

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 14, 2010 - 10:08 a.m.  
Concord, New Hampshire

NHPUC AUG05'10 PM 3:52

RE: DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.:  
Notice of Intent to File Rate  
Schedules. (Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Pittsfield Aqueduct Company, Inc.:  
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. the Town of Pittsfield:  
Laura A. Spector, Esq. (Mitchell Mun. Group)

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Marcia A.B. Thunberg, Esq.  
Mark A. Naylor, Director/Gas & Water Division  
James L. Lenihan, Gas & Water Division  
Douglas W. Brogan, Gas & Water Division  
Jayson P. LaFlamme, Gas & Water Division

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

ORIGINAL

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

I N D E X

PAGE NO.

STATEMENTS OF PRELIMINARY POSITION BY:

Ms. Knowlton	5
Ms. Spector	6
Ms. Hatfield	7
Ms. Thunberg	8

## P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the prehearing conference in Docket DW 10-090. On May 6, 2010, Pittsfield Aqueduct Company filed schedules and materials supporting a proposed permanent rate increase, and it included a Petition for Temporary Rates. Pittsfield Aqueduct Company seeks a permanent increase in gross operating revenues of \$121,328, and it seeks a step adjustment for plant additions beyond 2009 that total \$32,230. The combined increase would be 25.29 percent. We issued an order on June 4th suspending the tariffs and scheduling the prehearing conference for this morning.

I'll note for the record that the Office of Consumer Advocate has filed notice that it will be participating. And, we have a Petition to Intervene from the Town of Pittsfield. And, I also point out that the affidavits of publication have been filed.

So, let's take appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm with the McLane law firm. And, I'm here today on behalf of Pittsfield Aqueduct Company, Inc. With me today from the Company is Bonalyn Hartley and Donald Ware, the Company's

1 two witnesses in this case, as well as Charles Hoepper and  
2 Dawn Deblois.

3 CHAIRMAN GETZ: Good morning.

4 MR. WARE: Good morning.

5 MS. SPECTOR: Good morning,  
6 Commissioners. Laura Spector, from the Mitchell Municipal  
7 Group, on behalf of the Town of Pittsfield.

8 CHAIRMAN GETZ: Good morning.

9 MS. HATFIELD: Good morning,  
10 Commissioners. Meredith Hatfield, for the Office of  
11 Consumer Advocate, on behalf of residential ratepayers,  
12 standing in today for Attorney Hollenberg, and with me is  
13 Ken Traum.

14 CHAIRMAN GETZ: Good morning.

15 MS. THUNBERG: Good morning,  
16 Commissioners. Marcia Thunberg, on behalf of Staff. And,  
17 with me today is Mark Naylor, Jim Lenihan, Doug Brogan,  
18 and Jayson LaFlamme. Thank you.

19 CHAIRMAN GETZ: Good morning. Let's  
20 address the Town of Pittsfield's Petition to Intervene  
21 first. Is there any objection to their intervention?

22 MS. KNOWLTON: There is none.

23 MS. THUNBERG: No.

24 CHAIRMAN GETZ: Okay. Then, recognizing

1 that the Town has demonstrated rights, duties, privileges,  
2 or other interests affected by this proceeding, we'll  
3 grant their intervention.

4 So, then, Ms. Knowlton, opportunity to  
5 give a statement of the Company's position.

6 MS. KNOWLTON: Thank you. The Company  
7 has requested that it be granted an increase of \$121,328  
8 in permanent rates, based on test year ending  
9 December 31st, 2009. This proposed rate increase is  
10 driven largely by increased operating expenses that the  
11 Company incurred in the test year, such as a significant  
12 increase in the cost of liability insurance associated  
13 with its dams, significant increase in property tax, and  
14 other operating expenses, along with a decline in usage,  
15 which is part of a trend that the Company has been  
16 experiencing over the past few years, but it has continued  
17 to trend downward.

18 The Company is also seeking a step  
19 increase that's based on capital improvements that would  
20 be in service by the end of this calendar year. That step  
21 increase would generate an additional \$32,230 in annual  
22 revenue and would represent a 5.31 percent increase.

23 In total, when combining the permanent  
24 and the step increase, the Company is seeking a 25.29

1 percent increase in rates.

2 The Company is also proposing a water  
3 infrastructure adjustment provision, consistent with what  
4 the Commission awarded in DW 08-098 to Aquarion Water  
5 Company. Under this so-called "WICA", it would allow the  
6 Company to provide infrastructure improvements on an  
7 ongoing basis, such as rehabilitation of and replacement  
8 of water mains. What the Company is proposing is that  
9 those -- that WICA would begin in either 2012 or 2013, and  
10 would allow for those ongoing improvements to the  
11 Company's distribution system without having to come in  
12 for a rate case each and every -- each and every time.  
13 And, as I said, the WICA charges was modeled after what  
14 was approved for Aquarion.

15 The Company looks forward to working  
16 with all of the parties and the Staff in this case, and  
17 we'll be participating in an audit. And, we have had some  
18 preliminary discussions about a procedural schedule, which  
19 we look forward to memorializing in the technical session.  
20 Thank you.

21 CHAIRMAN GETZ: Thank you. Ms. Spector.

22 MS. SPECTOR: At this time, the Town of  
23 Pittsfield objects to all of the relief sought by the  
24 Company. We've just been through a rate case. The

1 ratepayers in the Town are somewhat rate increase weary.  
2 We look forward to reviewing all the information provided  
3 by the Company and hopefully reaching a resolution. But,  
4 at the moment, we're opposed to all the relief that's  
5 requested.

6 CHAIRMAN GETZ: Thank you.

7 Ms. Hatfield.

8 MS. HATFIELD: Thank you, Mr. Chairman.  
9 As the PUC knows, PAC was just authorized an increase in  
10 December of 2009 by approximately 58 percent for the  
11 General water service class, which does include  
12 residential customers. In that case, the customer charge  
13 was increased approximately 82 percent, while the  
14 volumetric rate was increased by approximately 48 percent.  
15 The Company's new permanent rate increase proposal amounts  
16 to an overall combined increase of another 25 percent, and  
17 also proposes using a new cost of service study to change  
18 the allocation between the fixed and the volumetric rates  
19 again.

20 At this point in the case, the OCA is  
21 focused on the Company's temporary rate proposal, which is  
22 a 19 percent increase over existing rates. We do not yet  
23 have a position on the amount of the temporary increase  
24 proposed, but we do take the position that any temporary

1 rate increase should not be allocated according to the  
2 Company's new cost of service study that the parties have  
3 not yet had an opportunity to subject to discovery and  
4 analysis. We believe that the time for changing the  
5 design of the Company's rates, if at all, is at the  
6 conclusion of the Commission's investigation and  
7 determination of permanent rates, consistent with several  
8 other recent rate cases that the Commission has  
9 considered. And, we also believe it's a more efficient  
10 use of everyone's resources to focus on rate design in the  
11 permanent phase of the case.

12 Finally, we did want to just notify the  
13 parties and the Commission that the OCA is in the process  
14 of retaining a consultant to assist us in this case. So,  
15 if we are not able to reach an agreement as to rate design  
16 not applying to temporary rates, the OCA might need a  
17 slightly extended schedule, just to allow for us to engage  
18 a consultant and be able to have that person participate  
19 in the temporary rate phase of the case. Thank you.

20 CHAIRMAN GETZ: Thank you.

21 Ms. Thunberg.

22 MS. THUNBERG: Thank you. Pittsfield  
23 Aqueduct Company has filed a motion for waiver of certain  
24 provisions of Rule Puc 1604.01, and that is on file with



1 the Commission, and Staff's concurrence with that motion  
2 is also on file. And, Staff just respectfully requests  
3 the Commission grant that motion.

4 With respect to the rate case content,  
5 Staff will be conducting its usual thorough investigation  
6 of the rate case. It will conduct an audit of the  
7 Company's financial documents. Staff will likely file  
8 testimony, making recommendations on issues such as  
9 revenue requirement, the rate of return, and rate design.  
10 And, as stated by the Company today, Staff and the parties  
11 have already developed proposed procedural schedule, which  
12 they expect to go over at the technical session and then  
13 file with the Commission later today.

14 As stated in the order suspending the  
15 Company's proposed rate schedules, the Company has  
16 submitted a cost of service study, and Staff will be  
17 reviewing this study. In particular, PAC is proposing a  
18 25.29 percent increase in its revenue requirement, and it  
19 is allocating that among its customers as 22 percent to  
20 General Metered, 16 percent to Private Fire, and 35  
21 percent to Public Fire, and Staff will be reviewing the  
22 appropriateness of that allocation.

23 With respect to the temporary rates, in  
24 addition to the issue of whether it's appropriate to

1 allocate according to the cost of service study, as  
2 mentioned by OCA, the other issue is that the temporary  
3 rate level sought is 19 percent. And, Staff notes that  
4 the permanent rate increase sought is 25 percent. So,  
5 Staff will be looking at this approximately 95 percent of  
6 permanent rate temporary rate level, and looking at  
7 whether that level is appropriate and whether temporary  
8 rates are appropriate.

9 With respect to the step increase that  
10 is sought by the Company, Staff will be reviewing the  
11 plant additions to make sure that they are prudent, used  
12 and useful, pursuant to RSA 378, and whether it is  
13 necessary and appropriate to have a step increase in  
14 conjunction with the rate case.

15 Lastly, with respect to the Water  
16 Infrastructure and Conservation Adjustment surcharge,  
17 commonly known as "WICA", proposed by the Company, the  
18 Staff reminds the Commission that, in Docket 08-098,  
19 Aquarion Water Company's rate case, the Commission  
20 approved a pilot program, and that pilot program was  
21 approved in September of 2009. Staff has not yet had a  
22 year of data to review from that pilot. Staff will likely  
23 have that data in time for the proceeding, for this PAC  
24 rate case. But, at this point, Staff has no position on

1 whether that WICA is appropriate for PAC. But Staff will  
2 be using the data from that Aquarion docket in this  
3 docket, just to further embellish whether it is  
4 appropriate for PAC to have a WICA here.

5 With that, thank you.

6 CHAIRMAN GETZ: Thank you. Ms. Spector  
7 or Ms. Hatfield, do either of you have a position on the  
8 Company's request for a waiver of certain of the filing  
9 requirements?

10 MS. HATFIELD: I don't. Thank you.

11 MS. SPECTOR: I have no position.

12 CHAIRMAN GETZ: Okay. Thank you.

13 Ms. Knowlton, anything further?

14 MS. KNOWLTON: I have nothing further.

15 CHAIRMAN GETZ: Okay. Well, I mean, it  
16 does occur to me, I guess, so there's going to be a  
17 technical session to further talk about the procedural  
18 schedule. It sounds like there's a lot of questions about  
19 whether there should be any relief at all; whether there  
20 should be temporary rates and, if so, how high; whether  
21 there should be a step; whether there should be a WICA. I  
22 mean, is it fair for us to expect a joint recommendation  
23 from this technical session that would have a procedural  
24 schedule that would accommodate all of that or what's the

1 --

2 MS. KNOWLTON: I mean, I would like to  
3 believe that there is. We have worked one up.

4 CHAIRMAN GETZ: Okay.

5 MS. KNOWLTON: So, I mean, I think, you  
6 know, I'm still -- I'm open to discussion, you know, and  
7 to address OCA's need to hire a consultant and to  
8 accommodate that within the statutory time frame for a  
9 determination on permanent rates. The case was filed on  
10 May 6th. So, the Company, you know, is going to be  
11 seeking rate relief, you know, within the statutory time  
12 period. But I do, I feel confident that we can come up  
13 with a schedule that will work. I mean, I think,  
14 obviously, the parties and the Staff are going to take  
15 their position on the substantive issues, but that  
16 shouldn't get in the way, from my perspective, of  
17 establishing a schedule for the case.

18 CHAIRMAN GETZ: Does anyone else have  
19 anything they want to say?

20 (No verbal response)

21 CHAIRMAN GETZ: Okay. Hearing nothing,  
22 then we'll close the prehearing conference and await a  
23 recommendation from the parties. Thank you, everyone.  
24 (Whereupon the prehearing conference ended at 10:20 a.m.)