and water

12 supply?

13 MR. ASHCROFT: Yes, we have some

14 oversight in that distribution system since last

15 year.

16 MR. CAMERINO: What does oversight

17 mean?

18 MR. ASHCROFT: We're involved in

19 assisting the town in overseeing the distribution

20 system.

21 MR. CAMERINO: The town runs it?

22 MR. ASHCROFT: Yes.

23 MR. CAMERINO: Atlanta, that's water

1       supply treatment?

2                   MR. ASHCROFT:   Fulton County is, yes.

3                   MR. CAMERINO:   No water distribution.

4                   MR. ASHCROFT:   I'm unfamiliar with the  
5       details, it's not in my area.

6                   MR. CAMERINO:   Maple Shade.   This one  
7       is wastewater, water supply, and water  
8       distribution, is that correct?

9                   MR. ASHCROFT:   Again, I'm not sure of  
10      the details, I'd have to refer to this.

11                  MR. CAMERINO:   Just take a quick look  
12      if Mr. Noran know.   I see some head movement, but  
13      I don't know if that was intentional.

14                  MR. NORAN:    It's both water  
15      distribution and water collection.

16                  MR. CAMERINO:   But this system -- I'm  
17      just taking the information that's on the sheet --  
18      serves a town of 19,500 people, right?

19                  MR. ASHCROFT:   Yes.

20                  MR. CAMERINO:   And I'm going to  
21      represent to you that in response to a data  
22      request, Veolia said that a rough -- a good way to  
23      estimate the number of customers in a system is to

1       divide the population by 3.5, does that sound  
2       correct?

3                   MR. ASHCROFT: I've normally used 2.4.  
4       And I think in previous documents we've used 2.7,  
5       but I don't know. It's a matter of statistics.

6                   MR. CAMERINO: Let's use both numbers.  
7       I will tell you, and we can do this on a  
8       calculator, but I'm just going to represent for  
9       the record, and if somebody thinks it's wrong, you  
10      can say so.

11                   If you take the 19,500 population and  
12      divide it by 3.5, you get 5,570 customers. Does  
13      that sound about right?

14                   MR. ASHCROFT: I think your arithmetic  
15      is correct.

16                   MR. CAMERINO: And you don't know why  
17      Veolia would have answered in a data request that  
18      the divisor would be 3.5?

19                   MR. ASHCROFT: No, I don't.

20                   MR. CAMERINO: So this system, if the  
21      3.5 divisor is correct, would be 5,570 customers.

22                   MR. ASHCROFT: Correct.

23                   MR. CAMERINO: A lot smaller than

1 Nashua.

2 MR. ASHCROFT: Correct.

3 MR. CAMERINO: And this says that  
4 there's 55 miles of distribution system, correct?

5 MR. ASHCROFT: Correct.

6 MR. CAMERINO: Also significantly  
7 smaller than Nashua.

8 MR. ASHCROFT: Maple Shade is, but  
9 Indianapolis isn't; it's certainly bigger.

10 MR. CAMERINO: I understand that; we've  
11 done Indianapolis. I'm not trying to take all of  
12 these away from you. The next one is Southern  
13 Water and Sewer District. That one looks like  
14 it's water supply and distribution.

15 MR. ASHCROFT: Yes.

16 MR. CAMERINO: And that's a somewhat  
17 bigger system, that's got a population of 18,000?

18 MR. ASHCROFT: Yes.

19 MR. CAMERINO: I'm sorry, it's not  
20 bigger; it's smaller. And if we did that same  
21 math, we'd come up with a little over 5,000  
22 customers?

23 MR. ASHCROFT: Yes, I'm sure your

1 mathematics is correct.

2 MR. CAMERINO: And, again, if during  
3 the break if you decide those numbers are wrong,  
4 just say so. The next one is Pipeville. That one  
5 also is both water supply and distribution, isn't  
6 it?

7 MR. ASHCROFT: It's not clear from this  
8 document, but let's assume you're right, yes.

9 MR. CAMERINO: And that says it has a  
10 population of 7,000, it's in that first paragraph  
11 in the fourth line.

12 MR. ASHCROFT: I see that, yes.

13 MR. CAMERINO: Pretty small system,  
14 isn't it?

15 MR. ASHCROFT: It is.

16 MR. CAMERINO: It says 74 miles of  
17 mains. Let's move along and go through the last  
18 ones.

19 Taunton, that's just wastewater  
20 treatment, no drinking water distribution.

21 MR. ASHCROFT: Right. That's a  
22 wastewater treatment and collection system.

23 MR. CAMERINO: Tampa Bay, water supply

1 treatment, no distribution.

2 MR. ASHCROFT: Correct.

3 MR. CAMERINO: Woonsocket, wastewater

4 treatment, no distribution.

5 MR. ASHCROFT: Correct.

6 MR. CAMERINO: Cranston. Wastewater

7 treatment, no distribution.

8 MR. ASHCROFT: Correct.

9 MR. CAMERINO: Richmond, wastewater

10 treatment, no distribution. Plymouth -- I didn't

11 think I heard an answer there.

12 MR. ASHCROFT: It was looking up on the

13 screen.

14 MR. CAMERINO: I'm sorry. And, again,

15 if I'm rushing you, I don't mean to.

16 MR. ASHCROFT: I'm trying to read

17 what's on the screen.

18 MR. CAMERINO: Just stop me if I'm

19 going too fast. So Richmond is wastewater

20 treatment, no distribution?

21 MR. ASHCROFT: Correct.

22 MR. CAMERINO: And Plymouth, wastewater

23 treatment, no distribution.

1                   MR. ASHCROFT: Correct.

2                   MR. CAMERINO: Just for the record, I  
3 just want to show you --

4                   MR. ASHCROFT: Could I mention  
5 Brockton?

6                   MR. CAMERINO: Could you mention  
7 Brockton?

8                   MR. ASHCROFT: Yes, which is in the  
9 Northeast.

10                  MR. CAMERINO: I'm assuming you're  
11 going to tell me that that does have water  
12 distribution.

13                  MR. ASHCROFT: No, it has water  
14 treatment, but it's a very comparative size to  
15 here in Nashua. I think the population of  
16 Brockton is about 100,000.

17                  MR. CAMERINO: It's not a mystery. The  
18 point I'm trying to make is you put quite a few,  
19 make a couple of dozen systems in here as  
20 representative, but, in fact, very few of them  
21 involve water distribution, and of those only  
22 Indianapolis is -- I don't want to say similar  
23 size, it's actually a good deal larger, isn't it?



1                   MR. ASHCROFT: It's much larger, yeah.

2                   MR. CAMERINO: And I just want to show  
3       you -- I'm going to actually show Mr. Noran the  
4       response to the data requests 4-3 from Pennichuck  
5       where Veolia said that if you divide the  
6       population by 3.5 you can get the number of  
7       customers.

8                   MR. RICHARDSON: What exhibit is this?

9                   MR. CAMERINO: It's actually one of  
10      Nashua's exhibits. If you want to use it for  
11      reference, but, frankly, this is not going to  
12      affect our objection to Nashua's offering their  
13      own responses. It's Exhibit 1052, page 1. So if  
14      you want it for reference, but I can put it on  
15      Elmo.

16                  Do you see that, Mr. Noran? You gave  
17      us that figure of 3.5?

18                  MR. NORAN: Yes.

19                  MR. CAMERINO: I take it that number  
20      didn't come out of thin air; there may be  
21      different approaches for different situations?

22                  MR. NORAN: Yeah, the data I have seen  
23      runs anywhere from 2.7 to three and a half. I

1       would like to make one comment, if possible.

2                   MR. CAMERINO:  Go right ahead.

3                   MR. NORAN:  You were talking about the  
4       experience of our operating and maintaining water  
5       systems, and I think a more representative exhibit  
6       would be Exhibit 1051 in which we actually outline  
7       each of the systems and we can readily identify  
8       which ones are water systems and the size of those  
9       water systems.

10                  MR. CAMERINO:  So -- and I can get you,  
11       Mr. Ashcroft, a specific exhibit on this if you  
12       want, but I want to try to move it along.  There  
13       are a number of tables and maps and things that  
14       Veolia has included with its testimony about its  
15       experience in the water industry.

16                  And without taking you through every  
17       single dot on any map and every system that you've  
18       listed, isn't it fair to say that when you talk  
19       about your experience and the number of water  
20       systems that you have contracts for, you don't  
21       mean when you use that term that they're drinking  
22       water systems; some of them are drinking water  
23       systems, some of them are environmental

1 remediation sites, some of them are wastewater  
2 sites, is that a fair statement?

3 MR. ASHCROFT: It's a mix of all three.

4 MR. CAMERINO: I just -- what I'm  
5 trying to make clear for the commission -- again,  
6 I don't want this to be a mystery -- when you look  
7 at a map with 50 points in the Northeast, those  
8 aren't all water supply and distribution systems  
9 the way Nashua is. They can be something that's  
10 quite different, but they're projects that you  
11 have.

12 MR. RICHARDSON: I'm going to object at  
13 this time because if there's a specific map that  
14 we're referring to, maybe the witness can see it  
15 and respond to what's shown on that map as opposed  
16 to in general what might be on the map that we may  
17 see at some other point in time.

18 MR. CAMERINO: Mr. Chairman, I just  
19 want to note, because there could be issues when  
20 it gets to be about three o'clock, that I'm doing  
21 what I can to move this along, and there is a way  
22 that you can take somebody every single step or  
23 you can try to move them ahead, and we can do it

1       either way.

2                   CHAIRMAN GETZ:  I recognize that, and,  
3       frankly, I thought he had already agreed to this  
4       general proposition, but if there's a map that you  
5       can put on Elmo quickly.

6                   MR. CAMERINO:  You know, you can bury  
7       people in information and make it appear that  
8       there's things there that aren't, and that's what  
9       I'd like to show.

10                  That's one of the maps I'm talking  
11       about, right?

12                  MR. ASHCROFT:  I recognize the map,  
13       yes.

14                  MR. CAMERINO:  And those aren't all  
15       drinking water systems, are they?

16                  MR. ASHCROFT:  No, they not.

17                  MR. CAMERINO:  Some of them are  
18       actually just projects, as you call them.  They  
19       may be a single simple facility, an industrial  
20       facility or something like that?

21                  MR. ASHCROFT:  They're all a wastewater  
22       treatment collection system or drinking water  
23       distribution systems.  We don't have any

1 groundwater remediation contracts right now.

2 MR. CAMERINO: So you can't just take  
3 this general representation that we're a big  
4 company and we operate hundreds of systems, you  
5 have to look at each one to know whether it's  
6 comparable to Nashua, is that a fair statement?

7 MR. ASHCROFT: No.

8 MR. CAMERINO: You can just look at  
9 them all and say it's comparable.

10 MR. ASHCROFT: We are a company that  
11 works internationally, and we have a lot of  
12 experience in running water systems, distribution  
13 systems, wastewater systems, collection systems,  
14 it just happens so here geographically in the  
15 Northeast the majority of those contracts are  
16 wastewater contracts.

17 MR. CAMERINO: Do you remember in  
18 discovery when Pennichuck asked about the  
19 international operations of the company and Veolia  
20 refused to respond to those because it was the  
21 American company that was entering into this  
22 contract?

23 MR. ASHCROFT: No, I do not.

1                   MR. CAMERINO: You don't remember that.  
2       Which company is entering into this contract?

3                   MR. ASHCROFT: Veolia North  
4       America-Northeast, LLC.

5                   MR. CAMERINO: And how many systems are  
6       there where that company operates both water  
7       treatment and distribution?

8                   MR. ASHCROFT: As we've already  
9       established, not many here in the northeast.

10                  MR. CAMERINO: There are two, aren't  
11       there; Smuggler's Notch, Vermont, and Sturbridge,  
12       Massachusetts?

13                  MR. ASHCROFT: Correct.

14                  MR. CAMERINO: No others.

15                  MR. ASHCROFT: Correct.

16                  MR. CAMERINO: Have you ever been to  
17       Smuggler's Notch?

18                  MR. ASHCROFT: Yes.

19                  MR. CAMERINO: It's a few condominiums  
20       on the side of a ski hill?

21                  MR. ASHCROFT: Quite a few condominiums  
22       on the side of a hill, yeah.

23                  MR. CAMERINO: I want to ask you about

1       the use of an oversight contractor. In your  
2       proposal at page I.3-1 you said -- and I've got it  
3       in highlight -- this model has been used by  
4       literally thousands of communities throughout the  
5       country. Okay? Can you name one.

6               MR. ASHCROFT: Can I just read?

7               MR. CAMERINO: Yup.

8               MR. ASHCROFT: To get the context of  
9       what you're talking about?

10              MR. CAMERINO: Please.

11              MR. ASHCROFT: Yes, I believe it is  
12       referring to the public/private contract model.

13              MR. CAMERINO: Not to the arrangement  
14       with an oversight contractor? That's not what has  
15       been used by literally thousands of communities  
16       throughout the country?

17              MR. ASHCROFT: I think that's correct,  
18       yes. Using a oversight contractor is very common,  
19       however.

20              MR. CAMERINO: In the UK?

21              MR. ASHCROFT: No, not in the UK; I'm  
22       talking in the U.S.

23              MR. CAMERINO: Here's what I'm confused

1 by. I'm going to read to you from your  
2 deposition. Question from Mr. Donovan. Are you  
3 aware of any other systems in the US in which  
4 Veolia has both treatment and operations where  
5 there would be 40 or more employees.

6 Answer. I honestly can't answer that.  
7 That question is too specific for me to answer  
8 from memory.

9 Question. Any other, again, where  
10 Veolia provides both treatment and distribution in  
11 which its services are reviewed by an oversight  
12 contractor.

13 Answer. That's very common. You're  
14 restricting this question to the U.S., but in  
15 trying to be helpful here, I can say I ran an  
16 operation in the UK that supplied water production  
17 and distribution to 3 million people. In the  
18 context of Veolia the Nashua is a small contract.

19 So in your deposition you got asked  
20 that question, and you couldn't come up with one  
21 in the United States.

22 MR. ASHCROFT: Not in my deposition,  
23 no. I can't recall that now. Certainly



1 Indianapolis. The system I was running in the UK  
2 was roughly 30 times bigger than Nashua.  
3 Indianapolis is ten times bigger. But I'm not  
4 sure size is that important here, it's the quality  
5 of the management, quality of the systems, and  
6 quality of the operation.

7 MR. CAMERINO: How many operating  
8 contracts does Veolia have in the U.S. where it  
9 operates multiple satellites or community drinking  
10 water systems as opposed to a single distribution  
11 system that's connected to a source of supply?

12 MR. ASHCROFT: I think Indianapolis  
13 does, but Alyson could answer that question.

14 MS. WILLANS: Indianapolis --

15 MR. CAMERINO: I apologize,  
16 Ms. Willans, but I'd really like to hear  
17 Mr. Ashcroft here. Any others you can think of?

18 MR. ASHCROFT: Not right now. I'd have  
19 to research that in detail to come up with a  
20 definitive answer.

21 MR. CAMERINO: Nothing that -- even  
22 though you run the company, nothing that comes to  
23 mind?

1                   MR. ASHCROFT: Not in the northeast,  
2     no.

3                   MR. CAMERINO: So let's talk about  
4     Indianapolis. How many customers in Indianapolis?  
5     I should have been more clear about that. We're  
6     changing subjects, we're going to Indianapolis.  
7     How many customers in the Indianapolis system, if  
8     you know?

9                   MR. ASHCROFT: I couldn't tell you, but  
10    I believe it's about a million.

11                  MR. CAMERINO: I don't need an exact  
12    number, but, Mr. Noran.

13                  MR. NORAN: There's approximately  
14    300,000 customers, supposedly serves a million  
15    people.

16                  MR. CAMERINO: 300,000 customers, how  
17    many satellites? I just want to stick with these  
18    witnesses.

19                  MR. ASHCROFT: Ms. Willans can answer  
20    the question.

21                  MR. UPTON: Let me make my objection.  
22    This panel is allowed to defer to other members of  
23    the panel to answer the questions.

1                   MR. CAMERINO: No, they are not. I  
2     have --

3                   CHAIRMAN GETZ: Let him finish,  
4     Mr. Camerino. Mr. Upton.

5                   MR. UPTON: If Mr. Camerino asked  
6     Mr. Noran and he says I need to defer to  
7     Ms. Willans, he can do that. That's how we set up  
8     this whole panel system.

9                   It's precisely what you permitted  
10    yesterday, if they defer -- if they don't know the  
11    answer so they defer to somebody else who has  
12    better information. He's trying to preclude  
13    Ms. Willans and Mr. Siegfried from answering any  
14    questions, whether or not they're the appropriate  
15    person on the panel to answer the question.

16                  CHAIRMAN GETZ: I think you're  
17    misstating the rule or extrapolating from  
18    yesterday in a way that I don't think fairly  
19    encompasses the approach. What we said yesterday  
20    was if the witness doesn't know the answer and  
21    seeks to defer, they can try and defer.

22                  In this situation we are allowing, and  
23    we will allow all the attorneys when they're

1       dealing with panels, if you want to direct a  
2       question to a particular witness, you may do so.  
3       He's also, in certain instances, thrown it open to  
4       the witnesses.

5                       So I think in this situation where it's  
6       up to his discretion whether he wants to inquire  
7       of Mr. Siegfried or Ms. Willans, then he can focus  
8       his questions on particular witnesses.

9                       If in redirect you want to get  
10      something out additionally, then you're going to  
11      have that opportunity. But I think it's certainly  
12      within the ambit of the cross that the  
13      attorney whoever it is at the moment wants to  
14      direct his cross-examination to limit it to  
15      particular witnesses.

16                      MR. UPTON: So I just want to make  
17      sure that I understand. So if he asks a question  
18      of Mr. Noran and Mr. Noran says I don't know the  
19      answer but Ms. Willans does, that's the end of the  
20      question?

21                      CHAIRMAN GETZ: That's the end of the  
22      question from him. We may inquire, you may  
23      inquire, there will be chances for follow-up, but

1       at that point if Mr. Noran doesn't know how many  
2       customers particularly in Indianapolis as opposed  
3       to the population of Indianapolis, and  
4       Mr. Camerino doesn't want to follow up with  
5       Ms. Willans, then that's at his discretion.

6               But if we want to follow up or if you  
7       want to complete the record on redirect, then  
8       that's going to be your option.

9               MR. UPTON: Thank you. I thought it  
10      was different, and I'm glad for the clarification.

11              MR. CAMERINO: Thank you, Mr. Chairman.

12              So we've established that there's  
13      300,000 customers, and, Mr. Ashcroft, you're not  
14      aware of how many satellite systems there are, is  
15      that correct?

16              MR. ASHCROFT: I'm aware there are  
17      satellite systems, but how many, I don't know. I  
18      assume you mean satellite systems that are not  
19      hydraulically connected?

20              MR. CAMERINO: Yes. And, actually,  
21      just for everybody in the room plus the record we  
22      should just define what we mean when we say  
23      satellite. Mr. Noran, can you give us just a

1       working definition of that?

2               MR. NORAN:  Yes, satellite system has  
3       its own source of supply and serves a small  
4       distribution system generally.  And based on my  
5       experience in Indianapolis, I know of five  
6       satellite systems in Indianapolis.  There may be  
7       more, but I know of five.

8               MR. CAMERINO:  And, first of all,  
9       satellite systems is also sometimes called a  
10      community water system?

11              MR. NORAN:  Yes.

12              MR. CAMERINO:  So you're giving us a  
13      number of five.  It's not a dozen, right?  I'm  
14      just trying to get an order of magnitude here to  
15      your knowledge.

16              MR. NORAN:  That's correct.

17              MR. CAMERINO:  Now, Mr. Burton, you  
18      testified about Indianapolis in your deposition.  
19      Do you recall being asked questions about that?

20              MR. BURTON:  Yes, I was asked questions  
21      about Indianapolis.

22              MR. CAMERINO:  You talked about  
23      pressure zones.  Can you tell me whether you meant

1 something when you said a pressure zone as opposed  
2 to a satellite system?

3 MR. BURTON: A pressure zone in a  
4 distribution system is where you have multiple  
5 areas in a connected distribution system that you  
6 may valve off to achieve different pressures in  
7 different pumping points, they are not  
8 hydraulically connected, but they are separated by  
9 valving.

10 MR. CAMERINO: You worked out in  
11 Indianapolis, didn't you?

12 MR. BURTON: Sorry, sir?

13 MR. CAMERINO: Did you work out in  
14 Indianapolis?

15 MR. BURTON: I worked in Indianapolis,  
16 yes, sir.

17 MR. CAMERINO: Were any of the  
18 satellite systems connected to the core  
19 ultimately, that you know of?

20 MR. BURTON: Based on my recollection,  
21 I don't know what the connections were or were not  
22 between satellites.

23 MR. CAMERINO: Can you give me a sense

1 of the size of the satellites and how many  
2 customers there were, just roughly? Just give me  
3 your recollection.

4 MR. BURTON: From recollection there  
5 was one system that was approximately 400  
6 customers, and I do not know the size of the  
7 others.

8 MR. CAMERINO: Do you recall how far  
9 away they were? Were they five miles, ten miles,  
10 or 40 or 50 miles? Anything 40 or 50 miles away?

11 MR. BURTON: They were within a seven  
12 or eight county area. I don't know the exact  
13 mileage. I do know that Indianapolis has an  
14 interstate that goes around it in a circle, and  
15 it's around an 80 mile loop, and there were  
16 systems outside of that 80 mile loop. So  
17 geographically I don't know the exact mileage.

18 MR. CAMERINO: Okay, Mr. Ashcroft,  
19 after Veolia took over in Indianapolis there were  
20 reductions in personnel at some point?

21 MR. ASHCROFT: Yes.

22 MR. CAMERINO: When did that occur?

23 MR. ASHCROFT: I don't recall. I was



1       there from -- I think it was April 2002 until the  
2       fall of that year. Again, Ms. Willans can answer  
3       that question, I can't.

4               MR. CAMERINO: And do you recall  
5       approximately how many employees were let go?

6               MR. ASHCROFT: No. Again, Ms. Willans  
7       can answer that question, I can't.

8               MR. CAMERINO: Were you there during  
9       that period, Mr. Burton?

10              MR. BURTON: I was there for  
11       approximately three years.

12              MR. CAMERINO: The reduction in  
13       personnel, that was a fairly tense time, wasn't  
14       it? It was the subject of some controversy?

15              MR. BURTON: My understanding is after  
16       the contract was initiated there was actually an  
17       increase of personnel for a period of time.

18              MR. CAMERINO: As part of the  
19       transition?

20              MR. BURTON: Lengthy. Well,  
21       approaching one to two years.

22              MR. CAMERINO: But later there was a  
23       reduction?

1                   MR. BURTON: Based on my recollection,  
2                   at that point the staff was pretty much reduced to  
3                   original numbers.

4                   MR. CAMERINO: And there wasn't any  
5                   controversy with the union about changes in  
6                   personnel?

7                   MR. BURTON: There was union  
8                   negotiations which always can have their  
9                   complexities.

10                  MR. CAMERINO: Well, when you say  
11                  always has its complexity, were there significant  
12                  tensions between the union and Veolia after it  
13                  took over?

14                  MR. BURTON: I was not involved in the  
15                  union negotiations, I couldn't respond to that.

16                  MR. CAMERINO: Were you aware of  
17                  problems related to the relationship with the  
18                  union?

19                  MR. RICHARDSON: He has answered the  
20                  question.

21                  MR. CAMERINO: He has not answered the  
22                  question.

23                  Your recollection -- do you have any

1       recollection of whether there were difficulties  
2       between the union and the company during your time  
3       that you were there?

4                   MR. BURTON:  My recollection is there  
5       was differences of opinion, yes.

6                   MR. CAMERINO:  I'm going to come back  
7       to that in a minute, but I want to ask a couple of  
8       questions about differences between the situation  
9       in Indianapolis and here in Nashua.

10                  Indianapolis wasn't an eminent domain  
11       situation, was it, Mr. Ashcroft?

12                  MR. ASHCROFT:  No, it was not.

13                  MR. CAMERINO:  In fact, Veolia had full  
14       access to the system and cooperation in planning  
15       and carrying out the transition?

16                  MR. ASHCROFT:  We did.

17                  MR. CAMERINO:  And the city had  
18       in-house staff that was dedicated to oversee  
19       Veolia, didn't it?

20                  MR. ASHCROFT:  Yes.

21                  MR. CAMERINO:  That's not the case  
22       here, is it?

23                  MR. ASHCROFT:  The function is the

1 same.

2 MR. CAMERINO: The function you're  
3 referring to, though, is Beck, right?

4 MR. ASHCROFT: The oversight contract.

5 MR. CAMERINO: And another difference  
6 from Indianapolis is there there's a core of about  
7 300,000 customers and a limited number of  
8 satellites, here there's a core of 25,000  
9 customers and a couple of dozen satellites?

10 MR. ASHCROFT: I believe that to be the  
11 case.

12 MR. CAMERINO: Now, another difference  
13 is that in Indianapolis Veolia agreed to sign on  
14 to the union contract, the collective bargaining  
15 agreement, didn't it?

16 MR. ASHCROFT: There is a collective  
17 bargaining agreement.

18 MR. CAMERINO: That was one of the  
19 conditions of Veolia taking over the system,  
20 wasn't it, that it would agree to accept the  
21 collective bargaining agreement?

22 MR. ASHCROFT: Again, I can't recall  
23 specifically what those negotiates were with the

1 union. I do recall there was a union there  
2 recognized by NiSource, the predecessor company,  
3 and I recollect Veolia recognized a union in  
4 Indianapolis according them full rights in  
5 negotiations.

6 MR. CAMERINO: Wasn't that a fairly  
7 important part of the arrangement with the city,  
8 that Veolia keep the union? That was a commitment  
9 that Veolia made to the city?

10 MR. ASHCROFT: I don't know that  
11 detail. I've not -- I know it was a fact that we  
12 recognized the union. Whether or not that was a  
13 key issue during negotiations I can't respond to  
14 because I wasn't involved in those negotiations.

15 MR. CAMERINO: And we have got a front  
16 page between the contract and Veolia and the union  
17 here. If we turn to -- this is from 1999, and I  
18 want to bring your attention to the pension  
19 provision, and I'm not going to ask you to read  
20 the whole thing here, but just read enough that  
21 you can confirm that one of the things that Veolia  
22 agreed to do was to keep the pension benefits in  
23 place with the union.

1                   MR. UPTON: Can we go back to the  
2 first page? I didn't even see who the agreement  
3 was among?

4                   MR. ASHCROFT: This is an agreement  
5 between the NiSource Corporation and the union,  
6 right?

7                   MR. CAMERINO: No.

8                   MR. ASHCROFT: The first page you  
9 showed me was between NiSource, not Veolia.

10                  MR. CAMERINO: I've got you. All  
11 right. I'm with you. I'm sorry.

12                  MR. ASHCROFT: Nothing to do with  
13 Veolia.

14                  MR. CAMERINO: I appreciate you  
15 stopping me, and I just want to remind you, if I'm  
16 leading you down the primrose path, stop me,  
17 because I may be making a mistake myself.

18                  All right, so this is the 1999  
19 agreement between NiSource and the union, correct?

20                  MR. ASHCROFT: I've never seen it  
21 before, but that's what the top of that says.

22                  MR. CAMERINO: If you look at -- go in  
23 a few pages in this excerpt you'll see that the

1 pension benefits spelled out, is that a fair  
2 characterization?

3 MR. ASHCROFT: There is a section B  
4 entitled pension.

5 MR. CAMERINO: All right, now we're  
6 going to go to Exhibit 3225, and this is the  
7 agreement between Veolia Water and the same union,  
8 correct?

9 MR. ASHCROFT: Dated December '04,  
10 which is over two years after I left there.

11 MR. CAMERINO: Yeah, but you were still  
12 the president of the company?

13 MR. ASHCROFT: No.

14 MR. CAMERINO: Which company are you  
15 the president of?

16 MR. ASHCROFT: Veolia Water Northeast.  
17 This is Veolia Water Indianapolis. Totally  
18 separate LLC for which I have no responsibility  
19 whatsoever.

20 MR. CAMERINO: And not familiar with  
21 what happened after you left.

22 MR. ASHCROFT: No.

23 MR. CAMERINO: You don't talk about

1       that in the office.

2                   MR. ASHCROFT: Well, again, Ms. Willans  
3       I'm sure could answer that question, but certainly  
4       what happens in Indianapolis is not a subject in  
5       Brockton, Massachusetts. We tend to focus on our  
6       own clients, our own contracts, our own customers.

7                   MR. CAMERINO: In Nashua there is no  
8       obligation to take on the union contract, is  
9       there.

10                  MR. ASHCROFT: I believe that is the  
11       case.

12                  MR. CAMERINO: And Veolia has made no  
13       such commitment, has it?

14                  MR. ASHCROFT: I'm not sure we've been  
15       asked to, actually. It's not a question that's  
16       arisen.

17                  MR. CAMERINO: Are you familiar with  
18       utility acquisition proceedings in which the  
19       acquirer commits -- among other things, commits to  
20       keep the present collective bargaining agreement  
21       with the union in place? Did you ever see an  
22       acquisition agreement like that?

23                  MR. ASHCROFT: Not in my experience.



1 MR. CAMERINO: Never heard of that?

2 MR. ASHCROFT: It might well happen.

3 In North America, I can only say that I don't know  
4 of one.

5 CHAIRMAN GETZ: Mr. Camerino, it's  
6 10:30. Is this a --

7 MR. CAMERINO: It's fine.

8 CHAIRMAN GETZ: Is this a good point to  
9 change to a different subject or --

10 MR. CAMERINO: Both.

11 CHAIRMAN GETZ: Both.

12 MR. CAMERINO: I'm changing subjects,  
13 so if you wanted to take a break, that would be  
14 fine, too.

15 CHAIRMAN GETZ: It is time for our  
16 morning recess, but let me ask, though, this  
17 question, how much additional cross do you think  
18 you have?

19 MR. CAMERINO: I'm sure I'll be all  
20 morning. I don't know how much of the afternoon.  
21 I am making progress, I'm a little reluctant to  
22 predict how long.

23 CHAIRMAN GETZ: Mr. Upton.

1                   MR. UPTON: In the hopes of concluding  
2                   Sansoucy, Walker testimony, the sooner I can have  
3                   some sense of when Steven's going to be completed,  
4                   then I can make arrangements to get them back.  
5                   They are both in their offices, Sansoucy, in  
6                   Lancaster, Walker and Newington, so I do need a  
7                   little bit of advanced time.

8                   But if I can at the lunch break get  
9                   some sense from Steve whether he's going to go all  
10                  afternoon or there would be enough time to  
11                  complete that --

12                 CHAIRMAN GETZ: Let me check with the  
13                  rest of the parties. Ms. Thunberg, do you have  
14                  questions for this panel?

15                 MS. THUNBERG: I would guess an hour  
16                  and a quarter's worth of questioning.

17                 CHAIRMAN GETZ: And then, Mr. Boutin,  
18                  will you be inquiring of this panel?

19                 MR. BOUTIN: At this moment I don't  
20                  have any, but I don't know what I'm going to hear,  
21                  so it's possible I'll have a short  
22                  cross-examination.

23                 CHAIRMAN GETZ: Ms. Reinemann, are you

1       planning anything?

2                   MS. REINEMANN:  At this point we don't  
3       have any questions.

4                   CHAIRMAN GETZ:  And Mr. Alexander?

5                   MR. ALEXANDER:  Little, if any.

6                   CHAIRMAN GETZ:  Is there anybody else I  
7       overlooked?

8                   MR. CAMERINO:  I just want to mention,  
9       I did have one or two more questions on this  
10      subject.  So if before we take a break, if I could  
11      finish those off.

12                  CHAIRMAN GETZ:  Let's do that.  But I  
13      think when we broke yesterday I was assuming that  
14      there was some talk of bringing back Mr. Sansoucy  
15      and Mr. Walker on another day.

16                  MR. UPTON:  On another day.  And Steve  
17      and I talked at the conclusion of the day, and  
18      depending on how far he was able to get with the  
19      Veolia panel today we thought it was better, if  
20      possible, because of Mr. Conner being here still  
21      and not having to come back from Tennessee if we  
22      could do it today.  So we'll see where we end up,  
23      and Steve and I will try to make it happen, if we

1       can.

2                   CHAIRMAN GETZ:   Okay, great.   Let's  
3       finish up this segment, and we'll take the morning  
4       recess.

5                   MR. CAMERINO:   Okay, we were just  
6       talking about labor issues in Indianapolis,  
7       Mr. Ashcroft.   I want to show you Exhibit 3221.  
8       And admittedly -- again, I'm not trying to lead  
9       you down a primrose path -- if you look in the  
10      upper left-hand corner, this is apparently put out  
11      by the AFL-CIO, so I'm sure they are not your best  
12      friends.   But if you could just read the first two  
13      paragraphs into the record.

14                  MR. ASHCROFT:   I preface that by saying  
15      that I have many good friends in trade unions.  
16      For 30 years I was a member of a trade union, I  
17      totally support the trade union, and if the  
18      employees, should we run this contract in Nashua,  
19      want to be part of a trade union, we would be  
20      delighted to join them in conversations and  
21      discussions.

22                  MR. CAMERINO:   Fair comment.

23                  MR. ASHCROFT:   Veolia is a very trade

1 union friendly organization.

2 MR. CAMERINO: I'm going to ask you to  
3 read that, and I understand they're not your  
4 words.

5 MR. ASHCROFT: It says here some 200  
6 union members of Local 131 of the national  
7 conference of firemen and oilers are preparing for  
8 forced strikes spurred by Veolia Water, the  
9 French-owned company that has been contacted to  
10 oversee the city's water operation.

11 The federal mediator is currently  
12 working with union representatives and management  
13 to avoid a work stoppage on Friday. However,  
14 Veolia has built guard shacks and temporary orange  
15 fencing of the water company's downtown  
16 headquarters in preparation for a strike.

17 Can I comment on that, gentlemen?

18 MR. CAMERINO: Please. And I preface  
19 this by saying I assume Veolia has a very  
20 different version of what was happening, is that  
21 fair to say?

22 MR. ASHCROFT: Earlier in my career I  
23 did have for several years -- I was employed as an

1 industrial relations manager -- admittedly not in  
2 the US but in the UK -- and this is just part of  
3 the ritual dance of negotiations.

4 Employees of our Lynn facility earlier  
5 this year threatened to go on strike. We put  
6 together a strike plan, said we were prepared to  
7 run that facility to insure the environmental  
8 protection and our client's interests, and as a  
9 result of that we reached an amicable solution  
10 with the trade union.

11 Indeed, only a few weeks ago we had the  
12 trade union and the employees round and we had a  
13 cookout and celebrated the signing of that  
14 contract. This is no more than yet another part  
15 of that ritual dance, that form of negotiation  
16 that takes place.

17 MR. CAMERINO: So you'd say this is  
18 just part of doing business, you eventually  
19 reached agreement with these folks.

20 MR. ASHCROFT: I can't comment -- I  
21 assume they did reach an agreement in Indianapolis  
22 because there was no strike, as far as I'm aware.  
23 So, I'm guessing. That's supposition, I don't

1 know.

2 MR. CAMERINO: It would be pretty  
3 unusual if a company that had a collective  
4 bargaining unit with the union didn't have these  
5 kind of problems, wouldn't it?

6 MR. ASHCROFT: As far as I'm aware,  
7 Veolia has never had a strike in North America.

8 MR. CAMERINO: But even that kind of  
9 showdown, part of the ritual dance as you call  
10 it --

11 MR. ASHCROFT: Yes.

12 MR. CAMERINO: -- it would be unusual  
13 for a company that deals with a union not to have  
14 that kind of issue from time to time?

15 MR. ASHCROFT: Across North America,  
16 yes.

17 MR. CAMERINO: Thank you. That's all I  
18 have on this subject.

19 CHAIRMAN GETZ: Okay, then, let's  
20 recess, and we'll come back at eleven o'clock.  
21 Thank you.

22 (Recess taken.)

23 CHAIRMAN GETZ: We're back on the

1 record. Mr. Camerino.

2 MR. CAMERINO: Thank you, Mr. Chairman.

3 Mr. Ashcroft, I'm going to ask you a  
4 few more questions about Indianapolis just for  
5 purposes of comparison to Nashua.

6 First of all, you indicated you took  
7 those operations over from NiSource, is that  
8 correct?

9 MR. ASHCROFT: Correct. Yes.

10 MR. CAMERINO: And that system was sold  
11 on a consensual basis, wasn't it?

12 MR. ASHCROFT: It was a forced sale by  
13 NiSource to the city of Indianapolis. I believe  
14 it was a regulatory requirement.

15 MR. CAMERINO: It was sold reluctantly,  
16 maybe, would be a good indication; they were  
17 ordered to sell it by regulators, they had to  
18 divest it?

19 MR. ASHCROFT: That's correct.

20 MR. CAMERINO: And you worked very  
21 closely with NiSource as part of that transition,  
22 didn't?

23 MR. ASHCROFT: No.



1                   MR. CAMERINO: Well, let me just read  
2                   to you from your deposition. Question from  
3                   Mr. Donovan -- this is on page 86. Indianapolis  
4                   was a cooperative transfer unlike the current  
5                   situation, correct?

6                   Answer. I didn't get involved in  
7                   Indianapolis with the previous owner, NiSource  
8                   Corporation, until after the contract was awarded.  
9                   When I did become involved with them, they were  
10                  very cooperative.

11                 MR. ASHCROFT: Let me clarify that  
12                 statement. The senior executives of NiSource,  
13                 other than one, were not there when we arrived.  
14                 One guy remained, stayed in his office, basically  
15                 did nothing. The people who were cooperative were  
16                 the ex-NiSource employees that transferred to  
17                 Veolia. They were very helpful and very  
18                 cooperative.

19                 MR. CAMERINO: So you had a lot of  
20                 assistance on the ground, if you will, in making  
21                 that transition, didn't you?

22                 MR. ASHCROFT: I believe we did.

23                 MR. CAMERINO: And Mr. Burton, you

1 indicated earlier that you staffed up, you  
2 increased staffing at the time of the transition  
3 and for a period afterwards, is that correct?

4 MR. BURTON: That's my understanding,  
5 yes.

6 MR. CAMERINO: So you had a cooperative  
7 transition and you increased your staffing, is  
8 that a fair characterization, in order to make the  
9 transition go smoothly?

10 MR. ASHCROFT: During my time in  
11 Indianapolis the workforce remained approximately  
12 the same. What happened after that, I couldn't  
13 tell you.

14 MR. CAMERINO: Now, I think we've  
15 established that in Indianapolis you do all of the  
16 billing and collection and customer service on  
17 what I'll call a bundled basis; you provide all of  
18 that, it is not split with the city, correct?

19 MR. ASHCROFT: That is the certainly  
20 the situation when I took over, but Ms. Willans  
21 can provide you the details on that.

22 MR. CAMERINO: Well, Mr. Ford, in your  
23 deposition you said that that was your

1 recollection, is that correct?

2 MR. FORD: I don't recall making  
3 comments about Indianapolis, because I wasn't  
4 privy to that operation.

5 MR. CAMERINO: Well, let me read you  
6 the question and answer from page 83 of your  
7 deposition. Question from Mr. Donovan.  
8 Indianapolis is a site where Veolia provides both  
9 the billing and collection as well as the  
10 operational customer service, is that right?

11 Answer. Right. Yes.

12 Maybe you recalled then and time has  
13 passed, is that a fair characterization?

14 MR. FORD: Yes.

15 MR. CAMERINO: Now, in the proposal  
16 here to the city of Nashua, you've told them that  
17 if you took over all of the billing and  
18 collection, Mr. Ashcroft, and provided a bundled  
19 customer service, the city would save \$311,000,  
20 didn't you? That's in the proposal.

21 MR. ASHCROFT: I can't recall, but that  
22 sounds reasonable. I'd like to add that I've run  
23 customer service both ways. Either splitting away

1 a response to billing inquiries from the  
2 operational issues and running combined. Both  
3 systems can work.

4 The issue is probably cost, as you  
5 rightly point out. It would be cheaper to bundle  
6 it together for Veolia, but in terms of the  
7 service to the customers, the efficacy of that  
8 service, both approaches will work. I've done it  
9 both ways.

10 MR. CAMERINO: All right, and I'm  
11 showing you a page that's Exhibit 3045, page 35,  
12 which is from the proposal at Roman numeral  
13 II.2-9, and if you look at the bottom box, that's  
14 one of your alternative proposals.

15 On the right side you'll see that it  
16 says \$311,000 estimated city costs of customer  
17 service, and that -- that's what you were saying  
18 the city would save if you were to do the customer  
19 service, do you see that?

20 MR. ASHCROFT: I believe Mr. Noran  
21 could respond to that in more detail than I can.

22 MR. CAMERINO: Okay.

23 MR. NORAN: First of all, customer

1 service and reliability centered maintenance were  
2 alternates in our proposal. Secondly, on customer  
3 service what we said is that we had estimated that  
4 we could provide full customer service for an  
5 additional \$311,000 a year.

6 MR. CAMERINO: I guess I don't  
7 understand. When it says estimated city cost of  
8 customer service, why would they pay 311,000  
9 unless they were going to save at least that much?

10 MR. NORAN: Again, our proposal was  
11 that if we provided total customer service, the  
12 additional cost to our proposed fees would be  
13 \$311,000 per year.

14 MR. CAMERINO: And presumably you were  
15 making that proposal because you thought it would  
16 work well for the city, correct?

17 MR. NORAN: We felt that that was an  
18 attractive alternative that the city should  
19 consider.

20 MR. CAMERINO: You wouldn't suggest to  
21 the city -- and I'm not talking about trying to  
22 dupe them, I'm talking about just common sense  
23 now -- you wouldn't suggest to the city that they

1 spend \$311,000 to save less than that, would you?

2 MR. NORAN: I'm not sure I understand  
3 your -- your question.

4 MR. CAMERINO: Well, you were proposing  
5 to take some services away from the city side of  
6 the ledger and have Veolia do them. So you're  
7 going to try to convince them why that's a good  
8 thing for them. And part of that equation that  
9 you're saying, you'll pay us 311,000. That's what  
10 I hear you saying now.

11 MR. NORAN: Yes.

12 MR. CAMERINO: I'm assuming you would  
13 not ask them to pay you \$311,000 to perform these  
14 services that they were going to perform if they  
15 could do it for less, that wouldn't make any  
16 sense, you wouldn't have a chance of convincing  
17 them.

18 MR. NORAN: I think we would have a  
19 chance of convincing them because there's  
20 economies of scale by us providing entire customer  
21 service, and that's why we proposed the alternate.

22 MR. CAMERINO: So you're saying that if  
23 they don't do this there's going to be other costs

1       that are incurred that they haven't taken into  
2       account yet.

3                   MR. NORAN: I don't know the city cost  
4       related to how they've estimated the cost of  
5       customer service. All I know is our cost of  
6       providing service for the city of Nashua customers  
7       that was in our base proposal would be  
8       incrementally an additional \$311,000 per year.

9                   MR. CAMERINO: And your company prides  
10      itself on being more efficient than municipal  
11      operations, correct?

12                  MR. NORAN: Yes.

13                  MR. CAMERINO: Let me ask you about  
14      performance metrics, Mr. Noran. The Indianapolis  
15      contract had numerous performance metrics in it,  
16      did it not?

17                  MR. NORAN: Yes.

18                  MR. CAMERINO: In fact, there were  
19      about 40 of them.

20                  MR. NORAN: Yes.

21                  MR. CAMERINO: One would be unaccounted  
22      for water?

23                  MR. NORAN: Yes.

1                   MR. CAMERINO: And I'd like you to take  
2                   a look at Exhibit 3223, this is your contract with  
3                   Indianapolis. And we're going to pull it up on  
4                   the screen; it may be easier for you to work from  
5                   a hard copy. I don't know whether you have that  
6                   easily at hand or not.

7                   MR. ASHCROFT: We don't have a copy of  
8                   the Indianapolis.

9                   MR. CAMERINO: I think it's up on the  
10                  cart. If it's easy to get. I don't want to  
11                  engage in a big delay if you don't have it at  
12                  hand. Apparently on the middle shelf.  
13                  Exhibit 3223. I won't object to Ms. Willans  
14                  finding the document.

15                  While she's doing that, Mr. Noran, one  
16                  place where I saw some of them is in Exhibit 12,  
17                  but I'm also interested in where else they might  
18                  be found in that document if the commission wants  
19                  to go back and look at that. Is that fair,  
20                  Exhibit 12 is one of the places, Mr. Noran?

21                  MR. NORAN: Yes.

22                  MR. CAMERINO: And anyone else,  
23                  Mr. Noran, where you know that they are in there?



1                   MR. NORAN: Exhibit 12 is the set of  
2 criteria.

3                   MR. CAMERINO: In Indianapolis,  
4 Mr. Noran, the base fee also included electricity  
5 and fuel and natural gas, is that correct?

6                   MR. NORAN: Yes.

7                   MR. CAMERINO: There were -- and I'm  
8 not going to try to make you identify all of them,  
9 but those 40 performance metrics in the  
10 Indianapolis contract, those aren't in the Nashua  
11 contract, are they?

12                  MR. NORAN: Some are.

13                  MR. CAMERINO: Could you tell me which  
14 ones are?

15                  MR. NORAN: The response time. We have  
16 a 30 minute response time to --

17                  MR. CAMERINO: There is no incentive,  
18 though, in there, is there for the company to  
19 perform at a certain level?

20                  MR. NORAN: The incentive is to provide  
21 the client's satisfaction so we continue to have  
22 this contract.

23                  MR. CAMERINO: But your company

1 believes -- and I think the proposal says this in  
2 a number of places -- that it's beneficial to the  
3 customer -- the client in this case being  
4 Nashua -- to have Veolia economically incentivised  
5 to achieve certain performance metrics, correct?

6 MR. NORAN: Yes.

7 MR. CAMERINO: There are adders if you  
8 achieve those metrics, correct? Additional  
9 payments?

10 MR. NORAN: No. Actually, in  
11 Indianapolis, the word intensive criteria is a  
12 misnomer. We need to achieve the incentive  
13 criteria in order to achieve our -- our -- our  
14 projected margin on that project.

15 MR. CAMERINO: So, in other words, you  
16 would suffer, effectively, a penalty if you didn't  
17 achieve the performance metrics?

18 MR. NORAN: Correct.

19 MR. CAMERINO: Still an economic  
20 incentive, correct?

21 MR. NORAN: Yes.

22 MR. CAMERINO: That's different from  
23 just a term in a contract, correct -- in fact, I'm

1       assuming you've included those in your proposal  
2       because you thought that that was a good  
3       structure.

4                   MR. NORAN: That was a -- that was a  
5       mandate of the RFP was incentive criteria.

6                   MR. CAMERINO: Which you then turned  
7       around and touted to Nashua in your proposal,  
8       correct?

9                   MR. NORAN: We -- we did make reference  
10      to those, and I would suggest to you that there  
11      are a number of performance metrics in our  
12      contract.

13                  MR. CAMERINO: And those are the ones  
14      that -- I believe it was in your May of 2006 reply  
15      testimony, you actually listed those at the end of  
16      your testimony, do you recall that?

17                  MR. NORAN: That's correct.

18                  MR. CAMERINO: Those are the ones  
19      you're referring to?

20                  MR. NORAN: Yes.

21                  MR. CAMERINO: I'm going to switch  
22      topics here. I'm going to be talking about the  
23      reporting structure, the relationship with

1 Dufresne-Henry and Beck, just so you know we're in  
2 a different area.

3 First of all -- and I'm directing this  
4 to Mr. Ashcroft, but it may be Mr. Noran that  
5 needs to answer it. Dufresne-Henry is a  
6 subcontractor to Veolia on this transaction, is  
7 that correct?

8 MR. ASHCROFT: They're actually called  
9 StanTech now.

10 MR. CAMERINO: Could you say that name  
11 again?

12 MR. ASHCROFT: They're actually called  
13 StanTech. They were taken over by an operation  
14 called StanTech.

15 MR. CAMERINO: So they have been  
16 acquired since they began?

17 MR. ASHCROFT: Correct.

18 MR. CAMERINO: Can you just very  
19 briefly explain who they are and what they do?

20 MR. ASHCROFT: They're an engineering  
21 consultancy company.

22 MR. CAMERINO: Why are they needed in  
23 this arrangement?



1                   MR. CAMERINO: So you can provide the  
2 same services that they provide if you want to?

3                   MR. ASHCROFT: Yes.

4                   MR. CAMERINO: Now, when StanTech  
5 provides services, who are they going to bill?

6                   MR. ASHCROFT: Veolia.

7                   MR. CAMERINO: And you're going to take  
8 that bill and you're going to mark it up  
9 12 percent?

10                  MR. ASHCROFT: I'd have to refer to the  
11 contract. Paul, do you know?

12                  MR. NORAN: That would be one option,  
13 but the more plausible option is that they would  
14 be a support service on capital projects and RRRM  
15 projects, and that would be -- we would provide  
16 the -- the city of Nashua a proposal for a -- a  
17 major capital project that would include  
18 engineering services, and it would be -- could be  
19 a design-build, so we'd be talking about a fixed  
20 price for a design-build project, and it could be  
21 that StanTech would be a resource that would -- we  
22 would use to provide engineering services.

23                  And also I think -- I need to correct

1       one thing. You mistakenly indicated, and that is  
2       that we have a subcontract with StanTech for the  
3       Nashua project. We do not have a subcontract  
4       agreement for the Nashua project with StanTech.

5                   MR. CAMERINO: Can you say that again?  
6       I think I missed what you just said.

7                   MR. NORAN: We do not have a specific  
8       subcontract agreement for StanTech to provide  
9       engineering services to Nashua, for the Nashua  
10      project.

11                  MR. CAMERINO: Well, just maybe you  
12      could clarify for me what you're saying. One part  
13      of Veolia's proposal which is in front of this  
14      commission is that you have Dufresne-Henry, now  
15      StanTech, on board to provide these important  
16      engineering services.

17                  MR. UPTON: I object. We don't have a  
18      Veolia proposal before the commission, we have a  
19      proposed contract with Veolia before the  
20      commission, and they're very different.

21                  MR. CAMERINO: I stand corrected.  
22      Nashua's proposal is a draft contract with Veolia,  
23      and your presentation includes touting

1 Dufresne-Henry, now StanTech, as a player, and now  
2 you're telling me you don't have an arrangement  
3 with them. Maybe you want to clarify that.

4 MR. NORAN: I think Mr. Ashcroft really  
5 identified clearly the role of -- of StanTech.  
6 What I was trying to do is -- is indicate to you  
7 that we do not have a written subcontract  
8 agreement with StanTech to provide services in  
9 conjunction with this contract.

10 MR. CAMERINO: So really all you're  
11 saying, Mr. Noran, is there's nothing in  
12 writing -- writing is probably the wrong word --  
13 there's nothing that obligates Veolia or StanTech  
14 at this point, there is not a signed agreement;  
15 you may have had discussions with them about  
16 providing services if and when they're needed.

17 MR. ASHCROFT: Can I clarify that?

18 MR. CAMERINO: Please.

19 MR. ASHCROFT: Just as we don't have a  
20 signed contract with the city, we can't have a  
21 signed contract with StanTech. But we work with a  
22 number of engineering companies, and just as we're  
23 going to work once having signed a contract with



1       the city of Nashua in partnership to deliver  
2       services to the citizens of Nashua, so we have a  
3       partnership arrangement and we would cooperate and  
4       work in other areas with StanTech.

5                   I would anticipate once we had a signed  
6       contract with the city of Nashua, we would then  
7       enter into a more formal arrangement with  
8       StanTech.

9                   MR. CAMERINO: You can understand the  
10      reason I'm asking these questions is the  
11      commission is trying to decide and we are trying  
12      to understand what are the functional aspects of  
13      that relationship and what are the economics. And  
14      if nobody is committed to anything -- I understand  
15      there may be discussion about possibilities -- but  
16      if nobody is committed to anything, it's very hard  
17      to know what the commission is passing judgment  
18      on. So I need to know the difference between what  
19      is talk and what is commitment.

20                  MR. ASHCROFT: We are totally committed  
21      to serving the citizens of Nashua. We hope that  
22      commitment will be enshrined within a contract.  
23      Once we are committed to that contract, we're

1 committed. Wherever those resources come from, we  
2 deliver on those promises in the contractual  
3 commitment.

4 MR. CAMERINO: So, Mr. Noran, what I  
5 understand you said about the arrangement  
6 nonbinding with StanTech is that there are two  
7 ways they can provide their services, one is if  
8 there's a project you'll work out a fixed fee  
9 proposal in which presumably your profit and their  
10 profit will be built into that and there will be a  
11 number that Nashua will pass judgment on, is that  
12 a fair statement?

13 MR. NORAN: Yes.

14 MR. CAMERINO: And the second way is  
15 you will do it on a time and materials basis where  
16 StanTech provides their services on an hourly  
17 basis and bills you for that, correct?

18 MR. NORAN: Yes.

19 MR. CAMERINO: In the second case you  
20 will take their bill and you will add a 12 percent  
21 markup to that, is that correct?

22 MR. NORAN: I would have to go back  
23 and -- and review the contract, but under the --

1       under the supplementary services section, we  
2       actually gave hourly rates for different  
3       positions, whether it's a senior project manager  
4       or field engineer or field inspector. And those  
5       hourly rates is what we're committed to, whether  
6       it comes from Veolia or whether it comes from  
7       StanTech.

8                   CHAIRMAN GETZ: Mr. Camerino, before  
9       you go on, I want to try to clarify in my mind  
10      some terminology. You raised the issue yesterday,  
11      you said we were going to get to it today, RRRM.  
12      I've heard use of RCM, which is reliability  
13      centered maintenance, and Mr. Noran just mentioned  
14      I think earlier RRM. Tell me what RRM is.

15                  MR. NORAN: There is no RRMM, there's  
16      triple R M.

17                  CHAIRMAN GETZ: Which is?

18                  MR. NORAN: Repair, replacement,  
19      rehabilitation maintenance.

20                  MR. CAMERINO: Just to be clear,  
21      Mr. Chairman, that's helpful so that people have a  
22      reference point right now. We're actually going  
23      to get into that in quite a bit of detail, so the

1 record will be complete on what that means.

2 And could you just explain to me,  
3 Mr. Noran or Mr. Ashcroft, if Veolia and StanTech  
4 can both provide these engineering services, how  
5 will you decide who should do that when the  
6 opportunity comes along? Is that just a matter of  
7 cost effectiveness, or you want to do the work  
8 yourselves if you can?

9 MR. ASHCROFT: It's a matter of cost  
10 effectiveness, effective labor utilization and  
11 workload.

12 MR. CAMERINO: Now, a couple of  
13 questions about the relationship with Beck.  
14 Veolia is going to report to R.W. Beck?

15 MR. ASHCROFT: I'm not sure I'd  
16 characterize it as report to. We report to our  
17 client, but the client, my understanding is, will  
18 utilize R.W. Beck to oversee our contract and our  
19 delivery on our contract. So the word report to  
20 I'm not too sure about.

21 MR. CAMERINO: Well, in his  
22 testimony -- and this was in Exhibit 1007 at page  
23 5, Mr. Sansoucy says, in other words, the city

1       wanted to insure that Beck performed the same  
2       tasks as a city department head in charge of the  
3       water system.

4                       So what I took that to mean -- and  
5       please correct me if I'm wrong -- is that Beck  
6       would stand in the shoes of the city, and you  
7       would report to them rather than to the city. Is  
8       that not your understanding.

9                       MR. ASHCROFT: Make reports to them,  
10      yes, but as far as I'm concerned, the mayor of  
11      Nashua is my client.

12                      MR. CAMERINO: So you're going to  
13      report directly to the mayor of Nashua or some  
14      designee of his?

15                      MR. ASHCROFT: Yes. That's for him to  
16      decide.

17                      MR. CAMERINO: It sounds like you take  
18      exception to reporting to Beck.

19                      MR. ASHCROFT: Not at all. My client  
20      isn't Beck. My client is the mayor of Nashua.

21                      MR. CAMERINO: Can you tell me what  
22      role Beck is going to play then?

23                      MR. ASHCROFT: Oversight. Technical

1 oversight, and making sure we, in fact, stick to  
2 the contract and deliver what we said we're going  
3 to deliver. Beck would work, I guess, at the  
4 direction of the city which would be the mayor or  
5 his designee. I think we're playing with words  
6 here.

7 MR. CAMERINO: Well, I'm not sure we  
8 are, because you're professionals and they're  
9 professionals, and each of you have a job to do,  
10 right?

11 MR. ASHCROFT: Correct.

12 MR. CAMERINO: They're going to take  
13 their job very seriously, aren't they?

14 MR. ASHCROFT: As indeed we do.

15 MR. CAMERINO: And so they are going to  
16 want to look at what you're doing, aren't they?

17 MR. ASHCROFT: We will offer total  
18 transparency.

19 MR. CAMERINO: And you don't think  
20 there are going to be jealousies or tensions if  
21 they tell you that they think you're not doing  
22 your job well?

23 MR. ASHCROFT: I'm sure they'll act

1       very professionally.

2                   MR. CAMERINO:  What happens if you and  
3       Beck disagree on how things are to be done?

4                   MR. ASHCROFT:  I think there is a  
5       clause in the proposed contract dealing with  
6       dispute resolution.  I would hope that we wouldn't  
7       get to that situation; we're professionals with a  
8       common aim, goal in mind, are able to work  
9       together to get the right outcome.

10                  MR. CAMERINO:  So do you first go to  
11       the city and say Beck says something should or  
12       shouldn't be done and we disagree?  Do you go to  
13       the city and have that discussion?

14                  MR. ASHCROFT:  I would presume that it  
15       would be more likely that Beck would go to the  
16       client and say they don't agree with something  
17       Veolia has done.  Until we get into that situation  
18       I don't know the answer to that question until it  
19       arises.

20                  MR. CAMERINO:  And you would respond to  
21       the city and say we think we're right and here's  
22       why.

23                  MR. ASHCROFT:  That would be a normal

1 kind of response, I believe.

2 MR. CAMERINO: And with all due respect  
3 to the mayor and the future mayor of Nashua, it's  
4 not actually going to be the mayor that you have  
5 that discussion with, is it?

6 MR. ASHCROFT: I honestly don't know.  
7 It depends on the situation, circumstances, and  
8 the issue.

9 MR. CAMERINO: Is there anybody in the  
10 city government who has the technical capacity to  
11 hear those points and understand and make that  
12 decision?

13 MR. ASHCROFT: There are a number of  
14 professional engineers employed by the city of  
15 Nashua. I think they have a wastewater  
16 department, director of public works. Is that  
17 correct?

18 MR. NORAN: Yes.

19 MR. ASHCROFT: Yes.

20 MR. CAMERINO: Didn't you say earlier  
21 that they don't have any expertise in drinking  
22 water systems?

23 MR. ASHCROFT: Correct.



1                   MR. CAMERINO: That's why you're there.

2                   MR. ASHCROFT: Correct.

3                   MR. CAMERINO: So the two of you are  
4 going to be making your points to city staffers  
5 who presumably have full jobs already who aren't  
6 experts in this area, correct?

7                   MR. ASHCROFT: Again, this is  
8 supposition. I don't know.

9                   MR. CAMERINO: And you're not aware of  
10 the city having allocated a position or any  
11 economic reflection of those responsibilities in  
12 its model, are you?

13                   MR. ASHCROFT: I'm not party to those  
14 discussions. You have to bear in mind that the  
15 proposed contract was concluded at the end of  
16 2005. Since then this eminent domain process and  
17 this trial has overshadowed the relationships,  
18 until we get through this process are unable to  
19 pick up the conclusion of that contract and start  
20 to define more clearly a pragmatic way forward how  
21 we're going to work together. Until that stage, I  
22 really can't answer questions.

23                   MR. CAMERINO: Now, R.W. Beck is a

1       rather large engineering firm, isn't it?

2                   MR. ASHCROFT:   It's a large engineering  
3       firm, yes.

4                   MR. CAMERINO:   They have a lot of  
5       experience with municipal utilities, don't they?

6                   MR. ASHCROFT:   I believe they do.

7                   MR. CAMERINO:   Aren't they going to  
8       want to bid on some of this engineering work you  
9       were talking about before?

10                  MR. ASHCROFT:   That's up to the client  
11       to decide.

12                  MR. CAMERINO:   So they could bid on the  
13       same work that Dufresne-Henry, StanTech can bid  
14       on?

15                  MR. ASHCROFT:   I haven't really  
16       considered that question.   For me now it's a  
17       hypothetical question.

18                  MR. CAMERINO:   And Veolia can do some  
19       of that same work as well?

20                  MR. ASHCROFT:   We would hope to  
21       convince the client that we can, yes.

22                  MR. CAMERINO:   So you've got at least  
23       three parties all of whom have some engineering

1 capacity who are going to be vying for the same  
2 work?

3 CHAIRMAN GETZ: Let's hold off on the  
4 witness. Mr. Richardson?

5 MR. RICHARDSON: I just wanted to -- he  
6 was characterizing the witness' prior response  
7 that, in fact, the witness said something  
8 completely different, that he was not aware of  
9 what Beck's role would be.

10 MR. CAMERINO: I'm not trying to  
11 characterize his response. I'm making a  
12 statement, which I think you heard, and I'm asking  
13 you whether you agree.

14 MR. ASHCROFT: My recollection of the  
15 contract, which is only my recollection, because I  
16 don't study it every day, is that the city will  
17 have the opportunity to put an engineering project  
18 out to bid if they believe the proposal from  
19 Veolia for any one project is not appropriate or  
20 acceptable.

21 So if you're suggesting that the city  
22 of Nashua would encourage competition, that sounds  
23 reasonable to me.

1                   MR. CAMERINO: Isn't it likely that  
2                   there's going to be a good deal of tension and  
3                   jostling among the parties to get that work?

4                   MR. ASHCROFT: If that's what you mean  
5                   by competition, I don't think -- no, I don't think  
6                   I agree with that, no. In fact, they're  
7                   delivering value to the city of Nashua.

8                   MR. CAMERINO: I want to understand  
9                   sort of facts on the ground how the relationship  
10                  would work. It's the middle of the night in  
11                  Nashua on Amherst Street and a water main breaks,  
12                  and let's just walk through what's going to  
13                  happen.

14                  Somebody notices that the street's  
15                  under water, they call in, right, and eventually  
16                  you get the call -- and we may come back to this  
17                  in a little more detail, but I want to just first  
18                  understand the relationship between you and Beck  
19                  in this scenario.

20                  So you find out there's a water main  
21                  break that needs attendance. First of all  
22                  presumably -- we'll get to this later, but for  
23                  clarity, this is under the RRRM services, is that

1 correct, Mr. Noran?

2 MR. NORAN: Yes.

3 MR. CAMERINO: This is not part of the  
4 base fee?

5 MR. NORAN: Correct.

6 MR. CAMERINO: So you find out this is  
7 going to need attention, and you guys are the ones  
8 who are going to do that fix, is that right?

9 MR. NORAN: Yes.

10 MR. CAMERINO: And there are elements  
11 involved including getting a backhoe out and  
12 digging a trench, pulling up the pipe, replacing  
13 it, filling it all back in, correct?

14 MR. NORAN: Yes.

15 MR. CAMERINO: Where is Beck while all  
16 this is going on? Are they down in Framingham, or  
17 what's happening?

18 MR. NORAN: Whoever is providing  
19 oversight for the city of Nashua would be -- would  
20 be notified of an emergency situation and what our  
21 plans were with respect to shut down the system  
22 and making the repair, and we would be proceeding  
23 with shut down the system and making the repair

1       and restoring service, period.

2                   MR. CAMERINO:   And you're getting paid  
3       on an additional basis for everything you do on  
4       that site, right?

5                   MR. NORAN:    Yes.

6                   MR. CAMERINO:   Where is Beck during  
7       this?   How do they know that, you know, there was  
8       only 50 feet of main that needed to be replaced as  
9       opposed to 150?

10                  MR. SIEGFRIED:   Can I answer that?

11                  MR. CAMERINO:    I'd just like to hear  
12       from Mr. Noran, who I understand is an engineer.

13                  MR. NORAN:    For repair I would not  
14       anticipate 150 feet of pipe being replaced.

15                  MR. CAMERINO:    The numbers are just an  
16       example.   In other words, that you're doing what  
17       is required.

18                  MR. NORAN:    What I would expect is that  
19       we would have someone who would be our -- our  
20       liaison with the city of Nashua who would be  
21       notified of this situation, and we would be  
22       proceeding, once again, to shut down the system,  
23       make the repair, backfill, restore service, and --

1       and move forward.

2                   I don't -- I don't see any -- any need  
3       for approval from the -- from the city of Nashua  
4       to make this emergency repair. That's a  
5       requirement of our contract, and we'll proceed to  
6       do that work as expeditiously as possible.

7                   MR. CAMERINO: Let me try to summarize  
8       what I think you're saying, and, again, if I've  
9       got it wrong, tell me.

10                  To the extent that you're doing  
11       day-to-day work, emergency work, things that are  
12       of an ongoing nature, you don't expect Beck to be  
13       in there where you need their okay or anything of  
14       that sort; there may be a review later of what you  
15       did by Beck?

16                  MR. NORAN: Correct.

17                  MR. CAMERINO: And, similarly, if  
18       there's a project you're proposing -- unlike a  
19       main break, if there is something that is an RRRM  
20       that's a fix but you're able to anticipate it,  
21       that might be something they would review before  
22       you undertook it?

23                  MR. NORAN: Yes. Under the -- under

1       the contract, if you look at -- look at the  
2       exhibit on RRRM, it specifically says that each  
3       year we'll develop a proposed RRRM budget and  
4       submit that to the city for their review and  
5       approval.

6                   MR. CAMERINO: I want to ask you a few  
7       questions about things that you and others have  
8       said about Pennichuck in the past.

9                   Mr. Ford, you spoke to the Department  
10      of Environmental Services prior to Veolia making  
11      its proposal to the city in this matter?

12                  MR. FORD: I did.

13                  MR. CAMERINO: And do you recall what  
14      they had to say about Pennichuck?

15                  MR. FORD: I do.

16                  MR. CAMERINO: And can you tell me what  
17      that was?

18                  MR. FORD: I spoke to Bob Mann in the  
19      water supply division, and he said that they do  
20      their reports and they're running the system in  
21      the state approved fashion.

22                  MR. CAMERINO: He didn't have any  
23      complaints about Pennichuck, did he?



1                   MR. FORD: I don't recall him  
2                   complaining about their operations, no.

3                   MR. CAMERINO: And, Mr. Noran, in your  
4                   deposition you said that Pennichuck is a quality  
5                   operation, do you recall that?

6                   MR. NORAN: Yes.

7                   MR. CAMERINO: And do you believe that  
8                   today?

9                   MR. NORAN: Yes.

10                  MR. CAMERINO: And, Mr. Ashcroft, we're  
11                  going to put Exhibit 3057, page 2, on the screen.  
12                  This is when you were speaking to the aldermen of  
13                  the city of Nashua, and you said, we are going to  
14                  utilize the experienced and qualified employees  
15                  that exist here. A lot of competence within the  
16                  water utility here. The people who are running it  
17                  know what they are doing. It runs smoothly.

18                  Did I read that correctly?

19                  MR. ASHCROFT: You absolutely did. We  
20                  never at any time criticized the people who are  
21                  doing the day-to-day work in Pennichuck.

22                  MR. CAMERINO: And, in fact, you even  
23                  pointed in your proposal at one point -- and I'll

1     ask you if you recall this, if not I'll show it to  
2     you -- you pointed to one particular performance  
3     criteria for the company, and I recognize this is  
4     only one, unaccounted for water, and you said that  
5     they're unaccounted for water was very low  
6     compared to the industry standard, does that sound  
7     correct?

8                 MR. ASHCROFT:  I don't recall that  
9     specifically.  It might well be true, yes.

10                MR. CAMERINO:  If you look at the  
11    highlighted part, based on available data, this  
12    would indicate unmetered water averages between 9  
13    or 10 percent of annual production.  This is  
14    considered very good water loss compared to  
15    industry standards.

16                MR. ASHCROFT:  That is what it says,  
17    yeah.

18                MR. CAMERINO:  All right, I'm going to  
19    switch now to the transition process.  In your  
20    testimony -- this is Exhibit 1005 at page 4 -- you  
21    noted that members of your team were involved in  
22    the transition in Indianapolis.  I assume  
23    conceptually you recall talking about?

1                   MR. ASHCROFT:   Yes.

2                   MR. CAMERINO:   And you said, quote,  
3       providing them the unique experience to carry out  
4       this transition.

5                   So what I understood from that is that  
6       you feel the transition that you experienced in  
7       Indianapolis provides you sufficient experience  
8       for the situation here in Nashua, is that a fair  
9       characterization?

10                  MR. ASHCROFT:   Yes.

11                  MR. CAMERINO:   In fact, you must have  
12       felt it was particularly relevant because you used  
13       the word unique?

14

15                  MR. ASHCROFT:   I think given  
16       Indianapolis is a large system, I think it's the  
17       largest system in North America that's been  
18       transitioned, in that context our experience in  
19       Indianapolis is by definition unique.

20                  MR. CAMERINO:   Now, Mr. Burton, in your  
21       deposition you said that you thought the  
22       transition -- and I think you were talking  
23       generally about transitions, but I'll ask you --

1 the transition presents challenges. Do you recall  
2 that?

3 MR. BURTON: I'll have to see the word  
4 that I used.

5 MR. CAMERINO: Well, I'll read you  
6 your -- question and answer -- actually, I'll ask  
7 you to read it. This, again, is a question from  
8 Mr. Donovan, you see it on page 187. The question  
9 is what are the challenges. Can you read the  
10 answer.

11 MR. BURTON: It says multiple  
12 challenges. They involve everything from the  
13 practical transferring to potentially having to,  
14 things like accounting system and things like  
15 that, to the transfer of operations which you have  
16 with any transfer, whether it be from investor  
17 owned or from municipal or industrial or whatever.  
18 There is multiple changes that have to be met in  
19 that transition.

20 I believe it lists a lot of things in  
21 our draft contract under the transition section  
22 about what all types of things are done in terms  
23 of transition services, and the statement that it

1 is not easy and presents challenges is entirely  
2 accurate.

3 MR. CAMERINO: And I take it you still  
4 believe that today.

5 MR. BURTON: Yes, sir.

6 MR. CAMERINO: And, in fact, those  
7 words are almost exactly what is in your testimony  
8 for panelists, Exhibit 1005 on page 4, you said  
9 the transfer from investor owned utility to a  
10 public-private partnership is not easy and  
11 presents challenges to an operator like VVNA.

12 Mr. Ashcroft, would you agree with that  
13 still today?

14 MR. ASHCROFT: By definition managing  
15 change is difficult, yes.

16 MR. CAMERINO: And on the same page you  
17 said getting the project off to a smooth and  
18 successful start is absolutely critical.

19 MR. ASHCROFT: I agree.

20 MR. CAMERINO: Could you tell me why  
21 that is, why the start is so important?

22 MR. ASHCROFT: Because that's the way  
23 you'll continue.

1                   MR. CAMERINO: Does that also have  
2 something to do with public confidence, that right  
3 from the get-go things need to be right or the  
4 public will lose confidence?

5                   MR. ASHCROFT: Certainly in terms of  
6 client confidence, yes, it's important to satisfy  
7 all the stakeholders right from the get-go.

8                   MR. CAMERINO: And this goes back to  
9 some of the differences between wastewater and  
10 water, doesn't it, drinking water, that people are  
11 extremely sensitive to the quality of their  
12 drinking water and the continuation of that  
13 service so that if there are even small problems,  
14 people become alarmed?

15                  MR. ASHCROFT: I think it's also fair  
16 to say that if any citizen in Nashua had their  
17 house flooded with sewage they'd be extremely  
18 sensitized to that as well.

19                  MR. CAMERINO: Well, the more common  
20 problem, though, with wastewater systems are  
21 inappropriate discharges and things like that.

22                  MR. ASHCROFT: Which is exactly what I  
23 was talking about.

1                   MR. CAMERINO: Still, no matter how  
2                   significant those problems are, it's different  
3                   from people's reaction to what they're drinking  
4                   and what they give to their children, is that a  
5                   fair statement?

6                   MR. ASHCROFT: I think the fact that  
7                   people ingest drinking water is significant, yes.

8                   MR. CAMERINO: All right, we're going  
9                   to turn now to your proposal. And when I use the  
10                  word proposal, that's what I mean, not the  
11                  contract yet that you've entered into.

12                  And in the proposal in a number of  
13                  places you've touted the significant benefits that  
14                  come from using the employees of the existing  
15                  utility, correct?

16                  MR. ASHCROFT: Correct.

17                  MR. CAMERINO: In fact, you're counting  
18                  on the benefits of that, are you not?

19                  MR. ASHCROFT: I remember this question  
20                  coming up when I was addressing the aldermen, and  
21                  we said something like we have, as far as we are  
22                  able to ascertain, some very competent people  
23                  running the Nashua system, running the Nashua

1       system day in and day out, and we would look to  
2       minimize any disruption, we would look to -- I  
3       think I used the term unashamed bias towards  
4       employing those people.

5                   Then that conversation said -- went on,  
6       well, if for any reason you were unable to employ  
7       those people, what would you do? I said we're a  
8       worldwide organization, we would fly in, we would  
9       parachute in, we would do -- I used the term  
10      whatever it takes to insure the continuity of  
11      bright, sparkling, high quality water to the taps  
12      of Nashua.

13                   MR. CAMERINO: I want to take you  
14      through what you said in the proposal so we have  
15      it in context. If you look at page I.3-1, which  
16      is an exhibit, 1005C, that's tab C of the  
17      testimony that you submitted in January. It  
18      says -- if you look in the second --  
19      third-to-the-last paragraph, the second sentence,  
20      it says employees are the local citizens, your  
21      neighbors, who have been doing the work for years.

22                   Okay, so we're talking about the people  
23      who know the system and have the community



1 relationship --

2 MR. ASHCROFT: This is a proposal?

3 MR. UPTON: Can I ask what proposal  
4 this is?

5 MR. CAMERINO: I thought I indicated.  
6 This is Nashua's Exhibit 1005C, so it's tab C in  
7 the binder with Nashua's submission of January of  
8 2006, and this is Veolia's proposal, as I  
9 understand it.

10 Also, just for the record, I'll ask  
11 Mr. Upton and Mr. Richardson this, all of these  
12 pages says company confidential at the bottom, but  
13 my understanding is they are not anymore.

14 MR. RICHARDSON: What you see is a  
15 document that is submitted as it was marked when  
16 Nashua received it. Copies have been submitted  
17 both to the board at the PUC and the board of  
18 aldermen. So I don't know what Veolia's position  
19 is, but mine would be that it's pretty clearly  
20 waived at this time. Nashua is not asserting  
21 confidentiality with respect to this document.

22 MR. CAMERINO: Are we in the same  
23 place?

1                   MR. ASHCROFT: Yes, we are.

2                   MR. CAMERINO: So we're talking about  
3           the people who live in the community and who know  
4           the system, right; that's our context?

5                   MR. ASHCROFT: Yes.

6                   MR. CAMERINO: And if we look at the  
7           bottom of the next paragraph you are talking about  
8           melding your core competency, and at the end it  
9           says with the specific system knowledge of the  
10          experienced, existing employees.

11                  I take it when you put that in there  
12          what you're talking about is what some people call  
13          know-how, it's the day-to-day working knowledge  
14          that if you don't have it, it's more expensive,  
15          it's less efficient, and things will go wrong  
16          until you learn the system. Is that a fair  
17          characterization?

18                  MR. ASHCROFT: No. I think you said  
19          things will go wrong, I can't say that. Certainly  
20          more difficult, more time consuming, and probably  
21          more costly for us, yes.

22                  MR. CAMERINO: Well, if you were taking  
23          over the system and a large number of employees --

1       and we don't need to be specific at the moment,  
2       but a significant number of employees, key  
3       employees left the day before you came in and you  
4       had to figure out what to do, that would be a  
5       pretty significant problem to maintain quality of  
6       service, wouldn't it?

7               MR. ASHCROFT: I think you  
8       misunderstand the process of transition. We would  
9       anticipate cooperative attitude by Pennichuck to  
10      work with us prior to that day we actually  
11      formally take over because the issue here is  
12      public health, and we would look to talk to  
13      employees well, well before that day actually  
14      took -- took place, that technical hand over. So  
15      we would look to mitigate and, in fact, manage all  
16      the risks you're indicating do exist.

17             MR. CAMERINO: I understand how it  
18      would work in Indianapolis, but in this case those  
19      people work for a company that doesn't want to be  
20      taken over, right? Until the day of the sale they  
21      work for Pennichuck Water Works, right?

22             MR. ASHCROFT: As indeed the employees  
23      of Indianapolis were.

1                   MR. CAMERINO: But by the time leading  
2                   up to the transition came along, that company was  
3                   being -- it had reached an agreement with you on  
4                   the sale, correct?

5                   MR. ASHCROFT: They had reached an  
6                   agreement with the city, yes.

7                   MR. CAMERINO: In this case there would  
8                   be a commission order, probably with an appeal  
9                   from the state Supreme Court that would say you  
10                  have to transfer these assets.

11                  MR. ASHCROFT: Well, you are painting a  
12                  scenario now that I can't verify. I'm not aware  
13                  of any order from the Supreme Court.

14                  MR. CAMERINO: My point is that it  
15                  would be as a matter of a legal mandate, not  
16                  because the company had agreed to make the  
17                  transfer.

18                  MR. ASHCROFT: You're getting into  
19                  hypothetical issues, and I'm not sure where you're  
20                  going with this.

21                  MR. CAMERINO: Where I'm going with it,  
22                  I want to be very clear, in my mind -- and you  
23                  tell me if I'm wrong -- it's the only scenario in



1       don't doubt what you said, but do you know how  
2       many people work for Pennichuck Water Works today,  
3       approximately?

4                   MR. ASHCROFT:   Approximately a hundred.

5                   MR. CAMERINO:   I will tell you, I think  
6       you're a little high, but that's the right ball  
7       park.   Do you know how many people are in your  
8       model for operating this company, operating this  
9       system?

10                  MR. ASHCROFT:   Significantly less than  
11       that.   I don't recall the numbers involved,  
12       perhaps Mr. Noran can talk to that.

13                  MR. CAMERINO:   I recall a number of  
14       around 40 that Mr. Sansoucy mentioned on day one,  
15       does that sound about right?

16                  MR. NORAN:    I think the data request  
17       that Pennichuck completed they indicated they have  
18       67 FTEs, or full-time equivalents, dedicated to  
19       PWW, and that includes, I think, employees  
20       associated with capital.

21                  And our staffing is a total of 40, and  
22       we only have two FTEs associated with the capital  
23       program.   If we get an expanded role in the

1 capital program, then I would expect that our  
2 staffing would be higher than the 40.

3 MR. CAMERINO: Well, whether it's a  
4 difference of 20 or 50, there's a big difference  
5 between the number of people that you plan to  
6 employ to run this system according to your  
7 testimony, and according to Mr. Sansoucy's  
8 testimony, and the number that are employed today,  
9 correct? In fact, I think it was Mr. Ford or  
10 Mr. Burton called the company top-heavy. Is that  
11 a fair statement, that there's a difference,  
12 significant difference in the number of employees  
13 planned?

14 MR. ASHCROFT: I think it's a fair  
15 comment to say that the overhead is very heavy,  
16 yes.

17 MR. CAMERINO: It's a matter of public  
18 record that if you take over the system there will  
19 be a significant difference in the number of  
20 employees that you plan to use to operate the  
21 system?

22 MR. ASHCROFT: I think that needs  
23 quantifying in the sense the number of people to

1       operate the system. We don't anticipate a  
2       reduction in the number of people operating the  
3       system. Maybe a significant number of reduction  
4       managing the system.

5               The people go out there and turn the  
6       valves and run the system we would have -- and I  
7       think I said earlier -- a bias towards employing  
8       those people.

9               MR. CAMERINO: Well, let me give you  
10       some specific examples. You and Mr. Sansoucy have  
11       said that the company -- that you can run the  
12       customer service operations on far fewer  
13       personnel, correct?

14              MR. ASHCROFT: Do you want to respond  
15       to that, Paul?

16              MR. NORAN: The -- we have two  
17       factions -- two different areas of customer  
18       service. Currently Veolia is responsible for  
19       customer service associated with operation. If  
20       there's a customer that calls up and has a water  
21       quality problem, that's Veolia's responsibility.

22              MR. CAMERINO: I'm sorry, Mr. Noran,  
23       but I'm focusing on numbers right now.



1                   MR. NORAN:   Okay.

2                   MR. CAMERINO:   You would plan to do it  
3                   with fewer customer service representatives,  
4                   correct?

5                   CHAIRMAN GETZ:   I think he's trying to  
6                   define it.   When you say they're going to do it,  
7                   he's trying to segment what those functions are.  
8                   I think I need to hear the answer to that.

9                   MR. NORAN:   The other area of customer  
10                  service is the call center and the billing and  
11                  collections.   And for us to run the call center  
12                  and billing and collections for PWW, we estimate  
13                  that approximately three additional people would  
14                  be required.

15                  So in our proposal, if we were running  
16                  customer service, including the field operations  
17                  customer service, we would have a total of at  
18                  least five employees for customer service.

19                  MR. CAMERINO:   Well, I have to say for  
20                  the moment you've confused me now, whether you're  
21                  talking about the proposal that Nashua has made  
22                  that's in front of the commission or the combined  
23                  customer service proposal, but I actually don't

1       want to get into that right now, we'll get into  
2       that later.

3                   All I'm trying to say is that there is  
4       a difference between the number of people -- a  
5       significant difference between the number of  
6       people that you've said you will employ to operate  
7       this system and what Pennichuck currently employs,  
8       and some of those differences are in customer  
9       service, another one is you've said that you don't  
10      need an engineering department, an in-house  
11      engineering department and that that would be  
12      gone. Is that generally a correct  
13      characterization?

14                  MR. NORAN: First of all, we would have  
15      at least two, and depending on the amount of  
16      capital it could be significantly larger than that  
17      as far as an engineering department.

18                  Secondly, with regard to customer  
19      service, if we had all of customer service for  
20      PWW, including the two areas that I've just  
21      described, we would have at least five employees  
22      for customer service.

23                  Now, what is difficult to analyze is

1       how many employees does Pennichuck, PWW, really  
2       have dedicated to customer service for PWW,  
3       because they -- they -- they merge all their  
4       operations, both the regulated and the unregulated  
5       operations in when they're talking about head  
6       count, and you'd actually have to go through and  
7       do a process analysis to find out how many people  
8       are really needed for customer service for PWW,  
9       which we have done, and -- versus how many are  
10      they using for that plus a lot of other regulated  
11      as well as unregulated functions within their  
12      business.

13                   MR. CAMERINO: Let me try a different  
14      tack. Human nature being what it is, if you were  
15      employed by the company today and you'd heard  
16      about this case and the public statements that  
17      Mr. Sansoucy has made and what's in the testimony  
18      of this case, don't you think that a lot of  
19      people -- I don't mean one or two, I mean a couple  
20      of dozen or more -- with significant professional  
21      skills who are employed by Pennichuck Water Works  
22      today would be highly concerned about whether they  
23      were going to have a job after you took this

1       company over, and what do you think they would do  
2       about that in the meantime?

3                   MR. ASHCROFT:  Again, we're into  
4       hypothetical questions here and I'm very reluctant  
5       to answer that, and, therefore, I think, you know,  
6       one of the important things for us to do is as  
7       soon as this process is completed is to have  
8       access to talk to those employees so to reassure  
9       them about the future, repeating again what I said  
10      to the aldermen, we have unashamed bias towards  
11      the existing employees of Nashua.

12                  MR. CAMERINO:  But if it were an  
13      eminent domain taking, which is a nonconsensual  
14      taking, which is being ordered over the absolute  
15      opposition of the company, you may not get that  
16      chance, correct?  That happens when there's an  
17      agreement and the parties cooperate.

18                  MR. ASHCROFT:  I will make the  
19      distinction here between the company and the  
20      employees.  The eminent domain taking is of the  
21      company and the shareholders and stock.  We will  
22      be very focused on working closely with existing  
23      employees, and we're certainly, wherever possible,

1 continuing their employment.

2 CHAIRMAN GETZ: Mr. Camerino, this is  
3 getting repetitive. You are positing a worst case  
4 premise that the witness does not seem prepared to  
5 accept. That's on the record, I don't see why we  
6 need to go further into this.

7 MR. CAMERINO: I appreciate that,  
8 Mr. Chairman, but I do want to say for the record,  
9 that is not worst case, that is the very situation  
10 that's in front of this commission. If the  
11 parties were in agreement, that would be a  
12 different situation.

13 The only thing that the commission has  
14 to adjudicate right now is whether it should  
15 require the company against its opposition to take  
16 this utility, and what I'm trying to suggest, and  
17 I thought was pretty much common sense, is that  
18 employees may not wait around. It doesn't have to  
19 do with good will or bad will, they need to know  
20 whether they're going to have a job.

21 MR. UPTON: And it assumes that if  
22 there's an order of this commission that permits  
23 Nashua to acquire these assets at a certain price

1       that the company will then not cooperate with the  
2       transition into city ownership and will encourage  
3       its employees not to cooperate in that situation.

4                   MR. CAMERINO: That is not --

5                   MR. UPTON: He assumes the very worst  
6       case.

7                   MR. CAMERINO: No, that is not what I'm  
8       asking these witnesses about. I'm asking them  
9       whether they believe that human nature is such  
10      that looking at this situation, the employees  
11      would decide, some of them, would decide to move  
12      on. But it sounds like moving on is probably the  
13      most advisable thing at this point.

14                  Mr. Ashcroft, you have in a number of  
15      places in the proposal -- and I want to go through  
16      these very quickly now. I want to just show that  
17      this isn't a casual reference to the importance of  
18      the employees in the transition, this is really  
19      something that is very significant to Veolia.

20                  Would you look at page I.4-1. This is  
21      Exhibit 1005C, it's going to be on the screen.  
22      And it says a key element -- this is four  
23      paragraphs up from the bottom. It says a key

1 element contributing to the success of this  
2 proposed contract and relationship with the city  
3 will be the transition of the existing water  
4 system employees to our team. They will be a  
5 critical component of our success going forward.

6 You still agree with that, I take it,  
7 right?

8 MR. ASHCROFT: A key element  
9 contributing to the success.

10 MR. CAMERINO: And then it says  
11 critical. You're trying to put special emphasis  
12 on that; it's not a casual reference.

13 MR. ASHCROFT: I'm sorry, I'm not  
14 following. Key element to the success of this  
15 proposal, contract relationship with the city will  
16 be the transition of the existing employees.

17 MR. CAMERINO: We only have part of it  
18 highlighted.

19 MR. ASHCROFT: I can't see critical  
20 anywhere.

21 MR. CAMERINO: I will find you the  
22 reference. Down, second-to-last paragraph. Do  
23 you see that? I've read it correctly.

1 MR. ASHCROFT: May I read it?

2 MR. CAMERINO: Yes, please.

3 MR. ASHCROFT: Thank you.

4 MR. CAMERINO: So it's not just one,  
5 it's critical.

6 MR. ASHCROFT: It says they will be a  
7 critical component -- one component -- of our  
8 success going forward, as indeed I think it's a  
9 bit of a cliché, but any organization is as good  
10 as its people, going forward.

11 MR. CAMERINO: And, in fact, on the  
12 next page, pages 3 -- two pages, page 3 at the  
13 bottom, it's essential. I mean, these are very  
14 strong words.

15 MR. ASHCROFT: Where are we?

16 MR. CAMERINO: Page 3 of that at the  
17 bottom.

18 MR. ASHCROFT: Yes, in order to make  
19 the transition.

20 MR. CAMERINO: And then again on page  
21 10, this is the bullet that says adequate staffing  
22 from day 1, it says our success is directly  
23 related.



1                   MR. ASHCROFT: Can we cut to the chase  
2                   here? Our important people, whether it's in  
3                   Brockton Mass. -- Brockton -- Rockland, New York,  
4                   Schenectady, New York, New Bedford or Nashua,  
5                   people are very important to us, and we've gone  
6                   through this process of transition many times.

7                   MR. CAMERINO: And on page 12 you talk  
8                   about how that works, and you have this list of  
9                   bullet items what happens in the transition, and  
10                  the third bullet is you're going to shadow the  
11                  existing personnel prior to commencement -- so  
12                  this is before you take over -- to observe the  
13                  daily operations and maintenance for at least 30  
14                  days, right? So -- is that concept correct?

15                  MR. ASHCROFT: We would prefer to do  
16                  that, yes.

17                  MR. CAMERINO: So you're talking about  
18                  being inside the company before they sell it to  
19                  you.

20                  MR. ASHCROFT: Let me repeat I think  
21                  what we said several times, that this is an issue  
22                  of public health. We would seek to work very  
23                  closely with the Pennichuck corporation subsequent

1 to any decision being made on the eminent domain  
2 process to insure that the public health is  
3 maintained, protected here in Nashua.

4 And in all transitions that I've been  
5 involved in, the professionalism of the water  
6 engineers and the managers has enabled that to  
7 happen.

8 MR. CAMERINO: Okay.

9 MR. ASHCROFT: If Pennichuck withdraws  
10 that cooperation, is quite frankly bloody-minded,  
11 I will be amazed.

12 MR. CAMERINO: With relief for all, I'm  
13 going to start in on the contract.

14 MR. ASHCROFT: Thank you.

15 MR. CAMERINO: Just for reference,  
16 that's Exhibit 1005B.

17 Now, in the recitals of this contract,  
18 it talks about first there was an RFP in March of  
19 2005. I take it you recall that?

20 MR. ASHCROFT: Yup.

21 MR. CAMERINO: And you submitted -- it  
22 says you submitted a proposal on July 14, 2005, do  
23 you recall that?

1 MR. ASHCROFT: Yes.

2 MR. CAMERINO: Do you recall how many  
3 other parties actually submitted proposals for  
4 this -- to provide this service?

5 MR. ASHCROFT: I believe it was just  
6 Earth Tech.

7 MR. CAMERINO: So there was only one  
8 other party that tried to get this contract?

9 MR. ASHCROFT: That's my recollection.

10 MR. CAMERINO: Does that tell you  
11 anything -- let me take one step back. There are  
12 multiple companies that provide the services you  
13 do, aren't there?

14 MR. ASHCROFT: Yes, there are.

15 MR. CAMERINO: It's a very competitive  
16 industry?

17 MR. ASHCROFT: Yes, it is.

18 MR. CAMERINO: It's very unusual when a  
19 significant opportunity like Nashua comes along  
20 for only two companies to bid on it, isn't that  
21 unusual?

22 MR. ASHCROFT: Absolutely incorrect.

23 MR. CAMERINO: Okay, tell me.

1                   MR. ASHCROFT: The biggest contract I  
2                   think in North America is Milwaukee. The bids  
3                   went in for that in the end of August, there were  
4                   only two bidders, Veolia and United Water.

5                   MR. CAMERINO: Why would something like  
6                   that happen?

7                   MR. ASHCROFT: I -- I don't know. I  
8                   have not been -- Milwaukee is in the Midwest, I'm  
9                   not involved in that in any detail, I'm just aware  
10                  that there were two bidders.

11                  MR. CAMERINO: There are multiple  
12                  players, right?

13                  MR. ASHCROFT: Yes.

14                  MR. CAMERINO: Multiple parties that  
15                  could have bid on this?

16                  MR. ASHCROFT: But clearly didn't.

17                  MR. CAMERINO: So they must have seen  
18                  something undesirable about it.

19                  MR. ASHCROFT: I can't speak for those  
20                  other companies, quite frankly. Perhaps Paul  
21                  could add something here.

22                  MR. NORAN: We have firsthand knowledge  
23                  that one of the companies, American Water Works

1       Company, the reason they -- they were interested  
2       in it, and we have this information from Steve  
3       Siegfried because Steve was an employee of  
4       American Water Works at the time, and they were  
5       pursuing this -- this contract, the OMN contract,  
6       and -- and he -- and he was told that they were  
7       not going to pursue this because this is a  
8       regulated water utility, and it's a -- it's not  
9       something that -- that they're interested in -- in  
10      pursuing this type of -- of contract that is  
11      actually the takeover of a regulated water  
12      utility.

13                   MR. CAMERINO:  And you don't own any  
14      regulated water utilities in the United States, do  
15      you?

16                   MR. NORAN:  No.

17                   MR. CAMERINO:  In fact, you're proud of  
18      that and touted it in the proposal as one of  
19      things that sets you apart?

20                   MR. NORAN:  Yes.

21                   MR. CAMERINO:  It's not part of your  
22      business plan?

23                   MR. NORAN:  Correct.

1                   MR. CAMERINO: Now, the contract says  
2     you were selected on September 7th, 2005. Do you  
3     see that in the recitals?

4                   MR. ASHCROFT: Where does it say that?  
5     In the September 7th?

6                   MR. CAMERINO: It's the fourth whereas  
7     clause.

8                   MR. ASHCROFT: Yes. Thank you.

9                   MR. CAMERINO: I found that confusing,  
10    because your proposal -- your revised proposal is  
11    dated September 7, 2005. How is it that you were  
12    selected on the very same day that you submitted  
13    your proposal?

14                  MR. ASHCROFT: Interesting question.  
15    Perhaps you should address that to Nashua rather  
16    than me.

17                  MR. CAMERINO: All right. Now, section  
18    2.1G of your contract, your draft contract.

19                  And, Mr. Chairman -- this may be a  
20    question for Mr. Upton and Mr. Richardson, too --  
21    is it okay if I refer to section numbers or do  
22    people need page numbers to follow this?

23                  MR. RICHARDSON: Both are there for

1       that reason.

2                   CHAIRMAN GETZ:  Let's go with page  
3       numbers.  I think that's the easiest from my copy  
4       and what looks to be on the screen.

5                   MR. RICHARDSON:  The only confusion of  
6       page numbers is that the exhibits themselves are  
7       consecutively marked, where sections of the  
8       contract have their own numbering system.  The  
9       entire contract is 121 pages and numbered 1 to  
10      121, but if you look you'll see each --

11                  MR. CAMERINO:  I think I'm okay.  I  
12      think on this document at least the page numbers I  
13      have are the same as the ones on the exhibits, so  
14      I think I'll be okay.  We may stumble over this  
15      later.

16                  If you look on section 2.1G which is on  
17      page 6 of the contract, do you see that provision  
18      that says entire agreement?

19                  MR. UPTON:  You refer to page 6 of the  
20      exhibit, as opposed to 6 of the contract.

21                  MR. CAMERINO:  It is the same thing,  
22      but if they start to vary, let me know.

23                  You see that provision that says entire

1 agreement?

2 MR. ASHCROFT: Yes.

3 MR. CAMERINO: I'll give you a chance  
4 to read that, but let me just represent to you  
5 that lawyers put that in almost every contract and  
6 it says the whole transaction, everything related  
7 to the issues in this document is in this  
8 agreement and any other documents don't -- don't  
9 bind the parties, but I want you to read that just  
10 to get comfortable with that general  
11 characterization.

12 MR. ASHCROFT: Okay.

13 MR. CAMERINO: Are you aware of any  
14 other agreements between Nashua and Veolia that  
15 relate to the subject matter of this transaction?

16 MR. ASHCROFT: Yeah, I think there's a  
17 memorandum of understanding.

18 MR. CAMERINO: And that would be  
19 Exhibit 3054. And that memorandum of  
20 understanding relates to what's called the  
21 termination for convenience fee?

22 MR. ASHCROFT: I believe that's in  
23 there, yes.



1                   MR. CAMERINO: Now, this contract  
2 actually had a termination for convenience  
3 provision, right?

4                   MR. ASHCROFT: Right.

5                   MR. CAMERINO: And do you recall what  
6 that provided in terms of if Nashua terminated  
7 this agreement before you began providing services  
8 under the contract?

9                   MR. ASHCROFT: Yes, I think -- again,  
10 you're testing my memory here. I think the  
11 memorandum of understanding said something like if  
12 Nashua terminated the arrangements other than  
13 terminating them because the eminent domain  
14 process failed. Yes, it says that. Should Nashua  
15 withdraw its petition at any time prior to the  
16 final order of the PUC.

17                  MR. CAMERINO: But the contract for the  
18 operating services that's in this case had -- had  
19 a number -- let me just refresh your recollection  
20 and see if this rings a bell. It says if Nashua  
21 were to terminate the arrangement before the  
22 eminent domain process was completed they would  
23 owe you \$800,000, correct?

1                   MR. ASHCROFT: I need to look at the  
2                   schedules here. Yes.

3                   MR. CAMERINO: And the problem was that  
4                   was in a document that wasn't binding, right,  
5                   because the document wasn't signed?

6                   MR. ASHCROFT: I'm sorry, I'm confused  
7                   as to which document you're referring to.

8                   MR. CAMERINO: The \$800,000 was in a  
9                   document, the contract that's been submitted to  
10                  this commission.

11                  MR. ASHCROFT: Right.

12                  MR. CAMERINO: That has never been  
13                  signed.

14                  MR. ASHCROFT: That's correct.

15                  MR. CAMERINO: So there was nothing  
16                  binding about it.

17                  MR. ASHCROFT: By definition if a  
18                  contract hasn't been signed it's not binding.

19                  MR. CAMERINO: So there was a need to  
20                  enter into a different agreement, right?

21                  MR. ASHCROFT: Right.

22                  MR. CAMERINO: So for starters, this  
23                  statement the entire contract is here in this

1 contract it's not correct, right, because there is  
2 another document?

3 MR. ASHCROFT: You're getting into a  
4 legal argument now that I'm not competent to  
5 discuss. My understanding is that draft contract  
6 says that, but that contract is not signed,  
7 therefore, it doesn't have any effect. It's a  
8 legal question, and I'm not competent to respond  
9 to that.

10 MR. CAMERINO: I'm not asking you for  
11 legal interpretations, I'm asking you for factual  
12 information.

13 And the reason for that is when this  
14 document was prepared, the contract was prepared  
15 with Nashua for the operation of the system, there  
16 was no other agreement, right? It was a correct  
17 statement when it was put in there.

18 MR. ASHCROFT: It might well be the  
19 case. I can't recall the timing of when the MOU  
20 was signed relative to the final draft of the  
21 contract that was never signed.

22 MR. CAMERINO: All right, so you  
23 decided you needed something binding on that point



1       before, there are other things, including economic  
2       terms, that could end up being different by the  
3       time that this contract to operate the system is  
4       actually entered into it?

5                   MR. ASHCROFT: I would anticipate that  
6       to be the case, yes.

7                   MR. CAMERINO: If you look at section  
8       10 of that MOU there's a release provision. Do  
9       you see that, section 10?

10                  MR. ASHCROFT: Yes.

11                  MR. CAMERINO: Why would that be  
12       needed? The way I understand that provision it  
13       means that we're going to sign this contract and  
14       we're going to give up any legal claims we have  
15       against each other for disputed matters. Is that  
16       how you understand that?

17                  MR. ASHCROFT: This contract, I thought  
18       we were talking about the MOU.

19                  MR. CAMERINO: The MOU is a contract,  
20       isn't it? I know it's called a memorandum, but  
21       isn't it supposed to be a binding agreement  
22       between the parties?

23                  MR. ASHCROFT: Once you've signed it,

1       yes.

2                   MR. CAMERINO: That's what I call a  
3       contract, a binding agreement between the parties.

4                   MR. ASHCROFT: I'm making a distinction  
5       between the draft contract and the MOU.

6                   MR. CAMERINO: I'm sorry, I'm using the  
7       word contract because there are others in the room  
8       who like me to use that word when I refer to the  
9       operating agreement. So the MOU is a binding  
10      contract, and in it you've agreed to release  
11      claims that you have, correct?

12                  MR. ASHCROFT: Yes.

13                  MR. CAMERINO: Why would that be  
14      needed?

15                  MR. ASHCROFT: Presumably that would be  
16      put in there by city of Nashua rather than by us.

17                  MR. CAMERINO: So they thought you  
18      might have some claims against them.

19                  MR. ASHCROFT: I can only assume that.  
20      This was quite some time ago, I don't recall the  
21      discussions, and in all these matters of legal  
22      contracts I take advice from my lawyer and would  
23      defer to him on this issue.

1                   MR. CAMERINO: I'm very tempted to make  
2                   a crack about lawyers, but I'm going to pass.

3                   Seriously, that -- there's no provision  
4                   like that in the operating agreement, is there?  
5                   You don't put that in every contract?

6                   MR. ASHCROFT: Again, I would stress  
7                   that this is an unusual circumstance. I've never  
8                   entered into an MOU like this before, because in  
9                   my experience there hasn't been circumstances like  
10                  this before.

11                  We have no experience to draw upon, no  
12                  parallels to draw, and no past experience to apply  
13                  here in this whole process of the eminent domain  
14                  on the taking and our supporting our client Nashua  
15                  through that eminent domain process.

16                  MR. CAMERINO: Even at this early stage  
17                  of a relationship that's as of the date of this  
18                  MOU there were apparently sufficient disagreements  
19                  between the parties that you had to sign a  
20                  release, or they had to sign a release.

21                  MR. UPTON: I'm going to object to the  
22                  characterization.

23                  MR. ASHCROFT: I'm not aware of any

1       significant disagreements.

2                   CHAIRMAN GETZ:  Let's try to get one  
3       person talking at a time.  Mr. Upton.

4                   MR. UPTON:  I made an objection to the  
5       characterization, but the witness answered it for  
6       me.

7                   CHAIRMAN GETZ:  Did the reporter happen  
8       to get the response from the witness?

9                   COURT REPORTER:  I did, thank you.

10                  MR. CAMERINO:  Mr. Ashcroft, again, I  
11       obviously ask some probing questions, but you may  
12       want to wait for your counsel if he's got  
13       something to say.

14                  MR. ASHCROFT:  I'll take your advice,  
15       as I do from all lawyers.

16                  MR. CAMERINO:  You are well trained.  
17       The second time I couldn't resist.

18                  MR. ASHCROFT:  Touche.

19                  MR. CAMERINO:  This is a presentation  
20       you made to the board of aldermen, and I want to  
21       show you on page 2 at the bottom of that page,  
22       you're following up on something that Mr. Sansoucy  
23       said, and you're characterizing the nature of your



1 relationship now with the city of Nashua. And  
2 what you say is also on top of that, we said, yes,  
3 we understand when we first started talking about  
4 this, I think the works(sic) Skip used -- I'm  
5 sorry, but I'm reading the transcript the way it  
6 was written -- Skip used was, quote, we'd be  
7 joined at the hip, closed quote, once we  
8 negotiated a contract and we worked with Nashua  
9 and other consultant to develop a case to put  
10 before the PUC.

11 Isn't that what that provision is about  
12 is that you're joined at the hip with Nashua, and  
13 if they do something before the end of the eminent  
14 domain process that doesn't involve you, they owe  
15 you \$550,000.

16 MR. ASHCROFT: I think the MOU is very  
17 clear on that point, we already read it a few  
18 minutes ago. I don't understand why you're asking  
19 me for clarification.

20 MR. CAMERINO: And then if you look on  
21 the next page, Mr. Sansoucy follows up on that,  
22 and the copy I have is a little hard to read, and  
23 it says Fred -- I think he's talking to Alderman

1 Teeboom -- he says, Fred, I want to interject  
2 because we are constructing Nashua's argument  
3 before the PUC, and in some respects there are  
4 knife edges that occur and exist because we are  
5 told not in the business or --

6 MR. ASHCROFT: Sorry, I can't read it  
7 or see it.

8 MR. CAMERINO: Neither can I.

9 MR. RICHARDSON: Mr. Chairman, I'm  
10 going to object as well. I mean, this is the form  
11 we received this exhibit in. It is impossible and  
12 we should have had any type of procedural notice  
13 as to what it purports to say.

14 MR. CAMERINO: Well, Mr. Chairman,  
15 because it's so poorly highlighted I'm going to  
16 leave it in the record, the document in the  
17 record, but this is a premarked exhibit, so they  
18 had plenty of notice, so why don't we move on.

19 CHAIRMAN GETZ: I take it this is the  
20 minutes of a city Pennichuck Water special  
21 committee meeting, is that what this is?

22 MR. RICHARDSON: These minutes can be  
23 downloaded from the Internet, and if there ever a

1       need of this particular sentence we should be  
2       entitled to know what it says. I can't read it  
3       right now.

4                   MR. CAMERINO: I'm not going to ask any  
5       more questions about this. My point is it is an  
6       exhibit, it's been premarked, it's in evidence,  
7       and so I don't think there's any lack of notice,  
8       but I'm also not comfortable reading something  
9       that I can't get all the words out.

10                  Okay, so moving on with the contract.  
11       Mr. Ashcroft, the base fee under the contract is  
12       \$4,996,203, correct?

13                  MR. ASHCROFT: I take that as read,  
14       yes.

15                  MR. CAMERINO: And that fee covers --  
16       when we say base fee, the services that it covers  
17       are described in appendix D to the contract,  
18       correct? Is that what you refer to as OM&M, or  
19       operation, maintenance and management?

20                  MR. ASHCROFT: Yes.

21                  MR. CAMERINO: And so if it's not in  
22       there, it's extra?

23                  MR. ASHCROFT: I think we're returning

1       now to the issue of fixed and variable components,  
2       is that correct?

3                   MR. CAMERINO:  Yes, and I'm trying to  
4       identify the fixed components first.

5                   Are you waiting for a question from me?

6                   MR. ASHCROFT:  Yes, I am.

7                   MR. CAMERINO:  I think I asked you a  
8       question and I'm looking for a yes, that's  
9       described --

10                  MR. ASHCROFT:  Could you ask the  
11       question again, I missed that.

12                  MR. CAMERINO:  Appendix D sets out the  
13       OM&M and that is what's covered by the base fee of  
14       \$4.9 million, and if it's not in there, it's  
15       extra.

16                  MR. ASHCROFT:  I believe that, yes,  
17       that is the case.

18                  MR. CAMERINO:  And if I refer you to  
19       page 4 of the contract, section 1.1G-1, I'm just  
20       going to read it to you, it says --

21                  MR. ASHCROFT:  Is this is appendix D?

22                  MR. CAMERINO:  No, in the main body of  
23       the contract.  I just want to tie it so you know

1 I'm not leading you down the primrose path.

2 Services provided for the annual fee  
3 include the OM&M services set forth in appendix D.  
4 And then if somebody wants to look at what those  
5 are they'd look at appendix D and they'd see the  
6 description of those services, have I got that  
7 right?

8 MR. ASHCROFT: Yes.

9 MR. CAMERINO: And that's what the city  
10 gets for \$4.996 million.

11 MR. ASHCROFT: Yes.

12 MR. CAMERINO: And OM&M is those  
13 preventive and predictive maintenance items that  
14 have a useful life of less than a year, is that  
15 correct?

16 MR. ASHCROFT: Yes.

17 MR. CAMERINO: And we find that in  
18 section 9.1 -- well, we don't need that reference,  
19 section 9.1-A does reference appendix D again,  
20 but --

21 MR. ASHCROFT: I'm getting confused  
22 here. Where are we?

23 MR. CAMERINO: Well, you said OM&M are

1       those items having a useful life of less than a  
2       year, correct?

3                   MR. ASHCROFT:   Yes.

4                   MR. CAMERINO:   And so it doesn't  
5       include any unplanned maintenance, right?

6                   MR. ASHCROFT:   For example, a main  
7       break like we talked about earlier, one doesn't  
8       plan on maybe a main break.  There aren't many  
9       main breaks in Pennichuck anyway.

10                  MR. CAMERINO:   And if you look at  
11       second 8.5 of the contract on page 13, that tells  
12       you, the very first sentence, that if it's  
13       unplanned maintenance the owner will pay for it  
14       right?

15                  MR. ASHCROFT:   Yes.

16                  MR. CAMERINO:   And is it fair to say  
17       that unplanned maintenance is difficult to  
18       predict?

19                  MR. ASHCROFT:   I think so, yes, by  
20       definition.

21                  MR. CAMERINO:   And, in fact, in your  
22       proposal -- just so we know what we are talking  
23       about, in your proposal you had a definition of

1 unplanned maintenance down near the bottom of the  
2 page triple I-F-6.

3                   You said unplanned maintenance is very  
4 difficult to predict, and then you talk about some  
5 of the things that can cause it, age, freezing,  
6 defective material, et cetera, improper  
7 installation, some of these are  
8 developer constructed systems --

9                   MR. ASHCROFT: A whole host of things,  
10 yes.

11                  MR. CAMERINO: Lots of things.

12                  MR. ASHCROFT: We can neither manage or  
13 mitigate.

14                  MR. CAMERINO: And unplanned is  
15 actually a bit of a misnomer, because you know  
16 there's going to be a certain amount of this  
17 stuff, you just don't know which items it's going  
18 to be.

19                  MR. ASHCROFT: Or where or when.

20                  MR. CAMERINO: All right, the next  
21 thing is if we look at section -- on your proposal  
22 section triple I.F-1, if you look in around the  
23 middle of the page there's a paragraph that says

1 under project, approach defined in the base  
2 proposal, do you see that?

3 MR. ASHCROFT: Yes.

4 MR. CAMERINO: And the base proposal is  
5 the proposal that the city has essentially agreed  
6 to, right?

7 MR. ASHCROFT: Yes.

8 MR. CAMERINO: And it says that the  
9 city of Nashua will provide all of the  
10 administrative support required for handling  
11 customer inquiries, bill generation, payment  
12 processing, and collection. Veolia Water assumes  
13 that the city will also maintain the accounting  
14 systems to track billing, payment and collection  
15 activities. Is that your understanding?

16 MR. ASHCROFT: Yes, I think we've  
17 already discussed this.

18 COMMISSIONER BELOW: Excuse me, what  
19 exhibit is this part of?

20 MR. CAMERINO: This is actually not in  
21 an exhibit, I believe. It's from their proposal  
22 that they didn't include. But it reflects -- I'll  
23 ask Mr. Ashcroft.



1                   This reflects -- is a correct  
2       description of what the contract reflects, is that  
3       a fair statement?

4                   MR. ASHCROFT: I'd have to check that.  
5       Do you know, Paul?

6                   CHAIRMAN GETZ: Mr. Camerino, let's try  
7       to nail down this document. What's the exhibit  
8       number?

9                   MR. CAMERINO: It is not an exhibit, it  
10      is just a description of what the contract  
11      arrangement is, and I was going to get to that  
12      when I get to the contract. I'm willing to mark  
13      it, I'm not looking to mark it, it just helps to  
14      kind of encapsulate the subject matter.

15                  CHAIRMAN GETZ: I guess I find it hard  
16      to believe that there's a document that hasn't  
17      been marked.

18                  MR. CAMERINO: There's lots. I think  
19      even Mr. Upton would agree to that.

20                  CHAIRMAN GETZ: If we're relying on  
21      this, let's get this marked at some point.

22                  MR. CAMERINO: Okay, I'll put it aside.

23                  MR. RICHARDSON: Mr. Chairman, I'm

1 mindful that there's a question pending right now  
2 relates to the relation between the proposal and  
3 the contract, and I don't want to lose sight of  
4 that, because I think that's an important  
5 distinction.

6 MR. CAMERINO: Do you want to go first  
7 or should I? I've think I've lost track.

8 MR. ASHCROFT: Well, I've lost track  
9 where we are. I think you're asking is this  
10 element of the price proposal reflected in the  
11 proposed contract. The answer is I don't know,  
12 I'd have to check it out.

13 MR. CAMERINO: So you're not prepared  
14 as we're standing here at this point in the  
15 discussion to say that that paragraph starts with  
16 under the project approach defined in the base  
17 proposal is a correct description of the division  
18 of services?

19 MR. ASHCROFT: Paul, do you know the  
20 answer to that one?

21 MR. NORAN: It is correct under the  
22 base proposal.

23 MR. CAMERINO: Ms. Knowlton gave me a

1 sticker that says Exhibit 3257, so I think that  
2 gets added to the list.

3 CHAIRMAN GETZ: Yes.

4 (Exhibit 3257 marked.)

5 MR. CAMERINO: Can you tell me if the  
6 base fee that the city is going to pay, the \$4.9  
7 million, does that include anything for regulatory  
8 expense?

9 MR. ASHCROFT: What do you mean by  
10 regulatory expense?

11 MR. CAMERINO: Well, you tell me.

12 MR. ASHCROFT: No, you asked the  
13 question, you tell me.

14 MR. CAMERINO: Let's start, different  
15 agencies. There's interactions with the  
16 Department of Environmental Services. Does it  
17 include any of that?

18 MR. ASHCROFT: In terms of reporting.

19 MR. CAMERINO: Preparing the reports?

20 MR. ASHCROFT: Yes, as we would do at  
21 every company.

22 MR. CAMERINO: What about meetings?

23 MR. ASHCROFT: We would cooperate fully

1 with all regulators.

2 MR. CAMERINO: But if you needed to  
3 attend meetings or make presentations, would you  
4 charge extra for that?

5 MR. ASHCROFT: Good heavens, no.

6 MR. CAMERINO: What about PUC?

7 MR. ASHCROFT: As far as I'm aware,  
8 that issue hasn't been resolved in terms of  
9 regulations on board. Normal course of business  
10 is our relationship with the quality regulators.

11 Again, I would probably want to test  
12 this out on Ms. Willans in terms of how we support  
13 the Indianapolis client in terms of PUC. We  
14 would, wherever possible, add value for the  
15 client, yes.

16 MR. CAMERINO: Have you ever been  
17 involved in a Public Utilities Commission rate  
18 case?

19 MR. ASHCROFT: I haven't. I know  
20 Ms. Willans has, but I've been involved in the  
21 five year business planning process in the UK.  
22 Different regulatory system, but equally complex.

23 MR. CAMERINO: You have a general sense

1 of what goes on in terms of the scope of the  
2 filing, testimony, et cetera?

3 MR. ASHCROFT: Yes.

4 MR. CAMERINO: And that's a fairly  
5 significant undertaking, right?

6 MR. ASHCROFT: I think it would be,  
7 yes.

8 MR. CAMERINO: And if Veolia had to  
9 participate in such a filing, for example provide  
10 witnesses or support and providing schedules or  
11 other materials, is that included in the base fee  
12 or would that be extra?

13 MR. ASHCROFT: Paul?

14 MR. NORAN: What you just described  
15 would be supplemental services.

16 MR. CAMERINO: So to the extent that  
17 you were needed for the utility regulatory  
18 process -- and if I've mischaracterized this, let  
19 me know -- as opposed to the day-to-day  
20 environmental regulatory process, that would be a  
21 supplemental service?

22 MR. NORAN: Yes.

23 MR. ASHCROFT: Certainly if it is a

1       significant cost, yes, because we haven't included  
2       it in our base fee.

3                   MR. CAMERINO: Now, if you look at  
4       section 9.1-B of the contract, and that is page  
5       16. That talks about calculation of the annual  
6       fee.

7                   MR. ASHCROFT: Yes.

8                   MR. CAMERINO: And it says that the  
9       base fee is tolled -- which I understand to mean  
10      stopped -- until the service commencement date.  
11      Do you see that, the second sentence? And then  
12      there's a provision that talks about how you  
13      escalate the base fee.

14                   Can you explain that to me? Suppose  
15      you take over operation of the system in 2009,  
16      what happens to the \$4.996 million?

17                   MR. ASHCROFT: It would have to be  
18      inflated to 2009 dollars, I would assume.

19                   MR. CAMERINO: These dollars are in  
20      here of 2005 dollars, right?

21                   MR. ASHCROFT: Paul, can you remember  
22      the date of that?

23                   MR. NORAN: The date we used for the

1       base fee was July 14th, 2005, and we have  
2       estimated the escalated value of that number based  
3       on the indices and compared it with Mr. Sansoucy's  
4       number for 2007, the incremental additional cost  
5       for the adjustment is an additional \$200,000 to  
6       take it up to 2007.

7                   MR. CAMERINO:   So I would take the  
8       \$4.996 million and add how much?

9                   MR. NORAN:    It was \$200,000.

10                  MR. CAMERINO:   And I get \$5,196,000?

11                  MR. NORAN:    Yes.

12                  MR. CAMERINO:   So you're telling me if  
13       the contract had gone into effect this year, had  
14       it gone into effect, the base fee would have been  
15       \$5,196,000?

16                  MR. NORAN:    Yes.

17                  MR. CAMERINO:   Do you have any idea  
18       where Mr. Sansoucy got \$5,150,000?

19                  MR. NORAN:    I think he escalated the  
20       base fee of 4 million 996.

21                  MR. CAMERINO:   Used a different  
22       escalator than you did?   Sounds like you're not in  
23       agreement.

1                   MR. NORAN: Well, we did the  
2                   calculations based on this section of the  
3                   contract, and we came up with \$200,000, and we --  
4                   we have discussed that with him and being aware of  
5                   that difference.

6                   MR. CAMERINO: In fact, when you  
7                   negotiated this fee of \$4,996,000, one of the  
8                   assumptions was that you were looking at 2004  
9                   annual report filings with the PUC, right?

10                  MR. NORAN: Yes.

11                  MR. CAMERINO: So you're going to need  
12                  to look at the latest filings to figure out what  
13                  the fee really is, aren't you?

14                  MR. NORAN: At this point in time we're  
15                  committed to the -- to the 4 million 996 as our  
16                  base fee as of that July 14, 2005 date. The  
17                  only -- the only two changes that I'm aware of is,  
18                  No. 1, the escalator, which I have already said  
19                  was \$200,000 to take it up to 2007.

20                  The only other change was to  
21                  incorporate Dig Safe. And the incremental cost of  
22                  Dig Safe is \$100,000 per year. So our total fee  
23                  at the present time is estimated at \$5.3 million.



1                   MR. CAMERINO: Can you tell me what  
2                   that 5.3 million represents again? I don't want  
3                   to take you through the whole thing, but that's  
4                   the base fee, is that what you're saying?

5                   MR. NORAN: Yes.

6                   MR. CAMERINO: For the year 2007.

7                   MR. NORAN: Yes. That's with the  
8                   4 million 996, plus the escalator, plus Dig Safe.

9                   CHAIRMAN GETZ: Mr. Camerino, how much  
10                  more do you have?

11                  MR. CAMERINO: For a breaking point?  
12                  Five minutes, maybe less.

13                  CHAIRMAN GETZ: And how much more  
14                  beyond that?

15                  MR. CAMERINO: I would say -- I'm  
16                  reasonably confident -- maybe over lunch I could  
17                  get highly confident -- that I could be done by  
18                  the afternoon break.

19                  MR. UPTON: I have a witness that has  
20                  a 5:30 plane, he is a reluctant witness here  
21                  anyway, and Mr. Burton would like to be able to  
22                  make his flight at 5:15.

23                  MR. CAMERINO: I told Mr. Upton

1 earlier, I constructed my question in a way that I  
2 don't need Mr. Burton at the back end, and he can  
3 accommodate that.

4 MR. UPTON: Is there any chance you  
5 could be done by the noon break? That's right,  
6 I'm sorry. I forgot all about you.

7 CHAIRMAN GETZ: And you'll have  
8 questions, Ms. Thunberg, for Mr. Burton?

9 MS. THUNBERG: I think staff can format  
10 its questions not to have anything directed  
11 specifically to Mr. Burton, so I don't think staff  
12 has a problem with Mr. Burton leaving.

13 CHAIRMAN GETZ: Let's finish up this  
14 part, and then we'll take the lunch recess.

15 MR. CAMERINO: Mr. Ashcroft --  
16 Mr. Noran, it sounds like you know a lot about  
17 this, so if you need to add something, please do.  
18 Can you tell me what kind of accounting services  
19 are included in the base fee?

20 MR. NORAN: Veolia has included the --  
21 the normal accounting requirements to support  
22 its -- its O&M operations.

23 MR. CAMERINO: What about fixed asset

1       accounting?

2                   MR. NORAN:  We will -- we will -- we  
3       will include fixed asset accounting to the extent  
4       that if we're asked to replace a fire hydrant, we  
5       will generate a work order for that fire hydrant,  
6       we'll track the labor, materials and equipment  
7       costs associated with putting in that fire hydrant  
8       and turn that detailed information over to the  
9       city.

10                  MR. CAMERINO:  So you'll provide the  
11       raw information, they'll do the actual accounting  
12       entries?

13                  MR. NORAN:  Yes.

14                  MR. CAMERINO:  You mentioned before  
15       Dig Safe.  I think you said a hundred thousand  
16       dollars to comply?

17                  MR. NORAN:  Yes.

18                  MR. CAMERINO:  Does that include the  
19       fee of being a member of Dig Safe?

20                  MR. NORAN:  Yes.

21                  MR. CAMERINO:  Who will actually  
22       maintain the water system's books and records if  
23       you do end up being regulated by the PUC that are

1       needed for that purpose?

2                   MR. NORAN: I think there's two options  
3       on that. I think either the city of Nashua would  
4       maintain those records or -- or ask us to assist  
5       them in that -- in that activity.

6                   MR. CAMERINO: That would all be extra,  
7       I assume?

8                   MR. NORAN: That would be supplemental  
9       services.

10                  MR. CAMERINO: And if there isn't a  
11       need to comply with recordkeeping requirements of  
12       the PUC, there still would need to be accounting  
13       that's consistent with governmental accounting  
14       standards?

15                  MR. NORAN: Yes.

16                  MR. CAMERINO: And those records would  
17       be maintained by the city, I assume?

18                  MR. NORAN: Yes.

19                  MR. CAMERINO: And there's no costs in  
20       your proposal that are related to that.

21                  MR. NORAN: The costs for accounting is  
22       what I've described as far as the assets are  
23       concerned.

1                   MR. CAMERINO:  There's a different  
2           accounting system for governmental accounting than  
3           there is for public utility reporting purposes,  
4           isn't there?

5                   MR. NORAN:  Yes.

6                   MR. CAMERINO:  And there's a lot of  
7           accounting -- I mean, not to make light of it --  
8           there's a lot of accounting that goes with a water  
9           system, correct?

10                  MR. NORAN:  Yes.

11                  MR. CAMERINO:  That's not something  
12           that a city employee can just do in their extra  
13           time?  If you know?

14                  MR. NORAN:  I don't know.

15                  MR. CAMERINO:  Is there any engineering  
16           that's included in the base fee?

17                  MR. NORAN:  Yes, we have what we call  
18           operational engineering.  We have estimated the  
19           value of that at 20 to \$30,000 a year, and  
20           essentially that is if we have operations issues  
21           that require engineering support, that would be  
22           provided, and that is in the base fee.

23                  MR. CAMERINO:  Can you tell me -- and

1       if this is going to take a long time, I'd ask you  
2       to do it over the lunch break -- where in the  
3       contract I'd find a reference to that? I'm not  
4       suggesting it's not there, I just want to know  
5       where to look.

6               MR. NORAN: I would have to search out  
7       the contract to find that, but it's definitely  
8       what we call operational engineering, and it is in  
9       our base fee.

10              MR. CAMERINO: Okay, I'm going to ask  
11      you that right after the lunch break. If I find  
12      it myself --

13              MR. ASHCROFT: Can I add to that? We  
14      also have a significant overhead here in the  
15      Northeast in the number of engineers that aren't  
16      tasked to any particular project, so we would also  
17      be deploying those people here in Nashua as and  
18      when required.

19              MR. CAMERINO: And the reason for my  
20      question, we'll get into it this afternoon, I'm  
21      trying to understand what engineering services  
22      when those people, Mr. Ashcroft, provide them, are  
23      charged extra versus they're already in the base

1 fee.

2 Mr. Noran, I want to ask you a couple  
3 of questions about hydrant checks. The base fee  
4 includes a once a year hydrant check?

5 MR. NORAN: No, the base fee includes  
6 more than one hydrant check a year. As a routine  
7 basis we will check all hydrants at least once a  
8 year, and if there's issues with respect to  
9 hydrants whether they're used or whether they're  
10 leakers, we'll check them more often than once a  
11 year.

12 MR. CAMERINO: When I looked at  
13 appendix B -- D, I'm sorry, section 5.0, this is  
14 page 3 of appendix D, this says, 5.0-A, that  
15 what's included in the base fee is inspect and  
16 exercise all system valves 12 inch diameter and  
17 larger annually, and then -- sorry, I'm reading  
18 the wrong one.

19 B, inspect and operate all owner owned  
20 fire hydrants at least once a year.

21 MR. NORAN: Right. That's I think what  
22 I just responded to.

23 MR. CAMERINO: I guess when I read that

1       it sounds to me that you're not obligated to do it  
2       more than once a year.

3                   MR. NORAN: I think what I tried to  
4       just outline is what our hydrant operations  
5       procedures are going to be.

6                   Again, it's going to be more than once  
7       a year. All hydrants are going to be operated  
8       once a year. Any hydrants that are problems or  
9       leakers or used in the winter, we'll follow up  
10      with an inspection.

11                  MR. CAMERINO: I think I understand  
12      that. What you're telling me is that some  
13      hydrants because of other work you're doing will  
14      be checked more than once a year.

15                  MR. NORAN: More because they are used  
16      during the winter.

17                  MR. CAMERINO: But you will not as part  
18      of the base fee be checking all of the hydrants  
19      twice a year, correct? All of the hydrants.

20                  MR. NORAN: Correct.

21                  MR. CAMERINO: That would be extra.

22                  MR. NORAN: Yes.

23                  MR. CAMERINO: And are you aware that





1       and the water supply includes everything, source  
2       of supply, treatment distribution, storage,  
3       redundancy of mains, et cetera, they -- they have  
4       three points allocated to hydrant inspection,  
5       slash, condition.

6                   And what they actually do is -- is if  
7       you're involved in an inspection, they'll actually  
8       go out and check out the condition of the  
9       hydrants, see if they're operable, and -- and I'm  
10      very confidential that the Veolia plan with regard  
11      to fire hydrant inspections and condition of fire  
12      hydrants, we will actually achieve the three  
13      points that are allocated for that function.

14                   MR. CAMERINO: But you do agree -- and  
15      that was very helpful, actually. But you do agree  
16      that one of the things that ISO looks at is  
17      whether hydrants are checked twice a year, and  
18      that contributes to a higher rating if they are  
19      checked twice a year.

20                   MR. NORAN: An incremental, very small  
21      possible higher rating.

22                   MR. CAMERINO: And the impact of the  
23      ISO rating is if you don't get a high enough ISO

1 rating that insurance, fire insurance rates for  
2 the entire community go up, right?

3 MR. ASHCROFT: Can I respond to that,  
4 Paul? I think we're getting into a lot of minutia  
5 and technical detail here. If the issue is will  
6 Veolia achieve a 3 rating by ISO, the answer is we  
7 will. We will not in any way put the citizens of  
8 Nashua at any disadvantage.

9 MR. CAMERINO: I'm just looking at some  
10 of the factors. I want to understand what's in  
11 the base fee and what's going to be done for  
12 additional. And for the base fee you will not be  
13 checking all the hydrants twice a year, correct?

14 MR. ASHCROFT: Mr. Noran has said that  
15 he is confident Veolia will achieve that 3 rating  
16 to satisfy the needs of ISO. And I'm giving that  
17 commitment now here in a public place that we will  
18 achieve that rating.

19 MR. CAMERINO: To the extent that  
20 rating is lower, there is the potential for a  
21 higher insurance cost for everyone in the  
22 community, right?

23 MR. ASHCROFT: That's why I said we'll

1       achieve that rating.

2                   MR. CAMERINO: Last question in this  
3       area, and then I'll be finished.

4                   Your hydrant flushing, your -- let me  
5       just start again. When you're flushing hydrants,  
6       that is somewhat of an inconvenience to customers,  
7       is that a fair statement?

8                   MR. NORAN: Yes.

9                   MR. CAMERINO: It's necessary.

10                  MR. NORAN: Yes.

11                  MR. CAMERINO: And that's the reason  
12       that public utilities often try to do hydrant  
13       flushing at night, is that a fair statement?

14                  MR. NORAN: Yes.

15                  MR. CAMERINO: It minimizes the  
16       disruption to customers?

17                  MR. NORAN: Yes.

18                  MR. CAMERINO: When you use your  
19       employees at night, do you have to pay them more  
20       than you do during the day?

21                  MR. NORAN: Depending on whether it's  
22       scheduled or not. You can modify schedules to  
23       schedule employees to work at night. Yes, if it's

1 not scheduled, then you would pay premium time.

2 MR. CAMERINO: Now, if you pay premium  
3 to do that at night, it's still part of your base  
4 fee, right? Nashua doesn't bear that?

5 MR. NORAN: That's correct.

6 MR. CAMERINO: So you have an economic  
7 incentive, let's say, to perform that hydrant  
8 flushing in the way that costs you the least  
9 amount of money but still do the flushing,  
10 correct?

11 MR. NORAN: No, the bottom line driver  
12 for hydrant flushing is, as you stated  
13 articulately, is the impact on the customers, and  
14 not only residential, but industrial and  
15 commercial customers. And we'll schedule the  
16 hydrant -- the flushing as necessary to be sure we  
17 don't adversely impact the -- the -- the customers  
18 that are being served.

19 MR. CAMERINO: So you're certain that  
20 Veolia's management would not consider the cost to  
21 it -- because in this case it's a cost to Veolia  
22 and not the city -- fulfilling its contract  
23 commitment of flushing the hydrant; it wouldn't

1       consider in terms time of day when it makes that  
2       decision, that act, what it's going to cost  
3       Veolia.

4                   MR. ASHCROFT:  Absolutely.

5                   MR. NORAN:  Right.

6                   MR. CAMERINO:  That's a good breaking  
7       point.

8                   CHAIRMAN GETZ:  Let's take the lunch  
9       recess and resume at two o'clock.

10                  (Recess taken.)

11                  MR. CONNER:  Mr. Chairman, we're not  
12       switching attorneys, but I did want to go ahead  
13       and announce that we've reached agreement with  
14       respect to the order witnesses in completion of  
15       Mr. Sansoucy's and Mr. Walker's testimony.

16                  And we're going to recall -- or they  
17       will be recalled Monday afternoon, and with the  
18       understanding and agreement with Mr. Upton that  
19       Mr. Walker will be limited in his review of his  
20       documents to Exhibits 3064, which is his  
21       deposition Exhibit No. 1, and Exhibit 3252, which  
22       are his sales work papers, document Nos.  
23       N219593--N22271.  Thank you.

1                   CHAIRMAN GETZ: Thank you. All set  
2                   with that, Mr. Upton?

3                   MR. UPTON: Yes.

4                   MR. CAMERINO: One more housekeeping  
5                   thing, Mr. Chairman. Mr. Burton and Mr. Ford need  
6                   to leave early, and what we've agreed to do is I  
7                   have very limited questions remaining for them,  
8                   and I will make sure I get them in before, say,  
9                   three o'clock. They'll give me some kind of a  
10                  signal if their time is running out and if I've  
11                  got anything left for them I'll ask that right  
12                  away and let them out of here right away.

13                  And I understand the staff does not  
14                  have questions for those two witnesses either. So  
15                  if that's okay with the commission and the other  
16                  parties, that's how we would proceed.

17                  CHAIRMAN GETZ: Any objections?

18                  MR. UPTON: It's agreeable, and we  
19                  appreciate the courtesy.

20                  CHAIRMAN GETZ: Let's proceed then,  
21                  Mr. Camerino.

22                  MR. CAMERINO: We are now on the topic  
23                  of what the chairman referred to earlier as RRRM

1 services. And either Mr. Ashcroft or Mr. Noran,  
2 could you just start by telling us again what RRRM  
3 stands for?

4 MR. NORAN: Renewal, repair,  
5 replacement maintenance.

6 MR. CAMERINO: And these are the first  
7 category of items that are not included in the  
8 base fee, is that correct?

9 MR. NORAN: Yes.

10 MR. CAMERINO: So anything that's  
11 considered RRRM is an extra, right?

12 MR. NORAN: Yes.

13 MR. CAMERINO: And what goes into this  
14 category are those things that are generally -- if  
15 they are maintenance items that have a useful life  
16 of more than a year?

17 MR. NORAN: Yes.

18 MR. CAMERINO: This is what you'd call  
19 corrective or emergency maintenance?

20 MR. NORAN: No.

21 MR. CAMERINO: Why don't you tell us,  
22 and in the meantime I'd like to pull up Exhibit  
23 1053, page 173. Why don't you correct me.



1                   MR. NORAN: It could be planned  
2 maintenance or emergency maintenance. As an  
3 example, if you had a major pump that you had to  
4 replace, that could be a planned -- a planned  
5 maintenance item, and that would come under RRRM.

6                   MR. CAMERINO: Maybe the distinction  
7 you're making is not just a corrective and  
8 emergency maintenance --

9                   MR. NORAN: Correct.

10                  MR. CAMERINO: -- that is one  
11 component.

12                  MR. NORAN: Yes.

13                  MR. CAMERINO: Okay, I'm sorry. And in  
14 Mr. Burton's deposition he said that this would  
15 include repairs to mains, valves, hydrants,  
16 services and meters. Would you agree with that,  
17 Mr. Noran?

18                  MR. NORAN: Yes.

19                  MR. CAMERINO: And if we look at  
20 appendix H to the contract -- I'm going to try and  
21 find a reference here for you. This is  
22 Exhibit 1005B, beginning at page 80, and this is  
23 the schedule to the contract that tells us what

1 all of these extras are, is that correct?

2 MR. NORAN: Yes.

3 MR. CAMERINO: And as we noted before,  
4 this is what is also called unplanned maintenance  
5 in section 8.5 of the contract?

6 MR. NORAN: Unplanned maintenance is a  
7 component of this.

8 MR. CAMERINO: Okay, it's not --  
9 there's -- I'll leave the answer as it stands.

10 Now, if we look at section 1B on  
11 this -- let's highlight that -- this tells us one  
12 of the reasons that RRRM is so important, doesn't  
13 it? It says that you have the right to provide  
14 these services, you being Veolia?

15 Maybe let me give you the distinction  
16 I'm trying to make. If it's in the supplemental  
17 services schedule it's an extra, right?

18 MR. NORAN: Yes.

19 MR. CAMERINO: But the extra, the  
20 supplemental, may be provided by some other party,  
21 may not be provided by Veolia, right?

22 MR. NORAN: Yes.

23 MR. CAMERINO: But if it's on this

1       schedule it's not just an extra, you have a right  
2       to provide it; Nashua can't go to somebody else to  
3       do these services.

4                   MR. ASHCROFT: That's correct.

5                   MR. CAMERINO: All right. So  
6       understanding whether it's in this supplemental  
7       schedule, this set of extras or a different  
8       schedule of extras is a pretty important thing.

9                   MR. NORAN: Yes.

10                  MR. CAMERINO: What I want to  
11       understand is how do we tell the difference  
12       between what should be in this schedule and what  
13       should be, say, in a capital improvement that  
14       might be somewhere else.

15                  So let's start just with the general  
16       understanding that there are capital items in this  
17       schedule, right, because these are things that  
18       extend the useful life beyond a year, by more than  
19       a year?

20                  MR. NORAN: Yes.

21                  MR. CAMERINO: So that by definition is  
22       a capital item, is that correct?

23                  MR. NORAN: Under whose definition?

1                   MR. CAMERINO: Well, that is sometimes  
2                   used as a definition of a capital item, it may  
3                   depend on the exact purpose?

4                   MR. NORAN: Because section -- appendix  
5                   G actually identifies capital improvement projects  
6                   and talks about what a capital improvement project  
7                   is.

8                   MR. CAMERINO: All right. Well, let's  
9                   look -- what I want to get into is where I think  
10                  there are some ambiguities. Let's turn to the  
11                  next page of this appendix H, and it starts to  
12                  tell us what items are RRRM. And remember, as I  
13                  understand it, and you tell me if I'm wrong, these  
14                  are items that extend the useful life of the item  
15                  by more than a year.

16                  The very first thing under No. 2,  
17                  source of supply says, physical inspection of  
18                  wells and intake structures. And the next one is  
19                  cleaning, repairing and rehabilitating wells, well  
20                  equipment, and related appurtenances.

21                  In my understanding, and you're going  
22                  to tell me where I'm wrong, those sound a lot like  
23                  regular maintenance.

1                   MR. NORAN: There's -- this RRRM is  
2 maintenance. These are maintenance projects.

3                   MR. CAMERINO: All right, let's go to  
4 No. 7. Replacement of existing sources of supply  
5 facilities including dams and intake structures.  
6 That sound like a significant capital project to  
7 me. But that's on the RRRM, you have an exclusive  
8 right to perform that, that's not a supplemental  
9 that goes out to other engineers. Look at No. 9.

10                  MR. RICHARDSON: I'm sorry, he should  
11 be allowed to answer the question.

12                  MR. CAMERINO: I'm sorry. I apologize.

13                  MR. NORAN: I think it depends on the  
14 size of the project. If -- if I could go back to  
15 item 1, page -- item 1D, and maybe just take a  
16 minute to talk about how -- how this -- this whole  
17 thing would be structured.

18                  What -- under the terms of the contract  
19 what Veolia is required to do is develop a  
20 comprehensive maintenance plan each year, and this  
21 maintenance plan is submitted to the owner for  
22 review and approval.

23                  There's two major aspects of this

1 maintenance plan, one is the planned and  
2 preventative maintenance that's included in the  
3 base fee. So we'll have -- we'll have details  
4 regarding all of our planned and preventative  
5 maintenance that's included in the base fee, and  
6 that will be a whole -- a whole maintenance plan  
7 for the various assets.

8 Then we'll have a second plan that will  
9 be this RRRM that will be detailed similarly.  
10 Here's the project, here's the justification for  
11 it, here's the estimated cost for it, and that  
12 plan will be submitted to the owner.

13 As indicated in paragraph D, this plan  
14 has to be submitted to the owner 90 days prior to  
15 the -- to the owner's fiscal year. So we submit  
16 this detailed plan with respect to RRRM, and then  
17 it's up to the owner to determine what -- what  
18 projects are going to be included in this plan.

19 MR. CAMERINO: So, and in fact,  
20 that's -- roughly these two components to RRRM,  
21 there's the budgeted work that you're describing  
22 now, and then there's the main breaks and things  
23 like that that are truly unplanned.

1                   MR. NORAN: Yes, and that will all be  
2     part of the RRRM. Now, if there -- if there is a  
3     project in here that we are identifying like you  
4     mentioned, the new sources supplied, and the  
5     project -- if the owner -- the owner has the  
6     option to say, no, we don't want that as an RRRM  
7     project, we want that as a capital project, and  
8     then that falls under appendix -- appendix G,  
9     capital improvements projects.

10                  MR. CAMERINO: Well, if you think you  
11     have a contractual right to perform work and be  
12     paid for it, don't you think you're going to  
13     insist that you perform it and not a third party?

14                  MR. NORAN: I think for the larger --  
15     for the larger projects, if we're talking about --  
16     let's just use an example -- a \$600,000 new source  
17     of supply and we decide that on the initial  
18     submittal we put this on the RRRM maintenance, I  
19     think it's definitely the owner's option to say,  
20     no, we're not going to do that, we're actually  
21     going to have -- we're actually going to do it  
22     under capital projects which is appendix G.

23                  MR. CAMERINO: Even though it's listed

1 as an RRRM item?

2 MR. NORAN: Yes.

3 MR. CAMERINO: And you're going to  
4 agree that even though you could have performed  
5 those services and be compensated for them, you'll  
6 waive that right and somebody else will get the  
7 money.

8 MR. NORAN: Yes.

9 MR. CAMERINO: Look at No. 9 under  
10 source of supply. This is that same page 2 of  
11 appendix H. Other projects related to sources of  
12 supply determined on a case-by-case basis.

13 Would you agree that as soon as you  
14 start putting this determined on a case-by-case  
15 basis in there it creates a significant ambiguity?  
16 I mean, there's going to be some pushing and  
17 shoving to figure out whether it belongs on this  
18 schedule or not?

19 MR. NORAN: Yes, but keep in mind that  
20 it's up to the owner to make the determination on  
21 what the RRRM projects and budgets will be for  
22 each fiscal year and which --

23 MR. CAMERINO: I guess the way I read



1       this schedule was this was intended -- and all the  
2       contract language appears to indicate this -- this  
3       was intended to tell us what is RRRM, because  
4       there's not further discussion later, and that's  
5       important to you because this you are sure you're  
6       going to get paid for. Now you're telling me that  
7       the owner could decide that something that's on  
8       this list actually belongs on a different  
9       schedule?

10                   MR. NORAN: Yes.

11                   MR. CAMERINO: Let's look at No. 3,  
12       water treatment plant. And, again, these read to  
13       me like major capital projects, so I want to ask  
14       you. No. 1, regulatory mandated improvements, and  
15       with regard to the water treatment plant, that  
16       sounded like the whole water treatment plant to  
17       me.

18                   No. 2, new plant and/or equipment and  
19       all related appurtenances. Three, repair or  
20       replace existing plant and/or equipment and all  
21       related appurtenances. No. 5, the repair or  
22       replacement of water treatment plant equipment.  
23       Six, other projects related to WTP, water

1 treatment plant, determined on a case-by-case  
2 basis.

3 When I read that -- and I want to ask  
4 you the question whether you see it the same  
5 way -- I thought any changes or replacement of the  
6 water treatment plant came under RRRM, which to me  
7 seemed like a very big bundle of projects.

8 MR. NORAN: Well, hopefully I've  
9 clarified what the situation will be.

10 MR. CAMERINO: And every category  
11 afterwards has -- or almost every category, I  
12 don't want to overstate it -- has this other  
13 projects on a case-by-case basis at the end,  
14 doesn't it? That appears on a number of these.

15 MR. NORAN: Yes.

16 MR. CAMERINO: Do you see how somebody  
17 looking at this might think there's fertile  
18 grounds for disagreement between the city and the  
19 contractor as to whether you have first dibs on  
20 doing this work?

21 MR. NORAN: Yes. But hopefully my --  
22 my explanation has -- has clarified the process,  
23 and clearly the owner, namely the city of Nashua,

1 is in the driver's seat as far as RRRM projects  
2 and capital projects that are approved for Veolia  
3 to execute.

4 MR. CAMERINO: Now, if there's an RRRM  
5 project that is going to cost less than \$10,000,  
6 you don't need any prior consent to do it, do you?  
7 That would be -- if you look at section 6.4A of  
8 the contract?

9 MR. NORAN: That's correct, but -- the  
10 real process here is the developing of this budget  
11 each fiscal year for RRRM projects. And the  
12 projects that are specifically approved for Veolia  
13 are the ones that, as far as I'm concerned, we're  
14 authorized to execute. And if there's other RRRM  
15 projects other than emergency, then I would expect  
16 that we would have dialogue and communications  
17 with the city of Nashua.

18 MR. CAMERINO: You're describing what  
19 one would hope to happen, I'm just talking about  
20 what might happen. The contract -- if a project  
21 is going to cost less than \$10,000, you don't need  
22 to ask anyone's permission, right?

23 Take a look at section 6.4B -- I'm

1       sorry, A. Mr. Noran, it's on the screen. I don't  
2       know if that helps, or if you have it in front of  
3       you.

4                     MR. NORAN: I have it.

5                     MR. CAMERINO: So is that a correct  
6       understanding?

7                     MR. NORAN: Yes.

8                     MR. CAMERINO: Now, in your proposal,  
9       the draft contract that you provided before you  
10      reached this unsigned arrangement with the city,  
11      that number was actually \$5,000, wasn't it?

12                    I'm putting an excerpt from the  
13      contract that came from the company's documents on  
14      the screen. If you look at section 5.6, you'll  
15      see the reference to \$5,000.

16                    MR. NORAN: I see the reference to  
17      \$5,000. I'm not sure that -- where this comes  
18      from.

19                    MR. CAMERINO: I'll represent to you  
20      that it did come from the city, and this would  
21      appear to indicate that during the negotiating  
22      process Veolia was given freer rein to perform  
23      contracts up to \$10,000 instead of five without

1 prior approval.

2 MR. NORAN: Yes.

3 MR. CAMERINO: And if you're providing  
4 emergency services, those also don't need prior  
5 approval, is that fair to say?

6 MR. NORAN: That's correct.

7 MR. CAMERINO: Some examples of RRRM  
8 might be a water main break, a leak repair, a  
9 valve or hydrant replacement, water meter  
10 replacements, pump and motor failures. Those are  
11 some examples?

12 MR. NORAN: Yes.

13 MR. CAMERINO: Okay. So what I want to  
14 do is I want to just get an understanding of --  
15 make sure where we left things in terms of base  
16 fee and then look at some of these add-ons, okay?  
17 First of all, make sure I got it right where we  
18 left off this morning.

19 The base fee, we started with the  
20 \$4,996,203, right? That's the amount that's in  
21 the contract and Mr. Sansoucy's been working from?

22 MR. NORAN: Yes.

23 MR. CAMERINO: And you said we need to

1       add \$200,000 to that, that's to bring it up to  
2       2007?

3                   MR. NORAN:   Yes.

4                   MR. CAMERINO:  And then we have to add  
5       \$100,000, that's to add Dig Safe, right?

6                   MR. NORAN:   Yes.

7                   MR. CAMERINO:  And I did the math, and  
8       that gets us to 2 million 900 -- I'm sorry, I'll  
9       write it and then I'll speak -- \$5,296,203.  So  
10      I've added those, let's assume, correctly.  So  
11      this is what you're saying the base fee would be  
12      in 2007, correct?

13                  MR. NORAN:   Yes.

14                  MR. CAMERINO:  And, now, all of this  
15      other stuff gets added on to that, right?  So we  
16      said water main breaks, right?  Leak repair, valve  
17      replacements, hydrant replacements, pump failures,  
18      motor failures -- these are the ones you just went  
19      through, right -- significant well maintenance,  
20      all of the types you mentioned in Exhibit H, and  
21      maybe we'll add to that later, but there's lots of  
22      things, right?  That's what that schedule H is?

23                  MR. NORAN:   Yes.

1                   MR. CAMERINO: Now, suppose Nashua does  
2     have a right to authorize some of this unplanned  
3     maintenance, something happens, it's going to be  
4     more than \$10,000, you contact Nashua, right?  
5     That's what's going to happen?

6                   MR. NORAN: Yes.

7                   MR. CAMERINO: Now, Mr. Ashcroft said  
8     that his contact -- if I recall, I'm not sure he  
9     meant it in the context that I'm asking -- but his  
10    contact is his client is the city of Nashua, and  
11    he said not Beck. My question to you is when this  
12    event occurs and it's more than \$10,000, are you  
13    going to call Beck or Nashua?

14                  MR. NORAN: We're going to call whoever  
15    we've been told our contact is for the city of  
16    Nashua.

17                  MR. CAMERINO: Meaning that if Nashua  
18    tells you to call Beck, you'll call Beck, or --

19                  MR. NORAN: Whoever the designated  
20    contact officer is for the city of Nashua is who  
21    we will call.

22                  MR. CAMERINO: And so that could be  
23    Beck, but you didn't know at this time?

1                   MR. NORAN: Right.

2                   MR. CAMERINO: And you're going to say  
3           that there's been this event -- if it's an  
4           emergency you're going to go and deal with it,  
5           right? If it's not an emergency, you're going to  
6           say there's this thing that has happened, we  
7           project it's going to cost more than \$10,000, do  
8           you approve it.

9                   MR. NORAN: No, I don't think that's  
10          the process.

11                  MR. CAMERINO: Give me the process.

12                  MR. NORAN: I guess I need to once  
13          again give you the process again. Each year,  
14          prior to Nashua's fiscal year, Veolia will prepare  
15          a RRRM budget listing specific projects, listing  
16          estimated costs, listing justification for those  
17          projects, and a total aggregate dollar for that  
18          particular project. So you'll have a  
19          comprehensive RRRM budget.

20                  MR. CAMERINO: I got you. So if it's  
21          in there and it's more than \$10,000, that would be  
22          where the review came.

23                  MR. NORAN: Yes.



1                   MR. CAMERINO: What if it's unplanned,  
2 truly, it happens -- not in the budget, it happens  
3 during the course of the year, or it's under  
4 contingencies but it's not specifically  
5 identified?

6                   MR. NORAN: Okay, part of the RRRM  
7 budget will have estimates as far as this number,  
8 water main break, that will occur, is the  
9 estimated cost of each break, and then an  
10 aggregate total. Same for service line leaks,  
11 same for fire hydrant collision, same for valve  
12 leaks, all those kinds of things. This will all  
13 be part of the RRRM budget that Veolia will  
14 prepare and submit to the city.

15                   Then there will be a dialogue between  
16 us and the city with how did you come up with this  
17 and all of this and all of that, and eventually,  
18 at least 60 days prior to the beginning of the  
19 fiscal year, the city will approve a RRRM budget  
20 for Veolia.

21                   MR. CAMERINO: So when you get that  
22 water main break -- again, maybe that's a bad  
23 example -- you get a nonemergency situation where

1 something needs to be replaced and it's going to  
2 be more than \$10,000, you're not going to need  
3 approval during the course of the year?

4 MR. NORAN: We are going to need  
5 approval because that's what the contract says.

6 MR. CAMERINO: That's what I'm trying  
7 to understand.

8 MR. NORAN: So even though it's been  
9 approved by Nashua as part of our RRRM budget for  
10 the fiscal year, we still have to go back and seek  
11 approval as various projects are being proposed to  
12 be implemented that exceed \$10,000.

13 MR. CAMERINO: Now, suppose there's a  
14 water main break, it's in the middle of the day,  
15 it's in downtown Nashua, you're going to pull  
16 people off of other work they're doing, right, to  
17 work on this main break?

18 MR. NORAN: We're going to have the  
19 resources necessary to do the main break repair.

20 MR. CAMERINO: Some of those people are  
21 going to be people who are working on the OM&M,  
22 the regular maintenance, right?

23 MR. NORAN: Yes.

1                   MR. CAMERINO: When they arrive on the  
2                   job and they start working on this main break,  
3                   this is a RRRM function, right?

4                   MR. NORAN: Yes.

5                   MR. CAMERINO: They're going to keep  
6                   track of their time, aren't they?

7                   MR. NORAN: Yes.

8                   MR. CAMERINO: And that time is going  
9                   to get billed to Nashua, isn't it?

10                  MR. NORAN: Yes.

11                  MR. CAMERINO: And it's going to be --  
12                  the way their hourly rate is figured out, it's  
13                  based on their direct wages plus some kind of  
14                  overhead costs, their additional benefits, and  
15                  some kind of overhead applied, and then there's a  
16                  profit in there, right?

17                  MR. NORAN: Well, actually, we gave in  
18                  our proposal and in the contract we have  
19                  specifically hourly rates for different  
20                  classifications of employees. So they'll be  
21                  billed out at that hourly rate.

22                  MR. CAMERINO: And those rates included  
23                  a margin for you over and above the cost you

1       actually incur, right?

2                   MR. NORAN: That's the all end cost to  
3       Nashua for the utilization of employees.

4                   MR. CAMERINO: But these employees you  
5       have costs that you actually incur in terms of the  
6       wages you pay them and the benefits you pay them  
7       and any overheads, and then there's a margin on  
8       top of that so you can make a profit, right?

9                   MR. NORAN: Yes.

10                  MR. CAMERINO: So you make a profit  
11       when you send employees out to do this RRRM work,  
12       right?

13                  MR. NORAN: Yes.

14                  MR. CAMERINO: I would hope so, or you  
15       wouldn't be in business.

16                  MR. NORAN: Right.

17                  MR. CAMERINO: But some of these  
18       employees are already there providing services on  
19       the OM&M basis, right, that was included in the  
20       base fee?

21                  MR. NORAN: A portion of the labor is  
22       in the base fee and a portion of the labor is in  
23       the unplanned maintenance.

1                   MR. CAMERINO: So if you send your OM&M  
2 employees over to work on the RRRM project, they  
3 can now start billing Nashua by the hour, right?

4                   MR. NORAN: Yes.

5                   MR. CAMERINO: And that would be added  
6 to the base -- on top of the base fee?

7                   MR. NORAN: Yes.

8                   MR. CAMERINO: Okay. So it seems to me  
9 there would be some incentive to try to take some  
10 of your local people, as best you can, and bring  
11 them to that project rather than paying two  
12 different people at the same time.

13                  MR. NORAN: The objective would be to  
14 optimize the utilization of the employees, and  
15 when we developed our -- our budget for the base  
16 O&M, we used an activity based labor budget, so we  
17 determined how much labor we needed to do the  
18 work. And then we -- we developed a labor budget  
19 associated with the unplanned maintenance, so we  
20 got -- we've got two different categories of  
21 labor.

22                  Now, Veolia, of course, is at risk if  
23 we don't have any unplanned maintenance and we've

1 identified a certain number of FTEs for unplanned  
2 maintenance, then -- then that's our -- that's our  
3 risk as far as bearing that cost.

4 MR. CAMERINO: What you're saying is  
5 you still got to get the basic work done that's on  
6 the OM&M schedule.

7 MR. NORAN: Right.

8 MR. CAMERINO: But you might be making  
9 choices like where you said here today, well,  
10 don't worry, we're going to check the hydrants  
11 more than once, even though we only have to check  
12 them once, that might be a place where you say,  
13 well, we've met our obligation, let's move them  
14 over to the RRRM side.

15 MR. NORAN: Yes.

16 MR. CAMERINO: Now, in some of these  
17 RRRM situations, you're going to need to use  
18 outside contractors for certain functions,  
19 right --

20 MR. NORAN: Yes.

21 MR. CAMERINO: You're going to take the  
22 bills from those contractors and you're going to  
23 mark them up by 12 percent, aren't you? There's

1 carrying charge.

2 MR. NORAN: Yes.

3 MR. CAMERINO: If I -- you were talking  
4 about the hourly rates for the employees, where  
5 would I find those in the contract?

6 COMMISSIONER BELOW: It's page 7 of  
7 appendix H.

8 MR. CAMERINO: Tell me when you've got  
9 that in front of you.

10 MR. NORAN: I have it.

11 MR. CAMERINO: Okay, you have that?

12 MR. NORAN: Yup.

13 MR. CAMERINO: And as we go through  
14 appendix H, when we get to page 3 there start to  
15 be lots of blanks, aren't there, under unit  
16 measurement and unit cost? There's no dollars in  
17 there, it goes on for pages, and it identifies the  
18 functions, but there are no amounts.

19 MR. NORAN: Right.

20 MR. CAMERINO: That's some of what has  
21 to be worked out later?

22 MR. NORAN: Yes.

23 MR. CAMERINO: I'm not sure if this is

1       to Mr. Ashcroft or Mr. Noran. You responded --  
2       well, before we get to that, if you look at  
3       Exhibit 3045, which is your proposal, section  
4       Roman 2, page 2-9, this is another place where you  
5       initially in your proposal provided the city with  
6       an estimate of what you thought their costs would  
7       be, and you indicated that you thought that the  
8       unplanned maintenance was likely to be in the  
9       range of 850,000 to \$1,150,000 a year, is that  
10      correct?

11               MR. ASHCROFT: I think it says to be  
12      established after a two year baseline.

13               MR. CAMERINO: Right, but this was your  
14      estimate at the time. You don't know yet what it  
15      will actually be.

16               MR. ASHCROFT: Precisely. It will be  
17      established after two years of hard data.

18               MR. CAMERINO: But your best estimate  
19      was that range?

20               MR. ASHCROFT: Yes, with very little  
21      information.

22               MR. CAMERINO: And it's actually a  
23      fairly large range, isn't it?



1                   MR. ASHCROFT: I'm sorry?

2                   MR. CAMERINO: It's a fairly large  
3 range, in part, for that reason?

4                   MR. ASHCROFT: We believed it was the  
5 best we could do at the time.

6                   MR. CAMERINO: And, to be clear, you  
7 didn't provide Mr. Sansoucy with the information  
8 that led him to put \$185,000 for unplanned  
9 maintenance in his projections, did you?

10                  MR. ASHCROFT: Did you, Paul? Because  
11 I didn't.

12                  MR. NORAN: No.

13                  MR. CAMERINO: And, in fact, you  
14 answered a data request which has been marked as  
15 Exhibit 3052 in which you estimated that RRRM  
16 services for the year 2005 -- so it isn't  
17 escalated for inflation -- you estimate to cost --  
18 I'm going to take this one line at a time --  
19 \$1,750,000, correct?

20                  MR. NORAN: Yes.

21                  MR. CAMERINO: And if I was trying to  
22 connect this to the figures I just showed you, if  
23 I took the 583 -- in the next sentence I see a

1       number of 583,000 for O&M billable maintenance,  
2       that would be part of RRRM, and then a couple of  
3       lines later I see a number of 617,000 for RRRM  
4       services that you say would be capital projects,  
5       those two total 1.2 million, right?

6                     MR. NORAN: Right.

7                     MR. CAMERINO: And when I read this, my  
8       thought was that's pretty close to the  
9       1.15 million that you estimated. Is that a fair  
10      connection?

11                    MR. NORAN: I'm not sure there's a --  
12      there's a direct connection there, but what we're  
13      estimating based on your list up there, the  
14      \$583,000 is -- is what is considered -- what I  
15      would consider unplanned maintenance that is --  
16      is -- is currently booked as O&M.

17                    For example, if you go out and repair a  
18      water main break, that's an O&M item. If you go  
19      out and repair a service line leak or a fire  
20      hydrant leak, those are all O&M items. So  
21      unplanned maintenance with respect to O&M I'm  
22      estimating at \$583,000 a year.

23                    MR. CAMERINO: Or a total of

1       \$1.2 million for the RRRM budget.

2                   MR. NORAN: Yes. The 617,000 are for  
3       RRRM projects that the commission would  
4       historically classify as capital projects.

5                   MR. CAMERINO: I'm just trying to get a  
6       sense of your position of what would be under the  
7       RRRM category.

8                   MR. NORAN: Okay.

9                   MR. CAMERINO: And to make sure we're  
10      on the same page and not leave everyone out in the  
11      cold, the reason in my thinking that I left the  
12      550,000 out is I read this answer to mean you  
13      would get that money from developers, that  
14      wouldn't be part of your revenue requirement.

15                  MR. NORAN: Yes.

16                  MR. CAMERINO: Okay. Now, let's just  
17      go through very briefly the situation where you  
18      have the main break, and I want to understand --  
19      excuse me one second.

20                  I just want to go through step by step  
21      what happens when the main breaks, okay, and  
22      understand the logistics and who's getting  
23      charged, and the response time.

1                   Main breaks at night, we talked about  
2                   this earlier, on Amherst Street in Nashua,  
3                   somebody finds it because they drive by and they  
4                   call 911, let's say, all right? And 911 calls  
5                   whom?

6                   MR. NORAN: Calls our emergency --  
7                   calls a Veolia emergency number because it's after  
8                   hours.

9                   MR. CAMERINO: They're going to know to  
10                  do that, there will be something set up in  
11                  advance?

12                  MR. NORAN: It's going to be on the  
13                  Nashua website, it's going to be on the bill, and  
14                  it's going to be in the telephone book.

15                  MR. CAMERINO: They won't call the  
16                  city, they'll know to call Veolia?

17                  MR. NORAN: Right, there will be a 24/7  
18                  emergency phone line.

19                  MR. CAMERINO: All right, and they're  
20                  going to call Veolia, an emergency number, and  
21                  who's going to pick up where?

22                  MR. NORAN: They're going to pick up --  
23                  the plant operator at the water treatment plant

1       will pick up, will take down the information.  
2       That person will have a list of who's on call for  
3       field services. That person on call will be  
4       contacted.

5                     The requirement is that within 30  
6       minutes after that call is received we have to  
7       have that employee that's on call will be in  
8       transit to the site, and we would expect that  
9       within -- within one hour that person would be  
10      normally on site assessing the situation, and if  
11      it's a serious situation, starting to call in  
12      other resources and start to initiate a shutdown.

13                    MR. CAMERINO: Now, when I hear water  
14      main break, one of the things I think about is a  
15      backhoe. Probably a backhoe is going to be  
16      needed?

17                    MR. NORAN: Yes.

18                    MR. CAMERINO: Is that called heavy  
19      equipment?

20                    MR. NORAN: Yes.

21                    MR. CAMERINO: Under the contract the  
22      city owns the heavy equipment, right?

23                    MR. NORAN: Yes.

1                   MR. CAMERINO: And you need to ask  
2                   their permission to borrow it, don't you?

3                   MR. NORAN: No. I anticipate that  
4                   the -- the rolling fleet, the heavy equipment that  
5                   will be acquired as assets from -- from Pennichuck  
6                   will -- will come over to Veolia for its exclusive  
7                   use.

8                   MR. CAMERINO: The contract says that  
9                   with regard to heavy equipment you need to ask the  
10                  city for permission to use it, doesn't it? I can  
11                  point you to a section. Does that not ring a  
12                  bell?

13                  MR. NORAN: No, I think they were  
14                  referring to extra heavy equipment. I think there  
15                  were additional resources.

16                  MR. CAMERINO: What I see is -- I see  
17                  section 8.09 and 8.10. It says use of heavy  
18                  equipment, and it says that the city will allow  
19                  you to use it on an as available basis. It may be  
20                  in the appendix, Mr. Noran.

21                  MR. ASHCROFT: Can we refer to 8.11  
22                  where it says owner shall provide VVNA exclusive  
23                  use of all vehicles and equipment required to

1       execute the project. I think a backhoe comes  
2       under that very clearly.

3                   MR. CAMERINO: Then I don't understand,  
4       why is there a provision that says the city will  
5       make their heavy equipment available to you on an  
6       as available basis? Why don't you just accept my  
7       representation that it says that, and we can find  
8       it up later. We've got it up here, I think. Here  
9       it is. Yeah, 8 and 8.9. What I understand is  
10      when we're into RRRM we're not onto your base  
11      services --

12                  MR. ASHCROFT: This says heavy  
13      equipment.

14                  MR. CAMERINO: And I asked if a backhoe  
15      would be heavy equipment. No? What about a dump  
16      truck? It's dangerous when lawyers start talking  
17      construction.

18                  MR. ASHCROFT: How big is the dump  
19      truck?

20                  MR. CAMERINO: Well, it just sounds  
21      like you were contemplating the need for some  
22      heavy equipment; isn't that what usually happens  
23      when you start digging up a street?

1                   MR. ASHCROFT: A backhoe would be  
2                   sufficient for that.

3                   MR. SIEGFRIED: There will be equipment  
4                   that's assigned --

5                   MR. CAMERINO: I understand that. I  
6                   just want to stick with these witnesses.

7                   MR. ASHCROFT: A backhoe would be the  
8                   kind of equipment you would use day in and day out  
9                   in this kind of operation.

10                  MR. CAMERINO: So there isn't any need  
11                  you're going to have for heavy equipment, this is  
12                  a discard in the contract?

13                  MR. ASHCROFT: It could be under a  
14                  construction project. A crane, for example.

15                  MR. CAMERINO: Are there circumstances  
16                  where you think you might need heavy equipment?  
17                  Forget my example.

18                  MR. ASHCROFT: A crane.

19                  MR. CAMERINO: Are there other types of  
20                  heavy equipment? That seems rather extreme?

21                  MR. ASHCROFT: No, no. Maybe move a  
22                  motor on top of a building or higher area of the  
23                  park.



1                   MR. CAMERINO: That's the only one you  
2                   can think of.

3                   MR. ASHCROFT: Off the top of my head  
4                   right now, yeah.

5                   MR. CAMERINO: Mr. Noran, you can't  
6                   think of any other kind of heavy equipment besides  
7                   a crane?

8                   MR. NORAN: A track vehicle, a track  
9                   excavator.

10                  MR. CAMERINO: And do you think you're  
11                  only going to need those vehicles in the city of  
12                  Nashua?

13                  MR. ASHCROFT: I'm sorry, which  
14                  vehicles are you talking about now?

15                  MR. CAMERINO: The heavy equipment.  
16                  What's the likelihood that the city of Nashua is  
17                  going to let you use the heavy equipment for a  
18                  project in Epping?

19                  MR. ASHCROFT: Do you know where Epping  
20                  is? I'm sorry, I don't even know where Epping is.

21                  MR. CAMERINO: Mr. Boutin is looking  
22                  out for Mr. Burton's and Mr. Ford's interests  
23                  here. I'm going to take just a quick look and see

1       if I have anything for them, because I know they  
2       want to get out of here.

3                   I just have one short line of  
4       questioning for you, Mr. Burton, and it may be  
5       that somebody else can answer this, I just don't  
6       want to take a chance.

7                   Mr. Burton, the contract price, I think  
8       you may recall, assumes that Nashua will have  
9       access to a fully functional GIS system. Do you  
10      recall that?

11                  MR. BURTON: I recall that being in  
12      there, yes. I'm actually not the best person to  
13      answer that question.

14                  MR. CAMERINO: And I was going to just  
15      ask, actually, Mr. Noran, you're familiar with how  
16      a GIS operates generally?

17                  MR. NORAN: Yes.

18                  MR. CAMERINO: I think you just won  
19      yourself a ticket out of here, Mr. Burton.

20                  CHAIRMAN GETZ: Mr. Burton and Mr. Ford  
21      are excused. Thank you, gentlemen.

22                  MR. BURTON: Thank you, gentlemen. I  
23      appreciate it.

1                   MR. ASHCROFT: Could we return to the  
2 heavy equipment.

3                   MR. CAMERINO: Certainly, if you'd  
4 like.

5                   MR. ASHCROFT: The situation you  
6 described was a main break in the middle of the  
7 night, I recall.

8                   MR. CAMERINO: Yes.

9                   MR. ASHCROFT: In downtown Nashua where  
10 we had to call out a crew, and this would be, as  
11 you say, an additional expense, is that correct?

12                  MR. CAMERINO: Yes.

13                  MR. ASHCROFT: So --

14                  MR. CAMERINO: You're doing well.  
15 You're asking me the questions now.

16                  MR. ASHCROFT: You're doing well, too,  
17 to answer. So we have a situation where we either  
18 use the equipment that's owned by the city of  
19 Nashua or we hire in that equipment. The least  
20 cost option is to use the equipment owned by the  
21 city of Nashua. So there's an economic driver  
22 there for both the city and ourselves to minimize  
23 costs and use that equipment.

1                   So why would they withhold their  
2       permission to do that, whether it be extra heavy  
3       equipment or heavy equipment. The whole issue  
4       here is it's cheaper for the city of Nashua to  
5       allow us to use that equipment than for us to go  
6       out and rent it. I think that's the nub of this  
7       issue.

8                   MR. CAMERINO: There's also a  
9       coordination and timing problem there, isn't  
10      there?

11                  MR. ASHCROFT: That could be managed.

12                  MR. CAMERINO: But there could be  
13      delays while this approval process or request  
14      process occurs?

15                  MR. ASHCROFT: I think on Section 8.11  
16      it says the owner shall provide VVNA exclusive use  
17      of all vehicles and equipment required to execute  
18      the project. And I'm including the backhoe in  
19      that to be a routine operation.

20                  As a practical matter, if that becomes  
21      an issue, the first time it becomes an issue we'll  
22      sit down with the client and put together a  
23      protocol and agreement, a modus operandi to allow

1       for problems to be overcome.

2                   You can't possibly overcome every  
3       potential situation in a contract.  If you did so,  
4       it would be so unwieldily it would be useless.

5                   MR. CAMERINO:  So just to summarize, if  
6       we look at appendix H and look at all of the  
7       functions that are listed there, if I were to go  
8       on for pages -- the same number of pages that are  
9       in appendix H, I would put those in the right-hand  
10      column of things that get added to the base fee,  
11      correct?

12                  MR. ASHCROFT:  Correct.

13                  MR. CAMERINO:  And all those services  
14      are done by you either on an hourly basis, which  
15      includes your profit, or it's done on a fixed-fee  
16      basis, but we don't know what those fixed fees  
17      are, they're not in the contract.

18                  MR. ASHCROFT:  As you rightly point  
19      out, that's one of the details yet to be resolved.

20                  MR. CAMERINO:  Or it's performed by  
21      somebody that you engage as a subcontractor, and  
22      you get their cost and profit, plus you put a  
23      12 percent markup on that.

1                   MR. ASHCROFT: Or it could be  
2                   contracted out by Nashua to another entity.  
3                   Because clearly we're not giving value for money  
4                   here, and here's where Beck would come in and  
5                   we're demonstrating that we're not providing value  
6                   for money there, they have a right to take out  
7                   those capital items and sub them to someone else.

8                   MR. CAMERINO: But not if it fits  
9                   within the definition of RRRM, then you have to do  
10                  it.

11                  MR. ASHCROFT: That's right. But there  
12                  is within this contract a dispute resolution  
13                  process. If it's demonstrated that we're not  
14                  giving good value for money, I would anticipate  
15                  that Nashua would invoke that clause.

16                  MR. CAMERINO: And I'm going to  
17                  actually ask you about that in a little bit.

18                  Now, transition services. There's a  
19                  flat fee for the transition services of  
20                  \$1,380,000?

21                  MR. ASHCROFT: I believe so.

22                  MR. CAMERINO: And then there's  
23                  appendix Q, which I don't want to make a mistake

1       here, but I think this is the very last part of  
2       the document, the last four pages, and that lists  
3       the transition services, right?

4                   MR. ASHCROFT: Right.

5                   MR. CAMERINO: And so that tells me  
6       what I get for the \$1,380,000? That was a  
7       question.

8                   MR. ASHCROFT: Oh, yes.

9                   MR. CAMERINO: Would you turn to the  
10      second page of appendix Q. Do you have that in  
11      front of you?

12                  MR. ASHCROFT: Yes.

13                  MR. CAMERINO: The first line says  
14      anticipated transition services as part of  
15      supplemental services are expected to be the  
16      following. So that means that the things in that  
17      category are actually treated as supplemental  
18      services and there would be another charge for  
19      those, correct?

20                  MR. ASHCROFT: Would you allow me to  
21      study that? Perhaps, Steve, could you answer that  
22      one?

23                  MR. SIEGFRIED: Yes.

1                   MR. CAMERINO: No, excuse me. You,  
2                   Mr. Ashcroft, was responsible for this contract  
3                   and it was put in place before Mr. Siegfried  
4                   joined the team and Mr. Noran was there.

5                   So the two of you assisted in creating  
6                   this document and Mr. Siegfried was not part of  
7                   that team, we had that testimony earlier. So I'd  
8                   like the two of you to give your understanding, if  
9                   you have one. If you don't, we'll leave it where  
10                  it is.

11                  MR. ASHCROFT: Then I'll have to read  
12                  it.

13                  MR. CAMERINO: Please read it.

14                  MR. ASHCROFT: Okay, if you just take  
15                  the first item, develop detailed plans for  
16                  addressing gaps identified in the data information  
17                  and IT systems identified by Pennichuck Water  
18                  Works. At the time we wrote this we actually  
19                  didn't know -- still don't know -- what those gaps  
20                  are, so how can we quantify them?

21                  So by definition, until we know what  
22                  the gaps are, what the work is, we can't quantify  
23                  them, we can't put a price on them.



1                   MR. CAMERINO: I apologize if this  
2           wasn't clear earlier. I know some of the nature  
3           of this questioning may lead you to believe  
4           otherwise. I'm trying to just understand which  
5           goes in each column. I'm not saying you did  
6           something wrong.

7                   But my question, which I think you've  
8           answered is, these services that are in 3.2 under  
9           appendix Q, those are additional charges, correct?

10                  MR. ASHCROFT: They may or may not be  
11           additional, we don't know what the quantum is, or  
12           if, in fact, if there is additional charges.  
13           There could be, we don't know.

14                  MR. CAMERINO: If you have to do these  
15           things.

16                  MR. ASHCROFT: If we have to do them.  
17           And to what extent, I don't know.

18                  MR. CAMERINO: So we don't have a  
19           number for that, but we know that the category  
20           belongs as an extra. I'd like to ask you about  
21           capital improvement services, and these are in  
22           appendix G, correct? Everything on this schedule  
23           is an extra, right?

1                   MR. NORAN: Under item 2, capital  
2     improvements plan, the initial plan Veolia in its  
3     base fee has included the costs associated with  
4     developing the five year capital plan and updating  
5     that capital plan each year, and we -- we estimate  
6     the value of this service at \$50,000 per year.

7                   MR. CAMERINO: It's fair enough.  
8     Actually, that's the one aspect of capital  
9     improvements that is either in the transition fee  
10    or the base fee is the plan itself. But the  
11    projects -- and if we move to page 2 of that  
12    appendix we'll see a long list of examples -- the  
13    projects are all extra.

14                  MR. ASHCROFT: Well, of course they  
15    are.

16                  MR. CAMERINO: And when those projects  
17    come along they could be done by Veolia, possibly.

18                  MR. ASHCROFT: Or possibly not.

19                  MR. CAMERINO: Or they could be done by  
20    Beck.

21                  MR. ASHCROFT: Possibly.

22                  MR. CAMERINO: Or by Dufresne-Henry --  
23    StanTech.

1                   MR. ASHCROFT: Or indeed a lot of other  
2 companies. That's a matter for procurement for  
3 the city, getting the best buy for the money.

4                   MR. CAMERINO: You're going to need to  
5 compete for that business, right?

6                   MR. ASHCROFT: I would assume if I was  
7 the city of Nashua I'd market test these company  
8 products from time to time to insure efficiency.

9                   MR. CAMERINO: You're going to be  
10 inside the company, though, on a day-to-day basis  
11 with all the operational information, aren't you?

12                  MR. ASHCROFT: Yes.

13                  MR. CAMERINO: That's pretty helpful in  
14 being able to bid on these projects, isn't it?

15                  MR. ASHCROFT: I think that's pretty  
16 helpful for being able to deliver value for money  
17 for our partner, yes.

18                  MR. CAMERINO: Remember our discussion  
19 about risk before, you'll be able to bid on these  
20 projects with a lot less risk than those other  
21 players, won't you?

22                  MR. ASHCROFT: We have a lot of  
23 operational knowledge. I would assume that if



1       essentially anything that doesn't come into any  
2       other category, is that a fair way to characterize  
3       this?

4                   MR. NORAN:  This -- this schedule is  
5       mainly related to developer-type projects.

6                   MR. CAMERINO:  Let me tell you the way  
7       I read this, and you tell me if you agree.  We had  
8       the OM&M, which is what you have to do for the  
9       base fee.  We have the RRRM, which is what you're  
10      entitled to do, that is unplanned maintenance and  
11      planned projects with a useful life of more than a  
12      year.

13                   You have capital projects, which are  
14      another category that come out of that capital  
15      budgeting process, I assume, and then this  
16      schedule is anything else that's not in the base  
17      fee and wasn't in those other categories, and  
18      that's how I read the first sentence -- or first  
19      two sentences on this schedule.  Would that be a  
20      fair reading?

21                   MR. NORAN:  Yes.

22                   MR. CAMERINO:  So this has things like  
23      inspection of new construction, creating as-built

1 records, preparing hydraulic modeling and  
2 analysis, preparing fire flow test and reports.

3 Aren't those all things that are  
4 presently done by Pennichuck's in-house  
5 engineering staff?

6 MR. ASHCROFT: I don't think we could  
7 answer that.

8 MR. CAMERINO: Well, Mr. Noran, could  
9 you answer that? You know how an in-house  
10 engineering staff works.

11 MR. NORAN: I'm sure some of these  
12 services are now provided by Pennichuck's in-house  
13 engineering staff.

14 MR. CAMERINO: When they bill for their  
15 time -- which they do in a sense, they keep track  
16 of their time and they charge it to projects,  
17 right, at a regulated company?

18 MR. NORAN: Yes.

19 MR. CAMERINO: What happens in the  
20 regulated company is they allocate their salary  
21 and their overheads, right, their internal costs?  
22 They don't make any profit through the regulatory  
23 process on the use of those in-house engineers, do

1       they?

2                   MR. NORAN:  I don't know if they do or  
3       not.

4                   MR. CAMERINO:  Well, we know that you  
5       are going to include profit in your rates, right,  
6       when you charge Nashua for those services?

7                   MR. NORAN:  Yes.

8                   MR. CAMERINO:  And if you contract with  
9       somebody outside to provide some of those  
10      services, there's going to be their profit plus a  
11      markup, right?

12                  MR. NORAN:  That -- that's a  
13      possibility, but I would suggest you look at page  
14      3.  What Veolia is doing is giving Nashua a rate  
15      schedule to provide these services.  For example,  
16      new construction, item 1-A, a flat rate of -- of  
17      \$200 for inspection of a new residential service  
18      line.

19                  Now, if it costs Veolia \$400 to provide  
20      that service, Nashua is only paying 200.  If -- if  
21      Veolia has a -- engineering people that are only  
22      used 60 percent of the time rather than 80 percent  
23      of the time because they can only bill 60 percent

1 of that person's time, then Veolia is taking  
2 that -- that loss in that engineer, because Nashua  
3 is only paying for engineering services that it's  
4 getting.

5 It's not paying for Veolia to have an  
6 engineer on staff on a full-time basis at, let's  
7 say, a hundred thousand dollars a year. Veolia  
8 only gets paid for specific services based on the  
9 schedule that that engineer is providing.

10 MR. CAMERINO: So if Pennichuck  
11 happened to have extra engineers sitting around  
12 without enough to do, then the customers would be  
13 paying for services they don't need.

14 MR. NORAN: Yes.

15 MR. CAMERINO: But if Pennichuck's  
16 engineering staff had more than enough to do,  
17 those inefficiencies wouldn't be a problem, would  
18 they?

19 MR. NORAN: I would say it depends on  
20 their efficiency and productivity. And these  
21 rates that we have on various services are very  
22 competitive in the marketplace.

23 MR. CAMERINO: And I'm assuming again,



1       since you're still in business, they include  
2       profit, correct?

3                       MR. NORAN:   Yes.

4                       MR. CAMERINO:  So they're not just your  
5       direct costs?

6                       MR. NORAN:   Yes.

7                       MR. CAMERINO:  So these supplemental  
8       service, that's going to go on the board on the  
9       right side as well, these are in addition?

10                      MR. NORAN:   Yes.

11                      MR. CAMERINO:  And this supplemental  
12       services categories is essentially most of the  
13       day-to-day engineering work that the company would  
14       need?

15                      MR. NORAN:   Other than what I'm  
16       describing for as operational engineering, and,  
17       once again, I indicated that we had \$25,000 per  
18       year in the base fee for operational engineering.

19                      I'd also like to call your attention to  
20       page 4 of that appendix E in which Veolia is doing  
21       on account for water audits as part of its base  
22       fee.  It's doing pump efficiency tests on units  
23       above 25 horsepower as part of its base fee.

1       We've already talked about the \$50,000 worth of  
2       capital planning that it's providing in its base  
3       fee.

4                   CHAIRMAN GETZ:   Mr. Camerino, how much  
5       more?

6                   MR. CAMERINO:   I'm going to try to wrap  
7       up within a half an hour.

8                   CHAIRMAN GETZ:   It seems to me that  
9       some of this stuff -- areas you're re-summarizing  
10      information and lines questioning you've gone  
11      through before. Does this half-hour include new  
12      information or evidence that's not cumulative?

13                  MR. CAMERINO:   It includes all new  
14      information. I recognize that sometimes things  
15      appear to be cumulative, and I know that the chair  
16      doesn't like to do this, but if you feel that  
17      that's what's happening and can point out in time,  
18      I will accept the lead and move on to the next  
19      thing, if that helps speed things along.

20                  CHAIRMAN GETZ:   So what is your  
21      intention now, is to fill out these columns?

22                  MR. CAMERINO:   No. No, no. I was not  
23      going to put things under those columns, if that's

1       what you're asking.

2                   CHAIRMAN GETZ:   So what is your next  
3       line of inquiry?

4                   MR. CAMERINO:   I have one more question  
5       just to put a dollar amount on supplemental  
6       services, and then I was going to move on to  
7       customer service and how that works.

8                   CHAIRMAN GETZ:   Okay, let's proceed for  
9       a short time before we take our afternoon recess.

10                  MR. CAMERINO:   Okay.   So, Mr. Ashcroft,  
11       do you recall answering -- we talked about that  
12       data request before, 3052, and in that you put an  
13       actual estimate on the supplemental services.

14                  MR. ASHCROFT:   I think it was Paul that  
15       answered that.

16                  MR. CAMERINO:   Mr. Noran, I'm sorry.  
17       Mr. Noran?

18                  MR. NORAN:    Yes.

19                  MR. CAMERINO:   And what was that  
20       amount?

21                  MR. NORAN:    The total was 321,000, and  
22       that's broken down equally between engineering and  
23       inspection related to capital projects and

1       engineering and inspection related to developer  
2       projects.

3           Q.       And the part that would be chargeable  
4       to Nashua is the \$160,500?

5           MR. NORAN:   Yes.

6           MR. CAMERINO:   Which is half of the  
7       amount that you gave there?

8           MR. NORAN:   Yes.

9           MR. CAMERINO:   All right.  I'm just  
10       going to take one second and see if I can  
11       eliminate a few questions here.  Excuse me.

12                  Now, you're going to run a customer  
13       service center, some kind of call center, is that  
14       a fair statement?

15           MR. NORAN:   We're not going to run a  
16       call center.

17           MR. CAMERINO:   What are you going to  
18       run?

19           MR. NORAN:   The city is going to run  
20       the call center.  During normal working hours the  
21       city will refer calls related to the -- related to  
22       items that pertain to us; in other words,  
23       operations and the maintenance of the water system

1 to us.

2 MR. CAMERINO: Well, here's what I  
3 don't understand. Section 7.5 of the contract  
4 says that Veolia will establish a phone number,  
5 quote, for customer's inquiries and emergency  
6 service calls.

7 MR. NORAN: That's what I already  
8 described as the emergency and off hours calls.

9 MR. CAMERINO: So on emergency calls  
10 customers will call Veolia?

11 MR. NORAN: Yes.

12 MR. CAMERINO: All other calls go to  
13 the city.

14 MR. NORAN: Yes.

15 MR. CAMERINO: And that will be on the  
16 bills?

17 MR. NORAN: Yes.

18 MR. CAMERINO: I don't know if you're  
19 like me, but when you call a company -- maybe I'm  
20 too impatient, but I call the first number I see  
21 on the piece of paper I pick up. Don't you think  
22 that's what customers are going to do?

23 MR. NORAN: Well, we'll work through

1       that to be sure that we get the calls that are --  
2       that are necessary on the off hours.

3                   MR. CAMERINO:  And it says in appendix  
4       D, item 7, subpart I says that Veolia will provide  
5       a customer contact to answer all water quality  
6       related customer inquiries, such as pressure,  
7       taste, odor, or aesthetic issues.

8                   MR. NORAN:  Yes.

9                   MR. CAMERINO:  Are people going to know  
10      to call you for those matters, or how do they  
11      figure that out?

12                  MR. NORAN:  I guess -- once again,  
13      during normal working hours the calls will go  
14      through to the city.  We will have -- we will have  
15      met with the -- with Carol Anderson and will have  
16      details with regard to how customers handle  
17      matters related to the operations and maintenance  
18      of their water system, how they refer to us, and  
19      map out that process so that we can be sure that  
20      appropriate calls related to operations and  
21      maintenance issues and water quality and pressure  
22      and those kind of things are -- are given to us.

23                  MR. CAMERINO:  Go to item L on that

1 exhibit and you see that Veolia is supposed to  
2 manage customer inquiries concerning tap fees,  
3 which seems to me more like a billing type  
4 question, but, again, that's going to be handled  
5 by Veolia? Is that correct?

6 MR. NORAN: Yes.

7 MR. CAMERINO: That will be handled by  
8 Veolia?

9 MR. NORAN: Yes.

10 MR. CAMERINO: So the one thing it  
11 seemed to me you were clear on is that Veolia  
12 would handle emergency calls, correct?

13 MR. NORAN: Yes.

14 MR. CAMERINO: Could you take a look at  
15 section 8.18 of the contract? And the first  
16 sentence says, owner -- which is the city -- shall  
17 provide a contact center for purposes of receiving  
18 customer inquiries, complaints, and emergency  
19 service calls.

20 MR. NORAN: That's normal -- that's for  
21 normal working hours.

22 MR. CAMERINO: So you're going to  
23 handle the emergencies after five, they're going

1 to handle the emergencies before five?

2 MR. NORAN: Yes.

3 MR. CAMERINO: Can you see that a  
4 customer might get confused by that arrangement?

5 MR. ASHCROFT: We haven't got into the  
6 practicalities of this in any great detail. One  
7 technique I've used before is to have one number,  
8 and after hours that number automatically  
9 transfers to the second number, in this case to  
10 the water treatment plant.

11 These are minute details that are  
12 rather easily managed and worked through with the  
13 owner. When we certainly have a notice to  
14 proceed, this is the kind of operational detail we  
15 will get into at that time.

16 I absolutely agree with you that the  
17 object here is to provide something that's clear  
18 and easy for the customers in Nashua to deal with.

19 MR. CAMERINO: Well, in fact, the  
20 contract itself internally seems inconsistent,  
21 because if you look at paragraph 7.5 on page 13,  
22 there it says Veolia will provide a 24 access  
23 telephone number for the purpose of receiving



1 customers' inquiries and emergency service calls  
2 related to the project, so.

3 MR. ASHCROFT: Whatever it takes.

4 MR. CAMERINO: And then it says  
5 Veolia -- VWNA -- shall forward all calls to the  
6 owner which are not applicable to the scope of  
7 services outlined in this agreement. So if you  
8 got a call and you don't think it's for you,  
9 you'll transfer it over to the city?

10 MR. ASHCROFT: I said this morning, I  
11 believe, that I've operated systems whereby it's  
12 run through the integrated call center taking both  
13 operational calls and customer billing inquiries.

14 I've also operated systems where the  
15 two call centers are actually separate. As you  
16 rightly point out, customers perhaps do just phone  
17 the first number they see, and when a water  
18 quality inquiry comes through to a billing center  
19 telephonist, they will reroute that call to the  
20 appropriate number for Veolia to deal with.

21 That's the way it works in practice.  
22 Customers do make mistakes, we have to bear with  
23 them, we have to make the process as easy and

1 transparent as possible.

2 MR. CAMERINO: Now, there are lots of  
3 grounds -- if you look at section 11 of the  
4 contract --

5 CHAIRMAN GETZ: Are you going into a  
6 different subject?

7 MR. CAMERINO: I am.

8 CHAIRMAN GETZ: Okay, let's take a  
9 15-minute recess at this point.

10 (Recess taken.)

11 CHAIRMAN GETZ: Last round.

12 Mr. Camerino?

13 MR. CAMERINO: Yes, Mr. Chairman, and  
14 I'll try not to tax your patience anymore. I'm  
15 going to talk some more about the charges in the  
16 base fee, but this is with regard to a provision  
17 in the contract.

18 If you look at section 11.2 which talks  
19 about permissible ground to change the base fee --  
20 and, actually, just section 11, let's just get  
21 there, first. I'll give you a page reference.  
22 That's on page 19, and it's up on the screen.

23 And this has to do with changes in

1 scope that would result in a change in the base  
2 fee, is that a fair characterization?

3 MR. ASHCROFT: Yes.

4 MR. CAMERINO: And it says if there's a  
5 change then you take Veolia's additional cost plus  
6 10 percent, that's in section 11.2? That would be  
7 on the next page.

8 MR. ASHCROFT: Oh.

9 MR. CAMERINO: The numbering is a  
10 little confusing, but 11.2, that's after 11.1.10.

11 MR. ASHCROFT: Yes.

12 MR. CAMERINO: And I don't want to get  
13 into the details, there's different types of  
14 changes that fall under different provisions,  
15 right?

16 MR. ASHCROFT: Right.

17 MR. CAMERINO: And, first of all, if  
18 you're applying this provision that says if  
19 there's a change in scope, you figure out Veolia's  
20 costs and you add 10 percent, and that changes the  
21 base fee. How would we figure out Veolia's costs?

22 MR. ASHCROFT: I presume that's where  
23 Beck would come in.

1                   MR. CAMERINO: But you're going to  
2                   figure out your costs, right? You're the one who  
3                   keep you own internal --

4                   MR. ASHCROFT: We would know our costs,  
5                   yes.

6                   MR. CAMERINO: Sorry, bad choice of  
7                   words. So you're going to have to figure out your  
8                   costs from your own internal accounting, correct?

9                   MR. ASHCROFT: Yes, that's pretty  
10                  normal.

11                  MR. CAMERINO: And the only way for  
12                  Beck to verify those is to see your internal  
13                  accounting, isn't it?

14                  MR. ASHCROFT: I would suggest that  
15                  they probably do that with a benchmark.

16                  MR. CAMERINO: You might not want them  
17                  to see your internal accounting, that's fairly  
18                  proprietary information?

19                  MR. ASHCROFT: This is not an open book  
20                  contract. There are contracts that are open book;  
21                  this isn't one of them.

22                  MR. CAMERINO: Now, 11.1 talks about  
23                  when a change in scope of services occurs,

1 correct? So these are the situations that could  
2 result in a change in the base fee.

3 MR. ASHCROFT: Yes.

4 MR. CAMERINO: And the very first one  
5 under 11.1.1 is if there is a material difference  
6 between the assets and the related conditions and  
7 what was assumed in appendix I, correct?

8 MR. ASHCROFT: Yes.

9 MR. CAMERINO: So appendix I -- and  
10 let's see if we can turn to that -- lists the  
11 assumptions that went into building the annual  
12 fee, right?

13 MR. ASHCROFT: Yes.

14 MR. CAMERINO: And the very first one  
15 is you relied on the 2000 -- not the first one,  
16 the third one -- I got carried away -- is that you  
17 relied on the 2004 PUC report.

18 MR. ASHCROFT: Yes.

19 MR. CAMERINO: So we know right from  
20 the get-go that that report is no longer an  
21 accurate representation of the system, right?

22 MR. ASHCROFT: I think it's reasonable  
23 to assume that things have changed in three years,

1       yes.

2                   MR. CAMERINO:   So that would be a  
3       grounds for change.

4                   MR. ASHCROFT:   Either up or down, yes,  
5       increase or decrease.

6                   MR. CAMERINO:   And, in addition, I  
7       assume you would say you really didn't have an  
8       opportunity when you entered into this -- entered  
9       is the wrong word -- when you set this draft to  
10      writing, you didn't have a sufficient opportunity  
11      to review the assets of the company, did you?

12                  MR. ASHCROFT:   No, we have not.

13                  MR. CAMERINO:   So it's quite possible  
14      that when you do your complete review of the  
15      assets that you will find out something that  
16      differs materially from something that you assumed  
17      when you negotiated this, correct?

18                  MR. ASHCROFT:   That is always a  
19      possibility.

20                  MR. CAMERINO:   And this list of  
21      assumptions, it has some -- on the second page it  
22      has a detailed listing of tests that you assume  
23      will be required, and if you look quickly at

1       that -- and trust me, I didn't think of this  
2       myself -- the test for radio nuclei, uranium and  
3       radon is missing, right? There's nothing on there  
4       for that, is there?

5                   MR. ASHCROFT: It's not on there.

6                   MR. CAMERINO: And that's an important  
7       test, isn't it?

8                   MR. ASHCROFT: It is a test, but I --  
9       we're taking the risk that it hasn't changed in  
10      three years.

11                  MR. CAMERINO: And another thing that  
12      can result in a change under 11.1.3 is an increase  
13      or decrease of more than 500 customers reported in  
14      the 2004 PUC report to be 24,570 customers. Do  
15      you see that?

16                  MR. ASHCROFT: Yes.

17                  MR. CAMERINO: So if I represented to  
18      you -- and I'm just asking you to assume this for  
19      purposes of the question -- that the commission  
20      knew that, say, there was about 25,700 customers  
21      today, there would be a change in the fee,  
22      wouldn't there?

23                  MR. ASHCROFT: As there would be if the

1       number of customers had been reduced.

2                   MR. CAMERINO:   Okay, and how would I  
3       figure out what that change is?

4                   MR. ASHCROFT:   In terms of the number  
5       of customers?

6                   MR. CAMERINO:   No, if there was a  
7       change in the number of customers by more than  
8       500, how would I figure out what the change in fee  
9       was?

10                  MR. ASHCROFT:   Somewhere in the  
11       contract it says so much per customer.   I'd have  
12       to find that, and I can't find it immediately.  
13       That's taken care of somewhere else in the  
14       contract.   Anyone recall?

15                  MR. CAMERINO:   I'm just doing the math  
16       quickly.

17                  MR. ASHCROFT:   Yes.

18                  MR. CAMERINO:   So that would be a  
19       difference of about 1,130 customers?

20                  MR. ASHCROFT:   The section you're  
21       referring to talks about a reduction in the fee,  
22       not increase in the fee.

23                  MR. CAMERINO:   Well, okay.   And my



1 notes tell me -- and, again, let's just -- I'm  
2 just going to make a note of the amount, I'm  
3 sorry.

4 MR. ASHCROFT: Paul, is there anything  
5 you'd like to say on this point?

6 MR. NORAN: Yes. I think, Steve, in  
7 that example you used where you went up by --  
8 about 1,000 customers?

9 MR. CAMERINO: 1,100, yes. 1,130.

10 MR. NORAN: The process we would do is  
11 actually we would look at our costs associated  
12 with different OM&M activities. For example, the  
13 treatment facility, your major costs are labor,  
14 chemicals and power. Power is not in our fee, so  
15 we would look at labor and chemicals, and we would  
16 see if there's any differences as a result of that  
17 additional 1,100 customers, and we would do the  
18 same thing with regard to the field services.

19 Obviously you're going to have an  
20 increased cost of meter reading, reading an  
21 additional 1,100 meters, so that's a process we  
22 would use to analyze and develop a cost impact of  
23 this customer change.

1                   MR. CAMERINO: Well, but the contract  
2                   gives you an actual right to increase your base  
3                   fee, doesn't it?

4                   MR. NORAN: Yeah, what I did is explain  
5                   the methodology we would use to come up with a  
6                   change in the base fee. So there would only be  
7                   certain components of our costs that would be  
8                   impacted by an increase in the number of  
9                   customers.

10                  MR. CAMERINO: All right. So it sounds  
11                  like we don't -- we don't know what the amount of  
12                  the change would be, but we know that you have a  
13                  right to a change if there is an increase in the  
14                  number of customers.

15                  MR. NORAN: And we also know what the  
16                  approach Veolia will use to come up with that --  
17                  that cost, and it will only be the variable costs  
18                  that have been impacted by the increase in number  
19                  of customers.

20                  MR. CAMERINO: Another grounds in here  
21                  for a change in the fee would be Nashua's failure  
22                  to timely authorize RRRM expenses, capital  
23                  improvement projects or supplemental services,

1 correct?

2 MR. ASHCROFT: I'm sorry, which section  
3 are you referring to, do you have a number?

4 MR. CAMERINO: I'm referring to -- I  
5 was afraid you were going to ask me that. If you  
6 look at 11.1.6, I think there's a typo, actually,  
7 it confused me. It refers to RRRP, but I assume  
8 it's RRRM.

9 So if there's failure to timely  
10 authorize those projects, that's a change of  
11 scope, and Veolia could charge for that, couldn't  
12 it?

13 MR. ASHCROFT: If it impacted our  
14 costs, yes.

15 MR. CAMERINO: And also if there's an  
16 extension of services to new areas.

17 MR. ASHCROFT: Clearly.

18 MR. CAMERINO: And if there are  
19 uncontrollable circumstances.

20 MR. ASHCROFT: Yes.

21 MR. CAMERINO: And there's a definition  
22 of uncontrollable circumstances, isn't there?

23 MR. ASHCROFT: Usually in these things,

1       yes.

2                   MR. CAMERINO:  And that's in Exhibit A  
3       on item A-33?  And that's a fairly long and  
4       detailed definition.  Fairly -- fairly difficult  
5       to read, actually, isn't it?

6                   MR. ASHCROFT:  I haven't found it yet.

7                   MR. CAMERINO:  If you look at appendix  
8       A, definition A-33, it's the fourth page in.  So if  
9       there's something that's in that definition, you  
10      could assert the right to a change in the base  
11      fee, right?

12                  MR. ASHCROFT:  Yeah, flood, drought,  
13      hurricane, tornado, epidemic, severe earthquake,  
14      catastrophic fire, explosion.  That's the flavor  
15      of it.

16                  MR. CAMERINO:  Ms. Knowlton reminds me,  
17      are you aware that this area has had two 100-year  
18      floods just in the last couple of years?

19                  MR. ASHCROFT:  I wasn't, but it  
20      wouldn't surprise me.

21                  MR. CAMERINO:  Those would be  
22      uncontrollable events, wouldn't it, uncontrollable  
23      circumstances?

1                   MR. ASHCROFT: Two 100-year floods or  
2       rainfall events?

3                   MR. CAMERINO: Well, I'm not going to  
4       distinguish between them because it's beyond my  
5       expertise. I recall them, they're rainfall events  
6       that led to floods. I don't know what the  
7       distinction is.

8                   MR. ASHCROFT: A 100 year rainfall  
9       event might not have as very serious implication  
10      as far as a water treatment plant is concerned, it  
11      might as far as a wastewater treatment plant is  
12      concerned.

13                  MR. CAMERINO: Or disruptions to the  
14      distribution system?

15                  MR. ASHCROFT: I'm not quite sure a  
16      heavy rain would influence a distribution system.  
17      Certainly affect a collection system. It's more  
18      applicable to wastewater.

19                  MR. CAMERINO: So if the pavement  
20      collapsed and the pipe fell under it, that  
21      wouldn't --

22                  MR. ASHCROFT: If there was landslide  
23      or land slip, yes.

1                   MR. CAMERINO: The point is, there are  
2                   a number of grounds that Veolia might assert at  
3                   some point, and some of these events have already  
4                   occurred, that would cause the right to change the  
5                   base fee, right?

6                   MR. ASHCROFT: It's certainly something  
7                   we would wish to discuss with the client, yes.

8                   MR. CAMERINO: I'm obviously leading up  
9                   to places where there could be disagreement, and  
10                  you mentioned before there's a dispute resolution  
11                  provision to deal with that, isn't there?

12                  MR. ASHCROFT: Yes.

13                  MR. CAMERINO: And that's set out in  
14                  appendix K.

15                  MR. ASHCROFT: I would add while we're  
16                  looking that up that of the 45 contracts I've  
17                  managed, I can't think of any uncontrolled  
18                  circumstances that have caused any adjustment to  
19                  our fee in the last -- well, since I've been here  
20                  in the last two and a half years. They're very  
21                  rare indeed.

22                  MR. CAMERINO: Well, there's pressure,  
23                  isn't there, though, when costs are getting up

1       against what you said you'd do the contract for,  
2       there's pressure to find reasons that the other  
3       party to the contract should pay you for your  
4       additional services, isn't there?

5                   MR. ASHCROFT:  Only if it's fair and  
6       justified.  We're not here to make a quick buck,  
7       we're here to develop a long-term relationship,  
8       hope to be supplying the citizens of Nashua and  
9       supplying the citizens of Nashua with water for  
10      many years to come.  So the kind of rogue behavior  
11      you're talking about is not part of our modus  
12      operandi.  And there is, as I say, an oversight  
13      contractor, and if I started to behave like that  
14      then Mark Suza for one I know would be on the  
15      phone to me very quickly.  It's not something we  
16      would do.

17                  MR. CAMERINO:  Those are the types of  
18      issues though that lead to disagreements under a  
19      contract -- and now I'm not being particular to  
20      Veolia, any contractual relationship -- that  
21      sometimes land in court, right?

22                  MR. ASHCROFT:  It could eventually,  
23      yes.  Anything could happen.

1                   MR. CAMERINO: And so you have a  
2                   dispute resolution process that contemplates that  
3                   there could be disagreements under the contract?

4                   MR. ASHCROFT: Of course. There has to  
5                   be a safety valve in any contract.

6                   MR. CAMERINO: And that's set out under  
7                   appendix K, right?

8                   MR. ASHCROFT: Yup.

9                   MR. CAMERINO: And I'd noted as I went  
10                  through this contract -- this is the kind of  
11                  things lawyers tend to pick up -- there's a lot of  
12                  language in here, a lot of references to using  
13                  best efforts, reasonableness standards, things  
14                  like that.

15                  And that reflects, I assume, the fact  
16                  that there are places where the parties just have  
17                  to count on the other one acting reasonably and  
18                  doing the right thing, right?

19                  MR. ASHCROFT: We would characterize  
20                  this contract as a public/private partnership.

21                  MR. CAMERINO: And I'm not going to  
22                  take your time with every single reference that I  
23                  found, although I'm sure you'd believe me if I



1 told you I made a list of them.

2 MR. ASHCROFT: Oh, sure.

3 MR. CAMERINO: But it's those words  
4 that are the pressure points often in a contract  
5 dispute, aren't they? They are the gray area of a  
6 contract that lands parties in court.

7 MR. ASHCROFT: Again, you're dealing  
8 with a hypothetical situation. If we're unable to  
9 resolve our differences there is a dispute  
10 resolution process, yes.

11 MR. CAMERINO: And this is a contract  
12 where there's a division of responsibilities  
13 between the city and Veolia, and some of those may  
14 not be a hundred percent clear.

15 MR. ASHCROFT: To what are you  
16 referring specifically?

17 MR. CAMERINO: Well, there are certain  
18 functions we've identified that the city is  
19 responsible for and others that Veolia is  
20 responsible for.

21 MR. ASHCROFT: I was asking you to  
22 clarify what those are.

23 MR. CAMERINO: Well, certainly from

1       experience the chairman does not want me to go  
2       through those now.

3                   MR. ASHCROFT: Well, customer service  
4       is the only one I can think of.

5                   MR. CAMERINO: And there's also  
6       questions about which costs fall into which  
7       categories. And we heard Mr. Noran earlier talk  
8       about things that maybe they would be an RRRM, but  
9       the city might say they should be in capital  
10      projects, do you recall that?

11                  MR. ASHCROFT: Yes.

12                  MR. CAMERINO: And so there's a lot of  
13      places in the contract where it's incumbent on the  
14      parties to come to terms with one another or there  
15      could be a disagreement.

16                  MR. ASHCROFT: I go back to what I said  
17      a few minutes ago about being a public/private  
18      partnership. Yes, we have a contract here. What  
19      I always endeavor to do is to negotiate a fair and  
20      equitable contract, sign it, shake hands on it and  
21      put it in the drawer and talk about partnership  
22      and how we're going to work together.

23                  Only if we're unable to work together

1       successfully would you get out the contract and  
2       start referring to that. If you still can't  
3       resolve it, then you have a dispute resolution  
4       procedure.

5               MR. CAMERINO: So there's this general  
6       dispute resolution procedure that is in section  
7       15.3, if you look at that. I'm not going to ask  
8       you anything about it other than to acknowledge  
9       that that's where it is.

10              MR. ASHCROFT: Yes.

11              MR. CAMERINO: Okay, but if you look at  
12       section 6.2D, which is page 11 of the contract,  
13       there is a separate reference to dispute  
14       resolution for RR and RM services, and that's the  
15       appendix K I referred to before. Do you see that?

16              MR. ASHCROFT: Yes.

17              MR. CAMERINO: It struck me when I read  
18       that, and I want to ask you if it's correct, that  
19       the parties must have recognized that there was a  
20       particular likelihood of disputes about RRRM  
21       matters, or else it wouldn't put in a separate  
22       dispute resolution for that and a separate  
23       reference for it.

1                   MR. ASHCROFT: We tried to cover all  
2                   the angles, yes.

3                   MR. CAMERINO: And then again, in  
4                   appendix D, section 1-G, there's another reference  
5                   to dispute resolution with regard to high priority  
6                   repairs.

7                   Again, it seems like the parties had an  
8                   awareness that there are certain circumstances  
9                   that are even more likely than others to lead to  
10                  disputes.

11                  MR. ASHCROFT: It seems to me that the  
12                  people who negotiated this proposed contract were  
13                  worldly wise and prudent.

14                  MR. CAMERINO: And I want to be careful  
15                  how I do this because I don't want to take up a  
16                  lot of time with it, but there was a lot of  
17                  testimony both by the company and Veolia, was  
18                  there not, in the direct testimony, the written  
19                  testimony by the parties, about ongoing litigation  
20                  involving Veolia, testimony -- I recognize that  
21                  it's a source of concern for you, you don't -- you  
22                  absolutely disagreed with the company's  
23                  characterization of that, but there was reference

1 to lawsuits that Veolia has had with some of its  
2 partners?

3 MR. ASHCROFT: Yes.

4 MR. CAMERINO: And I'm going to ask you  
5 about that in a very general way in a second.

6 But, Mr. Chairman, I was going to take  
7 these witnesses through those. I can understand  
8 that you're not going to want me to do that, so  
9 what I simply would like to do, and I can do it at  
10 the close of day, is indicate the exhibits that  
11 have been marked that I would like to have  
12 included in the record, and I am just going to ask  
13 a very general question to these witnesses, if I  
14 can do it that way, rather than holding each one  
15 up and doing it that way.

16 CHAIRMAN GETZ: Any objection,  
17 Mr. Richardson, Mr. Upton?

18 MR. RICHARDSON: I have no objection to  
19 proceeding on that basis.

20 MR. CAMERINO: In fact, what I'll even  
21 try to do is identify them right now, and then if  
22 I miss them, I'll come back to them later.

23 You had a dispute with the city of

1 Atlanta, and that's marked as Exhibit 322. And  
2 for the moment I'm just going to ask you to  
3 confirm that there was litigation, nothing more  
4 about it. Is that correct?

5 MR. ASHCROFT: Yes.

6 MR. CAMERINO: You had -- there was an  
7 issue in the city of Bridgeport that was marked as  
8 Exhibit 3056.

9 MR. ASHCROFT: No, there's no  
10 litigation there.

11 MR. CAMERINO: There was -- it's  
12 characterized in the testimony. The company has  
13 submitted testimony regarding an issue with the  
14 city of Bridgeport to which you have responded.

15 MR. ASHCROFT: There was no litigation  
16 there, we were not accused of anything. We never  
17 were accused of anything at all.

18 In fact, there is a letter on file  
19 somewhere from the law enforcement from Bridgeport  
20 thanking us -- this is very unusual -- for our  
21 complete and open cooperation with law enforcement  
22 and no wrongdoing as to justice. No one from  
23 Veolia was ever accused of anything and there was

1 no litigation.

2 MR. CAMERINO: In New Orleans there was  
3 an issue, and that's marked as Exhibit 3181.

4 MR. ASHCROFT: That certainly predates  
5 my employment with Veolia. That I believe goes  
6 back to the mid-90s. Since then there's been  
7 changes within Veolia, particularly in terms of  
8 rigorous application and comprehensive ethics  
9 policy.

10 Every year my lawyer addresses our  
11 mass -- my managers and talks about those ethics  
12 policies. We are all required to take online  
13 training, including myself, every year.

14 Whenever there is any request for  
15 community support of any sort that involves money,  
16 then that has to be rigorously analyzed first by  
17 me, then the lawyer appointed to my LLC, and then  
18 by our corporate lawyers.

19 So since that incident in New Orleans,  
20 our procedures, processes and applications of  
21 ethics policy has been very significantly  
22 tightened.

23 MR. CAMERINO: Mr. Ashcroft, I

1       understand your need to explain this, but you have  
2       responded in your written testimony, and all I  
3       want to do is identify these items, and I have a  
4       more generalized question.

5                   And let me stipulate for the record  
6       that I understand that Veolia feels that the  
7       claims relating to them are ill founded and have  
8       what it believes to be excellent explanations.  
9       And I'm not even going to put on the record what  
10      the other side of the story might be. So  
11      hopefully that might curtail to what you need to  
12      say about these.

13                   There was litigation in Mulberry,  
14      Florida?

15                   MR. ASHCROFT: I'm not aware of that.

16                   MR. CAMERINO: In Hale County, Alabama?

17                   MR. ASHCROFT: Again, no.

18                   MR. CAMERINO: Never heard of it?

19                   MR. ASHCROFT: No.

20                   MR. CAMERINO: Coxsackie, New York,  
21      every hear of it?

22                   MR. ASHCROFT: Yes.

23                   MR. CAMERINO: Artesian Utilities



1       System.

2                   MR. ASHCROFT:  No, never heard of it.

3                   MR. CAMERINO:  Never heard of it.

4       Angleton, Texas.

5                   MR. ASHCROFT:  That's where we

6       actually --

7                   MR. CAMERINO:  You've heard of it,

8       right.

9                   MR. ASHCROFT:  -- litigated against a

10      client.

11                  MR. CAMERINO:  You've heard of it.

12                  MR. ASHCROFT:  Yes.

13                  MR. CAMERINO:  That's Exhibit 1013,

14      please.  And there were matters related to the

15      Rockland contract, correct?

16                  MR. ASHCROFT:  Yes.

17                  MR. CAMERINO:  You discussed those in

18      your testimony.

19                  MR. ASHCROFT:  I did, indeed.

20                  MR. CAMERINO:  That's Exhibits 3220 as

21      well as Exhibit 1013.  What I want to ask you is

22      very simple.  In some of those cases involving

23      municipalities where there's litigation, you sued

1       the municipality, right?

2                   MR. ASHCROFT: As far as I'm aware,  
3       that was on one occasion, yes. That was Angleton.

4                   MR. CAMERINO: And in some of them they  
5       sued you.

6                   MR. ASHCROFT: And some of those, I  
7       pointed out, Bridgeport never sued Veolia.

8                   MR. CAMERINO: And the types of issues  
9       in those cases between Veolia and the  
10      municipalities tended to be a claim by the  
11      municipality, sometimes in the affirmative and  
12      sometimes as a counterclaim, that you had not  
13      performed the required services under the  
14      contract, correct?

15                  MR. ASHCROFT: No. In some cases, in  
16      the case of Atlanta, it was the other way around.

17                  MR. CAMERINO: I'm -- in Atlanta you  
18      sued first, correct?

19                  MR. UPTON: If I might, aren't those  
20      exhibits going to generally speak for themselves?  
21      I have agreed they can be exhibits, they are going  
22      to say what they're going to say, and the  
23      commission can see what they are going to say. I

1       don't see where this gets us anywhere.

2                   MR. CAMERINO: I'm trying to create a  
3       foundation for a single question, frankly. In the  
4       sense that this is a very large record, and the  
5       commission may not read those complaints and they  
6       need just the sense of what they're about to be in  
7       the record. So let me characterize it and see if  
8       we can do this.

9                   Even though in some of those cases you  
10      sued first, you were suing saying that the  
11      contract had been terminated and you were owed  
12      your termination fee, right?

13                  MR. ASHCROFT: In some of those, yes.

14                  MR. CAMERINO: And the city would come  
15      back and say, well, we don't owe them a  
16      termination fee because they didn't perform what  
17      they should have done under the contract, right?

18                  MR. ASHCROFT: In some of them, yes.

19                  MR. CAMERINO: And you believe very  
20      strongly that your position in those cases was  
21      correct, right?

22                  MR. ASHCROFT: Yes.

23                  MR. CAMERINO: And I'm sure the cities

1       have some kind of similar view.

2                   MR. ASHCROFT:  As I said earlier, in  
3       the case --

4                   MR. CAMERINO:  Ill founded as it might  
5       be.

6                   MR. ASHCROFT:  In the case of  
7       New Orleans, no, we don't argue about that, it was  
8       a rogue employee.

9                   MR. CAMERINO:  So isn't it in the  
10      nature of a contract with a lot of money at stake  
11      with a political body that these types of things  
12      can happen, even when you may or may not have done  
13      something wrong?

14                  MR. ASHCROFT:  From time to time.

15                  MR. CAMERINO:  In fact, you said that  
16      the Angleton, Texas contract was terminated for  
17      political reasons, right?

18                  MR. ASHCROFT:  We believe so.

19                  MR. CAMERINO:  Isn't it possible that  
20      if contracts are terminated for political reasons  
21      that sometimes they're entered into for political  
22      reasons?

23                  MR. ASHCROFT:  I'm not sure how to

1       answer that.  It's not a question I've thought  
2       about.

3                   MR. CAMERINO:  So one thing that  
4       doesn't happen with a public utility is there is  
5       no contract to provide services other than the  
6       tariff that's on file with this commission, right?

7                   MR. ASHCROFT:  I believe that to be the  
8       case, yes.

9                   MR. CAMERINO:  All right, the last  
10      thing I want to do, and I'm going to make this  
11      very brief, I'm going to just go through a list of  
12      some items that I understand to be additional  
13      charges to be borne by the city.  And I just want  
14      to tick them off.  I want to see -- Mr. Noran,  
15      you're probably the best one -- if you'd agree  
16      that these are costs to be borne by the city.

17                   Computers including hardware and  
18      software, that's referenced in section 8.16 of the  
19      contract, city costs?

20                   MR. NORAN:  Generally, but under our  
21      contract, Veolia is providing certain of our  
22      computers in its base fee.

23                   MR. CAMERINO:  The city is responsible

1 to make sure that the computer programs are all  
2 integrated, right?

3 MR. NORAN: Yes.

4 MR. CAMERINO: Accounting system?

5 MR. NORAN: We talked about what our  
6 role in accounting was and what the city's role  
7 was.

8 MR. CAMERINO: Permit and license fees.

9 MR. NORAN: Permit and license fees  
10 related to RRRM and capital projects but will be  
11 rolled into the cost of the projects.

12 MR. CAMERINO: So it will be -- the  
13 cost will be borne by the city?

14 MR. NORAN: Yes.

15 MR. CAMERINO: What about police  
16 details.

17 MR. NORAN: Same.

18 MR. CAMERINO: What about inventory  
19 purchases?

20 MR. NORAN: The -- Veolia will purchase  
21 its inventory related to its services.

22 MR. CAMERINO: So all of the inventory,  
23 or are you making a distinction?

1                   MR. NORAN: All of the -- the inventory  
2                   that we need for the OM&M services and for the  
3                   RRRM projects, and for capital projects.

4                   MR. CAMERINO: Well, but if it's in  
5                   capital or RRRM, it's extra, right?

6                   MR. NORAN: Yes.

7                   MR. CAMERINO: Okay. And what about  
8                   GIS? If you have to -- if you don't get the GIS  
9                   system -- you now understand there isn't a GIS,  
10                  right?

11                  MR. NORAN: Yes.

12                  MR. CAMERINO: And so your base fee  
13                  assumed that there was a GIS, right?

14                  MR. NORAN: Yes.

15                  MR. CAMERINO: And so you're going to  
16                  have to adjust your anticipated operating cost to  
17                  reflect the fact that you don't have an operable  
18                  GIS, right?

19                  MR. NORAN: I would not anticipate  
20                  having to adjust the -- the OM&M fee because we  
21                  don't have a GIS system.

22                  MR. CAMERINO: There will be no change  
23                  of any kind?

1                   MR. NORAN: The -- the objective of the  
2                   GIS system is to really provide information on the  
3                   managed assets, and it's our intent to recommend  
4                   the city add a layer to its existing GIS system  
5                   for the water assets, and that -- that would be, I  
6                   think, a city -- a city-funded project.

7                   Mr. Ware indicated in his testimony  
8                   that if they had the info map and GIS system it  
9                   would cost approximately a million dollars. What  
10                  we're estimating is if the city were to have to --  
11                  if the city were to add a water layer to its  
12                  existing GIS system, the cost would be  
13                  approximately \$300,000.

14                 MR. CAMERINO: And assuming that number  
15                  is correct, that's not in your -- in these prior  
16                  figures anywhere, is it?

17                 MR. NORAN: That's correct.

18                 MR. CAMERINO: And then there's the  
19                  cost of maintaining the GIS system, isn't there?

20                 MR. NORAN: Yes.

21                 MR. CAMERINO: And entering all the  
22                  data?

23                 MR. NORAN: Yes.



1                   MR. CAMERINO: And that's all going to  
2                   be on the city, isn't it?

3                   MR. NORAN: Any work related to the  
4                   base fee is -- is in our base fee. Any work  
5                   related to RRRM or capital would be an additional  
6                   cost. That would be incorporated in that in the  
7                   project.

8                   MR. CAMERINO: And in your proposal you  
9                   indicated that if the city avoided -- was able to  
10                  avoid buying the company's customer billing system  
11                  software it could save 1 to \$3 million in asset  
12                  acquisition costs, do you recall that?

13                  MR. NORAN: I recall that being in our  
14                  proposal, but I'm not the one with the expertise  
15                  on that customer service software or the savings.

16                  MR. CAMERINO: So if it turned out that  
17                  the asset valuation done by the company didn't  
18                  even include that, you'd have to add that cost in  
19                  as well, right, because now the city is not  
20                  getting that from Veolia, it's getting it from  
21                  Pennichuck?

22                  MR. NORAN: Yes.

23                  MR. CAMERINO: Excuse me one second.

1                   That's all I have, Mr. Chairman. Thank  
2                   you for your patience.

3                   CHAIRMAN GETZ: Thank you,  
4                   Mr. Camerino. Ms. Thunberg?

5                   MS. THUNBERG: If you don't mind, I'd  
6                   like to speak from here just because I have my  
7                   notes spread before me.

8                   CROSS-EXAMINATION

9                   BY MS. THUNBERG:

10                  MS. THUNBERG: Good afternoon, panel  
11                  members. I have a few questions relating to  
12                  Dig Safe operation, and I believe because some of  
13                  these are prospective questions, the entire panel  
14                  can answer, but I know a couple of them are  
15                  specific to individuals and I would note that at  
16                  the outside of the question.

17                  Can I have exhibit -- it's a contract,  
18                  1005B, page 48, pulled up, please? I'd like to  
19                  refer your attention to paragraph D, and  
20                  specifically it states locate and mark water mains  
21                  and water services, and on the fourth line it says  
22                  locate and mark the street where the system is  
23                  located.

1                   And this question is directed to either  
2                   Misters Ashcroft or Noran. At the time that the  
3                   contract was entered into, were you aware that  
4                   Nashua was not a member of Dig Safe?

5                   MR. NORAN: Yes.

6                   MS. THUNBERG: And with this located --  
7                   mark the street where the system is located, what  
8                   did Veolia expect to be doing under that function?

9                   MR. NORAN: We locate the -- the water  
10                  utilities, the existing water utilities, that a --  
11                  a contractor or utility was requesting due to --  
12                  due to planned excavation.

13                  MS. THUNBERG: Now, if Nashua is not a  
14                  member of Dig Safe, they're not required to mark,  
15                  is that your understanding?

16                  MR. NORAN: No, that's not -- not my  
17                  understanding. My understanding is it's still  
18                  proper to mark because of the -- the New Hampshire  
19                  regulations with regard to protecting utilities.

20                  MS. THUNBERG: Okay. I don't know  
21                  whether Mr. Ashcroft or Mr. Noran, you testified  
22                  earlier today that someone who's becoming a  
23                  Dig Safe member, was that either Veolia or Nashua?

1                   MR. NORAN: That would be Veolia.

2                   MS. THUNBERG: Referring back to this  
3 paragraph D and the fourth sentence or the fourth  
4 line, locate and mark the street, can you tell me  
5 at the time the contract was entered into, and  
6 knowing now that Veolia is going to become a  
7 member of Dig Safe, what is the difference between  
8 locate and mark then, when the contract was  
9 created, and now? Are there different functions  
10 Veolia will perform?

11                  MR. NORAN: What's different is when  
12 you become a member of Dig Safe you get a -- you  
13 get an increase in the number of locates. Locates  
14 could be utility property within the right-of-way,  
15 or on private property.

16                  And there's -- there's more analysis  
17 and -- and review that has to be done to determine  
18 which -- which low -- requested locates require  
19 someone going out to the field to physically  
20 locate, or which ones will not require someone to  
21 go out and physically locate.

22                  MS. THUNBERG: Now, the work that you  
23 just explained, is that part of the -- or is the

1       \$100,000 that you testified to earlier to today  
2       meant to cover that work?

3                   MR. NORAN:  Yes.

4                   MS. THUNBERG:  Are you aware of the  
5       Dig Safe advisory council?

6                   MR. NORAN:  Yes.

7                   MS. THUNBERG:  Does Veolia expect to  
8       participate in that council?

9                   MR. NORAN:  We would be open to  
10      participating in that council.

11                  MS. THUNBERG:  With respect to the  
12      Dig Safe operations Veolia is undertaking, is it  
13      fair to say that the contract does not yet specify  
14      those obligations?

15                  MR. NORAN:  The -- that's correct.  The  
16      additional services related to becoming a member  
17      of Dig Safe, processing the increased number of  
18      tickets for Dig Safe and the additional  
19      administrative costs and segregating the -- the  
20      tickets that are generated from Dig Safe is not  
21      reflected in our OM&M agreement.

22                  MS. THUNBERG:  Do you anticipate that  
23      that language would be included in a contract that

1 would be ultimately signed by Veolia and Nashua?

2 MR. NORAN: Yes.

3 MS. THUNBERG: Are there any additional  
4 safety measures or practices that Veolia would  
5 perform in addition to those that are in the  
6 commission's Dig Safe rules, if you are familiar  
7 with those rules?

8 MR. NORAN: I am familiar with those  
9 rules. Veolia Water's primary interest is being  
10 sure that Nashua -- for this project -- being sure  
11 that Nashua's water utility assets are not  
12 damaged.

13 And what we'll do is -- is what's  
14 necessary in the way of field locates and  
15 overseeing contractors to be sure that -- that our  
16 utilities are -- water utilities are protected,  
17 and that -- that contractors working in the area  
18 do not -- do not adversely impact our water  
19 utilities.

20 MS. THUNBERG: I'm not sure that I  
21 heard you correctly, did you say that Veolia would  
22 be hiring locating contractors?

23 MR. NORAN: No.

1 MS. THUNBERG: Will locating be done  
2 in-house?

3 MR. NORAN: Yes. What I indicated is  
4 that in addition to field locates, as a follow up  
5 to once the construction work starts is to be sure  
6 that -- that the -- our water -- the water  
7 utilities are protected from damage by the  
8 contractors performing work to the greatest extent  
9 possible.

10 MS. THUNBERG: Mr. Noran, I'd like to  
11 ask you a couple of questions about the GIS  
12 information that you were just discussing with  
13 Mr. -- Attorney Camerino.

14 You had estimated a \$300,000 cost to  
15 potentially upgrade the GIS information you  
16 receive from the city, is that right?

17 MR. NORAN: Yes. The -- the estimated  
18 \$300,000 was to utilize the city's GIS system  
19 which is pretty comprehensive and add a water  
20 layer to that GIS system and utilize that as --  
21 for the water assets.

22 MS. THUNBERG: Are you aware,  
23 Mr. Noran, that a water layer for the Pennichuck

1 water system exists publicly?

2 MR. NORAN: No, I'm not aware of that.

3 MS. THUNBERG: Are you aware of  
4 New Hampshire's Granite System of housing GIS data  
5 layers?

6 MR. NORAN: No.

7 MS. THUNBERG: With respect to updating  
8 GIS layers for a new underground facilities, what  
9 is Veolia's time frame for those updates in  
10 general?

11 MR. NORAN: In general I would expect  
12 that we would have that updated information within  
13 60 days after the assets were completed and  
14 accepted by the -- by the city.

15 MS. THUNBERG: Do you know if that  
16 60-day standard that you just articulated, do you  
17 know if that's in the contract presently written?

18 MR. NORAN: I don't know if that's in  
19 the contract.

20 MS. THUNBERG: If it is not, is that  
21 something that Veolia would put into a contract?

22 MR. NORAN: We would be willing to --  
23 to add that to the contract.



1                   MS. THUNBERG: Mr. Ashcroft and Noran,  
2                   the next series of questions are directed to you,  
3                   and this relates to the 24 hour telephone number  
4                   that Attorney Camerino was walking you through  
5                   that is contained in the contract that Veolia will  
6                   provide.

7                   And I'd like specifically to know how  
8                   will Veolia inform the customers of the existence  
9                   of this 24 hour access number.

10                  MR. ASHCROFT: There are a number of  
11                  ways we can do that, certainly -- I think we  
12                  already covered this -- on the bills, website, by  
13                  advertising --

14                  MS. THUNBERG: I'm sorry, can you speak  
15                  into the microphone a little bit? Thank you.

16                  MR. ASHCROFT: Certainly we could make  
17                  that on bills, on website, on pictorials. Quite  
18                  frankly, we haven't got into the detail of how to  
19                  make that available, but there are many tried and  
20                  trusted ways of doing that.

21                  MS. THUNBERG: Can I have  
22                  Exhibit 1005B, page 51 pulled up, please?  
23                  Paragraph D, provide planned customer service

1 requirements, I'd like to draw your attention to  
2 that. And Mr. Ashcroft and Noran, what are the  
3 planned customer service requirements as mentioned  
4 in that paragraph?

5 MR. NORAN: Under the Veolia contract,  
6 customer service requirements, in addition to  
7 responding to emergencies, the normal customer  
8 service requirements would be dealing with  
9 customers inquiries with respect to water quality,  
10 pressure problems, leaks, caps, and other -- other  
11 normal field-type customer service issues.

12 MS. THUNBERG: Okay. Can I please have  
13 page 53 pulled up?

14 I'd like to draw your attention to --  
15 can you move on to page 54, please? I didn't  
16 realize it went on. I'm not finding it right now,  
17 but what I intended to draw your attention to is  
18 in this appendix there was -- I'm representing to  
19 you -- a reference to an emergency response as a  
20 company deliverable, and I'd like to just get an  
21 explanation of what that emergency response is?  
22 This is part of an emergency response plan, I  
23 believe.

1                   MR. NORAN: I guess I'm not sure. Are  
2     you asking what's in an emergency response plan or  
3     what is our emergency response plans or --

4                   MS. THUNBERG: To clarify, what I would  
5     like to do is knowing that Veolia is going to deal  
6     with emergency calls, knowing that there is in  
7     this appendix an emergency response plan, are they  
8     different, if they are different, where are the  
9     boundaries. If that helps.

10                  MR. NORAN: The -- the emergency  
11     response plan is Veolia would document its  
12     procedures with respect to various types of  
13     emergencies, how we respond, what equipment, what  
14     resources are required to respond. It's almost  
15     like a -- an operating procedure on how you deal  
16     with different emergencies, and who to contact  
17     with respect to going out to the emergency, who to  
18     notify, who to see with regard to different types  
19     of emergencies. That would be what an emergency  
20     response plan would be.

21                  And I'm -- we've developed emergency  
22     response plans in most all of our operations, so  
23     according to emergency response plans that we have

1       for water systems and utilize that and modify it  
2       to fit Nashua.

3                   MS. THUNBERG:   And this is a plan that  
4       is yet to be developed, is that correct?

5                   MR. NORAN:   We have -- we have plans  
6       that -- that we've looked at and that we intend  
7       to -- to modify the use for Nashua.  It's not in  
8       final form, but it is probably 75 percent drafted.

9                   MS. THUNBERG:   Now, when you say  
10      emergency plans that you've reviewed, are these  
11      Pennichuck's or other --

12                  MR. NORAN:   These are other Veolia  
13      operations.

14                  MS. THUNBERG:   Will Veolia inform and  
15      update customers directly during service outages?

16                  MR. NORAN:   Yes.

17                  MS. THUNBERG:   And how will that  
18      happen?

19                  MR. NORAN:   What will happen is that  
20      we'll actually notify the call center of areas  
21      that are -- that are out of service.  We'll also  
22      notify our customer service people in operations,  
23      our two customer service people of areas that are

1       impacted, for example, by water main break. We'll  
2       estimate how long a break will take to repair, in  
3       other words how long they will be without service,  
4       and then our people in the field will actually  
5       provide updates to people in the area where the  
6       breaks -- break's occurring of when the line will  
7       be back in service.

8               MS. THUNBERG: So is it the call center  
9       is the point of contact for the customers in  
10      knowing what the latest information is as to a  
11      service outage?

12             MR. NORAN: During normal working  
13      hours, that -- that would be the case.

14             MS. THUNBERG: And after normal  
15      business hours?

16             MR. NORAN: The -- our -- our -- our  
17      person managing the 24/7 emergency line would have  
18      that information.

19             MS. THUNBERG: So that would be a live  
20      person --

21             MR. NORAN: Yes.

22             MS. THUNBERG: -- rather than a call  
23      center --

1 MR. NORAN: Yes.

2 MS. THUNBERG: -- set up.

3 MR. NORAN: Yes.

4 MS. THUNBERG: Will this call service  
5 center be represented by the satellites as well as  
6 the core service center?

7 MR. NORAN: Yes.

8 MS. THUNBERG: Could you tell me where  
9 Veolia's customer service representatives will be  
10 located?

11 MR. NORAN: Will Street is where we're  
12 planning on having them located.

13 MS. THUNBERG: And who does Veolia  
14 expect to be the day-to-day contact at the city of  
15 Nashua for calls from Veolia?

16 MR. NORAN: Carol Anderson will be the  
17 person responsible for that, and she may designate  
18 someone within her organization to -- as her  
19 liaison.

20 MS. THUNBERG: Now, is Carol Anderson  
21 going to be available 24/7?

22 MR. NORAN: No.

23 MS. THUNBERG: When does Veolia expect

1 to be able to use Carol Anderson as the day-to-day  
2 contact?

3 MR. NORAN: She would not be the -- the  
4 day-to-day contact. Carol Anderson would be in  
5 charge of the -- the call center and will have a  
6 designated person in the call center. And the  
7 call center, once again, is -- is fielding calls  
8 during normal working hours, and all other times  
9 the calls will come directly to Veolia as  
10 emergency.

11 MS. THUNBERG: I'm sorry, I didn't hear  
12 the last part.

13 MR. NORAN: On off hours emergency  
14 calls will come directly to Veolia.

15 MS. THUNBERG: I think I got lost in  
16 your explanation, I apologize. I was just trying  
17 to follow the communication from Veolia to the  
18 city, and I thought I heard you say that Carol  
19 Anderson was going to be the day-to-day contact,  
20 and then we got talking about -- or your response  
21 ended up telling me that emergency calls would go  
22 to the call center.

23 MR. NORAN: Okay, I guess I need a

1 clarification on the question. Was the question  
2 only related to emergency calls?

3 MS. THUNBERG: My understanding is from  
4 your earlier testimony that Veolia will be dealing  
5 with emergency service calls and then customer  
6 operational -- non-emergency calls.

7 And in relaying that information  
8 from -- or in communicating with the city on those  
9 issues, who is going to be interfacing at the city  
10 level with Veolia?

11 MR. ASHCROFT: Quite frankly, that  
12 operational detail we haven't thought through.  
13 Normally on customer service matters we refer to  
14 Carol Anderson, but the straight answer is whoever  
15 is designated to do so by the city.

16 MS. THUNBERG: Thank you, that helps.  
17 I'd like to move on to the draft water ordinance.  
18 I'd like to ask Mr. Ashcroft and Noran if you are  
19 aware of the existence of the city of Nashua's  
20 draft water ordinance.

21 MR. NORAN: Yes.

22 MS. THUNBERG: And in drafting this  
23 OM&M contract, did you take into consideration any



1 of the provisions in the draft ordinance?

2 MR. NORAN: Yes.

3 MS. THUNBERG: And are you aware that  
4 the ordinance is in draft form?

5 MR. NORAN: Yes.

6 MS. THUNBERG: Do you expect to  
7 participate in the finalizing of that ordinance?

8 MR. NORAN: Yes. Maybe the -- three or  
9 four of the specifics with regard to the -- the  
10 water ordinance was the meter reading  
11 requirements, the requirements with respect to  
12 discontinuation of service, the requirements with  
13 respect to notice for flushing. Those kinds of  
14 things that we consider in drafting a -- a  
15 contract.

16 MS. THUNBERG: I'd like to turn now to  
17 Exhibit 1053, and Mr. Ashcroft and Noran, you  
18 participated in responding to this data response.  
19 And there are customer service process charts that  
20 are referred to in this data response. Do you two  
21 recall this?

22 MR. NORAN: Yes.

23 MR. ASHCROFT: Mr. Noran said yes.

1 MS. THUNBERG: I'm sorry, did one --

2 MR. ASHCROFT: Mr. Noran said yes.

3 MS. THUNBERG: Thank you. Of these  
4 customer service process charts, are these part of  
5 Veolia's obligations under the draft contract with  
6 Nashua?

7 MR. NORAN: I don't think they're  
8 specifically called out, but this is the -- the  
9 way Veolia does its business. It actually looks  
10 at our business process and actually maps it out,  
11 analyzes it, and determines if it is an efficient  
12 process, and if it's not, what can we do to make  
13 it an efficient process.

14 MS. THUNBERG: Is it fair to say that  
15 if the commission staff were looking at the  
16 universe of how Veolia will conduct itself, the  
17 staff should look at the contract as well as these  
18 customer service process charts?

19 MR. NORAN: Yes.

20 MS. THUNBERG: Do these customer  
21 service process charts change at all?

22 MR. NORAN: Yes. The process charts  
23 are utility-specific. So these process charts

1       would be -- would be developed for Nashua, and we  
2       would use -- use them -- use our employees working  
3       for us in the Nashua -- in the Nashua contract,  
4       and actually the employees are the key people who  
5       would assist in developing the process charts and  
6       analyzing them and determining how they can -- how  
7       can they improve the process. So it's employee  
8       driven within the utility.

9                   MS. THUNBERG: Has Veolia ever used any  
10       customer advisory council in conjunction with  
11       developing its procedures such as the customer  
12       service process charts?

13                  MR. NORAN: Yes. Yes.

14                  MS. THUNBERG: Do you expect a customer  
15       advisory council to be involved in the  
16       Nashua-Veolia contract?

17                  MR. NORAN: We recommend the customer  
18       advisory groups, and that's something that we  
19       would -- we would talk to Nashua about forming,  
20       because I think you can get some very valuable  
21       input from -- from the -- from a customer advisory  
22       group. They have a very unique perspective, and  
23       also a vested interest.

1 MS. THUNBERG: Thank you. I'd like to  
2 move on to Exhibit 1013, page 8. I will represent  
3 to you this is part of pretrial testimony on  
4 Mr. Ashcroft and Noran that you had submitted.  
5 Can I go to page 9, please?

6 In the middle of the page, line 11  
7 talks about the one and done customer service, and  
8 I'd like to know whether this one and done  
9 customer service integrates with the customer  
10 service process charts we just discussed.

11 MR. ASHCROFT: Absolutely.

12 MS. THUNBERG: And could you please  
13 describe how that integration occurs.

14 MR. ASHCROFT: To making sure that  
15 there is a process flow, when a call comes in we  
16 know to who it's going to be directed to, who is  
17 going to deal with it, and make sure that  
18 connection is made back to the customer, if indeed  
19 an answer is required to the customer from Veolia  
20 after the initial call. Making sure our customer  
21 inquiries don't get lost, really.

22 MS. THUNBERG: Will the one and done  
23 customer call relate to or apply to emergency

1 calls?

2 MR. ASHCROFT: In some circumstances,  
3 yes. For example, if an emergency is called in  
4 that there's a burst main, I'm not sure we're  
5 required to call back to a customer other than to  
6 say we'll be on site and we'll get it fixed and  
7 give an estimated time.

8 MS. THUNBERG: Would you please pull up  
9 page 10 of the testimony.

10 Mr. Ashcroft and Noran, I'd like to  
11 draw your attention to the training-entitled  
12 paragraph, and just ask, with respect to the new  
13 agents that are referred to on line 4, is Veolia  
14 referring to the two additional employees Nashua  
15 plans to hire in its billing department?

16 MR. ASHCROFT: Just take the time to  
17 read that.

18 MS. THUNBERG: Sure.

19 MR. ASHCROFT: Yes, that would cover  
20 all people who receive calls from the public.

21 MS. THUNBERG: I think I heard you  
22 correctly, but I just want to ask this again.  
23 With respect to the training, will it also apply

1 to the existing cross-trained employees that are  
2 within Nashua's billing department?

3 MR. ASHCROFT: Absolutely, yes. Oh,  
4 absolutely essential.

5 MS. THUNBERG: Can I have you move on  
6 to page 11 of this exhibit? And actually, maybe  
7 page 12. Thank you.

8 Now, I'd like to draw your attention to  
9 lines 15 and 16 regarding supervisors will also  
10 conduct field checks to insure the quality of work  
11 performed. Can you please tell me who these  
12 supervisors are?

13 MR. NORAN: An example of this would be  
14 the area of -- of restoration. If we had a water  
15 main break, we would have a supervisor go out  
16 there when supposedly the restoration had been  
17 completed and look at the restoration to, No. 1,  
18 confirm that it has been completed and that it  
19 meets Veolia standards as far as the completion of  
20 that restoration.

21 Restoration tends to be an area that is  
22 often not addressed in a timely manner, so that's  
23 a very good -- very aware the supervisors would be

1 checking.

2 MS. THUNBERG: Could you tell me who  
3 the supervisors are, though?

4 MR. NORAN: These would be the --  
5 the -- the supervisors in field services.

6 MS. THUNBERG: So would these  
7 supervisors in field services, are these part of  
8 the 40-some-odd employees that Veolia will  
9 dedicate to Nashua?

10 MR. NORAN: Yes. This is -- this is  
11 essentially part of the Veolia quality assurance,  
12 quality control process. This is how we do -- do  
13 our work, is follow up to review, insure that it's  
14 been completed properly.

15 MS. THUNBERG: Now, with respect to the  
16 quality of service -- or quality of work, are  
17 there standards that govern this quality of work?

18 MR. NORAN: Yes.

19 MS. THUNBERG: And are these standards  
20 articulated anywhere?

21 MR. NORAN: There -- Nashua has  
22 standards as far as road -- road restoration  
23 requirements. The New Hampshire Department of

1 Environmental Services has standards with respect  
2 to the installation of water main and services and  
3 fire hydrants and those kinds of things.

4 MS. THUNBERG: I'd like to move on to  
5 telephone answering service quality, and I'm not  
6 sure, Mr. Ashcroft, if you're the best person for  
7 this, but I'd like to know does Veolia have  
8 telephone service quality standards to insure  
9 customers' calls are answered properly.

10 MR. ASHCROFT: Yes, we do, but, again,  
11 the details best come from Alyson Willans who has  
12 experience in Indianapolis.

13 MS. THUNBERG: Ms. Willans, would you  
14 like to respond?

15 MS. WILLANS: We have a set of  
16 standards that talks about how long it takes you  
17 to respond to a call, they have got to be  
18 responded to within 15 seconds.

19 We have an abandonment rate as well.  
20 The abandonment rate can't be more than 5 percent,  
21 at the moment we're at 3 percent. Calls answered  
22 in less than 15 seconds we're at 88.5 percent in  
23 Indianapolis.



1                   There's also what we call a close down  
2       response that's part of the customer service as  
3       well. So we would insure that we would keep to  
4       the 85 percent calls answered within 15 seconds.

5                   MS. THUNBERG: Would these standards,  
6       Ms. Willans, be incorporated in a finalized  
7       Veolia/Nashua contract?

8                   MS. WILLANS: We would be looking at  
9       something like that, yes.

10                  MS. THUNBERG: Would they be  
11       specifically articulated in the contract?

12                  MS. WILLANS: At the moment the  
13       customer service is cited in just the field  
14       service portion of it.

15                  MS. THUNBERG: Can I have Exhibit 5?  
16       I'd like to draw your attention to this Exhibit  
17       518, it's Nashua's response to staff issue 4-22,  
18       and specifically the first paragraph under Carol  
19       Anderson, and it states Nashua expects to work  
20       with Veolia to adopt answering service quality  
21       standards for its operations.

22                  So is it fair to say that Nashua is  
23       looking to Veolia to assist it in developing

1       answering service quality standards?

2                   MR. ASHCROFT:  Yes, that's my  
3       understanding.

4                   MS. THUNBERG:  And, Ms. Willans, did I  
5       hear you correctly that these kind of standards  
6       are not included in the present contract?

7                   MS. WILLANS:  The present contract at  
8       the moment doesn't really deal with the day-to-day  
9       customer calls, it's more the contract dealing  
10      with operational calls.

11                  So what we've got in Indianapolis is  
12      all of the calls go through the call center, that  
13      standard is all the way through the call center  
14      and the field services call section of it.

15                  So if we're talking about the field  
16      services call section of it, then we would look at  
17      that time scale, 85 percent within 15 seconds.  
18      But this is referring to inquiries and things that  
19      might go to the city first, but we would try to  
20      work with them to come up with an acceptable  
21      standard.

22                  MS. THUNBERG:  Okay, would that be  
23      under the annual fee portion of the contract or

1       would this be something that would be negotiated  
2       separately?

3                   MS. WILLANS:   Annual fee.

4                   MS. THUNBERG:   I'm sorry?

5                   MS. WILLANS:   It would be the base fee.

6                   CHAIRMAN GETZ:   Ms. Willans, you need  
7       to get the microphone a little closer.

8                   MS. WILLANS:   It's rather small.  
9       Sorry.

10                  MS. THUNBERG:   The next question  
11       relates to tracking of incoming calls, and staff  
12       would like to know if Veolia has the ability to  
13       track incoming calls and see if a trend among the  
14       calls is happening.

15                  MR. ASHCROFT:   That's normal practice,  
16       yes, we would track calls, we would look for  
17       patterns within those calls.

18                  MS. THUNBERG:   I'm sorry, what did you  
19       say?

20                  MR. ASHCROFT:   Patterns.

21                  MS. THUNBERG:   Do you know whether the  
22       city of Nashua has an existing call tracking  
23       system?

1 MR. ASHCROFT: No, I don't.

2 MS. THUNBERG: If Nashua does not have  
3 a call tracking system, does Veolia expect to, if  
4 it were asked, to help it implement it a call  
5 tracking system?

6 MR. ASHCROFT: We would be delighted to  
7 do so.

8 MS. THUNBERG: But is it your  
9 understanding now that that is presently not  
10 something that Nashua has requested?

11 MR. ASHCROFT: Certainly not of me, but  
12 perhaps some of my colleagues.

13 MS. THUNBERG: Are you aware of whether  
14 this Nashua developing a call tracking system,  
15 whether it's in the present draft contract?

16 MR. ASHCROFT: That would just be added  
17 value from Veolia, whether it's in the contract or  
18 not.

19 MS. THUNBERG: Can I have Exhibit 3144,  
20 page 1 pulled up, if you have it.

21 Now, Mr. Siegfried, I understand you're  
22 answering on behalf of Mr. Ford as far as his  
23 testimony, but I don't know if you're the best

1 person to answer this question, but have you seen  
2 this response before?

3 MR. SIEGFRIED: I believe so, but give  
4 me a minute to read it. Okay.

5 MS. THUNBERG: And my question is  
6 merely is this still accurate.

7 MR. SIEGFRIED: Yes.

8 MS. THUNBERG: And so Veolia's  
9 full-time equivalent estimates have not changed?

10 MR. SIEGFRIED: No.

11 MR. NORAN: If I might comment, one  
12 addition would be the one FTE equivalent that we  
13 talked about for Dig Safe.

14 MR. ASHCROFT: Good catch.

15 MS. THUNBERG: Thank you for the  
16 clarification. I'd like to return briefly to the  
17 customer service process charts, and are you aware  
18 of whether Veolia has -- and I think this is  
19 directed to Mr. Ashcroft or Noran -- has a process  
20 chart for disconnections?

21 MR. NORAN: Yes, it does, and what I'd  
22 like to do is take a minute and let Alyson expand  
23 on these -- these development of the process

1 charts because she -- she and I worked together at  
2 Indianapolis in developing customer process charts  
3 for a number of the processes and field services,  
4 and she's really an expert on the process and how  
5 this has benefited Indianapolis and also Veolia.

6 MS. THUNBERG: And will that  
7 explanation be what Veolia would expect to do for  
8 Nashua?

9 MS. WILLANS: Yes.

10 MR. NORAN: Yes.

11 MS. WILLANS: We have incentive  
12 criteria, and we also have a management agreement  
13 in Indianapolis. So when we first started out  
14 doing the process charts to start off with, we  
15 looked at what we needed to do to provide  
16 assurance that we would meet the contract,  
17 assurance that we could meet the standards that we  
18 set. That was our first goal.

19 The second goal was to look what have  
20 we actually got at the moment, how are we running  
21 our customer services from each part of the  
22 customer's point of view, from the calls coming in  
23 to billings, connections, disconnections and then

1       how to we pass or disseminate information to  
2       various departments that require that information  
3       or need to be aware of the information.

4               We took time and spoke to employees,  
5       and then we got a group of employees that  
6       participated in these functions. We sat them down  
7       together and we mapped what was current. Then we  
8       took the contracts and made sure that what it said  
9       in the contract was being met with their existing  
10      process.

11             If that wasn't being met with their  
12      existing process, as a team we find how we're  
13      going to meet their processes, how we're going to  
14      meet their requirements of the contract and then  
15      build them into the process flows.

16             From the process flows then we decided  
17      that changes needed to be made because there was  
18      parts that were missing, there was  
19      miscommunication, there was things that was  
20      getting lost or there was information that wasn't  
21      being passed through or recorded.

22             So we made sure that all the points  
23      where we needed information recorded was looked at

1       and defined and the process was understood and  
2       documented so people know where they are.

3               Then flow charts then become part of  
4       our procedures. So you have a detailed procedure  
5       in words, and then behind that you've got the flow  
6       charts of the -- the new processes, existing  
7       processes; whatever process is agreed on, they  
8       become part of a documented procedure.

9               MS. THUNBERG: Now, are these  
10       procedures for Veolia employees?

11              MS. WILLANS: Yes.

12              MS. THUNBERG: Are you aware that there  
13       are also employees with the city of Nashua that  
14       handle the billing, and if this disconnection is  
15       the result of nonpayment, that they can have some  
16       overlap with the disconnection issues?

17              MS. WILLANS: We would work with them  
18       in the team to provide and update and make sure  
19       that their requirements were met in the flow  
20       charts and procedures, yes. It would be a two-way  
21       process.

22              MS. THUNBERG: This sounds like  
23       training that was articulated in the -- the



1       rebuttal testimony from Ashcroft and Noran. Is  
2       that how it would be done?

3                   MS. WILLANS: It can be done as  
4       training as well, but also building a team so you  
5       understand each part and person's responsibility  
6       and how many people need that piece of data, where  
7       that piece of data goes, where that information is  
8       passed to, so it becomes a training. But also  
9       they actually understand the procedure because  
10      they wrote it, they were a part of the process.

11                  MS. THUNBERG: Now, for the  
12      disconnection customer service process charts for  
13      Nashua, those have yet to be developed, correct?

14                  MS. WILLANS: I haven't seen any.

15                  MS. THUNBERG: Under typical  
16      disconnection customer service process charts, do  
17      they incorporate a courtesy call to the customer  
18      to let them know their water is going to be  
19      disconnected?

20                  MS. WILLANS: The utility that I work  
21      under, and they're under the Indiana Utilities  
22      Regulatory Commission, they don't require that in  
23      their rules. They just require there's a certain

1       dollar amount, and after that dollar amount they  
2       would send them a disconnect notice, and then  
3       after that a disconnection date.

4               MS. THUNBERG: So do you envision for  
5       the Nashua -- or would Veolia envision for the  
6       Nashua-Veolia contract then following those  
7       process charts and not having any kind of a  
8       courtesy call to customers, is that fair?

9               MS. WILLANS: I don't know what the  
10       current process is in New Hampshire. It would be  
11       something we would look into.

12              MS. THUNBERG: But if a courtesy call  
13       was not required by the commission, is it fair to  
14       say that Veolia wouldn't insert a courtesy call?

15              MR. ASHCROFT: We would certainly  
16       respond to whatever the needs of the client are.  
17       If the client, Nashua, requires a courtesy call, I  
18       don't anticipate that -- I hope it's not a big  
19       workload because I hope we're not disconnecting  
20       many people. Actually, the suggestion of a  
21       courtesy call makes more sense.

22              MS. THUNBERG: Do you recall in the  
23       OM&M contract that shutoffs or reconnects will be

1       conducted during normal business hours? Any of  
2       you?

3                   MR. SIEGFRIED: Yes.

4                   MS. THUNBERG: And what are normal  
5       business hours?

6                   MR. SIEGFRIED: Whatever they're  
7       established at. Eight to four. I'm not exactly  
8       sure what the business hours are going to be, but  
9       they will be regular, scheduled hours.

10                  MS. THUNBERG: Do you know if they will  
11       include evenings?

12                  MR. SIEGFRIED: If there's a shutoff  
13       and the person wants to be shut back -- turned  
14       back on during the evening hours, that's usually  
15       accommodated.

16                  MS. THUNBERG: And what about weekends?

17                  MR. SIEGFRIED: Normally would be an  
18       after-hours call, yes.

19                  MS. THUNBERG: I guess I didn't ask  
20       that question correct. Would a shutoff or  
21       reconnect occur during the weekends?

22                  MR. SIEGFRIED: A shutoff would not, a  
23       reconnect would. Shutoffs normally aren't done on

1       Fridays either because you don't want to have to  
2       do the reconnect on the weekend. So shutoffs are  
3       normally done Monday through Thursday, and  
4       adjusting for holiday.

5                Again, if Friday is a holiday you don't  
6       want to shut off on Thursday because you don't  
7       want to go out on the holiday. So the schedule is  
8       normally adjusted so that you always have a  
9       business day following the shutoff.

10               MS. THUNBERG: Thank you. It's staff's  
11       understanding in the contract that the meter reads  
12       will be directed to a designated agent of the  
13       city. Can either of you respond to who that  
14       designated agent will be?

15               MR. SIEGFRIED: The meter reads for  
16       regular -- regular reading would go to whoever the  
17       customer service designee is at the city. I don't  
18       know who that person is yet.

19               MS. THUNBERG: So the designated agent  
20       hasn't been designated yet?

21               MR. SIEGFRIED: Correct.

22               MS. THUNBERG: What meter reading  
23       technology is Veolia familiar with?

1                   MR. SIEGFRIED: We're using Neptunes,  
2                   and also you have Fireflys out here, doesn't he?

3                   MR. NORAN: Yeah.

4                   MS. THUNBERG: I didn't hear that.

5                   MR. SIEGFRIED: Datamatics and  
6                   Neptunes, Schlumbergers.

7                   MS. THUNBERG: Are you familiar with  
8                   what reading technology Pennichuck currently uses?

9                   MR. SIEGFRIED: Both. Actually, the  
10                  core system, I believe, is primarily Neptune.

11                  MS. THUNBERG: How does Veolia  
12                  typically handle estimated meter reads? And this  
13                  is directed to anyone on the panel.

14                  MR. SIEGFRIED: As few as possible.

15                  MS. THUNBERG: Well, I'm aware that  
16                  lost water can have an industry benchmark. Does  
17                  estimated reads have a similar benchmark?

18                  MR. SIEGFRIED: Normally, yes. In a  
19                  customer service contract they would -- there  
20                  would be a benchmark for estimated rates.

21                  MS. THUNBERG: And what does Veolia  
22                  normally use?

23                  MR. SIEGFRIED: Alyson, do you know?

1 MS. WILLANS: We're only allowed one  
2 estimated read. We read bimonthly, so you can  
3 have an estimate, and then you have to have a read  
4 in our contract.

5 MR. SIEGFRIED: So you're not allowed  
6 more than one estimated read?

7 MS. WILLANS: Correct.

8 MS. THUNBERG: And what is the basis of  
9 that requirement, Ms. Willans?

10 MS. WILLANS: The management agreement.

11 MS. THUNBERG: Is it correct that the  
12 present Nashua-Veolia contract doesn't discuss  
13 frequency of estimated reads, is that correct?

14 MR. SIEGFRIED: As far as the  
15 percentage of the total reads being estimated  
16 reads or sequential estimated reads in the same  
17 account?

18 MS. THUNBERG: Any estimated reads.

19 MR. SIEGFRIED: Correct. It's not  
20 discussed in the contract. And both of those  
21 items -- if you have multiple consecutive  
22 estimated reads on account, that is a concern.

23 MS. THUNBERG: Does Veolia itself have

1 a goal other than a management agreement with a  
2 client of how many estimated meter reads it will  
3 tolerate?

4 MR. ASHCROFT: No, it does not, that's  
5 contract by contract, usually driven by the client  
6 requirements.

7 MS. THUNBERG: With respect to the OM&M  
8 contract, and I think the question is directed to  
9 you, Mr. Ashcroft, or you, Mr. Noran, are you  
10 familiar with the conservation plan that's  
11 required under the contract?

12 MR. NORAN: Yes.

13 MS. THUNBERG: If not, I can pull up a  
14 specific page reference, if you wish.

15 MR. NORAN: Yes, I'm familiar with it.

16 MS. THUNBERG: Yes, you'd like me to  
17 have it pulled up?

18 MR. NORAN: I'm familiar with it.

19 MS. THUNBERG: I'm sorry, I'm having a  
20 hard time hearing over this projector.

21 Mr. Noran, would you please tell me  
22 what the conservation plan would typically entail?  
23 I'm assuming Veolia performs these regularly.

1                   MR. NORAN: The conservation plan that  
2           Veolia will -- will be developing will actually  
3           identify the -- do usage analysis and identify  
4           what the opportunities are for conservation, and  
5           will follow the AWWA guidelines on conservation  
6           plans and recommendations that AWWA has with  
7           respect to conservation and tailor the -- tailor  
8           the recommendations to Nashua.

9                   MS. THUNBERG: And can you please, for  
10          the record, just explain AWWA, what it is.

11                  MR. NORAN: American Water Works  
12          Association.

13                  MS. THUNBERG: And how do they develop  
14          these guidelines?

15                  MR. NORAN: They have manuals that they  
16          put out with regard to developing and implementing  
17          conservation plans.

18                  MS. THUNBERG: Now, specific to the  
19          proposed Nashua-Veolia contract, is it correct  
20          that the conservation plan is work that Veolia  
21          would perform under the transition services?

22                  MR. NORAN: Yes.

23                  MS. THUNBERG: And after the transition



1 service they would not -- Veolia would not revisit  
2 a conservation plan?

3 MR. NORAN: I would -- I would say that  
4 Veolia will continue to work with Nashua on the  
5 conservation plan. We wouldn't just present the  
6 plan to them and -- and that will be it.

7 MS. THUNBERG: All right. Can a  
8 conservation plan include conservation rates?

9 MR. NORAN: Yes.

10 MS. THUNBERG: Has Veolia in all of  
11 its -- or all of its conservation plans that it's  
12 done for clients, has it ever recommended  
13 conservation rates?

14 MR. NORAN: I don't know -- I don't  
15 know if they have or not.

16 MS. WILLANS: Not in the one in  
17 Indianapolis; no, we haven't.

18 MR. NORAN: We don't have knowledge of  
19 that.

20 MS. THUNBERG: The staff is done or  
21 finished with its questions. Thank you.

22 CHAIRMAN GETZ: Ms. Reinemann, do you  
23 have questions for the panel?

1 MS. REINEMANN: No.

2 CHAIRMAN GETZ: Mr. Alexander?

3 CROSS-EXAMINATION

4 BY MR. ALEXANDER:

5 MR. ALEXANDER: Good afternoon. I'm  
6 John Alexander; I represent Anheuser-Busch.

7 As I'm sure you know, Anheuser-Busch is  
8 the largest volume customer on the Pennichuck  
9 system and uses -- and uses water to create its  
10 product.

11 One of its key interests in this  
12 proceeding, one of its key interests with respect  
13 to water is the ability to communicate and to have  
14 good cooperation with its supplier.

15 Are there any particular services or  
16 operations that Veolia anticipates putting in  
17 place to facilitate those arrangements?

18 MR. ASHCROFT: I think the best way to  
19 answer that is to allow us to talk about the  
20 arrangements that we jointly developed with major  
21 customers in Indianapolis. I'm not saying they're  
22 directly transplantable here to Nashua, but will  
23 give you a flavor as to the approach we will take,

1       but quite frankly we will be anxious to work with  
2       you to put those appropriate procedures and  
3       protocols, processes in place.

4                   MS. WILLANS: We have some very large  
5       users in our system; the biggest user is Eli  
6       Lilly, the pharmaceutical company. We have a  
7       Pepsi-Cola bottling plant, and another large user  
8       is Quaker Oats.

9                   What we set up for them is a 24 hour  
10      technical help line because they need more  
11      information than the normal residential customer.  
12      They need to know is it our process that's changed  
13      or is it your process that's changed. If you have  
14      issues in your process, do you need to count it  
15      out first so that you don't have -- so you can  
16      look at your own process or vice versa, so that's  
17      one of the major things that we set up.

18                  We even send them e-mails daily to our  
19      top users on our processing information. If we  
20      have a PH change that's gone up from normal, we  
21      notify them straightaway.

22                  Another big thing that we've done is we  
23      have got a technical advisory group. This

1     technical advisory group is made up of the large  
2     users, also, and environmental groups. We've got  
3     our local department of environmental, our primacy  
4     agency is part of the meeting, DNR, Department of  
5     Natural Resources; we meet monthly.

6             First part of that meeting would be an  
7     operational update. We explain everything that's  
8     gone on in that month that's of note to them.  
9     We'll have parts of the agenda that we -- we talk  
10    about maybe we're doing reservoir management or  
11    watershed management, any large capital work  
12    that's going on. How we're responding to main  
13    breaks, what type of main breaks we had, how that  
14    affected. We talk about what sort of pressure  
15    issues there was or may be coming up in the next  
16    month.

17            We've also set up a system within that  
18    technical group that if we do have operational  
19    changes that we've got a -- and we know in  
20    advance, we'll send them an e-mail or have  
21    face-to-face conversations with them at least two  
22    weeks in advance of major works that could affect  
23    them, or, if not, that they actually have

1 information about it.

2 We actually show them our planned --  
3 our draft plan as well, so they can understand  
4 what we do with our system as well, before it even  
5 goes for approval, so they can get an  
6 understanding of where they want to go.

7 We have presentations from the  
8 regulatory agency. They had a presentation just  
9 recently on endocrine disrupters and things that  
10 might be happening in the near future and how it  
11 could affect their processes and products.

12 On a customer services point of view,  
13 we need to make sure that they have somebody's  
14 number 24 hours a day, it's a cellphone. I've got  
15 my cellphone home because I'm not here, and I've  
16 given that to somebody else, and as soon as I get  
17 back I will carry that and I will give them water  
18 quality and technical information when it's  
19 needed.

20 MR. ALEXANDER: And these are the kinds  
21 of services that might be implemented?

22 MS. WILLANS: I believe we would  
23 implement definitely a technical help line. To me

1       that is a must.

2                   MR. ASHCROFT: We would anticipate  
3 building on to the current arrangements you have  
4 with Pennichuck and possibly improving upon them.

5                   MR. ALEXANDER: Thank you very much.

6                   CHAIRMAN GETZ: Mr. Boutin?

7                   MR. BOUTIN: I promised that I  
8 wouldn't, but I just couldn't resist.

9                   CROSS-EXAMINATION

10          BY MR. BOUTIN:

11                   MR. BOUTIN: What about the town of  
12 Merrimack? I have two groups I'm worried about,  
13 one is a boat customer, which is Merrimack Water  
14 District, and the other, many hundreds of citizens  
15 of Merrimack that are individual customers. What  
16 are they going to do if they have to have customer  
17 support? Anyone who can answer.

18                   MR. ASHCROFT: That wouldn't be any  
19 different, same standard from any other.

20                   MR. BOUTIN: In other words, they are  
21 going to be directed to call the city of Nashua?

22                   MR. SIEGFRIED: Well, except your boat  
23 customer. You said there's a boat customer. If

1       it's a large customer it's going to be handled  
2       differently and very possibly would fall into the  
3       group that Alyson was just describing.

4                   MR. BOUTIN: And the individual  
5       customers would be directed to the city of Nashua?  
6       I mean, it may seem an obvious question to you,  
7       but it's something I have to report back on to my  
8       client, and they're very anxious about who they  
9       have to deal with.

10                  MR. SIEGFRIED: They would be directed  
11       to the customer call center.

12                  MR. BOUTIN: I'm trying to identify in  
13       the whole day's testimony that kind of got  
14       condensed down to this chart the community of  
15       interest between Veolia and Mr. Sansoucy, because  
16       you had negotiations and they were primarily with  
17       Mr. Sansoucy for Nashua, that is right?

18                  MR. ASHCROFT: Mr. Upton.

19                  MR. BOUTIN: I want to see if I can  
20       identify that community of interest. We have a  
21       base fee, and Nashua's interest is to keep that as  
22       low as possible because it plugs into what their  
23       revenue requirement is. You understand things

1       that way? I take that as a yes.

2                   MR. SIEGFRIED: Yes.

3                   MR. BOUTIN: As it stands now, we have  
4       learned from the revenue requirement  
5       exhibit that's already on file that it appears  
6       that Mr. Sansoucy -- this is Mr. Sansoucy's  
7       testimony -- is under -- understated it by about  
8       \$150,000, and I think we have agreement on that  
9       from prior testimony, isn't that right?

10                  MR. ASHCROFT: Yes.

11                  MR. BOUTIN: And I also, in terms of  
12       this community of interest, then look at the  
13       position of Veolia. And as to the base fee, you  
14       want to be sure that that covers you for  
15       day-to-day nuts and bolts operation, but that  
16       anything with any risk in it is into the other  
17       side of that equation, would that be a fair  
18       statement?

19                  MR. ASHCROFT: No, I don't think it  
20       would. There's risk in the base fee. I would  
21       characterize it as the base load, or the base fee,  
22       the more variable elements that certainly with the  
23       information we got are unable to predict or



1 estimate to be in the variable element.

2 MR. BOUTIN: The base fee then is where  
3 you have used as a starting point of your risk  
4 allocation analysis, and your minimal risk is in  
5 the base fee side of that application, is that a  
6 fair statement?

7 MR. ASHCROFT: Yeah, risk we can  
8 manage. Outside that is risk we can't manage.

9 MR. BOUTIN: So let's go to the other  
10 side of the equation, again the community of  
11 interest. All of the other stuff on the other  
12 side, RRRM, certain of the transition, capital  
13 projects and the supplemental schedule that you  
14 had are all of the things that you see as risks  
15 that you have to manage by putting them into a  
16 cost plus type of billing.

17 MR. ASHCROFT: Yes.

18 MR. BOUTIN: And Nashua, of course,  
19 sees that side of the equation as costs that it  
20 doesn't have to disclose when it comes to the  
21 commission with a revenue requirement, would that  
22 be a fair statement?

23 MR. NORAN: I don't think so.

1                   MR. BOUTIN: Well, why don't you tell  
2                   me where it is that Nashua is accounting for that  
3                   side of the equation other than \$150,000 of  
4                   unplanned maintenance in its revenue requirement?

5                   MR. NORAN: Okay, I guess my -- my  
6                   first comment would be the -- the exhibit you have  
7                   there has been updated, and the updated exhibit is  
8                   dated 11/14/06.

9                   MR. BOUTIN: What's the difference in  
10                  the number?

11                  MR. NORAN: Very significant. The  
12                  unplanned maintenance is 290,000.

13                  MR. BOUTIN: Aha, it's 290,000. And in  
14                  your proposal to Nashua, you had an \$850,000 floor  
15                  in 2004 for unplanned maintenance, didn't you?

16                  MR. NORAN: I'm estimating unplanned  
17                  maintenance at 583,000.

18                  MR. BOUTIN: And is that an adjusted  
19                  number?

20                  MR. NORAN: That is the -- the -- the  
21                  estimate as of July 14, 2005.

22                  MR. BOUTIN: Okay, but it was 850,000  
23                  as a floor up to a million 150, is that right?

1                   MR. NORAN: That -- those numbers  
2                   you're quoting was strictly an estimate that we  
3                   put together during the proposal phase, and since  
4                   then we've gotten more detailed information. And,  
5                   once again, we're estimating the unplanned  
6                   maintenance related to OM&M as 583,000.

7                   MR. BOUTIN: So if I take this  
8                   particular exhibit and I plug in the 230 that is  
9                   still half of the number that you negotiated in  
10                  your best judgment as being the floor, then I've  
11                  got Mr. Sansoucy's disclosure on that side of the  
12                  ledger, don't I?

13                 MR. NORAN: Well, his number for the  
14                  unplanned maintenance is 290 thousand, and in  
15                  addition to that what he's saying is the bond  
16                  reserves of 3 million 061 will also cover the  
17                  difference between our number and his number for  
18                  unplanned maintenance.

19                 MR. BOUTIN: I see. So now we're up to  
20                  somewhere around 590,000 covering that whole side  
21                  of the equation.

22                 Do you understand a revenue requirement  
23                  to be the factual predicate for establishing

1 rates?

2 MR. NORAN: Yes.

3 MR. BOUTIN: So if the revenue  
4 requirement is understated, the rates will also be  
5 inadequate or look less than they might end up, is  
6 that correct?

7 MR. NORAN: Yes.

8 MR. BOUTIN: Do you think that's what's  
9 going on here?

10 MR. NORAN: No, I don't think his  
11 revenue requirement is understated. I'm not here  
12 to defend his numbers, but his explanation to me  
13 with regard to the delta in the unplanned  
14 maintenance is that delta is actually in line 13  
15 the bond reserve requirements of 3 million 061.

16 MR. BOUTIN: I realize that is going to  
17 provide an additional 200,000 or so toward capital  
18 improvements, and you're agreeing with me. So  
19 we've accounted for that other 200,000, but we  
20 haven't accounted for that whole side of the  
21 ledger, have we?

22 MR. NORAN: I think we have.

23 MR. BOUTIN: So that we've accounted

1       for main breaks, leak repair, valve repair, all  
2       the other things that are listed in the exhibits  
3       that Mr. Camerino referred to?

4                     MR. NORAN:   Yes.

5                     MR. BOUTIN:  I'll leave that to the  
6       judgment of the commission.  However, did you in  
7       your negotiations understand Nashua to take the  
8       position that they wanted the base fee to be as  
9       low as possible?

10                    MR. NORAN:  No, I did not get that --  
11       that.

12                    MR. ASHCROFT:  Well, generally speaking  
13       when you negotiate with clients, they want the  
14       best deal they can get.

15                    MR. BOUTIN:  I understand that, but I'm  
16       talking about the relative difference between the  
17       base fee and the other side of the ledger, the  
18       plus.

19                    MR. ASHCROFT:  No, we were basically  
20       saying that we couldn't give precise numbers for  
21       it, as you say, the other side of the ledger.  It  
22       was a strange process that we went through without  
23       access to the employees, without access to the

1 management, without access to the park.

2 So due diligence we really couldn't do,  
3 so we made estimates, but I wouldn't want to enter  
4 into a firm contract without the right  
5 information.

6 MR. BOUTIN: I understand you to  
7 testify earlier that you still had due diligence  
8 to do.

9 MR. ASHCROFT: Yes.

10 MR. BOUTIN: So until you do that  
11 additional due diligence, you're not signing any  
12 contract, is that right?

13 MR. ASHCROFT: It would be advise --  
14 the more due diligence we do the more accurate we  
15 could be to minimize the risk that will lower the  
16 price.

17 MR. BOUTIN: You haven't done all the  
18 due diligence -- it may be because you haven't  
19 been permitted to, but you haven't done it yet.

20 MR. ASHCROFT: That's right.

21 MR. BOUTIN: So you're not satisfied to  
22 sign that contract at this time.

23 MR. ASHCROFT: Not at this time.

1                   MR. BOUTIN: Now, there is also a draft  
2                   water ordinance out there, and I took your  
3                   testimony to mean that until that ordinance is  
4                   final, you're not going to sign any contract,  
5                   would that be fair to say?

6                   MR. ASHCROFT: This is still in draft,  
7                   so we would hope to have that included, again, to  
8                   clear up any ambiguity.

9                   MR. BOUTIN: Just to put it as simply  
10                  as possible, you're not going to sign the contract  
11                  until you're satisfied you have a final draft --  
12                  or a final water ordinance, not a draft.

13                  MR. ASHCROFT: We would have to have  
14                  some contingencies if we were asked to sign the  
15                  contract. It's something we certainly want to  
16                  discuss with the client.

17                  MR. BOUTIN: And if anything changes in  
18                  the water ordinance, it's going to generate a  
19                  higher degree of likelihood of some extra costs in  
20                  the contract, would that be fair to say?

21                  MR. ASHCROFT: Could go up, could go  
22                  down.

23                  MR. BOUTIN: Now, the one and done

1       concept, you in your experience so far have  
2       control of the customer service operation. So  
3       when you say one and done, the process is within  
4       your control, is that right?

5                   In this case one and done means one and  
6       done with Nashua being one part of the process and  
7       Veolia being another part of the process. So what  
8       kind of assurances can you have that you can  
9       implement one and done if the input and output end  
10      are both Nashua and not you.

11                  MR. ASHCROFT: That's predicated upon  
12      our assumption that we will get complete  
13      cooperation from our client, city of Nashua. I  
14      honestly believe that that will be forthcoming.  
15      Why wouldn't it be? It's in their interest to do  
16      so.

17                  MR. BOUTIN: Well, you and I have both  
18      dealt with politicians for a long time, so I don't  
19      think there's any way to have any assurance on  
20      that.

21                  Just let me check my note, and I think  
22      I'm done.

23                  I'm done. Thank you.



1                   COMMISSIONER BELOW: I actually have a  
2                   question for Mr. Camerino who is outside of the  
3                   room.

4                   MS. KNOWLTON: Maybe I can answer it.

5                   COMMISSIONER BELOW: It's a document he  
6                   displayed earlier this afternoon. It was a data  
7                   request 4-49 with a response date of 5/31/06, and  
8                   I didn't notice the exhibit number, and I can't  
9                   find it in the exhibit list. And if it can be  
10                  identified as an exhibit, or if it's not an  
11                  exhibit, if it could be entered -- given a number  
12                  and entered as such.

13                  It was probably either PWW or Nashua  
14                  data request to -- I mean staff or PWW request to  
15                  Nashua.

16                  MR. RICHARDSON: It was a PWW request  
17                  to Nashua that was the subject of a motion to  
18                  compel. It's not one of Nashua's premarked  
19                  exhibits, but we have no objection to -- if it's  
20                  the document I understand -- to having it entered  
21                  in if Pennichuck hasn't marked it already.

22                  MS. KNOWLTON: It was something that  
23                  you saw -- that was shown today?

1                   COMMISSIONER BELOW: Yes. I think it  
2                   was request 4-49, 5/31/06 response date. I think  
3                   it concerned the -- the respondent may have  
4                   been --

5                   MS. KNOWLTON: Here it is. It is  
6                   Exhibit 3052. Let me just put it up on Elmo, and  
7                   you can see whether this is what you are referring  
8                   to.

9                   COMMISSIONER BELOW: Yes, that's what I  
10                  was referring to. Yes.

11                  MS. KNOWLTON: So that has been marked  
12                  3052.

13                  COMMISSIONER BELOW: 3052.

14                  MR. UPTON: Maybe without the notes?

15                  MR. CAMERINO: It's marked without the  
16                  notes. This is just on my copy.

17                  MR. UPTON: Okay, all right. It's  
18                  already an exhibit.

19                  MS. KNOWLTON: Let me check it against  
20                  our exhibit list, but that is the stickered copy  
21                  which would be the same as in the clerk's set of  
22                  exhibits. That's correct, 3052. That is correct,  
23                  it's been marked.

1                   COMMISSIONER BELOW: Okay. Yup, there  
2     it is. I searched and searched, it didn't come  
3     up. Now I see it. Good. Thank you. That's all.

4                   CHAIRMAN GETZ: Redirect?

5                   MR. UPTON: We've got probably 45  
6     minutes to an hour. It's going to be awfully hard  
7     to get it done. Maybe we could confer with the  
8     witnesses and see if there's any chance they can  
9     come back another day.

10                  CHAIRMAN GETZ: I think we're going to  
11     have a tough time going 45 minutes now. I think  
12     certainly the court reporter would need a break.  
13     If you can arrange a day for them to come back.

14                  MR. UPTON: I think it's going to be a  
15     lot for all of us. So we would like to try to do  
16     that if we can work that with the witnesses, but  
17     we would have to do that. Can we have five  
18     minutes?

19                  CHAIRMAN GETZ: Certainly. Let's take  
20     a brief recess.

21                  MR. UPTON: And then when you come  
22     back we'll be able to tell you what we can do.

23                  CHAIRMAN GETZ: Off the record.

1 (Discussion off the record.)

2 (Recess taken.)

3 CHAIRMAN GETZ: Mr. Upton.

4 MR. UPTON: Our best hope is Friday  
5 afternoon following Beck.

6 CHAIRMAN GETZ: Okay, before we make  
7 this commitment about Friday, I think is there at  
8 least some kind of meeting of the minds among the  
9 parties of how long it's going to take to get  
10 through the Beck witnesses?

11 MS. KNOWLTON: I'm doing the  
12 cross-examination of Beck, and I'm going to  
13 endeavor to go as fast as I can, and I do talk  
14 fast, so that might help, but, you know, Beck has  
15 to be completed by Monday with the exception of  
16 Mr. Henderson who's on another panel.

17 So the priority is to get that  
18 completed. I don't know how much time that is  
19 going to leave for Veolia. I'm going to do my  
20 best to be done by mid to late afternoon.

21 MR. UPTON: I think just from my  
22 general observation of the exhibit lists there are  
23 significantly fewer exhibits that are relative to

1 Beck's testimony on both sides of the equation, so  
2 I'm hopeful that that will make things move along  
3 a lot more quickly.

4 CHAIRMAN GETZ: We're going to be here,  
5 so I'm just trying to think about whether the  
6 travel for the --

7 MR. UPTON: The worst that happens is  
8 that we've got to bring them back at some point.  
9 That's our risk. They're here now, to send them  
10 home and bring them back, we prefer not to do it,  
11 so Friday would be the best if we can because they  
12 are here.

13 So we're going to try to do that, and  
14 failing that, we'll have to make another plan, so  
15 we'll deal with that when it happens.

16 MS. KNOWLTON: We did confer with  
17 Claire McHugh and she is agreeable, as are the  
18 parties, I believe, for her to testify on Monday.  
19 We have more flexibility in the schedule on  
20 Monday, and I believe there will be ample time for  
21 her testimony.

22 CHAIRMAN GETZ: Okay, that's fine.  
23 Anything else we need to address today?

1                   Thank you, everyone. We'll recess  
2       until Friday at 1 p.m.

3                   (The hearing was adjourned at 5:39 p.m.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

## 1 CERTIFICATE

2 I, Pamela J. Carle, Certified Court  
3 Reporter and Notary Public of the State of  
4 New Hampshire, do hereby certify that the foregoing  
5 is a true and accurate transcript of my stenographic  
6 notes of the hearing Re: DW 04-048, taken at the  
7 place and on the date hereinbefore set forth.

8 I further certify that I am neither  
9 attorney nor counsel for, nor related to or employed  
10 by any of the parties to the action in which this  
11 proceeding was taken, and further that I am not a  
12 relative or employee of any attorney or counsel  
13 employed in this case nor am I financially interested  
14 in this action.

15 THE FOREGOING CERTIFICATION OF THIS  
16 TRANSCRIPT DOES NOT APPLY TO ANY REPRODUCTION OF  
17 THE SAME BY ANY MEANS UNLESS UNDER THE DIRECT  
18 CONTROL AND/OR DIRECTION OF THE CERTIFYING  
19 REPORTER.

20

21

22

23

---

Pamela J. Carle, CCR, RPR

Certificate No. 98 (RSA 331-B)