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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 23, 2014 - 10:07 a.m.
Concord, New Hampshire

NHPUC MAY06'14 PM 4:24

RE: DW 13-305
LORDEN COMMONS SEWER COMPANY, LLC:
*Notice of Intent to File Petition
for PUC Approval of Initial Sewer Rate.*

PRESENT: Commissioner Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Lorden Commons Sewer Company, LLC:
Stephen P. St. Cyr
Paul Kerrigan

James M. Tullis, *pro se*

Reptg. PUC Staff:
Marcia A. Brown, Esq.
Mark A. Naylor, Director/Gas & Water Division
Robyn J. Descoteau, Gas & Water Division

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

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24**I N D E X****PAGE NO.**

WITNESS PANEL:	STEPHEN P. ST. CYR	
	ROBYN J. DESCOTEAU	
	PAUL KERRIGAN	<i>(sworn @ Page 45)</i>
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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	Staff filing on behalf of Lorden Commons Sewer Company Rate Filing, consisting of cover letter, Index, Report of Proposed Changes, proposed Tariff Page, Direct Testimony of Stephen P. St. Cyr, including attachments, etc. (11-21-13)	6
2	Lorden Commons Sewer Company letter submitting information on Londonderry sewer charge (02-03-14)	6
3	Settlement Agreement (04-16-14)	6
4	Lorden Commons Sewer Company, LLC Tariff (Issued: Feb. 19, 2014)	6

P R O C E E D I N G

1
2 CMSR. HONIGBERG: As you can see, the
3 Chair isn't here this morning. So, you're getting the B&C
4 team. And, by drawing of lots, I'm going to be doing the
5 role of the Chair this morning. We are here on 13-305,
6 Lorden Commons Sewer Company, LLC. I understand that we
7 are hearing a settlement agreement, is that correct?

8 MR. ST. CYR: That's correct.

9 CMSR. HONIGBERG: Why don't we take
10 appearances first.

11 MR. ST. CYR: Good morning. My name is
12 Stephen P. St. Cyr, and with me is Paul Kerrigan,
13 representing the Lorden Commons Sewer Company.

14 MR. TULLIS: Good morning. My name is
15 James Tullis. I'm a resident or will be a resident here
16 soon at Lorden Commons as the property owner.

17 CMSR. HONIGBERG: Good morning.

18 MR. TULLIS: Thank you.

19 MS. BROWN: Mr. Tullis is also an
20 intervenor in this proceeding.

21 CMSR. HONIGBERG: Right.

22 MS. BROWN: Marcia Brown, on behalf of
23 Staff. And, with me today is Mark Naylor and Robyn
24 Descoteau. And, you are correct that we have a Settlement

1 Agreement to present today. And, by agreement, we have a
2 pre-marked list of exhibits that we wish to use today.
3 The Clerk has set that list before you. A couple of the
4 exhibits are drawn directly out of the Docketbook. The
5 last exhibit, Exhibit 4, is a tariff, which you did not
6 have until this morning.

7 Staff and the Company wish to present a
8 panel of the Company's witness and Ms. Descoteau today.
9 And, we've also agreed that I will do the bulk of the
10 questioning. And, then, since Mr. St. Cyr is representing
11 the Company, I will ask him at the end of each subject
12 section if he has anything to add, because they don't have
13 a separate attorney representing them.

14 CMSR. HONIGBERG: Sounds good. So, are
15 all the exhibits then premarked over with the Clerk? So,
16 we're good there?

17 MS. BROWN: Yes. We'd like to forgo the
18 formality of authenticating. We agree that what's
19 representing -- what the document as represented at the
20 tab in Docketbook is what we intend to mark as exhibits,
21 with the exception of the tariff, which has not been filed
22 yet.

23 CMSR. HONIGBERG: So, they're not being
24 premarked, we're just accepting them as exhibits? That's

[WITNESS PANEL: St. Cyr~Descoteau]

1 what the parties want?

2 MS. BROWN: Oh, I'm sorry. I
3 misunderstood your question. These are for identification
4 only.

5 CMSR. HONIGBERG: Okay.

6 MS. BROWN: We'd like to just, you know,
7 customarily, in these hearings, we admit them as full
8 exhibits at the end.

9 CMSR. HONIGBERG: That's fine.

10 (The documents, as described in an
11 Agreed-Upon Hearing Exhibit List, were
12 herewith marked as **Exhibit 1** through
13 **Exhibit 4**, respectively, for
14 identification.)

15 MS. BROWN: Thank you.

16 CMSR. HONIGBERG: So, I think we're
17 ready then, if you want to have the panel go up.

18 MS. BROWN: Yes, please. Thank you.
19 Staff calls Ms. Descoteau and Mr. St. Cyr. Thank you.

20 (Whereupon **Stephen P. St. Cyr** and
21 **Robyn J. Descoteau** were duly sworn by
22 the Court Reporter.)

23 MS. BROWN: Commissioners, I have one
24 other administrative note. The Settlement Agreement that

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[WITNESS PANEL: St. Cyr~Descoteau]

1 was filed on April 16th did not contain all of the
2 signatures. We now have, since all the parties are in the
3 same room together, we have original signatures. And,
4 Staff and the Settling Parties would like to have this
5 Page 4, with all of the signatures, substituted in
6 Exhibit 3, --

7 CMSR. HONIGBERG: Three.

8 MS. BROWN: -- for the page that only
9 includes the partial exhibit -- the partial signatures.

10 CMSR. HONIGBERG: That's fine.

11 MS. BROWN: So, I'd like to present this
12 for the record.

13 (Atty. Brown distributing documents.)

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

15 **ROBYN J. DESCOTEAU, SWORN**

16 **DIRECT EXAMINATION**

17 BY MS. BROWN:

18 Q. Mr. St. Cyr, I'd like to start with you please, and
19 have you state your name and business address for the
20 record.

21 A. (St. Cyr) My name is Stephen P. St. Cyr. And, the
22 business address is 17 Sky Oaks Drive, Biddeford,
23 Maine.

24 Q. And, what is your business?

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[WITNESS PANEL: St. Cyr~Descoteau]

1 A. (St. Cyr) The business provides accounting, tax,
2 regulatory, and management services, mostly to water
3 and sewer companies.

4 Q. And, the name of your business?

5 A. (St. Cyr) Stephen P. St. Cyr & Associates.

6 Q. And, what is your area of expertise, Mr. St. Cyr?

7 A. (St. Cyr) That would be accounting, tax, and
8 management.

9 Q. And, what were the services that you provided to Lorden
10 Commons?

11 A. (St. Cyr) I prepared the initial rate filing, along
12 with the testimony and other supporting rate documents
13 that was filed with the Commission.

14 Q. And, we have marked for identification as "Exhibit 1" a
15 rate filing dated November 21st, 2013 that contains
16 testimony, exhibits, and other rate filing
17 requirements. Are you familiar with that document?

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

19 Q. Did you file this set of -- or, this document earlier
20 in the proceeding?

21 A. (St. Cyr) I did.

22 Q. And, was that within the appropriate window of filing,
23 according to the PUC's rules?

24 A. (St. Cyr) Initially, it was filed early. But, then,

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[WITNESS PANEL: St. Cyr~Descoteau]

1 subsequently filed after the 30-day period had been --
2 had passed.

3 Q. So, for the Company's rate filing then, we all should
4 be referring to the November 21st, 2013 filing as the
5 Company's rate filing, is that correct?

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

7 Q. Okay. The services that you provided to the Company in
8 this document -- in this docket, were they or are they
9 within your area of expertise?

10 A. (St. Cyr) Yes.

11 Q. Mr. St. Cyr, did you also file an update to the rate
12 filing on February 3rd, 2014?

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

14 Q. And, we've asked that that be marked for identification
15 as "Exhibit 2", is that your understanding?

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

17 Q. Ms. Descoteau, I'd like to turn to you briefly and have
18 you state your name and your position with the
19 Commission for the record.

20 A. (Descoteau) My name is Robyn J. Descoteau. And, I'm a
21 Utility Analyst in the Gas and Water Division.

22 Q. And, can you please explain what your area of expertise
23 is?

24 A. (Descoteau) Accounting and finance.

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[WITNESS PANEL: St. Cyr~Descoteau]

1 Q. And, prior to today, have you testified before the
2 Commission?

3 A. (Descoteau) Yes, I have.

4 Q. And, can you please describe your involvement with this
5 docket?

6 A. (Descoteau) I reviewed the original filing, including
7 the testimony, the Lorden letter dated February 3rd,
8 2014. Following this, I asked two sets of discovery
9 questions, reviewed the responses to each set. I
10 reviewed the revised filing. I participated in the
11 settlement discussions. And, I've prepared the revenue
12 requirement schedules for the Settlement Agreement.

13 Q. Thank you. Do you consider that work to be within your
14 area of expertise?

15 A. (Descoteau) Yes, I do.

16 Q. Mr. St. Cyr, I'd like to get some background on Lorden
17 Commons from you. Can you please describe the general
18 setup of Lorden Commons and how it provides sewer
19 service to its customers?

20 A. (St. Cyr) Yes. The Company's sewer system is connected
21 to each of the individual homes that are being built.
22 There's a service line that connects the house to the
23 Company's main. The sewage is gravity-fed to a pump
24 station, and the pump station pumps the sewage to the

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[WITNESS PANEL: St. Cyr~Descoteau]

1 City of Manchester.

2 Q. Does the Town of Londonderry charge any fees to the
3 development?

4 A. (St. Cyr) Yes. The Town will charge \$95 a quarter per
5 residential unit to the Company.

6 Q. To the Company?

7 A. (St. Cyr) Yes.

8 Q. Okay. And, are those fees included in the revenue
9 requirement proposed today?

10 A. (St. Cyr) Yes, they are.

11 Q. Okay. Mr. St. Cyr, I asked you about the November 21st
12 rate filing and then the February 3rd update. Are you
13 aware of any changes or corrections that need to be
14 made to these documents?

15 A. (St. Cyr) The Company updated the rate schedules itself
16 on March 26, 2014, in response to Staff Data Request
17 2-1.

18 Q. Mr. St. Cyr, in Exhibit 1, the November 21st rate
19 filing, is there -- does this include your testimony?

20 A. (St. Cyr) Yes, it does.

21 Q. And, are you aware of any changes or corrections that
22 need to be made to this testimony?

23 A. (St. Cyr) The testimony is substantially the same. The
24 Company did update the rate schedules, but didn't

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[WITNESS PANEL: St. Cyr~Descoteau]

1 specifically update the testimony as it pertains to
2 those updated rate schedules.

3 Q. Okay. Aside from the updates, do you adopt the
4 testimony that is contained in this filing as testimony
5 today if you were asked those same questions?

6 A. (St. Cyr) Yes, I do.

7 Q. Mr. St. Cyr, with respect to Exhibit 2, can you just
8 briefly give the Commission an overview of what you
9 changed with respect to your rate filing?

10 A. (St. Cyr) Yes. The Exhibit 2 sought clarification from
11 the Company on a couple of matters that were sort of up
12 in the air at the time in which the Company made the
13 filing.

14 The first had to do with the Londonderry
15 charges. It wasn't clear to the Company whether
16 Londonderry would bill the customers directly or they
17 would bill us. And, after discussing that with the
18 Town, we learned that they would, in fact, bill the
19 Company \$95 per quarter per residential unit.

20 The second item, there were some design
21 costs that were not previously included in the initial
22 filing. And, those design costs were later added to
23 the update and contributed by the Company, so it had no
24 net impact on the filing itself. There were also some

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1 franchise costs that were not specifically addressed in
2 the initial filing. And, those, too, have been added.
3 And, then, the last item that had to do with,
4 initially, the owner had put in the money for the
5 design costs and the franchise cost, and had reflected
6 it on the Company's books as debt, and that was later
7 converted to equity, because the Company really doesn't
8 have the ability to pay the debt as a start-up entity.

9 So, those were the three or four items
10 that we were asked to clarify at the technical session
11 that this particular letter was attempting to address.
12 And, those were also the same items that ultimately
13 were incorporated in the rate schedules that were
14 updated in response to Staff's data request.

15 Q. I'm sorry, Mr. St. Cyr. I don't recall if you
16 mentioned customer information in the warranty deeds?

17 A. (St. Cyr) The February 3rd update also asked us to
18 indicate what information was provided to customers.
19 And, I believe that letter referenced a couple of
20 specific documents that customers sign as it pertains
21 to the sewer entity.

22 Q. Ms. Descoteau, I have a question for you, going back to
23 the documents that you had reviewed as part of this
24 rate case. Was an audit conducted in this particular

[WITNESS PANEL: St. Cyr~Descoteau]

1 rate case?

2 A. (Descoteau) No audit was conducted. Because this is a
3 new company establishing rates for the first time,
4 there was little to audit.

5 Q. Ms. Descoteau, are there estimates that are used in the
6 revenue requirement?

7 A. (Descoteau) There were estimates used. They were based
8 on two utilities that are monitored or regulated by the
9 Public Utilities Commission. And, the Commission -- I
10 mean, during my review, I checked the figures to the
11 annual reports. And, I also verified the mathematical
12 calculations and checked them for reasonableness.

13 Q. Can you tell me what other similar utilities you looked
14 at to verify some of the estimates used in this case?

15 A. (Descoteau) The Company names?

16 Q. Yes.

17 A. (Descoteau) Bedford and Bodwell.

18 Q. And, are they similar in size?

19 A. (Descoteau) Bedford was 78 customers and Bodwell was
20 450 customers. But, when I was analyzing the data, as
21 well as Mr. St. Cyr, we took the customers -- the
22 customers were taken as a per customer basis, which
23 brought them down to a reasonable estimate.

24 Q. Okay. So, just to summarize, is it accurate, when you

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[WITNESS PANEL: St. Cyr~Descoteau]

1 reviewed the estimates for these other companies, in
2 comparing them to Lorden's estimated expenses, they
3 were on a per customer basis?

4 A. (Descoteau) They were on a per customer basis, and both
5 Bedford and Bodwell are in the same geographical area
6 as Lorden Commons would be. So, the Commission felt
7 that they're -- I felt that they were reasonable picks
8 to be compared to.

9 Q. Do either one of those utilities also have a similar
10 setup, in that the sewage is ultimately received by the
11 City of Manchester?

12 A. (Descoteau) Yes. I believe it was Bodwell.

13 Q. Okay. Thank you. Mr. St. Cyr, I want to turn to you
14 about the issue of whether the Company exercised its
15 franchise within two years, since that was mentioned in
16 the order suspending the tariffs. Were you involved in
17 Lorden Commons' franchise petition?

18 A. (St. Cyr) I was. Yes.

19 Q. And, are you aware that a utility needs to exercise its
20 franchise within two years per RSA 374:27?

21 A. (St. Cyr) Yes.

22 Q. Do you have any evidence that the Company exercised its
23 franchise rights within that two years?

24 A. (St. Cyr) The Company responded to a Staff data

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[WITNESS PANEL: St. Cyr~Descoteau]

1 request, the specific Staff data request was Staff 1-5.
2 And, in that response, the Company indicated that the
3 pump station itself had been delivered June 10, 2013,
4 and installation began that next day. The pump station
5 was completed July 31, 2013. And, the system was
6 substantially up and ready at that point in time.

7 MS. BROWN: I'd like to just state for
8 the record that Commission order on this subject is Order
9 Number 25,253. And, that was the Lorden -- or, an order
10 *nisi* approving the franchise petition. That *nisi* was
11 effective August 22nd, 2011.

12 BY MS. BROWN:

13 Q. And, Mr. St. Cyr, just again, the construction that you
14 just described, that happened prior to August 22nd,
15 2011 [2013?], is that correct?

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

17 Q. Okay. Ms. Descoteau, do you have an opinion as to
18 whether Lorden Commons exercised its franchise
19 authority within the requisite two years?

20 A. (Descoteau) It is Staff's opinion that Lorden Commons
21 exercised the franchise authority within the two years,
22 where the station was completed by 7/31.

23 Q. And, Mr. St. Cyr, do you have anything else to add on
24 this subject?

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1 A. (St. Cyr) I do not.

2 Q. Okay. Mr. St. Cyr, I'd like to go back to production
3 of the revenue requirement and estimates. In a rate
4 filing, is it customary to use a "test year" concept?

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

6 Q. And, what is a "test year"?

7 A. (St. Cyr) A "test year" is a 12-month period reflecting
8 the actual cost of operations.

9 Q. And, Lorden Commons has not had 12 months of actual
10 operations, is that correct?

11 A. (St. Cyr) That is correct.

12 Q. And, so, did you create a hypothetical test year?

13 A. (St. Cyr) We did, yes.

14 Q. And, can you please just describe how you came up with
15 a reasonable hypothetical test year?

16 A. (St. Cyr) As Ms. Descoteau mentioned, we used two
17 PUC-regulated sewer companies in the area, both
18 happened to be managed by myself. One is set up a
19 little -- is similar to Lorden's, in that it has
20 Londonderry customers, whose sewage flows to a pump
21 station that is then pumped to the City of Manchester.
22 The setup is somewhat similar. And, what we did was we
23 took the actual costs for those two utilities for the
24 year 2012, and adjusted those costs on a per customer

[WITNESS PANEL: St. Cyr~Descoteau]

1 count basis. And, then, we averaged the two to get to
2 an average cost that was used as the basis for the
3 expenses for Lorden Common.

4 Q. Thank you for that explanation. I'd like to turn to
5 the Settlement Agreement that's been premarked as
6 "Exhibit 3". Mr. St. Cyr, are you familiar with this
7 document?

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

9 Q. And, are you aware of any changes or corrections that
10 need to be made to this?

11 A. (St. Cyr) No, I'm not.

12 Q. And, Ms. Descoteau, you earlier mentioned that you had
13 participated in a settlement. Is Exhibit 3 that
14 document?

15 A. (Descoteau) Yes, it is.

16 Q. And, are you familiar with the content of this
17 document?

18 A. (Descoteau) Yes, I am.

19 Q. And, are you aware of any changes or corrections that
20 need to be made to it?

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

22 Q. And, I'd like to ask a few questions about the revenue
23 requirement. And, I guess, Ms. Descoteau, I will start
24 with you. The overall revenue requirement agreed to is

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1 31,984, is that correct?

2 A. (Descoteau) That is correct.

3 Q. Can you -- can you please describe the components of
4 this revenue requirement? And, if you need to refer to
5 schedules, please do so.

6 A. (Descoteau) Sure. The components of the revenue
7 requirement are on Schedule 1, on Page 6. The pro
8 forma rate base is 10,999. And, that comes from
9 Schedule 2. We'll get into that in a little bit. The
10 rate of return is 9.60 percent, from Schedule 1A, for a
11 total income required of 1,056. And, the pro forma
12 annual revenue or the revenue requirement is 31,984, as
13 just indicated.

14 Q. Okay. Ms. Descoteau, I guess I'd like to proceed with
15 the next schedule, 1A. I know it's out of sequence
16 with your revenue requirement listing. But can you
17 please explain Schedule 1A, Overall Rate of Return, how
18 it was calculated?

19 A. (Descoteau) Schedule 1A, the Company has 100 percent
20 common stock. The cost -- component cost rate is
21 9.6 percent. And, that is from the Aquarion rate case,
22 which -- I have it somewhere here.

23 Q. Ms. Descoteau, --

24 A. (Descoteau) The 9.6 percent was approved in Aquarion

[WITNESS PANEL: St. Cyr~Descoteau]

1 case DW 12-085. And, there was no other long-term debt
2 or short-term debt. So, the weighted average cost rate
3 would come to the 9.6 percent.

4 Q. When you mentioned, Ms. Descoteau, the Aquarion rate
5 case, was that the last time the Commission litigated a
6 cost of equity?

7 A. (Descoteau) Yes, it is.

8 Q. And, you felt it appropriate to use that cost of equity
9 for Lorden?

10 A. (Descoteau) Yes, I did. In the lower half of the
11 Schedule 1A is the analysis of the common equity and
12 the long-term debt from the original filing, where you
13 have the 30,000 of long-term debt, compared to the pro
14 forma amounts, where it was re-classed to the
15 additional paid-in capital showing the 100 percent
16 common equity. And, that was just where the decision
17 was made to forgo the debt by Chinburg Associates.

18 Q. When you say "forgo the debt by Chinburg", are you
19 talking about the long-term debt line item of "30,000"?

20 A. (Descoteau) \$30,000, correct.

21 Q. Okay. Mr. St. Cyr, do you have anything else to add in
22 way of explanation for Schedule 1A?

23 A. (St. Cyr) No. I would just comment that the -- I guess
24 I think of the debt as being "converted", rather than

1 "forgo", but converted from debt to equity.

2 Q. Thank you for that clarification. I'd like to move
3 over to rate base in Schedule 2. And, Ms. Descoteau,
4 if you don't mind me sticking with you first.

5 A. (Descoteau) Sure.

6 Q. Can you please explain how the rate base goes from
7 plant in service of over 600,000, down to 10,999?

8 A. (Descoteau) Absolutely.

9 Q. Thank you.

10 A. (Descoteau) In Schedule 2, it shows the "616,423" in
11 plant in service. And, you deduct accumulated
12 depreciation, because the customer supplies the value
13 of depreciation through expense in rates. So, that
14 gets deducted. You add in cash working capital
15 adjustment. You reduce CIAC, because that's paid by
16 the Company, and the customers don't own or pay for
17 that. So, they're also deducted.

18 Q. Can I just ask you to explain the acronym "CIAC", what
19 that is?

20 A. (Descoteau) Oh, excuse me. "Contributions in aid of
21 construction". So, those adjustments brings the rate
22 base down to the 10,999, which is made up of \$5,123 of
23 franchise expense -- franchise fees, \$123 deduction for
24 the depreciation expense, which is a half-year expense

[WITNESS PANEL: St. Cyr~Descoteau]

1 on franchise fees, and \$6,004 of working capital,
2 giving you a total of 10,999.

3 Q. Okay. Mr. St. Cyr, I just had a question to you about
4 CIAC, contributions in aid of construction. And, can
5 you please explain why things are booked under CIAC or
6 the concept of CIAC and its usefulness in revenue
7 requirements?

8 A. (St. Cyr) Well, in this particular case, the owner has
9 contributed all of the sewer plant. The design and the
10 construction costs has all been contributed. So, none
11 of those costs are being borne by the sewer company
12 customers. And, as indicated here, that's over 600,000
13 of plant.

14 Q. Okay. Do you have any other statements you'd like to
15 make to the Commission on Schedule 2?

16 A. (St. Cyr) No.

17 Q. Ms. Descoteau, I have -- I just want to ask you about
18 the "6,004" figure.

19 A. (Descoteau) Yes.

20 Q. What is the function of cash working capital? What
21 does it do? If you can please explain?

22 A. (Descoteau) Sure. Working capital is an allowance for
23 funds that the utility expended during the operation
24 and maintenance of the utility prior to receiving the

[WITNESS PANEL: St. Cyr~Descoteau]

1 revenues for the services provided. And, Lorden used a
2 formula common in utility practice. O&M expenses,
3 times a percentage. And, the percentage is developed
4 by taking half the billing period of 45 days, plus 30
5 days, divided by 365 days in the year, which is
6 20.55 percent. So, you take the total operating
7 expenses of 29,217, times the 20.55 percent, to get
8 your working capital adjustment of 6,004.

9 Q. Okay. Thank you. I think you already covered this,
10 but I just want to make sure. You have a column called
11 "Ref.", and I assume that's "references", with (a),
12 (b), (c), (d)?

13 A. (Descoteau) Uh-huh. Yes.

14 Q. Are those adjustments proposed by either you or the
15 Company?

16 A. (Descoteau) The adjustments for the references are the
17 adjustments that were agreed upon by both -- well, by
18 Staff, Mr. Tullis, and the Company. And, they're all
19 referenced in the letter of February 5th [3rd?]. And,
20 they're the adjustments for the design cost allocation,
21 the depreciation that goes along with the design cost
22 allocation, a working capital adjustment for the sewer
23 fees, and the CIAC adjustment for the design cost
24 allocations. And, they're all related to the

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[WITNESS PANEL: St. Cyr~Descoteau]

1 adjustments for the February 5th letter.

2 CMSR. SCOTT: Could you clarify the
3 "February 5th letter"? What are we talking about?

4 WITNESS DESCOTEAU: Sure.

5 CMSR. HONIGBERG: February 3rd maybe?

6 WITNESS DESCOTEAU: I'm sorry, February
7 3rd letter. I gave the wrong date. I'm sorry.

8 CMSR. SCOTT: Exhibit 2, basically?

9 WITNESS DESCOTEAU: Yes. Sorry.

10 CMSR. HONIGBERG: I would just note,
11 while we're there, that on the Exhibit List that was up
12 here that the date on that is "February 6th". But the
13 letter we're talking about is the letter dated
14 "February 3rd", right?

15 MS. BROWN: Yes. Thank you for the
16 clarification. The letter is dated "February 3rd", but it
17 was actually filed with the Commission on the 6th.

18 WITNESS DESCOTEAU: On February 6th.

19 CMSR. HONIGBERG: Okay. Got it.

20 MS. BROWN: Thank you.

21 WITNESS DESCOTEAU: Thank you.

22 BY MS. BROWN:

23 Q. Ms. Descoteau, sorry to pick on you, but these are your
24 schedules.

[WITNESS PANEL: St. Cyr~Descoteau]

1 A. (Descoteau) Yes. No problem.

2 Q. I'd like to have you turn to Schedule 3, the Income
3 Statement. And, please describe this schedule.

4 A. (Descoteau) Schedule 3 is the Income Statement. And,
5 it's set up so that you see the original filing and the
6 adjusted filing. And, it's also the same column we
7 were just describing in the balance sheet, where half
8 of it shows the adjustments.

9 Q. Could you just point us to which is the filing column
10 and which one is the column that's represented the
11 adjustments in?

12 A. (Descoteau) Sure. The first three columns refer to the
13 original filing. The fourth -- well, basically, the
14 fourth column and the fifth column refer to the
15 adjustments that pertain to the February letter. And,
16 the final -- the last column are the final numbers used
17 in the filing for the Settlement Agreement.

18 Q. Thank you. The last column represents the support for
19 the revenue requirement in the Settlement Agreement?

20 A. (Descoteau) Correct. Yes.

21 Q. Go ahead. I'm sorry.

22 A. (Descoteau) The revenue requirement -- the revenue
23 requirement of 31,894 [31,984?], less the expenses of
24 30,928, gives you your net operating income, also

[WITNESS PANEL: St. Cyr~Descoteau]

1 referred to as your -- sorry. Lost my train of
2 thought, sorry.

3 Q. Well, if I can ask you, there are adjustments in this
4 column as well for (a), (b), and (c). Can you please
5 explain why these adjustments were made?

6 A. (Descoteau) The adjustments were all made because of
7 the February letter, for the Londonderry sewer charges
8 and the depreciation and amortization expenses
9 associated with the design cost allocations.

10 Q. Okay. Mr. St. Cyr, there is a line item for "Income
11 Taxes", "\$5". Do you see that?

12 A. (St. Cyr) Yes.

13 Q. And, what is that expense or what is that estimated
14 expense? Are these federal or state?

15 A. (St. Cyr) These are probably state taxes, probably
16 Business Enterprise Tax or Business Profits Tax. It's
17 not likely that Lorden would incur that \$5 going
18 forward, but that's an average of the two utilities
19 that the Company looked at.

20 Q. Okay. When you say "the Company would not likely incur
21 a tax", and can you please explain the reason behind
22 that?

23 A. (St. Cyr) Sure. This is an LLC. So, at the federal
24 level, any tax would be incurred by the member and not

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[WITNESS PANEL: St. Cyr~Descoteau]

1 by the Company. And, at the state level, the Company
2 would have to incur at least 50,000 in revenue in order
3 to have to file a state Business Profit or Business
4 Enterprise Tax. So, it's likely that \$5 isn't going to
5 be incurred.

6 Q. Is that -- the Company not earning over 50,000 in
7 revenue, is that tied to its build-out at this point?

8 A. (St. Cyr) Yes. At the Phase 1, 50 customers, we're
9 saying the revenue would be roughly 32,000. So, it
10 doesn't reach the threshold in which it would be
11 required to file a state tax return.

12 Q. Uh-huh.

13 A. (St. Cyr) That could potentially change, would
14 potentially change as the system is fully built out.

15 Q. How many customers is the Company serving right now?

16 A. (St. Cyr) Three.

17 Q. Ms. Descoteau, getting back to Schedule 3, did you have
18 any other explanation or were you completed? You had
19 said you had "lost your train of thought", I just
20 wanted to revisit that.

21 A. (Descoteau) I'm okay.

22 Q. Okay. And, Mr. St. Cyr, do you have any comments that
23 you'd like to bring to the Commission's attention?

24 A. (St. Cyr) I would just point out that the big

[WITNESS PANEL: St. Cyr~Descoteau]

1 adjustment is the \$19,200. And, it essentially
2 represents almost two-thirds of the Company's costs.
3 We'll collect that cost from the residents and turn
4 that over to the Town of Londonderry, and the Company
5 doesn't make any money on that. It's just being passed
6 through to us onto them.

7 Q. And, while we're on the subject of Town of Londonderry
8 and the pass-through, what is that? There are the fees
9 on Schedule 3, is that the \$96 per customer per
10 quarter?

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

12 Q. And, that's out of the Town of Londonderry's current
13 tariff, is that right?

14 A. (St. Cyr) That is also correct.

15 Q. Ms. Descoteau, just a question on the "Report of
16 Proposed Rate Change", if I could have you turn to
17 Schedule 4. This, to me, seems like a very simple
18 calculation.

19 A. (Descoteau) Yes.

20 Q. But I would like to have you just explain what this
21 schedule does.

22 A. (Descoteau) Sure. The proposed rate change is from
23 Schedule 1, the 31,894 [31,984?], divided by 50
24 customers. So, you get an average rate per customer

[WITNESS PANEL: St. Cyr~Descoteau]

1 for a yearly charge of \$639.68s, the average quarterly
2 rate per customer is \$159.92.

3 Q. Okay. Mr. St. Cyr, does Lorden offer a metered
4 service?

5 A. (St. Cyr) No, it does not.

6 Q. To the extent the Commission's administrative rules
7 require metered service, would Lorden be seeking a
8 waiver of that administrative rule?

9 A. (St. Cyr) Yes.

10 Q. Is Lorden set up to meter service?

11 A. (St. Cyr) It is not.

12 Q. Mr. St. Cyr, does Lorden Commons have a capital
13 improvements plan, to your knowledge?

14 A. (St. Cyr) It doesn't specifically have a capital
15 improvement plan. It's a brand-new system. The
16 Company is going to be monitoring the system on a
17 monthly basis, and will do an annual -- a more detailed
18 annual review of its operation. And, at this point, it
19 doesn't see the need for a capital improvement plan.

20 Q. All right. Mr. St. Cyr, I think you already answered
21 this question about the potential for over earning
22 based on these rates, but I wanted to just ask you
23 again, to put it clearly in the record. Do you have
24 any opinion as to whether Lorden Commons will be over

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[WITNESS PANEL: St. Cyr~Descoteau]

1 earning based on these rates in the next five years?

2 A. (St. Cyr) It's highly unlikely that they would over
3 earn at any point. Until the system is fully built
4 out, it doesn't really have the opportunity to earn its
5 rate of return.

6 Q. Okay. Ms. Descoteau, do you have an opinion as to
7 whether the Company potentially will over earn?

8 A. (Descoteau) I don't believe that they will over earn.
9 Many of their expenses are fixed costs, such as their
10 pump station maintenance, their heating costs, the
11 property costs, those are all fixed costs. And, if
12 they're only billing out, over the course of two to
13 three years, even five years, they're not going to have
14 their full customer base for quite a while, and they
15 will be under earning until they get to that point
16 anyway. And, we monitor the system with their annual
17 reports every year. So, if we did see something come
18 out of the ordinary, we'd be there to monitor it.

19 Q. Mr. St. Cyr, have you been involved in other companies
20 regulated by the Commission where the full build-out
21 customer count has been used, rather than the actual
22 customer count has been used in setting rates?

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

24 Q. And, do you have a comment as to the appropriateness of

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[WITNESS PANEL: St. Cyr~Descoteau]

1 using the full build-out versus the actual?

2 A. (St. Cyr) This is really the only way in which to do
3 it. You know, you have to make an estimate of what the
4 costs are going to be to serve, in this case, 50
5 customers, and then develop a rate based on that, and
6 divide it by 50. It, obviously, wouldn't be
7 appropriate to charge Customer 1 the cost of operating
8 while the system is being built.

9 Q. Ms. Descoteau, do you have an opinion as to the just
10 and reasonableness of the rates proposed on Schedule 4?

11 A. (Descoteau) I feel they're just and reasonable.

12 Q. And, Mr. St. Cyr, do you have an opinion as to the just
13 and reasonableness of the proposed rates?

14 A. (St. Cyr) I believe the rate is just and reasonable.

15 Q. Mr. St. Cyr, can you please describe how frequently
16 Lorden Commons will be billing or issuing bills to
17 customers?

18 A. (St. Cyr) Quarterly.

19 Q. Will that be in arrears?

20 A. (St. Cyr) Yes.

21 Q. And, can you -- will you be involved in the billing for
22 this company?

23 A. (St. Cyr) The specifics haven't been worked out, but it
24 is possible that I would be, yes.

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[WITNESS PANEL: St. Cyr~Descoteau]

1 Q. Going forward, do you expect, when you say "the
2 specifics haven't been worked out", do you anticipate
3 having a relationship with the Company, as far as
4 management and billing?

5 A. (St. Cyr) Yes.

6 Q. If you can answer this next question, explain how the
7 first billing will occur to existing customers, if
8 you're going to be involved?

9 A. (St. Cyr) It's likely that the first billing at this
10 point would go out towards the end of June, first week
11 in July. And, it would be from the effective date of
12 this order or up to that point in time.

13 Q. Okay. I'd like to draw your attention to Page 2 of the
14 Settlement Agreement. Though, in the exhibit, I think
15 it's Page 3. It's the "Effective Date" paragraph.
16 And, the Settling Parties propose a January 7th
17 effective date. Can you please explain whether
18 customers were notified by that date?

19 A. (St. Cyr) Yes, they were.

20 Q. And, how were they?

21 A. (St. Cyr) They were notified by letter.

22 Q. By letter from whom?

23 A. (St. Cyr) It came out of Chinburg's general office.

24 Q. When you say "notified", were they notified of the

1 proceeding?

2 A. (St. Cyr) Yes. I believe the PUC order is what was
3 provided to the known and prospective customers at the
4 time.

5 Q. Okay. Thank you. Mr. St. Cyr, do you have a copy of
6 the tariff in front of you?

7 A. (St. Cyr) Yes.

8 Q. There are other fees, in addition to the customer rates
9 based off of the revenue requirement, that Lorden is
10 seeking approval of in this proceeding, is that
11 correct?

12 A. (St. Cyr) That is correct.

13 Q. And, what are those fees?

14 A. (St. Cyr) There's a one percent finance charge for any
15 past due invoice.

16 Q. Is that on Page 8 of the tariff? I guess I'll cut to
17 the chase and draw your attention to Paragraph 7,
18 "Payment of Services", paragraph entitled "Bills", and
19 about the fourth sentence down?

20 A. (St. Cyr) Yes. "It shall bear interest at a rate of
21 one percent per month until payment is received by the
22 Company."

23 Q. Do you have any opinion as to how or whether
24 one percent is reasonable, as opposed to any other

[WITNESS PANEL: St. Cyr~Descoteau]

1 percentage? Or, I guess why is "one percent" proposed?

2 A. (St. Cyr) One percent is as reasonable as any amount.

3 It is consistent with what's in those same two tariffs

4 that we were using in order to develop the costs to

5 begin with. A lot of this tariff has been modeled

6 after those two particular sewer company tariffs.

7 Q. Okay. Are you aware of whether the Town of

8 Londonderry, in its tariff, also charges the same

9 interest rate?

10 A. (St. Cyr) I am not aware of that.

11 MS. BROWN: Okay. I guess I'll make an

12 offer of proof that I'm looking at the tariff that's on

13 file for the Town of Londonderry. And, they have a

14 similar one percent per month or "twelve percent per

15 *annum*" interest rate. Just make an offer of proof for

16 that.

17 CMSR. HONIGBERG: Do you want to mark

18 that as an exhibit?

19 MS. BROWN: It's publicly available,

20 too. I just have the one page. I have a copy, if you'd

21 like it.

22 CMSR. HONIGBERG: Yes. If it's publicly

23 available, that's fine.

24 MS. BROWN: Okay. Thank you. And, when

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[WITNESS PANEL: St. Cyr~Descoteau]

1 I say "publicly available", I just went on the Town of
2 Londonderry's website for their Sewer Department and went
3 to the tariff.

4 CMSR. HONIGBERG: You read it on the
5 Internet, so, it must be true.

6 (Laughter.)

7 CMSR. HONIGBERG: The record will
8 reflect that there was laughter following that.

9 MS. BROWN: I suppose the Commission can
10 take whatever or give whatever weight it wants to to that
11 representation. Thank you.

12 BY MS. BROWN:

13 Q. Mr. St. Cyr, I'd like to have you describe what is the
14 other -- what are the other fees?

15 A. (St. Cyr) There is also a collection fee of \$50, and an
16 administrative fee in conjunction with placing a lien
17 on a property of \$100.

18 Q. Okay. What about bad check fees?

19 A. (St. Cyr) There is also a reference to whatever is
20 imposed by a bank on the Company that that particular
21 fee can be added to a customer's account.

22 Q. So, would that be considered like a pass-through?

23 There's no --

24 A. (St. Cyr) Yes. If the bank charges the Company \$20,

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[WITNESS PANEL: St. Cyr~Descoteau]

1 then the Company would add that \$20 to the customer's
2 account and attempt to get it from the customer. And,
3 there are some other references to "reasonable costs of
4 collection, including attorney fees, court fees,
5 sheriff fees, witness fees, and administrative fees",
6 and these are, again, mostly pass-through. You know,
7 whatever the Company incurs in that regard, it would
8 add to a customer's account, and then try to get that
9 from the customer.

10 Q. Okay. Mr. St. Cyr, will the Company be filing this
11 Exhibit 4 tariff with a completed description of
12 "service area"?

13 A. (St. Cyr) Yes.

14 Q. But, in substance, does the Company believe that this
15 is going to be the final tariff that it proposes for
16 its terms and service?

17 A. (St. Cyr) Yes.

18 Q. Mr. St. Cyr, with respect to the set amounts, the \$50
19 and the \$100, does Lorden Commons have a cost basis to
20 support that? Or, did you already give it and I just
21 missed it?

22 A. (St. Cyr) We do. We hadn't given it. It's basically
23 one hour at \$50 an hour. In the case of the
24 administrative fee, that would be two hours at \$50 an

1 hour.

2 Q. Now, is this \$50 hour rate an employee of the Company
3 or is this through contracted services?

4 A. (St. Cyr) This would be through contracted services.

5 Q. And, who would that likely be?

6 A. (St. Cyr) That could potentially be me or some other
7 entity.

8 Q. And, if it's you, is that your going rate to do this
9 sort of work?

10 A. (St. Cyr) For that particular work. And, again, it's
11 consistent with the two other sewer companies that are
12 regulated by the PUC.

13 Q. Thank you. Mr. St. Cyr, there is a -- oh, I'm sorry,
14 Ms. Descoteau, I forgot to ask you. With respect to
15 the fees charged in the tariff, did you review these?

16 A. (Descoteau) I did.

17 Q. And, did you find -- do you have an opinion as to their
18 reasonableness?

19 A. (Descoteau) They're fair and reasonable.

20 Q. And, how did you determine that opinion?

21 A. (Descoteau) By reviewing them with comparison to other
22 utilities that are regulated by the PUC, and by
23 comparing them with the Town of Londonderry.

24 Q. Okay. Thank you. So, Mr. St. Cyr, the Settlement

[WITNESS PANEL: St. Cyr~Descoteau]

1 Agreement provides, in Paragraph E, on Page 3 of the
2 Settlement Agreement, of the "Rate Case Expenses and
3 Surcharge". Do you have an estimate of the rate case
4 expenses at this point?

5 A. (St. Cyr) As of March 31st, 2014, it's just under
6 \$6,000.

7 Q. And, are you familiar with how the Commission
8 authorizes rate case expenses for utilities?

9 A. (St. Cyr) Yes.

10 Q. So, what -- can you please describe what Lorden will be
11 doing, what it will be filing within 15 days?

12 A. (St. Cyr) The Company will provide its supporting
13 documentation for rate case expenditures, submit it to
14 the Staff. And, it would hope to come to an agreement
15 with the Staff. And, at the same time, it would
16 propose some period of time over which it would seek to
17 recover those rate case expenditures.

18 Q. When you say "filing with Staff", are you aware of the
19 PUC 1900 rules that require filing with the Commission?

20 A. (St. Cyr) Yes.

21 Q. So, is your testimony then that the filing will be
22 directed to the Commission, rather than Staff?

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

24 Q. I don't mean to pick on you. I just need to make a

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[WITNESS PANEL: St. Cyr~Descoteau]

1 commentary on our past practice, which has changed. I
2 have no further direct for Ms. Descoteau. But I'd like
3 to offer, Mr. St. Cyr, since I don't represent the
4 Company, if you have anything further to add with
5 respect to today's presentation and the Settlement
6 Agreement?

7 A. (St. Cyr) I don't have anything further.

8 MS. BROWN: Okay. So, direct is done.

9 CMSR. HONIGBERG: Mr. Tullis, do you
10 have any questions for either of the witnesses?

11 MR. TULLIS: Yes, sir.

12 **CROSS-EXAMINATION**

13 BY MR. TULLIS:

14 Q. I'd like some clarification on the effective date.
15 There is nothing mentioned. We close on our property,
16 which is an example of any particular person who might
17 be buying a home here in Lorden Commons, we close on
18 May 16. This document is dated that this is going to
19 be effective in January, and there was an understanding
20 by my part, and why I asked for clarification. Is that
21 people will go back to pay anything in the arrears,
22 like from January up to May in this case. I just would
23 like to clarify that our effective sewer rates are
24 going to become effective on the date of our closing,

[WITNESS PANEL: St. Cyr~Descoteau]

1 and that's when the billing period would start?

2 CMSR. HONIGBERG: Mr. St. Cyr, I think
3 that would be a question directed to you.

4 **BY THE WITNESS:**

5 A. (St. Cyr) Yes. I would say it would be effective the
6 date on which we begin to provide service to you. If
7 that's the closing date, then that's the date that
8 would be effective.

9 MR. TULLIS: Okay. Thank you.
10 Appreciate that.

11 CMSR. HONIGBERG: Do we have any other
12 questions for anyone here?

13 (No verbal response)

14 CMSR. HONIGBERG: I think the witnesses
15 are excused.

16 CMSR. SCOTT: Wait.

17 CMSR. HONIGBERG: Oh, I'm sorry. You
18 may have questions.

19 CMSR. SCOTT: Thank you.

20 CMSR. HONIGBERG: Commissioner Scott.

21 CMSR. SCOTT: Thank you. And, good
22 morning.

23 WITNESS ST. CYR: Good morning.

24 BY CMSR. SCOTT:

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[WITNESS PANEL: St. Cyr~Descoteau]

1 Q. So, it appears that the rate, if you will, the charge
2 being assessed by the pass-through from Londonderry
3 then to them take the sewage to Manchester, that's a
4 flat rate then, is that correct?

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

6 Q. Okay. So, that's helpful. So, that would imply that,
7 moving forward, if there's a -- for let's say the first
8 block of 50 residences, so, there's really no
9 additional cost, as far as disposal, for the utility,
10 if it's a family of two or a family of six, it's a set
11 rate no matter what the usage, is that correct?

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

13 Q. Okay. That's helpful. Thank you. I'm sorry, I'm
14 going through my questions, which I didn't write very
15 clearly. And, Mr. St. Cyr, you mentioned there's three
16 current customers, is that correct?

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

18 Q. So, Mr. Tullis will be four, does that sound right?

19 A. (St. Cyr) At one point there were four prospective
20 customers. I don't -- I'm sure he was one of those
21 four. But I don't know what the -- the plan is to
22 build the 50 over a two-year period beginning in the
23 Fall of 2013.

24 Q. Well, let me ask it differently. So, how many

[WITNESS PANEL: St. Cyr~Descoteau]

- 1 customers do you have actively receiving sewer service?
- 2 A. (St. Cyr) Three.
- 3 Q. Three right now. Okay. And, what is the projected --
- 4 just remind me of the time line. So that the hope is
- 5 to have Phase 1, the first 50, done by?
- 6 A. (St. Cyr) The Fall of 2015.
- 7 Q. Okay. And, I say "done by", there's move-in, they
- 8 would be occupied by then, correct?
- 9 A. (St. Cyr) That's correct.
- 10 Q. Okay. Are they built yet?
- 11 A. (St. Cyr) No.
- 12 Q. Okay. And, then, the second phase of 130 --
- 13 ultimately, we end up at 132, does that sound right?
- 14 A. (St. Cyr) The total is 132. The subsequent phases
- 15 phase would be the remaining 82 homes over an ensuing
- 16 three or four year period, is what the Company has been
- 17 saying.
- 18 Q. Okay.
- 19 A. (St. Cyr) Though, largely market-dependent.
- 20 Q. Okay. And, is that the maximum amount envisioned at
- 21 this point?
- 22 A. (St. Cyr) Yes.
- 23 Q. Okay. Obviously, it's a brand-new system being
- 24 installed, I understand that. I was curious, who will

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[WITNESS PANEL: St. Cyr~Descoteau]

1 do the work should there be a problem on the system or,
2 you know, let's say there was a line incorrectly
3 installed or it was leaking or that type of thing? Who
4 does that work?

5 A. (St. Cyr) The Company has an outfit that is responsible
6 for the operation and maintenance. So, we would rely
7 on them to either do the work themselves or to sub out
8 that work.

9 Q. Okay. And, I think you mentioned, you were asked if
10 there's a capital improvement plan, and you said "not"
11 -- "probably not necessary at this point". How do
12 you -- how does the utility plan on planning on things
13 happening for maintenance and that type of thing,
14 whether it's preventative maintenance or just moving
15 forward? Is there a line item for that or how are you
16 addressing that?

17 A. (St. Cyr) Yes. It probably, maybe not quite half, half
18 of the operating cost is related to maintenance. The
19 specific contract with, I can't remember the outfit's
20 name, but the specific contract was for 175 a month to
21 go in and inspect and monitor. And, then, I believe it
22 was five or 600 on an annual basis to do more of an
23 overhaul. And, then, there's some money built in for
24 maintenance that would be required along the way. So,

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[WITNESS PANEL: St. Cyr~Descoteau]

1 there's about four or 5,000 built into the operating
2 expenses for the operation of the pump station.

3 Q. Thank you. And, I was just curious, for the fees
4 that -- the pass-through fees, Manchester and
5 Londonderry, when's the last time they changed their
6 fees, do you know?

7 A. (St. Cyr) It would be Londonderry. And, I don't know
8 when the last time is that --

9 A. (Descoteau) I want to say it's been in effect since
10 2007.

11 Q. Okay. All right. And, as you're signing up new
12 customers, what's the mechanism by which they will know
13 of the tariff?

14 A. (St. Cyr) I'm not sure that that has specifically been
15 worked out. They are aware that there is a sewer
16 utility that is a PUC-regulated entity. But, in terms
17 of the specific information that will be provided to
18 them and the information that the customer needs from
19 them in order to bill them, I don't know as we've
20 worked out those specifics.

21 Q. Okay.

22 MS. BROWN: Commissioner Scott, we have
23 a Company representative here today. He's not sworn in,
24 but he's able to answer or indicating he's able to answer

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1 this question.

2 CMSR. SCOTT: I'd love to hear it.

3 CMSR. HONIGBERG: Why don't we have him
4 sworn in then. You can stay there.

5 (Whereupon **Paul Kerrigan** was duly sworn
6 by the Court Reporter.)

7 **PAUL KERRIGAN, SWORN**

8 WITNESS KERRIGAN: I'm Paul Kerrigan,
9 representing Lorden Commons, LLC -- Sewer Company, LLC.
10 We make note of the fact that we have -- oh, that will
11 help. We make note of the fact that we have a sewer
12 company in our Purchase and Sales Agreement. It doesn't
13 specifically mention the amount. And, as soon as we
14 decide on the tariff or it is noted, we will put that in
15 the Purchase and Sale Agreement.

16 CMSR. SCOTT: Great. Thank you.

17 BY CMSR. SCOTT:

18 Q. And, just to clarify, I think I understood it
19 correctly. So, on the Settlement Agreement, whether
20 it's Schedule 3 or the earlier schedules, the
21 adjustments from the original filing to the Staff's
22 response to -- excuse me, the Company's response to
23 Staff 2.5, we don't have 2.5 here at the Bench. But,
24 again, those adjustments are the result of the February

[WITNESS PANEL: St. Cyr~Descoteau]

1 letter, or I think that's Exhibit 2, is that correct?

2 A. (St. Cyr) Uh-huh.

3 A. (Descoteau) That's correct.

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

5 Q. So, that encompasses everything. There's no -- okay.

6 Thank you.

7 A. (Descoteau) Well, they all relate to the February

8 letter.

9 CMSR. SCOTT: Okay. I think that's all
10 I have.

11 CMSR. HONIGBERG: I have no questions.
12 Is there anything else we need to do with these witnesses,
13 before we can excuse them?

14 MS. BROWN: Staff has no redirect.
15 Thank you.

16 CMSR. HONIGBERG: Do you have anything
17 else you want to add, Mr. St. Cyr, since you're sort of
18 representing the party here? You'll then have an
19 opportunity to sum up from there, but is there any other
20 testimony you'd want to offer?

21 WITNESS ST. CYR: No.

22 CMSR. HONIGBERG: All right. Then, I
23 think the witnesses are excused. Thank you.

24 WITNESS ST. CYR: Thank you.

{DW 13-305} {04-23-14}

1 CMSR. HONIGBERG: Do you want to strike
2 the ID on the exhibits?

3 MS. BROWN: Please. Thank you.

4 CMSR. HONIGBERG: Is there any objection
5 to that?

6 (No verbal response)

7 CMSR. HONIGBERG: Seeing none, we'll
8 strike the ID on Exhibits 1 through 4. Anything else we
9 need to do before we sum up?

10 MS. BROWN: Just other instruction. I
11 mean, Staff usually is like second to last in doing its
12 closing. But, since Mr. Tullis is new here, Staff has its
13 closing prepared and doesn't mind going first.

14 CMSR. HONIGBERG: Mr. Tullis, do you
15 have anything you want to say at this time to sum things
16 up?

17 MR. TULLIS: No, sir.

18 CMSR. HONIGBERG: Good enough. Then,
19 Ms. Brown.

20 MS. BROWN: Okay. Thank you again,
21 Commissioners, for your time today. We respectfully
22 request that you approve the agreed upon Settlement and
23 the proposed revenue requirement and rates contained
24 therein. The suspension order in this proceeding set --

1 identified as an issue the two-year -- whether the Company
2 satisfied RSA 374:27, in that it exercised its franchise
3 within two years. And, Staff is of the opinion that it
4 did. The Company is of the opinion that it did.

5 Specifically, the *nisi* became effective August 22nd, 2011.
6 So, the two-year would have tolled at about August 22nd,
7 2013. And, you heard in testimony today that the Company
8 had started construction on the system in June/July-ish of
9 that year. So, it met it in the months preceding August.
10 So, with that, Staff believes that it satisfies RSA
11 374:27.

12 You also heard testimony today that a
13 lot of the plant that would ordinarily be in the pool for
14 rate base is contributed capital, it's going in as CIAC.
15 And, thus, the Company is only earning on \$10,999. That
16 comprises its franchise fees and working capital. To have
17 it earning on \$600,000 worth of rate base would be
18 prohibitive. So, Staff is pleased with that development.

19 With respect to the 9.6 cost of equity
20 return that, because there is no debt, is the rate of
21 return. Staff felt it appropriate to use the last
22 litigated cost of equity number, which came out of, as Ms.
23 Descoteau testified, the Aquarion rate case, and that was
24 9.6. And, the Commission has a history of using the last

1 litigated cost of equity for these smaller utilities, so
2 that the smaller utilities don't incur the cost of a full
3 cost of equity expert. And, Staff believes that the cost
4 of equity rate and the rate of return are reasonable.

5 Now, you also heard that, this being
6 year one, the test year had to be somewhat hypothetical.
7 Both Staff and Mr. St. Cyr have used the best estimates
8 available, and had two companies, in particular, Bodwell
9 and Bedford Waste Services, where it had actual costs it
10 could look at on a per customer basis to assess the
11 reasonableness of the costs in this revenue requirement.
12 So, Staff believes that those estimates are reasonable and
13 support the revenue requirement.

14 With respect to the terms of service,
15 you've heard Mr. St. Cyr testify that the Company is
16 proposing a one percent per month interest rate on late
17 bills. The return check fee is a pass-through amount from
18 the bank. That the \$50 fee and the \$100 fee are
19 cost-based. Staff has also looked at those fees and
20 looked at what other companies are charging, and feels
21 that they are reasonable and within the ballpark.

22 Now, with respect to the full build-out,
23 we have 50 customers projected in Phase 1, yet the revenue
24 requirement -- well, and the revenue requirement is based

1 on 50, not, you know, the actual three. And, as Mr. St.
2 Cyr testified, it's more reasonable to use the full
3 build-out. So, you're not placing all of the burden on
4 just, you know, three customers. That would just be
5 cost-prohibitive. And, the Company is willing to cover
6 the revenue deficiency for the few years it takes to
7 achieve full build-out.

8 With that, Staff believes that the
9 Settlement Agreement is a reasonable -- recommends a
10 reasonable revenue requirement, that the rates, the
11 customer rates derived from this revenue requirement are
12 just and reasonable. And, we ask that you approve this
13 Settlement Agreement. Thank you.

14 CMSR. HONIGBERG: Mr. St. Cyr.

15 MR. ST. CYR: Just briefly. We
16 appreciate working with Mr. Tullis and Staff, and in the
17 formulation of the Settlement Agreement. And, there's no
18 need for me to reiterate much of what Ms. Brown said. We
19 would appreciate you taking the Settlement Agreement under
20 advisement and ultimately approving it. Thank you.

21 CMSR. HONIGBERG: Anything else?

22 (No verbal response)

23 CMSR. HONIGBERG: We will take this all
24 under advisement. I appreciate everyone's attention

1 today. Thank you very much.

2 MR. ST. CYR: Thank you.

3 **(Whereupon the hearing was adjourned at**
4 **11:14 a.m.)**

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