

STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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May 6, 2005

Robert Upton, II
Upton & Hatfield
23 Seavey Street
P.O. Box 2242
North Conway, New Hampshire 03860

Re: DW 04-048 City of Nashua
Staff's Data Requests Set No. 1 to the City of Nashua

Dear Attorney Upton:

Attached please find Staff's Data Requests, Set No. 1 to the City of Nashua in the referenced docket. According to the Procedural Schedule the responses are due on June 10. If you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Marcia A.B. Thunberg".

Marcia A.B. Thunberg
Staff Attorney

Enclosures

cc: Service List

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSISON
STAFF DATA REQUESTS
DW 04-048
CITY OF NASHUA

Now comes the Public Utilities Commission Staff and respectfully requests responses to the attached data requests in writing and under oath.

Pursuant to N.H. RSA 365:10, 365:14, 365:15 and 365:19, the Commission shall have the power to obtain data and documents necessary to the performance of its duties as they are prescribed by law.

You are hereby requested to supply the Commission with the data and/or documents delineated in the attached data requests. If you are unable or unwilling to produce a response to a particular request, you must nonetheless provide a written response and state the basis for the inability or unwillingness to furnish the requested information. RSA 365:12 provides that willful failure to comply with this request will subject you to contempt proceedings in Superior Court pursuant to N.H. RSA 491:19 and 491:20.

Please provide copies of all documents produced to all parties listed on the discovery portion of the service list. If you seek confidential treatment of any response, you should mark that material as confidential and submit a motion for confidential treatment for the Commission's consideration. Anything submitted pursuant to a motion for confidentiality will be kept confidential pending Commission action.

Respectfully,



Marcia A.B. Thunberg
Staff Attorney

Dated: May 6, 2005

DATA REQUESTS OF N.H. PUBLIC UTILITIES COMMISSION STAFF

INSTRUCTIONS

1. Please furnish data responses within the schedule established in the procedural hearings.
2. For the purposes of these requests, “document” as used herein, is defined as any writing of every kind in the possession, custody or control of the Company, including but not limited to letter, facsimiles, minutes and records of meetings, memoranda, reports, notes, maps, recordings, transcripts, records of telephone or other communications, vouchers, and other accounting records, lists, engineering studies, rate studies, and economic studies, computer files.
3. For each response, please identify the individual who will be available for cross-examination concerning each response.
4. If the Company has no “document” (study, report, etc.) which is responsive in any way to any portion of a data request, please so indicate. In addition, please identify the person who determined that no such “document” exists.
5. If requested data is duplicative of that furnished in response to another data request, please identify the response wherein the information is contained.
6. If you find a request to be unclear or imprecise, please request clarification, by telephone, to the Staff member who forwarded these requests as soon as possible.

DW 04-048

Staff Data Requests to CITY OF NASHUA, Set 1

REGARDING NASHUA'S INTERFACE WITH DISTRICT

Staff 1-1

In light of the Commission's ruling that Nashua can only proceed with its valuation docket against Pennichuck Water Works, Inc. (PWW), does Nashua still intend to transfer PWW assets to the Merrimack Valley Regional Water District (District)? If so, does Nashua intend to transfer all or only a portion of the PWW assets, such as the core rather than satellite systems, to the District?

Staff 1-2

In testimony of Brian S. McCarthy, page 9, line 12, the City of Nashua indicates that it will transfer ownership of the water system assets to the District. Please state and provide documentation, if available, of:

- a) who is presently a member of the District;
- b) the date the member entered the District; and
- c) whether conditions of participation exist, different than conditions contained in the District's Charter, with respect to each member.

Staff 1-3

When does Nashua envision conveying the acquired water system assets to the District? If no date or time frame exists, then please state what events must occur prior to Nashua conveying utility assets to the District.

Staff 1-4

Does Nashua see any present obstacles to being able to convey assets to the District? If so, what are those obstacles? How can those obstacles be overcome?

Staff 1-5

The District's Charter calls for a 20-year capital improvement plan. Does Nashua have a capital improvement plan? If so, please provide a copy. If not, please state what capital improvement plan Nashua expects to follow in between the time Nashua acquires the assets of PWW and the capital improvement plan referenced in the Charter is created.

Staff 1-6

Please provide a copy of the maps entitled "Service Areas of the Merrimack Valley Regional Water District" and "Franchise Areas and Non-District Territories outside the Merrimack Valley Regional Water District," referenced on page 4 of the District's Charter.

Staff 1-7

Does Nashua believe the District has the financial, managerial, and technical capability to own and operate a regional water system? If yes, please explain with sufficient specificity.

Staff 1-8

How does Nashua envision the water system being operated by the District in the event the District members are non-contiguous?

Staff 1-9

Please explain what the tax consequences are to District ownership and then ownership by Nashua of any acquired water system(s). Is one ownership model preferable to the other for tax consequence purposes?

Staff 1-10

If the District acquires PWW including the satellites, how likely would it be to retain a consolidated rate among all PWW systems?

Staff 1-11

If the District acquires PWW including the satellites and did not retain a consolidated rate, please explain what the short and long term rate impact would be on the satellites.

Staff 1-12

If the District acquires the PWW core and satellites, please explain how satellite systems in non-member towns will be managed.

Staff 1-13

Would the District envision bumping up 'outside' (non-member) rates by up to 15%? By more than 15%? Would it be willing to make any permanent commitments in that regard?

Staff 1-14

Would the District have any interest in acquiring, or incentive to acquire, troubled water systems within member towns? In non-member towns? In other parts of the state?

Staff 1-15

Is Nashua considering any alternatives for the satellite systems, other than retaining ownership or transferring ownership to the District?

REGARDING ENGINEERING ISSUES

Staff 1-16

Please identify Safe Drinking Water Act compliance deadlines, through year end 2011, that Nashua will be subject to comply with if it takes PWW's assets. For each compliance deadline, indicate whether Nashua expects to be in timely compliance with the deadline and what measures Nashua will be undertaking to satisfy those compliance deadlines. Please supply any documentation corroborating Nashua's compliance with these deadlines.

Staff 1-17

Please state whether Nashua's compliance described in Staff 1-8 will change if Nashua only obtains a portion of PWW's assets?

Staff 1-18

Please state how Nashua's transferring of PWW assets to the District will impact compliance deadlines described in Staff 1-8.

Staff 1-19

On page 11 of Mr. Sansoucy's testimony he states that PWW needs \$48 million for improvements. Please explain how Nashua plans to raise funds to cover the cost of capital improvements identified in PWW's May 2004 capital improvement plan.

Staff 1-20

Please describe Nashua's aging infrastructure replacement schedule, if any, and attach documentation of Nashua's aging infrastructure replacement schedule, if available. If Nashua does not presently have a plan for replacing aging infrastructure, please state when Nashua expects to develop a plan.

Staff 1-21

Please state whether Nashua's aging infrastructure replacement schedule described in Staff 1-12 will change if Nashua only obtains a portion of PWW's assets?

Staff 1-22

Please state how Nashua's transferring of PWW assets to the District will impact Nashua's response to Staff 1-12 and Staff 1-13.

Staff 1-23

Please explain Nashua's capital improvement plan for the first five years after acquisition of PWW. Please provide copies of all documents responsive to this request.

Staff 1-24

Is Nashua aware of any State policies regarding ownership of water resources, either on a municipal level or regionally? If so, please list and explain such policies and how they relate to Nashua's taking of PWW.

REGARDING CUSTOMER SERVICE AND OPERATIONS ISSUES

Staff 1-25

With respect to Nashua's experience in operating a water works system, please identify what municipal service Nashua presently operates or provides which most closely resembles the size and scope of PWW' water service to Nashua?

Staff 1-26

Please describe how Nashua expects to fund operations and maintenance of the water system it acquires from PWW. In answering this question, where relevant, please differentiate between prior to Nashua conveying assets to the District, and after it conveys assets to the District.

Staff 1-27

Does Nashua expect to maintain consolidated rates? If not, will Nashua rely on Pennichuck Water Work's last Cost of Service study? If Nashua will not be relying on Pennichuck Water Work's last Cost of Service study, please state what Nashua will rely upon in changing to non-consolidated rates?

Staff 1-28

Please describe what Nashua intends to do with existing PWW contracts for provision of water service. In Nashua's response, please describe, at a minimum, what Nashua will do with respect to PWW's contract with the Town of Milford and PWW's contract with Anheuser-Busch, Inc.

Staff 1-29

What changes, if any, would Nashua envision in sales to Milford, Anheuser-Busch, Merrimack Village District, Hudson or other entities?

Staff 1-30

Would Nashua have any interest in acquiring, or incentive to acquire, troubled water systems in other parts of the state if it retained ownership of the PWW core and satellites? Of the PWW core system only?

Staff 1-31

To the extent Nashua retained all or a portion of PWW instead of turning it over to the District (or to the extent Nashua would have a controlling interest in decisions on capital improvements in the District), to what extent would Nashua's internal motivation to compete with neighboring towns for commercial and industrial customers affect capital improvements decisions?

Staff 1-32

Please indicate why Nashua believes it is in the public interest, from both a rate and quality of service perspective, for Nashua to acquire the satellite community water systems of PWW that are not connected to the system serving Nashua.

Staff 1-33

Please indicate if it is Nashua's contention that PWW is not providing safe and adequate service to Nashua residents.

QUESTIONS RELATING TO TESTIMONY OF BRIAN S. McCARTHY

Staff 1-34

Please explain the water conservation program discussed in Mr. McCarthy's Testimony on page 10. Is it an existing or new program? Has Nashua undertaken this kind of thing in the past? If yes, please provide all documentation relating to the previous programs.

Staff 1-35

Who or what department would be the liaison with the District?

Staff 1-36

What municipal division(s) or department(s) in Nashua will be involved with the water utility service?

Staff 1-37

Mr. McCarthy states on page 10 of his testimony that contractors will be used to perform day-to-day operation and maintenance of the system. Is Nashua presently unable to perform day-to-day operation and maintenance of the PWW system? If so, please elaborate on what aspects Nashua is unable to perform and identify what prevents Nashua from performing day-to-day operation and maintenance of the system.

Staff 1-38

Please explain with sufficient specificity what aspects of the operation and maintenance of the PWW system Nashua intends to contract out.

Staff 1-39

Would funding for the division or department overseeing the water system come out of the same budget as any other department?

Staff 1-40

Please provide a copy of the water ordinance referenced on page 11 of Mr. McCarthy's testimony.

Staff 1-41

Relating to the revenue bonds noted in Mr. McCarthy's testimony at page 11, please state what bond rating(s) has been attributed to Nashua in 2005, and in 2004.

Staff 1-42

Does Nashua have an estimate of revenue bonds it will need to seek for the asset acquisition? If so, what is the bond value Nashua expects to seek?

Staff 1-43

With respect to Mr. McCarthy's statement that Nashua will charge lower rates than what ratepayers could expect if the Pennichuck Corporation retained ownership because Nashua will make a payment in lieu of taxes for any property it acquires. How will Payment In Lieu of Taxes be implemented?

Staff 1-44

Please indicate if it is Nashua's contention that PWW is not providing safe and adequate service to Nashua residents.

Staff 1-45

Please provide a copy of the preliminary appraisal of the value of the Pennichuck companies performed by Mr. Sansoucy and obtained by Nashua on Dec 31, 2002, as referenced on p. 5 of Mr. McCarthy's testimony.

Staff 1-46

On p. 6 of Mr. McCarthy's testimony, who was the third party willing to buy Southwood and Pennichuck Services Co., and what price was offered for those companies?

Staff 1-47

On p. 10 of Mr. McCarthy's testimony, why is implementation of a conservation program by Nashua dependent on acquisition of the water utility?

Staff 1-48

Please identify the 11 companies referenced on pages 10-11 of Mr. McCarthy's testimony.

Staff 1-49

Please indicate the current status of operation/maintenance and management oversight RFP's, including date(s) issued or anticipated and copies of RFP's already issued, as well as copies of any responses.

QUESTIONS RELATING TO TESTIMONY OF GEORGE SANSOUCY

Staff 1-50

Please provide a complete copy of George Sansoucy's testimony and exhibits in the Town of Hudson and Consumers Ohio Water Company's Ashtabula Division proceedings.

Staff 1-51

On page 13 of Mr. Sansoucy's testimony, he discusses Ashtabula's cost savings were reduced by 30%. Please explain how the cost savings were achieved, what comprised the cost savings, the time period of the cost savings, whether the cost savings resulted in lower customer rates, and whether the savings impacted any capital improvement plan. Please attach any relevant documentation responsive to this request.

Staff 1-52

On page 2 and 14 of Mr. Sansoucy's testimony, he states he analyzed "several recent sales in Massachusetts and New Hampshire." Please identify the sales consulted and explain how Mr. Sansoucy arrived at the \$2,700 per customer figure. Please explain why Mr. Sansoucy assumes an acquisition price of \$81 million is consistent with those sales.

Staff 1-53

On page 12 of Mr. Sansoucy's testimony, he discusses a financial plan, please discuss in detail how the financial plan was developed.

Staff 1-54

On page 12, Lines 17-19 of Mr. Sansoucy's testimony, please provide more specific information regarding the statement that rates would increase significantly less under Nashua ownership than under PWW ownership.

Staff 1-55

Please provide the derivation of 36.2% (GES-8) and 77.44% (GES-1) mentioned on page 15 of Mr. Sansoucy's testimony and explain the specific reasons for the projected difference in rate increases.

Staff 1-56

On page 16 of Mr. Sansoucy's testimony, are the rate increases stated in the last paragraph on this page realistic? If yes, please explain.

Staff 1-57

On pages 1 and 2 of Mr. Sansoucy's testimony, he states that Nashua seeks:

a) "all property and facilities hydraulically connected to the treatment plan"; and
b) "all the assets (real and personal) of each utility that comprise a complete and functional public water system, or collection of water systems, with all the appurtenances, accessories and records that would be expected of facilities operated with good utility practice." Staff views these statements as portraying slightly different groups of assets. In light of these statements, please clarify what assets of PWW Nashua seeks.

Staff 1-58

On pages 4 - 6 of Mr. Sansoucy's testimony, he references trended revenues and expenses. Please explain how the "trended" revenues and expenses are calculated.

Staff 1-59

Page 12, Line 6 of Mr. Sansoucy's testimony appears to be missing words. Can Mr. Sansoucy please rephrase this sentence?

Staff 1-60

On page 10 of Mr. Sansoucy's testimony, Mr. Sansoucy states that PWW's rate case, Docket No. DW 04-056, "is driven by the capital investments that PWW has made in the past few years". In the same response Mr. Sansoucy states "For some years, PWW's parent and sole shareholder, Pennichuck Corporation, has paid dividends rather than make investments in the PWW system which, because of its lack of growth, would have been largely non-revenue producing". Please identify and provide a copy of what Mr. Sansoucy relied upon in making these statements. Please also explain whether the statements are consistent with each other.

Staff 1-61

On page 11 of Mr. Sansoucy's testimony he states "It will be difficult for the Company to fund these improvements without diluting the equity of its shareholders". Please indicate:

- a) if Mr. Sansoucy is aware of Pennichuck Corporation's recent equity offering; and
b) how Mr. Sansoucy's analysis would change with regard to the PWW's shareholders given the equity offering.

Staff 1-62

On page 16 of Mr. Sansoucy's testimony, he states that one impact of this policy is that a disproportionate share of the cash that could have been invested in PWW infrastructure was being diverted to dividend payout. Please provide a basis for this statement by citing what infrastructure has been neglected.

Staff 1-63

Of the infrastructure that Nashua deems has been neglected by PWW, please state Nashua's plans and time line for addressing this neglected infrastructure.

Staff 1-64

Will Nashua be conducting its own depreciation study? Will Schedule GES-1 change if a new depreciation study is conducted? If so, how will it change? Be specific.

Staff 1-65

On page 16 of Mr. Sansoucy's testimony, he discusses severance damages. Please quantify the impact severance damages have on the anticipated rate savings under municipal ownership, if any.

Staff 1-66

On page 14 of Mr. Sansoucy's testimony, he states Nashua will seek an initial \$87 million in bonds to cover upgrades of the water treatment plant. Is this still accurate, and if not, what is Nashua's latest estimate of the amount it will need to make its initial investment in the water system?

QUESTIONS RELATING TO TESTIMONY OF PHILIP L. MUNCK

Staff 1-67

Please discuss your understanding of whether municipal utilities include in current rates amounts for future capital replacements. Please provide a copy of any relevant documentation.

Staff 1-68

Please state whether provision for future capital replacements are generally in a greater amount or lesser amount than depreciation expense in the rates of regulated utilities. Please provide a copy of any relevant documentation.