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October 11, 2019

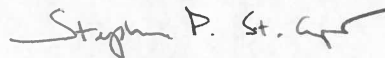
Debra A. Howland  
Executive Director  
Public Utilities Commission  
21 South Fruit Street, Suite 10,  
Concord, N. H. 03301-2429

Re: DW 17-165 Abenaki Water Company's ("Abenaki" or "Company") response to Omni, and the BWPOA and Forest Cottages' September 9 and 11 filings regarding the \$26,369 in contested rate case expenses concerning New England Service Company

Dear Ms. Howland:

In accordance with PUC Order No. 26,295 dated October 1, 2019 Abenaki was ordered to "file a response to Omni, and the BWPOA and Forest Cottages' September 9 and 11 filings regarding the \$26,369 in contested rate case expenses concerning New England Service Company. As such, attached are the original and 6 copies of the Company's response. If you, the Commissioners and/or the PUC Staff have any questions and comments, please contact me at 207-423-0215 or [stephenpstcyr@yahoo.com](mailto:stephenpstcyr@yahoo.com).

Sincerely,



Stephen P. St. Cyr

Cc: Service List

## Stephen P. St. Cyr & Associates

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As indicated in PUC Order No. 26,295, "Abenaki shall file a response to Omni, and the BWPOA and Forest Cottages' September 9 and 11 filings regarding the \$26,369 in contested rate case expenses concerning the New England Service Company, within 14 calendar days of the date of this order."

Omni contends that charges for services provided by Abenaki's affiliate, New England Service Company ("NESC"), are not eligible for recovery as those activities are typically performed by utility management and staff of the utility. Omni further argued that NESC is not a service provider ... because services are already included in Rosebrook's revenue requirement.

Omni's argument should be denied because it overlooks the fact that AWC Rosebrook has no employees and AWC Rosebrook has filed its affiliate agreement at issue with the Commission. As indicated in the acquisition docket, DW 16-448, Exhibit 1, Don Vaughan testified that operation of the Rosebrook system would be done by Abenaki and its affiliates. All day to day services, management, operations and maintenance, general and administrative services including regulatory services, are provided by NESC employees under the affiliate agreement. Under the affiliate agreement in effect for the test year (and which was filed with the Commission in DW 17-165 at Tab 3), NESC employees charge an actual hourly rate plus benefits plus overheads. There is no mark up on these affiliated expenses. The affiliate agreement is on file with the PUC and was reviewed/audited as part of the rate case. The costs related to these services provided as part of the rate case are not in Rosebrook's revenue requirement. The costs were deferred and are subject to a separate review and approval by the PUC.

The BWPOA and Forest Cottage joined Omni's argument that the rate case expenses for NESC should be disallowed for the following reasons: 1) the affiliate already charges Abenaki for many of the items specified in its affiliate agreement; 2) the April 1, 2018 affiliate agreement is flawed, in part because it is not an "arm's length transaction; and 3) questions remain about the lease agreement between the service company and Abenaki. The BWPOA and Forest Cottage also argued that certain individual rate case expenses should be disallowed, including; 1) the hourly rate for the controller, which increased 21 percent from April to May 2019; 2) the hourly rate for the customer service/accounting manager, which increased 17 percent from April to May 2019; and the inclusion of overhead allocation, arguing that overhead is an expense already built into the hourly charges per the affiliate agreement. The BWPOA and Forest Cottages also argued that executive compensation, overall, is not appropriate for recovery as rate case expenses.

The affiliate charges AWC for the services provided, including rate case services, are based on the actual hours incurred in preparing/reviewing the rate filings, attending prehearing conference/technical sessions, responding to numerous data requests from all parties, attending settlement conferences, hearings, etc. AWC disagrees with the claim that the "affiliate agreement is flawed ...." The affiliate agreement documents the scope of services and their costs. As noted above, the affiliate agreement is on file with the PUC and was reviewed / audited as part of the rate case. The affiliate agreement is updated annually based on the most recent actual costs. The update took place on January 1, 2019 based on the most recent actual costs including increases in wages, payroll taxes and overheads. When NESC employees provide services to AWC, NESC charges actual labor costs plus payroll taxes plus overheads, i.e., health insurance, dental insurance, profit sharing, etc. per the affiliate agreement. There is no mark-up on the services provided by NESC to AWC as per the affiliate agreement. On a quarterly basis, NESC updates the actual costs and adjusts the quarterly data to reflect its actual costs. There are no additional "overhead allocations." NESC charges executive compensation to each of its affiliates based on actual hours worked. As such, executive compensation incurred on rate case matters is appropriate.


AWC appreciates the opportunity to respond to Omni and BWPOA and Forrest Cottages' September 9 and 11 filings regarding the \$26,369 in contested rate case expenses concerning the New England Service Company. The NESC charges were prudently incurred based on actual hours incurred in the prosecution of the rate case. It did not previously respond because such charges were scrupulously audited by the PUC Staff and mostly accepted and the Company did not want to prolong the PUC's determination of rate case expenditures. AWC Rosebrook requests the Commission approve the rate case expenses as recommended by Staff.

AWC urges the Commission to act with urgency in finalizing this matter. The impact on AWC's financials, in part to the lengthy timeline to recoup back the difference between temporary and permanent rates, as well as the rate case/ROE expense has been significant. AWC has had to rebalance its balance sheet in order to meet cash flow requirements. The capital intensive nature of owning small water systems, coupled with a lengthy timeline for rate relief, has put AWC in a precarious state.

Finally, when the PUC makes its determination on the "contested charges," please confirm that if such charges are determined to be prudent, then the "contested charges" will be added to the current surcharge and recovered over the remaining recovery period.

If you have any questions or comments, please contact me at 207-423-0215 or [stephenpstcyr@yahoo.com](mailto:stephenpstcyr@yahoo.com).

Sincerely,

  
Stephen P. St. Cyr

Cc: Don Vaughan