

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

**Pennichuck Water Works, Inc.  
Petition for Special Contract for Service to the Tyngsborough Water District**

**DW 24-\_\_\_\_**

**Direct Testimony of Donald L. Ware**

**May 06, 2024**

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1 **1. Professional and Educational Background**

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

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

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

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

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

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

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

22 **A.** As Chief Operating Officer, I am responsible for PWW’s overall operations,  
23 including customer service, water supply, water supply and water sales contracts,  
24 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 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to describe the Company’s desire to enter into a  
5 Second Special Water contract with the Tyngsborough Water District (“TWD”),  
6 summarize the terms and conditions of the proposed new contract, and explain  
7 why the proposed contract is in the public interest and should be approved.

8 **2. History of the TWD Special Contract**

9 **Q. Why is PWW seeking to enter a new Special Water contract with TWD?**

10 A. The existing special water contract (“First Contract”) with TWD is attached as  
11 Attachment DLW-3. This First Contract was approved in Docket No. DW 15-133  
12 by Order No. 25,800 dated July 28, 2015. The contract had a nine-year term that  
13 will expire on or about July 28, 2024. TWD contacted PWW in the early winter  
14 of 2023 and expressed that wanted to continue to purchase water via the existing  
15 First Contract. PWW responded that it could not extend the existing contract  
16 without NHPUC approval and that to submit a contract extension or a new  
17 contract it would need to file a petition with the NHPUC to review and approve  
18 any proposed new PWW-TWD special contract. PWW believes it is in the best  
19 interest of its customers and TWD to develop and enter into a Second Special  
20 Contract (“Second Contract”). The Second Contract is attached to this testimony  
21 as Attachment DLW-1 that will provide the terms of service to TWD beyond the  
22 July 28, 2024 expiration date of the current contract.

23 **Q. Does PWW have the capacity to serve the requested TWD wholesale water**  
24 **delivery requirements:**

1 A. Yes. PWW’s Nashua water treatment plant has excess peak day production  
 2 capacity of almost 10 million gallons per day (“MGD”). PWW’s storage and  
 3 low-pressure distribution system has over 7 MGD of excess peak day delivery  
 4 capacity. The Armory Booster Station has a peak day capacity of 1 MGD (with  
 5 the largest pump out of service) and almost 1.6 MGD versus the peak day flow  
 6 through the station of 0.412 MGD. The most critical link of the distribution  
 7 system between PWW and TWD, the Armory Booster Station has 60% additional  
 8 capacity above and beyond the existing demand and the demand that will be  
 9 placed on it with the addition of the TWD wholesale water purchase.

10 3. **Reasons to Deviate from the Regular Tariff Rates, Terms, and Conditions**

11 **Q. Why should TWD have a special contract? Please explain how the TWD is**  
 12 **different from PWW’s other retail customers.**

13 A. TWD is different from other PWW customers as follows:

- 14 1. TWD can purchase water from another supplier, the City of Lowell. Without  
 15 the special contract pricing TWD would likely purchase some or all of its  
 16 water from the City of Lowell resulting in PWW losing about \$228,000  
 17 contribution towards PWW’s fixed costs and overhead it would not otherwise  
 18 get.
- 19 2. TWD has its own storage so it does not have the high peaking factor on its  
 20 usage that most customers have in that it does not need to receive water to  
 21 meet TWD’s instantaneous demands.
- 22 3. TWD will be PWW’s fourth largest user at a guaranteed purchased water  
 23 amount of 325,000 gallons per day or a minimum of 118,625,000 gallons per  
 24 year after the Town of Hudson, Anheuser-Busch, and Pennichuck East Utility.

1 4. The proposed TWD rates were arrived at using a cost of service approach and  
2 is appropriate under the circumstances because it is more reflective of the cost  
3 to serve TWD based on the facts detailed above than the tariffed rate that  
4 would otherwise apply absent a special contract.

5 **4. Summary of Proposed Special Contract Terms**

6 **Q. What is the basis for the proposed Second Contract?**

7 A. The basic form and overall terms of the proposed Second Contract generally  
8 follow the same form as the First Contract:

- 9 1. TWD will pay an Base Annual Fixed Fee to provide for its share of the  
10 City Bond Fixed Revenue Requirement, the 1.0 Debt Service Revenue  
11 Requirement and the 0.1 Debt Service Revenue Requirement.
- 12 2. TWD will pay a Volumetric Rate that is based upon it paying for its  
13 appropriate share of the variable cost to operate the Company’s: (1) raw  
14 water facilities, (2) water treatment facilities, (3) distribution system  
15 maintenance, and (4) administrative expenses.
- 16 3. TWD will pay a Fixed Monthly Meter Charge that reflects the cost of  
17 operating and maintaining the water meter serving TWD.
- 18 4. TWD will purchase a minimum of 118.625 million gallons of water per  
19 year (158,590 CCF) or 325,000 Gallons per Day (GPD).
- 20 5. TWD will limit its usage to: annual average daily usage to 325,000 GPD,  
21 although if PWW has water available above that annual average daily  
22 amount it will sell that water to TWD up to a maximum daily usage of  
23 525,000 GPD; and peak hour usage of 525,000 GPD.
- 24 6. TWD will pay PWW to complete a Cost of Service Study (COSS).

1 7. TWD will pay all of PWW’s legal costs of preparing, submitting and  
 2 prosecuting the petition necessary to gain NHPUPC approval of the  
 3 proposed Second Contract.

4 8. TWD will pay for the costs associated with installing communication  
 5 facilities at its pumping station to provide PWW with the ability to track  
 6 flows from PWW to TWD in 15-minute increments.

7 **Q. What are the rates in the proposed Second Water contract and how do they**  
 8 **compare to TWD’s current First Contract rates?**

9 A. A comparison of current contract rates vs. proposed rates is illustrated in the  
 10 following table:

	<b>First Contract</b>	<b>Proposed Second Contract</b>
<b>Base Annual Fixed Fee/Demand Charge</b>	\$0	\$13,770.33 monthly (or 165,244 per annum)
<b>Volumetric Rate (as of 12/31/2023)</b>	\$2.5002/CCF	\$1.0582/CCF
<b>Minimum Purchase</b>	250,000 GPD	325,000 GPD per year
<b>Annual Ave Daily/Max Daily</b>	250,000/450000 GPD	325,000/525,000 GPD
<b>Peak Hour</b>	575,000 GPD	575,000 GPD
<b>Monthly Fixed Meter Charge for 6” meter</b>	No Fee	\$86.57 per month
<b>Guaranteed Annual Payment</b>	\$305,004 based on guaranteed daily usage of 250,000 GPD	\$334,420 based on guaranteed daily usage of 325,000 GPD
<b>Term</b>	3 years with (2) three-year auto renewals	5-year Initial Term. (2) five-year auto renewals

11  
 12

1 **Q. What is the basis of the new rates in the proposed Second Contract?**

2 **A.** The proposed Second Contract rates were developed through a Cost of Service  
3 Study (COSS) developed by Dave Fox of Raftelis Consulting. The COSS is  
4 attached to this testimony as Attachment DLW-2. The initial rates being sought  
5 in the proposed Second Contract were based on the expenses and debt service  
6 approved in PWW's last rate case, DW 22-032.

7 **Q. Please explain how each of the charges comport with the recommendations of**  
8 **the COSS.**

9 **A.** The proposed charges appear in Sections 5 and 7 of the proposed contract and  
10 were developed on the basis of TWD's Second Contract usage rates of 325,000  
11 GPD guaranteed minimum annual purchase rate (see Section 7(c)), a 575,000  
12 GPD Maximum Day and a 575,000 GPD Maximum Hour (see Section 5(a)). See  
13 also Attachment DLW-2, "Allocation Factors". The proposed charges are as  
14 follows:

- 15 1. A Monthly Fixed Meter Charge in the amount of \$86.57 (see second  
16 Section 7(e)) which provides PWW with the mechanism to collect the  
17 customer related charges associated with monthly meter reading and  
18 billing as well as annual testing of the meter.
- 19 2. A Base Annual Fixed Fee/Demand Charge that is collected monthly  
20 ensures that TWD will pay its share of the expenses associated with the  
21 water supply facilities that provide service to TWD, as well as TWD's  
22 share of the CBFRR, regardless of TWD's actual usage. This charge is  
23 fixed for the length of the contract unless PWW is required to make an  
24 investment in the water supply facilities specifically required to service



1 TWD, in which case a new COSS will be completed to determine the  
2 proper allocation of PWW’s expenses and return on the investment in its  
3 water supply facilities that would be allocable to TWD, under this  
4 contract. This adjustment to the Demand Charge appears at Section 7(d)  
5 of the contract and was a provision added to PWW’s other special  
6 contracts approved by the Commission in 2022-2023. The COSS set the  
7 base monthly fixed charge at \$13,770.33 per month based on the allowed  
8 usage volumes specified in the proposed Second Special Contract (see  
9 Section 7(c)). The base monthly fixed fee is charged each month  
10 regardless of whether TWD uses any water or not.

- 11 3. An initial volumetric charge of \$1.0582 (see first Section 7(e)) was  
12 determined in the COSS as the rate necessary to pay for the variable costs  
13 associated with producing and delivering TWD’s water, as well as,  
14 providing a prorated contribution from TWD toward PWW’s  
15 Administrative and Management, Water supply and Distribution  
16 Administrative expenses. This rate is based on the DW 22-032 expenses  
17 and is to subject to the QCPAC of 1.36% granted in DW 23-015 as well as  
18 the 2.60% QCPAC being sought in DW 24-027.

- 19 4. An annual minimum usage amount provides rate stability in the event  
20 TWD uses less water than the minimum guaranteed amount.

21 **Q. Will the Volumetric Rate ever change other than to reflect the QCPAC**  
22 **adjustments?**

23 **A.** Yes, the Volumetric Rate will be adjusted by the same percentage and at the same  
24 time as any future change in the Volumetric Rates for general metered service, as

1 adjudicated by the Commission, inclusive of QCPACs, which PWW charges to its  
2 core system customers in the City of Nashua. The language pertaining to the  
3 change in the volumetric rate is verbatim language from that approved by the  
4 Commission in PWW’s recent past special contracts: Town of Milford in Docket  
5 No. DW 22-070 and Town of Hudson in Docket No. DW 22-029.

6 5. **Effective Date and Termination Provisions**

7 **Q. What is the proposed effective date of the Proposed Second Contract?**

8 A. The proposed Second Contract Rates will become effective on July 28, 2024,  
9 (presuming Commission approval of the proposed Second Contract on or before  
10 July 28, 2024). PWW and TWD are seeking an effective date for the proposed  
11 Special Contract of July 28, 2024 so that there is not any lapse in the special  
12 contracts between the existing contract and a new contract.

13 **Q. What are the termination provisions in the proposed Special Contract?**

14 A. Similar to the Town of Milford’s contract, pursuant to Section 2 of the proposed  
15 Second Contract, TWD may terminate the proposed Special Contract by  
16 providing at least six-months written notice to PWW in advance of any of the two  
17 automatic five-year renewal periods.

18 6. **Proposed Reconciliation in the Event Commission Approval Occurs after the**  
19 **First Contract Expires**

20 **Q. What if the proposed Second Contract is not approved by the NHPUC until**  
21 **after the expiration of the First Special Contract on July 28, 2024?**

22 A. PWW and TWD propose that PWW continue to sell water to TWD under the  
23 terms of the First Contract until the Second Contract is approved and effective.  
24 When the NHPUC approves the Second Contract than PWW will reconcile the

1 difference in revenues collected under the terms of the First Contract and those  
2 that would have been collected under the Second Contract over the period of  
3 Service from July 28, 2024 through the approval and implementation of the  
4 Second Contract.

5 **Q. What is the proposed duration of the Second Contract?**

6 A. The Second Contract consists of an initial five-year term followed by two  
7 additional (optional) five-year terms. Within each five-year term, a Contract Year  
8 runs from September 1 through August 30 of the following year. The Initial Term  
9 runs from July 28, 2024 to August 30, 2024. Defining the Contract Year is  
10 important to calculating the guaranteed minimum yearly usage of 158,590 CCF.

11 **7. Summary of Economic Benefits**

12 **Q. What is the economic advantage of the proposed wholesale water Contract to**  
13 **TWD?**

14 A. If TWD purchased 325,000 gallons of water per day through its 6” meter at  
15 PWW’s existing retail rate it would pay an annual fee of \$710,619 based on a  
16 current volumetric charge of \$4.39 per CCF a monthly meter charge for a 6”  
17 water meters at a rate of \$1,200.93 per month. If the proposed TWD wholesale  
18 water agreement is approved TWD would be able to purchase that same 325,000  
19 gallons per day from PWW for \$334,420 per year or a savings of \$376,199 per  
20 year.

21 **Q. Please describe the benefits of this contract to the Company and its**  
22 **customers.?**

23 A. PWW believes that the proposed PWW-TWD wholesale water contract is just and  
24 reasonable for both TWD and all of PWW's customers. The proposed wholesale

1 contract results in TWD committing to purchase, in any given Contract Year, a  
 2 minimum of 325,000 gallons of water per day from PWW. Section 7(e) of the  
 3 Second Contract describes how this minimum usage is calculated. This  
 4 commitment provides benefit to TWD’s rate payers whose purchased water costs  
 5 will be reduced by almost \$338,000 per year while providing a contribution to  
 6 PWW’s fixed costs of almost \$228,000 that it would otherwise need to collect  
 7 from all of PWW’s customers. It should also be noted that the proposed form of  
 8 the Second Contract is similar to PWW’s wholesale contracts with the Town of  
 9 Hudson, the Town of Milford, and the Merrimack Village District. The  
 10 Commission approved these special contracts in Docket Nos. DW 22-029, DW  
 11 22-070, and DW 22-085, respectively. In all four cases each Town has other  
 12 sources of supply than PWW. In all four cases there is a Base Annual Fixed Fee  
 13 as well as a Monthly Fixed Meter Charge that is substantially greater than the  
 14 PWW’s tariffed monthly meter charge. All four contracts set limits on the  
 15 maximum amount of usage on a daily and peak hour basis. This can only be  
 16 accomplished because all four of these communities have their own storage water  
 17 facilities. In sum, PWW believes that the proposed Second contract with TWD is  
 18 just and consistent with the public interest and that special circumstances exist to  
 19 support the proposed special contract. To that point, the Statement of Special  
 20 Circumstances is attached as Attachment DLW-4.

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

22 A. Yes.