

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

September 8, 2021 - 10:10 a.m.
21 South Fruit Street
Suite 10
Concord, NH

[Hearing also conducted via Webex]

RE: DW 20-187
LAKES REGION WATER COMPANY, INC.:
Request for Change in Rates.
(Hearing regarding Temporary Rates)

PRESENT: Chairwoman Dianne H. Martin, Presiding
Commissioner Daniel C. Goldner

Jody Carmody, Clerk
Corrine Lemay, PUC Hybrid Hearing Host

APPEARANCES: Reptg. Lakes Region Water Company, Inc.:
Justin C. Richardson, Esq.
(NH Water Law)

Reptg. Lake Ossipee Village Homeowners:
Carol E. Stansell

Reptg. New Hampshire Dept. of Energy:
Christopher R. Tuomala, Esq.
Jayson Laflamme, Asst. Dir./Water Group
(Regulatory Support Division)

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

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I N D E X

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 STEPHEN P. ST. CYR
 JAYSON P. LAFLAMME

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Testimony of Thomas Mason	<i>premarked</i>
2	Exhibits to the Testimony of Thomas Mason	<i>premarked</i>
3	Testimony for Temporary Rates of Stephen P. St. Cyr	<i>premarked</i>
4	Temporary Rate Schedules of Stephen P. St. Cyr	<i>premarked</i>
5	Settlement Agreement - Temporary Rates	<i>premarked</i>
6	Lakes Region's 2019 Annual Report to the Commission	<i>premarked</i>

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P R O C E E D I N G

CHAIRWOMAN MARTIN: We're here this morning in Docket DW 20-187 for a hearing on the Lakes Region Water Company, Incorporated's request for temporary rates.

Let's take appearances to start. Mr. Richardson.

MR. RICHARDSON: Good morning, Madam Chairwoman and Commissioner Goldner. Justin Richardson, with NH Water Law, here on behalf of the Lakes Region Water Company. We have three people from the Company today. And I would normally ask them to stand up, but in a remote setting that's different: Mr. Tom Mason and Leah Valladares are together. Mr. Mason will be presenting the panel testimony. Ms. Valladares is available if there are questions about responses or Company records, which is her responsibility with the Company as Utility Manager. Also for Lakes Region here today is Mr. Stephen St. Cyr, who is the Company's rate consultant.

CHAIRWOMAN MARTIN: Okay. Thank you. And I am not seeing the OCA. I assume we are not

1 expecting him today. Mr. Tuomala.

2 MR. TUOMALA: Good morning, Madam
3 Chairwoman and Commissioner Goldner. Christopher
4 Tuomala, attorney with the New Hampshire
5 Department of Energy. With me today I have
6 Jayson Laflamme. He is the Assistant Director of
7 the Water Group in the Department of Energy's
8 Regulatory Support Division.

9 And, Madam Chair, if I may indulge? I
10 do have a preliminary matter, a personal matter.
11 I have lost power in my house about ten minutes
12 before the hearing. So, I am now on WiFi at the
13 local library. And I was wondering if the
14 Commission could direct me, if I drop off, I have
15 the call-in number, I can certainly access
16 through my phone, or if you would like me to
17 reattempt video? I leave it at your discretion.
18 But I just wanted to make you aware of my
19 circumstances.

20 Thanks.

21 CHAIRWOMAN MARTIN: Okay. If we lose
22 your video, I will let you know, and then you can
23 let me know if you're comfortable proceeding. I
24 think we are comfortable proceeding, even if we

1 can't see you.

2 I assume, Mr. Richardson, that you
3 would be comfortable as well, unless it causes an
4 issue?

5 MR. RICHARDSON: That sounds like a
6 workable approach under the circumstances. I
7 hope you can get power back.

8 CHAIRWOMAN MARTIN: Yes. That is
9 definitely a bad day.

10 Okay. Do we have anyone here for the
11 Lake Ossipee Village Homeowners? Ms. Stansell.

12 MS. STANSELL: Yes. Good morning. My
13 name is Carol Stansell, here on behalf of the
14 Lake Ossipee Village Homeowners.

15 CHAIRWOMAN MARTIN: Okay. Thank you.

16 All right. For other preliminary
17 matters, I have Exhibits 1 through 6 prefiled and
18 premarked for identification. Anything else on
19 exhibits?

20 *[No verbal response.]*

21 CHAIRWOMAN MARTIN: Okay. And any
22 other preliminary matters?

23 *[No verbal response.]*

24 CHAIRWOMAN MARTIN: All right. Then,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 we will proceed with the witnesses.

2 Mr. Patnaude, if you could swear them in.

3 (Whereupon **Thomas A. Mason,**
4 **Stephen P. St. Cyr,** and
5 **Jayson P. Laflamme** were duly sworn by
6 the Court Reporter.)

7 CHAIRWOMAN MARTIN: Okay. Mr.
8 Richardson, go ahead.

9 MR. RICHARDSON: Good morning.

10 **THOMAS A. MASON, SWORN**

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

12 **DIRECT EXAMINATION**

13 BY MR. RICHARDSON:

14 Q Mr. Mason, I would like to start with you. Do
15 you have Exhibit 1 in front of you?

16 A (Mason) I do.

17 Q I believe that's your testimony in this
18 proceeding, is that correct?

19 A (Mason) Yes, it is.

20 Q And Exhibit 2, is that also in front of you,
21 which I understand are the exhibits to your
22 prefiled testimony?

23 A (Mason) Correct. Yes, I do.

24 Q And, to the best of your knowledge and belief, is

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 that testimony that's in Exhibits 1 and 2 true
2 and accurate?

3 A (Mason) Yes, it is.

4 Q Okay. I wanted to -- and do you adopt that as
5 your testimony in this case?

6 A (Mason) Yes, I do.

7 Q I wanted to ask you one question about Exhibit 1,
8 at Page 7, which is your testimony. And I'll
9 read it to you, so you don't have to flip through
10 the pages. You state, with respect to Lake
11 Ossipee Village, and I note that we have someone
12 from the Village here, which is my reason for
13 asking this, you say that "Lakes Region has spent
14 \$18,851 during the test year to add treatment for
15 iron and manganese to the system. [And] the
16 project is expected to be completed and in
17 service in the first quarter of 2021."

18 A (Mason) Yes.

19 Q Could you tell me what the status of that is
20 today?

21 A (Mason) Sure. That is on line. We got it on
22 line in May. There was one little problem with
23 what you said. It actually wasn't "iron and
24 manganese" removal. It was lead and copper,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 pH adjustment.

2 Q Okay.

3 A (Mason) So, it was a little bit different
4 treatment, but the same idea.

5 Q Okay. So, with that clarification, your
6 testimony is true and accurate, and that's your
7 testimony for this proceeding today?

8 A (Mason) Correct. Sorry.

9 Q Thank you. Thank you. Mr. St. Cyr, I'd like to
10 turn to you now. Do you have Exhibit 3, which I
11 believe is your prefiled testimony, and
12 Exhibit 4, which are your temporary rate
13 schedules with you here today?

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

15 Q Okay. And is your testimony and those schedules
16 true and accurate?

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

18 Q And you adopt that as your testimony in this
19 proceeding?

20 A (St. Cyr) I do.

21 Q Okay. Thank you. I'd like to turn to the
22 Settlement Agreement, which is marked as "Exhibit
23 5". Do you have that in front of you?

24 A (St. Cyr) I do.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q And are you familiar with the Settlement
2 Agreement and its terms?

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

4 Q I'd like to walk you through that and have you
5 explain what the various tables in that
6 Settlement Agreement show for the Commission's
7 benefit. Why don't we start on Page 3 of Exhibit
8 5, which is Bates Page 131. If you could turn to
9 that and explain to the Commissioners what that
10 shows?

11 A (St. Cyr) So, this table is the proposed
12 temporary rate increase per the Company's filing.
13 And the first column is the various rate groups.
14 We have three rate groups under the consolidated
15 tariff, and then two separate tariffs for
16 individual systems, one being Dockham Shores, the
17 other being Wildwood. Columns 2 and 4 are the
18 current approved rates reflected in the tariff.
19 Columns 3 and 5 are what the Company proposed in
20 its rate filing.

21 Q Okay. Thank you. And then, let's turn to the
22 next table, I'll call this "Table 2", and I don't
23 think the Settlement Agreement specifically names
24 it, but that's on Page 4, Bates Page 132. And

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 what does that show?

2 A (St. Cyr) So, this is, again, essentially the
3 three divisions, the consolidated tariff, and the
4 two individual systems, Dockham Shores and
5 Wildwood. And what it shows for the test year is
6 water sales. It also shows what the Company
7 proposed -- I'm sorry, the second column is
8 actually what the parties have agreed to in the
9 Settlement Agreement. The column identified as
10 "Proposed Dollar Increase" is the change from one
11 to the next. And the last column shows the
12 proposed increase as it pertains to each of the
13 rate groups.

14 Q And what's the reason for the Dockham Shores'
15 proposed dollar increase being set at zero?

16 A (St. Cyr) So, this was the revenue requirement
17 that came out of Docket DW 19-177, that was
18 approved by the Commission recently. The Company
19 had agreed that we would use that as the basis
20 for temporary rates in this proceeding.

21 Q And, so, that -- that component differs from what
22 would have been in your prefiled testimony, which
23 I believe was before the rate approval for
24 Dockham Shores, is that right?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

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

2 Q Okay. Thank you. Let's go to the next table,
3 which is on the next page of Exhibit 5, on Bates
4 Page 133. And if you could explain to the
5 Commission what that shows?

6 A (St. Cyr) Yes. So, this table is the proposed
7 temporary rate increase per the Settlement
8 Agreement. The rate groups are the same.
9 Columns 2 and 4 are the same. Those are current
10 rates per the tariff, approved by the Commission.
11 And Columns 3 and 5 would be the proposed
12 temporary rates as agreed to by the parties in
13 the temporary case.

14 Q Okay. Thank you. I believe the last table is
15 identified as "Schedule 1", and it's on the last
16 page of the Settlement Agreement, which is Bates
17 Page 136, or Page 8 of the *pdf*, I believe. What
18 does Schedule 1 show?

19 A (St. Cyr) So, Schedule 1 was an attachment to the
20 Temporary Rate Agreement. And it essentially
21 applies the current rates and the rates that the
22 Company proposed, and the rates that the Company
23 settled on to actual consumption data. And, in
24 the sort of middle portion of the schedules, we

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 have what a quarterly bill would look like under
2 each of those scenarios. And then, the last to
3 the right is the annual amounts that are -- that
4 a customer would average, you know, consumption
5 usage for the various systems.

6 Q Thank you. With that explanation, I wanted to
7 ask you a question about your opinion on the
8 resulting temporary rates. And I'll refer you to
9 RSA 378:27, which states, in general, that
10 "temporary rates shall be sufficient to yield not
11 less than a reasonable return on the cost of
12 property of the utility used and useful in the
13 public service less accrued depreciation."

14 Now, do you believe that the rates
15 coming out of the Settlement Agreement meet those
16 requirements?

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

18 Q And are you familiar with the Company's books and
19 records, and I note that Exhibit 6 is the
20 Company's test year Annual Report. And is that
21 part of the reason for your answering
22 affirmatively to that last question?

23 A (St. Cyr) Yes. The test year for temporary rates
24 is based on the actual 2019 results.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q Okay. Thank you. And the statute RSA 378:27
2 includes a caveat, that temporary rates are to be
3 based on those results, I believe, on the
4 Company's books and records. And it says "unless
5 there appears to be any reasonable ground for
6 questioning the figures in such reports." So, my
7 question to you is, are you aware of any
8 information or reason why the Company's books and
9 records should be questioned?

10 A (St. Cyr) No.

11 MR. RICHARDSON: Thank you. Madam
12 Chair, at this point, that concludes my
13 presentation of the Company's testimony.

14 I do have one question for Staff, as to
15 whether Staff -- excuse me, the "Department", I
16 should say, agrees with Mr. St. Cyr and Mr.
17 Mason's testimony. And I can either ask that
18 question now or reserve until after Staff's
19 presentation?

20 CHAIRWOMAN MARTIN: I will come back to
21 you for cross.

22 MR. RICHARDSON: Okay. Thank you.

23 CHAIRWOMAN MARTIN: Okay. Go ahead,
24 Mr. Tuomala.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 MR. TUOMALA: Thank you, Madam
2 Chairwoman. Good morning, Mr. Laflamme.

3 **JAYSON P. LAFLAMME, SWORN**

4 **DIRECT EXAMINATION**

5 BY MR. TUOMALA:

6 Q Could you please state your full name for the
7 record?

8 A (Laflamme) My name is Jayson Laflamme.

9 Q And by whom are you employed, Mr. Laflamme?

10 A (Laflamme) I am employed by the New Hampshire
11 Department of Energy.

12 Q And what is your position at the Department of
13 Energy?

14 A (Laflamme) I'm the Assistant Director of the
15 Water Group in the Department's Regulatory
16 Support Division.

17 Q Could you briefly describe your responsibilities
18 as Assistant Director?

19 A (Laflamme) Sure. I directly supervise the water
20 Staff of the Department of Energy, and primarily
21 oversee the course of examination for water and
22 wastewater dockets that are filed with the
23 Commission. I also directly examine select
24 dockets that come before the Commission, such as

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 the one being heard this morning.

2 Q Could you also please briefly describe your
3 professional experience?

4 A (Laflamme) Yes. I joined the Public Utilities
5 Commission in 1997 as a Utility Examiner in the
6 Commission's Audit Division. In 2001, I joined
7 the Commission's Gas and Water Division as a
8 Utility Analyst, and was eventually promoted to
9 Senior Utility Analyst. In 2018, I became the
10 Assistant Director of the Commission's Gas and
11 Water Division. And, in July of this year, my
12 position was transferred to the new Department of
13 Energy.

14 Q Have you previously testified before the New
15 Hampshire Public Utilities Commission?

16 A (Laflamme) Yes.

17 Q Thank you, Mr. Laflamme. Could you -- turning to
18 the substance of this docket, could you briefly
19 describe your involvement in this docket?

20 A (Laflamme) Sure. I examined the Company's rate
21 filing, in conjunction with the books and records
22 previously on file with the Commission regarding
23 Lakes Region Water Company. I participated in
24 the discovery process, including formulating data

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 requests, reviewing data responses. And I
2 participated in tech sessions and settlement
3 conferences leading to the Settlement Agreement
4 that is being presented today.

5 I have also materially participated in
6 previous dockets and other rate cases relative to
7 Lakes Region, including DW 15-209, DW 16-619,
8 DW 18-056, DW 19-135, and DW 19-177.

9 Q Thank you for that, Mr. Laflamme. Turning to the
10 Settlement Agreement itself, I believe Mr.
11 Richardson described it earlier, it's Exhibit 5.
12 Do you have that document in front of you?

13 A (Laflamme) Yes, I do.

14 Q Did you assist in the preparation of this
15 document?

16 A (Laflamme) Yes, I did.

17 Q Could you briefly describe how you assisted in
18 the preparation of this document?

19 A (Laflamme) Yes. I reviewed previous drafts of
20 this document, and proposed various edits,
21 ultimately resulting in the final document being
22 presented today.

23 Q For the record, do you wish to make any revisions
24 or corrections to Exhibit Number 5?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) No.

2 Q And the information contained in Exhibit
3 Number 5, is it true and accurate to the best of
4 your knowledge?

5 A (Laflamme) Yes, it is.

6 Q Could you briefly describe for the Commission
7 some of the steps the Department undertook in
8 regards to this, the Company's temporary rate
9 filing?

10 A (Laflamme) Yes. Briefly, the Department reviewed
11 the filing and associated schedules and
12 testimony, as well as the books and records on
13 file at the Commission, and concluded that the
14 Company appears to be in an under-earnings
15 position.

16 Q Okay. And, so, to summarize for the record, in
17 your opinion, as a member of the Department of
18 Energy, you determined that the Company was
19 under-earning based on its 2019 test year and the
20 books and records on file with the Commission?

21 A (Laflamme) Yes. That's correct.

22 Q Thank you for that. So, in your opinion, is it
23 that the Company is entitled to a temporary
24 revenue increase at this time?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) Yes. As was stated earlier in the
2 Company's testimony, pursuant to RSA 378:27,
3 which states that "temporary rates may be set
4 sufficient to yield not less than a reasonable
5 return on the cost of the property of the utility
6 used and useful in the public service less
7 accrued depreciation, as shown by the reports of
8 the utility filed with the Commission", it is the
9 Department's opinion that the Company is entitled
10 to a temporary rate increase.

11 Q Thank you for that, Mr. Laflamme. If you could
12 turn your attention to Bates Page 132, and it's
13 also numbered "Page 4" of Exhibit 5, I would like
14 to briefly review the requirements of the
15 Settlement Agreement with you for the record,
16 which some of it has been touched upon by the
17 previous witnesses. So, I would ask the
18 Commission for some patience in going through
19 some of what have already been described. What
20 did the --

21 A (Laflamme) Yes.

22 Q I'm sorry. What did the Department and Lakes
23 Region agree upon for temporary rates, Mr.
24 Laflamme?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) The parties agreed to a temporary rate
2 increase of 4.51 percent for the Consolidated
3 Tariff Systems; a 30 percent temporary rate
4 increase for the Wildwood Division; and setting
5 current rates as temporary rates for the Dockham
6 Shores Division.

7 Q Thank you for that. If you could turn to the
8 next page, Bates Page 133, also numbered "Page 5"
9 of Exhibit 5, there's a table marked "Proposed
10 Temporary Rate Increase per Settlement
11 Agreement". According to that table, would you
12 please describe what that means in terms of
13 customer impact?

14 A (Laflamme) For the Consolidated Tariff Systems'
15 metered divisions with a consumption charge,
16 their quarterly base charge increases by \$6.56,
17 from \$145.42 to \$151.98 per quarter. The
18 consumption charge for that group increases by
19 24 cents per hundred cubic feet of water
20 consumed, or ccf, or from \$5.66 per ccf to \$5.90
21 per ccf.

22 Q And could you briefly describe for the Commission
23 how that differs from their initial proposal,
24 which is located on Bates Page 131?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) It does not differ.

2 Q Okay. Moving forward to the Consolidated Tariff
3 Systems without a consumption charge, could you
4 describe the customer impact?

5 A (Laflamme) Yes. For that group, the quarterly
6 base charge increases by \$8.34, from \$184.89 to
7 \$193.23.

8 Q And does that differ from the Company's initial
9 proposal?

10 A (Laflamme) That also does not differ from the
11 Company's proposal.

12 Q Next on that chart, on Bates Page 133, there's a
13 Consolidated Tariff System rate for the
14 Waterville Valley Gateway Pool. Could you again
15 describe the customer impact of that temporary
16 rate increase?

17 A (Laflamme) Yes. For the Waterville Gateway --
18 Waterville Valley Gateway Pool, the quarterly
19 base charge for that customer increases by
20 \$19.35, from \$429.32 to \$448.67.

21 Q And does that differ from the Company's initial
22 proposal?

23 A (Laflamme) And, again, that does not differ from
24 the Company's proposal.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q Turning next to the Dockham Shores Division,
2 could you again describe the customer impact with
3 that temporary rate increase?

4 A (Laflamme) Yes. For that particular rate group,
5 the Settling Parties are proposing that the
6 Dockham Shores' rates stay at current rates.

7 Q Could you briefly describe why Dockham Shores is
8 not going to experience a temporary rate increase
9 at this time?

10 A (Laflamme) Sure. That division just concluded a
11 rate increase -- a rate case in Docket Number
12 DW 19-177, which resulted in a rate increase
13 approved by Commission Order Number 26,446,
14 issued on January 28th of this year.

15 Q So, they just had a rate increase earlier this
16 year. Could you briefly describe the outcome in
17 that docket and in comparison to this docket?

18 A (Laflamme) Yes. For the Dockham Shores Division,
19 their rates were raised to an equivalent level as
20 the current Consolidated Tariff System rates.
21 That rate increase was recommended with an eye
22 towards possible rate consolidation of all Lakes
23 Region's divisions, which is one of the requests
24 in the instant docket, which is to be fully

{DW 20-187} [RE: Temporary Rates] {09-08-21}

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 examined during the permanent rate phase of this
2 proceeding.

3 Q Thank you for that. If you could turn your
4 attention to the last row, the "Wildwood
5 Division", could you again describe the customer
6 impact and that temporary rate increase?

7 A (Laflamme) For the Wildwood Division, the
8 quarterly base rate for customers increases by
9 \$39.15 per quarter, or from \$130.50 to \$169.65.

10 Q In the Department's opinion, is that a larger
11 than typical increase for temporary rates?

12 A (Laflamme) Typically, that would be considered a
13 large increase. Although, while an increase of
14 30 percent in this circumstance appears to be
15 large on its face, this is not necessarily
16 outside of the norm, especially given the history
17 of rate increases for this particular division.

18 Q Could you explain that a bit further, your last
19 statement about the "rate history" of this
20 division?

21 A (Laflamme) Sure. Wildwood's rates have not
22 increased since 1998, per Order Number 22,881,
23 which was issued on March 24th, 1998, in Docket
24 DR 97-121. At that time, the Commission

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 authorized a 65 percent increase for that water
2 system, noting that it had been seven years since
3 its prior rate case.

4 However, since that time, Wildwood has
5 gone approximately 22 and a half years without a
6 rate increase. So, a 30 percent overall
7 increase, in this instance, equates to
8 approximately a 1.3 percent increase per year.

9 Q And, finally, for the Wildwood Division, how does
10 this differ from the Company's initial proposal?

11 A (Laflamme) It is a 9 percent decrease from the
12 Company's initial proposal of approximately a
13 39 percent increase for temporary rates.

14 Q Could you state for the record the proposed
15 effective date of the temporary rates?

16 A (Laflamme) The proposed effective date proposed
17 in the Settlement Agreement is October 1st, 2021,
18 or the date of the Commission order approving the
19 Settlement, whichever is earlier.

20 Q And, for the record, the Department agrees that
21 that effective date is appropriate for this
22 proceeding?

23 A (Laflamme) Yes, it does.

24 Q Could you briefly describe why, Mr. Laflamme?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) Yes. Typically, utilities involved in
2 a temporary rate increase request are not granted
3 the possible rate increase until after the
4 issuance of a Commission order. The "earlier of
5 the two dates" provision is the result of
6 settlement, and provides the Company with some
7 assurance that the effective date will be
8 relatively soon after the hearing. In the
9 Department's opinion, it is fair to both the
10 ratepayers and the Company, which is currently
11 under-earning, to propose a maximum effective
12 date of October 1st, given the length of this
13 rate proceeding, which has been underway
14 substantively since the first quarter of this
15 year.

16 Q And, thus, Lakes Region is eligible for
17 recoupment pursuant to RSA 378:29 back to the
18 earlier of either date?

19 A (Laflamme) Yes.

20 Q So, to sum it up, Mr. Laflamme, do you recommend
21 that the Commission approve the Settlement
22 Agreement for Temporary Rates, and that approval
23 will set just and reasonable rates for its
24 ratepayers?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) Yes, I do.

2 Q Could you briefly describe why you've come to
3 that conclusion?

4 A (Laflamme) Well, the temporary rate increase
5 provides the Company with an immediate remedy for
6 its present under-earnings position. The rates
7 are also an increase that mitigates rate shock to
8 customers, especially for the Wildwood system, as
9 the Company has petitioned for a consolidation of
10 all of its rates, which could possibly increase
11 Wildwood's rates by upwards to 70 percent. These
12 increases protect the Company financially by
13 providing it with the necessary cash flow, while
14 somewhat cushioning customers for a possible
15 significant rate increase, which would be further
16 compounded by rate case expenses and
17 temporary-to-permanent rate reconciliation costs.

18 Q Is it the Department's conclusion that the
19 Settlement Agreement produces just and reasonable
20 rates, balances the interests of both the
21 ratepayer and utility, pursuant to RSA 363:17-a,
22 and should be approved?

23 A (Laflamme) Yes.

24 Q Do you have anything further to add,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Mr. Laflamme?

2 A (Laflamme) No, I do not.

3 MR. TUOMALA: That's all the questions
4 that I have for my witness, Madam Chairwoman.

5 CHAIRWOMAN MARTIN: Okay. Thank you,
6 Mr. Tuomala.

7 Ms. Stansell, do you have any
8 cross-examination for either witness?

9 MS. STANSELL: Good morning. Thank
10 you, Madam Chairwoman. I do have one question
11 for Mr. Laflamme.

12 **CROSS-EXAMINATION**

13 BY MS. STANSELL:

14 Q Prior to our Petition to Intervene, you and I had
15 a conversation in which you indicated to me, and
16 I could be wrong in my interpretation of your
17 statement, that "the Company was under full
18 investigation and there would be likely no
19 increases for 18 months." Do you recall that
20 conversation?

21 A (Laflamme) Vaguely. I don't know that I -- I
22 don't know that I would have said that, or I
23 don't know that that was what I said. That
24 the -- I think I was indicating that the tariffs

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 had been suspended for a period of 18 months, but
2 that -- but that the permanent rate increase
3 would not be effective for that 18 months, until
4 this -- until permanent rates were effective,
5 which could be up to 18 months.

6 Q And regarding the investigation of the Company?

7 A (Laflamme) That is -- that is currently ongoing
8 during the permanent rate phase of this
9 investigation.

10 Q Can elaborate on what that entails?

11 A (Laflamme) Well, we will be doing an in-depth
12 investigation of the Company's test year, its
13 finances, the projects that it's undertaken. It
14 entails an audit of the utility, in order to
15 determine the rates that would be just and
16 reasonable, for not only the utility, but also
17 its customers.

18 Q And one more question regarding the
19 investigation. Can you tell me, when I hear the
20 word "investigation", I think that you're looking
21 for something that is not quite right. Can you
22 tell me what prompted this investigation?

23 A (Laflamme) Well, this is part of the normal --
24 this is part of the normal review. You know,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 another word for "investigation" would be
2 "review". It would be a review of the Company's
3 rate filing, an investigation of its operations,
4 its plant additions, all for the purpose of
5 determining the rates that would be just and
6 reasonable coming out of this, this rate
7 proceeding.

8 MS. STANSELL: Thank you for that
9 clarification.

10 CHAIRWOMAN MARTIN: Any other
11 questions, Ms. Stansell?

12 MS. STANSELL: Not at this time. Thank
13 you.

14 CHAIRWOMAN MARTIN: Okay. Thank you.
15 Mr. Tuomala, did you have any cross for the
16 Company's witnesses?

17 MR. TUOMALA: I do not, Madam
18 Chairwoman. Thank you.

19 CHAIRWOMAN MARTIN: Okay. And, Mr.
20 Richardson, I know you said you had some cross?

21 MR. RICHARDSON: I had only one
22 question, but I think it's all been covered by
23 Mr. Tuomala's presentation. So, I don't see a
24 need for further questions. We'll turn to the

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Commissioners.

2 CHAIRWOMAN MARTIN: Okay. Excellent.

3 Thank you. Commissioner Goldner.

4 COMMISSIONER GOLDNER: Yes. Thank you.

5 I have a few questions. Perhaps I'll direct the
6 first question at Mr. Laflamme.

7 BY COMMISSIONER GOLDNER:

8 Q I read, I think, in the docket that Wildwood was
9 having some quality issues with the water. Does
10 this -- does this temporary increase, and the
11 eventual permanent increase, is part of the scope
12 to address the quality issues?

13 A (Laflamme) I believe that, and maybe the Company
14 can comment on this, but I believe that the
15 Wildwood system, there was a plan to upgrade the
16 pump house for the Wildwood system, I think it
17 was -- that was planned for 2021. And I would
18 suspect that would be part of the -- the goal of
19 that would be to mitigate any quality issues that
20 are being -- that are being faced by the Company
21 with regards to that, to that system.

22 So, I would just -- yes, that would
23 be -- that would be part of our examination in
24 the permanent rate phase of this proceeding.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q Okay. Thank you. I think what the Commission
2 would want to see in the permanent case is an
3 understanding across the board of the quality
4 issues that are in the docket, and whether those
5 are being addressed or not, and the timelines for
6 being addressed, those issues being addressed.
7 We would be interested in seeing that in the
8 permanent case.

9 Any concerns with that or that was
10 probably your plan all along?

11 A (Laflamme) Yes. That's part of the -- part of
12 the examination of that is part of any rate
13 proceeding, yes.

14 Q Okay. Very good. Thank you. I did have a
15 question on Exhibit 5, any of the exhibits
16 really, some of the tables -- some of the rate
17 groups have consumption charges and some don't.
18 Is there a reason why some have consumption
19 charges and some don't?

20 A (Laflamme) The reason is is that there are a --
21 there are a handful of divisions that are
22 unmetered. I think the majority of -- majority
23 of systems that are run by Lakes Region are
24 metered, but there are a handful that are not,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 and so would not have a consumption charge at
2 this time.

3 Q And I did notice in the docket that there were --
4 some of the water systems did not have meters.
5 Is part of the permanent rate case to install
6 meters across all of the rate base or will that
7 not be part of the permanent rate case?

8 A (Laflamme) That was -- that was an issue for
9 investigation in the permanent rate phase of this
10 proceeding, was to see and review the Company's
11 plan for metering its currently unmetered
12 systems.

13 Q So, if those meters were -- if there were meters
14 attached to all the ratepayers, at some point
15 down the road then the consumption charges would
16 be similar across the -- across the different
17 rate groups?

18 A (Laflamme) Yes.

19 Q Is that fair? Okay. Thank you. Okay. Thank
20 you.

21 I only have, I think, one more
22 question, Mr. Laflamme. In terms of looking
23 forward to the permanent rate case, do you have
24 any general concerns with allowing step

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 adjustments for water utilities?

2 A (Laflamme) Well, speaking generally, you know,
3 step adjustments are a mechanism that was -- has
4 evolved by the Commission, in order to prevent
5 utilities from immediately under-earning as soon
6 as a rate proceeding is completed.

7 However, my immediate concerns are
8 that -- that I think that step adjustments should
9 be associated with major non-revenue-producing
10 capital projects, and should be -- should be for
11 capital projects that are pretty close to the
12 conclusion of a test year and a general rate
13 proceeding. In other words, I would not -- I
14 would not be comfortable in allowing step
15 adjustments, say, three, four, five years down
16 the road that are associated with a general rate
17 proceeding, all because of the fact that that
18 would, to me, that would venture into the area of
19 single-issue ratemaking.

20 Q Okay. Thank you. Thank you. I have a few
21 questions for the Company. Perhaps, Mr.
22 Richardson, you can direct me to the right
23 person.

24 I'm curious, if I look -- excuse me for

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 a minute here while I flip to a table. If I look
2 at a Commission summary dated "July 2019" for
3 "Water Company Annual Rates", I see that among
4 the highest rates in the state are the Lakes
5 Region's metered consolidated rates. And, in the
6 docket, there's considerable discussion of why
7 that is for a small water company. But I'll note
8 that there are lots of smaller companies in New
9 Hampshire. And I'd like to understand more about
10 why this particular water company has among the
11 highest, highest rates, you know, and understand
12 a little bit more about why that is?

13 MR. RICHARDSON: Thank you,
14 Commissioner Goldner. Mr. Mason is probably the
15 best person to speak to the role of small water
16 systems, and why their rates are. So, I'll mute
17 my speaker and let Tom respond.

18 **BY THE WITNESS:**

19 A (Mason) Okay. There are several reasons. One
20 is, if you actually go to that page you're
21 looking at on the New Hampshire PUC website, it
22 uses a fictitious number of 8,800 cubic feet per
23 house per year. Most of our customers are
24 seasonal customers, and our average personal use

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 is 2,600 cubic feet of water a year. So, it
2 appears to be a lot larger number using the 8,800
3 cubic feet. So, that's one of the reasons.

4 The second reason is like I said, most
5 of our customers, or at least -- say, at least 65
6 or 70 percent are seasonal homes, where people
7 only come up during the summer, or they might
8 come up a few weekends during the winter, that
9 type of thing. Our average, like I said again,
10 our average customer only uses 2,600 cubic feet,
11 which is roughly a third of what the PUC says the
12 average consumer in New Hampshire uses. So, it
13 tends to get expensive that way.

14 Also, we, you know, the cost of
15 servicing these small utilities, we have 19
16 different water systems, and all of them are
17 stand-alone little water systems. So, every one
18 is its own individual, and the cost of the
19 testing, the cost of everything that goes on
20 is -- is per water system. So, it's definitely
21 more expensive than a system that is combined or
22 all one system.

23 BY COMMISSIONER GOLDNER:

24 Q Thank you. Is there -- I don't believe that you

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 have seasonal rates today. Is there a reason
2 that you've decided not to have seasonal rates,
3 meaning different rates in the summer than in the
4 winter, because you do have many seasonal
5 customers? So, why wouldn't you align the rates
6 to the profile of your customers, is my question?

7 A (Mason) You know, I've been doing this for 10 or
8 12 years, and my parents were the ones that
9 started the system, and I couldn't tell you why,
10 you know, back in the day that was the way it was
11 set up. The system, you know, this whole thing
12 started in 1973, or '72. So, it kind of predates
13 me, and I really don't know the answer.

14 Q Okay. My encouragement would just be, in the
15 permanent rate case, to evaluate seasonal rates
16 as part of your process, to see if something
17 there might make sense. Because you do have, I
18 think you said in your testimony, that something
19 like 75 percent of the water, I may be
20 misremembering the number, is used with the
21 seasonal customers. So, it might make more sense
22 to have different rates in one season than
23 another. So, just for consideration, --

24 A (Mason) Sure.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q -- I'll put that out there.

2 A (Mason) And while I've got you, just to get back
3 to Wildwood what you asked Jayson about, since we
4 took over that water system, we completely
5 replaced the pump station, the tank system, the
6 filtration, none of that was there. We have a
7 brand-new facility that's state-of-the-art, that
8 was put in -- was completed in the spring of this
9 year.

10 So, I mean, all those issues that we,
11 you know, we kept you guys pretty up on top of,
12 you know, people complaining. We ended up doing
13 these upgrades as soon as we could, and it's
14 100 percent up-and-running at this point.

15 Q And you would say that Wildwood is -- the work is
16 complete, as of at least of everything you know
17 right now. Obviously, water systems are in place
18 for hundreds of years. But, for what you know
19 today, Wildwood is in good shape, water quality
20 is good, customers are happy?

21 A (Mason) Correct. Yes. We have lots of feedback
22 that's been good. We've been on line now for a
23 few months. And, you know, we have a backup
24 generator now. We have, you know, like I said,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 excessive treatment. We had a problem with iron
2 and manganese, all of that's solved. You know,
3 it's always a moving target. There's always
4 something new that happens.

5 But, at the present time, you know,
6 they hadn't seen any upgrades for many, many,
7 many years, probably dating back to the time of
8 the last rate case that anybody did anything.
9 The pump station was, you know, literally, you
10 wouldn't have wanted to have gone in, it was that
11 bad. And, today, the system that we put in and
12 the pump station is -- the state is using it as
13 an example of what they're looking for in a
14 small, you know, a small utility pump station.
15 So, that should be solved.

16 Q Do you have any concerns about the work you've
17 done in Wildwood and cross-subsidization of some
18 of your other businesses, or were those costs
19 sort of fully captured in your Wildwood rate
20 base?

21 A (Mason) I guess I'm not sure what you're asking
22 me?

23 Q So, you have multiple rates that go across your
24 different rate groups, your different businesses.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Mason) Oh, sure. Yes.

2 Q And you spent the appropriate amount of money to
3 fix the Wildwood system, and you have that in
4 great shape, which is great. Are those -- do the
5 Wildwood customers bear the costs of those
6 improvements or was that sort of spread
7 throughout the rate base?

8 A (Mason) Presently, it's just kind of hanging
9 there, they, you know, because they are a
10 stand-alone system.

11 At some point, we do feel that there's
12 only 50 customers there, and that, you know, with
13 our other roughly 1,800 customers total, that we
14 would definitely recommend that we go to a
15 consolidated rate to try to stop, you know, rate
16 shock. They will definitely -- they're a small
17 working community, and there will be rate shock
18 if they had to pay for that whole system. But
19 the reality was, you know, we had to do
20 something. We had to, you know, we had to
21 upgrade it. They were getting extremely poor
22 quality water, and not much of it, when we took
23 over.

24 Q Now, do you, in your sort of a strategic plan, do

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 you have a road map to consolidate your rates
2 across your 1,800 customers over some years,
3 maybe it's three years, maybe it's five years,
4 maybe it's ten years, where you can get to a
5 consolidated rate? Is that part of your
6 strategy?

7 A (Mason) Yes. Definitely.

8 Q Do you have a --

9 A (Mason) We feel it would help, you know,
10 everybody is sort of the same. I mean, we have,
11 you know, our rate groups are fairly typical, as
12 far as seasonal and full-time. We have a couple
13 of systems that have more full-time people, but
14 the vast majority of them are that. You know,
15 these are people that are here for just the
16 summer, and go to Florida for the winter, or, you
17 know, use their homes on and off. So, it's sort
18 of the same grouping of people.

19 So, yes. Definitely, we think, you
20 know, we've been talking it about it for a couple
21 years now, going to a completely consolidated
22 rate. And we just haven't captured that yet.

23 Q Do you have --

24 A (St. Cyr) Actually, if I could just add, as part

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 of this case, and specifically the permanent
2 phase of the case, the Company is proposing to
3 consolidate all of its system into one
4 consolidated rate. So, that would apply to
5 Wildwood and Dockham Shores, as well as the rest
6 of the systems.

7 Q And what, Mr. St. Cyr, what would be the phasing
8 of that? Would that be something that you would
9 propose over the next two, three years, five
10 years? How would you phase that in? Or, would
11 you phase it in?

12 A (St. Cyr) So, we would -- we're not proposing to
13 phase it in. Coming out of this case, our
14 proposal is for all of the systems to be under
15 one consolidated rate.

16 Q Okay. Thank you. Give me a second here. Let me
17 just get back to my question list.

18 When I read through the docket, there
19 looked to be some frustration from the Company on
20 what I'll call "unfunded mandates", which is
21 federal and state regulations, without funding
22 from those same agencies. Have you explored, for
23 example, funding within the State of New
24 Hampshire? I think DES has some loans and some

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 grants available, and this kind of thing. I
2 assume you've pursued that. I just didn't see
3 anything in the docket that suggested that you've
4 been successful.

5 A (Mason) We have explored it. But we have come to
6 the conclusion, because we have so many seasonal
7 customers, it's hard to -- it's hard to get the
8 state to buy into that and say, you know, "these
9 are underprivileged second homes", or whatever,
10 you know. So, it's difficult. We've looked into
11 it. By the time we get involved with some of
12 these funds, and the grants almost are
13 non-existent for us, and then the other funds,
14 the SRF fund and things like that, they have
15 lower interest rates. But, in the end, the cost
16 of doing business with the state is, because of
17 federal requirements, becomes excessive, to
18 everybody. I mean, it costs the Company a lot
19 more money, and, ultimately, it will cost the
20 customer a lot more money. That's been our
21 feedback.

22 COMMISSIONER GOLDNER: Okay. Thank you
23 for that. And then, this is a question that I'll
24 acknowledge is more for the permanent rate case,

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 but I would like some headlights on this, if, Mr.
2 Richardson, if you're comfortable.

3 Do you -- I'd like to understand what
4 the current cost of debt is and cost of capital.
5 And I have a follow-on question for the DOE with
6 respect to comfort level with small companies
7 earning higher returns in exchange for the higher
8 risk.

9 So, I'll start, Mr. Richardson, are you
10 comfortable with answering the question of what
11 the current cost of debt -- cost of debt and cost
12 of capital are?

13 MR. RICHARDSON: Absolutely. But I
14 would defer to Mr. St. Cyr, who just raised his
15 hand, to answer that question better than I
16 possibly could.

17 COMMISSIONER GOLDNER: Thank you.

18 **BY THE WITNESS:**

19 A (St. Cyr) So, I would specifically refer the
20 Commissioner to the Company's permanent rate case
21 exhibits for the total company, and specifically
22 the rate of return information. This is
23 identified as "Schedule 4, Page 1 of 2". I don't
24 have the Bates number, but it would be -- I

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 guess, maybe if we could find that before the
2 discussion. But, anyway, on the rate of return
3 information, Schedule 4, Page 1 of 1 [1 of 2?],
4 it identifies the actual cost of long-term debt
5 as 5.72 percent, and the *pro forma* cost of
6 long-term debt is 5.63 percent. So, it actually
7 decreases from what was actual in 2019 to what
8 we're proposing on a *pro forma* basis. And I want
9 to say that the reason it's decreasing is that we
10 have proformed [*sic*] the recently approved
11 long-term debt that was in Docket DW 19-135.
12 This was 633,000 of additional debt from CoBank.
13 And I believe the interest rate was 5.5 percent.
14 So, adding 600,000 of debt at 5.5 percent
15 essentially lowers the existing debt that was at
16 a slightly higher percentage.

17 BY COMMISSIONER GOLDNER:

18 Q Okay. And what's the cost of equity, the return
19 on equity?

20 A (St. Cyr) So, again, on that same schedule,
21 Schedule 4, Page 1 of 1 [1 of 2?], the equity
22 capital is, for actual, is 9.6 percent. This is
23 what would have been approved in the last docket,
24 DW 15-, somebody help me, 15-, whatever it was.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 MS. VALLADARES: 209.

2 **CONTINUED BY THE WITNESS:**

3 A (St. Cyr) And the Company is now proposing 10.44
4 percent. And the 10.44 percent is the result of
5 the small water companies sort of consolidating
6 efforts to try to reach an agreement with the
7 Staff and the parties at the time on, you know,
8 what a reasonable rate of return would be, so
9 that the companies didn't have to hire their own
10 individual cost of equity witnesses. So, there's
11 now a formula that exists that the small water
12 companies can use, and there's a base, sort of a
13 base amount, a half a percent for essentially not
14 hiring a cost of equity witness, and then there
15 are some other percentages based on where the
16 capital structure is, and other sort of
17 performance-related things.

18 So, based on -- primarily, based on
19 that formula, the Company has proposed that, on a
20 *pro forma* basis, the rate of return on equity be
21 10.45 percent.

22 BY COMMISSIONER GOLDNER:

23 Q Okay. And what was the old percentage of debt
24 and the old percentage of equity, versus the new?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (St. Cyr) So, again, on that same schedule, the
2 actual percentage of equity is 76 percent, the
3 long-term debt percentage would be 24 percent.
4 And then, under the *pro forma*, it's 66 percent
5 equity and 34 percent debt. And, again, that
6 change would be largely the addition of the
7 633,000 of additional debt.

8 Q And does this reflect, I know that sometimes the
9 weighted average cost of capital can vary from
10 the actual, you know, so, the actual debt and the
11 weighted average cost of capital debt can be a
12 little bit different in some rate cases. Does
13 this reflect the actual debt numbers and the
14 actual equity numbers? Or are you just trying to
15 reflect that in these percentages?

16 A (St. Cyr) So, there's a specific schedule that
17 supports the equity and debt under -- sort of
18 based on actual results from the test year. And
19 what we have done is taken those same actual
20 results, and essentially adjusted the debt piece
21 for the additional 633,000 at that interest rate,
22 and then we have adjusted the cost of debt -- or,
23 cost of equity rate, from the 9.6 to the 10.44,
24 and reflected the change in the percentage as

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 well. So, it is all factored in.

2 Q Okay. Very good. Thank you. A question for Mr.
3 Laflamme. Being a new commissioner, I've not
4 seen this formula for small water companies. Is
5 there a place I can go to see what that formula
6 is and how it works?

7 A (Laflamme) Well, the formula was derived as part
8 of an investigation docket. It was -- the docket
9 is IR 19-005. And the purpose of that IR docket
10 was to propose a change in the Commission's rules
11 with regards to the determination of a return on
12 equity for small water companies.

13 And I would just say that the -- that
14 the Commission was -- Commission Staff was
15 involved in this docket, the Office of Consumer
16 Advocate was involved in this docket, as well as
17 three water utilities, those being Lakes Region
18 Water Company, Abenaki Water Company, and
19 Hampstead Area Water Company. And there was an
20 agreement by the parties in that docket to a
21 formula to present as a change in the rule -- in
22 the rules for small water utilities.

23 However, that the formula -- or, the
24 rule, amended rule, was run by JLCAR, or a

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 representative from JLCAR, and the parties were
2 informed that it would probably not be approved
3 as a rule. It's a pretty specific formula. And
4 I believe that the specifics were problematic to
5 the rulemaking body at the Legislature.

6 So, what we have tentatively agreed to
7 do is to use -- use that proposed rule as some
8 type of a basis going forward in the
9 determination of an appropriate return on equity
10 for small water utilities.

11 Q Okay. So, you're using this work that was done
12 in Docket 19 -- IR 19-005 as sort of a guideline,
13 a starting place, a foundation, to sort out what
14 would be a good starting point for the return on
15 equity. Okay.

16 A (Laflamme) That is correct.

17 Q Okay. Very good. That's what I was driving at.

18 And just a last question for you, Mr.
19 Laflamme. Is it the reasoning or logic of the
20 DOE that the use of water companies, given the
21 risk return profile, would you generally expect
22 them to have a higher return on equity than, for
23 example, large utilities, or would you expect a
24 different outcome?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Laflamme) I would say that, you know, based
2 upon -- based upon what was agreed to by the
3 parties in that IR docket, I think that's -- I
4 think that the Department would anticipate that
5 that there would be a somewhat higher return for
6 smaller water utilities.

7 COMMISSIONER GOLDNER: Okay. Thank
8 you.

9 Okay. Very good. Thank you. Thank
10 you. That's all the questions I have,
11 Chairwoman.

12 CHAIRWOMAN MARTIN: Okay. I just have
13 a couple.

14 BY CHAIRWOMAN MARTIN:

15 Q Mr. Mason, I heard you mention "redundant testing
16 costs" as one of the -- one of the benefits you
17 see of consolidation. That you might be able to
18 eliminate redundant costs related to testing in
19 between the individual divisions. Go ahead.

20 A (Mason) I was going to say, "Actually, no." The
21 testing would stay the same. There's still 19
22 different water systems. So, each one of them
23 DES specifies to have a certain testing profile,
24 whatever you want to call it. So, those wouldn't

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 change. Those would be, you know, they're going
2 to be whatever they are, depending on whatever
3 the DES tells us.

4 Q Okay.

5 A (Mason) You know, our systems are spread out. I
6 mean, they're over -- they go from Bartlett, to
7 Laconia, to Wolfeboro, to Waterville Valley, to
8 all over the place. So, there's none of them
9 that are actually right next to each other or
10 near each where they could be consolidated into
11 actual -- together. That's never been, you know,
12 available to us.

13 Q Okay. Well, thank you for that clarification.
14 It would be helpful then to understand what the
15 benefits, the proposal of consolidation, what
16 does the Company see the benefits of that to be
17 and are there any downsides that you've
18 identified?

19 A (Mason) Okay. I mean, Steve probably could
20 handle this better, but I mean my little bit that
21 I'd put in is just it's basically just
22 cost-sharing, more people, smaller pieces of the
23 pie over the whole thing. You know, a lot of
24 these water systems are small. I mean, 50 --

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Dockham Shores is roughly 50, so is Wildwood.
2 And for them to take on the costs that are out
3 there, for a new -- take the new pump station
4 that we just did for Wildwood, it was, you know,
5 it was roughly \$260,000 that we had to spend on
6 that. So, and we also did the same exact --
7 pretty much the same exact thing at Dockham. For
8 those people to then 50 of them to pay for it, it
9 would be fairly expensive, versus spreading it
10 out among the 1,800 customers, you know, it
11 obviously is a lot cheaper overall, and
12 everybody -- it's a small rate increase, and
13 everybody shares. So, the next time it could be
14 one of the other divisions. So, it's an ongoing
15 process. Every division, you know, needs
16 something at some point. So, there's none that
17 are actually carrying the whole load. It's just
18 -- it's purely, as far as I'm concerned, it's
19 purely trying to help keep the water rates down.
20 Q Thank you, Mr. Mason. Mr. St. Cyr, do you have
21 anything to add on the benefits, and have you
22 looked at downsides and identified any?
23 A (St. Cyr) So, I'm searching my testimony and Mr.
24 Mason's testimony, because I'm pretty sure we did

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 address the question of the benefits. Let me
2 just see if I can find that for you.

3 Q Okay. While you do that, I'll go back to Mr.
4 Mason.

5 There was mention of, both in your
6 testimony and in the discussion today, the
7 "unmetered customers". Can you tell us a little
8 bit more about unmetered customers? Does the
9 Company track in some way their consumption? Or
10 is that the fact that there's no meter, there can
11 be no tracking?

12 A (Mason) No. We track the amount of water that we
13 produce and put out into the water system, but we
14 don't track what goes into an individual house.
15 The reason that was done is, again, because of
16 the low usage, as I said before, we only use, you
17 know, our average person uses 2,600 cubic feet,
18 which is a third of what is normal, as far as,
19 you know, what the State of New Hampshire
20 recognizes as "normal".

21 The problem with it is, you know, the
22 costs of running the system are sort of they go
23 all year long. The cost of water, you know,
24 we're not buying the water or anything, it's

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 produced in the ground and distributed. Those
2 costs don't really change a whole bunch. You
3 know, a small change in electricity and
4 everything else. But, as far as staff, it's all
5 the same. So, we get these -- so, what past
6 Staff and Lakes Region have determined was that a
7 lot of these water systems don't really benefit
8 from having meters, because they don't use enough
9 water, I mean, to warrant metering it.

10 If you went on a strictly, you know, on
11 a strictly supply basis, what you'd end up having
12 is, you'd have somebody that's living in a second
13 home, comes up for, you know, 40 days a year,
14 having a really small water bill, and then the
15 guy that is living here full-time having a huge
16 water bill.

17 So, this has been, you know, negotiated
18 over many, many rate cases. The consolidated --
19 we learned a long time ago that the meters really
20 don't help a lot with most of our customers,
21 because the reality is no one uses a lot of
22 water.

23 Q Okay. Thank you. That helps to understand how
24 it works.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Mr. St. Cyr, did you come up with
2 anything? You're on mute.

3 A (St. Cyr) As part of my testimony, right at the
4 very end, it's identified as "Page 53 of 53", I
5 conclude, "If the Commissioners approve the
6 consolidated rate, the Company respectfully
7 requests that the Commission also approve an
8 increase in revenue of 260,000, or 19.69 percent.
9 If the Commission does not approve the
10 consolidation of rates, the Company respectfully
11 requests that the Commission approve an increase
12 in revenue of", and these are broken out between
13 the Lakes Region Consolidated, without Dockham
14 Shores and Wildwood, and then what it would be
15 for Dockham and Wildwood. So, it was "144,913 or
16 11.53 percent" for the Consolidated System,
17 without Dockham and Wildwood. And then,
18 Dockham's rate increase would be -- the request
19 is for "57,211 or 148.10 percent", and the
20 request for Wildwood was "54,737 or 213.44
21 percent".

22 That doesn't give you the specifics, in
23 terms of the benefits of it, but it does show the
24 result of, under a Consolidated System, the

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 overall increase would be roughly a little less
2 than 20 percent as proposed. If we don't
3 consolidate, the increase for the Lakes Region
4 only customers would be under 12 percent, but the
5 consequence for Dockham Shores would be a 148
6 percent increase, and the consequence for
7 Wildwood would be a 213 percent increase.

8 And I'm tempted to say that the
9 explanation of the specific benefits were
10 probably in Mr. Mason's testimony, but I have yet
11 to find that. And we can certainly provide that
12 to you as a follow-up to this proceeding.

13 Q No, that's fine. I think I just wanted to follow
14 up on some of the comments I had heard to get a
15 sense of the Company's assessment of the
16 benefits, but also whether there were downsides.
17 I assume certain -- customers of certain
18 divisions might say there were downsides, but
19 whether the Company itself thought there were any
20 downsides to consolidation?

21 MR. RICHARDSON: Madam Chairwoman?

22 CHAIRWOMAN MARTIN: Yes.

23 MR. RICHARDSON: Can I have Mr. St. Cyr
24 clarify whether he was reading from his permanent

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 rate testimony or temporary rate testimony in his
2 last answer?

3 CHAIRWOMAN MARTIN: Go ahead.

4 WITNESS ST. CYR: It was from the
5 permanent rate testimony.

6 CHAIRWOMAN MARTIN: Okay. Thank you.
7 All right. I don't have any other questions.
8 I'll go back to Mr. Tuomala, do you have any
9 redirect?

10 MR. TUOMALA: I do not, Madam
11 Chairwoman. Thank you.

12 CHAIRWOMAN MARTIN: Okay. And, Mr.
13 Richardson, any redirect?

14 MR. RICHARDSON: Thank you, Madam
15 Chairwoman. Yes, I do.

16 Let me start with Mr. Mason. I'll jump
17 back and forth and just go through the questions
18 that I wrote out in response to some of what I
19 heard from the Commissioners' questions.

20 **REDIRECT EXAMINATION**

21 BY MR. RICHARDSON:

22 Q Mr. Mason, we were asked a lot -- we heard a lot
23 about Wildwood, and you've answered the status of
24 the project. But I just wanted to clarify that

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 the -- it was, I believe, in Docket 17-176 that
2 the Company acquired Wildwood, and the
3 Commission's order approving that acquisition was
4 dated June 15th, 2018, is that right?

5 A (Mason) Yes.

6 Q Okay. And what did the Company do to help during
7 that transition period? How did that play out?

8 A (Mason) Oh, we helped to run the water system.
9 And during the period that the old owner wanted
10 to get out, and we were purchasing the water
11 system, we took over operations of it, trying to,
12 you know, make things a little bit better for the
13 people. The past owner pretty much didn't want
14 to do anything more for it, you know, or even
15 upkeep it. So, we took over operations of it.

16 Q And, in terms of timing, I believe there was a
17 request for financing approval in Docket Number
18 19-135. What happened in that proceeding?

19 A (Mason) I don't remember the -- hang on, I'm not
20 sure on the numbers. Leah is looking it up for
21 me. I'm sorry.

22 MS. VALLADARES: That's okay.

23 BY MR. RICHARDSON:

24 Q Well, no, that's okay. But my question was that

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 there was a -- was it your understanding there
2 was a financing process that included
3 improvements to the Wildwood system?

4 MS. VALLADARES: Yes.

5 *[Court reporter interruption due to*
6 *audio issues.]*

7 MS. VALLADARES: In this, we got the
8 260,000 approval for the pump station.

9 MR. RICHARDSON: I'm sorry, Leah. To
10 keep the record clear, let me just speak to Mr.
11 Mason, because otherwise it's hard for him.

12 BY MR. RICHARDSON:

13 Q So, Mr. Mason, you remember, and I'll reference
14 it to you that it's Docket 19-135, Lakes Region
15 submitted a request for financing to construct
16 the improvements?

17 A (Mason) Oh, sure. Yes. I'm sorry. That was a
18 financing docket that took quite a while. It was
19 on -- kind of hanging out there for most of a
20 year.

21 Q Okay. So, that was 19-135. And I will represent
22 to you that the financing was approved in
23 January 1 -- January 28th of 2021 in that
24 proceeding, does that sound correct?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Mason) Yes, it did. But we had already -- we
2 had literally decided a year before that, roughly
3 at the time of when we asked for financing, that
4 we were going to start to build the pump station
5 because there was such a need for it. So, by the
6 time we actually got the financing, we were
7 probably, you know, three-quarters to
8 seven-eighths done on the pump station and
9 getting it up and running. So, we, you know, we
10 accepted the financing, but we had already
11 actually constructed the filters and the pump
12 station.

13 Q And that financing closed, is that correct?

14 A (Mason) Yes.

15 Q Okay. So, that essentially added debt to the
16 Company's capital structure to reduce the cost to
17 customers. Is that your understanding how that
18 works?

19 A (Mason) Yes, it is.

20 Q Okay. Thank you. While we're on this subject,
21 I'm going to turn to Mr. St. Cyr. If you could
22 look at the Settlement Agreement, which is
23 Exhibit 5, Schedule 1, which is the last page.
24 And that's Bates Page 136 for the record. Let me

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 know when you have that, Steve?

2 A (St. Cyr) I have it.

3 Q Okay. Now, Commissioner Goldner brought up the
4 rate comparison, and we heard Mr. Mason talk
5 about how the PUC's rate comparison uses a figure
6 of "8,800 cubic feet". I'll represent to you
7 that that's changed, and it is now "7,700". But
8 what I wanted to do is look at Schedule 1, and if
9 we could look at both the current and settlement
10 charges, and tell me how the rates for Lakes
11 Region compare for both metered and unmetered
12 customers?

13 A (St. Cyr) So, for the metered systems, well,
14 Lakes Region metered customers, you know, the
15 current -- based on current, this is -- there's
16 footnotes down below in terms of the customer
17 usage, and this is all actual 1990 -- 2019 data.
18 So, based on that 2019 actual data for Lakes
19 Region metered customers, under the current rate,
20 the bill, on a quarterly basis, would be the
21 184.39. And, under the Temporary Settlement
22 rates, it would be 192.60, which I believe is
23 roughly the four and a half percent increase.
24 And --

{DW 20-187} [RE: Temporary Rates] {09-08-21}

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q So, let me cut you off there, because what I
2 wanted to do, in order to compare to the annual
3 charges, which is what is in the PUC document, --

4 A (St. Cyr) Okay.

5 Q -- you can see there's a total charge, let's look
6 at current charges of 737.55 for metered
7 customers. And then, for unmetered customers, I
8 believe it's 739.56. Is that correct?

9 A (St. Cyr) That's correct. Yes.

10 Q And these calculations are done using actual test
11 year consumption charges to compare the two
12 rates?

13 A (St. Cyr) That is correct. There's a specific
14 line in that category, 2019, average customer
15 usage, 100 ccf. So, that is based on what was
16 actually used in 2019.

17 Q Okay. So, and that's one way in which I believe
18 Lakes Region accounts for the rate impact of
19 seasonal customers. The seasonal customers are
20 getting essentially a benefit, because lower
21 consumption -- there's lower consumption charges
22 that adjust their rate? That's not a very well
23 -- let me rephrase that question. So, these
24 rates take into account the lower consumption

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 charges to produce a similar rate?

2 A (St. Cyr) Yes. And, in fact, I would say, in
3 Lakes Region's case, the base rate is
4 proportionally higher and the consumption rate is
5 proportionally lower, particularly relative to
6 other water systems, because of the high seasonal
7 customers that they have. You know, the Company
8 has to essentially cover its invested costs, you
9 know, whether they use the water or not. So, the
10 Lakes Region rate tends to have a higher base
11 cost and a lower consumption cost as a result.

12 Q And, Mr. Mason, you spoke about this some in
13 response to questions. But let me ask it more
14 directly about the design requirements for small
15 water systems. Are those based on average demand
16 or, and I'm talking about size of meters, size of
17 pump stations, treatment capacity, is that based
18 on average consumption or is it based on
19 something else?

20 A (Mason) No. It's based on the actual, if
21 everybody lived there, if, you know, all the
22 requirements are set up that they assume that
23 people live there 24/7, that DES does the testing
24 set up that way. So, even the size of the water

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 systems, the little 50-unit subdivision will have
2 as much testing as one of our bigger systems that
3 might have 400 customers in it. So, it's
4 definitely the same.

5 Q Let me rephrase my question, because I don't
6 think I was very clear. In terms of the physical
7 design of the system, in terms of the capacity of
8 the pipes, the capacity of the pumps, is that
9 based on the average demand or peak demand?

10 A (Mason) Oh. Peak demand. I'm sorry. I
11 misunderstood you. No, it's peak demand. I
12 mean, we have to set up everything so that if --
13 so that if anybody showed up at any time of the
14 year that the water is available for them to
15 have. So, yes. We design everything around --
16 around here, it's Fourth of July week, basically.
17 I mean, we use more water during Fourth of July
18 week in most of our systems than we do probably
19 from January 1st to, you know, March 1st.

20 Q And, so, I'll ask these questions of both you,
21 Mr. Mason, and you, Mr. St. Cyr. How do you
22 compare the cost of serving seasonal customers
23 versus year-round customers? Do you see them as
24 different? Is one more than the other? Could

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 you provide that explanation?

2 A (St. Cyr) So, it costs the Company more to serve
3 seasonal customers, because the investment in the
4 plant is greater, and it has to meet the same
5 requirements whether the customers are there or
6 not. So, they tend to be higher costs in order
7 to serve seasonal customers.

8 Q Mr. St. Cyr, let me see if you can clarify that.
9 Aren't you really saying "it's the same"?
10 Because, if the system has to be built to a
11 particular maximum demand, whether the customers
12 are seasonal or year-round, doesn't that mean the
13 costs are approximately the same, and you have to
14 design a rate to then recover the same amount of
15 revenue?

16 A (St. Cyr) So, the costs may be the same. But I
17 guess -- I guess I was thinking that the cost per
18 customer is probably higher, because you have to
19 serve the seasonal customers whether they're
20 there or not.

21 Q Uh-huh. Uh-huh. And that's an issue that the
22 Company would look at in a permanent rate
23 proceeding, is that correct?

24 A (St. Cyr) Yes.

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 Q All right. Thank you. Mr. Mason, would you add
2 anything to that?

3 A (Mason) Yes. I mean, typically, our busy season
4 is from May until right now. What we end up have
5 happening is we'll go through -- for the next
6 month and a half, we'll do what we call "winter
7 shut-offs", which means that we will literally
8 turn people off that are going to Florida for the
9 winter, or just not coming up for the winter. A
10 lot of people just choose not to use their summer
11 homes. In some of the areas, it's the exact
12 opposite, up near the ski areas, they actually
13 open up for the winter.

14 So, yes. The cost is -- it's there all
15 the time. Whether people are there or not, we
16 still have to have the same infrastructure, the
17 same testing, and the same -- the same
18 everything. And what we do is we lose a lot of
19 our customers that actually go, that don't use
20 any water from now until May, you know, or very
21 little.

22 Q And I think, from Schedule 1, we saw that you're
23 able to recover the same rate, whether a customer
24 was metered or unmetered?

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 A (Mason) Correct.

2 Q Okay. Mr. Mason, Commissioner Goldner asked a
3 question under the subject of I think it was
4 described as "unfunded mandates", and whether
5 there was other forms of state financing that
6 were available. And I want to ask you about your
7 experience, both with Lakes Region Water and with
8 LRW Water Service, which is a nonregulated
9 construction water service company. How does use
10 of SRF funds affect the cost of capital projects?

11 A (Mason) It expands it a lot. To be -- for a good
12 example is the pump station that we built at
13 Wildwood, the state actually used to put out to
14 bid for another water system in Marlborough that
15 was similar sized. And we actually were -- our
16 other company was the successful bidder in
17 getting the project. We built that pump station
18 at Wildwood for \$260,000. What we got -- what it
19 bid out at, we were low bidder at the Marlborough
20 one, which is identical, was 207 -- \$417,000.
21 That's the cost difference.

22 Q And to what is that cost difference attributable?
23 Why does it cost more to use SRF than --

24 A (Mason) Oh. It's just, you know, the bonding --

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 the bonding, the cost of, you know, following all
2 the regulations, doing federal wages. There's
3 many, many -- you know, "Buy American", which,
4 you know, buy American steel, some other things.
5 It just -- it racks up the costs pretty
6 considerably. Never mind the cost of engineering
7 and, you know, once you -- once you get involved
8 with SRF, they have a pretty -- you have to spend
9 a good percentage of your money on engineering
10 also, even though for things that it just turns
11 out don't end up making a whole bunch of
12 difference. So, the costs are just tremendously
13 more.

14 Q And, so, could you maybe agree or disagree with
15 this statement: Using SRF can produce an
16 attractively low interest rate on the capital
17 structure, but then it can drive the capital
18 costs higher than it would versus using some of
19 the financing that Lakes Region's used?

20 A (Mason) Oh, most definitely. Yes, definitely.

21 Q Okay.

22 A (Mason) Definitely.

23 Q Mr. St. Cyr, I know I have a question in here for
24 you related to meters. Give me a second to find

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 it in my notes.

2 I'm going to skip over that. Mr. St.
3 Cyr, you were asked about consolidation and its
4 benefits. What would the impact be on the
5 Company, if its rates were not consolidated, how
6 would that impact the Company's abilities and its
7 earnings, if it were to implement capital
8 projects, like the Wildwood and Dockham Shores
9 ones we've heard about today?

10 A (St. Cyr) So, one way it would impact -- first of
11 all, the Company doesn't really manage the
12 operations on an individual system, *per se*. They
13 manage the Company as a whole. And I guess, when
14 investments are made at individual water systems,
15 those investments themselves don't necessarily
16 trigger a rate increase. You know, it has to be
17 a fairly significant investment to trigger a rate
18 increase at a total company level. If it has
19 separate rates, for example, at Dockham and
20 Wildwood, well, then any relatively small
21 investment at those systems could, in fact,
22 trigger a rate increase. And then, of course, if
23 it triggers a rate increase, it also triggers,
24 you know, a rate filing and, you know, that whole

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[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 process. It just becomes a very expensive way in
2 which to operate sort of individual water
3 systems.

4 Q Thank you. And is that particularly true because
5 of the size of these systems? Do you know what
6 the average size of Lakes Region's systems are?

7 A (St. Cyr) So, I know they have, you know, I'll
8 say "1,800 customers and 19 systems". So, on
9 average, they're under a hundred per system. I
10 know some of the -- there are some systems that
11 are, you know, larger than that average. But,
12 you know, Dockham Shores is 61 customers,
13 Wildwood is 50. So, those are some of the
14 averages.

15 Q And, in terms of the questions that were asked
16 about "how does the Company plan to phase in
17 consolidation?", let's look at the -- let's just
18 talk about the rates that are in the Schedule 1.
19 Do those temporary rates that are proposed under
20 the Settlement Agreement include all of the costs
21 of Dockham and Wildwood projects?

22 A (St. Cyr) No. They do not.

23 Q So, is it fair to say that these proposed rates
24 are targeting consolidation, and that, if the

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 systems are not consolidated, higher rates would
2 be required?

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

4 Q And, so, that's basically how the Company is
5 proposing to phase in consolidation. What's the
6 difference on a consolidated basis -- or, excuse
7 me, what's the difference for the existing
8 customers of Lakes Region, not Dockham and
9 Wildwood, with consolidation or without, what's
10 the rate impact of bringing these systems in?

11 A (St. Cyr) So, I read earlier from my -- the
12 conclusion of my testimony that, on a
13 consolidated basis, the Company is proposing a
14 little bit less than a 20 percent increase, that
15 would include Dockham and Wildwood. If, in fact,
16 those two systems aren't added to the
17 consolidated rate, then the Lakes Region
18 customers would pay 11 and a half percent, I
19 believe was the difference.

20 Q Okay. So, is it your conclusion that the
21 benefits of consolidation then outweigh the
22 impacts of having all the systems together?

23 A (St. Cyr) Yes.

24 MR. RICHARDSON: Thank you. That's all

[WITNESS PANEL: Mason|St. Cyr|Laflamme]

1 I have. Thank you.

2 CHAIRWOMAN MARTIN: Okay. Thank you.

3 MR. RICHARDSON: Madam Chair?

4 CHAIRWOMAN MARTIN: Yes.

5 MR. RICHARDSON: I got a call from my
6 daughter who is in school, who has some mental
7 health issues. So, can I step aside for a
8 second?

9 CHAIRWOMAN MARTIN: Yes. Let's take a
10 five-minute recess. Off the record.

11 *(Recess taken at 11:44 a.m. and the*
12 *hearing resumed at 11:53 a.m.)*

13 CHAIRWOMAN MARTIN: Let's go back on
14 the record then.

15 Without objection, we will admit
16 Exhibits 1 through 6 as full exhibits.

17 Is there anything else we need to cover
18 before we hear closing arguments?

19 *(Atty. Tuomala and Atty. Richardson*
20 *indicating in the negative.)*

21 CHAIRWOMAN MARTIN: All right. Ms.
22 Stansell, do you plan to make a closing argument?

23 MS. STANSELL: Thank you, Madam
24 Chairwoman.

1 I simply would like to reiterate our
2 objection to rate increases, as stated in our
3 original Petition to Intervene, which indicates
4 that this particular increase would -- the
5 permanent increase would constitute a 632.91
6 percent increase for our water system alone.
7 That's since Lakes Region has purchased our
8 system.

9 CHAIRWOMAN MARTIN: Okay. Anything
10 else?

11 MS. STANSELL: Not at this time. Thank
12 you.

13 CHAIRWOMAN MARTIN: All right. Thank
14 you. And Mr. Tuomala.

15 MR. TUOMALA: Thank you, Madam
16 Chairwoman and Commissioner Goldner.

17 As stated previously, the Department
18 reviewed the temporary rate filing. It's been
19 involved in technical sessions and engaged in
20 settlement discussion with the Company. In
21 conjunction with Lakes Region, the Department
22 contributed to the Settlement Agreement
23 previously discussed and submitted for the
24 Commission's possible approval.

1 The Department has determined that the
2 proposed rate increases properly reflects a
3 reasonable return on the cost of the property of
4 the utility used and useful and in the public
5 service less accrued depreciation, as shown by
6 the reports of the utility filed with the
7 Commission. In the Department's opinion, it also
8 balances the interests of both the Company and
9 its ratepayers.

10 The resulting rates are just and
11 reasonable in the Department's of opinion -- in
12 the Department's opinion, excuse me, pursuant to
13 RSA 374:2, RSA 378:7, and the temporary rate
14 statute, RSA 378:27.

15 As such, the Department of Energy
16 recommends that the Commission approve the
17 proposed Temporary Rate Settlement Agreement
18 submitted for its consideration.

19 Thank you very much.

20 CHAIRWOMAN MARTIN: Okay. Thank you,
21 Mr. Tuomala. Mr. Richardson.

22 MR. RICHARDSON: Thank you, Madam
23 Chairwoman.

24 Lakes Region operates 19 systems, 1,800

1 customers. It does an excellent job operating
2 these systems under challenging circumstances.
3 And challenging circumstances leads to a lot of
4 questions, good questions, many of which we've
5 heard and discussed today, about consolidation,
6 about the timing of capital projects, how best to
7 implement them, both in the interest of the
8 Company in earning a reasonable return, and in
9 the interest of customers, in terms of reasonable
10 rates.

11 We look forward to addressing all of
12 the issues you've heard today in the permanent
13 rate proceeding. We think we're on the right
14 approach, because we've heard some evidence today
15 that breaking these systems out and not
16 increasing rates to benefit one system doesn't
17 really produce a big benefit. The difference
18 between a 19 percent increase and an 11 percent
19 increase is I think what we heard Mr. St. Cyr
20 talk about today, versus, if we were to do them
21 all separately, the costs would go up, and we'd
22 be looking at much, much larger increases, in the
23 magnitude of 130 percent.

24 The overall increases we're looking at

1 today are small. They're a little bit larger for
2 some, like Dockham Shores, that hasn't had --
3 excuse me, with Wildwood, which hasn't had an
4 increase in a very long time.

5 But all the evidence is really pointing
6 to the fact that a temporary increase meets all
7 of the requirements under RSA 378:27. And the
8 Company's records support it. There's no real
9 reason to question those records, based on the
10 review that's happened. And everything is
11 subject to reconciliation. So, in the event
12 further discovery leads to a lesser or a higher
13 amount, all of that can be corrected.

14 Approving a temporary rate increase
15 benefits customers in a way that many people
16 don't consider, because it sends a message to the
17 Company that the investments that it's making to
18 fix up and maintain and improve service that
19 customers need, and drinking water is very
20 important. It relates to the quality of our
21 life, it relates to health and safety. It's very
22 important that these goals get met. And, as Mr.
23 Mason's testimony explains, the Company meets
24 those goals and does an outstanding job.

1 By approving temporary rates, we can
2 continue to make that type of progress, and
3 continue to make the improvements that are
4 needed. And with the Department's review and the
5 Commission's review in this proceeding, we reach
6 results that are just and reasonable, and that
7 comply with the law. And that's a very good and
8 important thing.

9 I concur with Staff's closing
10 statement. I can't state it any better than
11 Staff has. We have reviewed this process, we'll
12 continue to review this process, and comply with
13 the law and come up with rates that are just and
14 reasonable.

15 So, with that, I'll close. And thank
16 you for your time and your questions today.
17 They're very much appreciated. The Company does
18 a lot of work to serve its customers. And it's
19 great to hear the Commissioners' feedback and
20 understanding that these issues are important to
21 everyone in the room, to the customers, to the
22 Department, to the Commissioners, who are
23 ultimately the overseers of everything that we
24 do.

1 So, thank you very much for your time
2 today. And we look forward to working with all
3 of the parties in this proceeding.

4 CHAIRWOMAN MARTIN: All right. Thank
5 you, everyone. We will close the record with
6 that and take the matter under advisement.

7 We are adjourned. Have a good rest of
8 the day.

9 ***(Whereupon the hearing was adjourned***
10 ***at 11:59 a.m.)***

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