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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

November 4, 2008 - 10:18 a.m.  
Concord, New Hampshire

RE: DW 08-088  
HAMPSTEAD AREA WATER COMPANY:  
Petition for Authority to Borrow  
Long-Term Debt, to Construct Water  
System Interconnection, Approval to  
Extend Franchise Area and for Step  
Rate Increase.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. Hampstead Area Water Company:  
Robert C. Levine, Esq.  
  
Reptg. John Wolters and Carol Grant, pro se:  
John Wolters  
  
Carol Grant  
William Bennett  
  
Reptg. the Town of Atkinson:  
Steven Angelo, Town Administrator

Court Reporter: Steven E. Patnaude, LCR No. 52

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APPEARANCES: (C o n t i n u e d)

Reptg. Residential Ratepayers:  
Rorie Hollenberg, Esq.  
Stephen Eckberg  
Office of Consumer Advocate

Reptg. PUC Staff:  
Marcia A. B. Thunberg, Esq.

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STEPHEN ST. CYR  
MARK NAYLOR  
DOUGLAS BROGAN  
STEPHEN ECKBERG

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DW 08-088. On  
4 June 27, 2008, Hampstead Area Water Company filed a  
5 petition for authority to borrow long-term debt, to extend  
6 its franchise area, and asking for a step increase in  
7 rates. An order of notice was issued on July 30 setting a  
8 prehearing conference that was held on September 3rd.  
9 Subsequently, by a secretarial letter on September 22nd,  
10 the intervention requests of Ms. Grant and Mr. Wolters  
11 were approved, and a procedural schedule, resulting in a  
12 hearing today, was approved at that time as well.  
13 Subsequent to that, we have a Stipulation signed by the  
14 Staff, the Consumer Advocate, and Hampstead Area Water  
15 Company that was filed on October 22nd. And, we also have  
16 testimony from Mr. Wolters and Mr. Bennett. And, by a  
17 secretarial letter issued October 31, the Motion to  
18 Intervene of the Town of Atkinson was approved.

19 Can we take appearances at this time  
20 please.

21 MR. LEVINE: Good morning,  
22 Commissioners. Attorney Robert Levine, for the Company.  
23 With me is our consultant, Stephen St. Cyr; our  
24 Controller, John Sullivan; and the President of the

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1 Company, Harold Morse.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. MORRISON: Good morning.

4 CMSR. BELOW: Good morning.

5 MR. BENNETT: William Bennett, from the  
6 Town of Atkinson, for the intervenors, Wolters and Grant.

7 CHAIRMAN GETZ: Okay. Good morning.

8 CMSR. MORRISON: Good morning.

9 CMSR. BELOW: Good morning.

10 MR. WOLTERS: Good morning. John  
11 Wolters, intervenor of Atkinson.

12 CHAIRMAN GETZ: Good morning.

13 CMSR. MORRISON: Good morning.

14 CMSR. BELOW: Good morning.

15 MS. GRANT: Carol Grant, intervenor for  
16 Atkinson.

17 CHAIRMAN GETZ: Good morning.

18 CMSR. MORRISON: Good morning.

19 CMSR. BELOW: Good morning.

20 CHAIRMAN GETZ: Mr. Bennett, are you  
21 intending to act as the spokesperson for Ms. Grant and  
22 Mr. Wolters?

23 MR. BENNETT: We would like, when we  
24 have the opportunity to cross-examine, we would like to

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1 divide the subject areas; primarily financial for Mr.  
2 Wolters, fire issues with Mrs. Grant, and engineering  
3 issues with myself, if you don't mind.

4 CHAIRMAN GETZ: Okay.

5 MS. GRANT: We have both asked Bill  
6 Bennett to do -- ask a lot of the -- rather than all three  
7 of us, the two of us, John and I, asking the same  
8 questions, we've asked Bill, Mr. Bennett, to ask -- cover  
9 a certain part of the questioning for us, he's going to  
10 ask certain questions for us.

11 CHAIRMAN GETZ: I understand. Thank  
12 you.

13 MS. GRANT: I get winded if I talk too  
14 long.

15 MR. ANGELO: Yes. I'm Steven Angelo.  
16 I'm the Town Administrator in Atkinson, representing the  
17 Board of Selectmen of Atkinson.

18 CHAIRMAN GETZ: Good morning.

19 CMSR. MORRISON: Good morning.

20 CMSR. BELOW: Good morning.

21 MR. LANZA: Charlie Lanza. I'm with the  
22 Hampstead Area Water Company, the Planning Department.

23 CHAIRMAN GETZ: Okay. All right. We  
24 only need appearances by counsel for parties.

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1 MS. HOLLENBERG: Good morning. Rorie  
2 Hollenberg and Stephen Eckberg, here for the Office of  
3 Consumer Advocate.

4 CHAIRMAN GETZ: Good morning.

5 MS. THUNBERG: Good morning,  
6 Commissioners. Marcia Thunberg, on behalf of Staff. And,  
7 with me today is Mark Naylor and Doug Brogan, who will be  
8 participating in our panel today with the rest of the  
9 signers of the Stipulation, and also Jim Lenihan and  
10 Jayson LaFlamme. Thank you.

11 CMSR. BELOW: Good morning.

12 CMSR. MORRISON: Good morning.

13 CHAIRMAN GETZ: Okay, good morning.

14 Well, are there any other matters, procedural matters to  
15 address, before what I anticipate is witnesses in support  
16 of the Stipulation?

17 MR. LEVINE: Yes, Commissioners.

18 There's a procedural matter regarding the definition of  
19 issues, which is part of what we're here for before the  
20 Commission. This is a request by the Company on a  
21 pipeline project connecting two existing water systems,  
22 the financing for that, and the franchise award for that.  
23 As you'll see from the Stipulation, that we've deferred  
24 the request for any rate increase to a companion docket,

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1 our general rate case. But, other than that, we wish that  
2 the proceedings would stick to these issues. And, that's  
3 what we're requesting.

4 CHAIRMAN GETZ: Okay. Well, I guess it  
5 sounds like you're heading down two possible roads. One,  
6 are you making any motion with respect to the testimony  
7 that's been filed by Mr. Bennett and Mr. Wolters?

8 MR. LEVINE: Well, yes, Commissioners.  
9 I would like it to be a motion in limine to stick to these  
10 issues, and not get into extraneous, tangential,  
11 irrelevant aspects that are better suited for other  
12 forums.

13 CHAIRMAN GETZ: Okay. Well, I mean,  
14 it's a little difficult to dealing with the abstract.  
15 Let's start then with the -- we know that first will be  
16 the testimony on the Stipulation, and then we'll have  
17 testimony from the other witnesses. So, let's, unless  
18 there's something else, let's proceed with the  
19 Stipulation.

20 MR. LEVINE: Thank you.

21 (Whereupon Harold Morse, Stephen St.  
22 Cyr, Mark Naylor, Douglas Brogan and  
23 Stephen Eckberg were duly sworn and  
24 cautioned by the Court Reporter.)

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 MR. LEVINE: If I may proceed?

2 CHAIRMAN GETZ: Please.

3 HAROLD MORSE, SWORN

4 STEPHEN ST. CYR, SWORN

5 MARK NAYLOR, SWORN

6 DOUGLAS BROGAN, SWORN

7 STEPHEN ECKBERG, SWORN

8 DIRECT EXAMINATION

9 BY MR. LEVINE:

10 Q. My questions first are for Mr. Harold Morse. Would you  
11 please state your name, address, and position with the  
12 Hampstead Area Water Company.

13 A. (Morse) My name is Harold Morse. Business address is  
14 54 Sawyer Avenue, Atkinson, New Hampshire. And, I'm  
15 the President of the Hampstead Area Water Company.

16 Q. Can you first describe the overall history of the  
17 Hampstead Area Water Company?

18 A. (Morse) The overall history of the Hampstead Area Water  
19 Company is it was originally established in 1977 as  
20 Walnut Ridge Water Company, in Atkinson, New Hampshire,  
21 and has grown into two -- what I consider two core  
22 systems, Hampstead and Atkinson, with equal assets and  
23 equal storage capacity, servicing multiple -- up to a  
24 thousand residents in each town. It has -- Each core

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 system has facilities such as fire department, schools,  
2 library, restaurants, they have to service all these  
3 important industries -- companies and town offices.  
4 And, today, we are here to join those two water  
5 systems.

6 Q. All right. Now, you just mentioned the project that's  
7 proposed. Can you describe what the construction  
8 project will consist of with those two existing water  
9 systems?

10 A. (Morse) Presently anticipating running 1,500 --  
11 15,000 feet of water main down Route 121, which is a  
12 state highway that runs between Atkinson and Hampstead,  
13 and along the way picking up the satellite system in  
14 Hampstead known as "Brickett's Mill", and possibly a  
15 booster station will be needed, it needs to be figured  
16 out and we'll have engineering look at that.

17 Q. All right. Are there storage facilities that service  
18 each water system independently?

19 A. (Morse) Currently, there's approximately  
20 500,000 gallons of storage in Atkinson with the tank at  
21 Sawyer Avenue and the satellite systems. In Hampstead,  
22 there's approximately 580,000 gallons of storage. The  
23 connection would allow access to, obviously, access to  
24 the storage for either town.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 Q. And, where would the majority of the line for this  
2 interconnection lie, within which town?
- 3 A. (Morse) There's 8,500 feet of the 15,000 is in  
4 Atkinson. So, the majority would be in Atkinson.
- 5 Q. And, when does the Company anticipate beginning  
6 construction of the mains?
- 7 A. (Morse) We hope to begin in the Spring of 2009.
- 8 Q. And, when would you anticipate completing construction?
- 9 A. (Morse) Approximately, a 41-day work schedule, we'd  
10 figure by the Fall of 2009.
- 11 Q. Now, why is the Company seeking the financing that's  
12 proposed from DES?
- 13 A. (Morse) The Company is seeking financing from DES for  
14 this interconnection for the low interest rate. It's  
15 being encouraged by DES to allow both systems to have  
16 backup in the case of emergency and responsiveness to  
17 system demand.
- 18 Q. Now, initially, in the Company's filing, we have  
19 requested a franchise area of a certain size. Has the  
20 Company changed that franchise request?
- 21 A. (Morse) Yes. Because of the intervention of the town  
22 and the town's objection to the size of the franchise,  
23 we have proposed reducing the franchise area to  
24 200 feet from the center line of Route 121 in both

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 directions, so a total of 400 feet up 121. Which this  
2 also connects our two largest franchise areas in  
3 Atkinson and Hampstead.

4 Q. Okay. If I may approach, I'd like to show you the  
5 revised franchise description and a revised franchise  
6 map, and ask you if you recognize both of those?

7 A. (Morse) Yes, I do.

8 Q. And, do those represent the revised franchise request  
9 that the Company would like to make of the Commission?

10 A. (Morse) Yes, it does.

11 MR. LEVINE: I'd like those to be  
12 marked.

13 CHAIRMAN GETZ: Well, let's mark those  
14 amendments after we have mark the other exhibits.

15 MR. LEVINE: That will be fine.

16 BY MR. LEVINE:

17 Q. Is it anticipated that any homeowners will be  
18 connecting to the water system along the length of the  
19 pipeline interconnection?

20 A. (Morse) It is anticipated, we sent out 93 surveys  
21 between Hampstead and Atkinson, and of which we  
22 received 11 responses in Atkinson -- excuse me, let me  
23 check my notes on the number of responses. We received  
24 eleven responses in Atkinson, nine of which were

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 interested in connecting. In Hampstead, we received  
2 ten responses, eight of which were interested in  
3 connecting.

4 Q. Now, why would this project be in the public interest  
5 and consistent with the public good in your opinion?

6 A. (Morse) Well, it would be in the public interest to  
7 provide for emergency water backup for both systems.  
8 And, in the public good, because of the low interest  
9 loan that we are seeking, and the fact that there's a  
10 grant available, and we have been approved for a grant  
11 to finance a portion of the project. It would also  
12 keep the costs down, at the same time providing for  
13 emergency water backup and water supply.

14 Q. Would some of those emergency scenarios be in terms of  
15 -- in terms of drought or enhanced fire protection?

16 A. (Morse) Yes. In terms of drought, we have multiple  
17 systems in both, in both towns, in both core systems we  
18 have multiple pump houses, and some respond differently  
19 to drought than others. So, drought would be one.  
20 Having the access to the storage would be another.  
21 And, the fire, as far as fire goes, in Hampstead we  
22 have an elevated storage tank, which would provide  
23 backup for Atkinson, if Atkinson's system were to go  
24 down or if we were to want to shut it down to do some

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 work on it. It would allow us to do some maintenance  
2 and work on the systems in Atkinson, and let water come  
3 down from Hampstead, and have the emergency backup.  
4 And, that's the purpose of the booster station as well,  
5 that we would have a redundancy in the system for those  
6 emergencies.

7 Q. What about flushing capabilities?

8 A. (Morse) It would certainly improve flushing, having the  
9 availability to bring water down from Hampstead.

10 Q. Now, have you been in contact with the Department of  
11 Environmental Services regarding this project and the  
12 loan?

13 A. (Morse) Our office has been in contact with New  
14 Hampshire DES. We have applied for the loan. And, we  
15 were told that, once we received PUS -- PUC approval,  
16 that we're on the list for the loan. In fact, DES has  
17 encouraged us through the years to connect the two  
18 systems. Back when we got the tank approved in 2004,  
19 there was mention of an interconnection between  
20 Hampstead and Atkinson then. So, it's something that  
21 DES has encouraged us for a while now.

22 MR. LEVINE: All right. I don't have  
23 any further questions.

24 CHAIRMAN GETZ: Well, let's take care of

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 marking some exhibits at this point then. I presume you  
2 want the petition filed on June 26th, --

3 MR. LEVINE: Yes, I do.

4 CHAIRMAN GETZ: -- including the  
5 prefiled testimony, marked for identification. We'll mark  
6 that as "Exhibit 1". Let's mark the Stipulation filed on  
7 October 22nd, 2008 as "Exhibit 2" --

8 MS. THUNBERG: Mr. Chairman, may I  
9 interrupt briefly? There is supplements to the initial  
10 filing. And, perhaps we should have -- there's a  
11 September 2nd, '08, it's an update of schedules which  
12 replaced Tab 3, that I would recommend that, if we're  
13 marking the initial filing, that we mark the amendments to  
14 that in sequence.

15 MR. LEVINE: Yes. And, I have those,  
16 Mr. Chairman.

17 CHAIRMAN GETZ: And, we have them in our  
18 files. So, then, the --

19 MS. THUNBERG: Yes. So, Staff's  
20 recommendation is the initial filing would be Exhibit 1;  
21 Exhibit 2 would be the September '08 supplemental  
22 schedules; then there is a franchise change to that  
23 initial petition, mark that as "Exhibit 3".

24 CHAIRMAN GETZ: That's the one that

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Mr. Levine just described in his conversation. We have  
2 some alternative thoughts on this matter.

3 MS. HOLLENBERG: I just wonder whether  
4 or not the amendment to the petition needs to be marked as  
5 the amendment with the regard to the rates, request for  
6 the extended franchise area, needs to be marked. There's  
7 -- Not only was there amended schedules, but then the  
8 Company filed at one point an amendment to its petition to  
9 include asking for the application of the consolidated  
10 rate to the extended franchise area that was requested.  
11 So, I leave it to you as to whether or not you want to  
12 include that.

13 MS. THUNBERG: Thank you. And, Staff  
14 will offer its opinion on that. Staff's viewpoint was  
15 that amendment was a motion, and we --

16 CHAIRMAN GETZ: Well, let's do it this  
17 way for the record. We'll designate one person to  
18 describe the exhibits in chronological order for  
19 Mr. Patnaude to record in the record. I think we are  
20 agreed that Exhibit 1 is the petition from June 26th.  
21 And, then, Mr. Levine.

22 MR. LEVINE: Thank you, Mr. Chairman.  
23 We have the initial filing, with its schedules and  
24 prefiled testimony, as Exhibit 1. As Exhibit 2, we have

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 our supplemental schedules, which were filed on  
2 September 2nd. As Exhibit 3, it is the amended franchise  
3 plan. We have the data requests that we can submit as  
4 Exhibit 4, Staff's data requests and the Company's  
5 answers; Exhibit 5, OCA's data requests and the Company's  
6 answers. And, Exhibit 6 would be the discovery responses  
7 to the OCA [Intervenors?]. And, lastly, we have the  
8 Stipulation that we would mark as "Exhibit 7".

9 CHAIRMAN GETZ: Okay. Any objection?

10 MS. HOLLENBERG: No.

11 CHAIRMAN GETZ: Then, we do need the  
12 copies of the discovery and the amended franchise map.

13 (The documents, as described, were  
14 herewith marked as Exhibits 1 through  
15 Exhibit 7, respectively, for  
16 identification.)

17 MS. THUNBERG: Mr. Chairman?

18 CHAIRMAN GETZ: Yes.

19 MS. THUNBERG: For paper reduction  
20 purposes, Staff or the signatories to the Stipulation have  
21 not provided extra copies of the initial filing and  
22 supplemental, presuming that the Commission panel has  
23 that. So, we only have a copy for the Clerk. But the  
24 discovery, however, is something that we do have copies

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 for everyone.

2 MR. LEVINE: If I may approach?

3 (Atty. Levine distributing documents.)

4 MR. LEVINE: If I may proceed, Mr.

5 Chairman?

6 CHAIRMAN GETZ: Please.

7 BY MR. LEVINE:

8 Q. The next witness I would call would be Stephen St. Cyr.

9 A. (St. Cyr) Good morning.

10 Q. Good morning. Would you please state your name and  
11 business address.

12 A. (St. Cyr) My name is Stephen P. St. Cyr. And, my  
13 business address is 17 Sky Oaks Drive, Biddeford,  
14 Maine.

15 Q. And, who is your employer?

16 A. (St. Cyr) I'm employed by St. Cyr & Associates.

17 Q. And, what are your responsibilities in this case?

18 A. (St. Cyr) My responsibilities are to support the  
19 Company's effort to finance the construction of  
20 15,000 feet of interconnection between the Atkinson and  
21 Hampstead water systems. The specific tasks that were  
22 involved in those responsibilities included preparation  
23 of the schedules and testimony as part of the initial  
24 filing, the revision to those schedules. I assisted

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 the Company in responding to data requests. And, I  
2 worked with the parties in attempting to reach an  
3 agreement, which we're presenting to the Staff -- or,  
4 to the Commission today.

5 Q. So, you're familiar with the initial filing, the  
6 amended schedules, and filing the data requests for all  
7 three sets, OCA, Staff, and the intervenors, and the  
8 Stipulation being submitted?

9 A. (St. Cyr) That's correct.

10 Q. Thank you. Have you prepared testimony before this  
11 Commission previously?

12 A. (St. Cyr) Yes. I've presented testimony in numerous  
13 cases, including new and expanded franchise areas,  
14 financings, such as the State Revolving Fund, and for  
15 rate increases.

16 Q. And, what's the purpose of your testimony today?

17 A. (St. Cyr) To support the Company's effort to borrow  
18 funds in order to construct the interconnection between  
19 the Hampstead and Atkinson water systems.

20 Q. Are you familiar with the cost of the interconnection  
21 between the Atkinson and Hampstead water systems?

22 A. (St. Cyr) Yes, I am.

23 Q. What are those estimated costs?

24 A. (St. Cyr) The estimated costs are \$1,100,885.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. And, of the cost of construction, how will those costs  
2 be financed?

3 A. (St. Cyr) They will be financed through a loan with the  
4 State Revolving Fund.

5 Q. And, would the total construction be financed or some  
6 part of it?

7 A. (St. Cyr) The total amount will be financed.

8 Q. Can you briefly describe what the SRF loan decision  
9 process is?

10 A. (St. Cyr) Yes. The loan process starts with what they  
11 call a "pre-application", it's a one-page application.  
12 The Company filed its pre-application in the Spring of  
13 2007. The New Hampshire Department of Environmental  
14 Services takes about 60 days in which to evaluate all  
15 those pre-applications, and notifies companies and  
16 entities whether or not the project is of the nature  
17 that would qualify for State Revolving Funds. In the  
18 Company's case, it received an indication that the  
19 project, the interconnection, would, in fact, meet the  
20 criteria for State Revolving Funds. As a result of  
21 that, they were required to file a more formal  
22 application, I believe that was by July 1st, 2007. The  
23 Company did so. It submitted that. The DES reviewed  
24 the Company's application, and initially denied the

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Company's application. The denial was based on a  
2 priority criteria that they develop, in terms of  
3 evaluating what are the most critical projects  
4 throughout the state. Initially, the Company did not  
5 -- the Company's interconnection was not one of the  
6 ones that qualified.

7 Subsequently, as different entities and  
8 towns went through their process, some projects were  
9 either taken off the schedule or did not meet other  
10 funding requirements. And, as a result, the Company's  
11 project elevated in the priority scheme, and funds  
12 were, in fact, available in order to pay for the  
13 interconnection. The Company received notice from DES  
14 that its project had been approved in March of 2008.

15 Q. Now, is there any other criteria that is required by  
16 DES that the Company satisfy in order to receive these  
17 funds?

18 A. (St. Cyr) No.

19 Q. What about approval by the PUC?

20 A. (St. Cyr) Yes. The loan -- well, all utilities,  
21 including Hampstead, actually cannot borrow money  
22 without PUC approval. And, that is, in fact, one of  
23 the conditions of the DES loan, that the Company  
24 receive PUC approval in order to act on pursuing the

{DW 08-088} {11-04-08}

[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 loan.

2 Q. So, these funds that have been awarded, if PUC approval  
3 is not obtained, what happens?

4 A. (St. Cyr) The funds would then be available to other  
5 projects in the state.

6 Q. Now, are you familiar with the particular terms of this  
7 SRF loan that DES is offering the Company?

8 A. (St. Cyr) Yes.

9 Q. Can you briefly describe what those terms and  
10 conditions are?

11 A. (St. Cyr) The length of the loan would be 20 years.  
12 Initially, the Company was told that the interest rate  
13 would be no higher than 3.488 percent. The Company  
14 understands that that rate may have, in fact, changed  
15 recently as of October 1 of this year, somewhere in the  
16 neighborhood of 4 percent. The terms and conditions of  
17 the SRF loan are actually cited in Section B.2 of the  
18 Stipulation.

19 Q. Now, did the Company consider any other financing  
20 options on this project?

21 A. (St. Cyr) No. No.

22 Q. Can you describe what the cash flow process utilizing  
23 the loan funds is during the course of construction, if  
24 the loan is awarded and approved?

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- 1 A. (St. Cyr) Yes. Basically, the Company would submit  
2 costs that it's incurred to DES. DES would then review  
3 those costs, and then make the disbursements in order  
4 for the Company to pay its vendors and suppliers for  
5 the various tasks associated with the construction.  
6 And, this takes place, you know, monthly throughout the  
7 construction period.
- 8 Q. Now, how does the Company propose to repay this debt?
- 9 A. (St. Cyr) The Company proposes to increase rates upon  
10 completion of the project. The Company's ability to  
11 repay the State Revolving Fund loan is dependent on,  
12 you know, additional revenue from a rate increase.
- 13 Q. And, you're familiar with the Stipulation in this case,  
14 correct?
- 15 A. (St. Cyr) Yes.
- 16 Q. Are there terms concerning the rate request that have  
17 been addressed in that Stipulation?
- 18 A. (St. Cyr) Yes. In Section D.3 of the Stipulation, the  
19 step increase that the Company initially proposed in  
20 this case has now been transferred to the general rate  
21 case, in docket 08-065.
- 22 Q. When will the Company need to start repaying this loan?
- 23 A. (St. Cyr) The repayment schedule is such that six  
24 months after completion is when the Company would first

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 be required to make a loan payment.

2 Q. And, you're talking about the completion of the  
3 interconnection?

4 A. (St. Cyr) That's correct.

5 Q. Is it reasonable to anticipate that the general rate  
6 case will be completed by that time?

7 A. (St. Cyr) Yes.

8 Q. When the final costs of the project are known, what are  
9 the Company's obligations at that point?

10 A. (St. Cyr) According to the Stipulation, the Company is  
11 required to make a filing with the Commission and to  
12 provide that filing to the parties. The filing would  
13 consist of the actual costs incurred in the  
14 construction, and a proposal from the Company with  
15 respect to recovery of those costs via rates. The  
16 Company would submit those to the parties for review.  
17 Once reviewed, the Company would anticipate that the  
18 parties would come together in hopes of reaching some  
19 kind of settlement on the actual cost and the proposed  
20 rate increase related to that, and that that  
21 recommendation would go to the Commissioners for  
22 approval.

23 Q. Is there any provision in the Stipulation that  
24 addresses the scenario if, for some unanticipated

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 reason, the general rate case is not finished at that  
2 time?

3 A. (St. Cyr) Yes. Section D.4 addresses that scenario.  
4 It states that the Company "may renew its request for  
5 consideration of a step adjustment to the then  
6 prevailing rates separately from the general rate  
7 case".

8 Q. Is there any provision in the Stipulation regarding the  
9 Company recovering its costs and expenses associated  
10 with this proceeding?

11 A. (St. Cyr) Yes. Section D.5 of the Stipulation, the  
12 Company would be allowed to submit those costs at a  
13 later date for the parties' review and ultimate  
14 approval by the Commissioners.

15 Q. Is approval by the Commission a condition of financing?

16 A. (St. Cyr) Yes.

17 Q. Why should the Commission approve this financing in  
18 this particular case?

19 A. (St. Cyr) The financing is in the best interest of the  
20 Company and its customers. The Company would not be  
21 able to attract such capital, and particularly at such  
22 a low rate, in the private financial markets. This  
23 loan, at that interest rate, will enable the Company to  
24 undertake the project that would benefit both customers

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1 in the Town of Atkinson and Hampstead.

2 Q. What would happen if the terms and conditions of the  
3 financing vary from what has -- substantially vary from  
4 what has been presented to the Commission at this time?

5 A. (St. Cyr) Any new or modified terms, to the extent that  
6 they're significantly different than what is presented  
7 today, would come back before the Commission for its  
8 approval.

9 Q. Is there anything else you'd like to bring to the  
10 Commission's attention?

11 A. (St. Cyr) No.

12 MR. LEVINE: No further questions, Mr.  
13 Chairman.

14 CHAIRMAN GETZ: Thank you.

15 MS. THUNBERG: Staff's going to pick up  
16 the questioning from here of the panel, if you don't mind.

17 BY MS. THUNBERG:

18 Q. Mr. Morse, I'd like to start off with you, just to  
19 follow up on the franchise.

20 A. (Morse) Uh-huh.

21 Q. And, I'd like to -- I don't believe this map --

22 MR. THUNBERG: Has this map been  
23 identified as an exhibit yet?

24 MR. LEVINE: Yes.

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1 MS. THUNBERG: Okay.

2 BY MS. THUNBERG:

3 Q. Mr. Morse, I'm just going to have you identify this  
4 document for the record please.

5 A. (Morse) That is the new proposed franchise area, number  
6 11 as shown on the map.

7 MS. THUNBERG: Okay. I'm going to put  
8 this up on the board so everyone can see it.

9 Commissioners, do you have a copy of this map?

10 CHAIRMAN GETZ: We do.

11 BY MS. THUNBERG:

12 Q. And, Mr. Morse, I just want to make sure, this -- is it  
13 accurate to state that this is your original franchise  
14 proposal amended to now limit the franchise request to  
15 what is designated by number "11"?

16 A. (Morse) That's correct.

17 Q. Now, Mr. Morse, with the revision, can you please tell  
18 me if you know the Town of Atkinson's position with  
19 respect to this franchise boundary now being shown as  
20 number "11" on the map?

21 A. (Morse) Only by word-of-mouth from the Town  
22 Administrator, who is here today, said that they were  
23 "greatly encouraged by the reduction in the size of the  
24 franchise area". That's what I got from him.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Okay. And, are you aware in the Stipulation Agreement  
2 that the signatories propose that Hampstead and the  
3 Town would work out a resolution, that we would bring  
4 that resolution to the hearing today?

5 A. (Morse) I am.

6 Q. And, is it accurate to state that there is no final  
7 resolution between Hampstead and the Town?

8 A. (Morse) Yes.

9 Q. And, that this map showing franchise boundary or the  
10 request being this sliver identified as number "11" is  
11 the latest proposal from the Company, and that's what  
12 the Company is seeking the Commission to approve at  
13 this point?

14 A. (Morse) That is correct.

15 Q. Okay. And, that proposal has been shown to the Town?

16 A. (Morse) It has.

17 Q. Okay. Thank you. Mr. Naylor, I'd like to turn to you  
18 please, and just ask you some background questions.

19 And, if you could please state your name and with whom  
20 you're employed?

21 A. (Naylor) Yes. My name is Mark Naylor. And, I'm the  
22 Director of the Gas and Water Division here at the PUC.

23 Q. And, as Director of the Gas and Water Division, what  
24 are your responsibilities?

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- 1 A. (Naylor) I'm responsible for all of the work product  
2 for the Gas and Water Division, and supervising the  
3 Staff, as well as supervision of the Audit Staff here.
- 4 Q. And, do the responsibilities extend to providing  
5 testimony before the Commission?
- 6 A. (Naylor) Yes.
- 7 Q. And, can you please state what your involvement has  
8 been with this particular docket?
- 9 A. (Naylor) I have reviewed the Company's filing,  
10 participated in the discovery process, and participated  
11 in the development of the Stipulation that we are  
12 presenting today.
- 13 Q. In addition to that, have you also reviewed supplements  
14 to the initial filing?
- 15 A. (Naylor) Yes.
- 16 Q. And, have you also reviewed discovery propounded by  
17 other parties?
- 18 A. (Naylor) Yes, I have.
- 19 Q. And, you're aware that those have been marked for  
20 identification in this docket?
- 21 A. (Naylor) Yes, I am.
- 22 Q. And, Mr. Brogan, if I could just get some background on  
23 you, too, please. If you could please state your name  
24 and with whom you're employed?

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1 A. (Brogan) Douglas Brogan, employed with the Public  
2 Utilities Commission.

3 Q. Thank you. Can you please describe your position and  
4 responsibilities?

5 A. (Brogan) I am a Utility Engineer, and, generally, I  
6 review the physical facilities and system improvements,  
7 quality of service issues, things like that.

8 Q. Prior to today, have you testified before this  
9 Commission?

10 A. (Brogan) Yes.

11 Q. And, has that testimony been in the area of your  
12 engineering expertise?

13 A. (Brogan) Generally, yes.

14 Q. Can you please describe your involvement with this  
15 docket?

16 A. (Brogan) Similar to Mr. Naylor, I reviewed the  
17 discovery and participated in the development of the  
18 Stipulation, and reviewed the proposal on the  
19 interconnection.

20 Q. And, that proposal includes the filing, the initial  
21 filing, supplemental filings, etcetera, is that  
22 correct?

23 A. (Brogan) Correct.

24 Q. And, Mr. Brogan, do you have a copy of the Stipulation

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1 Agreement in front of you?

2 A. (Brogan) Yes.

3 Q. And, I'd just like to have you turn to Page 5, Section  
4 D, paragraph numbered "1". And, this particular  
5 paragraph talks about Staff and Hampstead Area Water  
6 Company agreeing that the -- to the prudence of the  
7 project. And, I would like to have you explain how  
8 Staff arrived at that prudence opinion?

9 A. (Brogan) For a little background, and I think Mr. Morse  
10 has covered some of it, but the Company began serving  
11 back in, I believe, in the 1960's, actually, as Walnut  
12 Ridge Water Company, as franchised in the 1970's, in  
13 Atkinson. And, over the years, the system expanded and  
14 the Company, under different company names, but, you  
15 know, expanded into Hampstead and other towns. But,  
16 again, the two main core systems are in Hampstead and  
17 in Atkinson. And, those core systems have expanded as  
18 well within those two towns. The proposal is to  
19 interconnect the two systems.

20 There are indications from the  
21 Department of Environmental Services in New Hampshire  
22 that wells are stressed and there are supply issues,  
23 supply limitations, hydraulic limitations within the  
24 two core systems and moving water from one, you know,

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1           one area to another. And, there have been water use  
2           restrictions in recent years. There is currently a  
3           Large Groundwater Withdrawal Permit Application that  
4           has been submitted by the Company to DES, Environmental  
5           -- Department of Environmental Services. And, when  
6           that process is completed, that will probably go a long  
7           way toward addressing supply deficiencies on a  
8           stand-alone basis within the Atkinson system, because  
9           the application is limited to Atkinson currently.

10                           But, in general, if you consider the  
11           benefits of an interconnection, just generically  
12           speaking, it can enhance flushing capability,  
13           especially for more remote parts of the system, maybe  
14           that are further away from system storage, can help  
15           with stagnant water problems. If you have a main break  
16           that might cut off supply from one tank, an  
17           interconnection would allow you to feed from another  
18           tank. It can allow for better balancing of demands,  
19           especially during peak demands or during a fire, or a  
20           combination of those two. If you have a contamination  
21           event, you know, whether it's through inadvertence,  
22           someone dumped something on the ground and you lose a  
23           whole well field, whether it be VOCs or MBTE or  
24           whatnot, or for something more intentional, like

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1           vandalism, an interconnection certainly can be a  
2           benefit. If you have power outages, and it's my  
3           understanding that there are at least two different  
4           electric service providers in the two towns, PSNH and  
5           Unitil, but an interconnection can help with loss of  
6           pumping, a cause of power outages. If you have some  
7           kind of act of God, whether it be a flood or a tornado  
8           or a lightning strike or, you know, worse, an  
9           earthquake or something, again, it could do significant  
10          damage to system components, and an interconnection can  
11          help.

12                            If you have a tank failure, something  
13          really catastrophic, if there's one tank, or even if, I  
14          think Mr. Morse mentioned this, but, for example, the  
15          Atkinson tank is a steel tank, at some point that will  
16          have to be taken down to be painted. What do you do in  
17          that case? And, an interconnection can allow the other  
18          tank to feed the system.

19                            Again, these are sort of generic  
20          benefits. If a drought strains the supplies in both  
21          towns, then the supplies may -- the wells may be less  
22          able to meet peak demands, and an interconnection will  
23          just provide some operational flexibility. It can help  
24          with distribution system bottlenecks and resulting low

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1 pressure areas. It can -- This particular  
2 interconnection will eliminate the -- I believe will  
3 eliminate the Brickett's Mill treatment. Those wells,  
4 I believe, have historically needed a lot of treatment.  
5 So, it would eliminate that expense.

6 And, an interconnection can help with  
7 fire flows as well. And, I think there has been  
8 testimony filed that, you know, with one town saying  
9 "We don't need the water from the other town to fight  
10 our fires". But I think the Company needs to and I  
11 assume is looking more at the long term, not only at  
12 today's needs, but at, you know, 20, 25, 50 years down  
13 the road. And, there are -- there are hydrants in both  
14 towns. I believe there are about 74 hydrants currently  
15 in the towns that are, you know, that are located at  
16 the -- in coordination with the town, and the towns are  
17 paying annual rates for those hydrants. And, I think,  
18 even in Ms. Grant's testimony, there is reference to  
19 the Atkinson Fire Chief acknowledging that that town  
20 has gradually been relying more over time on the  
21 hydrants, you know, moving away from the fire ponds  
22 that they have relied on in the past. So, it would  
23 seem there are benefits to the towns from the hydrants  
24 being there, and an interconnection would help. But,

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1           again, generically speaking, an interconnection gives  
2           you better fire flows.

3                           And, so, for all of those reasons, kind  
4           of generic reasons, I think a proposal like the one  
5           before us today maybe receives a little bit less of a  
6           review, you know, an in-depth review by this Commission  
7           at least than some other projects. The final design is  
8           not complete. The size of the main and the need for a  
9           booster station on the interconnection are things that  
10          will be analyzed by an engineer, is the Company's  
11          representation, after they get approval for the SRF  
12          financing. It's my understanding that that poses no  
13          obstacle to DES providing the funding. And, in fact,  
14          the SRF funds can be used to pay the engineer to do  
15          that final analysis. Those are just some, you know,  
16          some details that the engineer will look at.

17                           But, I think, to a significant extent,  
18          we are relying on DES's review in this instance. The  
19          SRF process is competitive. The projects are ranked by  
20          DES. And, the Company's proposal has made the cut.  
21          Actually, the Company applied for SRF financing for an  
22          interconnection ten years ago, in 1998, although it  
23          didn't -- it chose not to move forward at that time for  
24          whatever reasons. So, it's been in the Company's

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1 thinking for quite some time.

2 There is also an Interconnection Grant  
3 Program at DES, as we've heard already, that recognizes  
4 some of the benefits of system interconnections, some  
5 of the generic benefits. That Interconnection Grant  
6 Program actually came out of a joint DES/PUC study in  
7 2001. And, again, this proposal has been awarded one  
8 of those grants to cover 25 percent of the project.

9 In general, again, you know, there have  
10 been efforts in New Hampshire, such as a 2005 Seacoast  
11 Mutual Aid Study, that looked at the potential of  
12 interconnecting up to ten different water systems  
13 serving 14 Seacoast communities, because of some of the  
14 benefits of system interconnection, just in general.  
15 And, as we've also already heard, there is no guarantee  
16 that the financing that's available at very favorable  
17 terms today will be available in the future.

18 So, I think, in a number of areas, the  
19 Company is moving in the right direction. They're  
20 looking at addressing the long-term sustainability of  
21 their supplies through the Large Groundwater  
22 Application process through DES, which is, you know,  
23 does not fall under our jurisdiction. But they're  
24 developing and expanding a SCADA system, so that they

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1 can remotely monitor their facilities. They're  
2 developing a water system model, and an interconnection  
3 can, in a way, it can almost be viewed as a logical  
4 next step, as the Company continues to expand within  
5 the two towns.

6 Q. Thank you very much.

7 A. (Brogan) You're welcome.

8 Q. Mr. Morse, I have a question for you, because Mr.  
9 Brogan had mentioned what was going to happen with the  
10 Brickett's Mill facilities. And, I just want to ask if  
11 you recall, there was a data response from Hampstead  
12 Area Water Company in response to an OCA Question 3-2.

13 MS. THUNBERG: And, I don't know if you  
14 have the OCA Data Response packet in front of you, but it  
15 is on Page 155 for the Commissioners.

16 BY MS. THUNBERG:

17 Q. And, Mr. Morse, if you could just look at Response 3-2,  
18 and just explain what is going to happen with the  
19 Brickett's Mill station and the community water system?  
20 What's going to happen as a result of this  
21 interconnection?

22 A. (Morse) Well, as Doug said, it requires a lot of  
23 maintenance. So, the anticipation is that we would  
24 leave it existing and have it as an emergency backup

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1 for water supply for the system as a whole.

2 Q. Okay. Mr. Naylor, I have a question on the Stipulation  
3 for you. And, that is also on Page 5. Paragraph D.2  
4 references the terms and conditions being  
5 "responsible", and that Staff has agreed with that. Do  
6 you see that?

7 A. (Naylor) Yes, I do.

8 Q. And, can you please explain Staff's opinion as to why  
9 the terms and conditions are reasonable?

10 A. (Naylor) Well, simply because this is an SRF loan,  
11 which is the lowest cost financing available. And, in  
12 addition to that, as Mr. Brogan indicated, the Company  
13 has also been awarded an interconnection grant, so --  
14 which covers 25 percent of the project costs. So,  
15 those two factors together make this a very reasonably  
16 cost -- or, project to be completed at a very  
17 reasonable cost. So, certainly, the terms of the  
18 financing are in the public interest.

19 Q. Mr. Naylor, can I have you please turn to Page 10 of  
20 the Stipulation. And, this Attachment A on this  
21 schedule shows a rate of return of "3.448 percent",  
22 that's the interest rate, is that correct?

23 A. (Naylor) Yes.

24 Q. And, that has since changed, correct?

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1 A. (Naylor) It's our understanding from the Program  
2 Administrator at DES that, because of the recent  
3 upheaval in the credit markets, that the SRF loans are  
4 going to be now priced a little bit higher than  
5 previously. And, it's our understanding that the 20  
6 year term loan is now going to be priced at just over  
7 4.2 percent. And, so, the page that you're referring  
8 to on the Stipulation, which is Attachment A, and  
9 reveals the estimate of the rate increase necessary to  
10 cover this project. We've run the numbers on that  
11 based on the higher rate, and we anticipate a rate  
12 increase, based on these estimates of a construction  
13 cost, of about 5.99 percent, as opposed to the "5.51"  
14 shown here.

15 Q. And, does this change in interest rate change Staff's  
16 opinion as to the reasonableness of the terms and  
17 conditions?

18 A. (Naylor) No, it doesn't.

19 Q. Now, can you please explain why Staff holds the opinion  
20 that the project is in the public good?

21 A. (Naylor) Well, I think it's a combination of factors.  
22 Certainly, the terms of the financing are favorable.  
23 For all the reasons that Mr. Brogan just elaborated on  
24 for the necessity of the project. And, certainly, the

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1 fact that this project has been encouraged by DES for a  
2 number of years. Those are all very good reasons why  
3 we believe the project is in the public good.

4 Q. Now, Mr. Naylor, are you aware of the franchise  
5 modification down to the corridor that was depicted as  
6 number "11" on the updated map?

7 A. (Naylor) Yes.

8 Q. And, with respect to the franchise portion of this  
9 filing, do you believe Hampstead Area Water Company has  
10 the managerial, technical and financial capabilities to  
11 conduct water operations in this franchise expansion?

12 A. (Naylor) Yes.

13 Q. And, do you want to elaborate on that?

14 A. (Naylor) Certainly. To the extent the Company is able  
15 to add additional customers to their customer base,  
16 that certainly would be helpful. We believe that the  
17 Company at this time is providing safe and adequate  
18 service to all of its customers. And, certainly,  
19 through the Company's approach to managing its systems,  
20 we believe the Company is being proactive to meeting  
21 their current and future needs. So, we believe the  
22 Company is acting prudently and has the managerial,  
23 technical and financial capabilities to own a water  
24 utility.

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1 Q. Thank you. Mr. Naylor, I'd like to move onto Page 6,  
2 in Paragraph 3, where it talks about the step  
3 adjustment. And, can you please provide some  
4 background as to why Staff recommends the Commission  
5 address the step adjustment in the rate case, which is  
6 docket DW 08-065?

7 A. (Naylor) Well, the agreement here to move the step  
8 adjustment to the pending rate case, primarily -- first  
9 of all, does not harm the Company's ability to access  
10 the funds. DES would like to know how any of its  
11 applicants will have the financial capability to repay  
12 the loans. And, they are aware that this -- that the  
13 step adjustment originally proposed in this docket is,  
14 by agreement, and with the Commission approval, being  
15 transferred to the rate case. And, also, it satisfies  
16 the concerns raised by the Office of the Consumer  
17 Advocate that the step adjustment be considered with a  
18 consideration of all of the Company's financial  
19 considerations, what their test year looks like,  
20 whether the full amount of the rate case -- rate  
21 increase is called for, based on their current earnings  
22 and so forth.

23 So, I also want to add, too, that, with  
24 respect to the possibility of the Company adding

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1 additional customers through this interconnection  
2 project, the signatories have agreed in this  
3 Stipulation that revenues from any new customers added  
4 as a result of the interconnection will be proformed in  
5 to the step adjustment.

6 Q. And, Mr. Naylor, when you talk about "customers being  
7 added", are you referring to some of the questionnaires  
8 that the Company sent out that had the box "yes, you're  
9 interested" checked off?

10 A. (Naylor) Yes. And, Mr. Morse had just moments ago also  
11 testified that the Company had received some  
12 indications of interest from prospective customers.

13 MS. THUNBERG: And, I'd just like to  
14 note for the record that those questionnaires appear as  
15 responses to OCA questions, and those appear in the packet  
16 at Pages 121 and 137 for the record.

17 BY MS. THUNBERG:

18 Q. Mr. Brogan, I have a question for you. And, this  
19 pertains to -- well, actually, let me back up. You  
20 have reviewed, have you not, testimony that was filed  
21 by the intervenors in this docket?

22 A. (Brogan) I have, yes.

23 Q. And, do you recall there being a general mention of  
24 concern of lost water?

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1 A. (Brogan) Yes.

2 Q. Do you have any opinion as to -- well, is lost water a  
3 concern? And, if so, how it should be dealt with?

4 A. (Brogan) If I could make a few comments. I think it is  
5 a definite concern, and there are numbers from the  
6 Company in discovery in this case that indicates the  
7 lost water may be fairly significant, especially in the  
8 Atkinson system. But I think some of those numbers  
9 are, you know, I'm not convinced we have good data for  
10 one thing. For example, in 2006, the Company has  
11 indicated they had a 36 and a half percent loss water  
12 percentage in the Atkinson core system. But, for the  
13 same year, 1.7 percent in Hampstead. And, that's just  
14 not realistic for any system to have a 1.7 percent lost  
15 water rate. And, so, it makes one question how  
16 meaningful those numbers, both of those numbers are.

17 The Company has, in discovery again, you  
18 know, indicated that there's a problem with  
19 non-corresponding time periods, when they look at  
20 production versus consumption, and they actually  
21 provided a schedule of when they do their customer  
22 meter reads, which they do quarterly. And, within  
23 different developments within each core system, you  
24 know, it might be the first of one month here and the

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1 tenth of another month there. And, they're comparing  
2 all of those different consumption reads to the strict  
3 calendar quarter production reads. And, so, that's a  
4 little bit meaningless also.

5 There -- The Company has made an attempt  
6 to factor out back-flush -- back-flushing and system  
7 flushing, you know, to back those out of the lost water  
8 numbers. But they have not backed out fire uses,  
9 actual fire fighting flows, sprinkler -- fire sprinkler  
10 system flows, fire -- town, you know, fire training  
11 flows. Those are all in there, and may be other  
12 legitimate uses. I think, also, if the Company -- as,  
13 hopefully, the Company tightens their lost water up  
14 over time, you know, we're not looking at going from a  
15 30 odd percent down to a zero percent lost rate, but  
16 maybe, you know, whatever it is, maybe half, maybe, you  
17 know, 25 to 15 or whatever the numbers are. But, as I  
18 think some of the intervenor testimony has referenced,  
19 the water that could be gained from totally eliminating  
20 their current loss rates, I don't think that -- that  
21 may not be realistic either.

22 The Hampstead core has typically had  
23 lower losses than the Atkinson, it's a newer system.  
24 The DES has rules related to water conservation and

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1 lost water. Those rules are relatively new. They date  
2 from May 2005. Having leaky water systems is not new,  
3 even if we were to look at many of the Pennichuck  
4 systems. They have -- Some of those have significant  
5 loss rates. It's an issue that requires attention over  
6 time.

7 DES has indicated that the Company is  
8 not out of compliance with its conservation rules in  
9 this respect. And, in fact, DES recently approved a  
10 conservation plan for the Company to begin to address  
11 the lost water issue. And, you know, the Company, in  
12 dealing with lost water, you may not only be looking at  
13 leaks, but at things like meter calibrations and are  
14 tanks overflowing when they don't need to be, and theft  
15 of service and a multitude of other things. And, so,  
16 again, I think it's not something that can be addressed  
17 immediately, but it's, you know, something that needs  
18 to be looked at.

19 Lost water was looked at in the last  
20 Company rate case here. And, in the current rate case,  
21 DW 08-065, in discovery, the Company -- well, in that  
22 case, the Company is proposing to go from quarterly to  
23 monthly rates, and has indicated a willingness to  
24 report lost water on a monthly basis, and also to deal

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1 with the time of non-corresponding time intervals in  
2 the production versus consumption reporting. And, so,  
3 that will give a clearer picture, if nothing else,  
4 going forward, you know, of what the lost water amounts  
5 really are. And, so, I think, again, you know, it's  
6 something we intend to look at in that rate case.

7 Q. Mr. Naylor, I just have a couple follow-up questions  
8 for you, and then I will be done. Now, Mr. Naylor,  
9 have you also looked at intervenor testimony that has  
10 been filed in this docket?

11 A. (Naylor) Yes.

12 Q. And, do you recall one of the issues being a concern  
13 about groundwater movement?

14 A. (Naylor) Yes.

15 Q. And, are you also aware that Hampstead Area Water  
16 Company has a permit before DES, an active ongoing  
17 permit application concerning a large groundwater  
18 withdrawal?

19 A. (Naylor) Yes.

20 Q. And, with respect to the proceeds of the financing  
21 here, are you aware of any of the financing going to  
22 that large groundwater withdrawal permit project?

23 A. (Naylor) No.

24 Q. And, Mr. Naylor, with respect to the franchise issue

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1 and safe and adequate service, is it Staff's position  
2 that Hampstead Area Water Company is obligated to  
3 provide safe and adequate service to all customers  
4 irrespective of the municipal boundaries?

5 A. (Naylor) Yes, that is correct.

6 MS. THUNBERG: And, Staff is done with  
7 its questions. And, we're going to move to OCA now.  
8 Thank you.

9 CHAIRMAN GETZ: Thank you.

10 MS. HOLLENBERG: Thank you. Good  
11 morning, Mr. Eckberg. I always have to check the clock.  
12 How are you?

13 WITNESS ECKBERG: Fine. Thank you.

14 BY MS. HOLLENBERG:

15 Q. Could you please state your name and position for the  
16 record.

17 A. (Eckberg) My name is Stephen Eckberg. I'm a -- excuse  
18 me, Utility Analyst employed by the Office of Consumer  
19 Advocate.

20 Q. And, have you previously testified before this  
21 Commission?

22 A. (Eckberg) Yes, I have.

23 Q. And, are you testifying this morning with regard to the  
24 OCA's support of the Settlement Agreement?

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1 A. (Eckberg) Yes, that's the purpose of my presence here.

2 Q. Okay. I would just like to go through generally the  
3 terms of the Settlement Agreement, and ask you to  
4 indicate what the OCA's position is with regard to  
5 those general -- my general statement of the terms.  
6 With regard to the terms of the financing, meaning the  
7 rate of the financing and the period of time over which  
8 the financing will be paid back, what is the OCA's  
9 position on those terms?

10 A. (Eckberg) The OCA concurs with Staff and the Company  
11 that the terms of the financing are consistent with the  
12 public good.

13 Q. And, could you just basically say why that is?

14 A. (Eckberg) As has been mentioned by other members of the  
15 panel, the general terms of the financing, the interest  
16 rate, which we believe has changed now to something  
17 approximating 4.2 percent, is a very good interest rate  
18 for a project of this nature. And, so, we're  
19 supportive of that.

20 Q. And, just to confirm the fact that the interest rate is  
21 now in the range of 4.2 percent, that does not change  
22 the OCA's support for the Commission finding that the  
23 terms are in the public interest?

24 A. (Eckberg) That's correct. I agree with that,

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1 absolutely.

2 Q. Thank you. With regard to how the financing is used,  
3 and I think that's covered in paragraph -- on Page 5,  
4 in Paragraph D.1, I think, when Staff was testifying,  
5 this is the prudence paragraph. Could you please just  
6 state what the OCA's position is on this issue?

7 A. (Eckberg) Certainly. The OCA took no position on this  
8 issue of prudence of the project. We preferred to  
9 defer to the Staff and their greater expertise in water  
10 engineering than we have on this matter.

11 Q. Okay. Thank you. And, the next section, generally  
12 speaking, would be the rate issue. And, you'd agree  
13 that this rate, these paragraphs, which I believe are  
14 on Page 6, in -- primarily in Paragraph D.3, reflects  
15 the agreement of the OCA with the parties that the rate  
16 request be transferred to the pending rate case?

17 A. (Eckberg) Yes. From the start of this docket, the OCA  
18 has sought the transfer of the step increase into the  
19 pending rate case that the Company has before the  
20 Commission. And, this settlement has accomplished that  
21 issue, it has resolved that issue for the OCA. So,  
22 we're supportive of that.

23 Q. And, the OCA did agree, in the next paragraph, which is  
24 D.4, that, if for some reason the Commission is not

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1           able to render a final determination in the rate case  
2           before the Company would need to begin repayment, that  
3           the Company would be allowed to renew its request for a  
4           step increase outside the general rate case?

5    A.   (Eckberg) Yes we're clear on that point, and we agreed  
6           that the Company could revive its request should that  
7           untimely processing of the rate case occur. I would  
8           point out that the OCA also reserves its right to  
9           revive its position that a step increase should not be  
10          considered outside of a general rate case.

11   Q.   And, with regard to the two -- the last two issues,  
12          which are the request by the Company to extend its  
13          franchise and the request by the Company to apply its  
14          current consolidated rate to the extended franchise  
15          area, could you just summarize the OCA's position with  
16          regard to those two issues?

17   A.   (Eckberg) Certainly. That one's a little bit trickier,  
18          I guess, at this point, because the OCA has deferred to  
19          the Staff and the Company and the Town of Atkinson in  
20          trying to resolve and present a final agreement on what  
21          that franchise expansion would be. But, aside from  
22          that, the OCA has agreed that whatever that franchise  
23          area turns out to be, that it is reasonable that the  
24          Company should apply its current consolidated rate to

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1           that expanded franchise.

2   Q.   And, that is the rate that is being reviewed in the  
3       pending rate case, DW 08-065?

4   A.   (Eckberg) Correct.

5   Q.   Okay. I just want to ask you a question, Mr. Eckberg.  
6       The data requests and the Company's responses to data  
7       requests have been filed for the record as Exhibits 4,  
8       5, and 6. I believe Exhibit 5 is the OCA's set. And,  
9       just for clarification, several of those exhibits, I  
10      believe, or several of those questions, I believe it  
11      was in Set 1, 1-1, 1-2, and 1-21, were -- the Company's  
12      responses to those requests were an invitation that the  
13      OCA come and review the documents at the Company's  
14      location. Do you agree with that?

15  A.   (Eckberg) Yes.

16  Q.   And, that was done. We met with the Company, at their  
17      office, to review some documents that were responsive  
18      to those questions?

19  A.   (Eckberg) That's correct.

20  Q.   Okay.

21  A.   (Eckberg) The Company indicated in their response to  
22      the -- to several OCA data requests that the related  
23      documents were somewhat voluminous, and they would be  
24      happy to accommodate us at their offices, and we did go

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1 visit them and examine the papers.

2 MS. HOLLENBERG: And, Mr. Chairman, just  
3 for purposes of clarity, I don't know if those are in the  
4 packet that you have, the documents that we received that  
5 day. I don't know if you need them. But I guess I would  
6 allow you to, if you would like, reserve an exhibit, and I  
7 will file those documents. They're not that many that we  
8 received. But, just for purposes of having a complete  
9 set, you may want them. I'll leave that to you, as to  
10 whether or not you do.

11 CHAIRMAN GETZ: Well, these documents  
12 aren't being sought to be put into evidence as the basis  
13 for Mr. Eckberg's testimony, but it represents some of the  
14 materials that the OCA reviewed in coming to its  
15 conclusions?

16 MS. HOLLENBERG: Well, yes. And, for  
17 purpose either -- basically, for purposes of completeness,  
18 to make sure that you have a complete set of what we  
19 received in response to the Company's, because, as now, it  
20 appears as though the Company may not have provided us  
21 anything. And, really, because their responses said  
22 "you're welcome to come and visit us", which we did, and  
23 they were very hospitable, and we got copies of documents.  
24 So, I'll leave it to you as to whether or not you --

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1 CHAIRMAN GETZ: Well, let's reserve the  
2 next exhibit number, which would be 8?

3 MS. HOLLENBERG: Yes.

4 MR. LEVINE: Yes.

5 (Exhibit 8 reserved)

6 MS. HOLLENBERG: Thank you.

7 BY MS. HOLLENBERG:

8 Q. Mr. Eckberg, I guess, while I'm looking through my  
9 notes, is there anything you would like to comment on  
10 at this point in time that any members of the panel  
11 have commented on earlier? I'll let you do that now,  
12 and I'll see if I have any other questions.

13 A. (Eckberg) Certainly. A few moments ago, Mr. Brogan  
14 mentioned that, when he was discussing the lost water  
15 issue, that I would say the OCA does agree generally  
16 that this is a topic that merits being examined. And,  
17 we understand that the Company has made some  
18 commitments to modify the way they will be reporting on  
19 water production and sales, which would be lost water  
20 in the future. Hopefully, that will provide some  
21 better data. Mr. Brogan I think was very helpful in  
22 pointing out some of the possible reasons why the  
23 numbers that we have been looking at recently may be  
24 not as dependable as we would like. So, we do concur.

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1 I think that that's an issue that bears continued  
2 examination.

3 Q. Thank you. Just to be specific, could you state why  
4 the OCA supports the transfer of the rate increase  
5 issue into the rate case?

6 A. (Eckberg) Well, as I mentioned since the beginning of  
7 this docket, the OCA has sought to move the issue of  
8 the step increase into the larger rate case. The OCA's  
9 position is that looking at a step increase to provide  
10 for a rate increase for an additional debt is --  
11 constitutes single issue ratemaking. Meaning, we would  
12 not be looking at all of the costs and the expenses and  
13 income of the Company within just a debt financing  
14 docket. So, we would prefer that it be in the full  
15 rate case, where that fuller scope of the Company's  
16 books and records can be examined.

17 Q. And, you participated in a meeting the other day with  
18 Mr. Skarinka of DES and representatives of -- other  
19 representatives of the OCA and Staff. And, as  
20 Mr. Naylor mentioned, he was informed about some of the  
21 -- about the Settlement Agreement at that meeting. I  
22 think he knew about the Settlement Agreement before the  
23 meeting, do you recall that?

24 A. (Eckberg) Yes. He was certainly informed that the

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1 Settlement Agreement had been executed among the  
2 parties.

3 Q. And, he specifically was informed about the fact that  
4 it included a transfer of the rate issue into the rate  
5 case?

6 A. (Eckberg) Yes, that was mentioned.

7 Q. Okay.

8 A. (Eckberg) He was informed of that, yes.

9 Q. Okay. And, did he raise any concerns at that time?

10 A. (Eckberg) He did not, no.

11 Q. Okay. I just want to have you look at one more thing  
12 in the Stipulation please. And, I don't know if you  
13 have it in front of you?

14 A. (Eckberg) I do have a copy, yes.

15 Q. Okay. There are -- There is, beginning on Page 6, and  
16 it's Paragraph 4, D, which we touched upon earlier,  
17 reserves for the Company the right to renew its request  
18 for a step increase out from a general rate case, in  
19 addition to other things. And, it continues onto  
20 Page 7. And, there's a list of terms that I just want  
21 to have you confirm here. These are terms that, to the  
22 extent that the Company does renew its request for a  
23 step increase, that the Staff and the Company have  
24 agreed to certain parameters for that type of

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1 proceeding, if that were to happen. But that the --  
2 will you confirm just that the OCA did not take a  
3 position on those, the terms of how that process would  
4 take place, if it does?

5 A. (Eckberg) That's correct. The Settlement Agreement  
6 states at the top of Page 7 that "the OCA takes no  
7 position on the following items", and then there is a  
8 list of (a) through (e) of the parameters that you  
9 mention of how that reconstitution of the Company's  
10 request would take place.

11 Q. Okay.

12 A. (Eckberg) Yes.

13 MS. HOLLENBERG: If I could have a  
14 moment? Okay. I don't have any other questions. Thank  
15 you.

16 CHAIRMAN GETZ: So, are the Company and  
17 Staff and OCA finished with their questioning of all of  
18 the panel?

19 MS. HOLLENBERG: Yes, sir.

20 MR. LEVINE: I have a few questions to  
21 follow up. Thank you, Mr. Chairman.

22 BY MR. LEVINE:

23 Q. Mr. Morse, following the Stipulation, did the Company  
24 make an effort to contact the Town to come to some

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1 agreement on the franchise request?

2 A. (Morse) Yes. Either directly with the Selectmen or  
3 through their attorney, we made several attempts to sit  
4 down and come up with what they would consider a  
5 minimal agreement.

6 Q. And, because this matter was concerning issues that  
7 were in litigation, how did the Company couch its  
8 request to the Town, as far as the form of meeting?

9 A. (Morse) We requested to meet with them with their  
10 attorney in executive session to discuss it.

11 Q. And, how many times did we make that request of them?

12 A. (Morse) Three that I know of.

13 Q. And, what was their response?

14 A. (Morse) Never got back to us.

15 Q. Okay.

16 A. (Morse) And, they proposed holding a public hearing on  
17 the 30th of October. We sent in a letter of our  
18 reduced franchise area and description of the franchise  
19 at that time.

20 Q. So, that was delivered to the Town offices that  
21 afternoon?

22 A. (Morse) Yes, it was, prior to that meeting, scheduled  
23 meeting, yes.

24 Q. And, what was the result of that meeting?

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- 1 A. (Morse) I believe they canceled the meeting, to the  
2 best of my knowledge.
- 3 Q. Have you ever received a counterproposal from the Town  
4 as to what franchise size would be acceptable to them?
- 5 A. No, I haven't.
- 6 Q. This question is for Mr. St. Cyr. Mr. Brogan mentioned  
7 that there was a grant award as part of this process  
8 that is equal to 25 percent of the loan request. Are  
9 you familiar with how the operation of that grant and  
10 how it is to be utilized according to the grant terms  
11 and conditions?
- 12 A. (St. Cyr) Yes.
- 13 Q. Now, does that grant operate in reducing the loan  
14 amount by 25 percent?
- 15 A. (St. Cyr) It actually operates in that the Company  
16 would receive a payment from DES on a monthly basis,  
17 and at the same time would be making the full payment  
18 on the State Revolving Fund loan.
- 19 Q. Now, is that grant then amortized over a certain  
20 period?
- 21 A. (St. Cyr) The Company, on its books, treat that grant  
22 as a contribution in aid of construction. So, it would  
23 be amortized over the life of the assets.
- 24 Q. So, in summary, the Company receives periodic payments

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1 of some amount as part of that grant award until the  
2 grant is exhausted?

3 A. (St. Cyr) That's correct.

4 Q. But it still makes the full amortized payment amount  
5 that's required under the loan repayment schedule?

6 A. (St. Cyr) That's also correct.

7 Q. This question is for Mr. Naylor. Now that you've had a  
8 chance to look at the Company's amended franchise  
9 request, in your estimation, is that franchise request  
10 reasonable?

11 A. (Naylor) Yes, I think it is.

12 Q. And, this question is for Mr. Skarinka -- or, excuse  
13 me, for Mr. Eckberg. When you had your conversation  
14 with Mr. Skarinka and informed him that the parties,  
15 the signatories, had come to an agreement, and part of  
16 that agreement was to transfer the step increase  
17 request to the general rate case, did you specifically  
18 ask him at that time that whether or not he had a  
19 problem with that transfer or did you just simply take  
20 his silence on that issue in making your own  
21 conclusions of whatever position you think he has on  
22 that issue?

23 A. (Eckberg) I guess my memory is that he was informed of  
24 that component of the Settlement Agreement. I don't

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1 recall specifically whether he was asked directly "do  
2 you have a problem?" I believe that's your question to  
3 me?

4 Q. Yes.

5 A. (Eckberg) I don't remember if that question was asked  
6 directly of him.

7 Q. And, you, of course, are familiar with the letter that  
8 he submitted to the Commission that came out of the  
9 request of the Commissioners after the preliminary  
10 hearing?

11 A. (Eckberg) You're speaking of his letter dated  
12 September 16th, I believe?

13 Q. Correct.

14 A. (Eckberg) October 16th?

15 Q. Correct.

16 A. (Eckberg) Yes, I'm familiar with that letter. Uh-huh.  
17 That was the letter that was in response to the  
18 Commission's request for specific information about  
19 this loan of the Company?

20 Q. And DES's position regarding repayment.

21 A. (Eckberg) Uh-huh.

22 Q. Have you received anything else in writing from  
23 Mr. Skarinka since that time?

24 A. (Eckberg) At our meeting last week, on October 30th, he

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1 provided us with some basic documentation about how the  
2 SRF Program works, with some information about the  
3 updated loan rates that we've discussed here today.

4 But no specific communications about this case, no.

5 Q. Did you receive any communications in writing that  
6 would contradict that letter that he submitted in  
7 October?

8 A. (Eckberg) As I said, we've received nothing else from  
9 him directly on this case, no.

10 MR. LEVINE: Thank you. No further  
11 questions. Thank you.

12 MS. HOLLENBERG: Mr. Chairman?

13 CHAIRMAN GETZ: Please.

14 MS. HOLLENBERG: Thank you. I do have a  
15 few questions. I actually was hoping not have to get into  
16 the letter, but --

17 CHAIRMAN GETZ: Well, let me just ask  
18 this question, Mr. Levine.

19 MR. LEVINE: Yes.

20 CHAIRMAN GETZ: Are you taking a  
21 position different from the position in the Stipulation  
22 that the step increase consideration should be moved to  
23 the rate case?

24 MR. LEVINE: No. No, Mr. Chairman. I

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1 just did not want the Commission to get an inference that  
2 Mr. Skarinka's silence, when presented with the  
3 Stipulation, indicated his assent to any of its  
4 provisions. To say simply that "he's informed of it" is  
5 one thing. To make an inference that his lack of response  
6 to any of its provisions during a one-on-one meeting that  
7 he had with OCA indicates his concurrence with all its  
8 terms. He's not here. I have no information regarding  
9 his position. I did not want his silence to be considered  
10 as an assent. It's not that we don't concur with the  
11 Stipulation. But I simply do not want Mr. Skarinka's  
12 written positions to be otherwise contradicted by an  
13 inference.

14 CHAIRMAN GETZ: Ms. Hollenberg.

15 MS. HOLLENBERG: Thank you. Thank you.

16 As I mentioned, I was hoping to avoid getting into  
17 Mr. Skarinka's letter, because we do have a Settlement  
18 Agreement, and I think that the Settlement Agreement is  
19 what we're here for today, and that was my understanding  
20 of what we're here for today. And, my question with  
21 regard to Mr. Skarinka's comment or lack of comment at the  
22 meeting that was actually held with Staff and the OCA last  
23 week on the SRF fund, and it did get into talking about  
24 certain companies, was to just let the Commission and

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1 affirm what Mr. Naylor had said, which was that he is  
2 aware of the Settlement Agreement, and that it included a  
3 specific term to transfer the rate issue into the rate  
4 case. So, that was the purpose of my questioning him. I  
5 would now, if we now have in the record questions on the  
6 letter, I will have to ask to go into the letter with  
7 Mr. Eckberg, in terms of what the OCA's position is on  
8 that letter, which I did not think we were going to need  
9 to do today, because we have the Settlement Agreement.

10 CHAIRMAN GETZ: Well, it seems to me a  
11 lot of these questions are really not relevant, inasmuch  
12 as we have a Stipulation. If we could -- can you make an  
13 offer of proof on your position, rather than going through  
14 a cross-examination of your witness?

15 MS. HOLLENBERG: Sure. I would say that  
16 the Office of Consumer Advocate does not concur with the  
17 interpretation that was provided by Staff in its letter,  
18 which filed Mr. Skarinka's letter, that the letter  
19 specifically addresses the questions before the Commission  
20 in this case. And, I would also say that we would take  
21 the position that, based on some records on file with the  
22 Commission, that it's possible that the Company may not  
23 even need a rate increase under the BFA test that he  
24 mentions in his letter.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 CHAIRMAN GETZ: All right. Thank you.

2 Anything else, before we --

3 MR. LEVINE: No further questions.

4 CHAIRMAN GETZ: Thank you. Mr. Angelo,  
5 do you have questions for the witnesses?

6 MR. ANGELO: No.

7 MR. WOLTERS: And, my name is John  
8 Wolters --

9 CHAIRMAN GETZ: No, excuse me,  
10 Mr. Wolters. The Town of Atkinson is a party, and  
11 Mr. Angelo is here representing the Town of Angelo -- the  
12 "Town of Angelo" -- the Town of Atkinson. Do you have  
13 questions for the witnesses?

14 MR. ANGELO: I don't know if it's a  
15 question, sir, but just a disagreement as to how the Town  
16 and the Applicant communicated on the -- in terms of a  
17 meeting.

18 CHAIRMAN GETZ: Well, what we will do  
19 is, at the end of the proceedings, after this panel has  
20 been questioned, after the other witnesses have been  
21 questioned, we'll have an opportunity for closing  
22 statements. So, if you have something in the form of a  
23 closing statement that you want to make or a  
24 representation, that you can do that then.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 MR. ANGELO: Okay.

2 CHAIRMAN GETZ: So, I take it you have  
3 no questions?

4 MR. ANGELO: No, sir.

5 CHAIRMAN GETZ: Do you have an idea of  
6 how much cross-examining, Mr. Wolters, Mr. Bennett, you  
7 have for the panel?

8 MR. BENNETT: If I may, Mr. Chairman,  
9 ask a procedural question?

10 CHAIRMAN GETZ: Certainly.

11 MR. BENNETT: Because I really don't  
12 know how these things are supposed to work. The three of  
13 us have filed written testimony. Is it expected that we  
14 will also each go on the witness stand in turn and be  
15 asked questions regarding that witness testimony or simply  
16 be available for cross-examination of any of the other  
17 parties?

18 CHAIRMAN GETZ: Well, the procedure  
19 would be that you would take the stand, be sworn in, and  
20 adopt your testimony, be prepared to answer questions from  
21 the other parties.

22 MR. BENNETT: But is it necessary that,  
23 for example, Mr. Wolters ask me each of the questions that  
24 I -- that my written testimony responds to or can we just

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 take that as everyone knows what those answers are?

2 CHAIRMAN GETZ: No, we can -- you can  
3 adopt your prefiled written testimony as filed, and then  
4 just be qualified and made available for questions.  
5 There's no need for summarizing the testimony or doing  
6 anything else.

7 MR. BENNETT: Okay.

8 CHAIRMAN GETZ: But you said -- I saw  
9 testimony from Mr. Wolters and from you.

10 MR. BENNETT: Yes, and from Mrs. Grant.  
11 I believe there are two separate documents from  
12 Mrs. Grant.

13 CHAIRMAN GETZ: Okay. So, let's get  
14 then to the question, I guess -- well, let's go off the  
15 record for a second just to talk through procedure.

16 (Brief off-the-record discussion  
17 ensued.)

18 CHAIRMAN GETZ: Back on the record.  
19 Then, let's I think take about a 10 or 15 minute recess  
20 now, and, then when we resume will be the opportunity for  
21 cross by Mr. Bennett, Mr. Wolters, and Ms. Grant.

22 MR. BENNETT: Okay. Thank you.

23 (Whereupon a recess was taken at 11:51  
24 a.m. and the hearing reconvened at 12:08

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1 p.m.)

2 CHAIRMAN GETZ: Okay. We're back on the  
3 record. And, unless there's something else, we'll resume  
4 with cross-examination of the panel by Mr. Bennett or Mr.  
5 Wolters.

6 MS. THUNBERG: And, Mr. Chairman, if I  
7 can speak on behalf of the intervenors on this procedural  
8 point. There is a necessity of the Town leaving early.  
9 And, we've agreed among ourselves that we would allow the  
10 Town to make their statement first, before proceeding with  
11 the cross-examination. Thank you.

12 CHAIRMAN GETZ: I take it then there's  
13 no objection. So, Mr. Angelo. I guess the issue is just  
14 so Mr. Patnaude can hear you. So, if there's a  
15 microphone, it might be easier just to sit down and use  
16 the microphone.

17 MR. ANGELO: All right, sir. Thank you  
18 very much, sir. I'm authorized by the Board of Selectmen  
19 to tell you the following things: First of all, the  
20 Selectmen were diametrically opposed to the original  
21 franchise area. So, that is something they looked at,  
22 they objected to, and I believe they may have stated so  
23 publicly, but certainly stated it to me privately as  
24 individuals. This latest proposal is something that they,

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1 in my opinion, are very encouraged by. However, they have  
2 many questions of the Hampstead Water District that they  
3 would like to ask them. And, I would just like to talk a  
4 little bit about the way in which the Selectmen tried to  
5 meet with them.

6 First of all, Mr. Morse asked to be on  
7 the agenda in a public session of the Board of Selectmen.  
8 He was put on the agenda several weeks ago. He did not  
9 come to that meeting, so the Selectmen were not afforded  
10 an opportunity to get answers to some of their questions  
11 on the original franchise area. When that did not work  
12 out, the Selectmen decided to have me write a letter to  
13 the Hampstead Area Water District, to Mr. Morse in  
14 particular, to invite him to another public session, which  
15 would have been last Thursday. Through the attorneys, and  
16 I guess through personal conversations that I have no  
17 direct knowledge about, it was told to the Selectmen that  
18 they would not appear at that public hearing, and they  
19 requested an executive session through the attorneys, in  
20 order to speak with the Selectmen about their questions.  
21 The Selectmen could see no opportunity under the RSAs that  
22 an executive session would be warranted. Therefore,  
23 through the attorneys, they refused that request.

24 The Selectmen feel, and felt then, that

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1 it was very important, because of the issues surrounding  
2 this, that the public was very interested in this, and  
3 there ought to be a public hearing on this. And, since  
4 there was no opportunity under the RSAs to have an  
5 executive session, the only way they could be afforded to  
6 answer those questions would be at a public session. So,  
7 they were quite disappointed that the Hampstead Area Water  
8 District chose not to come. Now, they say that they  
9 couldn't come because of pending litigation. That was not  
10 a concern of the Board of Selectmen. The Selectmen wanted  
11 those answers in public, and, because of the law, could  
12 only get them in a public session.

13 So, I wanted to reiterate that to you.  
14 That's all I'm authorized to say by the Selectmen. They  
15 would like to take a position, but, again, unless they  
16 have the answers to questions that they would like to pose  
17 to Mr. Morse and the rest of his representatives at a  
18 public meeting, they have not taken a final position on  
19 this.

20 I would also say that the record that  
21 was sent to me on the proposal to shrink the franchise  
22 area was sent last -- was received by the Town last  
23 Thursday in my mail. I was out on another personal  
24 matter, did not receive that until Monday morning. The

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1 minute I opened it Monday morning, I e-mailed it to the  
2 two selectmen I was able to e-mail it to. The third  
3 selectmen was in the hospital, and still remains in the  
4 hospital, with a serious medical condition.

5 Last night, they directed me to tell you  
6 about their -- that, in my opinion, they're encouraged.  
7 But, again, they have some reservations in taking a final  
8 position because of what I stated.

9 CHAIRMAN GETZ: All right. Thank you.  
10 All right. Then, we'll resume with the cross-examination.  
11 Thank you, Mr. Angelo.

12 MR. BENNETT: All right. Is that  
13 satisfactory? William Bennett. I am a resident of the  
14 Town of Atkinson. I'm a retired mechanical engineer. My  
15 degree is from Massachusetts Institute of Technology. It  
16 was awarded in 1968.

17 CROSS-EXAMINATION

18 BY MR. BENNETT:

19 Q. My first question is to Mr. Brogan. In your opinion,  
20 sir, in this docket proceeding, whose interest is  
21 paramount? Hampstead Area Water Company's or the  
22 public at large? Is Mr. Brogan no longer with us?

23 MS. THUNBERG: No, he's up there.

24 MR. BENNETT: Oh, I'm sorry. There you

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 are. I'm sorry, I forgot which was which.

2 BY THE WITNESS:

3 A. (Brogan) I think, by statute, this Commission has the  
4 responsibility to weigh the -- weigh proposals between,  
5 you know, the Company and the customer. And, the  
6 statutes talk about "public good". We have no  
7 jurisdiction, per se, over non-customers. Beyond that,  
8 I mean, you're getting into a legal interpretation, I  
9 think. I'm not sure I'm the right one to really  
10 respond.

11 BY MR. BENNETT:

12 Q. Okay. You questioned the 1.1 percent -- 1.7 percent  
13 loss rate for the Hampstead core system as "not good  
14 data", I would have to concur with that. Are you also  
15 impugning the 36.5 percent loss rate for the Atkinson  
16 core system?

17 A. (Brogan) Well, I think my testimony stands as I stated,  
18 that, you know, the 1.7 raises the question of the  
19 meaningfulness of both numbers.

20 Q. Of both numbers you said?

21 A. (Brogan) Yes, sir.

22 Q. You spoke of well limitations experienced by the  
23 Company in the Atkinson core system. If, in fact, one  
24 third of their water, not including back wash and

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 flushing, is being lost, would correcting that lost  
2 problem solve their well limitation problem?

3 A. (Brogan) Reducing, you know, reducing lost water  
4 certainly helps the supply picture. Those issues  
5 really fall under the jurisdiction of the Department of  
6 Environmental Services. They're the ones that assess  
7 and have rules regarding overall supply versus, you  
8 know, they have those requirements.

9 Q. You stated you were relying on the DES's review of the  
10 need for this interconnection. That makes them a  
11 shadow party to these proceedings. They are providing  
12 input, but they're not open to examination themselves.  
13 The grounds for their engineering conclusions or  
14 anything else to do with their urging you to approve  
15 this, is that right?

16 A. (Brogan) They are not a party to this docket, that's  
17 correct.

18 Q. But, yet, you are relying on their input to say "this  
19 is a good thing to do"?

20 A. (Brogan) Again, I think my testimony stands as I stated  
21 it.

22 Q. Well, your testimony specifically was "we are relying  
23 on the DES review"?

24 A. (Brogan) That's correct.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 Q. Sorry, I'm trying to find my relevant notes to try to  
2 keep the cross-examination coherent as to subject line,  
3 without bouncing around among witnesses. Your question  
4 of the reliability of the 36.5 percent loss rate, prior  
5 to accounting for back-flush and -- back wash and  
6 flushing, can you state a magnitude of uncertainty that  
7 you feel over that number?
- 8 A. (Brogan) Probably not. Again, I think it's a process  
9 that the Company has to do investigation into a number  
10 of areas to come up, you know, to come up with a more  
11 accurate lost water percentage.
- 12 Q. If we take the answers provided by HAWC in discovery to  
13 the PUC Staff Questions 1-10, Intervenor Question  
14 2-8(b), OCA Question 3-3(b), and take those numbers for  
15 the average daily water use per customer in 2006, and  
16 the water loss rate in 2006, and the possible maximum,  
17 "up to 7 to 10 percent" was their statement of that  
18 lost water, let me make that clear, we're talking about  
19 up to 10 percent of the 36.5 percent having gone  
20 possibly to back wash and flushing. So, taking the  
21 maximum of 10 percent, which gives them 3.65 percent of  
22 total production. And, we take their numbers for the  
23 number of -- from those base answers we can compute the  
24 average daily water sold in 2006 and the average daily

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 water produced in 2006, and the difference, minus the  
2 back wash and flushing, taking the full up to  
3 10 percent, now that leaves 140,000 gallons per day.  
4 You had said in your testimony that fire flows might  
5 account for some of the lost water, fire department use  
6 in putting out fires and for testing and practice. Is  
7 that right?
- 8 A. (Brogan) I did say that, yes.
- 9 Q. Well, you didn't specify what, but you said "fire  
10 department uses could also be contributing to the  
11 missing water", is that right?
- 12 A. (Brogan) That's correct.
- 13 Q. Okay. Now, in relation to 140,000 gallons per day, how  
14 much of that would you say that upper limit could be  
15 fire uses averaged over a year?
- 16 A. (Brogan) I really have no idea.
- 17 Q. Would you think it would be more than 10 percent of the  
18 lost water there?
- 19 A. (Brogan) Again, I really have no idea.
- 20 Q. Okay. You are familiar with a U.S. Coast and Geodetic  
21 Survey data on the Spicket River watershed, is that --  
22 are you?
- 23 A. (Brogan) No.
- 24 Q. You're not?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 A. (Brogan) No.

2 Q. In your opinion, of a quantity of lost water that is  
3 disappearing from the system, the Atkinson core system,  
4 and going -- being released somewhere within the top  
5 20 feet of the surface, what would be your opinion of  
6 how much of that water would be available to  
7 potentially recharge ground aquifers?

8 A. (Brogan) That's not -- That subject area really isn't  
9 something that we usually get into at the PUC.

10 Q. I thought you had quoted to me over the telephone that  
11 you had looked at the Coast and Geodetic Survey data?

12 A. (Brogan) No, I don't believe I -- I certainly don't  
13 remember saying that.

14 Q. You also stated that "leaky systems are not new". Is  
15 your experience that there are some more than  
16 insignificant number of water systems in the State of  
17 New Hampshire that have loss rates over 25 percent?

18 A. (Brogan) I think -- I think there are, if you were to  
19 look at, and, actually, it's public information, even a  
20 -- there's a Pennichuck company, there's a Pennichuck  
21 Water Works and Pennichuck East Utilities, and, anyway,  
22 they have quite a number of systems and they file lost  
23 water data with their annual reports. And, if you were  
24 to look at those, I think, you know, you might be

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 surprised at some of the leakage rates, lost water  
2 rates.

3 Q. Can you cite some of those figures and the number of  
4 systems that are leaking?

5 A. (Brogan) No, not off the top of my head, I can't.

6 Q. Setting aside for the moment your position on the PUC  
7 Staff, if HAWC came to you and asked you to decide  
8 whether -- well, they come to you and tell you they  
9 need more water and ask you to decide whether the best  
10 solution would be to interconnect to another town  
11 system to get more water or to fix their leaks and have  
12 that water available, which would you think would be  
13 the better solution?

14 A. (Brogan) You know, I think the supply issue -- I think  
15 the question implies that the supply issue is, you  
16 know, the primary driver maybe for the interconnection.  
17 The supply issue is really a DES jurisdiction issue,  
18 and the Company is in this major Large Groundwater  
19 Withdrawal Permit Application process to deal with the  
20 supply issue. You know, again, lost water, if you can  
21 reduce the lost water, that helps. But that's, I  
22 think, as far as PUC jurisdiction. You're really  
23 getting a little bit beyond that jurisdiction.

24 Q. Well, didn't you cite water supply issues as one of the

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1           justifications in your list of reasons why this  
2           interconnection should be approved?

3   A.   (Brogan) In referencing DES, yes.

4   Q.   No, in referencing a list of reasons why this would be  
5           in the public good.

6   A.   (Brogan) I think, if I didn't say it, I meant to say  
7           it, that that's based on a review of, you know, a DES  
8           sanitary survey, etcetera.

9   Q.   Well, I can tell you that HAWC's production has been or  
10          HAWC sales have been increasing by about a thousand  
11          gallons per day per year, so that it's safe to say we  
12          can look at 2006 data, which we have hard numbers for,  
13          and assume they're not far different from 2008. And,  
14          the Company was producing 426,000 gallons a day in  
15          2006, and they were selling 270,000 gallons a day. The  
16          difference is 140,000 gallons a day. So, that's kind  
17          of the elephant in the room, isn't it? All other  
18          potential water sources pale by comparison, when your  
19          total customer demand is 270,000 gallons per day, and  
20          you've got a source of 140,000 gallons per day to  
21          access by fixing leaks. Is that a reasonable  
22          statement?

23   A.   (Brogan) I don't want to repeat my own testimony, but I  
24          think some of the quality of those numbers is in

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 question. And, also, the assumption that you can  
2 completely eliminate, you know, all leakage, and that  
3 all of that, 100 percent of the loss rate would go to  
4 the supply issue.

5 Q. All right. If we assume that the 36.5 percent figure  
6 may be in question by as much as plus or minus  
7 20 percent, so that's 7 percent that we might be off,  
8 so 29 percent as an actual best case leakage. Would  
9 you agree with that?

10 A. (Brogan) I have -- No, how can I agree with that? I  
11 think we -- that won't be known until the Company  
12 begins to assess what's behind its loss rates.

13 Q. Well, the Company has stated its loss rate is  
14 36.5 percent. And, you're saying that that number may  
15 be in doubt. I'm giving you, I think, pretty ample  
16 playroom there, to say it's off by 20 percent on the  
17 high side, that it's really only 29 percent, instead of  
18 36 and a half percent.

19 A. (Brogan) You know, the 20 percent is something you're  
20 throwing out. I have no idea what the variation could  
21 be of HAWC based on its assessment.

22 Q. Well, if we, and particularly the Commission, can't  
23 rely on numbers that HAWC has presented in this docket  
24 as evidence, both in directly filed and in answers to

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 discovery, is there a basis for approving the  
2 interconnection in your mind?

3 A. (Brogan) Oh, absolutely. For all the reasons that I  
4 already said in my testimony.

5 Q. Well, I --

6 A. (Brogan) And, the supply issue is, you know, again, it  
7 is an issue, an interconnection can help balance  
8 supplies when there is a deficiency in one system in  
9 respect to the other or vice versa. But it's certainly  
10 not the only issue.

11 Q. Well, there is that litany of so-called "benefits", and  
12 we'll have to get back to that. Right now, I'd like to  
13 turn my questions to Mr. Naylor. You had stated that  
14 HAWC was under a responsibility to deliver safe and  
15 adequate water to all customers, is that correct?

16 A. (Naylor) To all of its customers, that's correct.

17 Q. Should meeting that requirement be at the expense of  
18 non-customers, if they outnumber customers two to one?

19 A. (Naylor) I guess you'd have to explain to me how that  
20 would happen. What would be the cost to the  
21 non-customers? I'm not sure I understand the question.

22 Q. Well, we had not, in fact, at the beginning there was  
23 even a request by Mr. Levine not to bring in the  
24 subject of the large groundwater withdrawal, but I

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 think it's been brought in by several of you. The  
2 potential for the groundwater -- large groundwater  
3 withdrawal from the new deep wells that HAWC is seeking  
4 approval from the DES for. That no one knows for sure  
5 that those wells would not deplete much shallower  
6 private wells by homeowners in Atkinson, who outnumber  
7 HAWC customers two to one.

8 MR. LEVINE: Mr. Chairman, at this point  
9 I would have to object to the relevance to this line of  
10 questioning. We are getting far afield. It's been water  
11 loss and large groundwater withdrawal, both of which are  
12 within the jurisdiction of DES. Both issues that the  
13 Staff has stated is without the jurisdiction of the PUC,  
14 and has not been employed in this docket, which is simply  
15 a pipeline extension between the two existing water  
16 systems. It's not taking any additional water sources,  
17 asking for any additional water sources. It's not  
18 addressing anything in regards to water losses. What Mr.  
19 Bennett is referring to is answers to data requests which  
20 were made. It's not anything the Company has put into  
21 evidence or Staff has really put into evidence. And, I  
22 ask that we move onto another line of questioning that's  
23 more relevant.

24 MR. BENNETT: Mr. Chairman, I believe

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 the discovery data requests have been put into evidence by  
2 Marcia Thunberg. And, these were part of the record.  
3 And, it was my understanding they were open to  
4 cross-examination.

5 CHAIRMAN GETZ: You say you're following  
6 up on a particular answer made by Mr. Naylor or what  
7 specifically -- because it sounds to me what you're -- the  
8 premise of your question to Mr. Naylor seems to rely on  
9 what would DES do in a request for a large groundwater  
10 removal, and you're taking that to the next step to assume  
11 that that would have a negative impact somehow.

12 MR. BENNETT: No, Mr. Chairman.  
13 Mr. Naylor had stated in his testimony that, as a  
14 justification for the interconnection, that HAWC had a  
15 duty to provide safe and adequate water to all its  
16 customers. And, I asked him "Did that mean at the expense  
17 of non-customers?" And, he asked me "how could that  
18 possibly be an expense to non-customers?" And, so, that's  
19 how the potential for the large groundwater --

20 CHAIRMAN GETZ: Well, he certainly  
21 doesn't have to accept the premise of your questions. But  
22 now you're trying to move beyond that to establish the  
23 premise, and your premise you say is somehow based on the  
24 discovery and somehow is related to the DES actions?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1                   MR. BENNETT: My point is that the duty  
2 of HAWC to provide safe and adequate water to all  
3 customers as one of the justifications put forth for this  
4 interconnection should not stand on its own, it must be  
5 looked at in the light of how it would impact  
6 non-customers as well.

7                   CHAIRMAN GETZ: Okay. And, I understand  
8 that's your position. But I guess we need to proceed with  
9 what's -- do you have a question for the witness?

10                  MR. BENNETT: Yes, your Honor. And, I  
11 agree, that did get kind of off into the pucker brush.

12 BY MR. BENNETT:

13 Q. Mr. Naylor, you and Mr. Brogan used as a -- cited as  
14 another justification for doing this interconnection  
15 and doing it now was that the money was available at a  
16 very low cost, is that correct?

17 A. (Naylor) That's correct.

18 Q. Does this money come from the taxpayers?

19 A. (Naylor) The source of the funding is the Revolving  
20 Loan Fund, which I believe was originally appropriated  
21 by Congress for the purposes to which it's dedicated  
22 now.

23 Q. Could you answer the question. Does the money come  
24 from the taxpayers?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 A. (Naylor) Of course it comes from the taxpayers. Where  
2 else does money from Congress come from?

3 Q. Of course. My point. Because the state has taken the  
4 taxpayers' money, and made it available to a private  
5 company at a low rate of interest, is it still in the  
6 public good that you expend that money if the benefit  
7 does not justify the expense?

8 A. (Naylor) The State Revolving Loan funds, which are made  
9 available to both investor-owned utilities and  
10 municipal utilities, are for projects which those water  
11 providers propose to be funded. And, the DES has a  
12 system that they use to evaluate projects, for the ones  
13 that are of most priority based on their system. So, I  
14 think it's entirely appropriate for this utility to  
15 apply for funds, which are available, to carry out a  
16 project, which the folks at DES have determined is of  
17 value.

18 Q. Well, I thought the purpose of this hearing was to  
19 determine whether this interconnection was of value.  
20 If we are simply taking the DES's word as where it  
21 should go --

22 MR. LEVINE: Your Honor, again, I'm  
23 going to have to object. This is argumentative. It's not  
24 a question. It's a statement. He's testifying. If we

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1 can get onto questions, we can proceed.

2 MR. BENNETT: I'm sorry, Mr. Chairman.  
3 It's just that we keep coming back to the reason this  
4 should be approved is DES says so, but DES is not here to  
5 support that statement of theirs.

6 CHAIRMAN GETZ: Well, Mr. Bennett, we  
7 always try to give some leeway to pro se parties who  
8 intervene here. I think some of what you're pursuing is  
9 more in the nature of argument than in cross-examination.  
10 We will allow you some leeway along those lines. But, to  
11 the extent that, you know, a witness doesn't agree with  
12 your characterization or your premise, then I think we  
13 need to move on to another subject. I mean, some of these  
14 issues that you are pursuing with respect to DES and the  
15 State Revolving Fund loan are collateral issues beyond our  
16 jurisdiction. But, clearly, you do make the point that  
17 what the crux of this case is about, and certainly your  
18 interest, is whether the interconnection is in the public  
19 interest. So, you can pursue those lines of questioning  
20 about the interconnection.

21 MR. BENNETT: Okay, Mr. Chairman, I'll  
22 try to tighten it up.

23 BY MR. BENNETT:

24 Q. Mr. Naylor, if the interconnection could not provide a

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1           demonstrated benefit of worth, \$1.1 million, would the  
2           building of the interconnection at a price of  
3           \$1.1 million be justified?

4   A.   (Naylor) Let me see if I understand your question.  If  
5           the project, as proposed, did not demonstrate value,  
6           then it -- then should it be built?  Does that  
7           summarize your question?

8   Q.   If it does not demonstrate value worth \$1.1 million,  
9           should it be built as an expenditure of \$1.1 million,  
10          even when the 1.1 million is free money?

11   A.   (Naylor) Well, I wouldn't agree with you that it's free  
12          money.  But I'm not really sure I can give you an  
13          answer.  I mean, I think, again, the project has met  
14          the competitive standards of DES.  We have reviewed it,  
15          the OCA, as a party to this case, has reviewed it.  We  
16          believe there are demonstrated benefits to constructing  
17          this interconnection.  It's something that we, at the  
18          Staff level here, are aware has been encouraged by DES  
19          for a number of years.  DES is the agency which has  
20          primary jurisdiction over quality and quantity of  
21          water.  And, we believe the opportunity for the Company  
22          particularly to fund this project with a low interest  
23          loan makes it clearly in the public interest for this  
24          project to be approved by this Commission and for the

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1 Company to secure the loan and move forward with the  
2 construction.

3 Q. If I might go back to Mr. Brogan for one question. You  
4 had stated that one of the benefits would be an  
5 improvement in flushing capability, particularly at  
6 points of the Atkinson core system that were at a  
7 distance from the wells. This interconnection is  
8 nearly 3 miles long, is that right?

9 A. (Brogan) That's correct.

10 Q. Is there any part of the Atkinson core system that is  
11 further than 3 miles from the well sources?

12 A. (Brogan) I don't think I got into that level of detail  
13 of whether I was talking about how far you are from  
14 wells versus tanks. I think you're looking at two  
15 different core systems, interconnecting them. Portions  
16 of those systems are going to be further from storage  
17 and from supply, you know, there's a whole variation of  
18 those distances and impacts on the ability of the  
19 existing distribution systems to supply different areas  
20 and, just in a general sense, an interconnection is a  
21 definite plus in that regard.

22 Q. Let me just clarify where I'm trying to go with this,  
23 the kind of answers I'm trying to get from you. You  
24 stated that "flushing", "improvement in flushing

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1 capabilities at points in the Atkinson system at a  
2 distance from the wells" was one of the justifications  
3 for approving this interconnection. So, the question  
4 is, does the interconnection improve flushing  
5 capabilities? Now, once we reach the other end of the  
6 proposed 3-mile interconnection, the Hampstead end, I  
7 don't know how far the nearest well or water tower is  
8 from there. But, just saying that the water is  
9 available right there, an infinite supply, 3 miles up  
10 the road from Atkinson, is there some part of the  
11 Atkinson system being further away than 3 miles from  
12 the Atkinson wells and the water tower that would then  
13 benefit from this interconnection for flushing?

14 A. (Brogan) Yes, and I think my comments were general, and  
15 not system-specific. An interconnection would be  
16 typically sized larger, you know, if you have 2- and  
17 3-inch mains in portions of the existing core systems,  
18 and you have an 8- and 10-inch or whatever  
19 interconnection, even if it's 3 miles long, that's  
20 going to be able to move significant water. You have  
21 different pressure zones and booster stations and  
22 pressure reducing valves, you know, in the different  
23 core systems. And, my comments were just not getting  
24 into that level of detail. They were general.

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1 Q. Well, Mr. Brogan, you cited that as one of the  
2 benefits, one of the justifications for this  
3 interconnection. Are you saying that it doesn't  
4 necessarily apply to this interconnection?

5 A. (Brogan) I was saying it was a general benefit to  
6 interconnections. And, you know, there's a host of  
7 general benefits to interconnections. I already went  
8 through quite a number of them.

9 Q. Uh-huh.

10 A. (Brogan) And, I think, you know, can I guarantee that  
11 every single potential benefit applies to every part of  
12 the Atkinson system or something? I'm not getting into  
13 that level of detail. I think, in general,  
14 interconnections are a good idea.

15 Q. Can you put a dollar value on the benefit of improved  
16 flushing capabilities?

17 A. (Brogan) No, I can't.

18 Q. Mr. Brogan, you've been a better advocate for HAWC's  
19 interconnection than I've gotten from HAWC to date.  
20 Can you put a dollar value on any of the benefits that  
21 you listed?

22 A. (Brogan) No, I don't think I can.

23 Q. Okay. Then, I'd like to move onto Mr. Morse please.  
24 Mr. Morse, you cited or you stated that your company

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1 had sent a survey out to potential customers along the  
2 interconnection route, is that right?

3 A. (Morse) That is correct.

4 Q. You filed each of those survey responses, the actual --  
5 copies of the actual sheets that the customers returned  
6 with one of the discovery responses, is that right?

7 A. (Morse) I believe that to be true, yes.

8 MR. BENNETT: Pardon me, I got more than  
9 I asked for there. John, we've got things clipped  
10 together.

11 MS. THUNBERG: Mr. Bennett, if you're  
12 looking for the reference, it's on Page 121 of the OCA  
13 packet of requests.

14 MR. BENNETT: Thank you.

15 BY MR. BENNETT:

16 Q. So, you stated, Mr. Morse, in your previous testimony  
17 this morning, that you had eleven responses, and that  
18 nine were interested in connecting to your system, is  
19 that right?

20 A. (Morse) That is correct.

21 Q. Can you look please with me at Page 121 of this  
22 discovery package that you have up there? And, may I  
23 read the choices that were presented to your applicants  
24 -- to your potential customers?

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1 MR. LEVINE: Are we referring to the  
2 surveys that were sent out?

3 MR. BENNETT: Yes.

4 MR. LEVINE: If I may approach the  
5 witness, Mr. Chairman?

6 (Atty. Levine handing document to  
7 Witness Morse.)

8 BY MR. BENNETT:

9 Q. So, one of the choices was "Yes, I would like further  
10 information." One of the choices was "No, I'm not  
11 interested in connecting at this time." And, the third  
12 choice was "No, I am not interested in connecting."  
13 And, then, of course, there was a fourth option of  
14 simply not responding. Okay. At least in my discovery  
15 package, I found 91 total customers surveyed, you say  
16 "93" I believe. I may have missed two. But, in the 91  
17 that I had in my response package, 49 were in Atkinson.  
18 And, I believe one asked for more information. Nine  
19 said they're "not interested at this time". And, two  
20 said they're "just plain not interested ever." And, 32  
21 --

22 MR. LEVINE: Mr. Chairman, again, we're  
23 having testimony, instead of questions.

24 CHAIRMAN GETZ: As I said before,

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1 Mr. Levine, we're going to give some leeway. I am  
2 assuming this is all predicate to a question?

3 MR. BENNETT: Yes, it is, your Honor.

4 BY MR. BENNETT:

5 Q. And, so, 32 didn't respond at all. So, is that  
6 consistent with your previous testimony that 11 were  
7 interested in connecting to your system?

8 MR. LEVINE: Again, Mr. Chairman, that  
9 presumes facts that aren't in evidence. He predicated the  
10 question, it goes specifically to what his interpretation  
11 or his stated testimony is, which is not in evidence  
12 before this Commission. Mr. Morse testified as to that.  
13 Those data requests are part of the record. And, unless  
14 he can show that there are data requests in that record  
15 item by item that are as he's representing, then he's  
16 representing facts that aren't in evidence.

17 MR. BENNETT: Mr. Chairman, they are in  
18 evidence, right? Is that true, Ms. Thunberg?

19 MS. THUNBERG: Well, rather than  
20 questioning one of the other attorneys, let me try to  
21 understand. So, there was a survey -- So, only a part of  
22 the survey, I'm going to ask this question to Mr. Levine,  
23 how much of the survey results are actually in the data  
24 responses?

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1                   MR. LEVINE: At the time we responded to  
2 the data request, the entire surveys that we had received,  
3 not only the ones we sent out, but the ones that we had  
4 gotten back, were provided as part of the data request.  
5 We also provided a table, two Excel spreadsheets broken  
6 down between Hampstead and Atkinson showing the responses,  
7 color coded as to what those responses are.

8                   CHAIRMAN GETZ: And, are they in these  
9 exhibits that have been provided to us today?

10                  MR. LEVINE: Yes.

11                  MS. THUNBERG: They commence at Page  
12 117.

13                  MR. LEVINE: So, what I cannot have is  
14 Mr. Bennett mischaracterize those results. They speak for  
15 what they are.

16                  MR. BENNETT: Mr. Chairman, the color  
17 coding, the initial -- the original submission was color  
18 coded, and up in the upper left-hand corner, where it says  
19 "interested", "not interested now", "not interested", "no  
20 response", those were shown by color. So, that's not  
21 coming through in the black and white.

22                  MR. LEVINE: Well, what is -- what is  
23 listed on each Excel spreadsheet is the person's name, and  
24 their response is attached --

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1 MR. BENNETT: I'm sorry, the response is  
2 not shown there. In the color copy it is, but not in the  
3 submitted --

4 MR. LEVINE: The actual surveys received  
5 back are attached.

6 MR. BENNETT: Mr. Chairman, my question  
7 to Mr. Morse is, "does he want to reconsider his earlier  
8 testimony?"

9 CHAIRMAN GETZ: Well, just hold on for a  
10 second. I just want to make sure I understand these  
11 exhibits. So, on Pages 117, 118, 119, and 120 then,  
12 Mr. Levine represents the responses to the survey?

13 MR. LEVINE: Yes, Mr. Chairman.

14 CHAIRMAN GETZ: These are the  
15 individuals that responded?

16 MR. LEVINE: Yes, Mr. Chairman.

17 CHAIRMAN GETZ: That are -- And, is it  
18 91 or 93 of them?

19 MR. LEVINE: These are the responses we  
20 received back. The two Excel spreadsheets show the people  
21 who apply to the interconnection, were prospective  
22 homeowners to whom the surveys were sent out.

23 CHAIRMAN GETZ: Okay. So, that's the  
24 universe of people who got the surveys?

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1 MR. LEVINE: Correct.

2 CHAIRMAN GETZ: And, then, we only have  
3 eleven who responded?

4 MR. LEVINE: In Atkinson. Eleven  
5 responded in Atkinson. I believe ten responded in  
6 Hampstead. And, those responses are listed here and they  
7 speak for themselves.

8 CHAIRMAN GETZ: Okay. Let's then return  
9 to your question, Mr. Bennett.

10 MR. BENNETT: Mr. Morse had stated in  
11 previous testimony, in response to a question from  
12 Mr. Levine, that, and I think it was nine people had  
13 responded affirmatively that they were interested in  
14 connecting to the system. In fact, only one even  
15 expressed interest in more data, more information. And,  
16 so, I was asking Mr. Morse if he would like to reconsider  
17 his answer that he gave to Mr. Levine earlier, so as not  
18 to mislead the Commission.

19 CHAIRMAN GETZ: Well, it's not clear to  
20 me that the premise of your question, whether that's  
21 accurate or not.

22 MR. BENNETT: That's because your copy,  
23 Mr. Chairman, is in black and white. Mr. Levine has a  
24 color copy I see beyond his elbow, but it has some lines

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1 in yellow which are not showing up, lines in light blue  
2 that are not showing up.

3 MR. LEVINE: If Mr. Bennett will look at  
4 the actual survey responses, he'll answer his own  
5 question.

6 MR. BENNETT: And, I've done that and  
7 tallied them.

8 CHAIRMAN GETZ: Okay. Well, --

9 MR. LEVINE: Well, then you would see  
10 that Ms. Pingree, of 107 Main Street, says "yes", in  
11 Atkinson.

12 MR. BENNETT: That's the one.

13 MR. LEVINE: And, you would see that  
14 Mr. Dayotis of 2 Kingston [Knightland?] Road, in Atkinson,  
15 says "yes". And, you would see that Ted and Jane Stewart,  
16 165 Main Street, in Atkinson, says "yes". And, Jeff Dill,  
17 3 Knightland Road, in Atkinson, says "yes".

18 CHAIRMAN GETZ: Okay. I can follow the  
19 pages of the exhibit, Mr. Levine.

20 MR. LEVINE: Thank you, Mr. Chairman.

21 MR. BENNETT: I'm not sure what  
22 Mr. Levine was just referring to, "Knightland Road".  
23 Knightland Road was not along the survey route. And, of  
24 the people along Route 121 that were surveyed in Atkinson,

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1 there were a total of 49. Though, I'm willing to allow  
2 the possibility that there were two more that somehow  
3 didn't wind up in my discovery package. But, of the 49 in  
4 Atkinson, then one expressed an interest in more  
5 information, and the others were either not interested or  
6 no reply. And, Mr. Morse has stated that --

7 CHAIRMAN GETZ: Well, let's put the  
8 question this way then. Mr. Morse, do you agree with  
9 Mr. Bennett's characterization of the surveys you  
10 received?

11 WITNESS MORSE: I do not.

12 CHAIRMAN GETZ: Okay.

13 BY MR. BENNETT:

14 Q. Can you explain to me then your differences?

15 A. (Morse) I believe Mr. Levine just did.

16 Q. Well, he cited a customer on Knightland Road. You know  
17 where Knightland Road is in Atkinson, I presume?

18 A. (Morse) The customer address versus the location of the  
19 lot that they may own could be different. Knightland  
20 Road is along Route 121, along the interconnection.

21 CHAIRMAN GETZ: Let me ask this  
22 question. Is Route 121 Main Street in Atkinson?

23 MR. LEVINE: Correct.

24 MR. BENNETT: Yes.

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1 CHAIRMAN GETZ: Everyone agrees on that  
2 fact. Okay.

3 BY THE WITNESS:

4 A. (Morse) And, Knightland Road is cornered on Main  
5 Street. So, someone could live on Knightland Road,  
6 could have an address, and they could actually be on  
7 the service.

8 MR. BENNETT: I don't have my -- No, I  
9 don't have the answers that I was given as part of the  
10 discovery. This is, obviously, something we are  
11 disagreeing on. But the evidence has been submitted. So,  
12 may I just ask the Commission to look at that issue. You  
13 have the responses that the Company submitted and see for  
14 yourself.

15 BY MR. BENNETT:

16 Q. So, Mr. Morse, one of your justifications for wanting  
17 the interconnection is growth in your system, is that  
18 right?

19 A. (Morse) I don't believe I said that, no.

20 MR. BENNETT: Excuse me one moment.

21 (Short pause.)

22 BY MR. BENNETT:

23 Q. I'm sorry, Mr. Morse. I thought you had actually  
24 stated just this morning that, and it may have been Mr.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 Brogan instead, that future customer growth was part of  
2 your justification. And, you're saying it's not?
- 3 A. (Morse) That's not what I said today. No, it isn't.  
4 It's not part of my justification for this, no.
- 5 Q. Okay. Mr. Morse, you listed in your petition, Page 3,  
6 Paragraph (9), some benefits that would arise from this  
7 interconnection. And, you've listed additional  
8 benefits in response to discovery questions from  
9 intervenor and OCA. Do you have a dollar value for any  
10 of those benefits?
- 11 A. (Morse) I do not.
- 12 Q. How would you then justify spending \$1.1 million to  
13 obtain benefits that might not be worth \$10?
- 14 A. (Morse) From years of experience in operating a water  
15 system, we realize that the benefit of an  
16 interconnection would shore up both systems and help us  
17 meet the Safe Water Drinking Act.
- 18 Q. Well, for example, provision "access to water in time  
19 of drought" was one of the benefits that you listed, is  
20 that correct?
- 21 A. (Morse) Yes, it is.
- 22 Q. Have you assessed, even informally, what you would  
23 think the probability would be of a drought that would  
24 affect Atkinson and not Hampstead or Hampstead and not

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Atkinson?

2 A. (Morse) I think, again, our experience in operating the  
3 water system, we know that some well sites respond  
4 differently to drought than others. So, I guess, from  
5 our experience, yes.

6 Q. But you haven't put a cost/benefit -- a cost, a value  
7 on that benefit, is that correct?

8 A. (Morse) I don't think it's about cost, I think it's  
9 about supplying water to our customers in a responsive  
10 manner and responsible manner, looking to the future,  
11 and providing quality and quantity of water to our  
12 customers. And, it's not all about money. We're not  
13 here to analyze every little benefit to the water  
14 system about money.

15 Q. Bear with me one moment while I find -- here we are.  
16 I've got too many pieces of paper. I'm sorry. In  
17 response to a question by the OCA in discovery, you  
18 listed a number of benefits that would derive from this  
19 interconnection. Those benefits were such as  
20 protection in drought, stability was one of them,  
21 responsiveness was one of them. The OCA responded to  
22 you, and I'm just refreshing your memory on this, that  
23 these were impacts that the construction of the  
24 interconnection might bring. But they weren't reasons

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1           why you need the interconnection. Do you recall that  
2           question?

3   A.   (Morse) I do not.

4   Q.   That would be -- That would be OCA Question -- Set 2,  
5           Question 10.

6                           CHAIRMAN GETZ: Is that in our set of  
7           exhibits somewhere?

8                           MR. BENNETT: Yes, your Honor.

9           Specifically, I know that the -- I think --

10                          MR. LEVINE: If I may approach the  
11           witness, Mr. Chairman?

12                           (Atty. Levine handing document to  
13                           Witness Morse.)

14                          CHAIRMAN GETZ: I'm sorry, Mr. Bennett,  
15           did you say OCA Set 2?

16                          MR. BENNETT: Yes, your Honor. OCA Set  
17           2, Question 10. And, I'm having trouble finding it in  
18           this package, but I do know it's in here. It's on Page  
19           144, Mr. Chairman.

20                          CHAIRMAN GETZ: Thank you.

21   BY MR. BENNETT:

22   Q.   So, Mr. Morse, the OCA asked you to respond with the  
23           reasons that you needed to obtain those benefits. Your  
24           response was answer part (a) "The addressing of those

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1 impacts were the substantial part of the reasoning."  
2 So, we're again left back here with a list of fairly  
3 vague benefits, with presenting great difficulty in  
4 arriving at a value for the benefit, so that a  
5 cost/benefit analysis pretty much can't be done based  
6 on what you've stated so far, right?

7 A. (Morse) No, that is not correct.

8 Q. Can you give me a cost/benefit analysis then?

9 A. (Morse) I cannot.

10 Q. Who can?

11 A. (Morse) I don't know.

12 Q. The Company hasn't done one? My question, the Company  
13 has done one or not?

14 A. (Morse) Excuse me?

15 Q. Has the Company, has HAWC done a cost/benefit analysis?

16 A. (Morse) Again, from our experience in operating a water  
17 system, --

18 Q. Well, that's neither --

19 A. (Morse) -- yes.

20 Q. That's not costs, that's not benefits being quantified  
21 in any way. Have you done a cost/benefit analysis?

22 MR. LEVINE: Asked and answered, Mr.

23 Chairman.

24 CHAIRMAN GETZ: Yes, I think we've

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 covered this ground. I guess it's fair to say they  
2 haven't done a quantitative cost analysis, but I take the  
3 testimony to be that they have done some form of  
4 qualitative analysis.

5 MR. BENNETT: Okay, Mr. Chairman.

6 BY MR. BENNETT:

7 Q. Well, we've addressed the "significantly improved  
8 flushing capabilities". "More stability throughout the  
9 system", can you tell me what you mean by that?

10 A. (Morse) I guess it goes to having emergency water  
11 backup, if we had a well site not working, and go down  
12 for maintenance, we would be able to stabilize the  
13 system through the interconnection.

14 Q. So, by "stability", you mean "main pressure"?

15 A. (Morse) No. By "stability", I mean being able to  
16 supply water at a constant rate to customers.

17 Q. What is your current aggregated pumping capacity in  
18 Atkinson?

19 A. (Morse) I don't have that answer.

20 Q. Do you have stability problems now?

21 A. (Morse) At times we do, yes.

22 Q. If your system wasn't leaking a third of its water,  
23 would you still have stability problems?

24 A. (Morse) Yes, it has nothing to do with leaks.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 Q. Can you explain that? That's, on the face of it,  
2 fairly unbelievable.
- 3 A. (Morse) What's that?
- 4 Q. On the face of it, your response that you "would still  
5 have stability problems even with a third more water"  
6 is fairly unbelievable. So, can you justify what you  
7 just said?
- 8 A. (Morse) I answered your question.
- 9 Q. "Compliance with the Safe Drinking Water Act", are you  
10 not complying now?
- 11 A. (Morse) No, we're not.
- 12 Q. Can you explain in what way?
- 13 A. (Morse) Part of the Safe Drinking Water Act, they want  
14 you to have the capability of continuing to operate  
15 your water system with your largest source water supply  
16 off line. And, currently, if we were to do that in  
17 Atkinson, we would not comply.
- 18 Q. What is the capacity in gallons per minute of your  
19 largest water supply in Atkinson?
- 20 A. (Morse) I do not have that answer.
- 21 Q. Then, how do you know that you wouldn't be able to  
22 continue supply with it being down?
- 23 A. (Morse) Again, through years of experience of operating  
24 the water system.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Has your experience gone to the details of the actual  
2 operation of the system?

3 A. (Morse) I don't understand the question.

4 Q. In your years of experience, have you been involved as  
5 president of a company, moving money from one place to  
6 another, making sure bills are paid, etcetera, not much  
7 caring whether the Company is producing water or  
8 widgets, or had you been involved in the actual  
9 production of water?

10 A. (Morse) Personally, I have not been involved in the  
11 actual production of water.

12 Q. So, you just told me that your system wouldn't be able  
13 to continue supplying customers if your largest source  
14 went down. What are you basing that on?

15 A. (Morse) Years of experience of running the water  
16 system. As a water company, the people that work for  
17 us have been with us for years operate the system, and  
18 their expertise tell us that. That's how we know.

19 Q. So, you are the most technical person here today  
20 representing HAWC?

21 A. (Morse) I am.

22 Q. But you -- well, how would you categorize your  
23 technical experience with running a water company?

24 MR. LEVINE: Mr. Chairman, again, I'm

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1 going to object in terms of the relevancy as to the  
2 question. Mr. Morse's testimony and his qualifications  
3 have been presented. We did not represent Mr. Morse here  
4 as an engineer. We can go on ad infinitum in an  
5 argumentative fashion, back and forth, as to "why didn't  
6 you bring somebody else here?" That's up to Mr. Bennett,  
7 if he wants to present testimony.

8 MR. BENNETT: No, I can desist on that  
9 line of questioning, Mr. Chairman. If you could just note  
10 for the record that the justifications that HAWC and Staff  
11 have given for building this interconnection are technical  
12 at root, and the Company is not prepared today to defend  
13 those justifications.

14 CHAIRMAN GETZ: Well, that's -- your  
15 characterization will be part of the record.

16 MR. BENNETT: Thank you.

17 BY MR. BENNETT:

18 Q. Mr. Morse, in the discovery questions, you had referred  
19 to a booster pump station on the interconnecting line.  
20 That has been variously described as a "possibility",  
21 as a "likelihood", and at one point as an "absolute  
22 necessity". Where does it stand today?

23 A. (Morse) My thoughts on the booster station, we're going  
24 to be installing a main interconnection line that runs

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 from Atkinson to Hampstead. Along that route we  
2 anticipate fire hydrants someday being installed on  
3 that route. So, in that anticipation, a booster  
4 station is being planned for, don't know yet until we  
5 have an engineer review it, which is going to be part  
6 of the financing. But, once the engineer decides  
7 whether we need that booster station or not, it will be  
8 put in, be installed, as part of this docket.

9 Q. So, it's back to being just a possibility now, and  
10 you'll decide when the design is done?

11 A. (Morse) And, --

12 Q. I'm sorry.

13 CHAIRMAN GETZ: Well, I think he hadn't  
14 -- have you finished your answer?

15 WITNESS MORSE: Well, I hadn't finished.  
16 But what you just said is true, yes.

17 BY MR. BENNETT:

18 Q. Should that booster station be required, will it have  
19 equal bidirectional capability?

20 A. (Morse) Again, that's going to be for the engineer to  
21 answer when we get to that part of the process.

22 Q. Wouldn't that, the need for bidirectional flow, be  
23 governed by what HAWC wants to achieve with the  
24 interconnection?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 A. (Morse) Again, the engineer would have to tell us that,  
2 but I believe you're correct.
- 3 Q. Did I understand you to say you don't know what you  
4 want to achieve with the interconnection?
- 5 A. (Morse) That's not what I said, no.
- 6 Q. Well, so you know what you want to achieve. Does  
7 achieving that require bidirectional flow in the  
8 interconnection?
- 9 A. (Morse) Again, that's for the engineer to tell us that.
- 10 Q. Noted. You've referred to "fire flow needs". Do you  
11 have a number in gallons per minute flow rate that you  
12 would need to support for the fire needs?
- 13 A. (Morse) No.
- 14 Q. So, my next question of how long you could sustain  
15 those fire requirements, you also don't know?
- 16 A. (Morse) No.
- 17 Q. How did you determine that a 10-inch diameter line  
18 would be needed?
- 19 A. (Morse) Running some preliminary numbers, looking at  
20 the length of the pipe and friction loss in that pipe.
- 21 Q. Okay. Now, running friction loss in the pipe requires  
22 inputting a flow rate number?
- 23 A. (Morse) That's correct.
- 24 Q. What flow rate number did you put in for those

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 preliminary studies?

2 A. (Morse) I do not have the information in front of me.

3 I do not know.

4 MR. BENNETT: Again, Mr. Chairman, the  
5 witness is not being responsive to support of his  
6 application to build this interconnection. He's simply  
7 saying --

8 CHAIRMAN GETZ: Well, Mr. Bennett, let's  
9 try to segregate cross-examination from your closing  
10 argument. He's been responsive, he said he doesn't know  
11 the answer to that particular question.

12 MR. BENNETT: Okay.

13 CHAIRMAN GETZ: Let's move on with the  
14 questions. And, then, to the extent you want to  
15 characterize anything in your closing statement, then  
16 you'll be permitted to do so.

17 BY MR. BENNETT:

18 Q. Mr. Morse, how many tanks do you have on the Atkinson  
19 core system, storage tanks?

20 A. (Morse) I don't know the exact number of tanks. Quick  
21 numbers, we have 579,000 gallons of storage in  
22 Atkinson. I don't know how that's comprised of the  
23 number of tanks.

24 Q. Do you have a --

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 A. (Morse) More than one, but I don't know the exact  
2 number.
- 3 Q. You have one tank on Sunset Drive or off Sunset Drive,  
4 right?
- 5 A. (Morse) One tank at the Sawyer Ave. site, yes.
- 6 Q. Yes, that's the one I'm talking about.
- 7 A. (Morse) Yes.
- 8 Q. It's at the Sunset Drive end of the Sawyer Avenue  
9 property, is that correct?
- 10 A. (Morse) Yes.
- 11 Q. Does that represent the principal storage in the  
12 Atkinson system?
- 13 A. (Morse) I would say it's a major part of the storage.  
14 It's 400,000 gallons.
- 15 Q. Do you have other -- you said it's "400,000", you said  
16 you have 470,000?
- 17 A. (Morse) 579,000.
- 18 Q. 579,000?
- 19 A. (Morse) Yes.
- 20 Q. Okay. Have any of those tanks been overflowing?
- 21 A. (Morse) Not to my knowledge.
- 22 Q. So, when Mr. Brogan said that that might account for  
23 some of the lost water, you discount that as a  
24 possibility?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 A. (Morse) No, I don't discount it as a possibility. We  
2 had a problem with a valve in Hampstead, and emptied  
3 the water tank in Hampstead. So, anything is possible.  
4 I'm just not aware of it.

5 Q. To your knowledge, you have no tanks overflowing?

6 A. (Morse) That's right.

7 Q. That large tank on the Sawyer Avenue property, where  
8 the tank is actually close to Sunset Drive, if that  
9 overflowed for any length of time, could that go  
10 unnoticed?

11 A. (Morse) No, that wouldn't go unnoticed.

12 Q. Right.

13 A. (Morse) Some of the other ones might. They're out,  
14 often kind of out of the way from the public's eye.

15 MR. BENNETT: I have no further  
16 questions, Mr. Chairman.

17 CHAIRMAN GETZ: Mr. Wolters.

18 MR. WOLTERS: Thank you, Mr. Chairman.

19 BY MR. WOLTERS:

20 Q. I would like to continue with Mr. Morse. Regarding the  
21 OCA Data Request Set 3, Question 1, had asked as a  
22 question "What is the basis for the Company's  
23 conclusion that the system leakage is negligible?"  
24 And, then, in Question 3, an answer happened to be "In

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1           2006, the Hampstead core had minus 1.7", which Mr.  
2           Broquet [Brogan?] mentioned didn't seem reasonable,  
3           which I completely agree with him. I have some actual  
4           facts here that dispute that. In 2006, according to  
5           their -- HAWC's Annual Report, they produced  
6           226,524,000 gallons; they sold 169 million. There was  
7           a 57 million plus gallons lost. Now, how that could be  
8           termed "negligible", and if we can lose  
9           57 million gallons and have the Hampstead core have a  
10          minus 1.7, I don't understand that relationship?

11                         MR. LEVINE: If I can approach the  
12          witness and show him the OCA document?

13                         CHAIRMAN GETZ: Yes.

14                                 (Atty. Levine handing document to  
15                                 Witness Morse.)

16          BY MR. WOLTERS:

17          Q.    These numbers came from --

18                                 CHAIRMAN GETZ: Well, let's -- you have  
19          a question, I take it now, is how can he consider the loss  
20          "negligible", in light of the numbers that you've just  
21          explained to him?

22                                 MR. WOLTERS: Yes, sir.

23                                 CHAIRMAN GETZ: That's your question.  
24          So, let's give him an opportunity to respond.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 WITNESS MORSE: Could you repeat the  
2 question?

3 MR. WOLTERS: Okay.

4 BY MR. WOLTERS:

5 Q. The question --

6 A. (Morse) Could you just tell me which OCA --

7 Q. OCA Set 3, Question 1.

8 A. (Morse) Okay.

9 Q. Answers by the Company, it says -- and OCA says "What  
10 is your basis for the Company's conclusion that the  
11 system leakage is negligible?" And, the basis --

12 A. (Morse) This speaks strictly to leaks. And, leaks and  
13 water loss are two separate things.

14 Q. Okay.

15 A. (Morse) We went around and did leak surveys. And, so,  
16 you know, we don't have water bubbling out of the  
17 ground all over the place. So, from what we can tell,  
18 leaks are negligible.

19 Q. Well, according to this, which was in your annual  
20 report, 57,375,000 gallons unaccounted for?

21 A. (Morse) That's unaccounted for water, which, in 2006,  
22 we weren't accounting for back wash, and all the other  
23 things we mentioned earlier is possible reasons for  
24 water loss, including meter inaccuracies, water meter

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1           inaccuracies, accounting inaccuracies, and I've got a  
2           list of them, flushing, which does not -- wasn't  
3           accounted for, fire department use is not accounted  
4           for. And, then, some of that is leaks, but that's the  
5           total.

6   Q.   Thirty-four percent of the total production is  
7           unaccounted for. I thought we had a conversation  
8           earlier that, you know, 10 percent here, give or take,  
9           but such a huge amount unaccounted for. And, I don't  
10          understand the use of "negligible"?

11   A.   (Morse) Again, that was under -- the question was asked  
12          as it relates to leaks, not water loss. Obviously,  
13          37 percent water loss is not considered not negligible.

14           It is a concern of the Company's, and we are constantly  
15          working towards reducing that. Unaccounted for water,  
16          again, it's unaccounted for, it doesn't mean it's gone  
17          into the ground as a leak. It's just unaccounted for.

18   Q.   Yes, I accept that.

19   A.   (Morse) We have to improve our accounting procedures.

20   Q.   Yes, I accept that. I guess I just have trouble that  
21          almost 34 percent of the water somehow is unaccounted  
22          for.

23   A.   (Morse) Yes. We have a problem with that, too. We  
24          want to improve on that.

[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Well, to continue on, in 2007, just for Atkinson alone  
2 now, there was 111 million gallons taken out, and you  
3 sold 68.6 million gallons. You have a little less than  
4 7 million accounted for by back wash. This is again  
5 from your annual report. And, there is a  
6 35.6 million gallon loss in Atkinson alone. I'm very  
7 concerned that these major quantities of water are not  
8 being followed up in a professional manner that -- to  
9 minimize the waste.

10 CHAIRMAN GETZ: Well, Mr. Wolters, I  
11 mean, it's really not a question for cross-examination.  
12 If you want to make argument as part of your closing  
13 statement, --

14 MR. WOLTERS: Okay.

15 CHAIRMAN GETZ: -- you can do that. I  
16 think we've already covered some of this ground about the  
17 unaccounted for numbers through Mr. Bennett's  
18 cross-examination.

19 MR. WOLTERS: Okay. Thank you.

20 BY MR. WOLTERS:

21 Q. I'd like to go to Mr. Broquet [Brogan?]. In your  
22 testimony, you've mentioned that the Company, being  
23 HAWC, was in compliance with DES's standards. Now, I  
24 have spoken with DES, different people there, and they

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1 tell me their compliance requirements, and they have  
2 done this at three different public sessions we've had,  
3 is 15 percent. In other words, they feel that losses  
4 should not exceed 15 percent of the total quantity  
5 pumped. And, yet, we have, certainly in the last two  
6 years, without going back further, we over-exceed that  
7 by a wide margin. Why would that be in compliance?

8 MR. LEVINE: Mr. Chairman, I believe the  
9 question or the answer that Mr. Brogan had given was that  
10 we were in compliance to DES's conservation requirements,  
11 and that we had filed a conservation plan. But Mr.  
12 Wolters is referring to something different.

13 CHAIRMAN GETZ: Yes. And, I'm not sure  
14 who Mr. Wolters was asking the question to at that point.  
15 Are these still questions for Mr. Morse?

16 MR. WOLTERS: No. No, this is for Mr.  
17 Broquet -- Mr. Brogan, sorry.

18 WITNESS BROGAN: I'm sorry, I didn't  
19 realize that.

20 MR. WOLTERS: Okay. Let me repeat that.

21 BY MR. WOLTERS:

22 Q. When you made your testimony, you mentioned that "HAWC  
23 was in compliance with the DES standards for the waste"  
24 -- "the loss of water"?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

- 1 A. (Brogan) Yes. We had some interaction with Derek  
2 Bennett at DES, who oversees that program, and that was  
3 his statement. That the rules didn't kick in for the  
4 Company until they applied, given different, you know,  
5 their rules, until they applied for a new water source.  
6 And, now, they have done that in Atkinson, so the  
7 conservation rules kick in. The first step is a  
8 conservation plan, the Company filed it, DES approved  
9 it. And, so, now they're in the process to begin to, I  
10 mean, the goal I think of the DES rules clearly is to  
11 bring the lost water percentages down toward that  
12 15 percent over time.
- 13 Q. When we spoke with a Mrs. Pillsbury and various people  
14 who were working with their -- I'm trying to think of  
15 the gentleman's name, they admitted to me that they  
16 were looking at a 15 percent factor. And, I guess,  
17 when none of this is near 15 percent, I have a hard  
18 time understanding how they're in compliance, when they  
19 more than double that as a loss factor? I understand  
20 you're told that they are in compliance. And, yet,  
21 when I speak to the people at DES, they said "well, if  
22 that's their loss, they're not in compliance." But why  
23 don't they know whether you are or aren't? I wonder if  
24 they're being reported to properly, if HAWC reports to

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1 DES their loss factor, as they are with PUC,  
2 apparently, PUC has the information.

3 CHAIRMAN GETZ: Well, I think Mr. Brogan  
4 has already answered your question, to the extent he can.  
5 Now, whether your concerns about the accuracy of  
6 reporting, how they may apply, is not clear. But it  
7 doesn't seem to be in the form of a question that Mr.  
8 Brogan can answer.

9 MR. WOLTERS: Okay. That's all I have,  
10 sir. Thank you very much.

11 CHAIRMAN GETZ: Ms. Grant, did you have  
12 questions?

13 MS. GRANT: Yes, I just have a -- okay,  
14 you can hear me. I just have a couple questions just for  
15 Mr. Morse. I had intended asking these questions when the  
16 Selectmen set up a public hearing in the Selectmen's  
17 office. And, I was part of the group that waited and  
18 waited for Mr. Morse to show up, and was told at the last  
19 minute he refused to show up. I was also going to ask  
20 these questions at the public hearing last Thursday, and  
21 with a whole bunch of people, at the last minute learned  
22 that he refused to show up. So, now, I'm forced to come  
23 here today finally and make a third attempt to ask these  
24 questions, and he's here now.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 BY MS. GRANT:

2 Q. Okay, first question. My questions are with regard to  
3 HAWC's written testimony to PUC and another of their  
4 written answers, where he keeps stating repeatedly that  
5 one of the justifications for the interconnection of  
6 Atkinson and the Hampstead water system was "the need  
7 to provide fire protection within Atkinson and  
8 Hampstead". He also -- the word "necessity" of a  
9 connection repeatedly shows up. In view of his  
10 constant repeated statements in all his written answers  
11 that this water -- one of the justifications for this,  
12 connecting the two towns, is each -- that each  
13 department use the water from the other, I have a  
14 couple questions for Mr. Morse.

15 Number one: This is as far as your  
16 background to make such statements. Have you ever --  
17 ever served either as a paid or volunteer member of the  
18 Atkinson or Hampstead Fire Departments?

19 A. (Morse) I have not.

20 Q. Do you have any -- Number two: Do you have any special  
21 personal expertise, knowledge or special knowledge  
22 about the operations of the Atkinson or Hampstead Fire  
23 Departments?

24 A. (Morse) I'm sorry, can you repeat?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Do you have any special personal expertise, experience,  
2 or special knowledge about the fire department  
3 operations of the Atkinson and Hampstead Fire  
4 Departments, considering you've never served in either?

5 A. (Morse) I guess you're talking about operations, I  
6 guess, no.

7 Q. Okay. Third question: In all the time you've lived in  
8 town or even heard from before you lived in town, have  
9 you ever known or can state a specific single instance  
10 where one town has had a fire and has needed to contact  
11 the fire department of the other town to provide water?

12 A. (Morse) I wouldn't be privy to that information.

13 Q. Okay. Fourth question: To your knowledge, have either  
14 the Atkinson or Hampstead Fire Chiefs in their town  
15 meetings, their deliberative sessions, their  
16 selectmen's meetings, or in their annual reports, have  
17 any of the two ever publicly stated a concern that  
18 their respective towns did not have enough water for  
19 fire protection within their towns? Have they ever  
20 expressed a -- Have they ever expressed --

21 A. (Morse) None that I've witnessed.

22 Q. Okay. Fifth question: Have you -- Have either of the  
23 fire chiefs, from Atkinson or Hampstead, ever come to  
24 you, as a HAWC official, or another member of town --

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1 official of HAWC, and stated that they had very serious  
2 concerns about their town not having enough water  
3 resources for fire suppression?

4 A. (Morse) They have not approached me personally to that  
5 degree. Recently, the Hampstead Fire Chief has  
6 requested the cost to install ten fire hydrants on the  
7 interconnection.

8 Q. Okay.

9 A. (Morse) And, I spoke with Chief Murphy recently, and  
10 he's in favor of the interconnection, in terms of fire  
11 fighting.

12 Q. Isn't it true that both -- both fire departments  
13 routinely ask to put hydrants on any existing water  
14 lines, and they never pass up an opportunity to get a  
15 new fire pond or water resource?

16 A. (Morse) That's absolutely true.

17 Q. Right.

18 A. (Morse) And, that's exactly why, in our process of  
19 putting in this interconnection, that we've started to  
20 plan for that, knowing that both fire departments will  
21 come to us and want to put fire hydrants on. It was  
22 never -- This did not start out as it was necessary to  
23 have this interconnection just for fire. It's an added  
24 benefit --

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1 Q. And, I'm only --

2 A. (Morse) -- to have the added capability for hydrants.

3 Q. Okay, I'm only concerned with the fire aspects of it,  
4 and the hydrants are a fire aspect.

5 A. (Morse) Yes.

6 Q. Finally, --

7 CHAIRMAN GETZ: Well, let's have one  
8 person at a time.

9 MS. GRANT: Okay.

10 CHAIRMAN GETZ: Let's let the question  
11 get answered.

12 BY THE WITNESS:

13 A. (Morse) I'd like to finish the answer. I don't know if  
14 this is called "prefiled testimony" or "prefiled" --  
15 well, let me see. A letter from Mrs. Grant,  
16 intervenor, dated October 20th. It was my premise to  
17 go to speak with Chip Hastings, the Fire Chief, and  
18 also to speak with Mike Murphy.

19 BY MS. GRANT:

20 Q. I spoke with them on the phone.

21 A. (Morse) Yes. And, I went personally and spoke --

22 Q. Not in person, but basically on the phone.

23 CHAIRMAN GETZ: Ms. Grant, let him  
24 answer.

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1 MS. GRANT: Okay.

2 CHAIRMAN GETZ: He's trying to answer  
3 the question, and then you get to follow up.

4 MS. GRANT: Okay.

5 BY THE WITNESS:

6 A. (Morse) After receiving this letter, I went to speak  
7 with them personally, and they both understand that  
8 presently they have enough water to fight fires and all  
9 that. But they also know the redundancy of having the  
10 interconnection is a good thing. And, that Chip has  
11 already requested, again, an estimate to install ten  
12 fire hydrants along the Hampstead portion of the  
13 interconnection. And, Chief Murphy, as soon as he can,  
14 I'm sure will put fire hydrants out there. That is why  
15 we plan for it and we know that the booster station  
16 might be necessary. Just because we understand working  
17 with the fire departments, as we do now, that  
18 eventually they will want to do that. We did not make  
19 it part of our original request for borrowing money,  
20 simply because we knew we had to do this process, and  
21 that eventually we would be talking to the fire  
22 departments.

23 BY MS. GRANT:

24 Q. Okay. My point was just that, while both fire chiefs

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1 really wisely take advantage of any resources available  
2 to their departments, --

3 A. (Morse) Uh-huh.

4 Q. -- neither fire chief -- did either fire chief come to  
5 you before all this started and say that they were  
6 concerned that they didn't get enough water resources,  
7 and in any way request an interconnection between the  
8 two towns as necessary for fire suppression in their  
9 towns?

10 A. (Morse) I believe I stated that earlier. They had not  
11 come to us before the interconnection. But, as soon as  
12 they heard of the interconnection, they were very  
13 interested and were very much in favor of it.

14 MS. GRANT: I just kept reading where  
15 they kept saying in their written testimony "it's  
16 necessary", "it's needed", "it's required". And, it was  
17 never asked for as needed and required. Right now,  
18 they're wisely taking advantage of what might happen, but  
19 they never -- this part of the testimony where it says  
20 "it's needed", "required", that's something that was not a  
21 justification for their initiating the process. That's  
22 all I wanted to say. I mean, our chiefs very wisely are  
23 just taking advantage of what's there, but they didn't ask  
24 for it.

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1 CHAIRMAN GETZ: And, so, you're finished  
2 with your questions?

3 MS. GRANT: That's all. Just quick,  
4 sweet.

5 CHAIRMAN GETZ: Okay. Thank you.

6 BY CMSR. MORRISON:

7 Q. Mr. Morse, you're President at HAWC, is that correct?

8 A. (Morse) That is correct.

9 Q. Your duties include what?

10 A. (Morse) I oversee water operations. We have three  
11 operators and a technician. We have a -- I work with  
12 the girl in the office on water shut-offs and meter  
13 readings. I actively advocate that we get some water  
14 meters fixed and installed, and in our wellhouse,  
15 that's another big issue for everybody. It's a new  
16 position for me. But I have got a lot of good people  
17 working with us and around us. And, we have -- we hold  
18 biweekly water meetings, go over our projects and where  
19 we're headed, and make company decisions on spending --  
20 on spending money, and then come here and try to get  
21 this stuff through.

22 Q. Prior to being President at HAWC, what did you do?

23 A. (Morse) I was General Manager for Lewis Builders  
24 Development. I was very much, not directly involved

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 with, but, you know, I know the inner workings of the  
2 water company.

3 Q. To date, what is -- there's, obviously, been a lot of  
4 talk about unaccounted for water.

5 A. (Morse) Uh-huh.

6 Q. What specific plans have you made to try to alleviate  
7 that problem?

8 A. (Morse) Again, installing water meters. We have water  
9 meters on the well side of the system. So, anything  
10 that comes up out of the wells can clog them and cause  
11 a problem. We have meters going outside of the  
12 wellhouse. We don't have a meter on our back wash  
13 water. When we back wash, we don't know what we're  
14 back washing with. We're estimating it. And,  
15 obviously, we're fixing leaks, always out looking for  
16 leaks. Winter time is the best time to do that. It's  
17 a limited amount of time we have. We have everybody go  
18 out and look at them, look for them in different sites,  
19 those types of things.

20 Q. And, my concern is that, if approved, you're going to  
21 get access to a lot more water.

22 A. (Morse) Yes.

23 Q. And, my fear is that the volume of unaccounted for  
24 water is -- we don't know what the upside is or

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1           potentially could be, and that's problematic. Do you  
2           see yourselves, do you have a plan for consultants to  
3           come in and start looking at this problem? In other  
4           words, go beyond your resources, which, at this point,  
5           don't necessarily seem adequate to resolve the problem?

6    A.   (Morse) You made a statement that we're "going to have  
7           access to a lot more water". The water is there  
8           already. We have two separate systems. We're not  
9           going to produce new water. Consultants has been  
10          discussed. You know, it costs money. We'd have to  
11          come before this Commission and ask to borrow money.  
12          But, yes, that's something that we need to do.

13                           CMSR. MORRISON: All right. Thank you.

14                           WITNESS MORSE: Yes.

15    BY CMSR. BELOW:

16    Q.   Mr. Morse, how many fire hydrants approximately do you  
17          have on the system now?

18    A.   (Morse) We have 56 hydrants, pressurized hydrants in  
19          Atkinson, which Atkinson requires us to flow  
20          500 gallons a minute from them. And, Hampstead, we  
21          have 20 to 25, I'm not sure of the exact number. And,  
22          we have an elevated -- bless you -- we have an elevated  
23          tank there. So, the chief pretty much accepts whatever  
24          he gets out of the elevated tank.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Does the fire department periodically flush those fire  
2 hydrants?

3 A. (Morse) They test them, yes, and they train with them.  
4 And, we actually use them for flushing.

5 Q. Do you -- How do you account for the water that's  
6 discharged when the fire department --

7 A. (Morse) We haven't been -- We haven't been doing that  
8 in the past. And, I guess, with the heightened concern  
9 over lost water, one of the things we realize that we  
10 have to do is to start accounting for that.

11 Q. Do you get reports when the fire department uses the  
12 hydrant in fighting a fire?

13 A. (Morse) We haven't in the past, and it's going to be  
14 something we're implementing. I've asked the Atkinson  
15 chief for some numbers, and he hasn't gotten back to  
16 me, for what he thought he used in 2007. But we're  
17 going to implement that. When they go out and they're  
18 testing the hydrant or they're flowing it, we're going  
19 to start tracking it all.

20 Q. Okay. This is a question for representatives of all  
21 three parties to this Settlement here. On Page 6, near  
22 the top it says "If the final terms and conditions of  
23 the financing vary materially from those described  
24 above, such new or modified terms and conditions shall

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1 be subject to Commission approval." And, of course,  
2 one of those, on Page 4, was the interest rate being no  
3 higher than 3.488 percent. And, of course, we've heard  
4 testimony today that it looks -- appears to be likely  
5 at this point to be approximately 4.2 percent. And, I  
6 think various people testified that they felt that was  
7 still reasonable and in the public interest.

8 Just to be clear, are you sort of all  
9 modifying, is your intent in your testimony today to  
10 essentially modify the Stipulation to recognize that  
11 the likely interest rate is going to be around  
12 4.2 percent, and would you expect that to need to come  
13 back to the Commission or would you expect only  
14 additional review if it was materially greater than  
15 4.2 percent?

16 A. (Naylor) I can speak for Staff, Commissioner. I think  
17 that the reason we wanted to bring that to your  
18 attention today was because the number in the agreement  
19 is "3.4" or whatever it is. And, we became aware, when  
20 we met with Mr. Skarinka last week, who administers the  
21 SRF program, that the 20 year term loans were now going  
22 to be just over 4.2. So, I don't think we anticipated  
23 that that change in rate would trigger any other action  
24 under Paragraph 2, which begins at the bottom of Page 5

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1 and goes over to Page 6.

2 Q. D.2? That's D.2, right?

3 A. (Naylor) D.2, yes.

4 Q. Mr. Eckberg?

5 A. (Eckberg) Similarly, the OCA has reviewed that new  
6 slightly increased interest rate, and we don't feel  
7 that that changes our position at all with regard to  
8 the Settlement. We feel that it's still a very good  
9 terms of financing. We appreciate, excuse me, the  
10 Staff's making some slight verbal modifications during  
11 the hearing today to Attachment A, which is part of the  
12 Stipulation. And, they provided a little bit of verbal  
13 change to that. Perhaps it would be useful for all  
14 parties to have an updated version of that from the  
15 Company. And, that's all.

16 Q. Okay.

17 A. (St. Cyr) The Company believes that the change is  
18 immaterial, and in and of itself wouldn't cause us to  
19 necessarily come back in order for the Commission to  
20 approve such a relatively minor change. I would point  
21 out to you and the parties that Attachment A is all  
22 estimated data, and that we are required to come back,  
23 at the completion of the project, and replace the  
24 estimated data with actual data, including whatever the

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1 interest rate is at the time. And, at that point, we  
2 will work with the parties and make a recommendation to  
3 the Commission for their approval.

4 CHAIRMAN GETZ: Any redirect for the  
5 panel?

6 MR. BENNETT: One question.

7 CHAIRMAN GETZ: Excuse me, Mr. Bennett.  
8 I'm trying to --

9 MS. THUNBERG: I have none from Staff.

10 MS. HOLLENBERG: I have just one quick  
11 question.

12 REDIRECT EXAMINATION

13 BY MS. HOLLENBERG:

14 Q. Just to clarify, Mr. St. Cyr. Attachment A, thank you  
15 for your clarification about that, that it does contain  
16 estimates. Would you also agree that that is the  
17 attachment that would be used to guide the process  
18 under D.4, which is if a step increase is asked for  
19 separate and apart from the general rate increase?

20 A. (St. Cyr) Yes.

21 MS. HOLLENBERG: Thank you.

22 MR. LEVINE: No questions.

23 CHAIRMAN GETZ: Mr. Bennett, what was  
24 your issue?

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 MR. BENNETT: One question on that last  
2 answer by Mr. St. Cyr.

3 RECROSS-EXAMINATION

4 BY MR. BENNETT:

5 Q. You said you would "come back after the project was  
6 completed to fill in actuals, and that was to include  
7 the interest rate." Did you mean that to include the  
8 interest rate?

9 A. (St. Cyr) Yes.

10 Q. I thought, I might be mistaken, I thought it was that  
11 the construction would start only after approval of the  
12 loan? That had been the position in previous meetings  
13 we've had, and in -- I think in discovery answers, that  
14 you would formalize the -- you would start the project  
15 and do the preliminary design after the loan was  
16 approved?

17 A. (St. Cyr) Yes. I'm looking for the specific section in  
18 the Stipulation Agreement, where, upon completion of  
19 the project, given that the numbers that are  
20 represented in Schedule A are estimates, that we have  
21 an obligation to come back to the Commission and the  
22 parties to present what we actually incurred. And,  
23 part of those actual costs will be the interest rate  
24 that's in effect and that the Company has been paying

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1 all along.

2 Q. So, the Company will take it upon itself to begin  
3 construction of this interconnection without an  
4 approval for the SRF funds?

5 A. (St. Cyr) No.

6 Q. But the approval for the SRF would specify the interest  
7 rate or would it leave that up in the air?

8 A. (St. Cyr) Well, the interest rate changes. You know,  
9 at the time in which we submitted this and prepared the  
10 Settlement Agreement, we were under the understanding  
11 that it was to be no higher than 3.448 [3.488?]  
12 percent. But we learned this morning that the rate, as  
13 of October 1, 2008, is approximately 4.2 percent.

14 Q. Yes. And, what I'm getting at is that one of the  
15 justifications for doing the interconnection is the  
16 availability of cheap money. And, that, if the  
17 interest rate can change between the start of  
18 construction and the end of construction, then the  
19 money may no longer be cheap money by the end of  
20 construction, but it's already sunk in the ground.

21 A. Well, I guess, even to the extent that it does change,  
22 that we would view the change as immaterial. That a  
23 half a percent increase, from three and a half percent  
24 to 4 percent, is a relatively immaterial change, and

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1 would not be such a change that would require further  
2 modification of the agreement.

3 Q. Well, that's a different point as to the magnitude of  
4 the interest rate obtained. What I was asking was,  
5 between the time that the PUC approved this, should  
6 they approve it, and then you started work, to the time  
7 you finished, would the interest rate on the loan  
8 possibly change then or is it nailed down before you  
9 start construction?

10 A. (Naylor) I can answer that. What's going to happen,  
11 presuming the Commission issues an order approving this  
12 financing, is that the Company will then take that  
13 order to DES. They will -- DES will then prepare the  
14 documents for the loan, and the loan will be executed.  
15 The terms and conditions at that time will be set.

16 Q. So, it wouldn't change between that time and the end of  
17 the project?

18 A. (Naylor) It would not change.

19 Q. Okay.

20 A. (Naylor) The Company would be, as it made construction  
21 draws, it will be charged 1 percent interest on the  
22 outstanding balance of construction costs, and the  
23 Company will be obligated to begin loan payments six  
24 months from the time construction terminates.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Right.

2 A. (Naylor) But there would be no further change in the  
3 rate, that's correct.

4 Q. Thank you. And, that answers that part. My only  
5 remaining question then is on the -- what you just  
6 refer to as the, I believe, "insignificant" or some  
7 synonym of that, increase in the interest rate from 3.5  
8 to 4.2, and that's seven-tenths of a percent, is that  
9 right, increase in interest rate?

10 A. (Naylor) Yes, that's correct.

11 Q. And, then, what percentage of the interest -- of the  
12 3.5 percent is that an increase? In other words, the  
13 3.5 percent increased to 4.2 percent, and that was what  
14 percentage increase?

15 A. (Naylor) What percentage increase over the previous  
16 rate?

17 Q. Yes.

18 CHAIRMAN GETZ: So, you're asking for  
19 the calculation of what's the answer if you divide .7 by  
20 3.5?

21 MR. BENNETT: Yes.

22 BY THE WITNESS:

23 A. (Naylor) It's like 20 percent, something like that.

24 BY MR. BENNETT:

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Q. Twenty-five percent. So, I disagree that that's  
2 insignificant.

3 A. (Naylor) Well, I would offer to you that particularly  
4 small water companies have very little options in terms  
5 of low cost funds. And, in today's markets, I think  
6 the Company's doing very well securing these funds at  
7 the rate that they're able to get them. We've seen  
8 companies simply not able to access capital at times,  
9 small water companies. So, this is a very good  
10 financing option for the Company.

11 MR. BENNETT: Thank you.

12 CHAIRMAN GETZ: Okay. Any further  
13 questions for the panel?

14 (No verbal response)

15 CHAIRMAN GETZ: Okay. Hearing nothing,  
16 then you're excused. Thank you, gentlemen.

17 WITNESS MORSE: Thank you.

18 CHAIRMAN GETZ: Let's go off the record  
19 for a second.

20 (Brief off-the-record ensued.)

21 CHAIRMAN GETZ: Let's take 15 minutes,  
22 and then we'll resume with the testimony.

23 (Whereupon a recess was taken at 1:55  
24 p.m. and the hearing reconvened at 2:18

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1 p.m.)

2 CHAIRMAN GETZ: Okay. We're back on the  
3 record. Are we going to hear testimony?

4 MS. THUNBERG: Yes, Mr. Chairman. If I  
5 can just consult with the witnesses for just a moment.

6 (Atty. Thunberg conferring with Ms.  
7 Grant, Mr. Wolters and Mr. Bennett.)

8 MS. THUNBERG: Thank you, Mr. Chairman,  
9 for that time. The witnesses are ready to go up to the  
10 witness box.

11 (Whereupon John Wolters, William Bennett  
12 and Carol Grant were duly sworn and  
13 cautioned by the Court Reporter.)

14 JOHN WOLTERS, SWORN

15 WILLIAM BENNETT, SWORN

16 CAROL GRANT, SWORN

17 DIRECT EXAMINATION

18 BY MS. THUNBERG:

19 Q. Mr. Bennett, I will start with you, since you're  
20 closest. And, if I could just have you state your name  
21 and either business affiliation or home address for the  
22 record.

23 A. (Bennett) William Bennett, 9 Summit Drive, in Atkinson.

24 Q. And, do you have an area of expertise that you wish --

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[WITNESS PANEL: Bennett|Wolters|Grant]

1 or background you wish to emphasize?

2 A. (Bennett) I'm a retired mechanical engineer, with a  
3 degree in Mechanical Engineering from Massachusetts  
4 Institute of Technology, awarded in 1968. I'm a  
5 taxpayer. And, I am on a private well in Atkinson.

6 Q. And, Mr. Bennett, I'd like to show you a document and  
7 have you identify it for the record please.

8 A. (Bennett) This is my prefiled testimony.

9 MS. THUNBERG: And, Staff would like to  
10 mark this for identification.

11 CHAIRMAN GETZ: It will be marked as  
12 "Exhibit 9".

13 (The document, as described, was  
14 herewith marked as Exhibit 9 for  
15 identification.)

16 BY MS. THUNBERG:

17 Q. Now, Mr. Bennett, when you mention that that is your  
18 testimony, did you or someone under your direct  
19 direction create that testimony?

20 A. (Bennett) I created it.

21 Q. And, do you have any changes or corrections to make to  
22 that testimony?

23 A. (Bennett) No, I do not.

24 Q. And, if you were asked those same questions today,

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[WITNESS PANEL: Bennett|Wolters|Grant]

- 1 would your answers be the same?
- 2 A. (Bennett) Yes.
- 3 Q. And, it's your intent to adopt that testimony as your  
4 testimony today?
- 5 A. (Bennett) Yes.
- 6 Q. Mr. Wolters, I'd like to turn to you next.
- 7 A. (Wolters) Okay.
- 8 Q. And, have you state your name and address or business  
9 affiliation for the record.
- 10 A. (Wolters) John M. Wolters, 5 Hickory Pond Lane,  
11 Atkinson. I have a degree in Finance. I'm also a  
12 Certified Financial Planner from the College of  
13 Financial Planning. My degree is from New York  
14 University.
- 15 Q. And, did you file testimony in this docket?
- 16 A. (Wolters) Yes, I did.
- 17 Q. And, if I could have you identify this document for the  
18 record please.
- 19 A. (Wolters) Yes, this is mine.
- 20 Q. Now, Mr. Wolters, would you agree that this was filed  
21 with the Commission on October 31st, with a cover  
22 letter dated October 30th?
- 23 A. (Wolters) Okay. I believe I had mailed it on the 30th,  
24 and I had e-mailed it on the 30th to all the parties.

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[WITNESS PANEL: Bennett|Wolters|Grant]

1 Q. Okay. Did you also, prior to filing this testimony,  
2 was there another version that you had distributed to  
3 the parties?

4 A. (Wolters) Yes.

5 Q. And, is it your intent that this later version, this  
6 October 30th version, is the one that you intend to  
7 file with the Commission?

8 A. (Wolters) Yes, it is.

9 MS. THUNBERG: Okay. Can I have this  
10 marked for identification?

11 CHAIRMAN GETZ: It will be marked as  
12 "Exhibit Number 10".

13 (The document, as described, was  
14 herewith marked as Exhibit 10 for  
15 identification.)

16 BY MS. THUNBERG:

17 Q. And, Mr. Wolters, you prepared that testimony, is that  
18 correct?

19 A. (Wolters) Yes, I did.

20 Q. And, do you have any changes or corrections to make to  
21 that testimony?

22 A. (Wolters) Nothing of major substance.

23 Q. And, if you were to be asked those questions today,  
24 would your answers be the same?

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[WITNESS PANEL: Bennett|Wolters|Grant]

- 1 A. (Wolters) Yes.
- 2 Q. And, is it your intent to adopt that testimony as your  
3 testimony today?
- 4 A. (Wolters) Yes, it is.
- 5 Q. And, Ms. Grant, I'd like to have you state your name  
6 and either home address or business address for the  
7 record please.
- 8 A. (Grant) My name is Carol A. Grant. I live at 19 Crown  
9 Hill, in Atkinson. I am currently -- currently, a wife  
10 and mother, but I am formally an Atkinson selectwoman,  
11 a former Atkinson Director of Elderly Affairs, a former  
12 Conservation Commission member, and former Chairman of  
13 the Conservation Commission. I was the one who  
14 spearheaded the adoption of the Atkinson Wetlands  
15 Ordinance, because I've always been involved with  
16 water. And, I've been involved with all of the warrant  
17 articles at regular and special town meetings that deal  
18 with our water resources.
- 19 Q. Mrs. Grant, I'd like to show you two documents and have  
20 you identify them for the record.
- 21 A. (Grant) I wrote both of them.
- 22 Q. And, are these both dated October 20th, 2008?
- 23 A. (Grant) Yes.
- 24 Q. And, is this your -- do these two documents represent

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1 testimony you wish to file today?

2 A. (Grant) Yes, they do.

3 Q. Did you create these under -- by yourself or either  
4 under or by someone who was under your direct control?

5 A. (Grant) I created by myself using available resources,  
6 by talking to certain people, and by referring to  
7 documents obtained through discovery.

8 MS. THUNBERG: I'd like to mark these  
9 for identification. There is -- One of the documents  
10 dated October 20th that is, in the "Re:" line, has  
11 "Regulatory Capture", that will be one document. And, the  
12 other document dated October 20th, in the regarding  
13 caption, has "Notice of False Information".

14 CHAIRMAN GETZ: These documents will be  
15 marked respectively as "Exhibits 11" and "12".

16 (The documents, as described, were  
17 herewith marked as Exhibit 11 and  
18 Exhibit 12, respectively, for  
19 identification.)

20 BY MS. THUNBERG:

21 Q. Ms. Grant, do you have any changes or corrections to  
22 make to those two documents?

23 A. (Grant) No, none at all.

24 Q. And, it's your intent to adopt the content of those two

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[WITNESS PANEL: Bennett|Wolters|Grant]

1 documents as your testimony today?

2 A. (Grant) Yes.

3 MS. THUNBERG: I believe that's the  
4 extent of the qualifying questioning.

5 CHAIRMAN GETZ: Okay. Do you have any  
6 questions for the panel?

7 MS. THUNBERG: Staff does not have any  
8 questions for the panel.

9 CHAIRMAN GETZ: Ms. Hollenberg?

10 MS. HOLLENBERG: Thank you. The OCA  
11 does not have any questions for the panel.

12 CHAIRMAN GETZ: Mr. Levine?

13 MR. LEVINE: Thank you, Mr. Chairman.  
14 The Company has no questions for the panel.

15 CHAIRMAN GETZ: Well, no questions from  
16 the Bench. So, then, your testimony is adopted and you're  
17 excused. Thank you.

18 WITNESS GRANT: Thank you.

19 WITNESS BENNETT: Thank you.

20 CHAIRMAN GETZ: Take care of any  
21 procedural matters before we allow closing statements. Is  
22 there any objection to striking identifications and  
23 admitting the exhibits into evidence?

24 MS. THUNBERG: None from Staff.

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1                   CHAIRMAN GETZ: Hearing no objections,  
2 the exhibits will be admitted into evidence. Is there  
3 anything else we need to address before we provide an  
4 opportunity for closing statements?

5                   MS. HOLLENBERG: Mr. Chairman, yes. I  
6 just wanted to make one comment. The OCA does have a  
7 pending Motion to Consolidate. And, I guess, to the  
8 extent that the Commission approves the Settlement  
9 Agreement, that would moot the OCA's request, as it does  
10 satisfy the relief that we requested.

11                   CHAIRMAN GETZ: Okay. Thank you. In  
12 terms of closing statements, we'll start with Mr. Bennett,  
13 Mr. Wolters or Ms. Grant. Who would like to go first?

14                   MR. BENNETT: I'll go first, your Honor,  
15 Mr. Chairman. We've heard today that data submitted by  
16 the Company, Hampstead Area Water Company, in the  
17 discovery answers perhaps may not be relied on, if one  
18 piece of data is called into question. It really opens a  
19 whole lot of questions that I believe would go to the --  
20 to the question of whether this project of theirs should  
21 be approved. There have been two town meetings this year  
22 and last year in the Town of Atkinson addressing water  
23 issues. The Town has done -- has made efforts, to the  
24 best it's all possible, to get a better control of its

1 groundwater resources. In both those town meetings, in  
2 deliberative session, and in the voting session, the water  
3 control ordinances and acts were approved by  
4 three-quarters, 75 percent to 25 percent.

5           The loss factors, water loss factor that  
6 HAWC is experiencing in the Atkinson core system, they  
7 submitted 36.5 percent as their overall missing water.  
8 The reporting of a number to the first decimal place  
9 implies some degree of accuracy. If that can't be relied  
10 on, I would have to wonder isn't it within a close  
11 ballpark to that number, which would then mean they are  
12 still, under the best of assumptions, experiencing a great  
13 deal of water loss. The U.S. Coast and Geodetic Survey  
14 has instrumented the Spicket River Basin in North Salem.  
15 That's the closest area with hard data to Atkinson. It's  
16 very close geographically. Their data shows that, of any  
17 lost water on the surface, their numbers specifically are  
18 for precipitation, but it applies to any water released on  
19 the surface. That 50 percent of that water winds up  
20 running off through the Merrimack, into the Atlantic  
21 Ocean; 25 percent is lost to the atmosphere through plant  
22 transpiration; 25 percent goes to recharge, but  
23 predominantly to surface water deposits and wetlands.  
24 Very little of an unknown amount gets into the deep

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1 strata.

2                   The water that HAWC is wasting,  
3 Atkinson's groundwater resource, is coming from very deep  
4 strata in the bedrock. It's probably not being recharged  
5 at anywhere near the replacement rate -- I'm sorry, the  
6 replacement rate is nowhere near the depletion rate. It's  
7 really criminal for them to continue to waste that amount  
8 of money. An access to more water from Hampstead or for  
9 Hampstead from Atkinson is one of the justifications for  
10 the building of this interconnection. But the Company has  
11 not come today prepared to defend any of its  
12 justifications or to provide any kind of cost/benefit  
13 analysis.

14                   DES has been present in the shadows, not  
15 available for questioning, but very much influencing  
16 positions taken today. That's frustrating to a citizen  
17 trying to get at the issues of why this interconnection  
18 should be approved. And, we find that a lot of the  
19 reasons for it are really DES reasons, and we're not  
20 allowed to question them on their basis.

21                   Lastly, in the area of the low interest  
22 rate relative to market rates for the funds available for  
23 this, if the interconnection is not justified period, then  
24 no money should be spent, even if you stumble across it on

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1 the street. But this money came out of taxpayers'  
2 pockets. The taxpayers have a legitimate expectation  
3 that, once the government takes their tax money, that the  
4 government will use that money wisely, and not spend it  
5 where the use -- the benefit doesn't justify the  
6 expenditure. And, in no way has HAWC or the Staff members  
7 here that have spoken in favor of the interconnection, or  
8 even DES, in any way come up with a valuation of benefits  
9 that would equal the \$1.1 million to be expended.

10 That concludes my closing statement, Mr.  
11 Chairman. And, we do appreciate the latitude and leniency  
12 you've given us in our bumbling way of presenting our  
13 information.

14 CHAIRMAN GETZ: Thank you. Mr. Wolters.

15 MR. WOLTERS: Thank you, Mr. Chairman.

16 HAWC has not been a good conservator or steward of our  
17 limited groundwater resources. The interconnection  
18 funding should not be a reward for a business that has  
19 that type of practice. And, that would be the total  
20 amount of my statement at this point, sir.

21 CHAIRMAN GETZ: Ms. Grant.

22 MS. GRANT: I just want to say that the  
23 townspeople are very concerned about this whole water  
24 issue. And, in special town meetings in 2007 and 2008, by

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1 landslide votes, 75 percent, over 75 percent, have upheld  
2 an ordinance that prevents Atkinson groundwater from being  
3 shipped out of town to Plaistow or other towns. Now,  
4 there's been -- it would seem highly inappropriate to be  
5 seeking approval of something that, by town law, is  
6 illegal. I just want to emphasize that.

7 I want to emphasize that a big concern  
8 to Atkinson also is the fact of the water loss from HAWC  
9 right now, the amount of gallons of water that are being  
10 lost by inappropriate and whatever -- however means  
11 they're using, this mechanical means, whatever, the fact  
12 that they're losing so much of Atkinson's limited water, I  
13 think that should be addressed before you talk about  
14 increasing a franchise to send more water out of town.  
15 The amount of water we're losing in town, because of the  
16 way HAWC does things, is bad enough. To ship water out of  
17 town, when we're already losing some in town, it's ashamed  
18 that all the water that's -- all the water that's being  
19 lost in town by HAWC more than would satisfy anything  
20 that's going to go over the line. It just seems that,  
21 until you correct the error at home, why expand the error  
22 into another further -- with water lines further into  
23 another town. If there is a leakage problem, and there  
24 is, because of all the water loss, why expand the amount

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1 of that franchise of that leaking -- leaking system. You  
2 should not be expanding -- allowing them to expand until  
3 they clean up all the things that are wrong in Atkinson  
4 alone.

5 And, I also, like most of the  
6 townspeople, have a deep concern about the closeness with  
7 which DES and HAWC work. It's not -- It's more like "how  
8 can we help you get around the objections of the town?" I  
9 just -- So many of the townspeople are concerned about  
10 that. That's all I have to say. I'm just -- But don't  
11 expand their franchise, when they haven't cleaned up all  
12 the problems in their existing franchise. Thank you.

13 CHAIRMAN GETZ: Thank you.  
14 Ms. Hollenberg.

15 MS. HOLLENBERG: Thank you. The OCA  
16 supports the proposed Settlement Agreement that you have  
17 before you. And, we ask the Commission to approve it  
18 without modification. We thank Staff and the Company for  
19 working with us on this agreement and throughout this  
20 docket. And, we'd also like to thank the intervenors for  
21 their efforts to ensure that the Commission has as much  
22 information as it needs to make an informed decision in  
23 this case.

24 We are particularly supportive of the

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1 provision in the Settlement Agreement that addresses our  
2 initial concern, which is that the rate increase request  
3 be addressed through a general rate case, as opposed to in  
4 isolation as a step adjustment in this case. I won't  
5 really go too far into our position with regard to that,  
6 because we do have a Settlement Agreement. I just want to  
7 just make the statements that we do believe it does  
8 constitute single issue ratemaking to make a decision on  
9 rates in isolation of a rate case. And, we believe that  
10 the Commission precedent would support our position.

11 I would also like to note, although the  
12 -- Mr. Skarinka's letter to the Commission came up in this  
13 hearing, I will not address any further the OCA's response  
14 to that, but also just would like to call to the  
15 Commission's attention that we did not formally respond to  
16 that letter, because we had already reached a settlement  
17 in principle with the Company by that point in time. And,  
18 we thought that it was an adversarial -- we didn't want to  
19 take an adversarial position on that. So, we're relying  
20 on the fact that the Company, as it stated today, and  
21 Staff stand behind the Settlement Agreement that's before  
22 the Commission.

23 Just one other thing, though. To the  
24 extent that there might be any question about the comments

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1 in that letter, as opposed to our Motion to Consolidate  
2 and the affidavit that we submitted, I would just say that  
3 we stand behind the accuracy of the statements that were  
4 found in our affidavit and the motion.

5 We are not concerned that the general  
6 rate case will extend beyond next July, because the  
7 Commission has, under the law, 12 months to make its  
8 decision before a tariff is automatically into effect, and  
9 I believe it suspended the tariff the Company filed in  
10 late July. So, we do believe that it's reasonable to  
11 expect that the Company's rate request will be addressed  
12 in a timely manner, with plenty of time for them to have  
13 the ability to begin repayment, which we understand is six  
14 months after they expect completion in the Fall of 2009.

15 To the extent that Commissioner Below  
16 asked about whether or not the change in interest rate to  
17 4.2 percent would trigger the requirements of Section D.2,  
18 on Pages 5 and 6, I would say, and concur with  
19 Mr. Eckberg's statement, that, to the extent that it is a  
20 4.2 or thereabouts interest rate, that it would not  
21 trigger that requirement. It would be addressed by  
22 unknown changes that we are not aware of at this time.

23 And, we will file the documents that we  
24 received from the Company in response to our data requests

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1 that the Commission reserved Exhibit 8. And, again, we  
2 really thank the parties for their professional  
3 cooperation in this case. Thank you.

4 CHAIRMAN GETZ: Thank you.  
5 Ms. Thunberg.

6 MS. THUNBERG: Yes. Staff respectfully  
7 requests the Commission approve the Stipulation that has  
8 been offered in this as amended here today. The terms of  
9 the financing are about as cheap as money the Company can  
10 get these days. The term is for 20 years, which is about  
11 the normal term the Commission has approved in other  
12 financings. The interest rate is set by the market, and  
13 the Commission routinely approves interest rates set by  
14 that mechanism.

15 The proceeds of the financing are going  
16 to construct the interconnection between Atkinson and  
17 Hampstead, which is a 15,000-foot length pipe. And, this  
18 is something that DES has been encouraging small water  
19 systems to do. We believe it is prudent and in the public  
20 good that this interconnection be built.

21 With respect to lost water, a concern  
22 has been addressed or raised by the intervenors. This is  
23 something that Staff has testified today that it intends  
24 to pursue in the general rate case. And, this is also an

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1 issue that DES is monitoring for the Company. So, it's  
2 not -- Staff believes that the lost water is not something  
3 that should prohibit the Commission from approving the  
4 financing.

5                   With respect to the ordinance that was  
6 referenced by Ms. Grant, Staff is aware that the  
7 legitimacy of that ordinance is being questioned. Staff  
8 would also like to point out that the enforcement of that  
9 ordinance is still a few steps away from this  
10 interconnection. This interconnection or the financing is  
11 for the interconnection, and that still has to be funded  
12 through the loan program and has to be constructed before  
13 enforcement is triggered. So, that ordinance is out  
14 there, but it should not be something that prohibits the  
15 Commission from granting the financing request. It's, in  
16 Staff's opinion, just too remote of an influence, if it is  
17 an influence at all.

18                   With respect to the rest of the  
19 groundwater issues that are of a concern to the  
20 intervenors, Staff notes that there is a present  
21 application before the Department of Environmental  
22 Services about groundwater sources for this company. And,  
23 Staff would submit that that is the appropriate forum to  
24 raise those concerns, not in this particular forum.

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1                   Staff also notes that RSA 374:22, for  
2 franchise approvals, which is relevant to this docket,  
3 requires DES to provide a suitability and availability  
4 sign-off. And, right then and there, that is evidence  
5 that water quality, water quantity is the purview of DES,  
6 and that this agency is the secondary jurisdiction on  
7 that. And that, again, supports Staff's position that the  
8 groundwater issues are more properly raised in a DES  
9 forum.

10                   And, other than that, we stand by our  
11 testimony today and appreciate your consideration. Thank  
12 you.

13                   CHAIRMAN GETZ: Thank you. Mr. Levine.

14                   MR. LEVINE: Thank you, Mr. Chairman,  
15 members of the Commission. You've heard testimony today  
16 from the panel put forth by Staff, OCA, and the Company,  
17 in support of this Stipulation, and we're asking you for  
18 your approval of the terms of this Stipulation as  
19 presented. We feel that the project that we've put forth  
20 has the support of DES and the encouragement of Staff in  
21 what the project is trying to accomplish, for the reasons  
22 stated numerous times today, and in the Stipulation, in  
23 the testimony, and in our pleadings. We feel that the  
24 purpose is in -- is prudent and that the request for

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1 financing will be in the public good, accomplish this  
2 capital project in linking the two systems for the reasons  
3 stated therein.

4 The Company is well aware of the issues  
5 concerning water loss. They were aware of these issues  
6 prior to making this request for the interconnection. It  
7 is a significant issue, but is an issue separate from this  
8 particular request before the Commission. These two  
9 systems are existing systems, they are what they are. We  
10 want to interconnect them. It doesn't divert us from our  
11 mission to account for our unaccounted water, to manage  
12 our unaccounted water, and to take steps to conserve, so  
13 that we achieve the goals that both DES and Staff have  
14 referred to in managing our system regarding water loss.

15 So, we ask that the Commission approve  
16 the project as presented, approve the financing, and allow  
17 us to go forward under the terms of the Stipulation.  
18 Thank you.

19 CHAIRMAN GETZ: All right. Thank you,  
20 everyone. At this time, we'll close the hearing and take  
21 the matter under advisement.

22 (Whereupon the hearing ended at 2:47  
23 p.m.)

24

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