

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

NHPUC OCT19'15 AM 8:38

September 30, 2015 - 1:27 p.m.  
Concord, New Hampshire

RE: DW 15-209  
LAKES REGION WATER COMPANY:  
Request for Change in Rates.  
(Prehearing conference)

PRESENT: Michael J. Sheehan, Esq.  
(Presiding as Hearings Examiner)

Sandy Deno, Clerk

APPEARANCES: Reptg. Lakes Region Water Company:  
Justin C. Richardson, Esq. (Upton & Hatfield)

Reptg. Property Owners Association at  
Suissevale, Inc.:  
Douglas L. Patch, Esq. (Orr & Reno)

Reptg. Residents of Judges Road Group:  
Murray Movitz

Reptg. Indian Mound Property Owners Assn.:  
William Endres

Reptg. Hidden Valley Property Owners Assn.:  
Mark Evitts

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

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**APPEARANCES: (c o n t i n u e d)**

**Reptg. Residential Ratepayers:**

Susan Chamberlin, Esq., Consumer Advocate  
Pradip Chattopadhyay, Asst. Consumer Advocate  
Office of Consumer Advocate

**Reptg. PUC Staff:**

Rorie E. Patterson, Esq.  
Jayson Laflamme, Utility Analyst/Water Div.

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

1  
2 HEARINGS EXAMINER SHEEHAN: Good  
3 afternoon. My name is Mike Sheehan. I'm a Staff lawyer  
4 here at the Commission, and today I'll be serving as a  
5 Hearings Examiner for our prehearing conference.

6 This is Docket Number 15-209, Lakes  
7 Region Water Company. It's a case where they are seeking  
8 both a temporary and permanent rate increase. I see from  
9 the order suspending rates that it's a request for an  
10 almost \$400,000 rate increase in permanent rates, and a  
11 temporary rate increase request of less than that.

12 I see that the affidavit of publication  
13 has been filed. And, we scheduled today's prehearing  
14 conference.

15 Why don't we begin by taking appearances  
16 of those people who are in the case, and then we'll go to  
17 the people who are seeking to intervene. So, first, the  
18 parties, this would be the Company, Staff, and the OCA, if  
19 you could please state your appearances.

20 MR. RICHARDSON: Sure. Sure. Thank  
21 you. Justin Richardson, with the firm of Upton &  
22 Hatfield. I'm here today on behalf of Lakes Region Water  
23 Company. With me here today I have the Company's  
24 President, Tom Mason; to his right is Ashley Mann, who is

1 the Assistant Utility Finance Manager; Timothy Fontaine,  
2 who is the Utility Finance Manager; behind us here is  
3 Justin Mann [Benes?], who is the Field Operations  
4 Supervisor; and Stephen St. Cyr, who is our rate  
5 consultant.

6 HEARINGS EXAMINER SHEEHAN: Good  
7 afternoon.

8 MS. CHAMBERLIN: Good afternoon. Susan  
9 Chamberlin, Consumer Advocate. And, with me today is  
10 Pradip Chattopadhyay.

11 HEARINGS EXAMINER SHEEHAN: Thank you.

12 MS. PATTERSON: Good afternoon. Rorie  
13 Patterson. I'm a Staff attorney for the Public Utilities  
14 Commission. And, with me today is Mr. Jayson Laflamme,  
15 who is a Utility Analyst in the Water Division.

16 HEARINGS EXAMINER SHEEHAN: Thank you.  
17 I heard Ms. Patterson give a brief overview of what will  
18 happen this morning, and the next thing we will take up is  
19 interventions. We have received a number of written  
20 requests. I will go through them one at a time, and then  
21 see if there is anyone else here.

22 Just note that I cannot grant  
23 interventions, I will make recommendations. And, the  
24 Commission will have the ultimate authority to act on that

1 recommendation.

2 So, the first one in my pile, in no  
3 particular order, is from "Residents of Judges Road".  
4 And, it's a petition, with a signature page of 15 or 20  
5 names on the back. Is there a person here representing  
6 that group? Yes, your name sir.

7 MR. MOVITZ: My name is Murray Movitz.  
8 I'm here representing my wife, Susan Riley, and myself.  
9 Mr. Craig Antonides, who has taken the lead on the Judges  
10 Road neighbors opposing this rate increase, could not make  
11 it today. He had to work. So, I am, with your  
12 permission, representing him and the other of my neighbors  
13 also.

14 HEARINGS EXAMINER SHEEHAN: Okay. And,  
15 I did see yours came in a separate letter, but you are  
16 part of that same Judges Road group?

17 MR. MOVITZ: Yes, sir.

18 HEARINGS EXAMINER SHEEHAN: And, you're  
19 all ratepayers, as I understand it, of the water company?

20 MR. MOVITZ: Yes, sir.

21 HEARINGS EXAMINER SHEEHAN: My  
22 recommendation will be to grant that intervention request.  
23 My only question would be to have one or two people  
24 speaking for the group, so that, when we get to time of

1 discovery and possibly a hearing, it's a little bit more  
2 manageable. Is there any -- if you have an idea of who  
3 will be the representative, you can let me know. If not,  
4 that's something you can address later.

5 MR. MOVITZ: Well, I will probably be  
6 here at that time, possibly a number of other neighbors.

7 HEARINGS EXAMINER SHEEHAN: Okay. And,  
8 I'm sure --

9 *[Court reporter interruption regarding*  
10 *the microphone.]*

11 MR. MOVITZ: It's on now. Sorry.

12 HEARINGS EXAMINER SHEEHAN: Thank you.

13 MS. PATTERSON: Excuse me. If I might  
14 just point out, --

15 HEARINGS EXAMINER SHEEHAN: Sure.

16 MS. PATTERSON: -- I did speak to --  
17 you'll have to pronounce his last name.

18 MR. MOVITZ: Craig Antonides.

19 MS. PATTERSON: Yes. I did speak to  
20 Mr. Antonides. And, I did explain to him that it would  
21 be -- it may be an expectation of the Commission that  
22 there be some consolidation of the intervenors to some  
23 extent, and that one person act as the point person for  
24 groups of intervenors. And, it's my understanding that he

1 was -- he understood what I was saying.

2 HEARINGS EXAMINER SHEEHAN: Thank you.

3 MS. PATTERSON: Uh-huh.

4 MR. RICHARDSON: If I may, Mr. Hearing  
5 Officer?

6 HEARINGS EXAMINER SHEEHAN: Sure.

7 MR. RICHARDSON: Thank you. I don't  
8 anticipate any objection from the Company. We did intend  
9 to request that the group in that system, which we call  
10 the "Waterville Gateway System", designate someone to be  
11 their representative, so, you know, we don't get five or  
12 six sets of data requests covering the same ground. So,  
13 that would be acceptable to the Company to have them  
14 participate with a -- through a representative.

15 HEARINGS EXAMINER SHEEHAN: Okay. Thank  
16 you. The next group was Suissevale Property Owners  
17 Association. I think that's Mr. Patch.

18 MR. PATCH: Yes. Good afternoon. Doug  
19 Patch, from the law firm of Orr & Reno, on behalf of the  
20 Property Owners Association at Suissevale, Inc. And, with  
21 me this afternoon is Elaine Keating, who is the Business  
22 Manager.

23 HEARINGS EXAMINER SHEEHAN: Thank you.  
24 And, we received electronically a request from the Indian



1 Mound Property Owners Association. Is there a person or  
2 people from that group here? Yes.

3 MR. ENDRES: William Endres, owner.

4 HEARINGS EXAMINER SHEEHAN: Your name  
5 again, sir?

6 MR. ENDRES: William Endres, owner.

7 HEARINGS EXAMINER SHEEHAN: Owner of?

8 MR. ENDRES: Property in Hidden Valley.

9 HEARINGS EXAMINER SHEEHAN: Okay. The  
10 filing we got was from an Attorney Blais. Is he here?  
11 Anybody know about --

12 MR. RICHARDSON: Mr. Hearing Officer, if  
13 I may?

14 HEARINGS EXAMINER SHEEHAN: Sure.

15 MR. RICHARDSON: I spoke with Attorney  
16 Blais, and he had what he described to me as "fairly  
17 invasive surgery" on Friday.

18 HEARINGS EXAMINER SHEEHAN: Okay.

19 MR. RICHARDSON: I had had some  
20 communications with him, and he had originally understood  
21 the Order of Notice to be a final order. I then told him  
22 that we would assent to a petition to intervene by the  
23 Association, and kind of brought him up to speed on the  
24 process a little bit. I have not seen the petition to

1 intervene. But it is our intention to assent to it.

2 HEARINGS EXAMINER SHEEHAN: Like I said,  
3 we received an electronic copy just within the hour from  
4 Mr. Blais. So, your understanding is he will be speaking  
5 on behalf of that group?

6 MR. RICHARDSON: Yes. That's correct.  
7 And, I understood, because of the circumstances, where he  
8 had to basically rewrite the petition he intended to file,  
9 and that he wasn't going to be able to do that. And, I  
10 told him that I knew he wouldn't be here today, but we  
11 would represent, you know, that to him, and that we  
12 intended to assent to their request to participate.

13 HEARINGS EXAMINER SHEEHAN: Thank you.  
14 That's all I have notice of. Is there anyone else in the  
15 room, excuse me, that is seeking to intervene into this  
16 docket? The gentleman over there.

17 MR. EVITTS: Mark Evitts, on behalf of  
18 Hidden Valley Property Owners Association.

19 HEARINGS EXAMINER SHEEHAN: Your last  
20 name again?

21 MR. EVITTS: Evitts, E-v-i-t-t-s. Our  
22 primary representative, David Smith, couldn't be here  
23 today due to some health problems and predetermined  
24 appointments that he had to attend in Georgia. So, I'm

1 filling in.

2 HEARINGS EXAMINER SHEEHAN: Sure. It's  
3 best that we get something in writing, your request to  
4 intervene, on whoever -- signed by you or Mr. Smith, and  
5 on behalf -- the group that you're speaking on behalf of.  
6 If you could just briefly tell me who that group is now,  
7 so we have it in the record?

8 MR. EVITTS: Again, it's the ratepayers  
9 in Hidden Valley --

10 HEARINGS EXAMINER SHEEHAN: Okay.

11 MR. EVITTS: Association in Tuftonboro.

12 HEARINGS EXAMINER SHEEHAN: Okay. I'm  
13 making a written filing that gets sent to everyone, then  
14 everyone will have your contact information, and it makes  
15 it much easier. So, if you could follow that up with a  
16 written one. You could go onto the Docketbook on the  
17 Commission's website, you can see what other people have  
18 filed and take some clues from that.

19 MR. EVITTS: Okay. Thank you.

20 HEARINGS EXAMINER SHEEHAN: Anyone else  
21 present today that hasn't already spoken or been spoken  
22 for?

23 MS. CHAMBERLIN: Excuse me.

24 HEARINGS EXAMINER SHEEHAN: Sure.

1 MS. CHAMBERLIN: I believe Mr. Smith did  
2 file an intervention, didn't he?

3 MR. EVITTS: I believe he did, as you  
4 were saying that.

5 MS. CHAMBERLIN: Well, I'm not sure.  
6 I'll confer.

7 HEARINGS EXAMINER SHEEHAN: Okay. I  
8 don't have one.

9 MS. CHAMBERLIN: Okay.

10 HEARINGS EXAMINER SHEEHAN: Not that  
11 that's the be-all and end-all. Okay.

12 And, since all the people proposing to  
13 intervene are ratepayers, and given the Company's  
14 non-objection, is there any other person who does object  
15 to any of these requests?

16 *[No verbal response]*

17 HEARINGS EXAMINER SHEEHAN: Seeing none,  
18 I will recommend that they be granted. And, for today's  
19 purposes, I understand there's a tech session following  
20 this hearing, and those parties, who have not officially  
21 been granted intervention, I trust will be treated as if  
22 they are full parties for purposes of this afternoon's  
23 tech session.

24 The other thing we can do and are

1 directed to do today is a brief statement of position of  
2 each of the parties about this case, and where this case  
3 will go. And, I always forget the order. Is that,  
4 Mr. Richardson, you go first?

5 MR. RICHARDSON: Certainly. Thank you.  
6 What this case is really about, in our view, and I'll say  
7 this as much for your benefit as for the residents that  
8 are here, is the Company's made tremendous investment into  
9 its water system since its last rate case, which was a  
10 2009 docket, based on a 2000 -- excuse me, 2010 docket,  
11 based on a 2009 test year, with some adjustments. So,  
12 38 percent sounds like a big increase, but a lot has  
13 happened since then.

14 The Company has put in approximately a  
15 quarter million dollars in improvements to its Indian  
16 Mound System that is expected to be in operation by the  
17 end of next week. \$271,932 in just plant improvements on  
18 Mount Roberts, which is in the Suissevale system. And,  
19 there's a total of -- did I not cover Indian Mound?

20 (Atty. Richardson conferring with Mr.  
21 Mason.)

22 MR. RICHARDSON: The Balmoral System,  
23 yes. Thank you. And, we're looking at a total of, I  
24 believe, \$608,470 in new plant since the last rate case.

1 So, that's -- the Company has done some really great work  
2 in improving its operations. But that's really why we're  
3 here, is because we need rate relief to continue to make  
4 those types of improvements.

5 And, we saw the request from the  
6 residents in Thornton, in the Waterville Gateway System,  
7 actually looked at one of our schedules, which is the  
8 Company's capital improvement plan for the next five to  
9 ten years. And, we have scheduled, in 2016, some pretty  
10 significant improvements and upgrades to that system as  
11 well.

12 The Company's allowed rate of return in  
13 its last rate case is 8.19 percent, including debt and  
14 equity. I believe the test year figures show that they  
15 earned close to 3.64. So, they're fairly deficient.  
16 There has not been any dividends paid. There were some  
17 allegations of, you know, financial mismanagement in some  
18 of the letters that came in. But we're really looking  
19 forward to working with Staff, and we don't think that,  
20 you know, any of that is obviously true.

21 And, so, what this comes down to in the  
22 end is simply the law provides that the Company is  
23 entitled to not less than a reasonable return on its  
24 prudent investments in utility plant. And, we're here to

1 work with the parties to achieve that result.

2 HEARINGS EXAMINER SHEEHAN: Thank you.  
3 I will give the intervenors a chance to make a statement.  
4 Understand that I am not the one that's going to be  
5 deciding this case. It will be the Commission that  
6 decides the case. But, if you would like to give a brief  
7 statement of your position, you're welcome to do so. And,  
8 you do not have to, but it's an opportunity to at least  
9 let the parties know what your concerns are.

10 Mr. Movitz, do you have any desire to  
11 make an opening statement?

12 MR. MOVITZ: Thank you, sir. I'm not  
13 going to make a lengthy statement. I believe that some  
14 letters have been sent in. I have an additional letter as  
15 a supplement for the Lakes Region Water Company, which  
16 I'll give to them before we leave.

17 I guess one of our main issues with this  
18 is just what was stated a few moments ago. That there is  
19 substantial sums paid for improvements to Indian Mound,  
20 Hidden Valley, Suissevale. We're not part of this. We're  
21 in our own little niche over on Judges Road and the  
22 Gateway Project. And, we don't feel that we should be  
23 paying for improvements in other areas that are not part  
24 of our system. That's one of our main objections.

1                   In addition to that, I understand that  
2                   there have been something like nine rate increases in the  
3                   past four or five years, and many of our residents are  
4                   saying "enough is enough". Thank you very much, sir.

5                   HEARINGS EXAMINER SHEEHAN: Thank you.  
6                   And, I should note that the comments that have been sent  
7                   in are part of the Commission record. And, they will be  
8                   reviewed by the Commissioners as well.

9                   Mr. Evitts, anything you'd like to say  
10                  this afternoon?

11                  MR. EVITTS: Not at this time.

12                  HEARINGS EXAMINER SHEEHAN: Mr. Patch?

13                  MR. PATCH: Yes. Thank you. I think,  
14                  for the most part, Suissevale's position is laid out in  
15                  the petition to intervene. But, just briefly, I'd like to  
16                  mention that, as I think the parties are aware, Suissevale  
17                  is under a 30-year, basically, a wholesale water contract  
18                  with the Company. It's been in effect since 2006. It was  
19                  approved by the Commission as a special contract.

20                  And, while the rate that Suissevale pays  
21                  would not be established in this proceeding or directly  
22                  affected by this proceeding, the rate is determined under  
23                  the terms of that contract, and it is based on the  
24                  expenses of the Company. And, as the Company noted in the



1 filing that it made in this case, it anticipates an  
2 increase of about \$65,000 a year under that special  
3 contract to Suissevale. And, so, Suissevale has concerns  
4 about that.

5 And, at this point in time, you know,  
6 other than that, there's probably not an awful lot more to  
7 say.

8 HEARINGS EXAMINER SHEEHAN: Thank you.  
9 And, I apologize, I forgot the gentleman's name from  
10 Mr. Blais's group. Do you have anything you would like to  
11 say?

12 MR. ENDRES: Yes. William Endres.

13 HEARINGS EXAMINER SHEEHAN: Sure. Mr.  
14 Endres.

15 MR. ENDRES: Just only concerned with  
16 the high rates. The rates, they keep going up. Our  
17 property, we won't even be able to sell our cottage, if  
18 the water is too expensive.

19 HEARINGS EXAMINER SHEEHAN: Okay.

20 MR. ENDRES: That's my concern.

21 HEARINGS EXAMINER SHEEHAN: Thank you,  
22 sir. Ms. Chamberlin.

23 MS. CHAMBERLIN: Thank you. We are  
24 looking forward to investigating all the data that will be

1 developed as part of this case. We are concerned about  
2 the large rate increase being proposed. We are also  
3 concerned about the allocation. And, we are concerned  
4 about the investments surrounding the Mount Roberts water  
5 supply.

6 So, all of those, and whatever else  
7 comes up as we undertake discovery, we will be  
8 investigating.

9 HEARINGS EXAMINER SHEEHAN: Thank you.  
10 And, Ms. Patterson.

11 MS. PATTERSON: Thank you. Staff does  
12 not have a position on the Company's filing at this time.  
13 They have filed for temporary rates, as well as permanent  
14 rates, and we have a position on neither at this time.

15 Staff will construct its usual thorough  
16 investigation of the Company's filing and requests. It  
17 will conduct discovery, and make recommendations in  
18 testimony concerning issues, such as revenue requirement,  
19 rate of return, and rate design.

20 It's Staff's expectation that the  
21 technical session that follows today will be used to  
22 develop a procedural schedule, which we'll be filing with  
23 the Commission within the next few days for approval.

24 Some of the issues that Staff will be

1 looking at during the course of their investigation  
2 include the nature and prudence of the Company's affiliate  
3 relationships, and the appropriateness of the compensation  
4 paid to the Company's employees. The Staff will be  
5 investigating various items of fixed plant, including  
6 items either purchased or constructed during 2015, that  
7 the Company is proposing to be placed in rate base, and  
8 will be looking at the prudence and appropriateness of  
9 that recovery.

10 Staff will also be taking a close look  
11 at the Company's proposed rate of return, and the  
12 appropriate levels of the components of that rate of  
13 return which make up the number.

14 Finally, the Company has proposed for  
15 inclusion in rates the costs associated with land and  
16 equipment at the so-called "Mount Roberts" property. The  
17 property in question was owned by Lakes Region's  
18 shareholders. Therefore, special scrutiny will be placed  
19 on the costs associated with these transactions,  
20 especially the Company's proposal to accrue AFUDC as part  
21 of the acquisition costs. Staff will also be  
22 investigating the prudence of these transactions. Thank  
23 you.

24 HEARINGS EXAMINER SHEEHAN: Thank you.

1 Unless anyone has anything further, I will leave and let  
2 you guys get into your tech session. I thank you for your  
3 time. Yes?

4 MS. PATTERSON: My only comment would  
5 be, the Company has filed -- the Company has filed a  
6 motion for a waiver of Rule 1901.05, it's a rate case  
7 expense filing deadline. I don't know if that's something  
8 that we want to take up today or --

9 HEARINGS EXAMINER SHEEHAN: Sure. I did  
10 have that at the bottom of my list. I read that. It  
11 makes sense to me. The gist of it was, you didn't file it  
12 initially, because you didn't have all the numbers, you  
13 filed it recently.

14 Is there any objection to the waiver  
15 that they've requested by any party?

16 MS. PATTERSON: No objection. It's my  
17 understanding that they're going to provide the  
18 information as soon as they get it. So, we have no  
19 objection. Thank you.

20 HEARINGS EXAMINER SHEEHAN: Anyone else  
21 have a statement on that?

22 MR. RICHARDSON: The record should  
23 reflect that I think I was in a canoe at the time the rate  
24 case was filed, and it was close to the end of the month.

1           But, no, we'd really appreciate it if a  
2       recommendation comes out of that, because that is -- it's  
3       an unusual circumstance. I think we're one of the first  
4       utilities to really come in under the rule and try to  
5       figure out how to comply with it. So, any guidance is  
6       always appreciated. And, we'll talk about that at the  
7       technical conference as well.

8           HEARINGS EXAMINER SHEEHAN: Great.  
9       Thank you. Thank you very much.

10                               ***[Whereupon the prehearing conference was***  
11                               ***adjourned at 1:46 p.m., and a technical***  
12                               ***session was held thereafter.]***