

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

**Pennichuck Water Works, Inc.**

**Petition for Approval of 2022 Wholesale Water Supply Contract  
with the Town of Hudson**

**DW 22-\_\_\_\_\_**

**Direct Testimony of Donald L. Ware**

**April 27, 2022**

## Table of Contents

I. Professional and Educational Background .....	3
2. Scope of Testimony .....	4
3. Description of Existing PWW-Hudson Contract.....	4
4. Description of Hudson’s Need for Additional Supply.....	5
5. Differentiation of Proposed Hudson Contract from other Special Contracts .....	6
6. Cost of Service Study Used to Determine Just and Reasonable Rates .....	8
7. Terms of Proposed PWW-Hudson Contract.....	12
8. Retroactive Application of Contract .....	15
9. Hudson’s Unique Usage Supports Approving Deviation from PWW’s Tariff .....	16

1 **I. Professional and Educational Background**

2

3 **Q. What is your name and what is your position with Pennichuck Water Works,**  
4 **Inc.?**

5 **A.** My name is Donald L. Ware. I am the Chief Operating Officer of the Pennichuck  
6 Water Works, Inc. (“PWW” or “Company”). I have worked for PWW since  
7 1995. I am a licensed professional engineer in New Hampshire, Massachusetts,  
8 and Maine.

9 **Q. Please describe your educational background.**

10 **A.** I have a bachelor’s in science degree in Civil Engineering from Bucknell  
11 University in Lewisburg, Pennsylvania and I completed all the required courses,  
12 with the exception of my thesis, for a master’s degree in civil engineering from  
13 the same institution. I have a master’s in business administration from the  
14 Whittemore Business School at the University of New Hampshire.

15 **Q. Please describe your professional background.**

16 **A.** Prior to joining the Company, I served as the General Manager of the Augusta  
17 Water District in Augusta, Maine from 1986 to 1995. I served as the District’s  
18 engineer between 1982 and 1986. Prior to my engagement with the District, I  
19 served as a design engineer for the State of Maine Department of Transportation  
20 for six months and before that as a design engineer for Buchart-Horn Consulting  
21 Engineers from 1979 to 1982.

22 **Q. What are your responsibilities as Chief Operating Officer of the Company?**

23 **A.** As Chief Operating Officer, I am responsible for PWW’s overall operations,  
24 including customer service, water supply, water supply and water sales contracts,  
25 distribution and engineering. I work closely with PWW’s Chief Engineer and

1 other senior managers to help develop PWW’s Annual and Three-Year Capital  
2 Improvement Plans.

3 **2. Scope of Testimony**

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

5 A. The purpose of my testimony is to describe the Company’s desire to:

6 (1) enter into a new Wholesale Water Supply Contract with the Town of  
7 Hudson (“Hudson” or “Town”),

8 (2) summarize the terms and conditions of the proposed new contract, and

9 (3) explain why the proposed contract is in the public interest and should  
10 be approved.

11 **3. Description of Existing PWW-Hudson Contract**

12 **Q. Does PWW currently have a wholesale water contract with the Hudson?**

13 A. Yes. PWW has an existing Wholesale Water Supply Water contract with Hudson  
14 that was approved by the New Hampshire Public Utilities Commission  
15 (“NHPUC”) in Order No. 24,611 issued on March 31, 2006 in Docket DW 05-  
16 143. That current contract was for twenty years and contains automatic renewals  
17 such that at a minimum the contract would terminate in March of 2026. This  
18 contract is attached as Attachment DLW-4.

19 **Q. If the existing contract does not expire until 2026 why are PWW and Hudson  
20 seeking to enter into a new Water Supply Agreement?**

21 A. Hudson’s need for water supplied from PWW changed significantly as of the end  
22 of June 2021, when compared against Hudson’s need for water supply from  
23 PWW in 2005, when the current contract was approved. Although the contract  
24 contains an unlimited five-year automatic renewal and a three-year notice of

1 termination, Section 6 of the contract allows PWW and Hudson to increase the  
2 quantity of water taken and to negotiate a price. Also, although Section 10 of the  
3 contract states termination “shall not be effective until three (3) years from the  
4 date” of such termination notice, Section 10 allows for earlier termination “as  
5 may be determined by order of the NHPUC”. Because Hudson’s usage has  
6 changed substantively since the 2006 contract and that Hudson and PWW have  
7 agreed on a price, PWW and Hudson are requesting the Commission to approve  
8 termination of the existing contract.

9 **4. Description of Hudson’s Need for Additional Supply**

10 **Q. What change to Hudson’s water supply need occurred at the end of June**  
11 **2021?**

12 **A.** In June of 2021, two of Hudson’s three wells, the Dame and Ducharme wells,  
13 were taken offline due to contamination by Perflouroctanoic Acid (“PFOA”).  
14 Hudson’s second quarter 2021 PFOA sample, when averaged with Hudson’s  
15 pending third quarter 2021 PFOA sample, was going to result in Hudson’s  
16 “running four quarter average” for PFOA from the Dame and Ducharme wells  
17 exceeding the New Hampshire Department of Environmental Services  
18 (“NHDES”) standard for PFOA of 12 ppt. As a preparatory response to this  
19 potential violation, Hudson approached PWW about taking water year-round via  
20 the existing interconnection between Hudson and PWW, as opposed to its current  
21 usage, which is seasonally in the non-winter months. Hudson also proposed to  
22 guarantee an average minimum usage of 1.0 MGD. This increase in supply, on an  
23 ongoing and consistent basis, from PWW to Hudson is what is necessary to  
24 replace the loss of the supply from the Dame and Ducharme wells. In addition to

1 the extra volume of water needed for its system, this additional supply of water  
2 from PWW will also allow Hudson the time to determine the most cost-effective  
3 way to permanently replace or treat the contaminated supply of water from the  
4 Dame and Ducharme wells.

5 **Q. What are Hudson’s options for replacing the contaminated water supply**  
6 **from the Dame and Ducharme wells?**

7 **A.** From discussions with Hudson, PWW understands that Hudson could install  
8 treatment on these wells to remove the PFOA to levels that would meet the  
9 current drinking water standards. Alternatively, Hudson could seek new sources  
10 of water supply to replace the loss of water supply from these wells. The new  
11 sources could be:

- 12 (1) new wells permitted and developed by the Town of Hudson,
- 13 (2) potential use of the Merrimack River as a source of supply, or
- 14 (3) using water from PWW as a permanent source of supply.

15 **Q. Has Hudson started the consideration of its water supply options?**

16 **A.** Yes. Hudson has hired a consultant who is evaluating its long-term water supply  
17 needs and options. It is PWW’s understanding that Hudson has not yet made a  
18 decision on which option or options to pursue because the analysis is still  
19 ongoing.

20 **5. Differentiation of Proposed Hudson Contract from other Special Contracts**

21 **Q. Is PWW considering offering an emergency supply contract to Hudson**  
22 **similar to that offered to the Merrimack Village District in DW21-134?**

23 **A.** No. The supply of water to MVD was for a short-term emergency period of  
24 between six to eleven months, allowing MVD to complete the already planned

1 installation of PFOA treatment on 4 of its 6 wells. The design of the treatment  
2 facilities for the MVD wells had been completed and construction of the treatment  
3 facilities were underway when MVD approached PWW for a short-term  
4 emergency supply of water. MVD's need for an emergency water supply was  
5 created by a delay in the delivery of certain treatment equipment from the  
6 manufacturer, which was beyond the control of the MVD. As a result of the delay  
7 in the equipment delivery, the planned fall 2021 startup of MVD's PFOA  
8 treatment systems on two of the four wells was delayed until early to mid-2022,  
9 and the treatment on the remaining wells was delayed until late summer/early fall  
10 2022. Without the PFOA treatment systems online and functioning MVD's water  
11 supply was currently non-compliant with the NHDES PFOA Standard. In  
12 addition to MVD being a short-term contract, the emergency rate charged MVD  
13 would not be appropriate to charge Hudson. PWW uses different assets to serve  
14 MVD than to serve Hudson, therefore, Hudson needed its own COSS to  
15 determine what rate should be charged.

16  
17 Further, the situation with Hudson is entirely different as Hudson is just beginning  
18 the evaluation of its water supply options. Once those options have been  
19 considered, Hudson will need time to design, plan, and implement its selected  
20 water supply option. If that option involves treatment of the Dame and Ducharme  
21 wells, from my engineering experience, it will take upwards of three years to  
22 design, permit, and construct any required treatment. If the selected option  
23 involves the development of either a new groundwater or surface water supply,  
24 the development and permitting of those supplies will take in excess of four years.

1 As a result, Hudson’s only available supply for the next three to four years is its  
2 existing seasonal interconnection with PWW. Additionally, where water from  
3 PWW is being considered as one of the permanent options, as a long-term supply,  
4 the determination of the appropriate rate for PWW to charge Hudson needed to be  
5 determined through a Cost of Service Study (“COSS”). A revised wholesale  
6 water contract needed to be developed from that COSS for Hudson so that the  
7 COSS could complete a life cycle analysis of Hudson’s long-term water supply  
8 options.

9 **Q. Why not just continue to operate under the terms of the existing PWW-**  
10 **Hudson Wholesale Water Contract until it expires?**

11 A. The basis of the existing contract with Hudson was that PWW’s supply of water  
12 to Hudson was seasonal and only used by Hudson to meet its peak summer  
13 demands. Hudson’s current rate is based on this usage pattern and there is no  
14 guaranteed minimum annual usage. This usage profile versus the one that  
15 Hudson would commit to under the proposed Wholesale Water Supply Contract  
16 results in substantially higher rates than the cost to provide the water under the  
17 proposed contract. The continued charging of the existing higher rates for the  
18 remainder of the current Wholesale water contract would result in Hudson paying  
19 more to PWW for its purchased water than would be just and reasonable, given  
20 the Town’s change in water demands, and the Town’s commitment to minimum  
21 ongoing usage.

22 **6. Cost of Service Study Used to Determine Just and Reasonable Rates**

23 **Q. How would PWW propose to establish just and reasonable rates to charge**  
24 **Hudson in the new Wholesale Water Supply Contract?**

1 A. The rates are based on a COSS.

2 **Q. Has a COSS been completed based on Hudson’s revised water demands on**  
3 **PWW?**

4 A. Yes. The NHDES provided a grant to Hudson to have a COSS completed.  
5 Hudson hired David Fox of Raftelis Financial Consultants, Inc. to complete the  
6 COSS. A copy of the COSS is attached to this testimony as Attachment  
7 DLW-1. The COSS indicates that PWW could offer Hudson a wholesale water  
8 Volumetric Charge of \$1.0012 per CCF, plus a Fixed Annual Demand Charge of  
9 \$457,083 as shown on page 5 of Attachment DLW-1 labeled as Summary of  
10 Allocations to Hudson. This proposed wholesale water rate provides for the  
11 recovery of all of PWW’s costs of serving Hudson, based upon the underlying  
12 factors and metrics of the contracted usage levels in the COSS. The COSS is  
13 based on Hudson purchasing a guaranteed minimum of 487,968 CCF per year  
14 (which calculates to 1,000,000 GPD) with a maximum daily demand amount of  
15 2,100,000 GPD and a maximum peak demand of 1,450 gallons per minute (or  
16 2,100,000 GPD). The COSS was prepared following the American Water Works  
17 Association (“AWWA”) recommended allocation methodology as detailed in the  
18 AWWA Water Rates Manual and then adjusted to reflect the revenue model  
19 approved for PWW in Docket No. DW 19-084.

20 **Q. What is the basis of the expenses and capital investment used in the COSS?**

21 A. The COSS was prepared using PWW’s current allowed revenue model, including:  
22 the operating expenses approved in DW19-084 (the OERR portion of allowed  
23 revenues), 1.1 times the Principal and Interest for all debt financing approved in  
24 DW19-084 (the DSRR portion of allowed revenues), and the City Bond Fixed

1 Revenue Requirement (CBFRR). The Volumetric Charge in the proposed  
2 contract would be subject to the 3.90% and 1.56% Qualified Capital Project  
3 Adjustment Charges (“QCPAC”) for 2019 and 2020 QCP’s approved in DW 20-  
4 020 and DW 21-023, as those are a surcharge approved subsequent to the  
5 permanent rates established and approved in Docket No. DW 19-084. The  
6 proposed Volumetric Charge would also be subject to future QCPAC charges  
7 such as the 1.78% QCPAC being sought in DW 22-006 for 2021 QCP’s.

8 **Q. What are Hudson’s current costs associated with the existing 2005 Wholesale**  
9 **Water agreement?**

10 **A.** The current Volumetric Charge, as approved in DW 19-084 for Hudson, is  
11 \$2.5610 per CCF. Hudson currently pays an annual fixed fee of \$32,400, which  
12 was also approved in DW 19-084. Hudson also pays a monthly meter charge of  
13 \$1,098.44 for a single six-inch meter, which is the same rate that was approved  
14 for the PWW’s General metered customers in DW19-084. These rates, exclusive  
15 of the annual fixed fee, are subject to any approved QCPAC’s, including the  
16 3.90% approved in DW 20-020the 1.56% approved in DW 21-023 and the 1.78%  
17 QCPAC’s being sought in DW 22-006 respectively.

18 **Q. Will the proposed Hudson Volumetric Charge ever change other than to**  
19 **reflect PWW’s annual QCPAC adjustments?**

20 **A.** Yes, the Volumetric Charge will be adjusted by the same percentage and at the  
21 same time as any future changes in the Volumetric Charge for general metered  
22 service, as adjudicated by the Commission, which PWW charges to its core  
23 system customers in the City of Nashua and the Town of Merrimack. PWW  
24 routinely includes this type of adjustment in special contracts and has included it

1 in the proposed Hudson Wholesale Water Supply Contract, or special contract, as  
2 well.

3 **Q. What were the primary considerations of the COSS?**

4 **A.** The COSS allocates to Hudson a prorated share of the following expenses:

- 5 1. 1.1 x the Principal and Interest (P&I) associated with PWW's investment  
6 in source of supply facilities used to provide water supply to PWW's core  
7 system.
- 8 2. 1.1 x P&I associated with PWW's investment in its Nashua water  
9 treatment plant facilities.
- 10 3. 1.1 x P&I associated with PWW's investment in the water mains between  
11 PWW's Nashua water treatment plant, it's Fifield Finished Water Storage  
12 tanks and PWW's Taylor Falls water booster station.
- 13 4. Expenses associated with operating and maintaining PWW's source of  
14 supply facilities.
- 15 5. Expenses associated with operating and maintaining PWW's Nashua  
16 Water Treatment Plant exclusive of PWW's Snow Station which is used  
17 exclusively to deliver water only into PWW's Northwest High-Pressure  
18 system.
- 19 6. Expenses associated with operating and maintaining PWW's transmission  
20 mains, booster stations and storage facilities noted in paragraph 3 above.
- 21 7. Expenses associated with the general and administrative costs associated  
22 with operating PWW.
- 23 8. Property tax expenses associated with PWW facilities noted in  
24 paragraph's 1 through 3 above.

1           9.   PWW’s City Bond Fixed Revenue Requirement.

2           These expenses are listed in dollars in Attachment DLW-1 on pages 1 and 2 of  
3           the COSS under “Allocation of Rate Base” and “Allocation of Revenue  
4           Requirement”. The allocation factors appear on pages 3 and 4 of the COSS. The  
5           summary of allocation specific to Hudson appear on page 5. Supporting data  
6           appears on the remaining pages.

7   **Q.   What is the basis for the facility investment level and operating and**  
8   **maintenance expenses utilized in the COSS?**

9   **A.**   The basis for the investment and expenses in the COSS were the Operating  
10       expense levels, 1.1 times the P&I payments, 9.5% Material Operating Expense  
11       Factor and PWW’s City Bond Fixed Revenue Requirement as approved in  
12       DW19-084.

13   **7. Terms of Proposed PWW-Hudson Contract**

14   **Q.   Please summarize the key provisions of the proposed PWW-Hudson**  
15   **Wholesale Water Supply contract.**

16   **A.**   The key provisions of the proposed Contract, attached as Attachment DLW-2, are  
17       as follows:

- 18       1. PWW will reserve 1.0 MGD of capacity from its Nashua water treatment plant  
19       for Hudson.
- 20       2. Hudson will guarantee a minimum annual purchase 487,968 CCF (Average  
21       daily flow of 1.0 MGD over a period of one year).
- 22       3. Although not expressly specified in the Wholesale Water Supply Contract, and  
23       to ensure that PWW has adequate supplies for its customers, PWW will maintain  
24       its facilities such that it would be able to deliver a peak daily flow of 2.1 MGD

1 and a maximum hourly flow rate of 2.1 MGD to Hudson.

2 2. Hudson will pay a monthly bill, in arrears, consisting of three parts: a monthly  
3 meter charge of \$78.33, a monthly fixed charge that consists of the Annual Fixed  
4 Charge divided by 12 months, and a monthly Volumetric Charge. Hudson will  
5 pay monthly volumetric charges for a minimum of 1,337 CCF per day (based on  
6 the number of billing days in the month) or the actual volume of water used,  
7 whichever is greater. In the event there is a month where Hudson does not use a  
8 minimum of 1,337 CCF per day, the difference between 1,337 CCF billed per day  
9 and the actual amount used by Hudson for that bill will be carried forward into the  
10 next month as a credit for Hudson’s usage in the following month(s). Hudson can  
11 carry any usage credits over month to month but not from one contract period to  
12 the next contract period. As stated in the Wholesale Water Supply Contract under  
13 “Term” and “Renewal Terms”, a contract period, or term, runs over two years,  
14 commencing July 1<sup>st</sup> and ending June 30<sup>th</sup> of each two-year term. This results in a  
15 guaranteed annual purchase water amount of 487,968 CCF.

16 **Q. Please explain how each of the proposed contract charges comport with the**  
17 **recommendations of the Cost of Service Study.**

18 A. The proposed charges match those detailed in the COSS based on the Hudson’s  
19 guarantying the purchase of an average of 1.0 MGD per day and PWW reserving  
20 1.0 MGD of production capacity and delivery capacity of 2.10 MGD Maximum  
21 Day demand and 2.10 MGD Maximum Hour. See Attachment DLW-1, Excel  
22 Tab “Sch 4 Cust Alloc Factors”, or page 4 “Customer Allocation Factors”, for  
23 these usages and their relationship to other PWW wholesale customer usages.  
24 The proposed monthly fixed meter charge of \$78.33 per month provides PWW

1 with the vehicle to collect the expenses associated with the reading of the meter  
2 and billing Hudson on a monthly basis in addition to the annual expense of testing  
3 the meter. The proposed monthly fixed meter charge will be subject to the  
4 QCPAC granted in DW 20-020 and being sought in DW 21-023 and DW 22-006.  
5 The monthly fixed charge ensures that Hudson pays its share of the expenses  
6 associated with the cost of capital associated with the water supply facilities that  
7 are required to provide service to Hudson, as well as Hudson's share of the  
8 CBFRR, regardless of its actual usage. This charge is fixed for the length of the  
9 contract unless PWW is required to make an investment in the water supply  
10 facilities that provide service to Hudson. If PWW is required to make additional  
11 investment in these water supply facilities it will complete a new COSS to  
12 determine the proper allocation of PWW's expenses and return on the investment  
13 in its water supply facilities that would be allocable to Hudson. The COSS set  
14 this rate at \$38,090.28 per month (or \$457,083 annually) based on the allowed  
15 usage volumes specified in proposed Wholesale Water Supply Contract.  
16 The Hudson Volumetric Charge was determined in the COSS as the rate  
17 necessary to pay for the variable costs associated with producing Hudson's water  
18 as well as providing a prorated contribution from Hudson toward PWW's  
19 Administrative and Management, Water supply and Distribution expenses. The  
20 Volumetric Charge established for Hudson by the COSS was \$1.0012 per CCF.  
21 This rate is based on the DW 19-084 expenses and is subject to the QCPAC  
22 granted in DW 20-020 and the QCPAC's being sought in DW 21-023 and DW  
23 22-006.  
24 The guaranteed Annual Demand Charge of \$457,083 ensures that Hudson pays

1 for its share of the expenses associated with the reservation of capacity from the  
2 Nashua Water Treatment plant and provides rate stability in the event Hudson  
3 uses less water than the minimum amount.

4 **Q. What is the proposed term and effective date for the proposed PWW-Hudson**  
5 **Wholesale Water Contract?**

6 A. The term of the proposed Contract is two years with its effective inception date  
7 being July 1, 2021. The contract proposes three two-year extensions in addition  
8 to the initial two years.

9 **8. Retroactive Application of Contract**

10 **Q. Why is the contract starting date proposed for July 1, 2021 as opposed to the**  
11 **actual date the NHPUC approved the proposed Wholesale water contract?**

12 A. Hudson was required to shut off the Dame and Ducharme wells on June 29, 2021.  
13 Beginning on June 30, 2021, Hudson began taking water from PWW at the  
14 quantities prescribed in the proposed contract but at the existing approved  
15 contract rates. Also in late June 2021, Hudson began working with the NHDES to  
16 get a Cost of Service Study completed in order to determine the appropriate rates  
17 for PWW to charge Hudson based on Hudson's revised water needs. The  
18 consultant to complete the COSS was hired in late July and the COSS was  
19 completed in early November 2021. Following the completion of the COSS,  
20 PWW prepared a draft Wholesale Water Supply Contract for Hudson to review.  
21 It took until mid-February for PWW and Hudson to finalize a draft contract which  
22 then allowed PWW to begin the petition process with the NHPUC to seek  
23 approval of the proposed Wholesale Water contract. It is expected that it will take  
24 four to six months for the petition to be reviewed, go through discovery, and have

1 an order issued which would result in the new contract and rates being approved  
2 sometime in later 2022. Given the fact that the change in usage by Hudson was  
3 driven by a contamination event to two of Hudson's three wells, and that the  
4 Town was not responsible for that contamination, PWW would support the  
5 contract having a retroactive effective date as of July 1, 2021 so that Hudson's  
6 rates, throughout the term of Hudson's expanded usage, better match the cost to  
7 provide this service. Based on the proposed rates being retroactive for a period of  
8 over a year, on Hudson's projected usage over that time and on charges based on  
9 Hudson's current rates versus the proposed rates, PWW would owe Hudson a  
10 credit of about \$349,000. If the contract was approved for implementation as of  
11 July 1, 2021, PWW would propose returning Hudson's "overpayment" over a  
12 period of 12 months.

13 **9. Hudson's Unique Usage Supports Approving Deviation from PWW's Tariff**

14 **Q. Why should Hudson have a special contract? Please explain how they are**  
15 **different from PWW's other customers.**

16 A. As a result of Hudson's change in usage it will become PWW's largest customer  
17 with a projected annual purchase amount in excess of 1.0 MGD or at least  
18 365,000,000 gallons per year. By comparison during calendar 2021, PWW's  
19 current largest customer AB used 290,987,708 gallons of PWW water. Based on  
20 Hudson's guaranteed take of 1.0 million gallons per day, this will result in  
21 Hudson's usage accounting for about 9.7% of PWW's total average daily usage  
22 (based on pumpage levels for 2021). It should be noted that PWW's five largest  
23 volumetric users: Anheuser Busch, the Town of Hudson, the Tyngsborough Water  
24 District, Pennichuck East Utility, and the Town of Milford are all PWW special

1 contract customers.

2 Besides being PWW's largest customer, Hudson also has its own water storage  
3 tanks, which is beneficial to PWW, as it results in Hudson's usage being a level  
4 and steady demand, without troublesome hourly or daily peaks during seasonal  
5 peaking periods. As noted above, the Hudson Rate was arrived at using a COSS  
6 approach and is appropriate under the circumstances because it is more reflective  
7 of the actual cost to serve Hudson, based upon the facts detailed above, as  
8 opposed to the tariffed rate that would otherwise apply, absent a special contract.

9 The variable cost of producing water through the Nashua Water Treatment plant  
10 in 2021 was about \$0.55 per CCF (based on a complete carbon change out every  
11 two years, all chemicals and all power; power costs are based on 100% of water  
12 being pumped from the Merrimack River) versus the proposed Hudson  
13 Volumetric Charge of \$1.0012 per CCF (\$1.0737 with the QCPAC's applied from  
14 DW 20-20, DW 20-023 and DW 22-006). The proposed Hudson Volumetric  
15 Charge, along with the guaranteed annual purchase volume, ensures that Hudson  
16 pays a ratable share of PWW's administrative and general, water supply and  
17 distribution expenses per the COSS. Finally, as with other wholesale water  
18 customers Hudson has other supply options which PWW noted above. If PWW  
19 continued to charge Hudson based on the 2005 contract, it could result in the loss  
20 of Hudson as a customer, because the higher rates in the 2005 contract, which are  
21 no longer cost based, could result in the PWW supply not being competitive with  
22 Hudson developing its own source of supply. The loss of Hudson as a customer  
23 would result in its share of the fixed costs associated with PWW's water supply  
24 facilities having to be paid for by PWW's other general metered customers.

1 Please also see Attachment DLW-3, Statement of Special Circumstances.

2 **Q. What is the economic advantage of the proposed Wholesale Water Supply**  
3 **Contract to Hudson?**

4 A. If Hudson were to continue to be billed at the rates derived from the existing 2005  
5 wholesale water contract of \$32,800 per year fixed charge, fixed meter charge of  
6 \$13,181 and a volumetric rate of \$2.5610 per CCF its annual purchase water cost  
7 for 1.0 MGD (487,938 CCF per year) resulting in a total annual bill of  
8 \$1,295,667. Under the provisions of the proposed Wholesale Water Contract  
9 Hudson's annual bill for 1.0 MGD of usage would be \$946,561.

10 **Q. Do you have anything else you would like to add?**

11 A. Yes. PWW believes that the proposed Wholesale Water Supply Contract is just  
12 and reasonable for Hudson, PWW, and PWW's customers and is in the public  
13 good. The proposed Wholesale Water Supply Contract results in Hudson paying  
14 its fair share of PWW's costs to serve it while allowing Hudson the benefit of  
15 time to investigate and implement the best long-term water supply option to  
16 replace or treat the contaminated Dame and Ducharme wells. PWW and its  
17 customers are guaranteed an appropriate contribution to the fixed expenses  
18 associated with its water supply facilities as well as a contribution to PWW's  
19 general and administrative, water supply and distribution expenses during the  
20 duration of the contract. The annual minimum usage requirement ensures that  
21 Hudson is paying its fair share of PWW's administrative and general expenses,  
22 WTP and Distribution expenses for the duration of the Contract. In sum, PWW  
23 believes that the proposed Wholesale Water Supply Contract is just and consistent  
24 with the public interest.

1 Q. **Does that complete your testimony?**

2 A. Yes.