

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Pittsfield Aqueduct Company, Inc.

Docket No. DW 10-090

**JOINT REBUTTAL TESTIMONY
OF
DONALD L. WARE AND BONALYN J. HARTLEY**

April 21, 2011

1 **Q. Please state your names and positions.**

2 A. We are Donald L. Ware, President, and Bonalyn J. Hartley, Vice President
3 Administration and Regulatory Affairs of Pittsfield Aqueduct Company, Inc.

4 **Q. Have you previously filed testimony in this case?**

5 A. Yes. We filed testimony on May 6, 2010. Our educational background and qualifications
6 are set forth in that testimony.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of our testimony is to comment on the direct testimony of Stephen R. Eckberg,
9 Utility Analyst for the Office of Consumer Advocate on March 4, 2011 in regard to Pittsfield
10 Aqueduct Company, Inc.'s (the "Company") WICA proposal.

11 **Q. Do you agree with the position set forth in the direct testimony of Mr. Eckberg in this
12 case regarding the WICA?**

13 A. No. For a variety of reasons, the Company disagrees with Mr. Eckberg's recommendation
14 that the Commission should deny the Company's request for a WICA.

15 **Q. Please explain.**

16 A. Mr. Eckberg states that the OCA opposes the Company's WICA proposal because
17 "[t]he Company has not shown that the WICA, if approved, will result in the
18 benefits that the Company purports will flow to its customers. Specifically, there
19 is not sufficient evidence to support the contention that, as a result of the WICA,
20 customers will enjoy lower costs from less frequent rate cases or improved service
21 quality." Testimony of Stephen Eckberg at page 3 lines 18 through 21. Mr.
22 Eckberg goes on to state that "the OCA questions whether the Company's claims
23 of less frequent rate cases will come to fruition. The filing of a rate case in or

1 around 2014 would diminish this claimed benefit as well as the benefits of
2 reduced regulatory costs” *id.* at page 5, lines 8 through 11, and that “the proposed
3 cumulative cap” (for WICA) “would likely be reached by 2014.” *Id.* at lines 3
4 through 4.

5 **Q. Do you agree with Mr. Eckberg?**

6 A. No. Mr. Eckberg does not correctly calculate the time between rate cases. If the
7 Company utilizes 2014 as the test year and files a rate case in 2015, the time
8 frame from this case (which is based on a 2009 test year) and the expected filing
9 in 2015 would be 5 years not “the Company’s typical period between rate cases
10 (i.e., roughly every two years). Thus, we believe that at least one rate case would
11 be avoided if the WICA were implemented.

12 **Q. What is the benefit to the Company’s customers of an avoided rate case?**

13 A.. In response to OCA 1-18 and 3-3, the Company estimated rate case expenses in
14 this case would be approximately \$55,000. Using this as a rough approximation
15 of future rate case expense, the annual amount charged to each ratepayer would be
16 approximately \$85 based on 648 customers. The Company believes that the
17 avoidance of these regulatory expenses would be a compelling benefit to
18 customers, especially residential customers.

19 **Q. Would there be any regulatory costs associated with the WICA filing?**

20 A. Yes, there would be some regulatory expense associated with the WICA filing,
21 but that would not be included in the WICA charges.

22 **Q. Are there other aspects of Mr. Eckberg’s testimony on the WICA with which**
23 **you disagree?**

1 A. Yes. Mr. Eckberg states that “the OCA questions whether the Company’s
2 customers will benefit from improved service quality if the Commission approves
3 the proposed WICA”. Yet, on page 4 of Mr. Ware’s pre-filed direct testimony, he
4 states “The Pittsfield water system still has 13,650 lineal feet of unlined cast iron
5 water main that should be replaced or rehabilitated because it restricts fire flows
6 and impacts water quality by releasing iron into the water during high flows
7 resulting in colored water and by potentially allowing for bacterial regrowth”. As
8 further clarification, the tuberculation on the inside of unlined cast iron provides
9 great protection for bacteria and results in bacterial regrowth that in turn can
10 result in system outbreaks of bacteria. The tuberculation is the result of oxidizing
11 the cast iron with chlorine. The presence of unlined cast iron makes it difficult to
12 maintain proper chlorine residuals in the distribution system. This type of water
13 main does yield colored water during certain flow conditions that is disruptive to
14 businesses and residential customers. Overall, the water utility industry
15 universally recognizes the need to replace or rehabilitate unlined cast iron water
16 mains. Therefore, the Company contends that a proactive preventive capital
17 maintenance program to ensure water quality to its customers by addressing a
18 commonly understood issue in the water industry would be another compelling
19 benefit of the WICA program to its customers.

20 **Q. Mr. Eckberg claims that the Aquarion WICA program approved by the**
21 **Commission in Order 25,019 was based upon a unique set of circumstances**
22 **and should not be a program available to other water utilities. Do you**
23 **agree?**

1 A. No. Mr. Eckberg states that “The WICA program that the Commission approved
2 for the Aquarion Water Company of New Hampshire (Aquarion) was based upon
3 a unique set of circumstances, and is not a rate mechanism of general applicability
4 to all water utilities” and later states “the Aquarion WICA was the product of a
5 settlement agreement and was developed as a “pilot” project.” The Company
6 contends there is nothing unique about a proposal being the product of a
7 settlement agreement. A settlement agreement is a common outcome of a rate
8 filing which certainly is the case here. The Settlement Agreement between the
9 Company and Staff in this case indicates that the WICA program, if approved,
10 would also be a pilot program. The Company contends that there will be benefits
11 to having a pilot for more than one regulated water utility so that the Commission
12 and its Staff can obtain a more comprehensive evaluation of the program.

13 At the broader level, the concept of a WICA is not new. WICA mechanisms, often also
14 referred to as “DSIC” rate mechanism (“Distribution System Infrastructure Charge”), have
15 been adopted in a number of other states including California, Connecticut, Delaware,
16 Illinois, Mississippi, New York, Ohio and Pennsylvania.

17 Additionally, on February 24, 1999, the National Association of Regulatory Commissioners
18 (NARUC) sponsored a resolution whereby they cosponsored and endorsed the DSIC that was
19 approved by the Pennsylvania Public Utility Commission and the Pennsylvania legislature as
20 a promising and unique regulatory approach that encourages the acceleration of needed
21 remediation of an aging water utility infrastructure. A copy of that resolution is attached as
22 BJH/DLW-R1. The Company contends that there is proven general applicability of WICA

1 mechanisms in the water utility industry and for the reasons stated above, the WICA
2 mechanism is in the public interest here.

3 **Q. Does the Company have any other concerns about Mr. Eckberg's testimony?**

4 A. Yes. Mr. Eckberg states "the OCA is concerned about the impact that a transfer of ownership
5 – even if indirect – would have on the operations (e.g. expenses) and service to the
6 Company's customers." The Company contends that the potential acquisition by the City of
7 Nashua in DW 11-026 should not be a matter considered or addressed in this filing. As set
8 forth in the Company's direct pre-filed case, the Company has been significantly
9 underearning its allowed return based on the historical test year. The Company is legally
10 entitled to rate relief, and should not be denied this right based on an event in the future
11 which has yet to occur and which bears no relation to its historical test year underearning.

12 **Q. Does this conclude your testimony?**

13 A. Yes it does.