

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

July 28, 2016 - 10:03 a.m.  
Concord, New Hampshire

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RE: DW 16-448  
ABENAKI WATER COMPANY AND  
ROSEBROOK WATER COMPANY:  
Petition to Transfer Utility Assets  
and Franchise and for Related  
Approvals. (Hearing on the merits)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Abenaki Water Company:  
Justin C. Richardson, Esq. (Upton...)

Reptg. Rosebrook Water Company:  
Sultana Svirik, Esq. (Devine...)

Reptg. Residential Ratepayers:  
Donald M. Kreis, Esq., Consumer Adv.  
Pradip Chattopadhyay, Asst. Cons. Adv.  
Office of Consumer Advocate

Reptg. PUC Staff:  
John S. Clifford, Esq.  
Mark A. Naylor, Dir./Gas & Water Div.  
Robyn J. Descoteau, Gas & Water Div.

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

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**WITNESS PANEL:**            **DONALD J. E. VAUGHAN**  
                                 **DEBORAH O. CARSON**  
                                 **ROBYN J. DESCOTEAU**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Direct Testimony of Donald J. E. Vaughan	<i>premarked</i>
2	Direct Testimony of Deborah O. Carson	<i>premarked</i>
3	Direct Testimony of Alex L. Crawshaw	<i>premarked</i>
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5	Revised Exhibit H to the Tariff for Water Service	<i>premarked</i>
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**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: We're here this  
3 morning in Docket DW 16-448, which is Abenaki  
4 Water Company and Rosebrook Water Company, a  
5 Petition to Transfer the Assets, and a number  
6 of other associated approvals. This is a  
7 hearing on the merits. There is a Settlement  
8 Agreement that was filed.

9 Let's take appearances before we do  
10 anything else.

11 MR. RICHARDSON: Good morning, Mr.  
12 Chairman, members of the Commission. Justin  
13 Richardson, with Upton & Hatfield, here on  
14 behalf of Abenaki Water Company. With me here  
15 at counsel's table I have Board President Don  
16 Vaughan, and, to his right, Treasury Deborah  
17 Carson.

18 MS. SVIRK: I'm Sultana Svirk, with  
19 Devine Millimet, on behalf of Rosebrook Water  
20 Company.

21 MR. KREIS: Good morning, Mr.  
22 Chairman, Commissioners. I'm Consumer Advocate  
23 Donald Kreis, here on behalf of residential  
24 ratepayers. With me today is the Assistant

1 Consumer Advocate, Pradip Chattopadhyay.

2 MR. CLIFFORD: Good morning. John  
3 Clifford, on behalf of Commission Staff. And  
4 with me at counsel's table is Mark Naylor,  
5 Director of the Commission's Gas and Water  
6 Division, and Robyn Descoteau, a Utility  
7 Analyst in the Gas and Water Division.

8 CHAIRMAN HONIGBERG: All right. How  
9 are we going to proceed this morning?

10 MR. RICHARDSON: I believe that we  
11 will first have the Company's two witnesses  
12 adopt their testimony and provide a brief  
13 update, and then followed by Staff.

14 CHAIRMAN HONIGBERG: All right. Are  
15 there any other preliminary matters we need to  
16 deal with?

17 MR. KREIS: None.

18 MR. CLIFFORD: No.

19 CHAIRMAN HONIGBERG: All right.  
20 Then, why don't we proceed.

21 MR. RICHARDSON: Thank you.

22 (Whereupon **Donald J. E. Vaughan,**  
23 **Deborah O. Carson,** and **Robyn J.**  
24 **Descoteau** were duly sworn by the

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 Court Reporter.)

2 CHAIRMAN HONIGBERG: Mr. Richardson.

3 **DONALD J. E. VAUGHAN, SWORN**

4 **DEBORAH O. CARSON, SWORN**

5 **ROBYN J. DESCOTEAU, SWORN**

6 **DIRECT EXAMINATION**

7 BY MR. RICHARDSON:

8 Q. Good morning. Mr. Vaughan and Ms. Carson, do  
9 you have the prefiled testimony and exhibits in  
10 front of you?

11 A. (Carson) Yes.

12 A. (Vaughan) Yes.

13 Q. Okay. I'd like to ask you to adopt your  
14 testimony. And I'll make reference to, first,  
15 Exhibit 1, which is the "Testimony of Donald J.  
16 Vaughan, P.E," filed April 15th, 2016. Do you  
17 adopt that testimony as true and accurate  
18 today?

19 A. (Vaughan) Yes.

20 Q. And, Ms. Carson, do you have what's been marked  
21 as "Exhibit 2", which is the "Testimony of  
22 Deborah Carson", also filed April 15th, 2016?

23 A. (Carson) Yes.

24 Q. And is that testimony true and accurate to the

{DW 16-448} {07-28-16}

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 best of your knowledge and belief?

2 A. (Carson) Yes.

3 Q. And I believe you both also have Exhibit 3,  
4 which was the "Testimony of Alex Crawshaw,  
5 P.E.", also filed April 15th, 2016. And  
6 Mr. Crawshaw is not here. Do you adopt that  
7 testimony?

8 A. (Vaughan) Yes.

9 Q. Thank you. And Exhibit 4 is the attachments to  
10 the testimony. Are those attachments true and  
11 accurate?

12 A. (Vaughan) Yes.

13 Q. And Exhibit H is the -- or, the Revised Exhibit  
14 H, which was filed on July 22nd, 2016, could  
15 you explain what that is?

16 A. (Carson) That's the -- let me take a look.  
17 It's the Rosebrook Water Company tariff for  
18 water service. Those are our amendments to  
19 those tariffs.

20 Q. So, is that revised or updated exhibit what the  
21 Company is proposing for its tariff in this  
22 case?

23 A. (Carson) Yes.

24 Q. Okay. Now, Mr. Vaughan, are there any updates

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 to your testimony or concerning this  
2 transaction that you would like to provide the  
3 Commission?

4 A. (Vaughan) Yes, there are. Yesterday I received  
5 a call from the CEO of the Omni Mount  
6 Washington Hotel. They had an incident two  
7 days ago, actually, where a pressure surge  
8 affected not only the base lodge, the ski  
9 lodge, but also the Bretton Arms Hotel, to the  
10 point where it blew out several sprinklers. He  
11 wanted to know, you know, what our role was,  
12 and I told him, I said that "we had not yet  
13 acquired the system, but we were aware of the  
14 pressure situation." And I think I have here  
15 in the filing, through data requests, a study  
16 that Horizons Engineering had completed  
17 regarding the pressure, and that was done at  
18 our request. It's part of the capital plan.

19 So, we were trying to be a little bit  
20 proactive to get those results. We're aware of  
21 the extremely high pressure there.

22 In any event, I received a call, a  
23 transmission, an e-mail actually, from the  
24 operator up at the Rosebrook Water Company



[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 explaining what had happened. And all I could  
2 do was make suggestions as to what to do and  
3 how to follow up.

4 The fire department recorded pressures of  
5 250 PSI at the Bretton Arms Hotel, which caused  
6 these sprinkler heads to pop. I mean, it's  
7 certainly understandable. Even when a system  
8 is running as it is supposed to run, the  
9 pressure at 200 PSI. We're aware of that, and  
10 we need to do something about it.

11 The system is at risk. So, I reported and  
12 responded back to the CEO, Mr. Mercer, that we  
13 would get together with him at an appropriate  
14 time and we would discuss certain steps that we  
15 could take, which are essentially outlined in  
16 the Horizons report. The report and we have  
17 suggested that the changes take place over,  
18 say, six to nine years, just to blunt the  
19 effects of rate impact and shicker -- sticker  
20 shock, excuse me.

21 In any event, there's been some  
22 conversation between Rosebrook and the Hotel,  
23 various people in the Hotel, plumbers and the  
24 engineer, the facilities engineer. So, we now

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 understand that the system is "at risk", if I  
2 can use that term again, and it really needs to  
3 be addressed.

4 So, I think that updates everything.

5 CHAIRMAN HONIGBERG: Mr. Richardson,  
6 just to clarify. That's not really any change  
7 or amendment to the testimony that was filed,  
8 right?

9 MR. RICHARDSON: No. It's -- I had  
10 planned to ask this Commission, in closing, to  
11 try to expedite the approval, because there  
12 are -- there's been this second incident. And,  
13 so, --

14 CHAIRMAN HONIGBERG: And all that's  
15 fine. Just you seemed to be in the process of  
16 getting the testimony as it was filed knocked  
17 out, and you asked the kind of routine question  
18 "are there any corrections that you need to  
19 make?" And we got an important update, --

20 MR. RICHARDSON: Yes.

21 CHAIRMAN HONIGBERG: -- which I  
22 totally understand. Just I don't want you to  
23 lose track of where you were --

24 MR. RICHARDSON: Yes.

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 CHAIRMAN HONIGBERG: -- to get us  
2 through the routine parts of this.

3 MR. RICHARDSON: Absolutely. So, I  
4 think -- I believe the witnesses have now  
5 adopted all of their testimony. I brought that  
6 to the Commission's attention. And, so, we'll  
7 leave it for the other Parties.

8 I did have one update question in  
9 response to what Mr. Vaughan just said.

10 BY MR. RICHARDSON:

11 Q. And, Mr. Vaughan, could you provide or tell the  
12 Commissioners what the preliminary estimate of  
13 costs that the engineers have for their  
14 solutions and comment on that please?

15 A. (Vaughan) Yes. The preliminary cost, in the --  
16 actually, the final engineering report, was  
17 about 1.4 million, which involves construction  
18 of three small pump stations, some alterations  
19 to the 650,000 gallon storage tank, as well as  
20 refitting well pumps. And this pretty much  
21 describes the work, other than incidentals.

22 Normally, the operating pressure, in  
23 accordance with New Hampshire regulations,  
24 should be ranging between 100 PSI down to about

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 30-35 PSI. And the system essentially runs at  
2 200, 190 to 200 PSI, largely because of the  
3 location of the 650,000 gallon storage tank.

4 Q. And one last question. Assuming that the  
5 transaction were to close tomorrow,  
6 hypothetically, not that it would, but would  
7 there also be operational changes that Abenaki  
8 would implement in order to help address  
9 pressure?

10 A. (Vaughan) The operational changes that Abenaki  
11 would adopt, in the event that the closing  
12 would occur tomorrow, is that more monitoring  
13 of how the system works and operates has to be  
14 obtained. That information is not available as  
15 it's set up now.

16 Also, we would take immediate steps to  
17 begin implementation of the capital  
18 construction program that was identified in the  
19 engineering report.

20 MR. RICHARDSON: Thank you. No  
21 further questions.

22 CHAIRMAN HONIGBERG: Mr. Clifford, do  
23 you need to do anything with Ms. Descoteau?

24 MR. CLIFFORD: Yes, I do.

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 CHAIRMAN HONIGBERG: All right. Why  
2 don't you do that.

3 MR. CLIFFORD: Okay.

4 BY MR. CLIFFORD:

5 Q. Ms. Descoteau, can you please state your name,  
6 occupation, and business address.

7 A. (Descoteau) My name is Robyn J. Descoteau. I'm  
8 a Utility Analyst at the Public Utilities  
9 Commission, 21 South Fruit Street, in Concord.

10 Q. And how long have you been with the Commission?

11 A. (Descoteau) Ten years.

12 Q. And what -- excuse me. What has been your role  
13 in this particular case?

14 A. (Descoteau) I was the utility analyst on this  
15 case. And I reviewed the filing. I asked some  
16 discovery questions and reviewed those answers.  
17 And I participated in the settlement  
18 discussions.

19 Q. Okay. And can you describe the current state  
20 of the water system, as you've understood it  
21 through the submissions made by the Party or  
22 Parties?

23 A. (Descoteau) Yes. The current system is  
24 definitely in need of some repair. For several

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 years now, the prior owners, they were just  
2 owners, and they weren't putting a lot of  
3 capital investment, they were doing the basic  
4 needs. And it's up-to-date, but it could use  
5 some repairs.

6 Q. And, so, why would the acquisition by Abenaki  
7 be preferable, say, to having things stay as  
8 they are?

9 A. (Descoteau) As I just stated, the current  
10 owners are keeping the system as an "as is"  
11 condition. And they're doing capital  
12 investment just as needed. And Abenaki already  
13 has a capital plan to upgrade the meters to  
14 radio-read meters, and is working on a current  
15 plan to address the pressure problems within  
16 the system.

17 Q. And, in your opinion, after having reviewed the  
18 discovery and the Petition and other  
19 submissions by the Parties, do you believe that  
20 Abenaki Water Company has the requisite  
21 financial, managerial, and technical skills to  
22 run this particular water system?

23 A. (Descoteau) Yes, I do.

24 Q. And have you also, and I think it's Exhibit 6,

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 the Settlement Agreement that's before you, and  
2 are you familiar with that?

3 A. (Descoteau) Yes, I am.

4 Q. Did you have any hand in or input in  
5 negotiations leading up to the filing of this  
6 Settlement Agreement?

7 A. (Descoteau) Yes, I did.

8 Q. And can you just briefly describe for the  
9 Commission the Settlement Agreement's terms?

10 A. (Descoteau) Sure. The Settling Parties, which  
11 were Abenaki, Rosebrook, OCA, and Staff, agreed  
12 that the sale of Rosebrook to Abenaki was in  
13 the public good. Abenaki has the managerial,  
14 technical, and financial expertise to provide  
15 service to Rosebrook's franchise area.  
16 Rosebrook's discontinuation of service is in  
17 the public good. The financing proposed by  
18 Abenaki to borrow up to \$400,000 from CoBank  
19 should be authorized. And tariff revisions  
20 proposed by Abenaki in Revised Exhibit H are  
21 reasonable.

22 Q. And can you just briefly describe what's going  
23 to happen with the cost of capital in this, in  
24 the combined companies you mentioned?

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 A. (Descoteau) Sure. When the -- once the  
2 companies and Abenaki are all combined, the  
3 cost of capital will be evened out to like  
4 approximately 50 percent, 50/50.

5 Q. And what is the current capital structure of  
6 Rosebrook?

7 A. (Descoteau) I don't have that in front of me.  
8 I'd have to look that up.

9 A. (Carson) It's 100 percent equity.

10 Q. So, there would be a significant change, and  
11 would that be for the public good?

12 A. (Descoteau) That would be for the public good.

13 Q. So, do you have any other concluding remarks  
14 regarding the Settlement Agreement?

15 A. (Descoteau) Staff agrees with the  
16 recommendations presented in the Agreement.

17 MR. CLIFFORD: Okay. Thank you, Ms.  
18 Descoteau.

19 CHAIRMAN HONIGBERG: Just to clean up  
20 the record. Were there exhibits premarked  
21 before we walked in the door?

22 MR. RICHARDSON: They were all -- I  
23 have an exhibit list, --

24 MR. CLIFFORD: Yes.



[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 MR. RICHARDSON: -- which the Clerk  
2 has. Oh, excuse. And they're all the prefiled  
3 documents.

4 CHAIRMAN HONIGBERG: Okay.

5 MR. RICHARDSON: So, there's nothing  
6 new.

7 CHAIRMAN HONIGBERG: All right. But  
8 that was the first reference to "6" that I  
9 recall. So, "6" is the Settlement Agreement?

10 MR. CLIFFORD: Six (6) is the  
11 Settlement Agreement.

12 CHAIRMAN HONIGBERG: Are there any  
13 other exhibits?

14 *(Mr. Kreis indicating in the*  
15 *negative.)*

16 MR. RICHARDSON: The Revised  
17 Exhibit H, which was the July 22 filing, and  
18 Ms. Carson explained to the Commission. So,  
19 that's "Exhibit 5".

20 CHAIRMAN HONIGBERG: I think we knew  
21 that already.

22 MR. CLIFFORD: Right.

23 CHAIRMAN HONIGBERG: But just we're  
24 looking for references to ones we hadn't heard

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 yet. All right. So, "6" was the Settlement  
2 Agreement?

3 MR. CLIFFORD: Right.

4 CHAIRMAN HONIGBERG: All right.

5 Ms. Svirik, do you have any questions for the  
6 witnesses?

7 MS. SVIRK: No.

8 CHAIRMAN HONIGBERG: Mr. Kreis?

9 MR. KREIS: Just a few.

10 **CROSS-EXAMINATION**

11 BY MR. KREIS:

12 Q. Let me start with the cost of capital issue  
13 that we were dealing with just at the end of  
14 the direct examination. I think maybe my  
15 question is for Ms. Carson. Ms. Carson, would  
16 you agree with me if I told you that, at  
17 present, the Abenaki Water Company has a  
18 capital structure of 60.76 percent and  
19 39.24 percent long-term debt?

20 A. (Carson) Yes.

21 Q. And would you also agree with me that, assuming  
22 approval of the transaction we're talking about  
23 here today, the capital structure of Abenaki,  
24 combined with Rosebrook, would be something

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 extremely close to a 50/50 capital structure?

2 A. (Carson) Yes.

3 Q. Would you agree with me that it's actually  
4 50.45 percent long-term debt and 49.55 percent  
5 equity?

6 A. (Carson) Yes.

7 Q. And I assume you would agree with me that that  
8 reflects a more desirable capital structure for  
9 Abenaki than what it currently is?

10 A. (Carson) Yes. And for Rosebrook.

11 Q. Indeed. There was -- I think this might be a  
12 question for Mr. Vaughan. You mentioned the  
13 Horizons report. I assume that you're talking  
14 about the System Evaluation for Pressure  
15 Reduction Report from Horizons Engineering that  
16 was dated "July 15th"?

17 A. (Vaughan) Yes.

18 Q. And did you receive that report on July 15th?

19 A. (Vaughan) We have, yes.

20 MR. KREIS: Now, Mr. Chairman, let me  
21 just explain, as far as I am concerned, we  
22 don't need to make that report of record.

23 BY MR. KREIS:

24 Q. I think the important point, though, is that

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 your receipt of that report predates the  
2 Settlement Agreement, correct?

3 A. (Vaughan) Correct.

4 Q. And your receipt of that report hasn't caused  
5 you to reconsider moving forward with the  
6 transaction on the terms that you originally  
7 proposed it?

8 A. (Vaughan) It's given us pause, but we're  
9 proceeding.

10 Q. Indeed. Yes. And did the Horizons Engineering  
11 report contain any recommendations that you  
12 hadn't anticipated?

13 A. (Vaughan) It did not.

14 Q. And, so, if I'm interpreting the testimony  
15 we've heard this morning correctly, the recent  
16 events in the neighborhood of the Mount  
17 Washington Hotel involving exploding sprinklers  
18 merely hastens the imperative of closing the  
19 transaction, but it doesn't really change any  
20 of the fundamentals?

21 A. (Vaughan) It does not, other than our need to  
22 accelerate that capital program. Because, as  
23 long as the system operates the way it is, it's  
24 continually at risk.

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 Q. And your company is in a position to do that?

2 A. (Vaughan) We are.

3 Q. At Page 10 of your direct testimony, which is  
4 Exhibit 1, at Line 20, you say "Abenaki will  
5 seek recovery of its transaction expenses  
6 associated with this acquisition as a part of  
7 its next rate filing." Would you agree with me  
8 that the Settlement Agreement doesn't resolve  
9 that question of recovery of transaction  
10 expenses?

11 A. (Vaughan) It does not cover that.

12 Q. And what about the recovery of the acquisition  
13 premium?

14 A. (Vaughan) It was requested, but, as I recall,  
15 it does not include that also.

16 Q. So, both of those issues are deferred to a  
17 future rate proceeding?

18 A. (Vaughan) Correct.

19 Q. I think I just have maybe one or two more  
20 questions. Oh. Monthly billing, could you  
21 explain to the Commission the transition that  
22 you intend to accomplish from quarterly to  
23 monthly billing?

24 A. (Vaughan) It would be the same transition as

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 we've accomplished at Belmont and in Bow. As  
2 we install new meters, and there are several  
3 meters in there that need to be replaced, we  
4 will then proceed on their next appropriate  
5 monthly billing period to initiate the monthly  
6 billing.

7 Q. So, you retain the authority to continue  
8 quarterly billing, but you will have the  
9 opportunity to transition to monthly billing,  
10 and that's what you intend to do, ultimately,  
11 as to all the customers in the newly enlarged  
12 Abenaki system?

13 A. (Vaughan) Yes.

14 MR. KREIS: Thank you. Mr. Chairman,  
15 I believe those are all of my questions.

16 CHAIRMAN HONIGBERG: Commissioner  
17 Scott.

18 CMSR. SCOTT: Good morning.

19 BY CMSR. SCOTT:

20 Q. Let me start with the pressure issues. And in  
21 your -- I just want to verify, in your  
22 testimony there's reference to Department of  
23 Environmental Services' involvement, and they  
24 made some recommendations regarding the

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 pressure, sounds like you're very cognizant of.

2 Is that correct?

3 A. (Vaughan) That's correct.

4 Q. So, those are just recommendations, am I  
5 correct? You're not -- the utility, as you  
6 understand it, is not under any compliance  
7 orders or deadlines from the Department, is  
8 that correct?

9 A. (Vaughan) Not that I know of.

10 Q. Thank you. The discussion you just had with  
11 the Consumer Advocate on the transition to  
12 monthly billing, can you outline, elaborate a  
13 little bit more? How are the customers going  
14 to know when that is going to take place?  
15 Obviously, they need to understand for their  
16 own financing reasons they're going to be  
17 billed, you know, from this -- I'm going to  
18 write my quarterly check to you, I'm going to  
19 get an invoice for that, and they need to know  
20 in advance, typically, that that's going to  
21 change, they're going to be invoiced on a  
22 monthly basis. So, how does that happen? How  
23 do they know that?

24 A. (Vaughan) We've been through this whole process

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 before with Bow, and Belmont, Lakeland, and  
2 White Rock, if you will. I think that Mrs.  
3 Carson can respond to that. But, largely, it  
4 occurs through education and, well, more --  
5 rather than education, in informing the  
6 customer, on the quarterly bills, where we  
7 would start, and then perhaps even a  
8 continuation of that, just to ensure that the  
9 message has been received.

10 But maybe you can respond.

11 Q. Please do.

12 A. (Carson) Yes. On our bills, there is room for  
13 a bill message. So, we would let them know in  
14 advance on their quarterly bill that, whenever  
15 the time comes, that their next bill would be a  
16 monthly bill, and then we would reiterate that  
17 on their monthly bill. And they also state the  
18 reading period and the billing cycle, it  
19 will -- it says on the bill it will change from  
20 quarterly to monthly. And, also, we would use  
21 the website to send out that message.

22 Q. Thank you. And about how much -- can you give  
23 an idea how much advance notice they will get  
24 on this process?



[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 A. (Vaughan) I'll take a shot at that.  
2 Immediately. Upon closing, in our first  
3 billing period, we would declare that monthly  
4 billing would occur. And, if there were any  
5 questions, they would -- they could call our  
6 office or refer to the website.

7 Q. So, help me. I thought I understood that you  
8 wouldn't actually implement monthly billing  
9 until you installed the AMR, is that correct?

10 A. (Vaughan) I didn't quite hear the question  
11 please.

12 Q. I thought I heard you say that the monthly bill  
13 transition wouldn't actually happen for a given  
14 customer until the radio-read meters were  
15 installed first, correct?

16 A. (Vaughan) Yes. There's going to be a  
17 transition here, where we may have radio-read  
18 meters, which are necessary, and which are  
19 actually required, they need to be changed  
20 every ten years, but we may elect to, after we  
21 have a series of radio-read meters installed, a  
22 period of maybe three months may have elapsed,  
23 which gives us an opportunity to provide the  
24 information to the customers. And, during that

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 period, we would expect perhaps a few questions  
2 about it.

3 But we would explain the benefits, and the  
4 fact that the customers are not going to pay  
5 any more in a quarter than they would per  
6 month.

7 So, you know, we've done this many times.  
8 All our subsidiaries are billed monthly. I  
9 think it's a great benefit. But I think your  
10 question about implementation of the monthly  
11 billing is such that we would provide certainly  
12 adequate information and a period of time to  
13 exchange that question-and-answer or facilitate  
14 the question-and-answer with the customers.

15 Q. So, you've kind of mostly got to my -- my  
16 question really is, how much advance time do  
17 you expect your customers to get, from "I've  
18 been noticed that it's going to happen" until  
19 it actually happens?

20 A. (Carson) They would have at least one month.

21 Q. Thank you. And I think this is for Ms. Carson.  
22 What is the latest expected interest rate from  
23 CoBank for the loan and any points? What's  
24 the -- I assume there's been some change since

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 the original filing?

2 A. (Carson) Right. I believe we did submit an  
3 updated term sheet that we received from  
4 CoBank. It was in mid June. And the rate was  
5 at 3.44 percent, I believe, for a ten-year.

6 Q. And that's where you think -- that's where it  
7 currently is also?

8 A. (Carson) It would be close to that.

9 A. (Vaughan) And that doesn't include the benefit  
10 of the --

11 A. (Carson) Right.

12 *[Court reporter interruption.]*

13 **BY THE WITNESS:**

14 A. (Vaughan) It doesn't include the benefit of the  
15 patronage, which is a CoBank feature.

16 A. (Carson) Right. The patronage is 75 basis  
17 points. So, the effective interest rate would  
18 be more in the two and a half range.

19 CMSR. SCOTT: I think that's all I  
20 have. Thank you.

21 CHAIRMAN HONIGBERG: Commissioner  
22 Bailey.

23 CMSR. BAILEY: Good morning.

24 WITNESS VAUGHAN: Good morning.

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 BY CMSR. BAILEY:

2 Q. A little bit of follow-up on the customer  
3 notification about the meter reads. So, how  
4 long after you close will it take you to  
5 install radio-read meters? And is it your plan  
6 to go through and install them to every  
7 customer right away?

8 A. (Vaughan) The plan would be to replace all the  
9 meters that really needed replacing. We're  
10 going to find that some are perfectly okay or  
11 that we can adapt to radio-reads. We only want  
12 to do what essentially is cost-effective, but  
13 also allows us to do monthly billing in a  
14 jiffy, so to speak.

15 The process is going to involve obtaining  
16 the existing data from Rosebrook, which is  
17 very, very rudimentary, if you will, basically  
18 almost to the point where spreadsheets and  
19 handwritten notes are available to us. And  
20 Mrs. Carson is working on that right now.

21 So, basically, when you ask me how long,  
22 it's going to be a process. It could be a year  
23 -- a two-year process. There may be, for  
24 all -- any number of various reasons, the

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[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 availability of access to the house, the  
2 ability to actually shut off a valve inside,  
3 because it doesn't work, and nobody can find  
4 the curb stop outside. Anything can happen.

5 So, I think the best way I can answer your  
6 question is, I would say about a year and a  
7 half to two years.

8 Q. Do some of the existing -- can you use some of  
9 the existing meters to do monthly billing?

10 A. (Vaughan) We hope that we can.

11 Q. So, you won't really know until you close how  
12 long it's going to take to convert customers to  
13 monthly billing?

14 A. (Vaughan) That's correct. And we may not even  
15 know then. It's going to be a process,  
16 depending on essentially the information that  
17 Mrs. Carson provides us, after she does a data  
18 conversion from the rudimentary data collection  
19 process that Rosebrook has into our software.

20 Q. So that --

21 A. (Vaughan) And she can explain that a little bit  
22 better, I think.

23 Q. Is it a customer-by-customer analysis?

24 A. (Carson) What I'm working on now is just

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 converting the customers from their software  
2 into our software, and that includes the meter  
3 information. So, yes, it involves -- the meter  
4 installation program involves setting up  
5 appointments, and, you know, and we have --  
6 we'll probably have two people that are able to  
7 go and change out the meters. So, it's, you  
8 know, a matter of how quickly two people can do  
9 this. And, then, when they do that they will  
10 send me the information, and then I have to  
11 update it customer by customer in our software.

12 And, so, when it becomes -- I think, if  
13 we're able to read all of the meters in a  
14 reasonable amount of time in order to get the  
15 bills out, that's, you know, that's when we'd  
16 start looking at a conversion to monthly  
17 billing. Right now, I think it takes them a  
18 month to read the meters. So, if we can get it  
19 down to, say, less than a week, a couple days,  
20 that's when it would make sense.

21 Q. So, do you think you will change to monthly  
22 billing for all customers at the same time or a  
23 certain group of customers or a certain  
24 geographic area of customers?

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[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 A. (Carson) I think what we did with one of our  
2 other subsidiaries, which was successful, yet  
3 it gets a little complicated, was to convert  
4 them a group at a time. So, once there were  
5 enough, say, 100 to 200 customers that now have  
6 radio-reads, to start monthly billing with  
7 those, while we're still doing quarterly  
8 billing with the others, and then that group  
9 grows.

10 Q. So, you're not going to immediately convert  
11 anybody to monthly billing, you have to get  
12 some radio-read meters in place?

13 A. (Carson) Yes. I would say, if we -- once we  
14 get, say, at least 100 to 200 radio-read meters  
15 in place, we could start, start monthly  
16 billing. So, that would take at least a few  
17 months, if not more.

18 Q. Okay. Do you work with our Consumer Affairs  
19 Director to give her, for example, copies of  
20 the bill inserts or the bill language, so that  
21 they're aware, when the billing is going out  
22 with this information, so, if they get calls,  
23 they can have the language in front of them?

24 A. (Carson) I haven't, but I could take your

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 suggestion to do that.

2 Q. I would appreciate that. Thank you. Are the  
3 sprinklers that were affected by the  
4 overpressurization, are they fire suppression  
5 sprinklers or are they lawn sprinklers?

6 A. (Vaughan) Oh, no. They were interior fire  
7 protection sprinklers. In other words, the  
8 pressure surge, I believe, went through the  
9 pressure regulating valve, which Bretton Arms  
10 has and which also the Omni Hotel has.  
11 Pressures coming in on the inlet side of that  
12 pressure regulating valve are like 200 PSI. On  
13 the outlet side, the pressure regulating valve  
14 reduces the pressure to, as I recall, something  
15 like 120 to 130 PSI, if I'm not mistaken. But  
16 the pressures that were recorded were  
17 250 pounds per square inch.

18 Q. So, it's going to cost \$1.4 million to mitigate  
19 the pressure problem. That's what you said,  
20 right?

21 A. (Vaughan) That's what the report said.

22 Q. Okay.

23 A. (Vaughan) But the report said "to solve the  
24 problem", and that's what we need to do. And



[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 1.4 is an engineering report. And, you know,  
2 there's contingencies, and there's engineering  
3 plans that are paid there. We hope that we can  
4 do it for a lot less.

5 One of the things regarding the pressure  
6 problem, and what we were just speaking about,  
7 which is the radio-read monthly billing, the  
8 problem is, now we're going to have to balance  
9 capital expenditures. We cannot devote the  
10 capital that we thought we were going to devote  
11 to the radio-read meters. We've got to start  
12 addressing immediately the resolution of the  
13 pressure problem. And, you know, we will do  
14 that. So, it's going to be a balance, there's  
15 going to be a tension as to where we allocate  
16 our capital dollars.

17 Q. Okay. On Page 4, I believe, of your testimony,  
18 Mr. Vaughan, which is Exhibit 1, at the top of  
19 the page, Lines 2 through 6, I think that  
20 sentence means that you intend in the future to  
21 request recovery of the expenses and the  
22 capital investments that you have to make for  
23 Rosebrook's system. And are you going to  
24 average those costs over your Bow and Belmont?

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 Is that your -- is that what your intention is?  
2 A. (Vaughan) No. We've got to take a good look at  
3 this, because, you know, we're on the heels of  
4 a rate decision in Bow and Belmont. We  
5 recognize that there's an awful lot of capital  
6 that has to be spent at Rosebrook. So that,  
7 when we come in again, I'm estimating that the  
8 focus is going to be on Rosebrook, and perhaps  
9 there's a way we can level or even reduce some  
10 of the rates in Bow and Belmont. I'm kind  
11 of -- that would be my desire, that would be my  
12 goal.  
13 Q. So, it's not your immediate plan to have the  
14 Bow and Belmont customers subsidize the  
15 Rosebrook system that is in so need of capital  
16 improvements?  
17 A. (Vaughan) Not at all.  
18 Q. Okay. All right. So, we can talk about that  
19 at the rate case?  
20 A. (Vaughan) Yes. Absolutely.  
21 Q. That's fine. Thank you. Okay. In Exhibit  
22 H -- sorry, Exhibit 5, which is the Revised  
23 Exhibit H, that's your tariff, on Page 059,  
24 Original Page 2 of the tariff, but I think it's

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 Bates stamped Page 059, I see that there are  
2 some revisions from the Rosebrook policy about  
3 who has to own, operate and maintain -- or, own  
4 and maintain the service line. It looks to me,  
5 and I'm not a water company expert, I don't  
6 have a lot of experience in this area, but it  
7 looks to me like, under Rosebrook, the utility  
8 owned the service line from the property line  
9 to the customer's house. And you're changing  
10 that so that now the customer owns the service  
11 line from the property line to the house?

12 A. (Vaughan) It's -- not quite. Conventionally,  
13 the Company owns the water service from the  
14 water main to the property line or the curb  
15 stop. And, hopefully, the curb stop is located  
16 at the property line or within the  
17 right-of-way. And the reason for that is, it  
18 gives the operator, the water company the right  
19 to access that curb stop, or it facilitates it.

20 In the case of Rosebrook, through our due  
21 diligence, we determined that there are several  
22 curb stops that are almost right adjacent to  
23 the house. And, so, how this became  
24 information available to us was the result of

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 all the frozen services that have occurred  
2 there, and the responsibility of those frozen  
3 services. If they are the Company's services,  
4 which should be from the main to the property  
5 line or to the curb stop, hopefully in a  
6 coincidental location, then the Company takes  
7 care of the frozen service. And it's  
8 conventional also that the owner has to be  
9 responsible for thawing the frozen service on  
10 their side of the service, which is the  
11 property line to the house.

12 So, when we have an opportunity, we want  
13 to move those curb stops to the property line.  
14 And there's a lot of good things that can  
15 happen out of that, too. Some of them are at  
16 enormous depths. Although the frost reaches  
17 down five or six feet in that area, we can  
18 raise those and perhaps renew those services  
19 while we're doing it. So, the revision is to  
20 just emphasize that we -- that the  
21 responsibility of the Company is from the main  
22 to the property line or the curb stop.

23 Q. And you mentioned the word that it's  
24 "conventional" a couple of times. Do you mean

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 that that's the industry norm? That most water  
2 companies, the point of demarcation is at the  
3 property line, not at the house?

4 A. (Vaughan) No, it's at the property line.

5 Q. Okay. Thank you.

6 A. (Vaughan) It's water utility convention.

7 CMSR. BAILEY: Okay. All right. And  
8 I think all of my other questions have been  
9 answered. So, thank you.

10 WITNESS VAUGHAN: Thank you.

11 BY CHAIRMAN HONIGBERG:

12 Q. How much bigger a company is Abenaki going to  
13 be after the transaction closes?

14 A. (Vaughan) Abenaki is going to leap from 250 to  
15 650 customers, give or take.

16 Q. Does anyone on the panel have any concern about  
17 the capacity of the Company to manage the much  
18 larger number of customers that it will have?

19 A. (Vaughan) We do not. We've made steps to  
20 reinforce the local presence at Bretton Woods.  
21 There was a staff of four people there. Two  
22 have left, seen pretty much the handwriting on  
23 the wall, a third is redundant. For perhaps  
24 six weeks to two months, there was one person

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1 covering the whole system. A seasoned veteran,  
2 who is fully licensed, and we've had  
3 discussions with her. We have since, I say  
4 "we", they have since hired another person to  
5 augment her efforts. Plus, we have, as of  
6 Monday, August 1st, we will be hiring another  
7 seasoned veteran to provide guidance and to  
8 provide muscular help, if you will, to both the  
9 wastewater systems and the water systems. And  
10 that person is going to be also available to do  
11 other things, like supplement our efforts at  
12 Bow and Belmont.

13 Q. Ms. Descoteau, do you agree with Mr. Vaughan?  
14 Is there anything you would want to add or say  
15 in addition to what he said?

16 A. (Descoteau) Throughout the process and in  
17 discussions, we have talked about the number of  
18 employees, and if there would be coverage  
19 available up there, and if it would be too much  
20 taxing. And Staff agrees that it would be fine  
21 at this point. We agree with their plan.

22 CHAIRMAN HONIGBERG: All right. I  
23 think the rest of my questions were answered.

24 Mr. Richardson, do you have any

[WITNESS PANEL: Vaughan~Carson~Descoteau]

1 further questions for your witnesses?

2 MR. RICHARDSON: No. Thank you.

3 CHAIRMAN HONIGBERG: Mr. Clifford, do  
4 you have any further questions for Ms.  
5 Descoteau?

6 MR. CLIFFORD: No, I do not.

7 CHAIRMAN HONIGBERG: All right. I  
8 think we are then done with the witnesses. You  
9 can probably stay where you are, though.

10 I take it there's no objection to  
11 striking ID on Exhibits 1 through 6?

12 MR. RICHARDSON: None.

13 MR. CLIFFORD: None.

14 CHAIRMAN HONIGBERG: I didn't think  
15 so. Is there anything we need to do before the  
16 Parties sum up?

17 MR. RICHARDSON: No.

18 CHAIRMAN HONIGBERG: All right. Mr.  
19 Kreis.

20 MR. KREIS: Thank you, Mr. Chairman.  
21 Given the circumstances that we have heard  
22 today, it would be the OCA's recommendation  
23 that the Commission both approve the Settlement  
24 Agreement that is before you that provides for

1 the acquisition of Rosebrook by the Abenaki  
2 Water Company, and do so with whatever degree  
3 of dispatch is convenient to you, given the  
4 technical problems with water pressure that are  
5 occurring.

6 As I suggested during my  
7 cross-examination, some of the rate issues are  
8 being deferred to a future rate case. So, we  
9 can explore those at a later date.

10 I think it's important to keep in  
11 mind that, although the engineering report  
12 identifies \$1.4 million in improvements that  
13 the system requires, those don't all have to  
14 happen at once. And the Company, once it is in  
15 control of the Rosebrook system, can make the  
16 most pressing changes quickly than some of the  
17 other changes.

18 And I think all of that is consistent  
19 with the public good. And, so, I recommend  
20 that the Commission approve the Settlement  
21 Agreement.

22 CHAIRMAN HONIGBERG: Mr. Clifford.

23 MR. CLIFFORD: Staff also supports  
24 the acquisition by Abenaki of all of



1 Rosebrook's assets, for the reasons stated by  
2 the Company, Staff, and echoed by the OCA. We  
3 think this is one of the best outcomes for this  
4 poorly run system.

5 And, as we've been made even more  
6 aware today that there are pressure problems  
7 that need to be addressed, and Rosebrook simply  
8 doesn't have the ability to effectively handle  
9 that upcoming maintenance.

10 And we support the move to the  
11 electronic metering, which we believe is more  
12 efficiently -- more efficient from a billing  
13 standpoint, and it enhances leak detection.  
14 And it's also going to tie customer awareness  
15 with consumption and usage goals.

16 And, as discussed by Ms. Descoteau,  
17 and echoed by Mr. Kreis, the debt-to-equity  
18 ratio, which is now currently at 100 percent  
19 equity, will be more closely aligned with a  
20 50/50 ratio, which is something that we would  
21 be looking to have the companies work towards.

22 So, we support this, and hope the  
23 Commission would approve this Settlement  
24 Agreement.

1 CHAIRMAN HONIGBERG: Ms. Svirk.

2 MS. SVIRK: Rosebrook is in agreement  
3 with the proposed Settlement.

4 CHAIRMAN HONIGBERG: Mr. Richardson.

5 MR. RICHARDSON: Thank you. When we  
6 were last before the Commission, I think we  
7 described the need to do this as "high". There  
8 have been a failure, an incident last year or  
9 the year before, and one of the concerns we had  
10 is that it would happen again. And, until  
11 yesterday, at about 11:43, I thought "well,  
12 we've made it to the finish line, or were about  
13 to", and, then, of course, I looked at my  
14 e-mail and we learned that there has just been  
15 this recent incident.

16 And, I think the position we're in is  
17 there is a real urgent need to proceed as  
18 expeditiously as possible. And I think it's  
19 been great that all of the Parties have really  
20 helped us get here. And the Settlement is a  
21 good one. I think it clearly meets the  
22 standard of being in the public good or in the  
23 public interest.

24 We would like to, as the Office of

1 Consumer Advocate alluded to, try to get even a  
2 summary order, if that's possible, out as  
3 quickly as we can. We want to evaluate  
4 possibly, I'm not saying we can do it, because  
5 there are insurance issues, we need financial  
6 statements to be reviewed, and the Settlement  
7 price calculated, and we have to get the bank  
8 to agree, but we'd like to be able to try to  
9 realize the opportunity to close this  
10 transaction as soon as we can, so that we can  
11 start to implement the changes that the Company  
12 has discussed.

13 There have been no intervenors or  
14 statements in opposition. So, I think this  
15 presents an excellent opportunity to do that.

16 And I just want to thank, again, for  
17 the assistance that everyone has provided in  
18 reviewing this. And we think it's a great  
19 project, and we're all looking forward to  
20 moving forward with this.

21 CHAIRMAN HONIGBERG: All right.  
22 Thank you, Mr. Richardson. We will take this  
23 matter under advisement and issue an order as  
24 quickly as we can. We do understand the

1 requests that have been made regarding  
2 expediting things. We are adjourned.

3 MR. RICHARDSON: Thank you.

4 ***(Whereupon the hearing was***  
5 ***adjourned at 10:49 a.m.)***

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