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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 22, 2013 - 9:05 a.m.  
Concord, New Hampshire

NHPUC NOV06'13 AM 9:51

RE: DW 13-128  
PITTSFIELD AQUEDUCT COMPANY:  
Notice of Intent to File Rate Schedules.  
(Hearing on Temporary Rates)

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Pittsfield Aqueduct Company:  
Thomas B. Getz, Esq. (Devine, Millimet...)

Reptg. Residential Ratepayers:  
Rorie E. P. Hollenberg, Esq.  
James Brennan  
Office of Consumer Advocate

Reptg. PUC Staff:  
Marcia A. Brown, Esq.  
Michael Sheehan, Esq.  
Mark Naylor, Dir./Gas & Water Division  
Jayson Laflamme, Gas & Water Division  
Robyn Descoteau, Gas & Water Division

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

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I N D E X

PAGE NO.

**WITNESS PANEL:**           DONALD L. WARE  
                                  JOHN L. PATENAUDE  
                                  ROBYN J. DESCOTEAU

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Pittsfield Aqueduct Company Rate Case filing, including testimonies, schedules, tariff pages, for both the temporary and permanent rate petitions, etc. (05-31-13)	8
2	Settlement Agreement on Temporary Rates (10-09-13)	8



1 CHAIRMAN IGNATIUS: Thank you. I'm glad  
2 the panel is ready to go. Is there anything we need to  
3 take up before we begin with evidence?

4 MS. BROWN: As a preliminary matter, we  
5 have two exhibits that we'd like to have marked for  
6 identification. We have not provided any copies, because  
7 they are straight out of the docketbook. At Tab 5 is the  
8 Company's initial rate filing. It's quite extensive, but  
9 it is well tabbed and indexed, and the materials for the  
10 temporary rates are at Tab 5 of the docketbook.

11 CHAIRMAN IGNATIUS: Okay. Tab 5 in the  
12 notebook is also the Petition for Temporary Rates. So,  
13 you confused me there for a minute.

14 MS. BROWN: Yes.

15 CHAIRMAN IGNATIUS: But you mean in the  
16 docketbook filing it's Tab 5?

17 MS. BROWN: Correct.

18 CHAIRMAN IGNATIUS: Thank you.

19 MS. BROWN: Right.

20 CHAIRMAN IGNATIUS: So, are you asking  
21 that that be marked as an exhibit?

22 MS. BROWN: As "Exhibit 1".

23 CHAIRMAN IGNATIUS: All right.

24 MS. BROWN: In its entirety. We could

1 separate out the testimony. But, because it is so well  
2 tabbed and organized, we thought that, because we're going  
3 to need it for both the temporary and the permanent rate  
4 hearings, that it would just be simpler to mark it as  
5 "Exhibit 1".

6 CHAIRMAN IGNATIUS: All right. I don't  
7 have that with me. So, can you tell me what exactly, just  
8 -- or, holding it up is good.

9 MR. GETZ: We're proposing to mark as  
10 "Exhibit 1" the rate case filing submitted on May 31 of  
11 2013.

12 CHAIRMAN IGNATIUS: All right. So,  
13 that's the full notebook that was submitted?

14 MR. GETZ: Yes.

15 CHAIRMAN IGNATIUS: One through  
16 forty-one (41) sections?

17 MS. BROWN: Yes. And, it's about an  
18 inch and a half, inch and three-quarters thick.

19 CHAIRMAN IGNATIUS: All right.

20 MS. BROWN: As Exhibit 2, Staff and the  
21 Company filed, on October 9th, 2013, a settlement  
22 agreement.

23 CHAIRMAN IGNATIUS: I'm sorry, before  
24 you go ahead. I'm a little bit worried about this.

1 Because the entire book isn't sequentially numbered, when  
2 we get into the hearings, to say "Exhibit 1, Page gee, I  
3 don't know what it is exactly", is going to be difficult,  
4 if it's the entire notebook. If we -- each individual  
5 item it appears is numbered. So, the testimony of a  
6 witness, you know, is numbered. But, unless I'm wrong,  
7 and please correct me if I'm wrong, --

8 MS. BROWN: You are right that it's not  
9 sequentially numbered. But -- and we can, after this  
10 hearing, submit a sequentially numbered one. But, at  
11 first blush, it's been easy to navigate, given how  
12 extensively it is tabbed, for us, that we didn't think it  
13 would be a problem following along at hearing. Yes, the  
14 convention of "Exhibit 1, at Page 5", would need to be  
15 modified as "Exhibit 1, Tab 5, Page *etcetera*".

16 CHAIRMAN IGNATIUS: All right. Well, as  
17 long as we can work out a way that's effective in  
18 maintaining a record and not wasting a lot of time with  
19 people saying "can you tell me exactly where we're  
20 looking?" Just -- and we can do it either way. So, why  
21 don't we mark it for "Exhibit 1" right now. If there's a  
22 reason later that we need to renumber things, I don't want  
23 to have people resubmit all of this, but let's think about  
24 that as we get closer to the permanent rate hearings.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 It's perfectly fine for today.

2 (The document, as described, was  
3 herewith marked as **Exhibit 1** for  
4 identification.)

5 MS. BROWN: And, Exhibit 2 we propose to  
6 be Tab 20, which was the Staff and Company Settlement  
7 Agreement on Temporary Rates.

8 CHAIRMAN IGNATIUS: So, that's the  
9 October 9th settlement rate hearing proposal?

10 MS. BROWN: Correct.

11 CHAIRMAN IGNATIUS: Thank you. All  
12 right. We'll mark that for identification as "Exhibit 2".

13 (The document, as described, was  
14 herewith marked as **Exhibit 2** for  
15 identification.)

16 MS. BROWN: It's Staff's understanding  
17 that because they are straight out of the -- what we filed  
18 mirror image in the docketbook that we do not need to  
19 provide the Clerk with a hard copy.

20 CHAIRMAN IGNATIUS: That's fine. I  
21 think the court reporter, if you have one, that would  
22 be --

23 MR. PATNAUDE: That's fine.

24 CHAIRMAN IGNATIUS: All right. He says

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 he's okay without one. Then, anything else or should we  
2 swear the witnesses?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: Seeing nothing, Mr.  
5 Patnaude, why don't you go ahead.

6 (Whereupon *John L. Patenaude,*  
7 *Donald L. Ware,* and *Robyn J. Descoteau*  
8 were duly sworn by the Court Reporter.)

9 CHAIRMAN IGNATIUS: Please go ahead.

10 MR. GETZ: Madam Chair, what we intend  
11 to do was have direct testimony of Mr. Patenaude, who will  
12 briefly summarize his testimony, and then Mr. Ware, and  
13 then followed by the Staff witness.

14 **JOHN L. PATENAUDE, SWORN**

15 **DONALD L. WARE, SWORN**

16 **ROBYN J. DESCOTEAU, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. GETZ:

19 Q. So, I'll begin with Mr. Patenaude. Please state your  
20 name, employer, and business address for the record.

21 A. (Patenaude) My name is John Patenaude. My employer is  
22 Pennichuck Corporation, at 25 Manchester Street,  
23 Merrimack, New Hampshire.

24 Q. And, what is your position with the Company and what

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 are your job responsibilities?

2 A. (Patenaude) I'm the Chief Executive Officer of  
3 Pennichuck Corporation and Chief Executive Officer of  
4 the Pittsfield Aqueduct Corporation. And, as the Chief  
5 Executive Officer, I am responsible for the overall  
6 management of the corporation and its subsidiaries.  
7 And, as such, I report to the Board of Directors. And,  
8 I've been Chief Executive Officer since January 27th of  
9 2012.

10 Q. Tab 7 to Exhibit 1 is the "Direct Prefiled Testimony of  
11 John L. Patnaude". Was this testimony prepared by you  
12 or under your supervision?

13 A. (Patenaude) Yes.

14 Q. Do you have any changes or corrections to that  
15 testimony?

16 A. (Patenaude) No changes and no corrections.

17 Q. If you were asked these questions today would your  
18 answers be the same?

19 A. (Patenaude) Yes.

20 Q. Is the testimony true and correct to the best of your  
21 knowledge and belief?

22 A. (Patenaude) Yes.

23 Q. Please briefly summarize your testimony and provide an  
24 update on the Pennichuck merger.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 A. (Patenaude) The merger transaction with the City was  
2 completed on January 25th, 2012. The cost of the  
3 acquisition was 150,570,000, with a stated interest  
4 rate of 4.09 percent. The Company is currently  
5 governed by a ten-member Board of Directors. The  
6 filing of this rate case is a result of a Settlement  
7 Agreement that was approved by the Public Utilities  
8 Commission in Docket Number DW 11-026. The requested  
9 rate increase in this case is 9.34 percent, temporary  
10 rates of 7 percent. Under the prior ownership  
11 structure, the rate increase requested would have been  
12 approximately 21.7 percent.

13 The lower rate that we're requesting is  
14 partially attributable to achieving savings of  
15 \$1.7 million associated with the lower cost structure  
16 resulting from the elimination of public company costs  
17 and the elimination of certain management positions in  
18 the water -- Pennichuck Water Works company.

19 As part of this case, we communicated --  
20 we communicated with the City of Nashua and communities  
21 served, which included Pittsfield, and offered to meet  
22 with customers in various communities to explain our  
23 case and what we were requesting. I would just like to  
24 say, to date, we have met with the selectmen of the

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Town of Plaistow, which is part of PEU, and customers  
2 in the community of Locke Lake in Barnstead. Other  
3 communities have not requested us to meet with them.  
4 So, that ends my testimony.

5 MR. GETZ: And, madam Chair, our intent  
6 had been to offer Mr. Patenaude for this proceeding, and  
7 not necessarily repeat his testimony for the collateral  
8 rate case proceedings. We can make him available for  
9 questions now or move on to Mr. Ware, as you would prefer?

10 CHAIRMAN IGNATIUS: I think it's fine to  
11 do cross-examination as a group after they have all made  
12 their presentations. But I do want to make sure that  
13 there are no other participants who -- have too many  
14 negatives in the sentence -- make sure that having  
15 Mr. Patenaude only here today, and not at a later  
16 proceeding, is acceptable, or, if there were issues that  
17 arise, that the Company would be willing to have him come  
18 back and further testify to what's in his prefiled  
19 testimony?

20 MR. GETZ: He will be available. It's  
21 just a question if you want him to repeat his testimony as  
22 part of a panel or just to be available?

23 CHAIRMAN IGNATIUS: Is that acceptable  
24 to everyone?

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 MS. HOLLENBERG: I don't have any  
2 concern about it, because I am going to be present for all  
3 three hearings, and I'm here now. My only thought was  
4 that Ms. Richardson, I'm not sure if that's her last name  
5 still, who represents Litchfield, is in the PEU docket.  
6 And, so, she's not present here today, and may want to --  
7 may want to hear the testimony live.

8 CHAIRMAN IGNATIUS: I think I  
9 misunderstood what you said, Mr. Getz. You meant that Mr.  
10 Patenaude is here right now, at 9:15, but won't be here  
11 for the 10:30 and tomorrow hearings?

12 MR. GETZ: He will be at all three of  
13 the hearings. And, our intent was to save some time by  
14 not presenting him in each of the three hearings.

15 CHAIRMAN IGNATIUS: All right.

16 MR. GETZ: But he will be here, and we  
17 could do it that way.

18 CHAIRMAN IGNATIUS: And, I had thought  
19 you meant he's here for -- he's going to do it in the  
20 temporaries, but not in the permanents, which was totally  
21 different than what you were saying. So, why don't we  
22 see, when she arrives, if she does have an interest in Mr.  
23 Patenaude walking through his testimony, and, if not, then  
24 there's no need to repeat it, I don't think.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 MS. BROWN: The Staff would also like to  
2 state that the information that Mr. Patenaude would  
3 provide we could also get out of other witnesses. So, I'd  
4 hate to say "you're not critical", but I think there are  
5 other ways of getting the same information. But I'm glad  
6 to know that he is going to be around for the hearings.  
7 Thank you.

8 MR. GETZ: I think I should object on  
9 behalf of my witness.

10 (Laughter.)

11 CHAIRMAN IGNATIUS: All right. Then,  
12 should we move to the Settlement issues?

13 MS. BROWN: Yes. I believe Attorney  
14 Getz was going to start off with his witnesses.

15 BY MR. GETZ:

16 Q. Mr. Ware, please state your name, employer, and  
17 business address for the record.

18 A. (Ware) My name is Donald Ware. I am employed by  
19 Pennichuck Corporation. And, the business address is  
20 25 Manchester Street, in Merrimack, New Hampshire.

21 Q. And, what is your position with the Company and what  
22 are your job responsibilities?

23 A. (Ware) I am the Chief Operating Officer for Pennichuck  
24 Corporation, as well as the Pittsfield Aqueduct

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Company. I'm responsible for the day-to-day operations  
2 and oversee the Water Supply, Distribution, Meter,  
3 Engineering, and Customer Service Departments of the  
4 Company.

5 Q. Tab 5 to Exhibit 1 is the "Direct Prefiled Testimony of  
6 Donald L. Ware in Support of Temporary Rates". Was  
7 this testimony prepared by you or under your  
8 supervision?

9 A. (Ware) Yes, it was.

10 Q. Do you have any changes or corrections?

11 A. (Ware) No, I do not.

12 Q. If you were asked these questions today, would your  
13 answers be the same?

14 A. (Ware) Yes, they would.

15 Q. Is the testimony true and correct to the best of your  
16 knowledge and belief?

17 A. (Ware) Yes, it is.

18 Q. Please give the Commission a brief overview of the  
19 Company's request for permanent rate relief and the  
20 request for temporary rates.

21 A. (Ware) We have requested, relative to permanent rates,  
22 an increase of 9.34 percent over the existing revenues  
23 in 2012, which were \$683,969, that would bring us to a  
24 total revenue requirement of \$747,878 as part of the

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 permanent rate increase.

2 Relative to the temporary rate increase,  
3 we have asked for a temporary rate increase of  
4 7 percent, or \$47,878, and a total -- which would bring  
5 us to a total of \$731,847.

6 Q. Okay. Turning to Exhibit 2, the Settlement Agreement  
7 on Temporary Rates, did you participate in the process  
8 that resulted in the Settlement?

9 A. (Ware) Yes, I did.

10 Q. Would you please describe the terms of the Settlement  
11 and the attachments to it.

12 A. (Ware) Yes. The terms of the Settlement Agreement were  
13 that we would be allocated a revenue -- or, allowed a  
14 revenue requirement of \$731,847, which is the 7 percent  
15 increase that we requested. It would be based on a  
16 service rendered basis, based on service on or after  
17 July 1st of 2013. And, it would be spread -- the rate  
18 increase would be spread uniformly across all of the  
19 customer classes.

20 Q. And, I'll note for the record that the -- earlier in  
21 the proceeding, at the prehearing conference,  
22 affidavits of publication were filed. But, Mr. Ware,  
23 can you tell us what steps the Company did to mail  
24 customer notices to customers of Pittsfield Aqueduct

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 were?

2 A. (Ware) Yes. In the case of Pittsfield, we mailed each  
3 customer, as part of their normal billing, a notice of  
4 the pending rate request, that was mailed as part of  
5 their June 6th billing package. We also published in  
6 two papers of local reading, the Concord Monitor and  
7 the Suncook Valley Sun, a notice of the hearing -- of  
8 the rate request as well. Those were published in the  
9 Concord Monitor on June 26th and in the Suncook Valley  
10 Sun on July 3rd.

11 Q. And, so, finally, in your opinion, does the Settlement  
12 Agreement provide for just and reasonable rates and is  
13 it in the public interest?

14 A. (Ware) Yes. I believe that it does.

15 MR. GETZ: I have no further questions.

16 CHAIRMAN IGNATIUS: Thank you.

17 MS. BROWN: I'll pick up from there.

18 BY MS. BROWN:

19 Q. Mr. Ware, in your testimony attached to the Petition,  
20 you discuss a "7 percent" request for temporary rates.  
21 Can you please elaborate as to why the Company  
22 initially picked 7 percent, as opposed to any other  
23 percent increase for temporary rates?

24 A. (Ware) Yes. The 7 percent brings us to a total revenue

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 requirement of \$731,847, which is very close to the  
2 revenue requirement that was granted in DW 10-090, of  
3 \$732,556. So, it brings us back to that revenue  
4 requirement that was granted in our previous rate case  
5 with a 2009 test year.

6 Q. And, in the Petition, do you remember one of the  
7 reasons for the increase was to minimize borrowings, do  
8 you remember that?

9 A. (Ware) Yes.

10 Q. And, is this 7 percent, will it allow the Company to  
11 minimize borrowings?

12 A. (Ware) From an operational perspective, it should  
13 provide adequate revenues such that it will minimize  
14 the need to borrow money.

15 Q. Okay. Thank you. Ms. Descoteau, I'd like to just have  
16 you state your name and position with the Commission  
17 for the record.

18 A. (Descoteau) My name is Robyn J. Descoteau. And, I'm a  
19 Utility Analyst for the Public Utilities Commission.

20 Q. And, can you please describe what you consider to be  
21 your area of expertise?

22 A. (Descoteau) Accounting and finance.

23 Q. And, do you perform accounting -- or, is your work with  
24 the Commission within accounting and finance?

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 A. (Descoteau) Yes, it is.

2 Q. Can you please describe your involvement with this  
3 docket?

4 A. (Descoteau) I have reviewed, analyzed, and evaluated  
5 the temporary rate filing.

6 Q. Can you please describe what other information about  
7 Pittsfield Aqueduct Company you have reviewed?

8 A. (Descoteau) In addition to the temporary rate filing,  
9 I've looked at the annual reports, the first set of  
10 discovery, and I've been in the process of reviewing  
11 the permanent rate filing, as it relates to the  
12 temporary rate filing.

13 Q. Okay. Are you satisfied that you've reviewed what we  
14 refer to as the "books and records" of the Company on  
15 file with the Commission?

16 A. (Descoteau) Yes, I have.

17 Q. Did you participate in the creation of Exhibit 2, which  
18 is the Settlement Agreement?

19 A. (Descoteau) Yes, I did.

20 Q. And, you're familiar with the terms?

21 A. (Descoteau) Yes, I am.

22 Q. And, are you aware of any changes or corrections to  
23 this document?

24 A. (Descoteau) No, I'm not.

{DW 13-128} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Patenaude~Ware~Descoteau]

- 1 Q. Can you please explain Staff's reasons for agreeing to  
2 a 7 percent proposed temporary rate increase?
- 3 A. (Descoteau) Review of the filings so far shows that  
4 there's a revenue deficiency.
- 5 Q. Would the 7 percent proposed increase in the revenue  
6 requirement, do you have any concerns that PAC will be  
7 overearning under these rates?
- 8 A. (Descoteau) No, I do not.
- 9 Q. Is there any benefit to temporary rates to customers?
- 10 A. (Descoteau) Yes. Temporary rates will mitigate rate  
11 shock to the customers. The reports on file show that  
12 there is a revenue deficiency. The difference will be  
13 recovered through reconciliation at the end of the  
14 case.
- 15 Q. So, customers are fully protected with a reconciliation  
16 mechanism?
- 17 A. (Descoteau) Yes, they are.
- 18 Q. Okay. And, are you satisfied that customers were  
19 notified of the proposed rate increases prior to the  
20 July 1st effective date?
- 21 A. (Descoteau) Yes, I am.
- 22 Q. Mr. Ware, I just wanted to ask you, with respect to the  
23 effective date and how the Company issues its bills,  
24 can you please elaborate on how the Company will be

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 taking this 7 percent increase and incorporating it  
2 into the billing?

3 A. (Ware) Yes. As indicated, the temporary rates will be  
4 on a service-rendered basis starting at July 1st. So  
5 that a bill issued, and, typically, their bills are  
6 issued the first month -- the first week of each month,  
7 and they're typically looking back at water used, say,  
8 for the four-week period prior to that. So, in this  
9 case, you would do a *pro rata* basis, so that the first,  
10 say, three weeks of the bill would not be at the  
11 temporary rates, it would be at the existing rates.  
12 And, the last week would be at the temporary rates.  
13 So, the bills will be prorated such that only service  
14 rendered, only water used after July 1st will be at the  
15 temporary rates.

16 Q. Is it easy to -- or, how does the Company keep track of  
17 this *pro rata* versus true effective temporary rates  
18 when it's reconciling with permanent rates?

19 A. (Ware) We look at the read dates. So, for instance,  
20 you know, if the read dates went from June 3rd to  
21 July 3rd, we would then take that 30-day period. And,  
22 we would say 27 days we're at the old rate, three days  
23 we're at the new rate. And, again, the new rate, it  
24 would be *pro rata*. We do not know exactly what they

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 use each day. We know what they used over the period  
2 of the month. And, so, we would use a *pro rata*  
3 3/30ths, or 10 percent of the bill would be at the  
4 higher rate, and the remaining 90 percent would be at  
5 the existing rate.

6 Q. Thank you. Ms. Descoteau, I just wanted to ask you a  
7 little bit more about recollection. You said that you  
8 were familiar that temporary rates are reconciled. At  
9 the end of a permanent rate case, can you just explain  
10 what Staff will be reviewing in connection with a  
11 temporary and permanent rate reconciliation?

12 A. (Descoteau) We'll be reviewing the --

13 Q. Well, let me -- let me start this way. Are you -- is  
14 Staff expecting, at the conclusion of the case, to have  
15 the Company file a report on its reconciliation between  
16 temporary and permanent?

17 A. (Descoteau) Yes. The Company does file a report, and  
18 we review that. And, we look to make sure that all the  
19 records are correct. And, then, any difference in the  
20 rates are refunded to or recouped from the customer.

21 Q. Great. Thank you. And, will Staff be filing a  
22 recommendation on that reconciliation at a later date?

23 A. (Descoteau) Yes, it will.

24 Q. Okay. Do you have an opinion as to the just and

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1           reasonableness of the rates that will result from the  
2           7 percent bump in the revenue requirement?

3   A.   (Descoteau) I do believe they're just and reasonable.

4                   MS. BROWN: Thank you. I think Staff  
5   and the Company are complete -- are finished with their  
6   direct.

7                   CHAIRMAN IGNATIUS: Thank you.

8   Ms. Hollenberg, any questions?

9                   MS. HOLLENBERG: Yes. Thank you. Just  
10   a few. Thank you. Good morning. How are you?

11                   WITNESS PATENAUDE: Good morning.

12                                   **CROSS-EXAMINATION**

13   BY MS. HOLLENBERG:

14   Q.   Mr. Ware, you just testified that the rate increase for  
15       -- the temporary rate increase would be uniformly  
16       distributed to the rate classes. Is that the same  
17       thing as saying that there are no changes to the rate  
18       design for purposes of temporary rates?

19   A.   (Ware) That is correct.

20   Q.   Thank you. Mr. Patenaude, you testified about the  
21       developments that have occurred since the acquisition  
22       took place in early 2012. And, recently, in or around  
23       August of 2013, Pennichuck Corp. declared a dividend to  
24       the City of Nashua in the amount of \$500,000. Could

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 you talk to us about that and what the source of the  
2 funds were for that payment please?

3 A. (Patenaude) Yes. That dividend was declared by  
4 Pennichuck Corporation. None of the funds came out of  
5 the regulated utilities relative to that dividend. In  
6 August -- July and August, the Company had sold some  
7 conservation easements to the forestry group, and we  
8 used that cash to pay the dividend to the -- relative  
9 to the eminent domain to the City of Nashua.

10 Q. Okay. And, I'll ask the question, because it may be a  
11 question for you on redirect, but would you agree that  
12 the acquisition approval included the authority to  
13 dividend up \$500,000 per year for purposes of eminent  
14 domain costs?

15 A. (Patenaude) It did. The Settlement Agreement did  
16 provide for that, as long as there was sufficient  
17 income to allow that. And, so, if we had a good year,  
18 we could dividend up to \$500,000 up to Pennichuck  
19 Corporation to pay the eminent domain costs or to  
20 refund the eminent domain costs to the City.

21 Q. Thank you. Mr. Ware, the June -- I believe you said  
22 there was a June 6th billing notice to customers. What  
23 type of form did that take? Was it in an individual  
24 letter to customers or was it a notice included within

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 the bill that you sent to them?

2 A. (Ware) It was a notice included with the bill.

3 Q. Okay. And, does the Company typically work with the  
4 Commission's Consumer Affairs Division for purposes of  
5 wording that type of notice and did you do that in this  
6 case?

7 A. (Ware) Yes. We worked with Ms. Amanda Noonan to  
8 develop the form of the notice, and got her approval of  
9 the form of the notice before we sent it out.

10 Q. Okay. Thank you. Mr. Ware, you talked about, on  
11 direct, the rationale underlying the choice of the 70  
12 percent for purposes of temporary rates. And, I  
13 thought I heard you say something to the effect that it  
14 brings the Company back to where it was when it got  
15 approval in the last rate case, the 2010 rate case. Is  
16 that -- could you explain that to me just one more time  
17 please?

18 A. (Ware) Yes.

19 Q. Thank you.

20 A. (Ware) In the DW 10-090 rate case, the PUC granted a  
21 revenue requirement of \$732,556.

22 Q. Uh-huh.

23 A. (Ware) So, that was the revenue requirement that was  
24 granted. For various reasons, that revenue requirement

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[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 was -- never developed. And, as I indicated, in 2012,  
2 the revenue requirement \$683,969. So, a 7 percent  
3 increase to that brought us back, which is the request  
4 for temporary rates, brought us back to \$731,847, which  
5 is fairly close to the revenue requirement that was  
6 granted as part of DW 10-090.

7 Q. Okay. Thank you. That's very helpful. Thank you.  
8 And, you talked a little bit also about the benefit of  
9 the 70 percent level as enabling the Company to  
10 minimize its borrowings. And, I guess that will be a  
11 topic for discussion in the permanent rate case phase  
12 of the docket. But can you just give us a sense of why  
13 that is, generally speaking, right now?

14 CHAIRMAN IGNATIUS: And, before you  
15 answer that, Ms. Hollenberg, do you mean "7 percent"?

16 MS. HOLLENBERG: Seventy (70) percent.  
17 They're asking for 70 percent of the amount of the  
18 permanent rate increase for purposes of temporary rates.  
19 And, so, one of the reasons that I heard the Company  
20 explain that that was a beneficial level was it would  
21 enable the Company to minimize borrowings. And, I wanted  
22 them to just explain why that was a goal or why that was a  
23 benefit at this point.

24 CHAIRMAN IGNATIUS: All right. And,

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 just so that we're clear in what's going on in the record,  
2 the testimony says -- the Petition says it's "75  
3 percent" --

4 MS. HOLLENBERG: Okay.

5 CHAIRMAN IGNATIUS: -- "of the *pro forma*  
6 test year".

7 MS. HOLLENBERG: Okay.

8 CHAIRMAN IGNATIUS: You're talking about  
9 70 percent of -- I'm not sure if it's the test year or  
10 something else. So, Mr. Ware, as you explain it, if we're  
11 getting it muddled, why don't you make sure we're getting  
12 it all straight.

13 MS. HOLLENBERG: Thank you.

14 WITNESS WARE: Okay. So, we'll start  
15 out, the rate -- the actual rate increase over the  
16 existing revenue requirement, it's a 7 percent increase.  
17 The permanent rate request in terms of dollars was  
18 \$63,909. The temporary rate request, in terms of revenue  
19 requirement, was an additional \$47,876. And, so, I  
20 believe that that is -- that 47,876 is roughly 75 percent  
21 of the 63,909.

22 MS. HOLLENBERG: Okay. Thank you.

23 **BY THE WITNESS:**

24 A. (Ware) Relative to the minimizing of borrowings, that

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 revenue requirement gets us close to the point that  
2 we're covering all of our operating expenses, and not  
3 having to borrow money to cover operating expenses.

4 BY MS. HOLLENBERG:

5 Q. Uh-huh. Okay. Does that -- will that enable the  
6 Company to make investment in capital plant as well?

7 A. (Ware) No.

8 MS. HOLLENBERG: Okay. Okay. Thank  
9 you. If I could just have one moment?

10 CHAIRMAN IGNATIUS: Please.

11 MS. HOLLENBERG: And, thank you for that  
12 clarification.

13 (Short pause).

14 MS. HOLLENBERG: Thank you. No other  
15 questions.

16 CHAIRMAN IGNATIUS: All right. Thank  
17 you. Any questions from the Commissioners? Commissioner  
18 Scott -- Commissioner Harrington.

19 CMSR. HARRINGTON: Yes. Just a couple.  
20 Good morning.

21 BY CMSR. HARRINGTON:

22 Q. Getting back, I think it was Mr. Ware, you were  
23 explaining the billing, and I didn't quite follow the  
24 logic there. It was going to be on service rendered on

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 and after July 1st. So, there's, obviously, if the  
2 temporary rates are to be approved, they're not going  
3 to be approved until probably November 1st. So,  
4 there's going to be a multiple month period there where  
5 you would not have collected that money. Now, how do  
6 you propose going forward to collect that money? Is it  
7 going to be all in the bills that people receive in the  
8 beginning of December or is it going to be spread out  
9 over a period of months? Or, how is that going to  
10 work?

11 A. (Ware) That particular part of the question, the length  
12 of the recoupment, has yet to be discussed. We're  
13 looking at about \$25, we believe, on a typical single  
14 family residential for the recoupment that would occur,  
15 based on from, say, from July 1st to, we'll say -- I  
16 figured it through December 1st, based on, you know,  
17 when we would get the order from this meeting and when  
18 we would get the tariff filed, so that we could go out  
19 and, you know, then do the billing. So, you know, that  
20 is yet to be a resolved issue. Typically, for  
21 something of that size, we have billed it in one period  
22 before, as part of one bill.

23 Q. So, it would be \$25 for July, August, September, and  
24 October, --

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 A. (Ware) Yes.

2 Q. -- and then someone who receives their bill in December  
3 would see their normal bill plus \$100, plus the  
4 7 percent?

5 A. (Ware) No.

6 Q. No?

7 A. (Ware) They would see their normal bill, plus \$25.

8 Q. Okay.

9 A. (Ware) It works out, again, the average residential  
10 home, single family residential home, the 7 percent  
11 increase works out to about \$3, a little over \$3 per  
12 month.

13 Q. So, you would just take the \$3, or whatever it is per  
14 month for the previous, from July 1st until the  
15 effective date, and then add that in on the first  
16 billing period, and that would be around -- so, they  
17 would see 25 percent -- I'm sorry, not "25 percent",  
18 \$25, plus their normal bill, plus 7 percent in  
19 December?

20 A. (Ware) Right. So, that's -- that's correct. So, your  
21 bill in December, their volumetric charge and their  
22 meter charge would be increased by 7 percent, whatever  
23 the impact of that is. And, then, we would go back and  
24 look at, if there was five months' worth of previous

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 charges, previous bills, we would take the meter charge  
2 times 7 percent times 5, and then we would take the  
3 volumetric again times the 7 -- the 7 percent increase.  
4 And, I stand corrected. The increase per month for the  
5 temporary is \$4.02 per month.

6 Q. All right. That's it. I understand. I just wanted to  
7 make sure I understood how it was done. And, just one  
8 question, I'm not sure who to ask this to. In the  
9 prehearing conference, and I know I'm going to get this  
10 pronunciation wrong, but I'll try my best, there was a  
11 Mr. Okrent, or something to that effect, a customer who  
12 was present, I don't see him here today. Has there  
13 been any correspondence or has he expressed any  
14 additional interest in this proceeding? Like I say,  
15 anybody who thinks qualified to answer the question,  
16 please do so.

17 A. (Patenaude) We have received nothing. Again, what  
18 we've tried to do is communicate with the towns  
19 whenever there is an event, whether it's the hearings  
20 or a filing, to let them know what's going on. And, we  
21 also, with each letter, commit to meet with anybody  
22 that wants to meet with us, so that we can explain  
23 what's going on with the rates. But nobody has --

24 CMSR. HARRINGTON: But no one knows if

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 this gentleman is expressing any particular interest.

2 Does that go for the OCA's office as well?

3 MS. HOLLENBERG: I'm sorry. I have not  
4 spoken with any individual customers on this case. I am  
5 aware that there are some customer complaints in the  
6 Commission's docketbook, but we haven't been contacted.

7 BY CMSR. HARRINGTON:

8 Q. And, just one last question. At the prehearing  
9 conference, Staff had, in their closing, I guess, had  
10 stated that this was the "first post-acquisition rate  
11 case". And, I was wondering if there's anything that  
12 you've run into so far that is of particular note that  
13 you should be mentioning to us or is it kind of moving  
14 along the way everyone expected?

15 A. (Descoteau) It's been moving along. And, most of the  
16 things that we were looking at, the special items,  
17 we're looking at in the permanent rate case.

18 CMSR. HARRINGTON: Okay. Thank you.  
19 That's all the questions I had.

20 CHAIRMAN IGNATIUS: Commissioner Scott.

21 CMSR. SCOTT: Good morning. I think I  
22 have a question for each of you. So, that way you'll have  
23 equal opportunity.

24 BY CMSR. SCOTT:

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Q. Very minor. Mr. Ware, I just -- whoops -- draw your  
2 attention to Exhibit 2, the Settlement Agreement,  
3 Attachment A. And, I just want to make sure for the  
4 record we're correct. So, I thought I heard you say  
5 that the amount covered by the temporary increase  
6 should be 47,876, and this shows "878". I just, minor,  
7 I just want to make sure we had the same.

8 A. (Ware) It looks like it is "47,878", and it's hard to  
9 tell even with my glasses on.

10 Q. Thank you. I just wanted to make sure the record is  
11 clear. Either way is fine with me. And, Mr.  
12 Patenaude, you mentioned at the beginning of your  
13 discussion that you had met with Plaistow and the Locke  
14 Lake community. I was just curious if anything came of  
15 that?

16 A. (Patenaude) No. We explained the position and our  
17 investments in each community. And, in the case of  
18 Plaistow, the selectmen were happy that we had  
19 presented, so that the water users in that community  
20 would know what was going on. And, in the case of  
21 Locke Lake, was the same thing. There were a lot of  
22 questions about the rates and how they were impacting.  
23 And, also, we're doing construction in Locke Lake,  
24 which is currently in process. So, there were

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 questions relative to that. So, at the end of the day,  
2 I think the consumers understood why our costs were  
3 going up and what kind of investment we had made in  
4 their communities and will continue to make in their  
5 communities.

6 Q. Great. And, that type of meeting, would you consider  
7 that's the Company's plan, to at least allow  
8 communities, if they want to have you there, that's the  
9 process you'd follow?

10 A. (Patenaude) We've offered that to all the communities,  
11 and we're willing to meet with any community to present  
12 our case, so to speak.

13 Q. Great. Thank you. And, for Ms. Descoteau, if I -- my  
14 notes, from the prehearing conference, which are fairly  
15 sketchy, do mention some talk of an audit being  
16 incorporated. Can you give us an update on that?

17 A. (Descoteau) The audit has not been scheduled yet, I  
18 don't believe. But it will be done for the -- before  
19 the last set of data requests go out. So, we have one  
20 last set of discovery after the rate -- after the  
21 audit. That has not been completed yet.

22 CMSR. SCOTT: Thank you. That's all.

23 CHAIRMAN IGNATIUS: A couple more

24 questions.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 BY CHAIRMAN IGNATIUS:

2 Q. Both Mr. Ware and Ms. Descoteau, you've described the  
3 books and records demonstrating an earnings deficiency.  
4 Is there a -- do you have a calculated non-proformed  
5 earnings level for the Company, based on the books and  
6 records on file?

7 A. (Descoteau) Not with me.

8 Q. Do you have the earnings deficiency?

9 A. (Descoteau) Not with me.

10 Q. Mr. Ware, do you have either of those?

11 A. (Ware) I do not have a non-proformed in front of me.

12 Q. And, maybe I used the wrong phrase. What I'm trying to  
13 get at is, you had testified, in your prefiled  
14 testimony, that taking the test year and not making any  
15 adjustments to it demonstrates a deficiency. So, I'm  
16 just asking for a little more detail on that.

17 A. (Ware) Okay. I believe, if I'm looking at Schedule A,  
18 we're looking at, you know, the test year --

19 Q. Excuse me. Hold on. Schedule A to what?

20 A. (Ware) Schedule A, under Tab 11.

21 Q. All right. Thank you.

22 MR. GETZ: Which I believe is the same  
23 as Schedule A under Tab 5, the temporary rate testimony.

24 CHAIRMAN IGNATIUS: All right.

**BY THE WITNESS:**

1  
2 A. (Ware) And, when you look at that, the test year,  
3 without *pro forma* adjustments, and I do want to be  
4 clear that some of those *pro forma* adjustments evolve  
5 about the City Fixed Bond Revenue Requirement. But, if  
6 I look at the left-hand column, and, actually, I think  
7 this was looking at, you know, the case of, if we were  
8 stand-alone versus if we were owned by the City, there  
9 you see a revenue shortfall or deficiency of 209,000.  
10 So, you know, I don't believe that, obviously, that is  
11 reflective of where we were, if you took the 2012, you  
12 need to proform the City purchase price out and their  
13 revenue requirement out. And, unfortunately, I don't  
14 have that right in front of me. Where you had --  
15 because the *pro formas* that are there include both the  
16 *pro formas* for the city purchase, as well as the *pro*  
17 *formas* relative to the test year. You know, I don't  
18 have that intermediate step where we have -- it would  
19 appear, let's see, if you look at Schedule 1, on the  
20 next page, again, the *pro formas* involve both the *pro*  
21 *formas* for the City Fixed Bond Requirement and the *pro*  
22 *forma* adjustments to the test year. So that we don't  
23 have kind of a stepwise, where you would have just the  
24 *pro forma* of the City bond -- of the City purchase, and

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 then the other *pro formas*.

2 BY CHAIRMAN IGNATIUS:

3 Q. Mr. Ware, the statute requires that we evaluate  
4 temporary rates to determine if the public interest  
5 would be served by allowing temporary rates in order to  
6 give the Company funds "to yield no less than a  
7 reasonable return on the cost of property of the  
8 utility used and useful in the public service less  
9 accrued depreciation". And, that's all supposed to be  
10 based on the books and records on file with the  
11 Commission.

12 A. (Ware) Understood.

13 Q. So, help me understand, what is it in the books and  
14 records for this Company that shows that temporary  
15 rates would be in the public interest to be granted?

16 A. (Ware) Well, I think there's a couple of things. And,  
17 I agree, Commissioner. I apologize for there not being  
18 that intermediate *pro forma*. This is a learning curve  
19 for us, where we have the *pro forma* associated with the  
20 City ownership, as well as the *pro formas* that you  
21 would normally have in your -- you know, yes.  
22 Normally, we would come in and look at the test year  
23 without any *pro formas*. But the process was they made  
24 one set of *pro formas* and blended them all together.

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[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 So, my apologies for that. I think the basis is  
2 two-fold, though, for our request. Is the fact that we  
3 are well below the revenue requirement that was granted  
4 in DW 10-090. And, we're just asking to recover  
5 revenues to bring us back to that DW 10-090, which was  
6 a test year revenue requirement.

7 Q. But didn't you say that the structure, maybe Mr.  
8 Patenaude had said that the structure of the prior  
9 company and the structure of the current company are  
10 different enough that the level of revenue that you  
11 require is significantly lower. The revenue increase  
12 you had said would be a much higher percentage.

13 A. (Patenaude) It is. And, that's due to the fact that,  
14 under the prior ownership, there would have been,  
15 number one, \$1.7 million of additional costs to the  
16 ratepayer. And, two, the rate of return would have  
17 been higher, on a higher base as well, for the return  
18 on assets. It would have been somewhere in the 8.6  
19 range, versus, on the City bond, it's 4.09, and the  
20 rate of return is around 5, I believe. I don't have it  
21 exactly in front of me. But the item here is there's  
22 two -- there are now two components relative to the  
23 rate process. One being the amount to cover the City  
24 bond revenue, to make sure that the City can pay its

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 debt that it borrowed to do the transaction; and, two,  
2 operating costs of company. And, when we look at that,  
3 the *pro forma* test year, when you -- without any  
4 adjustments, the water revenues, with the City bond  
5 requirement, were 683, and we were requesting the 747.

6 Q. Can you -- can anybody give me a number, and I think  
7 it's actually in the testimony, I just -- what is the  
8 current revenue deficiency for the Company?

9 A. (Descoteau) The current revenue deficiency, before the  
10 *pro formas*, is 209,982. But that's without the *pro*  
11 *formas* related to all the City adjustments.

12 Q. And, so, if I read across that Schedule A, --

13 A. (Descoteau) Schedule A.

14 Q. -- after some adjustments, the revenue deficiency --

15 A. (Descoteau) Is 63,909.

16 Q. All right. And, is that a sound number or is that also  
17 requiring further adjustment?

18 A. (Descoteau) No. That's a sound number.

19 Q. So, is it fair to say --

20 A. (Descoteau) That's the permanent. That's more in the  
21 permanent rate case. The temporary rate case is  
22 suggesting 75 percent of that.

23 Q. Seventy-five (75) percent of which number?

24 A. (Descoteau) 63,909.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Q. Which the mathematician to the left of me says it works  
2 out to your 47 plus number.

3 A. (Descoteau) Uh-huh.

4 Q. And, am I right that the exercise of looking at the  
5 prior case numbers, the DW 10-090, is helpful, but a  
6 little bit misplaced, because the structure of the  
7 Company has changed in the meantime, and some of the  
8 cost inputs have changed?

9 A. (Patenaude) Some of the cost inputs have changed. But,  
10 when we -- when we looked at it, similar to another,  
11 the PWW case, had the income been up to the amount  
12 approved in the last rate case, then there would have  
13 been a very *de minimus* increase.

14 Q. Right. But I'm trying to understand the relationship  
15 between numbers that were appropriate for a company  
16 under one organizational structure being applied to a  
17 company under a new organizational structure.

18 A. (Patenaude) Right. And, we had the savings, but there  
19 were also certain costs which offset that, which, in  
20 the preliminary hearing, and Mr. Goodhue is not here  
21 today, indicated that certain insurance costs and other  
22 costs had increased, not as due to the acquisition, but  
23 just in the normal course of business. And, so, those  
24 somewhat offset the \$1.7 million, which we took out of

{DW 13-128} [Hearing on Temporary Rates] {10-22-13}

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 PW.

2 Q. That's a good segue for another question I had. In  
3 Mr. Ware's testimony, you described two major drivers  
4 of the need for additional revenues. One was a  
5 significant increase in property taxes, you said was 24  
6 percent over a number of years. And, the other was a  
7 drop in water consumption, although you've had a very  
8 small drop of customers. So, it wasn't that you were  
9 losing customers, that didn't account for it. Why do  
10 you think there's such a significant drop in water  
11 consumption?

12 A. (Ware) In general, especially in the residential area,  
13 and even in the commercial area as well, generally, or  
14 industrial, people are investing in infrastructure that  
15 results in a reduction in water usage. You know,  
16 today, when your washing machine stops functioning, you  
17 go out and typically buy a high efficiency washing  
18 machine, which changes you from 40 gallons a wash to  
19 11 gallons a wash. Today, when your toilet needs to be  
20 replaced, you could have a toilet that uses as much as  
21 ten gallons, but more than likely five gallons in a  
22 flush, you're going to go out and buy a 1.2 to 1.3  
23 gallon per flush. When you buy a new showerhead, you  
24 know, you're going to go from two to three gallons a

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 minute, dependent upon the vintage of the showerhead,  
2 to something around a gallon per minute.

3 And, so, you know, over time, uniformly,  
4 across all of our utilities in the residential area,  
5 we've seen a fairly significant drop in what I call  
6 "core consumption". We don't look at the summer  
7 months, we look at the winter months, when there's no  
8 outside consumption. And, in the testimony, in all  
9 three of these rate cases, you know, we've seen a  
10 significant drop in our residential consumption.

11 CHAIRMAN IGNATIUS: Thank you. That's  
12 it for questions from us. Is there any redirect, Mr.  
13 Getz?

14 MR. GETZ: If I could have a second with  
15 my witnesses please?

16 CHAIRMAN IGNATIUS: Please.

17 (Atty. Getz conferring with Witness  
18 Patenaude and Witness Ware.)

19 (Atty. Getz now conferring with Atty.  
20 Brown and Dir. Naylor.)

21 (Atty. Getz now conferring with Witness  
22 Patenaude and Witness Ware again.)

23 CHAIRMAN IGNATIUS: Mr. Getz.

24 MR. GETZ: Madam Chair, I apologize for

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 the time taken for that discussion. The Company has no  
2 further questions on redirect, but I believe Staff has  
3 some questions.

4 CHAIRMAN IGNATIUS: All right. Thank  
5 you. Ms. Brown.

6 MS. BROWN: Thank you.

7 **REDIRECT EXAMINATION**

8 BY MS. BROWN:

9 Q. Mr. Ware, and I had asked you earlier, and Commissioner  
10 Harrington had brought this out more fully, too, about  
11 how the reconciliation *pro rata* would occur. And, I'd  
12 just like to draw your attention back to the Settlement  
13 Agreement. The last page of that Agreement shows a  
14 average residential ratepayer bill for a 5/8ths inch  
15 meter. Do you see that sheet?

16 A. (Ware) Yes.

17 Q. Now, customers are billed a flat -- a fixed charge and  
18 a volumetric charge, correct?

19 A. (Ware) Correct.

20 Q. And, in this illustration, the temporary rate increase  
21 of 7 percent has just been -- that has been added to  
22 the existing rate to produce what's identified in the  
23 "7 percent Temporary Increase" column, correct?

24 A. (Ware) Yes.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Q. So, when you talk about a "mini-recoupment" or "*pro*  
2 *rata* recoupment" at this juncture, are those rates  
3 represented in what we're asking in this Settlement  
4 Agreement?

5 A. (Ware) You're looking at Attachment B, Page 1 of 1,  
6 Marcia?

7 Q. Correct.

8 A. (Ware) Okay. So, you know, you're looking at the  
9 monthly rate increasing from 57.19 to 61.21.

10 Q. Correct.

11 A. (Ware) So, a little less than -- that \$4.02 that I had  
12 talked about per month.

13 Q. Uh-huh.

14 A. (Ware) So, that is what we would be looking to recover  
15 based on the number of months that have gone from  
16 July 1st until the present. But the bill in July would  
17 not be the 4.0 -- based on the July billing, would not  
18 be the full 4.02. It's likely to be 10 percent of  
19 that, say, 40 some odd cents, because most of the usage  
20 on the July bill occurred in June. So, we'll have one  
21 month that will be *pro rata*, based on consumption, that  
22 would be the July bill.

23 Q. Is that an express term in the Settlement Agreement?

24 A. (Ware) The --

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Q. The *pro rata*?

2 A. (Ware) Well, it's service rendered. So, when you try  
3 to figure service rendered, you have to figure out how  
4 much consumption happened after July 1st. So, again,  
5 the bills in Pittsfield, I think, you know, that bill  
6 probably went out sometime in, let's say, July 6th,  
7 7th, 8th, I don't have a calendar in front of me, but I  
8 could confirm that. And, so, we would look at the  
9 number of days that were billed, you know, in the days  
10 that were billed prior to that based on the read dates,  
11 and make sure that there is no increase paid for the  
12 consumption that occurred as part of that bill prior to  
13 July 1st. And, since we only read once a month, we  
14 have to somehow determine, you know, what part happened  
15 prior to July 1st and what happened after. We would do  
16 the same thing with the meter charge. If it turned out  
17 that it was, you know, 10 percent of the bill happened  
18 after July 1st, we would take the differential between  
19 the meter charges, and only 10 percent of that lift in  
20 the meter charge would happen in that first, for that  
21 first bill.

22 MS. BROWN: I have no further questions.

23 Thank you.

24 CHAIRMAN IGNATIUS: I'm afraid its

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 stirred the pot a bit more.

2 MS. HOLLENBERG: I was going to say, may  
3 I ask a question?

4 CHAIRMAN IGNATIUS: Yes. Go ahead.

5 MS. HOLLENBERG: Would that be okay?

6 CHAIRMAN IGNATIUS: No. Please.

7 MS. HOLLENBERG: I just have one.

8 **RECROSS-EXAMINATION**

9 BY MS. HOLLENBERG:

10 Q. So, do I understand correctly that you will -- you  
11 intend to recover the temporary rate increase from  
12 July 1 to the effective date of the order for temporary  
13 rates through the 7 percent increase?

14 A. (Ware) As I understand your question, yes.

15 Q. Okay. So, there's no lump charge in December for that  
16 July 1 to the effective date of the permanent -- or,  
17 the effective date of the Commission's order on  
18 temporary rates, there's no "mini-recoupment" on top of  
19 the change in the rates? Do you understand what I  
20 mean?

21 A. (Ware) What you're saying is that -- is that we're  
22 going to wait and recoup at the date of the final  
23 order.

24 Q. I was just wondering, I wanted to make sure that

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 there's no mini-recoupment going on, I guess?

2 A. (Ware) Could you explain "mini-recoupment" to me  
3 please.

4 Q. Yes. As I understand it, at the end of a rate case,  
5 you have a difference between permanent and temporary  
6 rates. After temporary rates are set, if they are set  
7 months after the effective date of the temporary rates,  
8 you have a period of time where you haven't collected  
9 the temporary rates, correct?

10 A. (Ware) Yes.

11 Q. Okay. And, you could, one way of collecting that, that  
12 money you haven't collected, is to, at the time that  
13 temporary rates are made effective, you charge an  
14 increase for temporary rate purposes, and you also  
15 charge a surcharge for that purpose.

16 A. (Ware) Correct.

17 Q. For the purposes of collecting that money you haven't  
18 yet collected. Yes?

19 A. (Ware) Yes.

20 Q. Okay. So, am I understanding correctly that the rate  
21 increase, for purposes of temporary rates, has already  
22 factored in that period of time where you haven't yet  
23 collected temporary rates to the effective date of the  
24 temporary rate order?

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 A. (Ware) So, as I understand, you used the term  
2 "surcharge"?

3 Q. Yes.

4 A. (Ware) Which would be the recovery as if the rates had  
5 been in effect since July 1st. That is our  
6 understanding, is that, in this case, there would be a  
7 surcharge --

8 Q. Okay.

9 A. (Ware) -- to collect, you know, the portion, as if  
10 rates had been in effect -- temporary rates had been in  
11 effect since July 1st, to the date of the order.

12 MS. HOLLENBERG: Okay. Okay. I  
13 think --

14 CHAIRMAN IGNATIUS: And, that's  
15 precisely the concern I had, --

16 MS. HOLLENBERG: Okay.

17 CHAIRMAN IGNATIUS: -- trying to sort  
18 out which we're dealing with here.

19 BY CHAIRMAN IGNATIUS:

20 Q. So, the next question to follow that, is that  
21 surcharge, in most cases, we see that surcharge at the  
22 end of the case. To do all of the calculations that  
23 have happened, the timing, adjusted up and down, to  
24 collect the full amount back to the effective date.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 Are you proposing that normal system or are you  
2 proposing instead to do a surcharge in December or  
3 whenever the -- let's assume that the rates are in  
4 effect -- that the tariff is all approved, and, so, the  
5 new collection begins effective December. Were you to  
6 sort of surcharging it in December, and, then, at the  
7 end of case, we do another reconciliation and possible  
8 additional surcharge?

9 A. (Ware) So, we've done it both ways, Commissioner, as  
10 you've indicated. And, typically, we like to do it so  
11 that there's a stepwise impact. You know, if you wait  
12 and do the surcharge all the way at the end of the  
13 case, then, you know, you basically have a surcharge  
14 that you're figuring, you know, from the date of, you  
15 know, service rendered July 1st to the date of the  
16 temporary order. And, that would be based on, in this  
17 case, the total amount of the request, because you know  
18 what it is at that stage. Then, you have a surcharge  
19 based on the difference between the temporary and the  
20 permanent rate that's granted for the remainder of the  
21 time.

22 Again, you know, we actually got -- had  
23 quite a bit of consternation from customers the last  
24 rate case around, where we followed the process where

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 the surcharge wasn't -- didn't occur until the end of  
2 the rate case. It involved a larger amount that had to  
3 be recouped, as opposed to what we're proposing is is  
4 you're going to have a smaller surcharge, and then  
5 you're not going to be recovering that at the end, as  
6 well as the permanent over what could be a 12 to 14  
7 month period and any difference at that stage between  
8 the temporary and permanent during that initial five to  
9 six month period.

10 Q. All right. So, let's walk through what it might --  
11 might play out to be for customers, assuming that  
12 that's approved. Let's assume you want a July 1  
13 effective date, and assume July is prorated, mostly  
14 new, a little bit old. And, let's assume that the  
15 final tariff is approved and all of the changes you're  
16 authorized to collect as of December 1st.

17 A. (Ware) Okay.

18 Q. So, you will have -- July will be -- you will collect  
19 the number of days under the temporary approved, let's  
20 say 7 percent. August, September, October, November,  
21 you will be collecting the 7 percent. And, all of that  
22 will be collected in December. So, your December bill  
23 would be your new 61.21 for this average customer, plus  
24 about \$20.

[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 A. (Ware) Yes.

2 Q. About \$4.00 per month per customer?

3 A. (Ware) Yes.

4 Q. So, your December bill would be about \$82?

5 A. (Ware) Correct.

6 Q. And, then, in January, you would go back to a \$61  
7 charge?

8 A. (Ware) Yes.

9 Q. And, you're going to find a good way to explain that to  
10 customers, aren't you?

11 A. (Ware) It's the same explanation that you make at the  
12 end of a case, when they have recoupment and you're  
13 trying to -- there's no, unfortunately, easy  
14 explanation. We do a lot with the customers. You  
15 know, we reach out to them, you know, with an  
16 explanation with their first, with the bill. And, we  
17 will, obviously, be prepared to answer questions. But,  
18 no matter when it happens, whether it happens at the  
19 end of the case or in the middle of the case, the  
20 explanation is always challenging.

21 Q. And, if there were a tariff finalized in time for the  
22 November billing, then you would knock down the amount  
23 that's being collected, because you just -- you'd be  
24 going forward, you would have the temporary rate

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[WITNESS PANEL: Patenaude~Ware~Descoteau]

1 increase built in, correct?

2 A. (Ware) Correct.

3 CHAIRMAN IGNATIUS: All right. Anything  
4 else we need to clarify on that? Is everyone good?  
5 Anything else, Mr. Getz?

6 MR. GETZ: Nothing further.

7 CHAIRMAN IGNATIUS: All right.  
8 Ms. Brown, anything else?

9 MS. BROWN: No thank you.

10 CHAIRMAN IGNATIUS: All right.  
11 Ms. Hollenberg, are we good?

12 MS. HOLLENBERG: I have a comment to  
13 make in my closing. But, otherwise, I think I understand.  
14 Thank you so much.

15 CHAIRMAN IGNATIUS: Okay. Thank you.  
16 And, thank you for helping us sort that out. Then, the  
17 witnesses are excused, but stay where you are. We will  
18 just take up any final issues. Is there any objection to  
19 striking the identification and making the two exhibits  
20 full exhibits?

21 MR. GETZ: No objection.

22 MS. HOLLENBERG: No.

23 MS. BROWN: The only caveat I have, with  
24 our earlier discussion with the ease of being able to look

1 at this document, I had an opportunity to go through the  
2 docketbook bullets of the segments, and they don't line up  
3 exactly with the tabs. So, I'd like to talk to the  
4 parties later and submit a sequentially numbered  
5 replacement exhibit -- or, a replacement for Exhibit 1, so  
6 it's not linked to the tab. Because I think if someone  
7 just grabbed an electronic copy, they're not going to have  
8 the physical divider tabs that we have, because I'm not  
9 seeing those in the docketbook the way that it's broken  
10 out.

11 So, Staff doesn't object to the striking  
12 of the marking. But I would like an opportunity to talk  
13 with the parties and clarify that later.

14 CHAIRMAN IGNATIUS: Okay. That would be  
15 helpful. Thank you. Then, I think the only thing left  
16 would be opportunity for closing statements, is that  
17 right?

18 MR. GETZ: I believe so. But, if I  
19 could have a moment before closing statements?

20 CHAIRMAN IGNATIUS: That's fine.

21 (Atty. Getz conferring with Mr.  
22 Patenaude and Mr. Ware.)

23 CHAIRMAN IGNATIUS: Mr. Getz.

24 MR. GETZ: Thank you, madam Chair. If I

1 could go first, in terms of a closing statement, to make a  
2 couple of points?

3 CHAIRMAN IGNATIUS: That's fine with me,  
4 if there's no objection from any of the other  
5 participants.

6 MR. GETZ: I think it may defuse some of  
7 the other anticipated statements.

8 Well, first of all, thank you for  
9 conducting the hearing this morning. And, as a general  
10 matter, I would request that the Settlement Agreement be  
11 adopted as submitted. And, the Company's position that it  
12 is consistent with temporary rates and the standard under  
13 RSA 378:27 that "such temporary rates shall be sufficient  
14 to yield not less than a reasonable return on the cost of  
15 the property of the utility used and useful in the public  
16 service". And, as Mr. Ware referred to, and as Ms.  
17 Descoteau also testified to, it has been established by  
18 Schedule A to Mr. Ware's testimony that there is a revenue  
19 deficiency, and that would yield a overall return -- or,  
20 require an increase of 9.34 percent, and that, in light of  
21 that, the 7 percent request for a temporary rate increase  
22 is reasonable.

23 Would also like to point out that Mr.  
24 Ware offered the comparison to the revenue deficiency and

1 what would have been the comparison to the revenue  
2 requirement out of the previous rate case, offered that as  
3 a, I guess, a check on the reasonableness of the request  
4 here today.

5 But, as the Chair pointed out, there has  
6 been some changes in the rate structure since the 2010  
7 rate case. And, at the same time, as Mr. Patnaude has  
8 testified, and as was testified in the prehearing  
9 conference in this case, there's also been some increased  
10 costs for the Company since that time. But we think the  
11 more appropriate focus is on the revenue deficiency as  
12 submitted with the testimony.

13 The second item I wanted to address is  
14 the interim or "mini-surcharge". I think Ms. Brown makes  
15 the point that this was not addressed expressly in the  
16 Settlement Agreement. And, as Mr. Ware notes, that their  
17 past practice and the Commission's discretion would permit  
18 it to either require -- or, authorize such a surcharge now  
19 or to wait till the end of the proceeding.

20 But, in light of the fact that it wasn't  
21 expressly part of the Settlement Agreement, and was only  
22 discussed really in any detail until the hearing today,  
23 the Company is not going to pursue a request for that  
24 so-called "mini-" or interim surcharge, and would propose

1 that the overall issue of the recoupment refund be handled  
2 as part of the final order on permanent rates.

3 CHAIRMAN IGNATIUS: Thank you.

4 Ms. Hollenberg.

5 MS. HOLLENBERG: Thank you. I have no  
6 objection, on behalf of the OCA, to the terms of  
7 settlement that the Company and the Staff have negotiated  
8 and filed for your approval. And, with the withdrawal of  
9 any consideration of a interim recoupment for purposes of  
10 the temporary rate lag, I have no other comments. Thank  
11 you.

12 CHAIRMAN IGNATIUS: Thank you.

13 Ms. Brown.

14 MS. BROWN: Thank you, Commissioners,  
15 for your time today. Again, Staff respectfully requests  
16 the Commission approve and adopt the Settlement Agreement  
17 discussed today. The 7 percent increase proposed in the  
18 Settlement Agreement, Staff believes that is reasonable.  
19 We have discussed today that it represents a -- or, will  
20 add \$47,878, as shown in the schedules attached to  
21 Mr. Ware's testimony at Tab 5.

22 Staff does not believe an injection of  
23 47,000 or 48,000 is going to cause the Company to  
24 overearn. These rates will be fully reconcilable to

1 customers. So, customers will be protected in the end.  
2 But Staff does not believe, and since it's reviewed this  
3 filing, that the Company will be -- that permanent rates  
4 will be less than temporary rates. Staff believes that  
5 its position is going to be ultimately that a permanent  
6 rate increase higher than this 7 percent will be  
7 warranted.

8 With respect to the July 1st effective  
9 date, you've heard testimony today the customers were  
10 notified in June. So, it's Staff's opinion that the  
11 July 1st effective date is compliant with RSA 378:27 and  
12 RSA 378:28, which both pertain to the temporary and  
13 permanent rates, and case law on those statutes saying you  
14 cannot impose a rate sooner than customers were notified.

15 And, with respect to the ambiguity on  
16 the rate increase, including a mini-recoupment, apologize  
17 for that oversight. We thought the straight 7 percent  
18 increase to the volumetric rate and the fixed rate was  
19 what we had agreed to, and didn't realize the  
20 mini-recoupment was something that the Company thought, I  
21 guess, reasonably, when I look at the ambiguity of service  
22 rendered effective date, that they could impose. But  
23 Staff's position on that would be to wait till the end,  
24 because we usually have discovery on temporary/permanent

1 rate recoupments. Allows the Staff to fully vet that the  
2 numbers and the surcharges proposed are correct. So,  
3 we're happy to hear the Company deferring this  
4 "mini-recoupment", so-called, till the end.

5 With that, thank you for your time  
6 again. And, we respectfully request the Commission  
7 approve the Settlement Agreement as filed.

8 CHAIRMAN IGNATIUS: Thank you. Anything  
9 further?

10 (No verbal response)

11 CHAIRMAN IGNATIUS: Seeing none, we will  
12 take all of this under advisement. And, we understand  
13 that, particularly, with the deferral of any of the  
14 surcharges, that an order sooner than later is to the  
15 Company's benefit. So, we appreciate your time. We know  
16 we ventured off into a few things people may not have been  
17 prepared to do, and I appreciate everyone taking the time  
18 to try to sort it out while we're all here, and not get  
19 into record requests and follow-up information. We're  
20 here and we ought to be able to get it figured out. So,  
21 thank you for that. We'll close this hearing.

22 **(Whereupon the hearing ended at 10:28**  
23 **a.m.)**