

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ORIGINAL	
N.H.P.U.C. Case No.	DW 10-091
Exhibit No.	#12
Witness	Panel 2
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Pennichuck Water Works, Inc.

Docket No. DW 10-091

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

May 18, 2011

1 **Q. Please state your names and positions with Pennichuck Water Works, Inc. (the**
2 **“Company”).**

3 A. We are Donald L. Ware, President, and Bonalyn J. Hartley, Vice President
4 Administration and Regulatory Affairs of Pennichuck Water Works, Inc.

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

6
7 A. Yes. We filed testimony on May 7, 2010. Our educational background and qualifications
8 are set forth in that testimony.

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

10 A. The purpose of our testimony is to respond to the direct testimony of Stephen R. Eckberg,
11 Utility Analyst for the Office of Consumer Advocate on March 31, 2011 in regard to the
12 Company’s WICA proposal and to a portion of Mr. Eckberg’s testimony regarding cell tower
13 leases.

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

16 A. No. Mr. Eckberg requests that the Commission deny the Company’s request for a WICA
17 whether the WICA is designed as a pilot or otherwise. Mr. Eckberg claims that the Aquarion
18 WICA program approved by the Commission in Order 25,019 was based upon a unique set
19 of circumstances and should not be a program available to other water utilities. The
20 Company does not agree with that conclusion.

21 **Q. Why not?**

22 A. Mr. Eckberg states that “The WICA program that the Commission approved for
23 the Aquarion Water Company of New Hampshire (Aquarion) was based upon a
24 unique set of circumstances” and “is not a rate mechanism of general applicability

1 to all water utilities.” There is nothing in Commission Order 25,019 approving
2 the Aquarion WICA that limited the adoption of a WICA to Aquarion. Rather,
3 Order 25,019 states that “The WICA program appears to strike a reasonable
4 balance between reducing rate shock to customers at the time of each rate case
5 and providing an incentive to Aquarion to accelerate needed infrastructure
6 replacement.” Order 25,019 at 17. The Company contends that there will be
7 benefits to having a pilot for more than one regulated water utility so that the
8 Commission and its Staff can obtain a more comprehensive evaluation of the
9 program. The fact that Pennichuck Water Works circumstances are not identical
10 to Aquarion’s should not pose any bar to the adoption of a WICA here.

11 Further, as recognized in Order 25,019, the concept of a WICA is not new. WICA
12 mechanisms, often also referred to as “DSIC” rate mechanism (“Distribution System
13 Infrastructure Charge”), have been adopted in a number of other states, including
14 Connecticut. See Order 25,019 at 17. Additionally, on February 24, 1999, the National
15 Association of Regulatory Commissioners (NARUC) sponsored a resolution whereby they
16 cosponsored and endorsed the DSIC that was approved by the Pennsylvania Public Utility
17 Commission and the Pennsylvania legislature as a promising and unique regulatory approach
18 that encourages the acceleration of needed remediation of an aging water utility
19 infrastructure. A copy of that resolution is attached as BJH/DLW-R1. The Company
20 contends that the WICA mechanism is in the public interest here because it does provide a
21 mechanism to encourage replacement of aging infrastructure while mitigating regulatory
22 expense for customers.

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

1 A. Yes. Mr. Eckberg states “the City of Nashua is currently seeking to indirectly acquire PWW”
2 and concludes that OCA cannot support the proposed WICA because of that
3 pending transaction. A potential acquisition by the City of Nashua in DW 11-026
4 has no relevance to whether a WICA should be granted in this case. There has been no final
5 determination in DW 11-026 and it would be speculative to determine the outcome of that
6 case at this time and have an undetermined outcome of a matter imposed as a consideration
7 here. The need to replace aging infrastructure in the Company’s system exists regardless of
8 whether the City owns PWW’s parent, Pennichuck Corporation or whether it remains under
9 its current ownership. Having the WICA mechanism in place will provide a cost effective
10 means to replace aging infrastructure. Given that the Commission would have to approve
11 any WICA surcharge, it will have ample opportunity to address any concerns it might later
12 have should the acquisition of Pennichuck Corporation be approved in DW 11-026.

13 **Q. If the Commission were to grant a WICA mechanism does the Company have any**
14 **issues with the set of criteria for a WICA program outlined in Mr. Eckberg’s**
15 **testimony?**

16 A. No. The Company believes the WICA criteria outlined by Mr. Eckberg are acceptable.

17 **Q. Mr. Eckberg’s testimony also addresses issues relating to the sale of certain cell tower**
18 **leases. In that testimony, he states that “there may be other cell tower lease revenues**
19 **that have not been covered by the extensive discovery and discussion in this docket.”**
20 **Eckberg Testimony at 8. Are you aware of any other PWW cell tower lease revenues**
21 **that have not been disclosed?**

22 Q. No. There are no other cell tower lease revenues that relate to PWW. Mr. Eckberg’s
23 testimony appears to relate to the sale of a cell tower lease by The Southwood Corporation,

1 an unregulated affiliate of PWW. That sale has no bearing whatsoever on this case and was
2 not the subject of any discovery in this docket.

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

4 A. Yes it does.