

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

January 14, 2016 - 10:44 a.m.
Concord, New Hampshire

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RE: DW 15-209
LAKES REGION WATER COMPANY:
Request for Change in Rates.
(Hearing on temporary rates)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

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. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Pradip Chattopadhyay, Asst. Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Rorie E. Patterson, Esq.
Mark A. Naylor, Director/Gas & Water Div.
Jayson Laflamme, Utility Analyst/Water Div.

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

ORIGINAL

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| 1 | Lakes Region Water Company, Inc. Request for Temporary Rate Increase | Premarked |
| 2 | Settlement Agreement on Temporary Rates (01-06-16) | premarked |
| 3 | Oversized Chart entitled "Calculation of Temporary Rate Recovery for the Billed Period of 09/14/15 - 12/31/15 and Estimated for the Quarter Ending 01/31/16" | premarked |
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| 5 | Staff Direct Testimony of Jayson P. Laflamme, with attachments (12-02-15) | premarked |

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket DW 15-209, which is the Lakes Region Water Company rate case, which was started back in August with a filing for permanent rates, subsequently filing for temporary rates. This is a hearing on a settlement among some, but not all of the parties, as I understand, on those temporary -- on temporary rates.

Before we go any further, let's take appearances.

MR. RICHARDSON: Good morning, Mr. Chairman and members of the Commission. Justin Richardson, with Upton & Hatfield, here on behalf of the Lakes Region Water Company. With me here at counsel's table, I have the Company's president, Tom Mason. I have Norman Roberge, who's the Company's accountant. And, then, behind me, the Company's witness, who's a regulatory consultant, Mr. Stephen St. Cyr.

MR. PATCH: Good morning. Doug Patch, the law firm of Orr & Reno, on behalf of the Property Owners Association at Suissevale, Inc.

MR. MOVITZ: Good morning. I'm Murray Movitz. I am a property owner on Judges Road, up in Thornton, representing the Waterville Gateway Water

1 District.

2 MS. CHAMBERLIN: Good morning. Susan
3 Chamberlin, Consumer Advocate. And, with me today is
4 Pradip Chattopadhyay.

5 MS. PATTERSON: Good morning. Rorie
6 Patterson, here on behalf of the Commission Staff. And,
7 with me today is Mark Naylor, who is the Director of the
8 Gas & Water Division, and Jayson Laflamme, who is a
9 Utility Analyst in that Division.

10 CHAIRMAN HONIGBERG: There are two other
11 parties who have intervened, one of which is on the
12 Settlement Agreement. Do we know if either of them will
13 be present today?

14 MR. RICHARDSON: Thank you, Mr.
15 Chairman. I have spoken with Attorney Gary Blais. And,
16 he has a jury trial starting tomorrow. I advised him, and
17 I believe he sent a letter to Staff, which he probably
18 meant to file, but I also advised him that his attendance
19 would not likely be required, because of his signature and
20 because of his other commitments.

21 CHAIRMAN HONIGBERG: What about Hidden
22 Valley, Mr. Evitts?

23 MS. PATTERSON: I have not heard from
24 that party.

1 CHAIRMAN HONIGBERG: Okay.

2 MS. PATTERSON: Since the last hearing,
3 really.

4 CHAIRMAN HONIGBERG: And, they are not
5 on the Settlement, correct?

6 MS. PATTERSON: No, they are not. And,
7 it is my understanding about Mr. Blais's participation in
8 today's hearing is consistent with what Mr. Richardson
9 just said.

10 CHAIRMAN HONIGBERG: All right. Is
11 there anything else we need to do before talking about how
12 we're going to proceed? Or, maybe I should just say "how
13 are we going to proceed?"

14 MS. PATTERSON: If I might just state
15 what my understanding is, what we need to do and how we
16 may do that for your consideration. We are going to need
17 to take up a motion for a waiver, which was filed related
18 to the filing of the affidavit of publication. So, at
19 some point, you'll need to do that. We've talked a little
20 bit about how to proceed with the hearing today. And, it
21 seems as though what we would suggest is that Staff take
22 the stand first, testify about its testimony on the
23 Settlement Agreement, and then the Company's witness would
24 take the stand and testify about the Settlement, and the

1 Company's request for relief that was filed with its
2 memorandum of law related to the way in which temporary
3 rates are recovered.

4 And, we also need to mark exhibits for
5 identification.

6 CHAIRMAN HONIGBERG: All right. Does
7 everyone agree with that general order of events?

8 MR. RICHARDSON: Yes, Mr. Chairman.

9 CHAIRMAN HONIGBERG: Mr. Movitz, you are
10 not on the Settlement Agreement. That's correct, is it
11 not?

12 MR. MOVITZ: Yes, sir.

13 CHAIRMAN HONIGBERG: You'll have an
14 opportunity to question the witnesses. But the order in
15 which we're likely to do things is probably to give you a
16 chance to ask your questions after the others have,
17 because you're going to be -- you have a different
18 perspective from what they have. And, so, that's probably
19 when we'll get to you. So, for example, when Staff's
20 witness is up there, Ms. Patterson will ask questions. I
21 assume Mr. Richardson may ask questions, and Mr. Patch may
22 ask questions, Ms. Chamberlin may ask questions, and then
23 we'll give you an opportunity, before we ask questions.

24 Does that make sense to you?

1 MR. MOVITZ: Yes, sir. Thank you for
2 your courtesy.

3 CHAIRMAN HONIGBERG: All right. The
4 waiver request, refresh my memory. I've heard of this, I
5 just don't remember it off the top of my head.

6 MR. RICHARDSON: Thank you, Mr.
7 Chairman. The waiver request relates to the Order of
8 Notice for the financing proceeding for the Mount Roberts
9 Project, which was consolidated in this docket. The
10 Company did publish the Order of Notice by the correct
11 date. Unfortunately, it -- the filing of the actual
12 affidavit, which has been filed, missed the deadline. In
13 fact, Staff called on that date. And, as it just so
14 happened, the Company's computer network was being rebuilt
15 on that day. So, it was unable to get it filed by
16 facsimile or otherwise. So, we filed it late, and asked
17 the Commission to waive the rule, which ordinarily
18 requires a continuance to be filed before the expiration
19 of the applicable date.

20 CHAIRMAN HONIGBERG: Is there any
21 objection to that motion? I don't recall an objection
22 being filed. Is there any objection?

23 MS. PATTERSON: No objection to the
24 relief requested. I just would state that my

1 understanding of what the rules require would be a request
2 for an extension and a waiver of the rule requiring the
3 extension be filed before the deadline expires. But I
4 don't oppose to the relief.

5 The waiver rule that the Company cites
6 is a waiver of a rule. The deadline in the Order of
7 Notice is not a rule. The deadline is a deadline that
8 needs to be extended. But the extension needs to be asked
9 for before the extension expires, and because he didn't
10 ask for that, he needs to waive the rule requiring that
11 the extension be requested before the deadline expires.

12 CHAIRMAN HONIGBERG: I got that.

13 MR. RICHARDSON: I think all of this
14 could be cured if I asked for the extension today,
15 following the granting of the waiver, as to the date by
16 which the extension has to be requested.

17 CHAIRMAN HONIGBERG: I don't think we
18 need to go there, Mr. Richardson, I think.

19 All right. We're going to grant the
20 appropriate relief that will be spelled out in the order,
21 whatever order issues out of this, will explain that
22 whatever failings there were did not affect the notice
23 that was actually provided, which is what we care about.

24 All right. With that one out of the

[WITNESS: Laflamme]

1 way, smooth as silk, I think Staff witness is next,
2 Ms. Patterson, is that correct?

3 MS. PATTERSON: Yes, please. If I could
4 call Mr. Jayson Laflamme to the stand.

5 CHAIRMAN HONIGBERG: Let's go off the
6 record for a second.

7 *[Brief off-the-record discussion*
8 *ensued.]*

9 (Whereupon **Jayson P. Laflamme** was duly
10 sworn by the Court Reporter.)

11 **JAYSON P. LAFLAMME, SWORN**

12 **DIRECT EXAMINATION**

13 BY MS. PATTERSON:

14 Q. Good morning. Would us please state your full name for
15 the record.

16 A. My name is Jayson Laflamme.

17 Q. And, what is your -- by whom are you employed and what
18 is your position?

19 A. I'm a Utility Analyst with the New Hampshire Public
20 Utilities Commission.

21 Q. And, in that position, what are your responsibilities?

22 A. I work in the Gas and Water Division of the Public
23 Utilities Commission, dealing mainly with water and
24 sewer cases. I review filings which come before the

[WITNESS: Laflamme]

1 Commission relative to rate -- increases for rate
2 requests, financing approval requests. And, I review
3 those petitions and file testimony and recommendations
4 on behalf of Staff with regards to those.

5 Q. Thank you. And, in the course of your work, did you
6 have an opportunity to review the temporary rate
7 request that was filed by Lakes Region Water Company in
8 this proceeding?

9 A. Yes.

10 Q. And, you have -- you participated, after reviewing that
11 filing, in discovery?

12 A. Yes.

13 Q. Is that correct?

14 A. That's correct.

15 Q. And, did you also participate in negotiations of a
16 Settlement Agreement that has been filed with the
17 Commission for its consideration today?

18 A. Yes, I did.

19 Q. Do you agree that your testimony -- do you have a copy
20 of your testimony in front of you?

21 A. Yes, I do.

22 Q. And, your testimony is being marked for identification
23 as "Exhibit 5". Is your testimony -- are there any
24 corrections required to your testimony?

[WITNESS: Laflamme]

1 A. Not to my knowledge, no.

2 Q. And, if you were asked the questions that are in your
3 testimony today, would your answers be the same?

4 A. Yes.

5 Q. And, your testimony is true and accurate to the best of
6 your belief and knowledge?

7 A. That is correct.

8 Q. And, with respect to the Settlement Agreement that was
9 filed on January 6, 2016, do you have a copy of that
10 document before you?

11 A. Yes, I do.

12 Q. And, is it your understanding that that document has
13 been marked for identification as "Exhibit 2"?

14 A. Yes.

15 Q. Would you please summarize for the Commission what your
16 recommendations were as they were filed in your
17 testimony, as succinctly as possible, and focusing on,
18 if you might, any differences between your testimony
19 and what the Settlement Agreement eventually results
20 please.

21 A. Yes. In my testimony, which was filed on December 2nd
22 of 2015, I testified to a recommendation of a revenue
23 requirement for temporary rates of \$1,122,608, which is
24 an increase over the revenues earned by the Company

[WITNESS: Laflamme]

1 from its general customers during the test year of 2014
2 of \$1,043,143. And, that represents an increase of
3 \$79,465, which translates into a percentage increase of
4 7.62 percent.

5 Q. Thank you. And, with respect to the Settlement
6 Agreement, is it your position that the Settlement
7 Agreement will result in just and reasonable rates,
8 temporary rates, for the Company's customers?

9 A. Yes.

10 Q. And, do you agree that the Settlement Agreement
11 represents a compromise of the issues that Staff raised
12 in its temporary rate testimony?

13 A. Yes.

14 MS. PATTERSON: Excuse me please.

15 (Atty. Patterson conferring with Mr.
16 Naylor.)

17 BY MS. PATTERSON:

18 Q. Could you just state how the amount of the temporary
19 rate increase, the revenue increase, the amount, the
20 percentage of the amount, in terms of test year
21 revenues as an increase?

22 A. That's reflected in the Settlement Agreement?

23 Q. Yes, please.

24 A. Okay. The percentage increase that's indicated in the

[WITNESS: Laflamme]

1 Settlement Agreement is 9.94 percent. The dollar
2 amount is \$103,694, for a revenue requirement for
3 temporary rate purposes of \$1,146,837.

4 Q. Thank you. And, in terms of the magnitude of the
5 difference between what Staff recommended in temporary
6 rates and what the Settlement Agreement provides,
7 what's the difference? How do you quantify the
8 difference between the two?

9 A. It's roughly an increase of \$24,000.

10 Q. Okay. Are you familiar that -- are you familiar with
11 the reconciliation provision on Page 3 of the
12 Settlement Agreement?

13 A. Yes.

14 Q. And, is it your understanding that the reconciliation
15 that's provided for by the Settlement Agreement will
16 also include reconciliation of the difference between
17 temporary rates, as they are set today, and the rates
18 that exist as of September 15th, 2015, that portion of
19 recovery, is it your understanding that that recovery
20 will be done according to this reconciliation
21 paragraph?

22 A. Yes.

23 Q. Okay.

24 MS. PATTERSON: Okay. One moment

[WITNESS: Laflamme]

1 please.

2 [Short pause.]

3 BY MS. PATTERSON:

4 Q. Could you state what Staff's position is on the
5 Company's proposal to recover the difference between
6 current rates in September of 2015 and the temporary
7 rates that are set today, what is Staff's position on
8 the Company's request to recover that amount during the
9 pendency of the permanent rate phase of this case?

10 A. Staff opposes that, opposes that proposal.

11 Q. And, is that proposal that the Company is making a
12 unique proposal, in your experience, as a member of the
13 Staff? Is that typically how that amount of money
14 would be recovered or is it different from that?

15 CHAIRMAN HONIGBERG: Ms. Patterson,
16 which of those two questions do you want him to answer?

17 MS. PATTERSON: Okay. Let me rephrase
18 please.

19 BY MS. PATTERSON:

20 Q. The Company has a proposal to recover the difference
21 between the rates that existed between September and
22 December 31st, and the temporary rates that will
23 approved by the Commission after this hearing, to begin
24 recovery of that amount during the pendency of the

[WITNESS: Laflamme]

1 permanent rate phrase through a surcharge over two --
2 the course of two months. Is that a typical way of
3 recovering amounts not recovered before the temporary
4 rates are set by the Commission?

5 A. No.

6 Q. And, how is that different?

7 A. Usually, in rate proceedings, the recovery of those
8 amounts from the effective date do not occur until
9 after the permanent rate has been approved by the
10 Commission. Which, in this case, would be, according
11 to the procedural schedule, would be sometime this
12 summer. And, then, the Company usually submits a
13 proposal for recovery, and Staff and the other parties
14 to the case review that and file recommendations to the
15 Commission. And, then, the Commission approves the
16 amount of recovery, as well as the means, the period
17 over which those revenues are recovered, after the
18 approval of the permanent rate.

19 Q. If the Commission were to decide that the Company could
20 recover the temporary rate level for the period between
21 September and December 2015, and did what the Company
22 is asking them to do, would Staff -- how would that
23 impact Staff's review of temporary rate filings? Would
24 it cause Staff to better scrutinize or more scrutinize

[WITNESS: Laflamme]

1 a temporary rate filing that came in, knowing that the
2 recovery could occur sooner, the recovery of those
3 amounts could occur sooner?

4 A. Yes. Because the -- with the company asking for an
5 immediate recovery, it would naturally lead to closer
6 scrutinization of the amount of the temporary rate
7 being requested.

8 Q. Is that because Staff attempts as what the -- is that
9 because the Staff attempts, in setting a temporary
10 rate, to be as close as humanly possible to what Staff
11 would expect, based on a quick review, would be the
12 permanent rate resolution?

13 A. It's Staff's goal to make sure that the -- that
14 temporary rates that are being proposed and ultimately
15 approved are, yes, are within reason, within the scope
16 of what's being requested relative to permanent rates.

17 Q. Based on the amount of investigation that you can do
18 for the purposes of a temporary rate, --

19 A. Correct.

20 Q. -- which is supposed to, under the statute, be done
21 fairly quickly?

22 A. Correct.

23 Q. In fact, the Company mentioned the "immediate"
24 language?

[WITNESS: Laflamme]

1 A. Correct.

2 Q. And, then -- and, the reason underlying your attempts
3 to do that, is that related to lessening recoupment or
4 refunds? Do you try and get as close in the temporary
5 rate, your temporary level, to the permanent --
6 eventual permanent rate level, do you do that in order
7 to minimize recoupment?

8 A. Yes.

9 Q. Or refunds to customers?

10 A. Correct. And, to mitigate rate shock to customers.

11 Q. Because that amount will be added at the end?

12 A. Correct.

13 Q. Along with the permanent rate increase?

14 A. Correct.

15 MS. PATTERSON: Okay. One moment
16 please.

17 (Atty. Patterson conferring with Mr.
18 Naylor.)

19 MS. PATTERSON: I don't have any further
20 questions for the witness at this point.

21 CHAIRMAN HONIGBERG: Mr. Richardson?

22 MR. RICHARDSON: No questions.

23 CHAIRMAN HONIGBERG: I think, Mr. Patch,
24 since you're not on the Settlement, you'll go after Ms.

[WITNESS: Laflamme]

1 Chamberlin. Ms. Chamberlin?

2 MS. CHAMBERLIN: Just a couple.

3 **CROSS-EXAMINATION**

4 BY MS. CHAMBERLIN:

5 Q. In terms of the dollar amount for an average
6 residential customer, what will be the impact of the
7 Settlement Agreement temporary rates?

8 A. In terms of the average residential customer, for
9 metered customers, that's indicated on Page 3 of the
10 Settlement Agreement. And, it's in the paragraph right
11 below the table of proposed rates. And, based on a
12 metered customer, who uses approximately 27.89 hundred
13 cubic feet of water per year, the rate -- the annual
14 rate increase would be \$59.25. And, on a quarterly
15 basis, that would be \$14.81.

16 For unmetered customers, the impact
17 wouldn't be far from -- wouldn't be far from what's
18 indicated for metered customers.

19 And, then, for the -- for the pool,
20 currently, the -- currently, the pool is paying \$363.19
21 per quarter. What's proposed is \$399.29 per quarter,
22 which is an increase of \$36.10 per quarter.

23 MS. CHAMBERLIN: Thank you. That's all
24 I have.

[WITNESS: Laflamme]

1 CHAIRMAN HONIGBERG: Mr. Patch, do you
2 have any questions?

3 MR. PATCH: No questions.

4 CHAIRMAN HONIGBERG: Mr. Movitz, do you
5 have any questions for Mr. Laflamme?

6 MR. MOVITZ: No questions.

7 CHAIRMAN HONIGBERG: Commissioner Scott.

8 COMMISSIONER SCOTT: You just assumed I
9 had questions, Mr. Chair.

10 CHAIRMAN HONIGBERG: You feel free to
11 say you have no questions.

12 COMMISSIONER SCOTT: No, I do. Thank
13 you. And, good morning.

14 BY COMMISSIONER SCOTT:

15 Q. So, help me out, flesh this out a little bit more. So,
16 this Temporary Rate Settlement does not include
17 customers to Suissevale, is that correct?

18 A. That is correct.

19 Q. And, that's because they have a special contract?

20 A. That is correct.

21 Q. Do you expect the permanent rates will have an impact
22 on Suissevale?

23 A. Not directly, no.

24 Q. And, why is that?

[WITNESS: Laflamme]

1 A. As far as the rate case is concerned, the revenue
2 increase is only being sought for the general
3 metered/unmetered customers, and the pool. And, does
4 not -- an increase for Suissevale is not included in
5 the request filed by the Company. However, the Company
6 has proposed certain increases to their rate base,
7 which, in accordance with the special contract, would
8 eventually have an impact on the Suissevale customer.

9 Q. Okay. So, that last part, I think, help me out. So,
10 there's, at this point, there's no fear of
11 cross-subsidies from Suissevale and the other
12 components of the other ratepayers?

13 A. Not at this point, no.

14 Q. Thank you. Attached to your -- part of your testimony
15 was an audit report done by PUC Staff?

16 A. Yes.

17 Q. I was just curious if you could characterize that. Is
18 that a -- it's all subjective, I guess. Was it a good
19 report or is it troubling? Can you give me some
20 feedback? I'll be more specific. I see some write-ups
21 that are labeled as "repeat write-ups". And, should
22 that be a concern to the Commission?

23 A. Well, there were -- there are issues that are contained
24 in the audit report, which are going to be followed up

[WITNESS: Laflamme]

1 on during the permanent rate phase of this proceeding.
2 So, I think there are concerns that were indicated in
3 the audit report, and we'll be looking to obtain more
4 information and flesh those issues out, subsequent to
5 temporary rates, in the permanent rate phase.

6 Q. Thank you. On a similar line, in Lakes Region's
7 original filing, I think it was, there was some
8 discussion over regulatory compliance. And, I think I
9 read that the representation is they're in compliance.
10 Is that Staff's understanding also? Like, for
11 instance, with DES regulations, etcetera?

12 A. As far as I know, I think Staff -- Staff believes that
13 they are in regulatory compliance, as far -- as far as
14 I know.

15 COMMISSIONER SCOTT: Okay. That's fair
16 enough. That's all I had, Mr. Chairman.

17 CHAIRMAN HONIGBERG: Commissioner
18 Bailey.

19 COMMISSIONER BAILEY: Thank you.

20 BY COMMISSIONER BAILEY:

21 Q. Mr. Laflamme, can you look at the "Reconciliation"
22 paragraph on Page 3 in the Settlement Agreement?

23 A. Yes.

24 Q. That provision implies to me that the reconciliation

[WITNESS: Laflamme]

1 will happen in the traditional way that it usually
2 happens. Is that your understanding as well?

3 A. That's Staff's understanding, yes.

4 Q. So, and then, on the next page, it says that the terms
5 of the Settlement Agreement are conditioned on, you
6 know, a boilerplate language that says "if anything
7 changes, everybody has the right to get out of the
8 Settlement Agreement". Is it your position that the
9 Company's position has changed on recovery of -- or
10 reconciliation for temporary rates?

11 MS. PATTERSON: May I -- may I address
12 that? It's more of a legal, but, I guess, if that's not
13 appropriate.

14 CHAIRMAN HONIGBERG: Well, do you --
15 Ms. Patterson, what would you like to say?

16 MS. PATTERSON: What I'd like to say is
17 that the Company did notify us, before we completed the
18 filing of the Settlement Agreement, that it would be
19 disputing our proposal that the amounts between September
20 and December be recovered after the permanent rates are
21 decided. And, so, I don't think it would be accurate to
22 say that they changed their position on the Settlement
23 Agreement by making the -- or, that would not be our
24 perception that they changed their position.

[WITNESS: Laflamme]

1 CHAIRMAN HONIGBERG: I was going to
2 raise this issue, once Mr. Laflamme was done.
3 Essentially, once you were done with your presentation,
4 Ms. Patterson, I was going to ask counsel to confirm that
5 the Settlement's good from both sides' perspective, and
6 this issue about reconciliation needs to be dealt with,
7 but it doesn't affect the parties' agreement that the
8 rates effective for September 14, 2015, that temporary
9 rate, is as set forth in the Settlement Agreement. Is
10 that -- do we have that right?

11 Because I will tell you, as I was
12 listening to Mr. Laflamme and listening to this question,
13 you know, the thought crosses our minds up here "do we
14 really have a settlement?"

15 MR. RICHARDSON: If I may, Mr. Chairman?

16 CHAIRMAN HONIGBERG: Mr. Richardson.

17 MR. RICHARDSON: Before the Settlement
18 Agreement was signed, I sent a memo as counsel for the
19 Company to all the parties, because we had discussed this
20 very issue. And, it wasn't that we objected to the
21 Settlement Agreement, in fact, Staff and the Company, it
22 was my understanding, we agreed that the Company would
23 argue for recovery of the temporary rates earlier than
24 what's provided in reconciliation. And, you may recall,

[WITNESS: Laflamme]

1 during the Abenaki hearing, this very issue was raised,
2 because --

3 CHAIRMAN HONIGBERG: Indeed, I do,
4 because I saw this and said "gee, I just had a
5 conversation with someone about this."

6 MR. RICHARDSON: Reconciliation deals
7 with the difference between temporary rates and permanent
8 rates. What we're dealing here with is the effective
9 date of the implementation of temporary rates, which isn't
10 addressed at all in 378:29, it's addressed in 378:27. So,
11 the revenue requirement, the schedules, the basis for all
12 that are set by this rate. All this says is the
13 reconciliation process is as provided by law.

14 What we're here today to ask for is is
15 that the Commission simply apply the temporary rate
16 statute and make the rates effective immediately.

17 So, I don't --

18 CHAIRMAN HONIGBERG: Well, wait. Wait,
19 wait, wait. You're asking for two things, I think.
20 You're asking, one, "approve the Settlement, approve the
21 rate effective for September 14, 2015".

22 MR. RICHARDSON: Uh-huh.

23 CHAIRMAN HONIGBERG: And, you've got
24 agreement from the people on the left side of the room.

[WITNESS: Laflamme]

1 And, Ms. Chamberlin, I actually don't know what your
2 position is on the reconciliation question.

3 You have a second request. And, that
4 second request is, "let me reconcile that temporary rate
5 now and impose a surcharge to collect the period". That's
6 two different requests. And, you don't have agreement
7 from the people to your left.

8 MR. RICHARDSON: We've agreed that
9 temporary rates are effective as of September 28th -- or,
10 excuse me, September 14th. By operation of law, the
11 statute directs the Commission to make the temporary rates
12 effective immediately. And, so, that's what we're trying
13 to do, is to address the fact that we're now four months
14 after what we've all agreed to is the effective date. I
15 don't describe that as a "reconciliation", because a
16 reconciliation is the difference between temporary rates
17 and permanent rates.

18 CHAIRMAN HONIGBERG: All right. You
19 want it immediate as of a date that we're well past.
20 Look, when I had this conversation with folks last week, I
21 was looking at it from a perspective of doing essentially
22 what you're suggesting. I mean, it's not illogical. I
23 get it.

24 But I think the question that

[WITNESS: Laflamme]

1 Ms. Patterson started to ask Mr. Laflamme, but then
2 withdrew, regarding whether this has ever been done
3 before, "is this unique?" was her word, he didn't answer
4 that. He may get asked in a few minutes. But it's
5 different from what is usually done here.

6 If you didn't have an agreement with
7 them, I think you have a different request. And, so, I
8 think -- I actually think, if you want us to consider this
9 as a "settlement", partial as it is, because not all the
10 parties are onto it, I think you need to separate the
11 questions. And, which you -- I think you've done. I
12 actually think you've done it. You're disagreeing with me
13 in a way that I don't think is actually helpful to you.
14 Because you've got a request agreed to to set the
15 temporary rate. You've got a second request to have that
16 rate effective and collectible back to September 14th
17 starting now.

18 MR. RICHARDSON: And, there was an
19 agreement, before this Settlement Agreement was filed,
20 that we would be able to argue for that second point, even
21 though the Settlement Agreement contains the provisions
22 that --

23 MS. PATTERSON: At this point, I would
24 just interject that I want to be really careful about what

[WITNESS: Laflamme]

1 we talk about in terms of what our settlement discussions
2 entailed. I was trying to be circumspect when I described
3 what I did before, just to indicate to the Commission that
4 we weren't accusing the Company of any bad faith.

5 But I also would just want to point out
6 that I do have counterpoints to things that are being
7 discussed now that I haven't had an opportunity to
8 express. So, at some point, I might, if I might be able
9 to do that.

10 CHAIRMAN HONIGBERG: Well, and you will.
11 I'm just concerned that you don't actually have an
12 agreement. In all honesty, I'm not sure you have an
13 agreement.

14 MR. RICHARDSON: We don't have agreement
15 on one issue, which is what -- how does the service under
16 existing rates for September 14th to December 31st, and
17 that, I mean, it was not a settlement discussion in the
18 sense that --

19 CHAIRMAN HONIGBERG: Don't worry about
20 whether it's a settlement discussion or not. I'm going to
21 ask you a hypothetical.

22 MR. RICHARDSON: Sure.

23 CHAIRMAN HONIGBERG: Assume with me for
24 a moment that we issue an order that says "your rate is

[WITNESS: Laflamme]

1 effective as of" -- "your temporary rate is effective as
2 of September 14, 2015, and you shall recover it as Staff
3 has directed you to do it." So, that's the order we
4 enter. Are you going to appeal?

5 Don't -- let me put it a different way.
6 Do you have --

7 MR. RICHARDSON: It's not our intent to
8 appeal, because it just would not be cost-effective to do
9 that. I mean, it would be a \$29,000 that we would
10 ultimately recover at the end of the case. We think that
11 the law suggests that the Commission can allow that to be
12 recovered now, as this Commission did in the 2010 141
13 [10-141] docket.

14 CHAIRMAN HONIGBERG: Don't make your
15 legal argument to me just yet.

16 MR. RICHARDSON: Okay.

17 CHAIRMAN HONIGBERG: It may be a great
18 argument. But she doesn't agree with you. And, that
19 means you don't have an "agreement" on that point.

20 MR. RICHARDSON: Correct. But we
21 have -- we also stipulated, and the e-mail was sent out to
22 the --

23 CHAIRMAN HONIGBERG: All right. You
24 don't need to do that with me.

[WITNESS: Laflamme]

1 MR. RICHARDSON: Okay.

2 CHAIRMAN HONIGBERG: You're not arguing
3 with her, you're arguing with us, about what this
4 proceeding is.

5 MR. RICHARDSON: Uh-huh.

6 CHAIRMAN HONIGBERG: It is a hearing to
7 set a temporary rate. There's an assumption Staff has, I
8 can tell, that it would be done as it is typically done.
9 You have a different desire. You want to apply the
10 statutes in a different way. That's a new --

11 MR. RICHARDSON: We advised all of the
12 parties we would be having this request before the
13 Settlement Agreement was entered into. And, that was --

14 CHAIRMAN HONIGBERG: That is a *non*
15 *sequitur*. That did not respond to what I just said.

16 MR. RICHARDSON: Okay.

17 CHAIRMAN HONIGBERG: You want it done
18 differently from the way Staff believes it is typically
19 done. Is that correct? It's got to be correct?

20 MR. RICHARDSON: Yes. Yes, it is. But
21 the two aren't mutually inconsistent.

22 CHAIRMAN HONIGBERG: All right. Ms.
23 Patterson, I'm going to give you a chance right now.

24 MS. PATTERSON: You can see that I'm

[WITNESS: Laflamme]

1 chomping at the bit. I just wanted to make a couple of
2 comments.

3 Which is that I see that the Company is
4 making an argument under 378:27, which is the temporary
5 rate statute. And, they're saying "under that statute,
6 you have the authority to give us the revenue we would
7 have collected if this decision had been made earlier."

8 What I would say is that the -- what is
9 before you now that is under 378:27 is the Settlement
10 Agreement. The Company agreed to a temporary rate level,
11 which is set forth in the Settlement Agreement. And,
12 378:27 is what we did that under.

13 The only statute that speaks to
14 reconciliation, which is what I think the Company is
15 seeking now, because, if they were seeking actually a
16 higher temporary rate, they would have done that through
17 the Settlement Agreement. If they're seeking
18 reconciliation at this point in time, the only express
19 authority that the Commission has to collect -- to allow
20 for a reconciliation is 378:29, and that speaks to doing
21 it at the end of the -- after the permanent rates are
22 decided.

23 I will say, on behalf of Staff, that the
24 Commission has allowed companies to recover the difference

[WITNESS: Laflamme]

1 between temporary rates and current rates, when they're
2 set, the temporary rates are set, they have allowed
3 companies to do what the Company is asking for now. And,
4 they did, in fact, allow it to do it in its 10-041
5 [10-141?] rate case.

6 But, I think, if we were to go into the
7 details surrounding the circumstances at that point in
8 time with the Company, the Company was in dire straits.
9 It took probably two or three years to get through that
10 rate case.

11 So, it is an extraordinarily different
12 situation than we are at right now, where the Company has
13 been reporting since the rate case concluded that it's
14 doing better and better with each quarter with their
15 quarterly reports. So, it is a different factual
16 circumstance than it was in 10-141.

17 CHAIRMAN HONIGBERG: All right.
18 Understanding that we're still in the middle of
19 questioning a witness, but we are engaged in a discussion
20 with counsel as well, I'm going to give Ms. Chamberlin or
21 Mr. Patch or Mr. Movitz an opportunity to weigh in here,
22 if they have anything they would like to offer. Mr. Patch
23 is shaking his head.

24 MR. PATCH: No.

[WITNESS: Laflamme]

1 CHAIRMAN HONIGBERG: Mr. Movitz is
2 shaking his head. Ms. Chamberlin, do you have anything?

3 MS. CHAMBERLIN: Yes. I will say that
4 the OCA did not take a position, because this amount is
5 reconcilable. It's a fairly modest amount. As the Chair
6 was saying earlier, it's a practical consideration, having
7 it implemented a little bit sooner rather than later.

8 I'm aware of the implication of a, you
9 know, rate impact. Would it be better to have it sooner,
10 rather than later? I did not have enough data to really
11 make the call on this small amount of money.

12 CHAIRMAN HONIGBERG: But your view,
13 though, is consistent, that it is not -- it's not agreed
14 to. You have the same sense I do, do you not? That this
15 is not -- this is not part of the agreement, it appears.

16 MS. CHAMBERLIN: It was a question of
17 timing. That the only thing that isn't agreed to is the
18 timing. And, I see that as a isolated issue that can be
19 distinguished from the rest of the Settlement Agreement.
20 I mean, we -- all the parties compromised on many issues
21 to reach the dollars involved in the Temporary Rate
22 Settlement. And, so, that was a settlement.

23 This little issue of timing for a
24 little, small part of that dollars, that's the only issue.

[WITNESS: Laflamme]

1 CHAIRMAN HONIGBERG: Thank you,
2 Ms. Chamberlin.

3 We're going to have to circle back to
4 this issue a little later, but we're going to resume the
5 questioning, Mr. Laflamme. You probably missed us,
6 Mr. Laflamme, while we were away.

7 MS. PATTERSON: May I just make a quick
8 comment that I did neglect to make two very minor -- note
9 two very minor corrections to the Settlement Agreement
10 that are not -- that I didn't do with Mr. Laflamme? So,
11 if I could do that at some point, before we're done
12 questioning him.

13 CHAIRMAN HONIGBERG: Well, the cool
14 thing is we're going to circle back to you, after we do
15 the Commissioners, because that's your opportunity to
16 redirect your witness.

17 MS. PATTERSON: I will do that then.

18 CHAIRMAN HONIGBERG: Commissioner
19 Bailey.

20 BY COMMISSIONER BAILEY:

21 Q. Mr. Laflamme, before I get into the technical details
22 of the numbers in this proposal, can you correct it for
23 me please?

24 MS. PATTERSON: Thank you.

[WITNESS: Laflamme]

1 BY COMMISSIONER BAILEY:

2 Q. Make the corrections that need to be made?

3 A. Yes. Well, the first correction, which pertains to --
4 pertains to the Settlement Agreement as filed on
5 January 6th, and is -- pertains to Pages 12 and 13 of
6 the Settlement Agreement.

7 Q. Okay.

8 A. Actually, the page that's marked "Page 12" should
9 actually be "Page 13". And, the page that's marked
10 "Page 13" should actually be "Page 12". That's -- it
11 doesn't change the calculation any. It's just -- it's
12 just a correction in the pagination.

13 Q. Okay.

14 A. The second correction is on Page 16 of the Settlement
15 Agreement, and is in regards to Adjustment Number 36,
16 found on Schedule 3a. And, under "Adjustment Number
17 36", there's a column of amounts that's identified as
18 "AFUDC". And, for the wells, the amount for wells, and
19 the total amount, it may -- it may not have -- those
20 numbers may not be identified. For wells, that should
21 be a "negative \$44,231", and the total amount should be
22 a "negative \$55,820".

23 And, to cross reference those numbers,
24 that particular adjustment mirrors Adjustment 7,

[WITNESS: Laflamme]

1 located on Page 11. And, if you go -- if you go to
2 that adjustment, and you look at the "AFUDC" column of
3 numbers, you'll see the "44,231" and the "55,820".

4 It's just, I think, in Excel, that
5 column width was too narrow and obscured those numbers.
6 But there was no -- but, as a result, there was --
7 didn't result in any correction or changes in the
8 amount, in the temporary rate amount being proposed
9 today.

10 Q. Okay. Thank you. Didn't Mr. Richardson file something
11 correcting a *pro forma* adjustment of like \$150 or
12 something like that?

13 A. I believe that was the -- I believe that was the
14 proposal that you were talking about a few minutes ago.
15 Staff did a preliminary review of the calculations for
16 the recovery of temporary rates from September 14th
17 onward. Staff spotted an error in that and alerted the
18 Company to that, and then the Company made a corrected
19 filing of that calculation. It did not -- did not
20 pertain to the schedules contained in the Settlement
21 Agreement.

22 Q. Okay. Thank you.

23 MS. PATTERSON: If I might, that filing
24 relates to the separate issue.

[WITNESS: Laflamme]

1 COMMISSIONER BAILEY: I got it.

2 MS. PATTERSON: Thank you.

3 COMMISSIONER BAILEY: Thank you.

4 BY COMMISSIONER BAILEY:

5 Q. Okay. Can you look at the Schedule 1, on Page 6 of
6 Exhibit 2?

7 A. Yes.

8 Q. This is an unfamiliar way of displaying this
9 information to me.

10 A. Okay.

11 Q. And, so, I'm wondering if you can help me understand it
12 better?

13 A. Sure.

14 Q. So, let me tell you how I would have done it.

15 A. Okay.

16 Q. Then, you tell me why this says the same thing.

17 A. Okay.

18 Q. So, for a revenue requirement, I would say that that's
19 operation and maintenance expenses, depreciation and
20 amortization, plus taxes, plus the return on investment
21 times rate base.

22 A. (Nodding in the affirmative).

23 Q. But the return on investment doesn't apply to taxes,
24 depreciation, amortization, or O&M, right?

[WITNESS: Laflamme]

1 A. Uh-huh. Right.

2 Q. So, this starts off with rate base.

3 A. Uh-huh.

4 Q. And, that comes from Schedule 2, Column 6?

5 A. Correct.

6 Q. And, we go to that. So, Schedule 2, on Page 10, --

7 A. Yes.

8 Q. -- the number that's -- the rate base number is at the
9 bottom of the page, "\$2,573,135", right?

10 A. Correct. Uh-huh.

11 Q. But why is working capital, the working capital section
12 added to the net plant in rate base?

13 A. Because the working capital section is -- that's
14 derived from the -- it's a combination of the money
15 that the -- that the Company needs in order to pay its
16 O&M expenses. In the majority of -- for the majority
17 of the divisions that the Company operates, they bill
18 their customers in arrears. However, the Company needs
19 to -- needs to outlay cash in order to operate those
20 systems. So, there's a lag, there's a theoretical lag
21 between the outlay of cash to operate the systems and
22 the recovery of that money when the Company bills it.
23 So, the Company -- theoretically, the Company doesn't
24 bill until after that money is laid out.

[WITNESS: Laflamme]

1 The cash working capital component
2 recognizes that, that lag that the Company is
3 outlaying, and allows the Company recovery of the funds
4 that it outlays first, but collects later through
5 rates.

6 Q. And, they get a return on investment for that, because
7 they're effectively loaning money, I mean, to put it in
8 simple terms?

9 A. Well, they're -- yes. They're outlaying cash, with the
10 anticipation that they will recover that when they
11 submit bills to customers. So, --

12 Q. Plus they get a return on investment --

13 A. Correct.

14 Q. -- on that cash that they're outlaying?

15 A. Correct. Correct.

16 Q. Okay. So, let's go back to Schedule 1.

17 A. Okay.

18 Q. So, let's accept the rate base is 2.573 million.

19 A. Uh-huh.

20 Q. And, then, the return on investment is "8.01 percent",
21 that's the return on investment that you've agreed to?

22 A. Yes.

23 Q. Okay. And, what is the current return on investment,
24 do you know, based on what it was in the last rate

[WITNESS: Laflamme]

1 case?

2 A. Yes. I indicated that in my testimony, relative to, if
3 the Company was under earning, --

4 Q. Yes.

5 A. -- and I would have to refresh my memory of --

6 CHAIRMAN HONIGBERG: Yes. The
7 Settlement Agreement says "8.19 percent", at the top of
8 Page 2, Line 5. Does that sound right?

9 WITNESS LAFLAMME: Subject to check,
10 that sounds pretty close.

11 BY COMMISSIONER BAILEY:

12 Q. Oh, yes. The last -- well, no, that's last authorized
13 rate of return. Well, that's the weighted average cost
14 of capital, right? Rate of return? This is return on
15 investment. Oh, no. Right. Okay. Never mind. Okay.
16 Let's move on.

17 A. Okay.

18 Q. I'll accept that.

19 A. Okay.

20 Q. Okay. So, if I multiply 8.01 times 2.573, I don't come
21 up with 206,181. I come up with 206,108.

22 A. Well, that's probably a rounding difference.

23 Q. Okay. I'll accept that.

24 A. Because Excel probably takes it out a number of decimal

[WITNESS: Laflamme]

1 places. Whereas, just for the sake of ease of
2 understanding, we only limited it to two decimal
3 places.

4 Q. Okay. All right. So, take me through the rest of this
5 schedule.

6 A. Okay.

7 Q. What's the 277,000?

8 A. The "\$277,316" comes off of Schedule 3. And, if you
9 go -- if you go to Schedule 3, basically, the first
10 three columns on Schedule 3 is what the Company
11 proposed in their temporary rate filing. And, after
12 *pro forma* adjustments proposed by the Company, they
13 indicated, per their test year, their net operating
14 income was \$220,442.

15 Q. Okay. Wait a minute.

16 A. That's at the bottom of Schedule 3.

17 Q. Okay.

18 A. Schedule 4 are the adjustments made by Staff to the
19 test year. And, some of these adjustments came out of
20 the -- came out of the Staff audit. Some of them were
21 relative to Company responses to data requests,
22 *etcetera, etcetera*. And, for the detail of those
23 adjustments, those are all detailed on Schedule 3a of
24 the Settlement Agreement, which is Pages 15, 16, and

1 17.

2 Q. I see that.

3 A. And, so, Staff's adjustments, and that includes
4 applying income taxes to those adjustments, the tax
5 effect, the income tax effect to those revenue and
6 expense adjustments, result in a increase to the
7 Company's proposed net operating income of \$56,874.
8 And, so, Staff, in Staff's schedules, it is proposing
9 that, as for the test year, the Company's actual net
10 operating income is "\$277,316", which is located at the
11 bottom of Column 6.

12 Q. That's the revenue that they would be receiving based
13 on the test year?

14 A. That would be the -- yes, that would be the income, the
15 operating income that they earned, taking into account
16 what their actual activity during the test year, but
17 making various *pro forma* adjustments, in order to
18 normalize the test year, --

19 Q. Yes.

20 A. -- correct for errors, etcetera.

21 Q. Okay. So, back to Schedule 1.

22 A. Yup.

23 Q. We have the -- the "277,316" is the amount of revenue
24 that you think that they're going to earn, right?

[WITNESS: Laflamme]

1 A. That is -- that is based on what the Company filed, and
2 adjusted for Staff.

3 Q. Okay.

4 A. Adjusted by Staff.

5 Q. And, "\$206,181" is?

6 A. Is their operating income requirement, based on the
7 rate base times the rate of return.

8 Q. See, that's where I -- that's where I get confused, the
9 "operating income requirement".

10 A. Okay. Well, what -- I'm sorry.

11 Q. That's not their total overall revenue requirement?

12 A. No. No. See, maybe to clarify, in the Company's -- in
13 the Company's temporary rate filing, they included the
14 revenues, the increase in the revenues that they were
15 proposing for temporary rates. They included those
16 amounts in their schedules. And, so, what -- but what
17 Staff did was it took the Company's schedules, which
18 included the increase in rates proposed by the Company,
19 and is more or less making an adjustment in those, in
20 the revenues that the Company originally proposed in
21 its filing.

22 Q. Okay. So, in the permanent rate case, we wouldn't look
23 at it the same way, is that what you're saying? Would
24 we look at, in the permanent rate case, would we look

[WITNESS: Laflamme]

1 at, you know, what are their O&M expenses? What are
2 their taxes and depreciation?

3 A. Yes.

4 Q. And, what's the return on investment? Add those all
5 up, and then that's how you get to the revenue
6 requirement?

7 A. Correct.

8 Q. Okay. I understand now. Thank you.

9 A. Okay.

10 COMMISSIONER BAILEY: All right. Thank
11 you very much.

12 WITNESS LAFLAMME: Okay.

13 COMMISSIONER BAILEY: That's all I have.

14 BY CHAIRMAN HONIGBERG:

15 Q. Mr. Laflamme, I'm going to revisit the issue about when
16 this rate is going to be "effective" or "collected".
17 Am I correct that, if the Company's proposal is
18 accepted, that the quarterly bills will be about \$21
19 higher?

20 A. If which -- I'm sorry, on which proposal is --

21 Q. The proposal that was -- that they filed a revision on
22 on January 8th.

23 A. Okay. Okay. I'm sorry, could you restate the
24 question.

[WITNESS: Laflamme]

1 Q. The quarterly increase in customer bills will be about
2 \$21, if their proposal is accepted? It's 135 and
3 change versus 156 and change.

4 A. Yes. I believe that the Company is asking for a
5 surcharge over two, two quarters. So, it would be \$21,
6 \$22 --

7 Q. Okay.

8 A. -- per quarter. For those two, for the initial two
9 quarters.

10 Q. Okay.

11 A. Yes.

12 Q. And, is it your view that, if customers were charged
13 that for the first two months, that that would be a
14 just and reasonable rate for those customers to incur?

15 A. No.

16 Q. Why not?

17 A. I think it -- well, first of all, as has been
18 mentioned, this is -- this is something that's atypical
19 of normal -- from normal rate proceedings. Usually,
20 the reconciliation does not occur until after permanent
21 rates are set, and then the company is allowed recovery
22 from the date of the effective date till the date of
23 the Commission order.

24 Secondly, I think it -- I think it would

[WITNESS: Laflamme]

1 have an impact on the efficiency of the effective -- of
2 the temporary rate proceeding. I think, as I indicated
3 before, I think Staff would want to take a much closer
4 look at the temporary rates being requested, seeing
5 that they have an immediate -- an immediate recovery
6 aspect to them.

7 And, I think -- and, also, I think it
8 sends -- it sends a confusing signal to customers.
9 Whereas, you know, initially, they have an increase in
10 their bills, and then, in this case, starting with the
11 third quarter subsequent, their bills go down. And,
12 then, when permanent rates are set, then their bills go
13 back up again. And, I think it would send a very
14 confusing signal to customers.

15 CHAIRMAN HONIGBERG: Okay. Thank you.
16 I don't have any other questions. Commissioner Scott, you
17 have additional questions?

18 COMMISSIONER SCOTT: Yes. Thank you,
19 Mr. Chair.

20 BY COMMISSIONER SCOTT:

21 Q. Can you help me? I may be under a misconception. The
22 average ratepayer of this utility, is this more of a
23 seasonal? Is most of the income coming in during the
24 summer or is this pretty set through the year?

[WITNESS: Laflamme]

1 A. I would defer to the Company on that.

2 MR. MASON: We're about 80 percent
3 second homes. So, most of our income comes in during the
4 June, July, August area.

5 CHAIRMAN HONIGBERG: I think, for future
6 reference, it would probably be best for counsel to
7 provide that information, possibly through a witness, or
8 some other method. But we appreciate your providing the
9 information.

10 BY COMMISSIONER SCOTT:

11 Q. So, assuming that this is mostly seasonal, the income
12 is higher during the seasonal load, is there any
13 bearing on that, do you think, over -- on the way the
14 temporary rates are set, or, more specifically, to this
15 surcharge thought? I guess what I'm getting at is, if
16 most of the billing activity, most of the income is
17 going to happen during the summer, will there be --
18 would that not indicate there will be less benefit in
19 the short-term for the surcharge than there would
20 otherwise?

21 A. Theoretically, I would agree. I would agree with that.
22 Theoretically, yes.

23 COMMISSIONER SCOTT: That's all I had.

24 CHAIRMAN HONIGBERG: Ms. Patterson, do

1 you have any further questions for Mr. Laflamme?

2 MS. PATTERSON: One moment please.

3 (Att. Patterson conferring with Mr.
4 Naylor.)

5 MS. PATTERSON: No further questions.

6 CHAIRMAN HONIGBERG: All right. Thank
7 you, Mr. Laflamme.

8 I think, for a variety of reasons, we're
9 going to take a short break. I remain concerned that
10 there is not, in fact, an agreement. I would like counsel
11 to confer, and, if at all possible, make a joint
12 representation to the Commission about the scope of what
13 you have, in fact, agreed to, and what it is needs to be
14 decided, and in what order. Because, as I said, I'm
15 concerned.

16 So, we're going to break for -- let's go
17 off the record for a minute.

18 *[Brief off-the-record discussion*
19 *ensued.]*

20 CHAIRMAN HONIGBERG: So, we'll come back
21 at a few minutes after noon. Thank you.

22 (Recess taken at 11:50 a.m. and the
23 hearing resumed at 12:12 p.m.)

24 CHAIRMAN HONIGBERG: All right. What

[WITNESS: St. Cyr]

1 are we starting with here? Ms. Patterson, you look like
2 you're ready to grab the microphone.

3 MS. PATTERSON: To sing a song for you.
4 I just wanted to state, you asked the parties to confer
5 over the break about the status of the Settlement
6 Agreement, and our understanding of whether or not we have
7 an agreement. And, I would state that Staff was aware, as
8 I stated before, that the Company was going to argue this
9 issue before the Commission at the same time that the
10 Settlement was going to be considered. And, I think that
11 the Commission can consider the Settlement Agreement and
12 separately consider the issue of whether or not the
13 recoupment, the collection of the amount agreed to in the
14 Settlement Agreement begins at this point, back to
15 September, or begins going forward at this point, and that
16 the September to December amounts are collected after the
17 permanent rate is settled.

18 CHAIRMAN HONIGBERG: Thank you,
19 Ms. Patterson. Does Ms. Patterson speak for all?

20 MR. RICHARDSON: Yes. The Company
21 concurs with that statement.

22 CHAIRMAN HONIGBERG: All right. Thank
23 you very much. Mr. Richardson, I believe you are up.

24 MR. RICHARDSON: Thank you. Yes. The

[WITNESS: St. Cyr]

1 Company intends to call one witness, Mr. Stephen St. Cyr.

2 (Whereupon **Stephen P. St. Cyr** was duly

3 sworn by the Court Reporter.)

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

5 **DIRECT EXAMINATION**

6 BY MR. RICHARDSON:

7 Q. Good afternoon. Could you state your name and position
8 for the record please.

9 A. My name is Stephen P. St. Cyr. And, I'm the Company's
10 rate consultant.

11 Q. And, what is the Company you work with?

12 A. I work with St. Cyr & Associates. We've been in
13 business since 1993, and provide accounting, tax, rate,
14 and management services, primarily to utilities.

15 Q. And, what exactly is your background and experience as
16 it relates to rate regulation?

17 A. I have varied experience, and have been before this
18 Commission on a number of franchise, financing, rate
19 cases before, including representing Lakes Region in
20 prior cases.

21 Q. And, I assume you're familiar with the books and
22 records of Lakes Region Water Company?

23 A. Yes, I am. On an annual basis, I prepare their annual
24 report to the Public Utilities Commission.

[WITNESS: St. Cyr]

1 Q. And, do you have what's been premarked as "Exhibit 1"
2 in front of you?

3 A. I do.

4 Q. And, what is that?

5 A. This is the Company's filing on temporary rates, and
6 includes the rate schedules and testimony.

7 Q. And, what was your involvement in Exhibit 1?

8 A. I would have prepared the rate schedules, based on the
9 books and records of the Company, and drafted the
10 testimony as well.

11 Q. Could you summarize what the Company's rate request is
12 in Exhibit 1.

13 A. Probably the best place in which to refer to this would
14 be Schedule 6. And, on Schedule 6, the "Proposed
15 Revenue" column indicates that the amount of proposed
16 revenues under the temporary rate filing is
17 "1,264,630". This represented a proposed increase of
18 140,682.

19 CHAIRMAN HONIGBERG: Can I stop you just
20 for a moment? We're in the 8/17 filing?

21 MR. RICHARDSON: Yes. The temporary
22 rate request and the schedules there.

23 CHAIRMAN HONIGBERG: And, where would we
24 find Schedule 6?

[WITNESS: St. Cyr]

1 WITNESS ST. CYR: This would be in
2 Tab --

3 MR. RICHARDSON: Tab 2.

4 CHAIRMAN HONIGBERG: Are these pages
5 numbered?

6 WITNESS ST. CYR: They are not. This is
7 Tab 5.

8 CHAIRMAN HONIGBERG: Tab 5.

9 WITNESS ST. CYR: Tab 5, the temporary
10 rate schedules prepared by the Company. And, Schedule 6
11 would be towards the back of that section.

12 CHAIRMAN HONIGBERG: Mr. St. Cyr, I'm
13 just going to ask you to hold off for a moment.

14 Mr. Richardson, is there a reason why
15 the pages aren't numbered?

16 MR. RICHARDSON: I was on a canoe when
17 this was filed. And, unfortunately, there were revisions
18 to it. The page numbers were pulled from an earlier
19 draft. And, so, I presented the document as it was filed.

20 CHAIRMAN HONIGBERG: Can you work with
21 Staff to get a filing in the record that has page numbers,
22 so, in the future, we'll have an easier time of finding
23 things in it?

24 MR. RICHARDSON: Sure.

[WITNESS: St. Cyr]

1 CHAIRMAN HONIGBERG: And, for purposes
2 of this hearing, we don't know off the top of our heads
3 where any documents are. So, if you can direct us to, you
4 know, "Tab 5" or "Schedule 6 within Tab 5, which is near
5 the back", that will help us get there, just as we go
6 through this proceeding.

7 I apologize for interrupting.

8 MR. RICHARDSON: That's okay.

9 BY MR. RICHARDSON:

10 Q. So, let's return our attention, were you finished
11 describing Schedule 6?

12 A. No, I was not.

13 Q. Okay.

14 A. So, we're in Tab 5, Schedule 6. The fourth line down,
15 identified as "Total Unmetered and Metered Customers
16 excluding the Suissevale Contract", the fourth column
17 in, "Proposed Revenue", indicates "1,264,630". This is
18 the revenue requirement that the Company proposed in
19 its filing. That represented a 221,486 increase over
20 the test year revenues, and represented approximately a
21 21.23 percent increase.

22 Q. Okay. Let me turn -- or, I guess what was the -- what
23 I'm trying to get at, in a nutshell, what was the basis
24 for the temporary rate request? What was the -- what

[WITNESS: St. Cyr]

1 did the Company's records show that it was earning in
2 the test year?

3 A. The Company's showed that it was -- it's rate of return
4 was deficient, and has submitted documents that
5 indicated it was 3.64 percent.

6 Q. Okay. And, we heard reference to changes to the
7 Company's records that were adjustments that were made
8 in light of Staff audit and data requests. What's
9 your -- have there been changes? Could you
10 characterize what changes the Company has made as a
11 result of this?

12 A. There have been some changes, some as a result of the
13 audit, some as a result of discovery through data
14 requests. And, the Company has agreed that those
15 should be reflected in the temporary rate schedules
16 that's being presented to the Commission today.

17 Q. Uh-huh. Okay. And, before we get into the amount,
18 just with the caveat that subject to those changes or
19 adjustments the Company has agreed to, is this
20 testimony true and accurate to the best of your
21 knowledge and belief?

22 A. It is.

23 Q. Okay. Now, let's look at the Settlement terms. Could
24 you compare what the Company has agreed to in the

[WITNESS: St. Cyr]

1 Settlement to what it proposed?

2 A. I'm looking at Page 2 of the Settlement Agreement,
3 under the "Terms". And, specifically, in the "Revenue
4 Requirement" section, says "the Settling Parties",
5 including the Company, "agree to the schedules set
6 forth in Settlement Attachment JPL-1 which provides for
7 a temporary revenue requirement for the Company's
8 general customers of \$1,146,837. This represents
9 103,694 above the test year revenues earned from
10 general customers, and is approximately a 9.94 percent
11 increase."

12 Q. And, so, how does that compare to the Company's
13 proposal?

14 A. It's less than what we originally sought.

15 Q. Uh-huh. I'd like to turn your attention to the
16 Settlement Agreement, which has been marked as "Exhibit
17 2". And, you also heard Mr. Laflamme from Staff
18 testify about Schedule 1. And, do you have that in
19 front of you?

20 A. I do.

21 Q. Okay. And, you see the proposed -- the second to last
22 line, "Proposed Increase in Annual Water Revenues from
23 General Customers"?

24 A. Yes.

[WITNESS: St. Cyr]

1 Q. Of "103,694"?

2 A. Yes.

3 Q. Okay. If you were to take the Staff adjustments -- or,
4 excuse me, the adjustments that are in the Settlement
5 Agreement, and you were to remove this rate increase,
6 what would that show for the Company's performance
7 during the test year?

8 A. It would show that the Company did not earn its
9 authorized rate of return, and, in fact, earned much
10 less than that.

11 Q. Can you come up with an estimate? Or, how much less
12 are we talking about?

13 A. In the Company's documents that it submitted, it was 6.
14 -- I'm sorry, 3.64 percent. If you adjust the revenue
15 requirement proposed in the Settlement Agreement, it's
16 approximately 4 percent.

17 Q. Okay. So, what I'd like to do is look at, if you will,
18 you're still in Exhibit 2, and go to Schedule 3, and
19 you see that Column (8), "Net Operating Income
20 Requirement". So, could you -- the rate of return
21 during the test year, using the Settlement Agreement
22 adjustments, you could -- would you agree it would be
23 reasonable to take the 206 figure that's there, and
24 then subtract the proposed increase of 103,694, to

[WITNESS: St. Cyr]

1 arrive at an estimate on what the Company earned in the
2 test year?

3 A. That would be reasonable, given all the adjustments
4 that the Company and the Staff have agreed to.

5 Q. And, subject to check, that would be approximately
6 3.98 percent?

7 A. I said "4 percent", but, yes.

8 Q. Okay. To what are the primary differences between the
9 Company's proposal and the Settlement Agreement
10 attributable?

11 A. There's probably three or four primary ones. The first
12 one being the AFUDC component on the Mount Roberts
13 wells, pumps, and mains, and the related additional
14 paid-in-capital. There's the difference related to a
15 year-end rate base versus a 13-month average rate base.
16 And, then, there are some differences in the expense
17 adjustments, some of which came out of the audit, some
18 of which came out of discovery, that the Company
19 ultimately agreed to for purposes of temporary rates.
20 Some of these the Company believes are more
21 appropriately addressed in the permanent phase of the
22 proceeding. It's actually not in anybody's best
23 interest to litigate them in the temporary phase of the
24 proceeding.

[WITNESS: St. Cyr]

1 Q. Okay. So, looking again, in terms of the Settlement
2 Agreement, how would you characterize the Company's
3 performance in the test year under the Settlement
4 schedules?

5 A. I would say that the rates were insufficient, and
6 prevented the Company from earning its authorized rate
7 of return.

8 Q. Uh-huh. And, why -- or, what effect does this have to
9 say that they're "insufficient"? What does that mean
10 for the Company?

11 A. Well, it means that its rate of return continues to
12 decline. It has the potential of creating cash flow
13 problems. It potentially prevents the Company from,
14 you know, meeting its current obligations, as well as
15 replacing -- repairing or replacing plant.

16 Q. The Company hasn't prepared it's 2015 financials yet,
17 has it?

18 A. No, it has not.

19 Q. Okay. But are you generally familiar with the
20 Company's process and its financial condition?

21 A. I am.

22 Q. Okay. So, if this -- if the rate of return was
23 3.98 percent in 2014, has that generally changed or is
24 that still true for 2015 or where do you see this

[WITNESS: St. Cyr]

1 headed?

2 A. It's certainly still true. It's likely to be less in
3 2015, assuming, you know, a continued increase in cost
4 and additions to plant in service.

5 Q. Okay. I want to ask you a question that relates a
6 little bit to a legal standard, and if you could agree
7 or disagree or comment on it.

8 MR. RICHARDSON: And, for the benefit of
9 the Commission, I'm looking at the case of *Chicopee*
10 *Manufacturing Company versus PSNH*, and it's at 98-5 New
11 Hampshire [98 N.H. 5].

12 BY MR. RICHARDSON:

13 Q. And, in this case, I'll represent to you it says that
14 "rates should be sufficient to absorb embedded costs to
15 maintain confidence in the financial soundness of a
16 company under efficient and economic management, and
17 enable the company to attract capital necessary to
18 discharge its obligations to its investors and
19 consumers. And, that this is above" -- "this rate of
20 return is above" -- or, "over and above operating
21 expenses, depreciation, and taxes." Are you familiar
22 with this general concept?

23 A. Generally, yes.

24 Q. Okay. And, how would you characterize the Company's

[WITNESS: St. Cyr]

1 existing rates, in light of this requirement?

2 A. Well, again, it's not -- the existing rates are
3 insufficient. The Company is unable to earn its
4 authorized rate of return. You know, it has the
5 potential of creating cash flow problems, and in maybe
6 meeting some of its current obligations.

7 Q. And, so, what would be the answer to the question, will
8 the Company's existing rates allow it to maintain
9 the --

10 *[Court reporter interruption.]*

11 BY MR. RICHARDSON:

12 Q. So, what would your answer to the question be, will the
13 Company's existing rates allow it to maintain soundness
14 of the Company under efficient and economic management?

15 A. The existing rates certainly do not allow the Company
16 to do that.

17 Q. Uh-huh. And, will the Company's existing rates enable
18 it to attract capital necessary to discharge its
19 obligations to its investors and consumers?

20 A. It certainly will make it more difficult, and
21 potentially could prevent the Company from raising
22 capital. And, if it were to do that, then it has the
23 potential of negatively impacting the Company's ability
24 to repair or replace plant and to make the necessary

[WITNESS: St. Cyr]

1 improvements.

2 Q. Uh-huh. I want to turn your attention to the Company's
3 request to recover a surcharge for the period from the
4 effective date of September 14 to December 31st. And,
5 do you have in front of you, I believe the Commission
6 members will have this document, it's an oversized
7 version of what was filed by the Company on January 8.
8 It's been marked "Exhibit 3"?

9 A. Yes, I have it.

10 Q. And, what is this document?

11 A. This is a calculation of temporary rate recovery for
12 the billing period of January -- I'm sorry,
13 September 14 through -- September 14, 2015 to
14 January 16 -- January 31, 2016.

15 Q. Okay. And, what was your involvement in this
16 document?

17 A. I provided some oversight in the calculation.

18 Q. Uh-huh. And, could you tell the Commission what it
19 shows?

20 A. This is at the bottom right-hand column, Page 2 of 2.
21 It shows the "Total Temporary Unbilled" amount of
22 "29,570". And, if you take that amount over the number
23 of customers that the Company has, it represents an
24 average recoupment of \$17.75.

[WITNESS: St. Cyr]

1 Q. And, how is the Company proposing to recover this?

2 A. The Company is proposing to recover it over two billing
3 periods.

4 Q. And, just for the benefit of the Commissioners'
5 understanding, does the Company bill for all of its
6 divisions each month or how does that work?

7 A. It bills quarterly, but the quarterly billings are
8 staggered, so that only one group of systems gets
9 billed one month, the next group of systems gets billed
10 the second month, and the third system gets billed the
11 third month, and then they repeat that process each
12 quarter going forward.

13 Q. So, effectively, in any month, about a third of the
14 customers -- Company's customers are receiving a bill?

15 A. That's correct.

16 Q. Okay. And, so, this schedule was designed to account
17 for that. And, what is the total, assuming the
18 Commission were to grant temporary rate relief, and
19 authorize the Company to recover this in January, what
20 would the total recovery be?

21 A. For this piece, it would be the 29,570. And, for the
22 amount agreed to in the Settlement Agreement, it would
23 be 103,694.

24 Q. So, the 103,694 is the annual recovery amount. And,

[WITNESS: St. Cyr]

1 this basically reflects that portion of the year at
2 that rate that has not been billed?

3 A. That's correct.

4 Q. Uh-huh. How immediate would you describe the Company's
5 need for rate relief?

6 A. I would say immediately.

7 Q. And, why is that?

8 A. One, it hasn't earned its return during the test year.
9 Two, this particular time of the year tends to be the
10 lower water usage period. Also, where it would receive
11 the least amount of cash, so, cash flow is always kind
12 of an issue during the winter months.

13 Q. And, if the Company were to defer recovery of this
14 temporary rate to recoupment at the end of the case,
15 what impact would that have on the Company's customers?

16 A. Well, it has an even greater impact at that time.
17 Because, at that time, you have not only the permanent
18 rate that's approved by the Commission, but you have
19 the recoupment from September 14 to the point in time
20 in which the Commission approves the order, and then
21 you have the recovery of rate case expenses. So, it's
22 a significant increase at that particular time.

23 Q. And, what does that mean for the Company, if the
24 unbilled temporary rates are to be recovered at the

[WITNESS: St. Cyr]

1 same time as permanent rate recoupment and rate case
2 expenses and the permanent increase?

3 A. It's just that much more money that's added to the
4 amount of recovery, and likely creates a longer
5 recovery period.

6 Q. So, would you, if you have an opinion now, do you think
7 that it's preferable or in the better interest of both
8 the Company and its customers to recover the temporary
9 rates now from September 8th or is the Company and the
10 customers better off to wait until the end of the case?

11 A. I think both the Company and the customers benefit by
12 getting it -- by allowing the Company to get it sooner
13 rather than later.

14 Q. Is that -- looks like we've covered anything, is there
15 anything else you want to add that you feel the
16 Commission should understand before we close?

17 A. I have nothing further to add.

18 MR. RICHARDSON: Thank you.

19 CHAIRMAN HONIGBERG: We're going to go
20 Ms. Chamberlin and Mr. Patch, then Mr. Movitz, then Staff.

21 And, so, Ms. Chamberlin, do you have any
22 questions?

23 MS. CHAMBERLIN: Just a couple.

24 **CROSS-EXAMINATION**

[WITNESS: St. Cyr]

1 BY MS. CHAMBERLIN:

2 Q. In terms of the absolute dollar amount being recovered
3 from customers, is there a difference between the Staff
4 proposal and the Company's proposal on this incremental
5 recovery?

6 A. I don't believe Staff has had enough time to really
7 review it to determine whether or not they would agree
8 or disagree with the amount.

9 Q. No. I'm asking you, is there a difference between the
10 amount the customers will pay, if you collect the money
11 now versus you collect the money at the end of the rate
12 case?

13 A. Oh, I'm sorry. I would say there's no difference.
14 That it's really more a timing issue than a dollar
15 amount issue.

16 MS. CHAMBERLIN: Thank you. That's it.

17 CHAIRMAN HONIGBERG: Mr. Patch, do you
18 have any questions?

19 MR. PATCH: I do have just a couple.

20 BY MR. PATCH:

21 Q. Mr. St. Cyr, you were here this morning when
22 Commissioner Scott asked Mr. Laflamme a question about
23 the impact on Suissevale, weren't you?

24 A. Yes, I was.

[WITNESS: St. Cyr]

1 Q. And, do you remember how he answered that question?

2 A. Yes.

3 Q. And, do you have any disagreement with that?

4 A. I would generally agree with what he had to say.

5 There's no direct impact. But there is, however, an
6 indirect impact, in that any additions to plant, as it
7 affects Paradise Shores affects Suissevale. And, I
8 believe that's what he was referring to when he talked
9 about "indirect impacts".

10 Q. In the permanent phase of this docket?

11 A. That's true.

12 Q. Permanent rate phase?

13 A. That's correct.

14 MR. PATCH: Yes. Okay. Thank you.

15 CHAIRMAN HONIGBERG: Mr. Movitz, do you
16 have any questions?

17 MR. MOVITZ: No questions at this time.
18 Thank you.

19 CHAIRMAN HONIGBERG: Ms. Patterson?

20 MS. PATTERSON: Yes, please.

21 BY MS. PATTERSON:

22 Q. Following up on the question that you were just asked
23 by the Consumer Advocate, I guess I heard her question
24 to be "what would be the difference, in terms of the

[WITNESS: St. Cyr]

1 bill impact, under Staff's proposal, to wait for a
2 reconciliation of the unbilled amounts versus the
3 Company's proposal to begin that collection now?" And,
4 even if that wasn't her question, that's my question.
5 Do you agree that it's about \$21 of a difference, the
6 Chair I believe asked about it earlier, that it would
7 be \$21 more for the first two quarters?

8 A. I believe the Chairman, when he came up with the \$21, I
9 believe that consist of the \$14 cited in the Settlement
10 Agreement, this is on Page 3, there's a statement that
11 indicates the annual increase of 59.25, or 14.84
12 [14.81?] per quarter.

13 Q. Okay.

14 A. As a result of the Settlement Agreement, that's what
15 the average metered customer is going to experience.
16 In addition to that, if the Commission were to accept
17 the Company's proposal to recover the difference
18 between current rates and temporary rates, that would
19 be an additional \$8 and 30 some odd cents.

20 Q. Okay. Thank you. You were here earlier, Mr. St. Cyr,
21 when Mr. Laflamme testified about the Commission's
22 practice for recoupment?

23 A. Yes.

24 Q. And, is it your understanding that that's the typical

[WITNESS: St. Cyr]

1 practice for recoupment at the Commission?

2 A. Yes. I would say it's the typical practice of the
3 Commission.

4 Q. Okay. And, would you agree that, in this instance, in
5 this case, the Company did not ask for a temporary rate
6 level that was based on the books and records on file
7 with the Commission?

8 A. I would say, given the fact that we have agreed to
9 certain audit adjustments and additional information
10 that came up during discovery, that what was initially
11 filed needed to be adjusted.

12 Q. And, I guess where I was going at is that you didn't
13 file a petition or the Company didn't a file a petition
14 for a temporary rate increase that says "increase our
15 rates for temporary purposes based on the records on
16 file with the Commission", is that correct? What the
17 Company actually did is "increase our temporary rates
18 based on these amounts and certain *pro forma*
19 adjustments". Did the Company make *pro forma*
20 adjustments in its temporary rate filing?

21 A. We did, yes.

22 Q. And, when the Company made -- and they were fairly
23 significant adjustments, would you agree with that?

24 A. Yes.

[WITNESS: St. Cyr]

1 Q. Okay. And, so, when you filed a temporary rate request
2 with adjustments, was it your understanding that the
3 Staff would investigate those adjustments?

4 A. Yes.

5 Q. And, that that investigation took time for the Staff to
6 do?

7 A. Took a long time.

8 Q. Okay. And, you also had an audit, the Staff was
9 auditing, another set of Staff were auditing the
10 Company nearly at the same time as the Staff was doing
11 discovery on the temporary rate filing, is that
12 correct?

13 A. I think the timing was probably prior to discovery.
14 But, yes, there was another group of Staff members, and
15 they did an audit of the Company's books and records.

16 Q. So, before the Staff discovery, you had begun an audit,
17 and there may have been a little bit of overlapping
18 between the audit and the discovery process on the
19 temporary rates, is that correct?

20 A. That's correct.

21 Q. And, the audit process took time, is that correct?

22 A. Took a long time.

23 Q. And, do you agree that part of the time that the audit
24 process took was related to not receiving documents

[WITNESS: St. Cyr]

1 from the Company?

2 A. I would not agree with that.

3 Q. Okay. Do you agree that the audit report reflects
4 statements that there are certain findings that the
5 Audit Staff has yet to receive information about from
6 the Company or that may be pending receipt from the
7 Company?

8 A. I am not specifically aware of that.

9 Q. Okay. Okay. Did you participate in the first
10 technical session in this case, after the prehearing
11 conference?

12 A. Yes, I did.

13 Q. And, do you recall that during that time we discussed a
14 procedural schedule?

15 A. Yes.

16 Q. And, do you recall that the Company agreed to the
17 procedural schedule that we set?

18 A. Yes, we did.

19 Q. And, that procedural schedule called for or recommended
20 to the Commission a hearing today on temporary rates,
21 is that correct?

22 A. That's correct.

23 Q. And, the last set of questions, you were asked earlier
24 about a case, the *Chicopee* case. And, you are not a

[WITNESS: St. Cyr]

1 lawyer, is that correct?

2 A. I'm not a lawyer.

3 Q. Okay. And, do you know whether or not that case that
4 was cited and you were asked about has anything to do
5 with temporary rate levels or is it a permanent rate
6 level case? Do you know the answer?

7 A. I don't know the answer to that.

8 Q. Okay. Just one other question. You testified, when
9 you were asked on direct, that the Company needed
10 immediate rate relief, temporary rate relief. And,
11 yet, was this an issue that precluded the Company from
12 agreeing to having the temporary rate hearing done at
13 this time and temporary rate levels set at this time?

14 A. You're asking me if the Company's cash flow -- I'm
15 sorry, if you could just repeat the question?

16 Q. Sure. I guess I would just say that your testimony
17 earlier was that "the Company needs immediate relief",
18 yet, you -- the Company agreed to having the temporary
19 rate hearing at this point in time, notwithstanding
20 it's need for immediate relief. Do you agree with
21 that?

22 A. Yes. I agree with that.

23 MS. PATTERSON: Okay. Thank you.

24 Nothing further. Thank you.

[WITNESS: St. Cyr]

1 CHAIRMAN HONIGBERG: Commissioner Scott?
2 Commissioner Scott has no questions. Commissioner Bailey?

3 COMMISSIONER BAILEY: Just a couple, to
4 make sure I understand what you said.

5 BY COMMISSIONER BAILEY:

6 Q. The difference between the rate, the temporary rate
7 that's proposed, and the rate that would be charged for
8 the first two quarters, I'm assuming beginning in
9 January, if the Commission approves your position that
10 you should be allowed to collect the temporary rate
11 starting -- or, recoup the temporary rate that you
12 didn't collect from September through December, would
13 be \$8 a quarter or a month?

14 A. Well, we're proposing that the 17.75 be recovered over
15 two billing periods. So, that would be per quarter.
16 So, it's \$8 and whatever per quarter.

17 Q. Okay. And, would it be lower if you recouped it in the
18 third quarter, when you had more seasonal customers in
19 place?

20 A. Our proposal isn't affected. It's a fixed amount.
21 It's the amount divided by the number of customers,
22 so --

23 Q. Don't you have more customers in the summer?

24 A. We have the same number of customers year round. The

1 amount of usage that they have is greater in the summer
2 than the winter.

3 COMMISSIONER BAILEY: Okay. All right.
4 Thank you.

5 CHAIRMAN HONIGBERG: I have no questions
6 for Mr. St. Cyr.

7 Mr. Richardson, do you have any further
8 questions for your witness?

9 MR. RICHARDSON: I just wanted to -- one
10 clarifying question, because I didn't cover it.

11 **REDIRECT EXAMINATION**

12 BY MR. RICHARDSON:

13 Q. The schedule document that's been marked "3", I'm
14 referring to the oversized permanent rate recoupment,
15 which I believe -- excuse me, the oversized temporary
16 rate recovery calculation, I just wanted you to note
17 for the Commission that the period from December 31st
18 to January 31st is an estimate, because we don't have
19 actual consumption figures for the month of January?

20 A. Yes. That's correct.

21 MR. RICHARDSON: Okay. Thank you.

22 CHAIRMAN HONIGBERG: All right. Thank
23 you, Mr. St. Cyr. You can return to your seat.

24 There are no other witnesses, correct?

1 MS. PATTERSON: No.

2 CHAIRMAN HONIGBERG: Can I get a
3 clarification on exhibits? I recall references to 1, 2,
4 3, and 5. Is there an Exhibit 4?

5 MR. RICHARDSON: Oh. I meant to mark --

6 CHAIRMAN HONIGBERG: Mr. St. Cyr, sit
7 down for just a second.

8 MR. RICHARDSON: Yes. Because of the
9 changes in how we presented this, I should have had you
10 mark Exhibit 4, which was the Order of Notice that was
11 filed, and we've premarked for identification, simply to
12 show that it was published.

13 CHAIRMAN HONIGBERG: Oh, oh, oh.
14 Ms. Patterson?

15 MS. PATTERSON: I don't know that it's
16 necessary to have it as an exhibit, because it is in the
17 Commission's file.

18 MR. RICHARDSON: Uh-huh. If we just
19 want to stipulate that the Order of Notice was published
20 as it's filed with the Commission, then that's fine. I
21 know that Commissioner Scott had a question in a recent
22 case about that. And, so, I wanted to make sure that we
23 brought it in and we had evidence that it was sent to all
24 the customers by the September 14th deadline.

1 MS. PATTERSON: And, I guess I would
2 just respond that I thought it was dealt with when we
3 dealt with the motion for the waiver of the rule requiring
4 extension requests be filed before the deadline passes. I
5 thought we already dealt with the issue of whether or not
6 the affidavit or notice -- proper notice went to the
7 customers already.

8 CHAIRMAN HONIGBERG: Yes. I think we've
9 established that proper notice was given to the customers.
10 If that's all this exhibit does, --

11 MR. RICHARDSON: Correct.

12 CHAIRMAN HONIGBERG: -- then I don't
13 think we need that exhibit, which was never really
14 introduced to us today anyway.

15 So, we're going to strike ID on 1, 2, 3,
16 and 5; 4 will be left blank, when we all come back again
17 to talk about permanent rates, I guess.

18 Is there anything else we need to do
19 before the Parties sum up?

20 *[No verbal response]*

21 CHAIRMAN HONIGBERG: I didn't think so.
22 We're going to, let's see, Mr. Movitz, would you like to
23 go first?

24 MR. MOVITZ: If you wish?

1 CHAIRMAN HONIGBERG: Go ahead.

2 MR. MOVITZ: Chairman, members of the
3 Commission, Staff, all of us here, I have -- my wife and I
4 have owned the property up on Judges Road --

5 *[Court reporter interruption.]*

6 CHAIRMAN HONIGBERG: Yes. Off the
7 record.

8 *[Brief off-the-record discussion*
9 *ensued.]*

10 MR. MOVITZ: Yes. I'm in an unfamiliar
11 position. I was kind of elected by default, because I'm
12 retired, to represent my neighbors, and, parenthetically,
13 the Gateway condominium complex adjacent to Judges Road.
14 I've been retired for several years.

15 In my wild youth, I worked for many
16 years in the Bank of Boston. I was Assistant Treasurer of
17 the bank, also ran the Construction Department.
18 Subsequently, I went into real estate development and
19 construction. Many, many times, too many times, I was
20 involved in water supply/sewer, building pump stations,
21 testing for chemicals, disposing of hazardous waste,
22 etcetera. But this is an unfamiliar process for me at
23 this time.

24 And, I would have to publicly thank Mr.

1 Naylor, Mr. Laflamme, and Ms. Patterson for attempting to
2 educate me, so that I might submit exhibits in a timely
3 way. I still have a long way to go on my education,
4 obviously.

5 CHAIRMAN HONIGBERG: I will say,
6 Mr. Movitz, that we appreciate the assistance that they
7 provide to us, to counsel who appear before us, and to
8 unrepresented persons, such as yourself, pretty much on a
9 daily basis. And, so, your appreciation of them is echoed
10 from this end of the room.

11 MR. MOVITZ: I declined to sign the
12 Settlement Agreement for a couple or three reasons. I
13 would have agreed to sign for the original proposed rate
14 increase of 7.62 percent, which was promulgated by Staff.
15 During the settlement hearing recently, it was increased
16 to 9.94 percent. Now, that is a 30 percent increase. In
17 dollars, it's probably not many more dollars.

18 Most of my neighbors up on Judges Road
19 are either retired, excuse me, or semi-retired. They
20 cobble together part-time jobs to make ends meet. So,
21 every dollar means something to them, and I've heard from
22 them more than I would care to admit at this point.

23 We have had rate increases almost
24 annually for as long as I can remember. They are, to be

1 frank, sick and tired of these annual increases. We don't
2 know how long they're going to continue.

3 In addition to that, this 9.9 percent
4 might be viewed as a starting point for the 38 percent
5 increase that Lakes Region Water Company is asking for in
6 the permanent process.

7 So, if I could wave a magic wand, I
8 would be hovering over you folks when you deliberate, and
9 have you defer that 30 percent increase, from 7.62 to
10 9.94, in the interest of fairness and in the interest of
11 harmony. No disrespect to Staff. I agree mostly with
12 them, but just for this amount. And, I think the
13 appearance is very important to my constituents.

14 It's also my position, having been in
15 business previously, but not recently, that Lakes Region
16 Water Company is in a difficult position. I have empathy
17 for them. They're trying to run I think 17 different
18 water districts. Much of the infrastructure was built
19 many years ago, when the developers really didn't care too
20 much about the infrastructure. Lots of it has to be
21 replaced.

22 I think that they could be much more
23 vigorous in their operations, in their efficiency. And,
24 putting their feet to the fire, I think reducing this

1 temporary rate might give them a little more incentive.
2 Although, I'm probably out of line saying that, because I
3 know they're working very hard. And, they have improved
4 their operations, as I understand it, over the past couple
5 of years.

6 But, having said all of that, I would
7 still like to request that you seriously entertain the
8 thought of going back to the 7.62 percent that Staff
9 originally proposed. And, I'll leave you with that
10 thought. If you have any questions for me, I'll try to
11 answer them.

12 CHAIRMAN HONIGBERG: Thank you, Mr.
13 Movitz. No, if you do come across the magic wand, though,
14 we would love to have access to it.

15 MR. MOVITZ: With one more point, you
16 just reminded me. When I first went into real estate
17 development and construction, I had very long, shiny black
18 wand. But now it has been diminished to just a little
19 stub. So, I'll entrust you to that little stub and hope
20 that that might help your deliberations.

21 CHAIRMAN HONIGBERG: Thank you very
22 much. Mr. Patch.

23 MR. PATCH: Suissevale has no position
24 on the Settlement Agreement and on temporary rates, for

1 reasons that I think came out somewhat at the hearing
2 today. Thank you.

3 CHAIRMAN HONIGBERG: Ms. Chamberlin.

4 MS. CHAMBERLIN: Thank you. The OCA
5 supports the Settlement Agreement on Temporary Rates. All
6 the Parties made various concessions and agreed to the
7 final numbers. We continue to have disagreements over the
8 permanent rates, and we prefer to litigate them at that
9 time.

10 And, the OCA has no position on the
11 timing of the collection. It's a question of whether
12 precedent is overridden by the Company's need. And, I
13 don't have a position on that.

14 CHAIRMAN HONIGBERG: Thank you,
15 Ms. Chamberlin. Ms. Patterson.

16 MS. PATTERSON: Thank you. The Staff
17 supports and asks the Commission to approve the Settlement
18 Agreement as filed. We believe, as you heard from Staff's
19 witness, that the Settlement will result in just and
20 reasonable temporary rates based on the circumstances in
21 this case.

22 And, we would ask that the Commission
23 deny the Company's request to begin recovery of the
24 unbilled temporary rate revenues associated with the

1 period between September and December of 2015. We view
2 this as essentially seeking recoupment, which is not
3 statutorily authorized by 378:29, which speaks only to the
4 recoupment between temporary rates and permanent rates.
5 And, that we would suggest that the temporary rate
6 statute, 378:27, requires the Commission Staff and the
7 Commission to set temporary rates very quickly. And, that
8 that would have happened -- it possibly would have
9 happened more quickly in this instance, if we hadn't
10 received a temporary rate filing that included adjustments
11 to the books and records on file or the test year, and
12 that we didn't encounter situations where we were awaiting
13 on the audit to finish its review of the Company's
14 records.

15 Also, I would submit, as I asked in
16 questioning, that the Company did agree to the procedural
17 schedule as the Commission ultimately approved it with
18 today's hearing on the temporary rates, notwithstanding
19 its testimony today that it needs immediate relief under
20 the statute. Thank you.

21 CHAIRMAN HONIGBERG: Mr. Richardson.

22 MR. RICHARDSON: Thank you, Mr.
23 Chairman. I think the record is fairly clear that the
24 need for temporary rate relief is present and that it's

1 immediate. Staff has recommended an increase of about
2 104,000 to 206,000, in rough numbers. The existing rate
3 of return, using the Settlement schedules, is about
4 3.98 percent. That's less than half of what the Company
5 is entitled to earn.

6 Mr. St. Cyr testified as to the effect
7 that has on the Company. It restricts its ability to
8 raise capital, to deploy new capital projects, and to
9 obtain new debt. And, it's something that should be fixed
10 sooner rather than later.

11 \$29,000 is the amount that has been
12 unbilled. That's about one-third, almost one-third of the
13 total increase. And, so, the question then becomes, once
14 the Commission approves the Settlement Agreement, how
15 should the statutes governing temporary rates and
16 permanent rates be implemented? In the Company's view,
17 the Settlement Agreement doesn't fit perfectly in either
18 statute. When you look at 378:29, what it says is that
19 the difference between the temporary rate and the
20 permanent rate is what is reconciled. But what we're
21 dealing with is a temporary rate that's been agreed to,
22 based on the need for additional revenue, based on the
23 facts that the Company's current rates are insufficient.
24 And, so, we're talking about something that's below the

1 temporary rate.

2 Now, that doesn't fit at all within what
3 RSA 378:29 contemplates, which is a temporary rate is set
4 and then a permanent rate is set, and then we recover the
5 difference after the case is over. And, it's interesting,
6 because 378:29, I won't search for it, but it does make
7 specific reference to, once the case has been concluded,
8 that's when this happens.

9 Let's look at 378:27, to see if we can
10 find the reason why there is something different happening
11 here. The first thing that I notice is that the
12 Commission fixes temporary rates immediately. The
13 Legislature has assumed, in writing this statute, that, as
14 soon as a temporary rate request comes in, that a
15 temporary rate is set. And, that is applied, as you read
16 it, for the duration of said proceeding.

17 Now, here's where the conflict occurs
18 between permanent rate recoupment and recovery of
19 temporary rates, once they're approved and effective.
20 Under Staff's reading that 378:29 controls, we won't even
21 begin to recover these unbilled temporary rates, which are
22 significant, until after the case is over. So, we don't
23 fit in that.

24 And, I want to say, I think Staff has

1 done a great job. I mean, I don't think there is really
2 any stone that they have left unturned in their temporary
3 rate review. They have done an excellent job. And,
4 nothing that we say here or the arguments that we make are
5 meant as a criticism.

6 However, if the promise under 378:27 of
7 immediate temporary rate relief is to have meaning, we
8 should be allowed to recover that now. Now, the Company
9 wouldn't be here asking for this if our rate of return was
10 six and a half percent. The Commission may recall that,
11 in Abenaki, there was an actual rate of return, in the
12 order that recently came out, of, I believe, 5.5 or 5.6.
13 Abenaki didn't ask for what we're requesting today.

14 But, once we get down into 3.98 percent,
15 for 2014 results, and here we are in 2016, the result is
16 the need is much more immediate. And, that's why we think
17 that the 378:27 authorizes the Commission to recover the
18 temporary rates now from their effective date during this
19 proceeding. That's exactly what the law says. And,
20 that's all that we're asking the Commission to do.

21 Now, granted, the Commission has wide
22 discretion to decide what it should do. And, we think
23 that there are good reasons for proceeding as the Company
24 proposed, to put a small surcharge, it's \$17 per customer,

1 as shown on the schedule, in two bills, so, half that
2 amount. Because what that will do is it will provide
3 funds that the Company needs to continue its operations,
4 continue the good work and the changes that even
5 Mr. Movitz suggested have been occurring, we'll continue
6 to do that. We'll also be able to better manage our rate
7 case expenses while this case is ongoing.

8 And, ultimately, that's really what the
9 statute is asking us to do. And, I've lost my train of
10 thought now.

11 So, that's -- we think that's a
12 reasonable proposal in this case. And, given the level of
13 earnings that exist, we would like the Commission to
14 strongly consider it. And, then, when we get to the
15 permanent rate reconciliation phase, all we'll be
16 reconciling is the difference between the temporary rates
17 and the permanent rates, which is exactly what 378:29
18 proposes.

19 The last thing that I just forgot to
20 mention, we think it's in the best interest of customers
21 as well. Because if we, and I understand Staff's
22 concerns, and they're valid concerns, about, you know, you
23 set a rate here, and then the rate changes, and then
24 there's the permanent rate. And, there are a lot of

1 changes that happen in these cases. There's rate case
2 expenses. What we'd like to do is having -- avoid having
3 them all hit the customers at the end of the case, when
4 there are rate case expenses, there's the increase in
5 permanent rates, and then there's also permanent rate
6 recoupment. Which, under Staff's reading of 378:29, would
7 also include recovery of temporary rates that were never
8 billed. That's -- that has a bad effect.

9 And, it also means that a customer that
10 benefited today from the lower rate, but were to move out,
11 say, in July or August of next year, would never have to
12 pay for permanent -- or, excuse me, for the unbundled
13 temporary rates. But a new customer that would come in,
14 who never received the benefit of the lower rates, would
15 actually have to pay the full amount.

16 And, so, we think that there are some
17 public interest considerations that merit doing it this
18 way. It brings us into compliance with what 378:27 says,
19 which is immediate rate relief. It makes the charges
20 applicable during the proceeding, which is also what
21 378:27 says. And, we think it's a fair result for
22 everyone concerned.

23 So, we know this is a difficult matter.
24 We know it departs from Commission's precedent. But we

1 think, in such circumstances, let's try to fit what we're
2 doing under the Settlement Agreement best within the
3 statutory language. And, we think the Company's proposal
4 does that. So, thank you.

5 CHAIRMAN HONIGBERG: Thank you,
6 Mr. Richardson. If there's nothing else? Ms. Patterson.

7 MS. PATTERSON: My only comment would be
8 that I believe you asked -- I believe there's at least one
9 exhibit that may not be paginated, and that you had asked
10 that the Staff and the Company work together to make sure
11 that the court -- or, the Clerk has a fully paginated
12 copy, and we will do that.

13 CHAIRMAN HONIGBERG: Thank you. All
14 right. Then, with that, we will adjourn, and issue an
15 order as soon as we are able. Thank you.

16 ***(Whereupon the hearing was adjourned at***
17 ***1:04 p.m.)***