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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 23, 2013 - 10:08 a.m.
Concord, New Hampshire

NHPUC NOV06'13 AM 9:51

RE: DW 13-126
PENNICHUCK EAST UTILITY, INC.:
Notice of Intent to File Rate Schedules.
(Hearing regarding Temporary Rates)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Pennichuck East Utility, Inc.:
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, Director/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

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JAYSON P. LAFLAMME

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Pennichuck East Utility rate filing, including testimony, schedules, Petitions for Temporary and Permanent Rates, tariff pages, etc. (05-31-13)	6
2	Settlement Agreement regarding Temporary Rates (10-09-13)	6

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DW 13-126. This is the case of
4 Pennichuck East Utility's request for permanent rates.
5 And, what we have before us today is the issue of
6 temporary rates.

7 So, let's begin first with appearances.

8 MR. GETZ: Good morning, Chairman
9 Ignatius, Commissioner Scott. I'm Tom Getz, from the law
10 firm of Devine, Millimet & Branch, on behalf of Pennichuck
11 East Utility, Inc. And, also here today are the Chief
12 Executive Officer of Pennichuck Corporation, John
13 Patenaude, and also Donald Ware, who's the Chief Operating
14 Officer.

15 CHAIRMAN IGNATIUS: Good morning.
16 Welcome.

17 MS. HOLLENBERG: Good morning. Rorie
18 Hollenberg and Jim Brennan here for the Office of Consumer
19 Advocate.

20 CHAIRMAN IGNATIUS: Good morning.

21 MS. BROWN: Good morning, Commissioners.
22 Marcia Brown, on behalf of Staff. And, with me today is
23 Mark Naylor, Attorney Mike Sheehan, and Robyn Descoteau.
24 I also have Jayson Laflamme already at the witness box.

[WITNESS PANEL: Ware~Laflamme]

1 As evidenced by Mr. Ware and Mr. Laflamme being in the
2 witness box, we intend to present a panel in support of
3 today's Stipulation Agreement. And, may I segue into
4 identification of exhibits that parties have agreed to?

5 Exhibit 1 we intend to mark the initial
6 rate filing. We have sequentially numbered the initial
7 filing. So, it will be marked as a separate exhibit,
8 rather than be transferred over in the Commission's
9 docketbook from Tab 5. It just has the Bates stamps on
10 it, but it is identical.

11 CHAIRMAN IGNATIUS: Great.

12 MS. BROWN: Just by way of
13 clarification, there was supplemental testimony at Tab 16
14 of John Boisvert. That is not included in the initial
15 filing. We just wanted to preserve the initial filing as
16 "Exhibit 1". And, since the supplemental testimony
17 pertains to the permanent rate issue, we felt it was
18 appropriate to mark it at the permanent rate phase, rather
19 than the temporary rate phase. And, as "Exhibit 2", we
20 propose the Settlement Agreement, which you should have
21 before you, which is identical to what is at Tab 19, filed
22 on October 9th, 2013. Thank you.

23 CHAIRMAN IGNATIUS: Thank you. We'll
24 mark both of those for identification; Exhibit 1 being the

[WITNESS PANEL: Ware~Laflamme]

1 full rate case filing and Exhibit 2 being the Settlement
2 Agreement proposed for temporary rates.

3 (The documents, as described, were
4 herewith marked as **Exhibit 1** and
5 **Exhibit 2**, respectively, for
6 identification.)

7 CHAIRMAN IGNATIUS: Anything else before
8 we swear the witnesses?

9 (No verbal response)

10 CHAIRMAN IGNATIUS: Seeing nothing,
11 then, Mr. Patnaude.

12 (Whereupon **Donald L. Ware** and
13 **Jayson P. Laflamme** were duly sworn by
14 the Court Reporter.)

15 **DONALD L. WARE, SWORN**

16 **JAYSON P. LAFLAMME, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. GETZ:

19 Q. Good morning, Mr. Ware. Would you please state your
20 name, employer, and business address for the record.

21 A. (Ware) Yes. My name is Donald Ware. I'm employed by
22 Pennichuck Corporation. And, the business address is
23 25 Manchester Street, in Merrimack, New Hampshire.

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

1 are your job responsibilities?

2 A. (Ware) I am the Chief Operating Officer of Pennichuck
3 Corporation, and Pennichuck East Utility as well. And,
4 I'm responsible for the day-to-day operations and the
5 oversight of the Water Supply, Engineering,
6 Distribution, Meter, and Customer Service Departments.

7 Q. Okay. Turning your attention to the rate case filing
8 that's been marked for identification as "Exhibit 1",
9 at Tab 5, or Bates stamp Page 15, is the "Direct
10 Prefiled Testimony of Donald L. Ware in Support of
11 Temporary Rates". Was this testimony prepared by you
12 or under your supervision?

13 A. (Ware) Yes, it was.

14 Q. Do you have any changes or corrections?

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

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

18 A. (Ware) Yes, they would be.

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

21 A. (Ware) Yes, it is.

22 Q. Would you please give a brief overview of the request
23 for permanent rates and also the request for temporary
24 rates.

[WITNESS PANEL: Ware~Laflamme]

1 A. (Ware) Yes. In this case, Pennichuck East has
2 requested a permanent rate increase of 9.97 percent, or
3 \$591,485. Additionally, a step increase of
4 2.25 percent, with an additional revenue of \$133,431.
5 So, the permanent and step request together is a total
6 request of 12.21 percent, or \$724,916.

7 And, relative to the temporary rate
8 request, the Company has requested a 7 percent
9 temporary rate increase, or a total of \$415,437.

10 Q. Now, also I have a question with respect to the mailing
11 of customer notices. Could you please tell the
12 Commission the steps that the Company took with respect
13 to those notices.

14 A. (Ware) Yes. First of all, we prepared the notices in
15 concert with the Consumer Affairs Division of the
16 Public Utilities Commission. We worked with Ms. Amanda
17 Noonan, in order to work up both the notices that were
18 mailed to our customers and the display ads that were
19 put in the papers. The individual notices were mailed
20 to our customers over a period of four weeks with their
21 bills. They were mailed on June 6th, June 13th, June
22 20th, and June 27th. We also published the display ad
23 of the proposed rate increase in the Manchester Union
24 Leader and the Conway Daily Sun. And, those

[WITNESS PANEL: Ware~Laflamme]

1 publications were done on June 26th.

2 Q. Okay. And, turning to Exhibit 2, the Settlement
3 Agreement on Temporary Rates, did you participate in
4 that process that resulted in the Settlement?

5 A. (Ware) Yes, I did.

6 Q. Would you please describe the terms of the Settlement.

7 A. (Ware) Yes. The terms of the Settlement were that we
8 would be granted a 7 percent increase over existing
9 rates, or a total \$415,437. And, that we would --
10 temporary rates would be based on a service rendered on
11 or after July 1st of 2013. And, as we discussed
12 yesterday, that those rates would -- initial recoupment
13 would begin at the date of the order, but the
14 recoupment of the temporary rates between July 1st and
15 the order would occur at the date of the permanent
16 order.

17 Q. And, in your opinion, does the Settlement Agreement
18 provide for just and reasonable rates and is it in the
19 public interest?

20 A. (Ware) Yes, it is.

21 MR. GETZ: I have nothing further for
22 the witness.

23 CHAIRMAN IGNATIUS: Thank you.

24 Ms. Brown.

[WITNESS PANEL: Ware~Laflamme]

1 MS. BROWN: Yes.

2 BY MS. BROWN:

3 Q. Mr. Laflamme, if you could please state your name and
4 position with the Commission for the record.

5 A. (Laflamme) My name is Jayson Laflamme. I'm a Utility
6 Analyst with the Public Utilities Commission, Gas and
7 Water Division.

8 Q. And, can you please describe your area of expertise?

9 A. (Laflamme) Accounting and finance.

10 Q. And, as a Utility Analyst with the Commission, do you
11 practice within that area of expertise?

12 A. (Laflamme) Yes, I do.

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

15 A. (Laflamme) My involvement with this docket included a
16 review of the filings that were submitted by Pennichuck
17 East. In conjunction with that, I reviewed the annual
18 reports that were on record here at the Commission. I
19 participated in the submission of data requests. I
20 reviewed the data requests -- the data responses that
21 were submitted by the Company. And, I participated in
22 the formulation of this Settlement Agreement.

23 Q. Mr. Laflamme, do you have any changes or corrections to
24 make to the Settlement Agreement?

{DW 13-126} [Hearing on Temporary Rates] {10-23-13}

[WITNESS PANEL: Ware~Laflamme]

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

2 Q. Are you familiar with the term "books and records on
3 file with the Commission"?

4 A. (Laflamme) Yes.

5 Q. And, what do you deem to be the "books and records"?

6 A. (Laflamme) Primarily, the annual reports that are
7 submitted by the Company. The Company also submits
8 monthly reports to the Commission as well. That's what
9 I would primarily deem as the "books and records on
10 file at the Commission".

11 Q. And, are those also items that you reviewed in
12 connection with this docket?

13 A. (Laflamme) Yes, I did.

14 Q. Thank you. Mr. Laflamme, can you please explain the
15 reasons why Staff is supporting the 7 percent proposed
16 temporary rate increase that's contained in this
17 Settlement Agreement?

18 A. (Laflamme) Yes. The Company has -- the last full rate
19 proceeding that Pennichuck East had before the
20 Commission was DW 07-032. And, rate -- permanent
21 rates, plus a step, were granted by two Commission
22 orders during the year 2008. Subsequent to that, in DW
23 09-051, there were assets for three -- three so-called
24 "North Country systems" transferred to Pennichuck East,

{DW 13-126} [Hearing on Temporary Rates] {10-23-13}

[WITNESS PANEL: Ware~Laflamme]

1 and that took place, I believe, in 2010. But the
2 recovery for those North Country system assets was only
3 in the form of the North Country Capital Recovery
4 Surcharge. So, the Company hasn't experienced a full
5 rate proceeding since the 07-032 docket.

6 Since that time, the Company, in
7 addition to the North Country assets acquired in 2010,
8 the Company has also placed into service roughly 5 to
9 6 million dollars of net plant in service that they're
10 not earning recovery on. Also, as was indicated in the
11 Company's testimony, that it has undergone or
12 experienced substantial increases in certain operating
13 expenses, namely, property taxes, insurance, *etcetera*.

14 As a result, during the last two years,
15 2011 and 2012, the company is earning less than half of
16 the net operating income that was authorized in 07-032.
17 And, consequently, the Company has also experienced
18 substantial net operating losses during those two
19 years. So, it would appear that the Company is
20 substantially underearning. And, so, we look -- Staff
21 looks at the imposition of temporary rates as a means
22 to have the Company gain some such needed revenue, in
23 light of the fact that it does appear to be
24 substantially underearning.

{DW 13-126} [Hearing on Temporary Rates] {10-23-13}

[WITNESS PANEL: Ware~Laflamme]

1 Also, as Mr. Ware pointed out, the
2 Company is seeking roughly a 10 percent permanent rate
3 increase. And, in addition to that, the Company is
4 also seeking a two plus percent step increase. And,
5 while the merits of the step increase have not been
6 fully examined, and that step increase has not been
7 approved, customers potentially are looking at a 12
8 plus percent increase in rates as a result of this rate
9 proceeding. And, therefore, to diminish rate shock to
10 customers, Staff feels that it would be prudent to have
11 a 7 percent temporary rates in order to mitigate rate
12 shock.

13 Q. Thank you for covering multiple questions in your
14 response. Thank you very much. One thing I just want
15 to cover expressly, does Staff have any concern that
16 the Company is going to be overearning during this
17 pendency of temporary rates?

18 A. (Laflamme) No.

19 Q. Thank you. Mr. Laflamme, do you have a copy of
20 Exhibit 2, the Settlement Agreement, in front of you?

21 A. (Laflamme) Yes, I do.

22 Q. I'd like to have you turn to Attachment A. And, can
23 you just please identify the revenue requirement Staff
24 and the Company are asking the Commission to approve

[WITNESS PANEL: Ware~Laflamme]

1 for temporary rates?

2 A. (Laflamme) The revenue requirement that's being sought,
3 and taking into account the Capital Recovery Surcharge,
4 is \$6,650,608.

5 Q. Thank you. Mr. Ware, I have a question for you on this
6 Attachment A, if you have it in front of you?

7 A. (Ware) Yes.

8 Q. Mr. Laflamme just mentioned the "Capital Recovery
9 Surcharge". Can you just please briefly explain what
10 that charge is for?

11 A. (Ware) Yes. When the so-called "North Country systems"
12 were acquired, and there were three of them, from
13 Integrated and Consolidated Water, there's a
14 substantial amount of capital work that needed to be
15 completed at each one of those utilities. And, in
16 looking at how to handle that cost, without creating an
17 undue subsidy by the other utilities that were part of,
18 in this case, Pennichuck East Utility, there was a
19 determination made that we should take those capital
20 costs and set up essentially a 30-year note with each
21 of the three utilities to reflect the abnormal amount
22 of capital that had to be invested to bring them up to
23 a certain standard of service. And, so, that was set
24 up. And, each one of these utilities -- each one of

{DW 13-126} [Hearing on Temporary Rates] {10-23-13}

[WITNESS PANEL: Ware~Laflamme]

1 these three water systems, excuse me, is paying for a
2 portion of that initial capital outlay that was
3 necessary, again, to get these systems up and
4 functional, because they were quite disfunctional when
5 we acquired them.

6 Q. Thank you for that historical background. And, am I
7 correct in reading in this attachment A, the Capital
8 Recovery Surcharge is not going to have a 7 percent
9 temporary increase in it?

10 A. (Ware) That is correct.

11 Q. Thank you. And, is it also correct that the 7 percent
12 temporary rate increase will not affect any of like the
13 utility service fees?

14 A. (Ware) That is correct.

15 Q. So, it's only for the customer classes?

16 A. (Ware) Yes.

17 Q. And, it's for the customer classes identified in the
18 tariff?

19 A. (Ware) That is correct.

20 Q. Yes. I just want to ask you one other question about
21 the -- Mr. Ware, about the rate classes that's on
22 Attachment A. It says "G-M", is that
23 "General-Metered"?

24 A. (Ware) Yes.

[WITNESS PANEL: Ware~Laflamme]

1 Q. Is there a customer class for unmetered?

2 A. (Ware) We have a class for unmetered, yes. I believe
3 there's a tariff sheet for that at present, yes.

4 Q. And, do you have any customers in that class?

5 A. (Ware) No.

6 Q. Thank you. So, the "Private Fire Protection" and "FP",
7 or "Fire Protection (Municipal)" and "Public Hydrants",
8 did you take some of the tariff sheets and lump them
9 into these categories?

10 A. (Ware) Yes. And, you see --

11 (Court reporter interruption.)

12 **BY THE WITNESS:**

13 A. (Ware) Yes. They were consolidated. Public hydrants,
14 you see the parens indicated "3", there are three
15 tariff sheets in individual communities where there are
16 public hydrants. And, so, the revenues from those
17 three communities with public hydrants are -- they were
18 consolidated to form that \$23,815 worth of revenues
19 collected in 2012.

20 BY MS. BROWN:

21 Q. Great. Thank you. Mr. Laflamme, I'd like to ask you a
22 question about reconciliation. Are you familiar with
23 the process Staff undertakes with reconciling temporary
24 and permanent rates?

[WITNESS PANEL: Ware~Laflamme]

1 A. (Laflamme) Yes.

2 Q. And, can you please describe what Staff expects at the
3 conclusion of permanent rates, in terms of a filing
4 from the Company?

5 A. (Laflamme) We anticipate that we will receive a filing
6 by the Company, which contains a proposal to recover
7 the difference between temporary rates and the
8 permanent rates that are ultimately approved by the
9 Commission. Staff will examine that proposal,
10 including the underlying calculations which support
11 that, support that proposal. And, then, Staff will be
12 making a recommendation to the Commission. And, then,
13 the Commission will ultimately decide the appropriate
14 level of temporary rate recoupment.

15 Q. Mr. Laflamme, have you been involved in a docket where
16 you're reviewing a Company's proposed reconciliation
17 between temporary and permanent rates, and that the
18 rate classes have changed as a result of the cost of
19 service study during that proceeding?

20 A. (Laflamme) Yes.

21 Q. Is there any additional burden to Staff to reviewing
22 such a reconciliation report?

23 A. (Laflamme) Not especially, no.

24 Q. Okay. Thank you. And, Mr. Ware, PEU has filed a cost

[WITNESS PANEL: Ware~Laflamme]

1 of service study in this docket, correct?

2 A. (Ware) That is correct.

3 Q. And, is there any concern on the Company's side that,
4 should the cost of service study be -- or, the
5 recommendations in their for changes to rate design be
6 implemented, is there any difficulty in the Company
7 doing the temporary/permanent reconciliation report?

8 A. (Ware) No.

9 Q. Thank you. Mr. Laflamme, do you have an opinion as to
10 the just and reasonableness of the rates proposed in
11 the Settlement Agreement?

12 A. (Laflamme) Yes. Staff feels that, in light of the
13 evidence, that the rates -- temporary rates proposed
14 are just and reasonable.

15 MS. BROWN: It looks like Attorney Getz
16 and Staff are finished with the direct at this point.
17 Thank you.

18 CHAIRMAN IGNATIUS: Thank you.
19 Ms. Hollenberg, questions?

20 MS. HOLLENBERG: Yes. Thank you. One
21 moment please.

22 (Short pause.)

23 MS. HOLLENBERG: Having done this twice
24 before, I have kind words for my colleagues here who have

[WITNESS PANEL: Ware~Laflamme]

1 covered many of my questions that I would have had
2 otherwise.

3 CHAIRMAN IGNATIUS: It does have a
4 familiar ring to it, I have to say.

5 **CROSS-EXAMINATION**

6 BY MS. HOLLENBERG:

7 Q. Mr. Ware, just to make sure I have it, you testified
8 earlier that the recoupment of the temporary rate
9 increase for the July 1 through the effective date of
10 the temporary rate order will be done when the
11 permanent rates are approved, is that true?

12 A. (Ware) That is correct.

13 Q. Okay. Thank you. Mr. Laflamme, you testified about
14 the North Country Capital Recovery Surcharge and --
15 earlier as covering only capital costs. Is it true
16 that the customers of now PEU in those North Country
17 systems also pay a minimum consumption charge as well
18 as a result of that case?

19 A. (Laflamme) I believe that's correct.

20 Q. And, would that cover non-capital costs for those
21 customers or what -- do you know that question, Mr.
22 Ware?

23 A. (Ware) Yes, I do.

24 Q. Okay. Could you answer that please.

[WITNESS PANEL: Ware~Laflamme]

1 A. (Ware) Yes. Those revenues are there to cover
2 operating expenses.

3 Q. Okay. Okay. So, there was a slight increase for those
4 customers, those PEU customers, since the last rate
5 case. But the majority of the PEU customers, you would
6 agree, could have seen a rate increase earlier than
7 now, correct?

8 A. (Ware) Is that a question for me?

9 Q. Yes.

10 A. (Ware) All right.

11 Q. Yes.

12 A. (Ware) So, the majority of the customers' last revenue
13 or rate increase occurred, as Mr. Laflamme
14 testified, --

15 Q. Uh-huh.

16 A. (Ware) -- based on the 2007 rate case, and a 2008
17 decision.

18 Q. Uh-huh.

19 A. (Ware) So, in 2008 was their last adjustment of rates.
20 With the exception, as you indicated, that the North
21 Country customers who, you know, had some change in
22 rates that occurred in that 2010 timeframe.

23 Q. Uh-huh. Yes. Thank you. In fact, would you agree
24 with me that the Company actually affirmatively agreed

{DW 13-126} [Hearing on Temporary Rates] {10-23-13}

[WITNESS PANEL: Ware~Laflamme]

1 in the acquisition docket to delay a rate case to the
2 present time, to the present case? That was one of the
3 terms of the Settlement Agreement?

4 A. (Ware) Yes.

5 MS. HOLLENBERG: Okay. I don't have
6 other questions. Thank you.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Scott.

9 CMSR. SCOTT: Thank you. And, good
10 morning again.

11 WITNESS WARE: Good morning.

12 WITNESS LAFLAMME: Good morning.

13 BY CMSR. SCOTT:

14 Q. Real -- just a quick question. Obviously, we just
15 heard Mr. Laflamme discuss the 7 percent temporary rate
16 as the benefit, obviously, would reduce rate shock
17 should ultimately the permanent rate increase asked for
18 be approved. Why is 7 percent the right -- is there
19 other significance to 7 percent? Whoever would like to
20 answer. Obviously, anything between the current rate
21 and the proposed permanent rate would have that same
22 impact also. So, is there other reasons why 7 percent?

23 A. (Ware) Well, I guess going back to the question from
24 Commissioner Ignatius yesterday, we, actually, in this

[WITNESS PANEL: Ware~Laflamme]

1 case, did do an unproformed 2012 expenses. And, that
2 would have resulted in a 17 percent increase. And, so,
3 knowing that there were, as we discussed yesterday,
4 changes happening to the Company's structure, which, in
5 fact, are reflecting in the fact of the 9.97 percent,
6 we had to come up with a number. For ourselves, we
7 look back historically. And, we said, "okay,
8 historically, where have we been in previous cases,
9 temporary to permanent, based on the normal process of
10 looking at the unproformed test year?" We came up with
11 that number of about 70 percent, which, in this case,
12 70 percent of the 9.97 rounded to 7 percent.

13 CMSR. SCOTT: Thank you. That's all I
14 have.

15 CHAIRMAN IGNATIUS: I have a couple of
16 questions, not about the temporary rate proposal, because
17 I think those have all been addressed. But, just a few
18 things to ask you about or get you thinking about as you
19 work your way through the rest of this case.

20 BY CHAIRMAN IGNATIUS:

21 Q. One is a question from a customer, and these are all in
22 the docketbook, from a customer in Locke Lake, which is
23 one of the PEU companies, yes?

24 A. (Ware) Yes.

[WITNESS PANEL: Ware~Laflamme]

1 Q. And, she says that rates were increased not too long
2 ago and they're still paying a rate case surcharge of
3 \$17 extra per month.

4 A. (Ware) I would have to go back and look. Because the
5 surcharge for the rate case was spread over 24 months,
6 there's a possibility, given, you know, when the case
7 was finally decided and when the rates were finally put
8 in effect, that they may be at the -- I think that's
9 over now, but it's possible that it could have been
10 there for up until just recently.

11 Q. And, this was written in June. So, do you think it's
12 unlikely that, when we get to a final order in this
13 case, that the two surcharges would overlap, that, you
14 know, this one, the first, the old one would be fully
15 done?

16 A. (Ware) Yes.

17 MS. BROWN: Commissioner Ignatius, I
18 have a copy of the tariff. And, I think, to aid in
19 Mr. Ware's discussion, he might want to look at the tariff
20 page which pertains to that --

21 CHAIRMAN IGNATIUS: Or, if you know and
22 want to just let me know that, you don't even need to put
23 it before him.

24 (Atty. Brown handing document to

[WITNESS PANEL: Ware~Laflamme]

1 Witness Ware.)

2 MR. GETZ: And, madam Chair, just if I
3 could?

4 CHAIRMAN IGNATIUS: Please.

5 MR. GETZ: I'm not sure, Mr. Ware said
6 "yes", I'm not sure which question he was saying "yes" to,
7 because I took it there would not be an overlap.

8 WITNESS WARE: Correct. That is correct
9 that there should not be. This was filed on February
10 24th, 2010, and indicated that the rate case expense would
11 be recovered, in the case of Locke Lake, over 24 equal
12 monthly installments. Actually, excuse me, in Locke Lake,
13 it was over 18. So, the surcharge will be billed in 18
14 equal monthly installments for Locke Lake and Sunrise
15 Estate customers; 24 months for the Birch Hill customers.
16 And, the filing of this tariff for -- well, this was a
17 rate recoupment, was February 24th. So, that was relative
18 to rate case expense, is that correct? The question was
19 or the letter was about "rate case expense"?

20 CHAIRMAN IGNATIUS: It referred to it as
21 a "rate case surcharge".

22 WITNESS WARE: All right. So, if it's
23 the recoupment, that should have been over in an 18-month
24 period, in the case of Locke Lake sometime in middle to

[WITNESS PANEL: Ware~Laflamme]

1 late 2011. The last one should have been August 2011.

2 CHAIRMAN IGNATIUS: Well, let me ask
3 that, we don't need to do this today, but ask your folks
4 to go back, take a look at this complaint. And, if
5 there's some follow-up with the customer that would help
6 clarify, I think that would be a good idea.

7 WITNESS WARE: Okay.

8 CHAIRMAN IGNATIUS: She thinks she's
9 still paying a \$17 per month surcharge.

10 WITNESS WARE: Yes. According to this,
11 Locke Lake, so, it is not the rate recoupment, because the
12 rate recoupment was \$3.47. So, the \$17.10, I will have to
13 go back and review the tariff to see. That sounds like it
14 would be the rate case expense surcharge.

15 BY CHAIRMAN IGNATIUS:

16 Q. There were a couple of other letters I wanted to point
17 out to you. One was from someone in Raymond. Would
18 that be within this docket?

19 A. (Ware) Yes, it would.

20 Q. And, the person says that "I understand Pennichuck buys
21 water from the Town of Raymond. If this is the case, I
22 would like to know why Raymond residents should have to
23 pay for an increase for upgrades to Pennichuck's water
24 treatment system."

[WITNESS PANEL: Ware~Laflamme]

1 A. (Ware) Well, so, in Raymond, we have three water
2 systems. One of those water systems, Green Hills, we
3 purchase water from the Raymond Water Department. And,
4 as you're aware, you know, there is a consolidation of
5 the expenses. And, consequently, you know, they're in
6 with that group. One of the expenses that we have up
7 there is a purchase water expense from the Town of
8 Raymond.

9 Q. One of the customers in Windham says that "The water
10 quality is poor and is very corrosive to plumbing." Do
11 you have issues on water quality that you're working
12 on?

13 A. (Ware) That is the W&E system. And, the water there
14 was very problematic when we took it over. We invested
15 a substantial amount of money to put in a treatment
16 system to remove iron, to remove manganese. And,
17 actually, because of the I-93 project, there are high
18 levels of chlorides, and chlorides can be corrosive.
19 And, we put in a special system to remove chlorides.
20 And, then, actually, the backwash water from the system
21 goes into a tank that we then haul off to a treatment
22 plant, so that we don't we recontaminate the
23 groundwater in the area. But, generally, we have
24 extensive treatment in that area. We watch it very

1 closely.

2 And, you know, is it, at the end of the
3 day, corrosive to piping? Yes. All water is. Is it
4 more corrosive than other water? Possibly, at times.
5 But, again, this is a complex treatment system. We
6 watch it very, very closely, and have made adjustments
7 to it over time, in order to maintain the highest
8 quality water that we can under the circumstances.

9 Q. There are a couple of letters that refer to people
10 having "low usage", but what they consider to be "rates
11 that are too high", and one refers to it as "an unfair
12 penalty imposed on low-usage consumers". I guess I'm
13 not asking you today to address that, but that's an
14 issue that --

15 A. (Ware) I can -- we can tell you where those are from as
16 I looked at the letters. Those are in relation to the
17 minimum usage charge. So, in the case of Locke Lake,
18 it's -- you pay for 4 cubic feet of water, whether you
19 use 0, 1, 2, 3, or 4. Obviously, if you use more, if
20 you use 5, you use five. That's primarily, you know, a
21 lot of summer community folks, seasonal folks. And,
22 one of the biggest issues there is, is because, you
23 know, you're recovering a lot of your costs from, you
24 know, from the sales of your water, you got to collect

[WITNESS PANEL: Ware~Laflamme]

1 a certain amount. And, the fact is is that those
2 customers who show up on a weekend and create a peak
3 load, and then go away, are probably your most
4 expensive customers to serve. And, back in the rate
5 case where we had evaluated ways in order to
6 effectively and fairly collect rates, that, you know,
7 the Staff and ourselves and the Commission came up with
8 this particular methodology, to ensure that the
9 seasonal folks paid their fair share of the cost of the
10 operation.

11 Q. Does your cost of service study delve into that?

12 A. (Ware) I do not believe that he looked at all in the
13 cost of service study at that issue of that minimum
14 charge, because it only applied to those particular
15 locations. And, so, I think that he, in his
16 calculations, simply included that in the consumptive
17 usage, in order to figure out the rates that would be
18 in effect. But I do not believe he went back and
19 looked at, you know, the dollars that needed to be
20 recovered from each home in order to, again, fairly
21 spread the cost of the operation over all users.

22 CHAIRMAN IGNATIUS: All right. Thank
23 you very much for your information. Is there any
24 redirect?

[WITNESS PANEL: Ware~Laflamme]

1 MR. GETZ: No, madam Chairman.

2 CHAIRMAN IGNATIUS: Any redirect,
3 Ms. Brown?

4 MS. BROWN: Sorry. I just wanted to
5 confer with Mr. Naylor. We have no redirect. Thank you.

6 CHAIRMAN IGNATIUS: Thank you. Then,
7 the two of you are excused. Thank you.

8 Is there any objection to striking the
9 identification on Exhibits 1 and 2 and making them full
10 exhibits?

11 MR. GETZ: No objection.

12 MS. BROWN: No objection.

13 CHAIRMAN IGNATIUS: Then, we'll do so.
14 Anything else before closings?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: If not, then closing
17 comments. Ms. Hollenberg.

18 MS. HOLLENBERG: Thank you.

19 CHAIRMAN IGNATIUS: Oh, before you --
20 I'm sorry, one thing. The Town of Litchfield had
21 intervened. They're not here today. Does anyone have any
22 information on whether the Town has a position?

23 MR. GETZ: In a previous conversation
24 with Ms. Spector, she indicated, and she may have -- it

1 may have been on the record previously at the prehearing
2 conference, but that the Town was not going to participate
3 in the issue of temporary rates. And, then, it would be
4 participating later with respect to permanent rates.

5 CHAIRMAN IGNATIUS: Thank you.

6 MS. BROWN: And, Staff had emailed or
7 had received word from Attorney Spector-Morgan that they
8 did not object to the Settlement Agreement.

9 CHAIRMAN IGNATIUS: All right. Thank
10 you. Then, Ms. Hollenberg.

11 MS. HOLLENBERG: Thank you. Just to let
12 you know, the OCA understood that the Town of Litchfield
13 did not oppose the Settlement Agreement. And, that was
14 based on conversations via e-mail, as well as the language
15 of the Settlement Agreement in Section 2.

16 We appreciate the efforts of the parties
17 to this point, and look forward to getting into the meat
18 of the issues that will be present in this case, including
19 cost of service. We're pleased that the cost of service
20 changes are not going to be done on a temporary basis, and
21 will be reserved for a decision later in the proceeding
22 for purposes of permanent rates.

23 And, I appreciated the Staff's
24 summarization of the basis for their supporting the

1 agreement. I think it's, in this instance, of all the
2 three utilities, PEU has been out the longest for rate
3 relief. And, the temporary rates do not seem to be
4 overcompensatory. And, because of that, the Office of
5 Consumer Advocate would not oppose the Agreement that the
6 Staff and the Company have reached. Thank you.

7 CHAIRMAN IGNATIUS: Thank you.

8 Ms. Brown.

9 MS. BROWN: Thank you again for your
10 time today. Staff respectfully requests that the
11 Commission approve the Settlement Agreement and the
12 7 percent temporary rate request, effective July 1.
13 You've heard testimony today that the customers were
14 notified prior to the July 1 effective date, so have had
15 an opportunity to at least adjust their usage, if they
16 desired.

17 You've heard today that a cost of
18 service study is in the works. And, Staff will opine at a
19 later date on that cost of service issue.

20 And, with respect to the 7 percent
21 increase in the revenue requirement, Staff's position is
22 that it's just and reasonable, and that the resulting
23 rates to the customer classes increasing by 7 percent is
24 just and reasonable.

1 And, with that, thank you for your time.

2 CHAIRMAN IGNATIUS: Thank you. Mr.
3 Getz.

4 MR. GETZ: Thank you, madam Chair. In
5 his testimony, Mr. Laflamme described extremely well the
6 Company's financial position and why the request for
7 temporary rates is reasonable. The Company doesn't have
8 anything to add to that and would ask that the Settlement
9 Agreement be approved.

10 CHAIRMAN IGNATIUS: Thank you. We
11 understand you want this for effect November 1st, and,
12 actually, --

13 MS. BROWN: July 1st.

14 CHAIRMAN IGNATIUS: July 1st, that's
15 right. Effective back to July 1st. That's this
16 afternoon's hearing.

17 MS. HOLLENBERG: That's this afternoon.

18 CHAIRMAN IGNATIUS: And, so, we will
19 take all of this under advisement. Thank you. We're
20 adjourned.

21 **(Whereupon the hearing ended at 10:49**
22 **a.m.)**

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