

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

DW 15-209

*Lakes Region Water Company  
Request for Temporary Rate Increase*

Direct Testimony of Stephen P. St. Cyr  
in Support of Temporary Rate Adjustment

- 1 **Q. Please state your name and address.**  
2
- 3 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,  
4 Biddeford, Me. 04005.  
5
- 6 **Q. Please state your present employment position.**  
7
- 8 A. I am presently employed by St. Cyr & Associates, which provides accounting,  
9 tax, management and regulatory services, primarily to utilities.  
10
- 11 **Q. What is the purpose of your testimony?**  
12
- 13 A. The purpose of my testimony is (1) to provide an overview of the temporary rate  
14 schedules, (2) explain the temporary increase in revenue and rates, and (3) state  
15 the reasons why temporary rates are necessary.  
16
- 17 **Q. What is the test year that the Company is using in this filing?**  
18
- 19 A. The Company is utilizing the twelve months ended December 31, 2014.  
20
- 21 **Q. What schedules have you prepared in support of the Company's request for  
22 temporary rates?**  
23
- 24 A. I have prepared one set of schedules as follows:  
25 Computation of Revenue Deficiency  
26 Schedule 1, Statement of Income  
27 Schedule 1 Supporting Schedules 1A, 1B, 1C & 1E  
28 Schedule 3, Rate Base  
29 Schedule 3 Supporting Schedules 3A & 3B  
30 Schedule 4, Rate of Return Information  
31 Schedule Supporting Schedules 4A & 4B  
32 Schedules 5 & 5.1, Income Tax Computation and Effective Tax Factor  
33 Schedules 6 & 6.1, Report of Proposed Rate Changes and Calculation of Rates  
34 Schedules 7 & 8, 2014 Additions and Retirements of Plant  
35
- 36 **Q. What was the general approach to the pro forma adjustments for temporary  
37 rates as compared to permanent rates?**  
38
- 39 A. Generally, for the purposes of temporary rates, the Company's proposed  
40 schedules eliminated 2015 additions to plant, its proposed increase in the cost of  
41 common equity and certain test year expenses. The Company used a 3 year  
42 average for certain expenses because it believes that the 3 year average result  
43 more closely approximated the level of expenses going forward.  
44
- 45 **Q. Please provide a brief overview of the schedules.**  
46

1 A. Computation of Revenue Deficiency

2  
3 The schedule entitled “Computation of Revenue Deficiency for the Test Year  
4 ended December 31, 2014” shows an actual, operating income deficiency of  
5 \$119,976.

6 Schedule 1, Statement of Income and supporting Schedules 1A, 1B, 1C & 1E

7  
8 Schedule 1 shows total pro forma adjustments of \$209,958 to operating revenues,  
9 resulting in total revenues of \$1,525,968. It also shows total pro forma  
10 adjustments of \$85,444 to operating expenses, resulting in total operating  
11 expenses of \$1,305,526. The net of the total operating revenue of \$1,525,968 and  
12 total operating expenses of \$1,305,525 results in a net operating income (“NOI”)  
13 of \$220,442. The NOI of \$220,442 is the amount necessary to earn its proposed  
14 rate of return of 7.97% on its proposed \$2,765,328 rate base.

15  
16 Schedule 1A identifies the specific pro forma adjustment to revenue. Pro forma  
17 adjustment #3 for \$221,487 represents the total amount of revenue needed from  
18 the WVG Pool, unmetered customer and metered customers in order to cover its  
19 expenses and allow it to earn its proposed rate of return.

20  
21 Schedule 1B identifies the specific pro forma adjustments to operating expenses  
22 totaling \$85,444 including increases in federal income and state business taxes,  
23 depreciation and property and payroll tax offset by a decrease in O&M expense.

24  
25 Schedule 1C reflects wage adjustments and related payroll taxes.

26  
27 Schedule 1E shows the pro forma adjustment to remove the gain from the Hidden  
28 Valley land sale.

29  
30 Schedule 3, Rate Base and supporting Schedules 3A & 3B.

31  
32 Schedule 3 shows the actual 13 month average rate base balances of \$2,637,330,  
33 the 2014 pro forma adjustments of \$127,999 and the 2014 pro forma rate base  
34 balances of \$2,765,328.

35  
36 Schedule 3A identifies the specific pro forma adjustments to rate base. The  
37 Company continues to believe that all assets placed in service during the test year  
38 should be fully reflected in rate base and a full year’s depreciation on such assets  
39 should be fully reflected in depreciation expense and accumulated depreciation.  
40 As such, the Company has made a number of pro forma adjustments to adjust the  
41 13 month average balances to year end balances.

42  
43 Schedule 3B shows the computation of cash working capital for 2014 pro forma  
44 amount and 2014 and is based on the pro forma test year operation and  
45 maintenance expenses.

46

1 Schedule 4, Rate of Return Information and supporting Schedules 4A & 4B

2  
3 Schedule 4 reflects the overall rate of return for the actual test year of 8.19% and  
4 for the pro forma test year of 7.97%. Incorporated into the pro forma rate of  
5 return is 9.60% return on equity for temporary rate purposes. Also, incorporated  
6 into the pro forma rate of return is 4.60% cost of debt.

7  
8 Schedules 4A and 4B provide supporting detail for the rate of return information.

9  
10 Schedules 5 & 5.1, Income tax Computation and Effective Tax Factor

11  
12 Schedule 5 shows the amount of tax needed on the pro forma net operating  
13 income required. The Company is utilizing federal income rate of 34% and state  
14 business tax rate of 8.50%.

15  
16 Schedule 6, Report of Proposed Rate Changes

17  
18 If the Company filing is approved as submitted, its total water Operating  
19 Revenues for temporary rates will amount to \$1,525,968. The Total Sales of  
20 Water amounts to \$1,466,910, of which \$1,264,630 comes from the Company's  
21 1,666 unmetered and metered customers. The average, annual residential  
22 customer's bill will increase \$132.95 or 21.23% for temporary rate purposes.

23  
24 Schedule 6.1, Calculation of Rates

25  
26 The Company is using the same methodology it has used in the past and that it is  
27 using to develop permanent rates. See schedule for rates for WVG Pool,  
28 unmetered customer and metered customers. It is applying the rate increase to the  
29 various components of rates.

30  
31 Schedules 7 & 8

32  
33 Schedules 7 & 8 are supporting schedules that support the 2014 additions and  
34 retirements to plant and the related depreciation and property taxes.

35  
36 **Q. What is the amount of the temporary increase in revenue?**

37  
38 A. The total amount is \$209,958.

39  
40 **Q. How much of the temporary increase in revenue is from sales of water to**  
41 **customers?**

42  
43 A. The total sales of water to customers are \$287,241.

44  
45 **Q. How much of the temporary increase in revenue is from sales of water to**  
46 **customers exclusive of the amount from the Company's Suissevale Contract?**



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

A. The total sales of water to customers exclusive of the Company's Suissevale Contract are \$221,487.

**Q. Why are temporary rates necessary?**

A. Temporary rates are necessary in order to: (a) eliminate the revenue deficiency incurred during the test year; (b) reflect the 2014 additions to plant and related accumulated depreciation into rate base; and (c) allow the Company to earn its authorized rate of return. In the absence of temporary rates, the Company will earn less than its approved or a reasonable rate of return. Temporary rates will also lessen the impact of the permanent rate increase.

**Q. When is the Company proposing that the temporary rates be effective?**

A. The Company is proposing that the temporary rates be effective as of the date that the Company provides notice to its customers of the rate change.

**Q. Would you please summarize what the Company is requesting in its rate filing?**

A. The Company respectfully requests that the Commissioners approve an increase in annual revenues of \$209,958 for temporary rates.

**Q. Does this conclude your testimony?**

A. Yes.

SPSt. Cyr  
08/12/15