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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 20, 2011 - 10:10 a.m.
Concord, New Hampshire

NHPUC JAN17'12 PM12:24

RE: DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.:
Notice of Intent to File Rate Schedules.

DW 11-269
LAKELAND MANAGEMENT COMPANY, INC.:
*Petition to Authorize Borrowing and
Motion to Consolidate.*

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Lakeland Management Company, Inc.:
David W. Jordan, Esq.

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

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

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I N D E X

PAGE NO.

WITNESS PANEL: **STEPHEN P. ST. CYR**
 JAYSON P. LAFLAMME

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Initial filing by Lakeland Management, including tariff pages, testimonies and attachments (01-19-11)	9
2	Lakeland Management's Responses to Staff's Discovery Requests, Set 1	9
3	Lakeland Management's Responses to Staff Discovery Requests, Set 2	10
4	Settlement Agreement - Permanent Rates, including attachments (12-14-11)	11
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1 Settlement Agreement with Mr. Laflamme today.

2 If I may also read into the record,
3 there was an intervenor, the Laconia Housing Authority,
4 and Staff contacting them this morning inquiring about
5 their involvement in today's hearing. And, just faxed to
6 Staff is a correspondence that I'd like to just read right
7 now. That states: "Please accept this correspondence as
8 a formal withdrawal of Laconia Housing Authority as
9 intervenor in the matters of Lakeland Management Company.
10 Accordingly, neither the Laconia Housing Authority or
11 Alvin E. Nix, Junior, Esquire, will be attending today's
12 hearing at 10:00 a.m. And, we will no longer require any
13 further correspondence or communications from or with the
14 Petitioner or the PUC on these matters."

15 So, I just wanted to get that, read that
16 up front. So, it looks like we have, for this hearing,
17 the entirety of the parties to the docket.

18 CHAIRMAN GETZ: Thank you.

19 MS. THUNBERG: Thank you.

20 CHAIRMAN GETZ: Are we ready to proceed?

21 MS. THUNBERG: Yes. Staff would like to
22 call Mr. Laflamme and Mr. St. Cyr as a panel to present
23 the Settlement Agreement.

24 (Whereupon **Stephen P. St. Cyr** and

1 **Jayson P. Laflamme** were duly sworn by
2 the Court Reporter.)

3 MS. THUNBERG: Thank you, Commissioners.
4 The Staff and the Company were just conferring a moment on
5 how best to work the logistics of getting some of the
6 evidence authenticated. We have the owner of -- the
7 former owner of the Company, deceased, had put testimony
8 in the initial filing. And, so, Attorney Jordan is going
9 to make an offer of proof as to authenticating the
10 testimony and adopting the testimony himself.

11 MR. JORDAN: Good morning,
12 Commissioners. Wade Crawshaw passed away, but, before he
13 did, as President of the Company, commenced this rate
14 increase. And, I prepared the draft of his filed
15 testimony, sent it to him, he examined it, corrected it,
16 sent it back, and submitted it. I have spoken with him
17 during the proceeding. He was with us up until the second
18 round, through the second round of data requests. And,
19 all of the information he gave at that time in response to
20 those data requests was consistent with his testimony. I
21 believe, if he were here today, he would adopt the
22 testimony as his own.

23 CHAIRMAN GETZ: Thank you.

24 **STEPHEN P. ST. CYR, SWORN**

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JAYSON P. LAFLAMME, SWORN

DIRECT EXAMINATION

BY MS. THUNBERG:

Q. Mr. Laflamme, if I could please have you state your name and business address for the -- name and position with the Commission for the record please.

A. (Laflamme) Yes. My name is Jayson Laflamme. I'm a Utility Analyst in the Gas and Water Division of the New Hampshire Public Utilities Commission.

Q. Mr. Laflamme, can you please state your responsibilities with the Commission?

A. (Laflamme) Yes. I review water and sewer dockets that come before the Commission, mainly in the area of the financial aspects of filings that are made. In my review, I prepare -- I prepare discovery. I review the annual reports that are filed by water and sewer utilities, and provide -- provide testimony and recommendations to the Commission relative to the financial aspects of water and sewer dockets.

Q. Thank you, Mr. Laflamme. Mr. St. Cyr, if you could please state your name and business for the record.

A. (St. Cyr) My name is Stephen P. St. Cyr. The name of the business is "St. Cyr & Associates".

Q. And, how are you involved in this docket?

1 A. (St. Cyr) In representing Lakeland Management Company,
2 I was involved in the preparation of the initial
3 filings, specifically the financial schedules that the
4 Company submitted, and the testimony related to that,
5 as well as the rates.

6 MS. THUNBERG: I'd like to approach the
7 witness and have him authenticate some of the exhibits, if
8 I can?

9 BY MS. THUNBERG:

10 Q. Mr. St. Cyr, if you could please identify this
11 document.

12 A. (St. Cyr) This is the Company's initial filing.

13 Q. And, Mr. St. Cyr, are you aware of any changes or
14 corrections that need to be made to that document?

15 A. (St. Cyr) No, I don't.

16 Q. And, in that document, did you file prefiled testimony?

17 A. (St. Cyr) Yes, I did.

18 Q. And, are there any changes or corrections to your
19 testimony that you'd like to make today?

20 A. (St. Cyr) No, there is not.

21 Q. And, if you were asked those same questions, would you
22 adopt the testimony to those questions today?

23 A. (St. Cyr) Yes, I would.

24 Q. Thank you. Mr. Laflamme, you had discussed that you

1 had -- that your responsibility at the Commission is to
2 review financial information. And, could you -- in
3 connection with this docket, did you review the initial
4 filing?

5 A. (Laflamme) Yes, I did.

6 Q. Thank you. Are you familiar with the terms and the
7 content of the initial filing?

8 A. (Laflamme) Yes, I am.

9 Q. Okay. Mr. St. Cyr -- Mr. Laflamme, as part of your
10 review of the docket, did you propound discovery on
11 Lakeland Management?

12 A. (Laflamme) Yes, I did.

13 Q. And, I'd like to have you identify this document for
14 the record.

15 A. (Laflamme) This is the first round of discovery. It
16 was propounded by Staff and responded to by the
17 Company.

18 MS. THUNBERG: And, Commissioners, by
19 agreement, Lakeland and Staff have proposed for
20 identification that the initial filing be marked as
21 "Exhibit 1", and that the discovery, Set 1, be marked as
22 "Exhibit 2".

23 (The documents, as described, were
24 herewith marked as **Exhibit 1** and **Exhibit**

1 A. (Laflamme) Yes, I am.

2 Q. And, do either of you have any changes or corrections
3 that ought to be brought to the Commissioners'
4 attention to this document?

5 A. (St. Cyr) No.

6 A. (Laflamme) No, I don't.

7 MS. THUNBERG: Thank you. Staff would
8 like to have the Settlement Agreement marked for
9 identification as "Exhibit 4".

10 CHAIRMAN GETZ: So marked.

11 (The document, as described, was
12 herewith marked as **Exhibit 4** for
13 identification.)

14 BY MS. THUNBERG:

15 Q. Mr. Laflamme, if I could have you turn to Exhibit 4,
16 the Settlement Agreement. And, specifically, Page 1,
17 the "Terms of [the] Agreement", start with "Revenue
18 Requirement". And, I'd like to have you summarize the
19 components of the revenue requirement.

20 A. (Laflamme) Okay. The terms of the permanent rate
21 revenue requirement for the Water Division are
22 presented on Page 1 of the Settlement Agreement.
23 They're also summarized on Page 10 of the Settlement
24 Agreement, which is identified as "Attachment A,

1 Schedule 1". Specifically, the Company and Staff are
2 proposing a permanent rate revenue requirement of
3 \$127,215. This is based on an average test year rate
4 base of \$273,178. Applied to that is a weighted
5 average rate of return of 9.07 percent.

6 Q. And, Mr. Laflamme, are you reading from Page 10 of the
7 Settlement Agreement document? I'm just trying to get
8 a page on the Attachment A, Schedule 1.

9 A. (Laflamme) Yes.

10 Q. Thank you.

11 A. (Laflamme) It results in an operating income
12 requirement of \$24,774. The Company and Staff have
13 agreed upon operating *pro forma* test year operating
14 expenses of \$97,348. All of which results in a total
15 revenue requirement for the permanent rates of
16 \$127,215, which represents a \$42,570 increase over
17 adjusted test year water sales, or a 50.29 percent
18 increase.

19 Q. Thank you, Mr. Laflamme. Earlier in this proceeding,
20 did -- were you aware of some issues regarding the
21 general ledger of Lakeland Management?

22 A. (Laflamme) Yes.

23 Q. And, what were those issues and how were they resolved?

24 A. (Laflamme) Well, based upon some initial examinations

1 done by the Audit Staff, it appeared that the Company
2 did not have a general ledger, *per se*. So, the docket
3 was temporarily suspended, to allow the Company an
4 opportunity to put together a general ledger so that it
5 could be examined by the Audit Staff of the Commission.

6 Q. Is Staff satisfied that the Company now has an
7 appropriate general ledger for its books and records?

8 A. (Laflamme) Yes, we are.

9 Q. Thank you. You mentioned that there were some pro
10 forma adjustments in the revenue requirement. Are
11 there any that are significant that you wish to make
12 note of?

13 A. (Laflamme) I'd say that there were three categories of
14 revenue -- of adjusting entries that I would say that
15 were significant. First of all, the Company, in its
16 initial filing, had included some plant that was put
17 into service during 2010. The test year actually was
18 2009. So, there were some adjustments to remove the
19 2010 plant from the test year. As will be discussed
20 later on, that 2010 plant will come back into play as a
21 step increase.

22 The second set of adjustments, category
23 of significant adjustments was there were several
24 expenses that were either totally attributed to the

1 Water Division or mostly attributed to the Water
2 Division. Staff and the Company agreed that certain of
3 these expenses should be more evenly split between the
4 Water and the Sewer Division.

5 And, the third adjustment of
6 significance pertains to the Maple Hill Acres complex.
7 That complex came into existence at the end of 2008.
8 During 2009, the test year, that complex was acquiring
9 tenants/inhabitants, and we did not feel -- Staff
10 didn't feel that the revenue and usage numbers for the
11 test year for the Maple Hill's complex gave a accurate
12 representation going forward for usage and revenue.
13 So, Staff proposed and the Company agreed that, for the
14 Maple Hill Acres complex, that we would use the 2010
15 usage and revenue figures for that.

16 Q. Thank you. Mr. Laflamme, did Staff conduct an audit of
17 Lakeland's books and records?

18 A. (Laflamme) For the test year of 2009, they did. Yes.

19 Q. Were there any issues of note that came out of the
20 Audit Report?

21 A. (Laflamme) I believe that, in total, there were 11
22 audit issues, but none of which were of significance.
23 There were some adjustments that were made as a result
24 of the audit, but I would classify those as "minor".

[WITNESS PANEL: St. Cyr|Laflamme]

1 Q. Thank you. I'd like to have you identify for the
2 record this document.

3 A. (Laflamme) This was the Audit Report that was prepared
4 by the Audit Staff of their test year examination.
5 And, it's dated "August 22nd, 2011".

6 Q. And, did you review that? Did you review the Final
7 Audit Report in coming up with a revenue requirement
8 for the Company?

9 A. (Laflamme) Yes, I did.

10 MS. THUNBERG: And, Staff would like to
11 mark for identification the Final Audit Report as "Exhibit
12 5".

13 CHAIRMAN GETZ: So marked.

14 (The document, as described, was
15 herewith marked as **Exhibit 5** for
16 identification.)

17 BY MS. THUNBERG:

18 Q. Mr. St. Cyr, did you participate in any of the
19 responses to the Final Audit Report?

20 A. (St. Cyr) Yes, I did.

21 Q. And, are you familiar with the Final Audit Report
22 document that Mr. Laflamme just identified?

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

24 Q. Mr. Laflamme, on Attachment A, Schedule 1 of Exhibit 4,

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1 on Page 10, there was a notation of plant, I believe.
2 And, I just wanted to ask you, of the plant that Staff
3 included in the revenue requirement, do you have an
4 opinion as to whether it is used and useful?

5 A. (Laflamme) The plant that was -- that was used as the
6 basis for the -- excuse me -- permanent rate revenue
7 requirement, it's Staff's opinion that it is used and
8 useful.

9 MS. THUNBERG: Thank you. Can I have
10 just a moment?

11 (Atty. Thunberg conferring with Atty.
12 Jordan.)

13 MS. THUNBERG: Thank you. Thank you for
14 that moment just to confer on who was going to be
15 continuing with direct of the panel.

16 BY MS. THUNBERG:

17 Q. I have a question, Mr. St. Cyr, for you. Mr. Laflamme
18 had described the revenue requirement and adjustments.
19 Were there any adjustments or any issues that you
20 wanted to bring to the Commissioners' attention?

21 A. (St. Cyr) No. Just to indicate the Company's agreement
22 with respect to the revenue requirement and our
23 agreement with respect to the pro forma adjustments,
24 specifically those related to revenue and expenses and

1 plant in service.

2 Q. Okay. Thank you.

3 A. (St. Cyr) You're welcome.

4 Q. Now, Mr. Laflamme, I'd like to return to you and
5 continue having you summarize the Settlement Agreement.
6 With respect to Lakeland's sewer part of its company,
7 did you come up with a revenue requirement?

8 A. (Laflamme) Yes, we did.

9 Q. And, I'd like to draw your attention to Page 3, and I'd
10 like -- of the Settlement Agreement. And, I'd like to
11 have you just walk through the components of the
12 revenue requirement agreed to.

13 A. (Laflamme) Okay. The Sewer Division's revenue
14 requirement that's expressed on Page 3 of the
15 Settlement Agreement, there's a schedule located on
16 Page 28 of the Settlement Agreement, identified as
17 "Attachment B, Schedule 1", that summarizes the
18 calculation to derive the permanent rate revenue
19 requirement for the Sewer Division. Staff and the
20 Company agreed to a revenue requirement for the Sewer
21 Division of \$80,064. That was based on an average rate
22 base for the test year 2009 of \$70,451, weighted
23 average rate of return of 9.75 percent, deriving an
24 operating income requirement of \$6,869. The Company

1 and Staff agreed to test year pro forma operating
2 expenses totaling \$71,232, all of which were used to
3 derive the revenue requirement of \$80,064, representing
4 a \$7,784 annual increase, or 10.77 percent.

5 Q. Thank you. Mr. Laflamme, with respect to adjustments,
6 pro forma adjustments to the test year, were there any
7 adjustments of note?

8 A. (Laflamme) They were -- the adjustments I would say
9 were similar to the ones that I discussed earlier to
10 the Maple Hill, the revenue of the Maple Hill Acres
11 complex. Making a more accurate split of certain
12 expenses between the Water and Sewer Divisions. And,
13 also, there was some 2010 plant that was proposed by
14 the Company in its initial filing, that was segregated
15 from the test year. And, again, the Settlement
16 Agreement is proposing a step increase to incorporate
17 that 2010 plant.

18 Q. Okay. All right. The same question with the assets
19 for the sewer -- or, the books and records of the
20 sewer, excuse me. Was an audit performed of the Sewer
21 Division?

22 A. (Laflamme) Yes.

23 Q. And, were there any issues that came out of Audit that
24 are of note?

1 A. (Laflamme) Again, the issues that came out, that were
2 indicated in the Audit Report were relatively minor.
3 But there were -- whatever adjustments were proposed in
4 the Audit Report were incorporated in determining the
5 revenue requirement.

6 Q. Thank you. And, with respect to the plant in the Sewer
7 Division, does Staff have an opinion as to whether it
8 is used and useful?

9 A. (Laflamme) Yes. The plant that was in service during
10 the test year, Staff believes that that was used and
11 useful.

12 Q. And, again, that's the 2009 plant, not the 2010 plant?

13 A. (Laflamme) Correct.

14 Q. Okay. And, Mr. St. Cyr, with respect to the revenue
15 requirement for the Sewer Division and any of the pro
16 forma adjustments, do you have anything that you wish
17 to add to Mr. Laflamme's testimony?

18 A. (St. Cyr) Just to indicate the Company's support of the
19 overall revenue requirements and its agreement with the
20 pro forma adjustments.

21 Q. Okay. And, Mr. Laflamme, I'd like to draw your
22 attention to Page 3 and the step adjustments, and just
23 have you explain briefly how the "Step Adjustment"
24 section was necessary, in Staff's view?

1 A. (Laflamme) Okay. There's actually two step adjustments
2 being proposed in the Settlement Agreement; one for the
3 Water Division, one for the Sewer Division. The step
4 adjustment for the Water Division is indicated on
5 Page 2 of the Settlement Agreement. The illustration
6 of how that -- how that step adjustment was derived, I
7 will draw your attention to Page 21, which is
8 "Attachment A Schedule 4".

9 The proposal in the Settlement Agreement
10 is for certain plant additions that were constructed,
11 completed -- construction was completed on these plant
12 additions in 2010. They consist of two tanks and some
13 variable frequency drives. The cost that indicated on
14 Schedule 4 of Attachment A is "\$98,230". There is also
15 a portion of that plant is going to be classified as
16 "contributions in aid of construction". And, that's
17 because these were mainly funded by an SRF loan that
18 was funded by the American Recovery and Reinvestment
19 Act funds, or "ARRA" funds. And, part of the -- part
20 of the terms of that loan is that half of the principal
21 will be forgiven. So, the amount representing the loan
22 forgiveness is being classified as "contributions in
23 aid of construction".

24 So, actually, the net addition to rate

1 base for 2010 is \$56,623. Applied to that is the cost
2 of debt on the ARRA loan, and also a shareholder loan,
3 which supplemented the ARRA loan. And, the weighted
4 average cost of debt was 4.491 percent, to derive an
5 increase in the operating income requirement of \$2,543.

6 There are some additional expenses that
7 are anticipated as a result of the plant additions
8 totaling \$3,633, for a total step -- proposed step
9 increase of \$6,176, or an additional 7.3 percent
10 increase.

11 (Interruption from sound out of
12 speakers.)

13 **CONTINUED BY THE WITNESS:**

14 A. (Laflamme) The second step adjustment for the Sewer
15 Division, which is on Page -- begins on Page 3 of the
16 Settlement Agreement, --

17 BY CMSR. IGNATIUS:

18 Q. Mr. Laflamme, before you go to the next, I got
19 distracted by the pretty noises. What was the total
20 increase before the step for the Water Division -- or,
21 after the step for the Water Division?

22 A. (Laflamme) The total increase, after the step?

23 Q. Yes.

24 A. (Laflamme) The total increase for the Water Division,

[WITNESS PANEL: St. Cyr|Laflamme]

1 including the step, is \$48,746, which is a
2 57.59 percent total increase. And, you can see that on
3 Schedule 5a of Attachment A.

4 CMSR. IGNATIUS: Thank you.

5 **BY THE WITNESS:**

6 A. (Laflamme) For the Sewer Division, the step proposed
7 for the Sewer Division is illustrated on Page 38 of the
8 Settlement Agreement, which is Attachment B, Schedule
9 4. For the Sewer Division, the Company and Staff is
10 agreeing to some work that was done to increase the
11 electrical service that was related to a lift station,
12 a new lift station in the sewer, for the Sewer
13 Division. The cost of those, of that work to increase
14 the electrical service was \$3,855. There is also --
15 the Company purchased a pump and a motor, which isn't
16 in service, but the Company indicated that it was
17 necessary to keep the pump and the motor at the ready.
18 So, it's actually in the Company's inventory, but the
19 total cost of that is \$7,316, for a total addition to
20 rate base of \$11,123. The rate of return being applied
21 to those additions is 9.75 percent, for an increase in
22 the operating income requirement of \$1,084. Tax
23 effected, that's \$1,394.

24 There are also some additional operating

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1 expenses associated with the 2010 sewer plant of \$172,
2 for a total increase of \$1,566, or a 2.17 percent
3 increase.

4 The total increase, including the
5 permanent rate revenue requirement and the step for the
6 sewer is indicated on Page 42, which is Attachment B,
7 Schedule 5a. And, the total proposed revenue
8 requirement for the Sewer Division is \$81,630, or a
9 12.94 percent increase combined.

10 BY MS. THUNBERG:

11 Q. And, Mr. Laflamme, with respect to the plant that you
12 just described for the step, has Staff conducted an
13 audit of that plant?

14 A. (Laflamme) Not as yet. An audit will be -- Staff
15 believes that an audit will be done within the very
16 near future. And, coming out of that audit will be an
17 audit report of the costs associated with both the
18 water and the sewer additions. Should the examination
19 of the 2010 additions result in a significant variance
20 with what is being proposed for the two steps today,
21 Staff will make a report to the Commission regarding
22 those variances and the effect on the proposed rates.

23 Q. Is it fair to say that, as of today, Staff cannot --
24 does not have an opinion that these assets are used and

1 useful, in accordance with RSA 378?

2 A. (Laflamme) Yes.

3 Q. And, does Staff envision, after the audit of these step
4 plant items, does Staff expect to file a recommendation
5 with the Commission?

6 A. (Laflamme) Yes.

7 Q. Thank you. And, Mr. St. Cyr, with respect to the step
8 adjustment, do you have any comments you wish to make?

9 A. (St. Cyr) I have no comment.

10 Q. And, with respect to the audit, do you have a position
11 from the Company on how quickly it can answer any audit
12 requests?

13 A. (St. Cyr) It's the Company's intent to respond quickly
14 to the audit requests and to come to a quick resolution
15 of the audit.

16 Q. Okay. Mr. Laflamme, with respect to an effective date
17 for the proposed rates in the Settlement Agreement, is
18 there -- what is Staff's opinion as to a recommended
19 effective date?

20 A. (Laflamme) The effective date being proposed in the
21 Settlement Agreement, by both the Company and Staff, is
22 an effective date for service rendered on or after
23 October 1st of 2011.

24 Q. And, how was "October 1st, 2011" determined, if you

[WITNESS PANEL: St. Cyr|Laflamme]

1 know? Or, is this a question better for Mr. St. Cyr?

2 A. (Laflamme) That probably would be a question better
3 answered by Mr. St. Cyr.

4 Q. Thank you. Mr. St. Cyr, if I can perhaps lead here.
5 Is the "October 1" in coordination with any billing
6 that needs to happen?

7 A. (St. Cyr) Yes. The Company will do a billing in early
8 January for the fourth quarter of 2011. And, in
9 support of that particular effective date, the
10 particular items that are in service, the 2009 well and
11 the 2010 projects, those are in service, used and
12 useful, and should be reflected in any bill going
13 forward.

14 Q. Okay. So, to the extent that I wasn't able to get an
15 exact date on how quickly the Company is going to turn
16 around its cooperation with Audit Staff on the step
17 audit, I can determine -- I guess, is it fair to say,
18 in order to meet that billing, you need to resolve the
19 step audit first?

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

21 Q. Okay. Thank you. Mr. Laflamme, I'd like to just have
22 you revisit, you've mentioned in your summary that
23 there were ARRA funds that were supplemented with
24 shareholder loans. And, I'd like to just talk about,

{DW 10-306 & DW 11-269} {12-20-11}

[WITNESS PANEL: St. Cyr|Laflamme]

1 have you testify on the loans. And, I believe that's
2 on Page 4 of the Settlement Agreement, "Petition to
3 Borrow".

4 CHAIRMAN GETZ: Before we do that, let
5 me just take care of some housekeeping I neglected at the
6 beginning of the hearing with respect to a summary of the
7 procedural history, to note that, on December 5, 2011,
8 Lakeland Management filed a Petition to Authorize
9 Borrowing, that was docketed as DW 11-269, and, with that,
10 filed an assented to motion to consolidate that petition
11 to borrow with the permanent rate proceeding that we're
12 holding today. And, I note that we grant the Motion to
13 Consolidate.

14 MS. THUNBERG: Thank you, Mr. Chairman.

15 BY MS. THUNBERG:

16 Q. Mr. Laflamme, the question to you pertains to, let me
17 see if I can find the attachments here, to the
18 Settlement Agreement, there's a promissory note that
19 appears on Page 44, it's Attachment C, and there's a
20 promissory note that appears at Page 46. Now, when you
21 were talking about the "shareholder loans", are those
22 the ones that you were referencing?

23 A. (Laflamme) Yes. The notes that's located on Page --
24 beginning on Page 44 for \$47,192 was a loan that was

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1 taken out by the Company in 2009 from C&C Water
2 Services, Inc. And, the purpose of that loan was to
3 complete construction on its Well Number 5. The second
4 loan, in the amount of \$16,727, which is located on
5 Page 46 of the Settlement Agreement, was, I alluded to
6 earlier, was to supplement the funds provided by the
7 ARRA loan, in order to complete the two storage tanks
8 and VFDs that were completed in 2010.

9 Q. And, can you please just reiterate, of these two
10 promissory notes, which ones pertain to the revenue
11 requirement for the test year and which ones pertain to
12 the step for the 2010 plant?

13 A. (Laflamme) The promissory note in the amount of \$47,192
14 pertains to the test year. The note for the amount of
15 \$16,727 pertains to the step increase for the Water
16 Division.

17 Q. Now, did the revenue requirement in the water and the
18 sewer parts of the company include affiliate --
19 expenses for affiliate agreements?

20 A. (Laflamme) Yes, they did.

21 Q. And, I'd like to just draw your attention to Page 48 of
22 the Settlement Agreement, and Page 55. And, are these
23 the agreements?

24 A. (Laflamme) Yes, they are.

1 Q. Mr. Laflamme, I'd like to just back up to the step
2 adjustments that Staff and the Company are proposing in
3 the Agreement. Do you have an opinion as to whether,
4 if the Commission did not grant the step increase,
5 whether that would have a detrimental impact on the
6 Company's finances?

7 A. (Laflamme) It's Staff's opinion that, if the step
8 increases were not approved by the Commission, it would
9 place the Company in a earnings deficiency position.

10 Q. Thank you. Mr. St. Cyr, with respect to the loans, the
11 two promissory notes that are in the Settlement
12 Agreement, can you please just summarize the terms of
13 those two loans?

14 A. (St. Cyr) Yes. And, before I do that, I just want to
15 point out that these are not shareholder loans. These
16 are loans with its affiliate, C&C Water Services. And,
17 the terms of both loans are -- they're five-year terms,
18 20 payments to be made equally per quarter, at a rate
19 of 7 percent per year.

20 Q. And, how did the Company come up with the 7 percent?

21 A. (St. Cyr) This is what the Company believed was the
22 market value of similar loans being issued at the time
23 in which the Company was borrowing those funds from C&C
24 Water.

1 Q. Thank you. Mr. Laflamme, I'd like to draw your
2 attention to Page 5, and just have you discuss the rate
3 design that's proposed. And, I just wanted to have you
4 explain how the revenue requirement is allocated to the
5 customers in the water sector and in the sewer sector?

6 A. (Laflamme) Yes. For the Water Division, there is a
7 Report of Proposed Rate Changes located on Page 25 of
8 the Settlement Agreement. The proposed revenue
9 requirement, after the permanent increase and the step
10 increase, is \$133,391. The proposed allocation
11 indicated on Schedule 5 is that the Commercial A Class
12 and the Commercial B Class would each experience an
13 increase of 57.59 percent. The Residential
14 Multi-Family Class, which is the new Maple Hill Acres
15 complex, would -- their apportionment or their increase
16 would be 92.75 percent. And, the Residential Single
17 Family Class, the increase would be 51.31 percent.

18 Q. And, Mr. Laflamme, these percentage increases include
19 the rate case component and the step component, is that
20 correct?

21 A. (Laflamme) They -- It includes the permanent rate and
22 the step increase, yes.

23 Q. Thank you.

24 A. (Laflamme) And, then, for the Sewer Division, the

1 Report of Proposed Rate Changes is located on Page 41.
2 And, their -- from the revenue requirement, after the
3 permanent rate increase and the step increase, is
4 \$81,630. By class, the proposed increases would be
5 6 percent for Commercial Class A, Commercial Class B,
6 and the Residential Single Family Class. And, the
7 Residential Multi-Family Class, which, again, is the
8 Maple Hill Acres complex, that increase would be
9 63.53 percent.

10 Q. Thank you, Mr. Laflamme. I don't know which of you is
11 better able to answer the question. But, in the
12 testimony of Wade Crawshaw, in the initial filing,
13 there is a discussion of moving Maple Hills, the
14 particular customer, to a different group. And, I just
15 wanted to get in the record an explanation as to the
16 reasons for moving that particular customer group.

17 A. (St. Cyr) I can address that.

18 Q. Thank you.

19 A. (St. Cyr) The reason is -- well, there's a couple of
20 things. First of all, with respect to the rate design
21 as a whole, on the water side, the authorized present
22 revenues included the Maple Hill Acres customers being
23 reflected as a Commercial B customer. And, in our
24 filing, and in the Settlement Agreement, the Company

1 and the Staff agreed that it should have its own class.
2 So, the first thing that's happening is that we're
3 moving Maple Hill Acres from Class B to Residential
4 Family -- Multi-Family.

5 And, then, the second thing that's taken
6 place, particularly on the sewer side, up until this
7 rate proceeding the sewer rate was a percentage of the
8 water rate. And, while there is a relationship between
9 water and sewer company -- or, water and sewer costs,
10 we decided that we would propose a sewer rate based on
11 the cost of providing sewer service, so that its rate
12 was now supported primarily based on the cost to
13 provide sewer service.

14 And, then, the third thing that's going
15 on, and, again, this is specific to the Maple Hill
16 Acres complex, is there's a specific substation -- a
17 lift station that is required in order to deliver that
18 sewer to where we connect to the City of Laconia. So,
19 part of the cost is greater for Maple Hill Acres,
20 because that particular sewer station serves only that
21 particular complex.

22 So, those are the three contributing
23 factors that led to the Company's determination of,
24 one, that there being a second -- a separate class for

1 Maple Hill Acres, and then more of the costs,
2 particularly on the sewer side, to be attributed to
3 that class.

4 Q. And, with the -- for the reasons that you just gave for
5 creating the class, would that have any impact on why,
6 when we're looking on Page 25 and 41 of the Settlement
7 Agreement at the Report of Proposed Rate Changes, would
8 those reasons explain why the Residential Multi-Family
9 percent increase is higher than the other groups?

10 A. (St. Cyr) Yes. It's a function of the base rate being
11 charged to that particular class of customers, and then
12 the costs being greater to serve that class of
13 customers.

14 Q. Okay. Thank you. Mr. Laflamme, do you have an opinion
15 as to the just and reasonableness of the rates that's
16 proposed in the Settlement Agreement?

17 A. (Laflamme) Staff believes that the rates that are being
18 proposed, for both the Water and Sewer Divisions, are
19 just and reasonable.

20 Q. And, is that with the caveat assuming the audit of the
21 2010 plant comes back as expected?

22 A. (Laflamme) Correct.

23 Q. Thank you. Mr. Laflamme, I have a follow-up question
24 on the issue of customer water quality concerns. Were

1 you aware of water quality concerns that were raised
2 early on in this docket?

3 A. (Laflamme) Yes. I believe, during the prehearing
4 conference, a number of customers attended and
5 expressed a number of concerns regarding the quality of
6 service provided by Lakeland Management.

7 Q. Now, did Staff conduct any investigation of those water
8 quality concerns?

9 A. (Laflamme) Yes. There were a significant number of
10 data requests that were in Round 1 of discovery dealing
11 with quality issues. And, there were also a fair
12 number of follow-up questions in the second round of
13 discovery.

14 Q. And, in the investigation, what did Staff learn of the
15 Company's response to the customer complaints?

16 A. (Laflamme) Well, Staff was primarily satisfied with the
17 responses that it received from the Company relative to
18 the concerns that were raised by the customers. If the
19 Commission has any further questions regarding the
20 quality of service, Mr. Brogan, from Staff, is here and
21 is available to answer those questions.

22 Q. Thank you. Are you aware of whether the complaints
23 have continued or have they subsided?

24 A. (Laflamme) It's my observation that the complaints have

1 seemed to subside over the course of the docket.

2 Q. Thank you. Mr. St. Cyr, do you have an opinion as to
3 the just and reasonableness of the proposed rates in
4 the Settlement Agreement?

5 A. (St. Cyr) I believe they are just and reasonable.

6 BY MR. JORDAN:

7 Q. Mr. St. Cyr, please address yourself to the rates for
8 Single Family and Multi-Family in the Settlement
9 Agreement. What is the relationship of the base rate
10 for the Multi-Family Class to the base rate for the
11 Single Family Class, in water?

12 A. (St. Cyr) The base rate for water, for Multi-Family, is
13 a multiple of Single Family.

14 Q. So, there are 32 dwelling units in the Maple Hill Acres
15 apartments?

16 A. (St. Cyr) Yes.

17 Q. And, the base rate for Maple Hill Acres is 32 times the
18 base rate for the customers in Single Family?

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

20 Q. Is the consumption rate in Multi-Family the same as the
21 consumption rate in Single Family?

22 A. (St. Cyr) Yes, it is.

23 Q. On the sewer side, is there any variation from the
24 relationship that you just described for water?

1 A. (St. Cyr) No, there is not.

2 Q. So, the consumption rate is the same?

3 A. (St. Cyr) Yes, it is.

4 Q. And, --

5 CMSR. BELOW: Excuse me. Just to
6 clarify. That's the same per unit, per dwelling unit?

7 MR. JORDAN: Yes. In other words, in
8 the Single Family, there is one customer/one dwelling
9 unit. In the Multi-Family, there is one customer, Maple
10 Hill Acres, and 32 dwelling units. The base rate for
11 water in Maple Hill Acres is 32 times the base rate for
12 water in the Single Family, and the consumption rate is
13 the same.

14 BY MR. JORDAN:

15 Q. In sewer, the consumption rate is the same. The base
16 rate for Single Family is \$60 per quarter, per
17 customer, if you look at Attachment B, Schedule 5a,
18 Page 43? Bottom corner of the page.

19 A. (St. Cyr) Yes, it is. Sixty dollars.

20 Q. And, the base charge for the Maple Hill Acres is \$73,
21 correct?

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

23 Q. And, that represents the greater allocation to Maple
24 Hill Acres of the cost of sewer arising out of the

1 sewer lift station, which is used only for Maple Hill
2 Acres?

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

4 MR. JORDAN: Okay. Thank you.

5 BY MS. THUNBERG:

6 Q. Mr. St. Cyr, I have a follow-up question about the
7 tariff that appears in the initial filing. And, I
8 don't know if you are able to answer. There's a
9 provision in the tariff, on Original Page 2, and it's
10 Paragraph 1(c), entitled "Lien". And, the question is,
11 does the Company plan on continuing with this paragraph
12 or will it be changing this paragraph?

13 MR. JORDAN: I'll answer that.

14 MS. THUNBERG: Okay.

15 MR. JORDAN: It's policy, it's not
16 accounting. The Company believes the lien would be
17 appropriate; Staff does not believe a lien would be
18 appropriate. The Company is going -- in its compliance
19 filing, we'll delete the lien language from the tariff.
20 We'll leave that debate for another day.

21 CHAIRMAN GETZ: Thank you.

22 MS. THUNBERG: Thank you, Mr. Jordan.

23 Staff has no further questions.

24 CHAIRMAN GETZ: Anything further?

1 MR. JORDAN: Nothing, sir.

2 CHAIRMAN GETZ: Okay.

3 MS. THUNBERG: Thank you.

4 CMSR. IGNATIUS: I have some questions.

5 Thank you.

6 BY CMSR. IGNATIUS:

7 Q. I got a little lost on the base rates. So, let's look
8 again at Page 43 of the Settlement Agreement, which is
9 Attachment B, Schedule 5a. Can you, first, either
10 witness, whoever feels better prepared to respond to
11 it, describe the current base rates for water and how
12 they may be changing as a result of the proposed
13 settlement?

14 CMSR. IGNATIUS: I'm sorry. Page 43.
15 And, you're -- as the Chairman noticed, I have a opened a
16 Sewer Division chart, rather than a Water Division chart.
17 So, if there's a better page to look to please tell me.

18 MS. THUNBERG: Water is on Page 26.

19 CMSR. IGNATIUS: Thank you. All right.

20 BY THE WITNESS:

21 A. (St. Cyr) So, we're looking at Page 25, Schedule A --
22 or, Attachment A, Schedule 5. This is for the Water
23 Division. The present authorized revenue, the third
24 column, the present rates would include the Class B

[WITNESS PANEL: St. Cyr|Laflamme]

1 base charge, which I believe was \$278, and it was \$278
2 times four buildings. That's what is reflected in the
3 present authorized rates. The rates that the Company
4 -- the rate design that the Company and the Staff have
5 agreed to eliminate that \$278, which was in Class B,
6 and adds to the Multi-Family 60 -- a multiple of the
7 Residential Single Family times 32. Is that --

8 A. (Laflamme) Yes, 62 times 32.

9 A. (St. Cyr) Sixty-two times thirty-two. So, part of what
10 you're seeing on the water side that results in the
11 percent increase is a greater portion of the base
12 charge being charged to that group of customers.

13 BY CMSR. IGNATIUS:

14 Q. Let me ask the question differently. My focus right
15 now in these questions is from the perspective of a
16 customer and the various classes of customers. What
17 did they see before and what will they see after, as a
18 base charge? And, I realize that there's a change in
19 how some of it is being calculated, and some of it, I
20 take it, is not changing. So, just from the point of
21 view of the customer, not overall increases in revenue,
22 what does it look like?

23 A. (St. Cyr) On the Water Division, overall, all customers
24 are seeing an increase in rates due to the addition of

{DW 10-306 & DW 11-269} {12-20-11}

1 the 2009 well, the 2010 storage tanks. That's
2 affecting all customers. And, in addition to that, the
3 Residential Multi-Family customers are seeing a shift
4 of a greater portion of the base rate being charged to
5 them as well.

6 Q. Okay. So, just from the -- thinking of a customer who
7 looked at their bill last quarter, and looking at their
8 bill the first time these rates might be billed for, if
9 it's approved as proposed, how do those two things
10 compare? Is the base rate the same or different for a
11 water customer in Commercial Class A? And, go through
12 each of those four categories.

13 A. (Laflamme) I'll take a stab.

14 Q. And, if I'm asking a question that makes no sense,
15 please tell me.

16 A. (Laflamme) Okay.

17 Q. I just find that I'm lost in the customer's point of
18 view in this entire document.

19 A. (Laflamme) Yes. I'll take a stab. And, if I get into
20 trouble, I'll ask Mr. St. Cyr to help me out. For the
21 Commercial, okay, we're talking about water, and I'm
22 starting on Page 26 of the Settlement Agreement.
23 Starting at the Commercial Class A, the present -- the
24 present base charge for Commercial Class A customers is

1 \$833. That base charge has been increased by the
2 overall percentage increase of the revenue requirement
3 of 57.59 percent. And, now, rounded, the base charge
4 for Commercial Class A is \$1,313. The same -- the same
5 applies to Commercial Class B. The present charge is
6 \$278. And, that percentage, 57.59 percent, is being
7 applied to that charge. And, now, those customers are
8 going to see a base charge of \$438 per quarter.

9 Now, relative to the consumption
10 charges, those were determined based on the allocation
11 of revenues during the test year, for the Commercial
12 Class A customers during the test year. And, you'll
13 see that calculation, after the determination of the
14 57.59 percent increase, you'll see a calculation below
15 that, which shows the allocation of revenues between
16 each of the customer classes.

17 For the Commercial Class A customers,
18 because the total revenues accounted for 8, because the
19 revenues for Commercial Class A accounted for 8 percent
20 of the total revenues, that 8 percent of the proposed
21 revenues is being -- 8 percent of the proposed revenues
22 is being allocated to the Commercial Class A customers.
23 And, that's why we have the total revenue requirement
24 times 8 percent is \$10,672. And, then, subtracted from

1 that is the annual base charge of \$5,252, leaving
2 revenue to be derived from the consumption charge of
3 \$5,420. That's divided by the consumption -- the
4 Commercial Class A consumption during the test year of
5 358.9 hundred cubic feet, and that's to derive the
6 \$15.1015 consumption charge for Commercial Class A.

7 A similar calculation for Commercial
8 Class B. During the test year, 12.42 percent of total
9 revenues were derived from Commercial Class B. So,
10 therefore, the total revenues for Commercial Class B
11 are \$16,564. And, then, we subtract the base charge,
12 the annual base charge of \$7,008, to derive \$9,556 to
13 be derived from the consumption charge. And, the
14 consumption for Commercial Class B is 1,399.52
15 hundred cubic feet. And, applying that, we get a
16 consumption charge of \$6.8282.

17 Q. All right. That's very helpful. And, for the
18 residential classes?

19 A. (Laflamme) Okay. Let's see. The residential classes,
20 let me go to -- okay. The Residential Multi-Family, as
21 indicated previously, that is the Maple Hill Acres
22 complex. And, the per unit -- the per unit charge for
23 Maple Hill Acres is the same as the per unit Single
24 Family charge. And, so, we're taking the \$62 present

1 rates for the base charge, applying the percentage
2 increase for the water revenue requirement as a whole,
3 to derive a \$98 per unit base charge. And, all that's
4 being done there is multiplying that \$98 base charge by
5 the 32 units in the Maple Hills complex, to derive the
6 \$3,136 quarterly base charge for Maple Hill Acres.

7 And, the same with Residential Single
8 Family. We're taking the \$62 per unit base charge,
9 applying the 57.59 percent revenue increase, and we get
10 the \$98 proposed base charge. And, in the Residential
11 Single Family, there's 150 units, individual units.
12 For Maple Hill Acres, there's one bill that's applied
13 to the Maple Hill Acres.

14 And, then, just to complete the
15 discussion, for the -- to derive the consumption
16 charge, we took the proposed revenue requirement of
17 133,391, subtracted the Commercial charges -- the
18 combined Commercial charges, and then subtracted the
19 base charges for the Multi- and Single Family to derive
20 the revenue to be -- the revenue from the consumption
21 charge, for both Residential Multi-Family and
22 Residential Single Family, and, then, to that applied
23 the combined Residential Multi-Family/Residential
24 Single Family consumption during the test year of

1 6,584.65 hundred cubic feet to derive the \$5.2867
2 consumption charge.

3 Q. Thank you. Let's stick with water, and not go into
4 sewer quite yet. This is very helpful. Are there
5 currently customers in the Maple Hill complex?

6 A. (St. Cyr) Yes.

7 MR. JORDAN: There is one customer in
8 the Maple Hill complex.

9 CMSR. IGNATIUS: All right. Let me
10 rephrase it.

11 MR. JORDAN: And, that is Maple Hill
12 Acres.

13 CMSR. IGNATIUS: Thank you.

14 MR. JORDAN: And, there are 32 dwelling
15 units in the Maple Hill complex.

16 CMSR. IGNATIUS: Let me rephrase it. I
17 understand there's one customer, with 32 families living
18 in those units.

19 BY CMSR. IGNATIUS:

20 Q. So, for those 32 units, they will see a doubling of
21 their water rate, between base and consumption, from
22 the prior to the current way it's being done, roughly,
23 not exactly 100, but it's -- what is it, a 98 percent
24 increase or something?

[WITNESS PANEL: St. Cyr|Laflamme]

1 MR. JORDAN: The dwelling units don't
2 pay the water bill.

3 CMSR. IGNATIUS: I'm sorry, Mr. Jordan.
4 I thought we'd let the witness try it first, and, if
5 there's a problem, we'll see if we need your legal
6 assistance.

7 **BY THE WITNESS:**

8 A. (St. Cyr) The Maple Hill Acres customers would see a
9 92.75 percent increase over the current rate that
10 they're paying.

11 BY CMSR. IGNATIUS:

12 Q. And, that's the -- is that the owner of the entire
13 property would see that increase?

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

15 Q. And, are those bills apportioned evenly or do you know
16 how they're apportioned?

17 A. (St. Cyr) We're not sure what the owner does with those
18 bills.

19 Q. For the customers, residential customers who had been
20 seeing a \$62 per quarter base rate, they now will be
21 seeing a \$98 per quarter base rate, Single Family
22 Residential customers, correct?

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

24 Q. Do you have any seasonal customers? Do you know if

{DW 10-306 & DW 11-269} {12-20-11}

1 there are any seasonal customers in the area?

2 A. (St. Cyr) There may be some. I think that they're
3 predominantly year-round residents.

4 Q. If someone were gone for a quarter, would they still be
5 assessed the full \$98 base charge?

6 A. (St. Cyr) Yes, they would.

7 Q. And, Mr. Laflamme, you had said that, when you
8 evaluated the Company's revenues and expenses, it was
9 your estimation and the Staff's overall that the
10 allocation of costs was not appropriate to fully
11 reflect the expenses that were being undergone, and
12 sought to do some -- a change to the rate design, is
13 that correct?

14 A. (Laflamme) In certain cases. For instance, there was
15 charges for electricity usage that was -- that was all
16 being placed on the Water Division. We felt that it
17 was appropriate that, because of the equipment that's
18 in place for the Sewer Division, that a portion of
19 that, of the total electricity charge, should be
20 apportioned to the Sewer Division. And, in that
21 particular case, we came up with an allocation of
22 80 percent on the Water Division, 20 percent for the
23 Sewer Division. There were also some management
24 charges, some management fees, that were being placed

1 on the water, totally on the Water Division, as I
2 recall. And, we split those 50/50; 50 percent to
3 water, 50 percent to sewer. The property taxes, we
4 allocated based upon estimation of taxable -- taxable
5 plant. And, the same for insurance as well. So, in
6 order to have a more accurate allocation between the
7 Water Division and the Sewer Division costs.

8 Q. How about the split between the base rates and the
9 consumption rates, was there a concern on your part
10 that the base rate needed to be increased to this
11 degree? Is there some principle of ratemaking that you
12 were following? Or, is it sort of within the
13 creativity of people looking to rate design on whether
14 to put a greater proportion of the increase on the
15 consumption charge, rather than on the base rate?

16 A. (Laflamme) I think, from Staff's point of view, we
17 looked at the nature of the customer. And, by and
18 large, the customers, especially for the Residential
19 Singly Family customers, they seem to be apartment
20 dwellers, that they weren't -- they didn't appear to be
21 individuals that would be watering lawns or filling
22 individual swimming pools. So, I think our concern,
23 given the makeup of the customer, customers for
24 Lakeland, I think our concerns for the split between

1 base and consumption rate was mitigated, based upon
2 what our -- what we believe to be the makeup of the
3 customers for Lakeland.

4 CMSR. IGNATIUS: I have no other
5 questions. Thank you.

6 BY CHAIRMAN GETZ:

7 Q. I have a couple questions I just want to, you know,
8 looking through the comments that were filed in this
9 case, just to see if I understand. Maybe this follows
10 a little bit on what you're saying, Mr. Laflamme, about
11 the composition of the residential customers. So,
12 Maple Hill Acres, that now would be Class MRM, and it
13 was one customer, but there's 32 units. So, what's the
14 -- for either of the witnesses, is there going to be
15 one bill to Maple Hill Acres, like it's been
16 historically? Are there going to be separate bills to
17 each of the 32 customers now? How is that going to
18 work?

19 A. (St. Cyr) No. There is one bill presently, and there
20 would continue to be one bill.

21 Q. Okay. And, then, that bill would be passed on by
22 whoever owns Maple Hill Acres to each of the customers?

23 A. (St. Cyr) Yes. The bill is sent to the corporation
24 that owns the complex, and the Company receives payment

1 from that corporation. What the corporation does and
2 how it passes it onto the individual tenants, the
3 Company has no role in that, and no understanding of
4 really what they do in that respect.

5 Q. And, there's no relationship, corporate relationship of
6 any sort between Lakeland and Maple Hill Acres?

7 A. (St. Cyr) No, there is not.

8 Q. Okay. And, then, with the other, and I'm kind of going
9 off of Attachment A, Schedule a [5a?]. And, then,
10 looking at the "Residential Single Family (MRS)", "150"
11 customers. And, looking at the comments, I see at
12 least three other kind of characterizations, it appears
13 to be, who are part of that 150 customers. There's
14 Briarcrest Estates, which is single family homes,
15 condos?

16 A. (St. Cyr) I'm not really sure. You'd have to ask --

17 CHAIRMAN GETZ: Well, Mr. Jordan or --

18 MS. CRAWSHAW: Briarcrest, single family
19 homes.

20 CHAIRMAN GETZ: And, then, there is the
21 Granite Ridge Condo Association?

22 MS. CRAWSHAW: Primarily duplexes.

23 CHAIRMAN GETZ: And, then, there's
24 something called "Orchard Hill"?

1 MS. CRAWSHAW: The Orchard at Plummer
2 Hill has various buildings. There are two buildings that
3 have eight units in them. And, there are other buildings
4 that have four units. But I bill collectively just the
5 management company of the Orchard at Plummer Hill, and I
6 receive payment from the management company.

7 MS. THUNBERG: Can I have, for a record
8 clarification, just have Theresa put your name and
9 affiliation on the record, so the stenographer knows who
10 those comments are attributed to. Thank you.

11 MS. CRAWSHAW: My name is Theresa
12 Crawshaw. And, I am the owner of Lakeland Management
13 Company.

14 CHAIRMAN GETZ: Yes. Can we go back to,
15 I'm sorry, the Orchard Hill condo condominiums, that's --

16 MS. CRAWSHAW: The Orchard at Plummer
17 Hill, they are condominiums.

18 CHAIRMAN GETZ: And, so, I notice that
19 one comment in here that apparently Orchard Hill
20 condominiums, through something called "Harvard
21 Management", I guess gets a bill, that it then passes on
22 to the condo owners, is that your understanding?

23 MS. CRAWSHAW: The condo owners have an
24 association, and that association hires Harvard Management

[WITNESS PANEL: St. Cyr|Laflamme]

1 to take care of managing that area. And, my bill goes
2 just to Harvard Management.

3 CHAIRMAN GETZ: And, so, that would be a
4 bill to one customer?

5 MR. JORDAN: Harvard, as I understand
6 it, Harvard Management, acting for the home owners
7 association, handles the bill. And, the homeowners
8 association pay for the water in their homeowners -- their
9 condominium fees.

10 CHAIRMAN GETZ: Yes, I'm just trying to
11 get a feel for, in the 150 customers, whether they
12 represent one customer out of 150 or --

13 MR. JORDAN: Each condominium owner is a
14 customer.

15 CHAIRMAN GETZ: And, there's no
16 relationship between Lakeland Management and Harvard
17 Management?

18 MR. JORDAN: Correct.

19 MS. CRAWSHAW: And, then, there's
20 Orchard Hill 2.

21 CHAIRMAN GETZ: Okay. That's all the
22 questions I have. Anything further for the witnesses?

23 MR. JORDAN: Commissioners, we might --
24 this rate collection is a product of the last rate case,

{DW 10-306 & DW 11-269} {12-20-11}

1 91-006, Lakeland Management, where the Commissioners found
2 it would be just and reasonable to send the bills as they
3 are doing, and just continue the way it's always been.

4 CHAIRMAN GETZ: Thank you.

5 Ms. Thunberg.

6 MS. THUNBERG: Yes. Staff has a little
7 bit of direct.

8 **REDIRECT EXAMINATION**

9 BY MS. THUNBERG:

10 Q. And, Mr. Laflamme, you were asked about customer rates.
11 And, are any of these customer rates based on a cost of
12 service study?

13 A. (Laflamme) I am not aware that they are based on a cost
14 service study, no.

15 Q. And, did Staff require the Company to perform a cost of
16 service study?

17 A. (Laflamme) No, it didn't.

18 Q. And, what is Staff's recommendation going forward,
19 whether the Company should or should not perform a cost
20 of service study? What are Staff's considerations on
21 that issue?

22 A. (Laflamme) The main consideration would be the cost of
23 a cost of service study, which would be -- that would
24 be placed -- that would be funneled through to the

[WITNESS PANEL: St. Cyr|Laflamme]

1 customers as part of the rate case expenses. And, I
2 think Staff would hesitate to suggest that a cost of
3 service study be performed, because of the prohibitive
4 cost of performing such a study, that would be borne by
5 the -- ultimately borne by the customers.

6 MS. THUNBERG: Okay. Thank you.

7 MR. JORDAN: Nothing further.

8 MS. THUNBERG: I think we're done our
9 questioning. Thank you very much.

10 CHAIRMAN GETZ: Okay. Then, the
11 witnesses are excused. Thank you, gentlemen. Is there
12 any objection to striking the identifications and
13 admitting the exhibits into evidence?

14 MS. THUNBERG: None.

15 MR. JORDAN: None.

16 CHAIRMAN GETZ: Then, they are admitted
17 into evidence. Anything before opportunity for closings?

18 MS. THUNBERG: No.

19 MR. JORDAN: No.

20 CHAIRMAN GETZ: Then, opportunity for
21 closings. Ms. Thunberg.

22 MS. THUNBERG: Thank you, Commissioners,
23 for your attention to our proposed Settlement Agreement
24 and proposed rates. And, just wanted to clarify that we

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1 have the two elements of the proposed rates, we have the
2 revenue requirement associated with the rate case and
3 those customer rates that we're proposing. Staff is
4 asking that the Commission hold off on its order till we
5 can get the step audited, so that there's only one issued
6 -- one order that's issued approving rates. We would hate
7 to have an order go forward out of the proposal, and then
8 find that there might have been something that came up
9 adverse in the audit. Staff does not expect the audit for
10 the 2010 plant to come up with -- to produce any problems,
11 but we would just ask that the order be delayed until we
12 file the recommendations on that final component of the
13 audit.

14 Mr. Jordan had referenced the last rate
15 case back in 1991, when Lakeland Management was owned by
16 Mr. James Moody. And, in that order, the Commission
17 addressed the unique circumstance of having -- the Orchard
18 at Plummer Hill having an apartment complex that there
19 were no individual shut-off valves. So, the Commission
20 agreed that it was appropriate to just bill the management
21 company, and not the individual customers, because of the
22 logistics of there not being any shut-offs, no access.
23 So, I just wanted to bring that prior order to the
24 Commission's attention, because it set in motion -- it set

1 up how Lakeland is continuing to deal with that particular
2 customer group as one customer.

3 Staff has nothing further in closing on
4 the Settlement Agreement. Other than, we respectfully
5 request that you approve the Agreement, and thank you for
6 your time.

7 CHAIRMAN GETZ: Thank you. Mr. Jordan.

8 MR. JORDAN: She said it all. Thank you
9 very much.

10 CHAIRMAN GETZ: Thank you. Then, with
11 that, we'll close the hearing and take the matter under
12 advisement. Thank you, everyone.

13 MS. THUNBERG: Thank you.

14 **(Whereupon the hearing ended at 11:36**
15 **a.m.)**