

<b>ORIGINAL</b>	
N.H.P.U.C. Case No.	DW 10-090
Exhibit No.	#1
Witness	Bonalyo Hartley + Mark Nayler
DO NOT REMOVE FROM FILE	

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

RE: PITTSFIELD AQUEDUCT COMPANY, INC.

DOCKET NO. DW 10-090

**PETITION FOR TEMPORARY RATES**

Pittsfield Aqueduct Company, Inc. ("PAC" or the "Company"), pursuant to RSA 378:27, petitions the New Hampshire Public Utilities Commission (the "Commission"), to fix, determine and prescribe, effective with service rendered on or after June 6, 2010, or the date on which customers are notified, whichever is sooner, reasonable temporary rates pending the Commission's final decision on the Company's request for permanent rate relief in this docket. In support thereof, the Company states as follows:

1. On April 6, 2010, in accordance with Puc Rule 1604.05, the Company filed a Notice of Intent to file Rate Schedules with the Commission and the New Hampshire Attorney General.

2. Contemporaneous with this Petition for Temporary Rates, the Company is filing revised tariff pages to Tariff NHPUC No. 5- Water, proposing an increase in the Company's permanent rates. The Company is proposing a permanent rate increase of 19.98% which will generate an additional amount of \$121,328 in annual operating revenues. The proposed rates are based on a December 31, 2009 test year. The Company is also proposing a step increase based on capital improvements that will have been used and useful by December 2010. Specifically, the Company is proposing a 5.31% step increase which will generate an additional \$32,230 in annual revenue.

3. As described in the testimony of Bonalyn J. Hartley in Support of Temporary Rates, the Company is requesting that the Commission grant it an increase in annual operating revenue of \$115,355 on a temporary basis, which represents an overall increase of 19% and an effective increase of 16.79% for general metered customers. The Company has calculated its revenue deficiency for purpose of temporary rates based on the Company's actual performance during the test year with no pro forma adjustments, and is based on its books and records on file with the Commission. The Company requests that the temporary rates take effect on June 6, 2010 on a service rendered basis or the date customers are first noticed, whichever is earlier.

4. The Company is seeking a rate increase on a temporary basis because its rate of return has eroded significantly from its allowed return. In DW 08-052, the Company was granted a rate increase which was predicated on an 8.07% rate of return (*see* Order 25,051). As set forth in Ms. Hartley's testimony in Support of Temporary Rates, as of December 31, 2009, the Company's overall rate of return was 4.12% or 395 basis points below the last allowed return. The Company's rate of return during the test year was substantially below its allowed rate of return due to significant increases in its property tax, insurance and payroll, as well as a decline in water usage, which has translated to reduced revenues. In addition, the Company has expended approximately \$82,000 in capital improvements since its last test year, December 31, 2007.

5. Unless temporary and, ultimately, permanent rate relief is granted, the Company will not earn a reasonable rate of return on the cost of its property used and useful in the public service. The continuation of current rates will result in the confiscation of the Company's property.

6. The reports on file with the Commission and supporting documentation filed in connection with the Company's permanent rate request and with this Petition demonstrate that the Company is earning substantially below its allowed rate of return. The Company therefore requests that the Commission order a temporary rate increase, as described above. Based on Ms. Hartley's testimony, temporary rates as proposed are just and reasonable, and therefore should be granted.

WHEREFORE, the Company respectfully requests that the Commission:

- A. Grant this Petition for Temporary Rates, allowing the Company an increase in the amount of \$115,355 in annual operating revenue and to be effective on June 6, 2010 on a service rendered basis, or the date on which customers are notified, whichever is sooner;
- B. Order such temporary rates to remain in effect until a determination of the Company's request for a permanent rate increase; and
- C. Grant such other relief as is just and equitable.

Respectfully submitted,

PITTSFIELD AQUEDUCT COMPANY, INC.

By Its Attorneys

MCLANE, GRAF, RAULERSON &  
MIDDLETON, P.A.

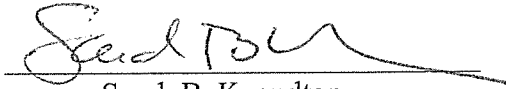
Dated: May 6, 2010

By: 

Sarah B. Knowlton, Esq.  
100 Market Street, P.O. Box 459  
Portsmouth, NH 03802  
(603) 334-6928  
email: sarah.knowlton@mclane.com

**Certificate of Service**

I hereby certify that a copy of this Petition for Temporary Rates has been hand delivered to Meredith Hatfield, Esq. this 6<sup>th</sup> day of May, 2010.

  
Sarah B. Knowlton

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

**Re: Pittsfield Aqueduct Company, Inc. – Rate Case**

**DW 10-090**

**DIRECT PREFILED TESTIMONY OF BONALYN J. HARTLEY**

**In Support of Temporary Rates**

**May 6, 2010**

1 **Professional and Educational Background**

2 **Q. Please state your name and position with Pittsfield Aqueduct**  
3 **Company, Inc. (the “Company”).**

4 A. My name is Bonalyn J. Hartley and I am employed as the, Vice President  
5 of Administration and Regulatory Affairs of the Company.

6 **Q. Ms. Hartley, please state your professional and education**  
7 **background.**

8 A. Prior to my current position, I had served in various capacities including  
9 Vice President-Controller, Manager of Systems and Administration and  
10 Office Manager. I have been with Pennichuck Water Works, Inc., a  
11 related entity, since 1979. In 1989, I attended the Annual Utility Rate  
12 Seminar sponsored by the National Association of Regulatory  
13 Commissioners and the University of Utah. I am a graduate of Rivier  
14 College with a B.S. in Business Management. In addition, I am a Director  
15 of the New England Chapter of the National Association of Water  
16 Companies and serve on the Finance Committee of Home Health and  
17 Hospice, Nashua, NH. I have testified before this Commission on behalf  
18 of many rate cases and regulatory matters for the Company.

19 **Q. Ms. Hartley, what are your duties as Vice President of Administration**  
20 **and Regulatory Affairs for the Company?**

21 A. As Vice President of Administration and Regulatory Affairs, I am primarily  
22 responsible for the management of administrative services for the  
23 Company including regulatory affairs, information technology, human

1 resource functions and customer service. I also serve as a liaison to the  
2 accounting department particularly in the area of government and  
3 regulatory matters, system acquisitions and information technology.

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

6 A. This testimony has been prepared to support the Company's request for a  
7 temporary rate increase of 19%, or an annual increase in revenues of  
8 \$115,355, based on proforma revenues of \$607,133, for the Pittsfield  
9 water system. My testimony regarding temporary rates will demonstrate  
10 that the Company's overall return is dramatically less than its last found  
11 authorized return on investment in DW 08-052.

12 **Q. Why is the Company seeking temporary rates?**

13 A. The Company is seeking a temporary rate increase in order to earn a  
14 reasonable return on the cost of the Company's property used and useful  
15 in the public service less accrued depreciation, as shown by the reports of  
16 the Company that have been filed with the Commission.

17 **Analysis of Current Returns**

18 **Q. Ms. Hartley, would you please recap the present returns authorized**  
19 **by this Commission.**

20 A. Yes. The Company is authorized to earn a return of 8.07% (see Order  
21 No. 25,051 dated December 11, 2009) but earned 4.12% or 395 basis  
22 points below its last found allowed return in the test year ending  
23 December 31, 2009. The pro forma test year reflects a 3.86% overall rate

1 of return demonstrating a decline of 374 basis points with a 7.60% rate of  
2 return. At the end of February 2010, the Company's actual rate of return  
3 further deteriorated to 2.95%

4 **Q. Please describe the changes to the Company's plant in service and**  
5 **its earned return since its last rate case.**

6 A. The Company's plant in service as of December 31, 2007 increased by  
7 \$82,000 to approximately \$3.8 million at the end of 2009. As part of this  
8 filing, the Company is also proposing a step increase for mandated capital  
9 improvements of \$183,000 for the Berry Pond Dam that will be completed  
10 by December 2010.

11 **Q. Would you please explain Schedule A, Temporary Rates, entitled**  
12 **"Pittsfield Aqueduct Company, Inc.", Computation of Revenue**  
13 **Deficiency?**

14 A. Yes. Schedule A, Temporary Rates, which is attached to this temporary  
15 rate testimony, was prepared to illustrate the Company's revenue  
16 deficiency for the twelve months ended December 31, 2009,  
17 which is the test year used in this docket. The calculation is based on  
18 the following:

- 19 • actual thirteen month rate base of \$1,747,989
- 20 • current overall rate of return of 8.07%; and
- 21 • actual net operating income of \$72,033

22 As shown on Schedule A, Temporary Rates, the revenue deficiency for  
23 the twelve months ended December 31, 2009 was \$114,307 utilizing the



1 Company's 8.07% current overall rate of return. Based on that calculation  
2 alone, the Company would be entitled to an increase in rates on a  
3 temporary basis at a level that is 19.03% above its current level. This  
4 revenue deficiency calculation is strictly based on the Company's actual  
5 performance during the test year and includes no pro forma adjustments.  
6 Based on a pro forma test year, the Company would be entitled to a  
7 proposed 7.60% overall rate of return resulting in a revenue deficiency of  
8 \$121,328 and a proposed revenue increase of 19.98%.

9 **Q. Ms. Hartley, please explain the principal reasons for the decline in**  
10 **the Company's overall rate of return.**

11 A. The deterioration in the Company's overall rate of return is primarily due  
12 to a short-fall in water revenue due to a 12% decline in water usage since  
13 the Company's last filing in 2007. Operating expenses have increased by  
14 approximately \$59,000 over the December 2007 pro forma operating  
15 expense level due to increases in union payroll and related payroll  
16 benefits. Most notable are significant increases in property taxes dictated  
17 by the State of New Hampshire and the Town of Pittsfield which have  
18 increased by 116% or by approximately \$44,000 since the Company's last  
19 filing. In addition, there has been a significant increase of approximately  
20 \$40,000 for liability insurance assigned to two dams located in the  
21 Pittsfield water system.

22 **Q. Ms. Hartley would you please explain Section 7, Schedule 3, entitled**

1           **“Pittsfield Aqueduct Company, Inc., Rate Base, For the Twelve**  
2           **Months ended December 31, 2009?”**

3    A.     The overall purpose of this schedule is to show the “test year 13 month  
4           average” as compared to the “year end rate base” with pro forma  
5           adjustments for the computation of rate base.

6    **Q.     Ms. Hartley, were all of these capital expenditures included in this**  
7           **schedule used and useful by December 31, 2009?**

8    A.     Yes.

9    **Q.     Ms. Hartley, are you recommending a temporary rate increase for all**  
10           **classes of customers?**

11   A.     Yes. The Company is recommending that it collect the revenues from  
12           each customer class in accordance with the recommendations for each  
13           Customer Class as detailed in Section 9, Schedule P15 Temp Page 3 of 3  
14           of the Cost of Service Study prepared by AUS Consultants, Inc. and  
15           submitted with this case. This will result in the Company collecting 75% of  
16           its required revenues from general metered water service (GWS), 3.35%  
17           from Private Fire Revenue and 21.65% from Municipal Fire Revenues.

18           The above allocation will result in an average annual residential bill for a  
19           single family home of approximately \$688 based on average usage of 71  
20           one hundred cu. ft. This will represent an increase of \$9.77 per month for  
21           residential customers over current rates.

22   **Q.     Ms. Hartley, what steps will the Company take to notify customers of**  
23           **its request for a rate increase?**

1 A. In accordance with Puc 1203.02(c) and (d), the Company will be notifying  
2 its customers regarding its rate case filing within thirty days of the  
3 Company's initial filing. The Company has provided a form of notice as  
4 Exhibit BH 1 to this testimony which, upon approval by the Commission's  
5 Consumer Affairs Division, it proposes to include in mailings to customers  
6 as part of its regular cycle billing.

7 **Conclusion**

8 **Q. What level of temporary rates is the Company requesting and why?**

9 A. The Company is requesting a level of temporary rates that is 19% higher  
10 than its current rates. As described above, this request is premised on a  
11 serious erosion of the Company's current ROI to 4.12% or 395 basis  
12 points lower than its currently allowed ROI at the overall rate of return of  
13 8.07% for the test year ending December 31, 2009. The pro forma test  
14 year reflects the Company earning an overall rate of return of 3.86% or  
15 374 basis points lower than the pro forma rate of return of 7.60%. The  
16 Company cannot continue to incur this magnitude of revenue loss going  
17 forward and, accordingly, it seeks approval of this temporary rate request.  
18 This increase will permit the Company to begin to earn a more reasonable  
19 return on its rate base investments and to recover increased operating  
20 expenses incurred during the test year. Furthermore, by approving  
21 temporary rates at the level requested, the need for a significant  
22 surcharge at the conclusion of the permanent rate case will also be  
23 greatly reduced.

1 Q. Ms. Hartley, when is the Company requesting that temporary rates  
2 become effective?

3 A. The Company is requesting that temporary rates become effective for  
4 service rendered as of June 6, 2010 or at the time customers are notified  
5 of the pending increase, whichever is sooner.

6 Q. Does this conclude your testimony on temporary rates?

7 A. Yes it does.

**Notice of Pre-Hearing Conference  
Petition for Increase in Rates**

**PITTSFIELD AQUEDUCT CO., INC.**

**XXXX XX, 2010  
10:00 a.m.**

Pittsfield Aqueduct Co., Inc. (PAC) has petitioned the New Hampshire Public Utilities Commission (Commission) for approval of an increase to its rates. PAC has asked for a temporary increase of 19% and an overall permanent increase of 25.29% which the company proposes implementing in two phases. PAC's request for this increase is based on significant increases in its capital and operating costs as well as investment in its treatment systems to ensure continued compliance with the Safe Drinking Water Act. The increase would apply to all customers. The increase for PAC residential general metered customers will be as follows:

<b>Average Residential Annual Bill</b>			
	Meter Charge 5/8"	Volumetric Charge in 100 cubic feet	Total Annual
71ccf			
Current Rates	\$224.04	\$347.16	\$571.20
Proposed Temporary Rate	\$344.88	\$343.56	\$688.44
Proposed Permanent Rate	\$362.88	\$362.04	\$724.92

The Commission has scheduled a Pre-Hearing Conference to be held at the Commission's Offices in Concord on xxxx xx, 2010 at 10:00 a.m. At the Pre-Hearing Conference, the Commission will hear preliminary statements from PAC and other parties, and will consider requests for formal intervenor status. The Commission will also take up the question of the schedule to govern the remainder of the case.

The Pre-Hearing Conference is open to the public. Customers and other interested parties are invited to attend the hearing and comment on the company's request. Those unable to attend the hearing may submit written comments by writing to the New Hampshire Public Utilities Commission at 21 South Fruit Street, Suite 10, Concord NH 03301 or via e-mail at [puc@puc.nh.gov](mailto:puc@puc.nh.gov) Tel: (603) 271-2431 Fax: (603) 271-3878

**For More Information Call:  
(603) 882-5191 or 1-800-553-5191**

**PITTSFIELD AQUEDUCT COMPANY, INC.**  
**COMPUTATION OF REVENUE DEFICIENCY**  
**For The Twelve Months Ended December 31, 2009**

**Schedule A**  
**Temporary**

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	TEMPORARY (2)
Consolidated Rate Base (Sch 3)	\$ 1,747,989	\$ 214,049	\$ 1,962,038	
RATE of Return (1)	8.07%		7.60%	
Income Required	\$ 141,063		\$ 149,023	
Adjusted Net Operating Income (Sch 1)	\$ 72,033	\$ 3,720	\$ 75,753	
Deficiency	\$ 69,030		\$ 73,270	
Tax Factor	60.39%		60.39%	
<b>Revenue Deficiency</b>	<b>\$ 114,307</b>		<b>\$ 121,328</b>	<b>\$ 115,355</b>
Water Revenues	\$ 600,603	\$ 6,531	\$ 607,133	
<b>Proposed Revenue Inc</b>	<b>19.03%</b>		<b>19.98%</b>	<b>19.00%</b>
<b>New Revenue Levels</b>				<b>\$ 722,489</b>
Actual Rate of Return	4.12%		3.86%	

**Notes:**

(1) Test Year reflects last authorized rate of return from Order 25,051 (DW 08-052).

(2) Temporary proposed rate increase is based on the % test year revenue deficiency rounded.

**Pittsfield Aqueduct Company, Inc.  
Report of Proposed Rate Changes  
For the Twelve Months Ended December 31, 2009**

**Pro Forma  
Schedule 9  
Temporary**

DOCKET NO: DW 10-090      DATE FILED: 5/6/2010  
TARIFF NO.: 5 or PAGE NOS. 38-40 and 44      EFF. DATE: 6/6/2010

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Proposed Change</u>			
			<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
G-M	Increase	636	\$ 463,908	\$ 541,802	\$ 77,894	16.79%
Private FP	Increase	11	\$ 21,930	\$ 24,203	\$ 2,273	10.37%
FP - Hydrants	Increase	1	\$ 121,295	\$ 156,417	\$ 35,122	28.96%
<b>TOTALS</b>		<b>648</b>	<b>\$ 607,133</b>	<b>\$ 722,422</b>	<b>\$115,289</b>	<b>18.99%</b>

**Note:**

The Proposed rates and the amount of the increase is based on the Cost of Service Study. In the Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement reflected in the rate filing schedules.

**Signed by:**

Bonalyn J. Hartley

**Title:**

Vice President - Administration

**RATE SCHEDULE  
GENERAL SERVICE - METERED  
SCHEDULE G-M  
PROPOSED TEMPORARY INCREASE**

**Availability:**

The rate is available for metered water service in the franchised area subject to the terms and conditions of this tariff.

**Character of Service:**

Service shall consist of the production, treatment, and distribution of water for all residential, commercial and industrial requirements of customers whose premises abut any public street, road or way in which the Company has mains; provided, however, that such service shall only be rendered pursuant to the Terms and Conditions prescribed in other sections of this Tariff and the Rules of New Hampshire Public Utilities Commission for Water Service.

**Rate:**

A minimum customer charge shall be made for each customer whom service is rendered under this tariff, based on the meter size shown below:

Meter Size	Current Rate	Proposed Temporary Increase
5/8"	\$ 18.67	\$ 28.74 (I)
3/4"	26.56	\$ 40.89 (I)
1"	40.10	\$ 61.74 (I)
1 1/2"	72.37	\$ 111.42 (I)
2"	111.95	\$ 172.36 (I)
3"	207.99	\$ 320.22 (I)
4"	340.84	\$ 524.75 (I)
6"	679.86	\$ 1,046.71 (I)
8"	1,130.75	\$ 1,740.89 (I)

**Volumetric:**

In addition to the standard customer charge, the monthly volumetric charge based on usage will be as follows:

Volumetric Charge:	\$ 4.88 per 100 cu. Ft.
Proposed Temporary Increase	\$ 4.83 per 100 cu. Ft. (I)

**Terms of Payment:**

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: \_\_\_\_\_

Issued by Bonalyn J. Hartley

Effective: June 6, 2010

Title: Vice President Administration



**RATE SCHEDULE  
MUNICIPAL FIRE PROTECTION SERVICE  
SCHEDULE FP-M  
PROPOSED TEMPORARY INCREASE**

**Availability:**

This rate is applicable to municipal fire protection in the Town of Pittsfield.

**Character of Service:**

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

**Rate:**

The charge shall be made up of two parts as follows:

1) Hydrant charge

For each hydrant connected to the distribution system

<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
\$ 66.63 per month	\$ 85.92 per month	(l)

2) Inch-Foot Charge

The number of "inch-foot" units in the distribution system is to be obtained by multiplying the number of linear feet of pipe of each diameter (4" and larger) by the diameter in inches. The total number of "inch-foot" units in the distribution system will be determined as of January 1st each year, and will be the base for computing the "inch-foot" charge for the entire year with one-fourth to be billed each quarter or one-twelfth to be billed each month.

Charge for each "inch-foot" unit to be

<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
\$ 0.14040 per year	\$ 0.18106 per year	(l)

**Terms of Payment:**

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: \_\_\_\_\_

Issued by \_\_\_\_\_

Effective: June 6, 2010

Bonalyn J. Hartley  
Title: Vice President Administration

**RATE SCHEDULE  
PRIVATE FIRE PROTECTION SERVICE  
SCHEDULE FP-P  
PROPOSED TEMPORARY INCREASE**

**Availability:**

This schedule is applicable to fire protection in the Town of Pittsfield other than municipal such as private hydrants, fire hose outlets and sprinkler systems, connected to the Company's distribution system.

**Character of Service:**

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

**Rate:**

The charge shall be determined by the size fo the pipe entering the property as follows:

	<u>Current Rate</u>	<u>Proposed Temporary Increase</u>	
4" or smaller connection	\$ 53.63	\$ 61.26	(I)
6" connection	153.91	\$ 175.81	(I)
8" or larger connection	326.87	\$ 373.38	(I)

**Terms of Payment:**

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: \_\_\_\_\_

Effective: June 6, 2010

Issued by \_\_\_\_\_

Bonalyn J. Hartley

Title: Vice President Administration

**RATE SCHEDULE  
GENERAL SERVICE - NON-METERED  
TOWN OF PITTSFIELD  
PROPOSED TEMPORARY INCREASE**

Pittsfield Aqueduct Company, Inc. (PAC) will charge current unmetered customers a month rate as specified below based on the average single family residential usage as specified below until such time as meters are installed.

Commercial, Industrial and Private Fire Protection customers will be charged an average rate as calculated for a similar customer in PAC.

PAC will make every effort to install meters in a timely manner and in no such case should these rates remain in force for more than a twelve month period.

	<u>Current Rate</u>	<u>Proposed Temporary Increase</u>
5/8 inch Meter Charge	\$ 18.67	\$ 28.74
Volumetric Charge	\$ 4.88	\$ 4.83
Average Single Family Residential Usage	7.3 CCF	5.93 CCF
	<u>\$ 35.62</u>	<u>\$ 28.64</u>
Total Monthly Charge	<u>\$ 54.29</u>	<u>\$ 57.38</u> (I)
Annually	<u>\$ 651.48</u>	<u>\$ 688.56</u>

Issued: \_\_\_\_\_

Issued by \_\_\_\_\_

Effective: June 6, 2010

Bonalyn J. Hartley  
Title: Vice President Administration