STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Pennichuck Water Works, Inc.
Petition for Fifth Special Contract for Service to Anheuser-Busch, Inc.

DW 21-115

Supplemental Testimony of Donald L. Ware

November 10, 2021

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to describe:

1. Changes to Pennichuck Water Works, Inc.'s (PWW or Company) wholesale customer mix that occurred after the filing of the Company's petition to enter into a Fifth contract with Anheuser-Busch, LLC (AB), which have an impact on the terms and conditions of that proposed Fifth special contract with AB.

2. Correct overallocations of certain assets attributed to delivering water to AB that were discovered after the original petition was submitted.

3. PWW's view that the rates detailed in the proposed the Fifth special contract should be based on the permanent rates granted to PWW in Order No. 26,425 in Docket DW19-084 without any pro forma and that the proposed initial rates would be subject to the Qualified Capital Project Adjustment Charges (QCPAC) being sought in Dockets DW20-20 and DW21-023.

Q. Please explain the change in wholesale customer mix that has occurred since the DW21-115 petition was filed?

A. Since the timeframe for which the AB Cost of Service Study (COSS) was completed, on April 16, 2021, the Town of Hudson (Hudson) has approached PWW seeking a long term, take-or-pay contract with a minimum take of 1.07 Million Gallons per Day (MGD) and a peak day rate of up to 2.0 MGD. This is a dramatic shift in the amount of water taken by Hudson as a factor that was built into the previously filed COSS. In June of 2021, Hudson was required by the NHDES to terminate the use of its Dame Well due to Perfluorooctanoic acid (PFOA) contamination, which resulted in the loss of 790,000 gpd of water based upon that well being taken offline. The only supply of water available to replace this lost capacity was the already existing seasonal interconnection between PWW and Hudson. As a result, Hudson is going from using about 145,000 hundred cubic feet (CCF) of water per year through that interconnection during the summer months (with no minimum guaranteed usage) to a minimum guaranteed usage of 523,443 CCF per year (with minimum guaranteed usage), and from a Maximum day usage of 1.40 MGD to 2.0 MGD. When these changes in Hudson usage is programmed as an element into AB's COSS it changes the relative share of costs that PWW should recover from AB.

Q. Is that the only shift in wholesale customer usage that has changed since the initial filing DW21-155?

A. Yes.

Q. Are there any other factors that have changed which necessitate changing AB's COSS?

A. No.

Q. Has a revised COSS been prepared for AB reflecting the usage change by Hudson noted above?

A. Yes. I have attached a revised COSS which reflects the above-described known and measurable change in usage by Hudson. See Attachment DLW-1-Revised COSS.

Q. Will this change in Hudson usage, which began on June 30, 2021, result in Hudson seeking a change to their approved Special Contract?

A. Yes. A separate COSS, which is being funded by the NHDES, is being prepared for Hudson. A petition will be filed once that COSS is complete to seek approval of a revised special contract with Hudson reflecting the change in Hudson's guaranteed usage and pattern of overall usage.

Q. Has the form of the proposed Fifth Special Contract changed due to the mix of wholesale customer usage noted above?

A. No. The basic form and of the proposed Fifth Special Contract does not change but the proposed rates and the impact of the QCPAC's on those rates have changed from the initial filing. The proposed rates and impact of QCPAC's is discussed later in my testimony, the changes are shown in the attached track-change and clean-signed revised special contract (Attachment DLW-2-Revised).

Q. Please provide more detail on the change to the asset allocation to AB.

A. The original COSS allocated 100% of the following accounts[1] to AB:

303-Land and Land Rights
304-Structures
307-Wells and Springs
309-Supply Mains
310-Power Generation Equipment
311-Pumping Equipment
320-Water Treatment Plant Equipment

Upon detailed review of these accounts, each of those accounts contained assets associated with providing service to PWW's independent community water systems, as well as service to parts of Nashua (high pressure zones) which have nothing to do with PWW providing service to AB. The select assets in these accounts have now been removed from consideration in the COSS.

[1] The account numbers are pursuant to the N.H. Uniform System of Accounts for Water Utilities, required by Puc 607.07 and RSA Chapter 374.

Q How does the revised COSS reflect the allocation of assets in these accounts?

A. There are tabs in the Excel version of the revised COSS that contain a detailed listing of the assets in each of the above noted accounts. Within those account tabs each asset is flagged as to whether the listed assets are needed to provide service to AB, or not. Only the value of the assets needed to provide service are allocated to AB in "Sch 1. Rate Base" of the revised COSS as opposed to 100% being allocated as was included in the originally submitted COSS.

Q. How does this change effect costs?

A. The asset value allocation to AB in the original COSS was $90,878,280. The asset value allocation to AB in the revised attached COSS for the same chart of accounts is $66,724,065. This is a reduction of $24,154,215.

Q. How does this change in allocated values impact the rates charged in the AB COSS?

A. The change in asset allocations impacted AB's share of the recovery of the City Bond Fixed Revenue Requirement (CBFRR) and the Company's Debt Service Revenue Requirements (DSRR) and (0.1 DSRR) as well as its share of operating expenses.

Q. Please compare the revised special contract rates with the original special contract.

A.

Proposed Special Contract Rate	Using Original COSS	Using Revised COSS
Volumetric Rate/CCF	$1,2604	$09690
Monthly Fixed Charge	$30,435.13	$28,283.61

Q. Is it true that not all charges AB pays are limited to the special contract?

A. Yes, that is correct. AB pays certain other charges in PWW's tariff that aren't otherwise superseded by the special contract terms.

Q. How do the rates in the special contract compare to AB's current rates?

A. Under the special contract, the Base Monthly Fixed Fee is proposed to be $28,283.61. Compare, the current AB Monthly Fixed fee is $30,953. The proposed AB Volumetric Rate is $0.9690 per 100 cubic feet (CCF). This rate does not include the 3.90% QCPAC surcharge proposed for 2019 qualified capital projects requested in DW 20-020 and the proposed 1.52% QCPAC surcharge requested in DW 21-023. These QCPAC rates are per PWW's tariff. The current Volumetric Rate, as approved in DW 19-084, for AB is $1.1700 per CCF. The $1.1700 per CCF permanent rate for AB approved in DW19-084 would change to the Fifth Contract rate of $0.9690 per CCF on July 1, 2021 The QCPAC surcharges of 3.90% and 1.52% proposed in DW 20-020 and DW 21-023 will apply over and above this Volumetric Rate when the rates are approved and the QCPAC's will be recoupable back to April 30, 2020 and April 2, 2021, respectively, and applicable to the tariffed AB rate during the recoupment period. The proposed fixed monthly fee for the two AB six-inch meters will be the same as the PWW General Metered customer and will be subject to any approved QCPAC surcharges, including those being sought in DW 20-020 and DW 21-023.

Q. In the original petition the Company proposed a pro forma adjustment to the 2018 PWW test year cost basis that was used in the COSS to account for plant additions that were specifically needed to provide water to AB and that were invested in after the 2018 Test Year. Is the Company continuing these

pro forma adjustments?

A. No.

Q. Please explain why the Company is no longer recommending pro forma adjustments to the rate being sought in this special contract?

A. If part of the cost of the qualified capital projects is applied directly to AB via the proposed pro forma as proposed in the original COSS, then the QCPAC surcharges calculated for the 2019 and 2020 plant additions, which included those pro forma plant additions, would need to be adjusted down to reflect AB's "direct" payment of its share of those qualified capital projects. Additionally, AB would not be subject to the QCPAC for other non-pro forma qualified capital projects that were placed in service in 2019 and 2020. This calculation would be challenging and would be outside of the established QCPAC process. The current QCPAC filings, DW20-020 and DW21-023, assumed that the AB rate is being adjusted by the approved QCPAC. When the DW20-020 filing was completed, there was no thought of a revised AB rate due to the impending expiration of the 4th special contract in June of 2021. Based on these facts, the Company believes the correct approach is for the 5th special contract for AB is to have the initial rate be based on the approved rates from PWW's last general rate case, DW19-084, and then adjust that AB rate by future QCPAC surcharges.

Q. Does the remainder of your testimony as submitted in this petition remain the same.

A. Yes.

Q. Does that complete your supplemental testimony?

A. Yes.