

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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 **ORIGINAL**

February 4, 2011 - 2:00 p.m.
Concord, New Hampshire

RE: DW 09-291
FRYEBURG WATER COMPANY, INC.
Notice of Intent to File Rate Schedules
[Rate Hearing]

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES:

Reptg. Fryeburg Water Company, Inc.:
Justin C. Richardson, Esq. (Upton, Hatfield)

Reptg. PUC Staff:
Marcia Thunberg, Esq.
James Lenihan, Gas & Water Division
Douglas Brogan, Gas & Water Division
Jayson LaFlamme, Gas & Water Division

COURT REPORTER: Susan J. Robidas, LCR NO. 44

{DW 09-291} [Rate Hearing] {02-04-11}

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I N D E X

WITNESS PANEL: Jean Andrews
Mark Naylor

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P R O C E E D I N G S

CHAIRMAN GETZ: Good afternoon,
everyone. We'll open the hearing in Docket
DW 09-291.

On December 31, 2009, Fryeburg Water
Company filed with the Commission a notice of intent
to file rate schedules. On January 4th, Fryeburg
filed for approval of a rate increase with the Maine
Public Utilities Commission, which was approved on
April 16th.

And on August 11th, Fryeburg filed the
results of the Maine proceeding with the Commission,
along with the petition for temporary rates.

An order of notice was issued on
August 31 and set a prehearing conference that was
held on October 5, subsequent to which a procedural
schedule was approved and culminating in a hearing
which was originally set for December 8th and
rescheduled to today. And I'll note that a
stipulation between the Company and Staff was filed
on February 3rd.

So, can we take appearances, please.

MR. RICHARDSON: Thank you, Mr.
Chairman. Justin Richardson, with Upton & Hatfield.

1 I'm here with Jean Andrews, who's the treasurer of
2 the Fryeburg Water Company.

3 CHAIRMAN GETZ: Good afternoon.

4 MS. THUNBERG: Good afternoon,
5 Commissioners. Marcia Thunberg, on behalf Staff.
6 With me today is Mark Naylor, Jim Lenihan, Doug
7 Brogan and Jayson LaFlamme. And for today's
8 presentation, the Company will be calling Jean
9 Andrews, and Staff will be calling Mark Naylor as a
10 panel to present the Stipulation Agreement.

11 You have before you on your desk the
12 agreed-to list of exhibits that we'd like to have
13 marked for identification. And we propose that we
14 authenticate them as we go through the direct
15 testimony, if that will be acceptable.

16 CHAIRMAN GETZ: That would be. So,
17 please call your witnesses.

18 MS. THUNBERG: Thank you.

19 (WHEREUPON, JEAN ANDREWS AND MARK
20 NAYLOR were duly sworn and cautioned by the
21 Court Reporter.)

22 JEAN ANDREWS, SWORN

23 MARK NAYLOR, SWORN

24 MS. THUNBERG: Mr. Chairman, one other

1 note on the process for today's presentation is that
2 Company and Staff are going to be alternating direct
3 questions and friendly cross, I guess, of each
4 other's witnesses. And we've worked out which issues
5 we're going to be covering, so we'll be going back an
6 forth. Thank you.

7 CHAIRMAN GETZ: We'll try to keep up.

8 MS. THUNBERG: Okay.

9 MR. RICHARDSON: I've only got a page
10 and a half, so it won't be very long.

11 EXAMINATION

12 BY MR. RICHARDSON:

13 Q. Ms. Andrews, could you please state your name and
14 your position with the Company, for the record.

15 A. (Ms. Andrews) My name's Jean Andrews. I am the
16 treasurer and newly-appointed vice-president of
17 Fryeburg Water Company.

18 Q. And on August 10 -- or August 11th you submitted
19 testimony. Are you familiar with that?

20 A. (Ms. Andrews) Yes, I am.

21 Q. And do you have your exhibits there? I'm going to
22 show you Exhibit 1, which is your prefiled testimony.
23 Is that testimony true and accurate, to the best of
24 your knowledge?

1 A. (Ms. Andrews) Yes, it is.

2 Q. I believe your testimony refers to there being
3 approximately 67 customers. How many customers -- in
4 New Hampshire, how many customers are there
5 currently?

6 A. (Ms. Andrews) Currently, we have 62 customers.

7 Q. And why is there a change?

8 A. (Ms. Andrews) We've had several foreclosures and
9 seasonal customers that currently are not receiving
10 service.

11 Q. Okay. So, with that change, do you adopt that as
12 your testimony in this proceeding?

13 A. (Ms. Andrews) Yes, I do.

14 Q. What led the Fryeburg Water Company to seek a rate
15 case, if you can summarize?

16 A. (Ms. Andrews) Over the past three years we've had
17 losses. Beginning in 2007, approximately in \$10,000
18 loss; 2008, \$65,000; and '09, \$57,000. This is
19 primarily due to our bulk water customers not
20 receiving the quantities they had over the test
21 period -- the test-year period for the last rate
22 case. So our revenues are down.

23 Q. And what was the test year for your last rate case?

24 A. (Ms. Andrews) 2006.

1 Q. Okay. And I turn your attention to Schedule JA-1.
2 And I'll just give you the numbers. Fair to say that
3 that schedule shows that there was
4 179,000,000 gallons sold to Poland Springs in that
5 year?

6 A. (Ms. Andrews) Yes, that's right.

7 Q. And in 2009 that dropped to 86,000,000?

8 A. (Ms. Andrews) Yes.

9 Q. Okay. And what is the current status of the sales to
10 Poland Springs?

11 A. (Ms. Andrews) Volume is up about 15 percent over last
12 year, but about 45 percent down from the test year.

13 Q. And what percentage of the Company's revenues came
14 from the Poland Springs sales during the test year?

15 A. (Ms. Andrews) During the test year, the percentage of
16 revenue was about 60.

17 Q. And so what is it currently?

18 A. (Ms. Andrews) In 2009, it was around 40 percent.

19 Q. Okay. And what impact has that had on the Company?
20 I think you explained already, but if you could
21 summarize.

22 A. (Ms. Andrews) Well, it's-- we've had a loss three
23 years consecutive.

24 Q. Okay. And how does that impact the Company's ability

1 to provide service to its customer?

2 A. (Ms. Andrews) Well, we've been running a very tight
3 ship, and we had to -- we haven't been able to make
4 very many capital improvements. It's pretty much
5 just running on, you know, very thin ice here.

6 Q. Okay.

7 EXAMINATION

8 BY MS. THUNBERG:

9 Q. Mr. Naylor, I'd like to pick up with you and have you
10 just state your name and position with the Commission
11 for the record.

12 A. (Mr. Naylor) Yes. My name is Mark Naylor, and I am
13 the director of the Gas and Water Division here at
14 the New Hampshire Public Utilities Commission.

15 Q. And as the director of the Gas and Water Division,
16 what are your general responsibilities?

17 A. (Mr. Naylor) I am the director of the division. I
18 manage the staff and am responsible for all the work
19 product prepared by staff at the Commission for
20 water, sewer and gas dockets.

21 Q. Mr. Naylor, what do you consider your area of
22 expertise?

23 A. (Mr. Naylor) I have an accounting background.

24 Q. Have you testified before the Commission prior to

1 today?

2 A. (Mr. Naylor) Yes, I have.

3 Q. And has that testimony been within your area of
4 expertise or within your area of responsibilities at
5 the Commission?

6 A. (Mr. Naylor) Yes. Yes to both.

7 Q. And can you please describe your involvement with
8 this particular docket?

9 A. (Mr. Naylor) I've been involved with this docket
10 since it was originally filed. I have conducted a
11 review of the Company's requests. I have conducted
12 discovery and worked with the Company to develop the
13 stipulation that we are presenting today.

14 Q. I'd like to show you a document and have you identify
15 it for the record, please.

16 (Ms. Thunberg presents document
17 to the witness.)

18 A. (Mr. Naylor) This is a data request and response.
19 It's labeled "Request Staff 1-1," and the responding
20 witness was Ms. Andrews.

21 Q. And when you said you conducted discovery in this
22 docket, does that discovery include the document you
23 have in front of you?

24 A. (Mr. Naylor) Yes. Yes. And to clarify, this is a

1 packet of questions, not just 1-1. It's the Staff's
2 set that was asked of the Company back in October of
3 2010.

4 Q. Thank you. Mr. Naylor, you mentioned that you had
5 worked on a Stipulation Agreement. Do you have a
6 copy of what we've premarked for identification as
7 Exhibit 2 in front of you?

8 A. (Mr. Naylor) Yes, I do.

9 Q. And that Stipulation Agreement -- I'll ask a general
10 question. Did you participate, or was it drafted
11 under your direct supervision?

12 A. (Mr. Naylor) Yes.

13 Q. And are you aware of any changes or corrections that
14 need to be made to that Stipulation Agreement?

15 A. (Mr. Naylor) One small correction should be made on
16 Page 7 of 11 in Section G, No. 1. The word "or"
17 should be inserted after the semicolon to make it
18 clear that the choices there, one, two, or three --
19 one of those three actions would occur in that event.

20 Q. Ms. Andrews, I have a question for you concerning
21 Exhibit 2.

22 Did you participate in the preparation of the
23 Stipulation Agreement?

24 A. (Ms. Andrews) Yes, I did.

1 Q. Are you familiar with the terms of the Stipulation
2 Agreement?

3 A. (Ms. Andrews) Yes, I am.

4 Q. And is the Company okay with the change that Mr.
5 Naylor has identified?

6 A. (Ms. Andrews) Yes, we are.

7 Q. Thank you.

8 And Mr. Naylor, I'd like to have you turn to
9 Exhibit 2, Page 9 of 11. And I direct your attention
10 to the paragraph entitled "Approval of Permanent
11 Rates." And I'd like to get Staff's opinion as to
12 why it supports the proposed rate increase -- I mean
13 increase in revenues.

14 A. (Mr. Naylor) Certainly. The Company's rate request
15 has been reviewed in full by the Maine Public
16 Utilities Commission. The rate case in Maine
17 included all the plant, serving both in Maine and in
18 New Hampshire, so that the rates that are established
19 in that case are compensatory to the Company for all
20 of its customers, including New Hampshire customers.
21 And in addition to that, the Company has certified in
22 this document that there is no Construction Work in
23 Process in the rates approved in the Maine case.

24 Q. Mr. Naylor, I'd like to draw your attention to

1 Attachment A to the Stipulation Agreement, Page 2 of
2 14. And there is a paragraph entitled "Revenue
3 Requirement." And just let me know when you're
4 there.

5 A. (Mr. Naylor) I am there.

6 Q. There's a notation of the annual operating revenues
7 and the increase. And with the Stipulation Agreement
8 that the Staff and Company are presenting to the
9 Commission today, is it the intent of the parties to
10 have the Commission approve the revenue increase
11 that's indicated here?

12 A. (Mr. Naylor) Yes, it is.

13 Q. And of this revenue increase, do you have an opinion
14 as to the use and usefulness of any plant that was
15 used in calculating this number?

16 A. (Mr. Naylor) I have no concern regarding the plant,
17 based on the ruling of Maine Commission that included
18 in rate base is in service and used and useful.

19 Q. Now I'd like to turn back to Page 9 of 11 of the
20 Stipulation Agreement to the Approval of Permanent
21 Rates paragraph, and direct the question to Ms.
22 Andrews concerning the September 29th, 2010, date
23 that's included there.

24 Ms. Andrews, could you please explain how that

1 date or how the Company proposed this date?

2 A. (Ms. Andrews) Yup. We bill quarterly, and bills were
3 October 1st. Meter readings in East Conway took
4 place on September 29th. So we felt that that was
5 the best date to use.

6 Q. Now, has the Company, Ms. Andrews, notified the
7 customers of the potential rate increase in this
8 proceeding?

9 A. (Ms. Andrews) We have. We notified them on a couple
10 different occasions.

11 Q. And I'd like to show you two pages of a document that
12 we have asked to be identified -- marked for
13 identification as Exhibit 4 and have you identify
14 them for the record.

15 (Ms. Thunberg presents document
16 to the witness.)

17 A. (Ms. Andrews) The first letter is from the Fryeburg
18 Water Company, dated July 1st, notifying customers of
19 the rate case being resolved by the Maine Public
20 Utilities Commission. This was sent out to all of
21 our customers, and it also notifies them that the
22 case is now before the New Hampshire Public Utilities
23 Commission for review. We sent that to Maine and New
24 Hampshire customers.

1 And the other is from the Fryeburg Water
2 Company, dated August. It's blank. This was a
3 letter to New Hampshire customers only notifying them
4 of -- excuse me -- notifying them of the rate
5 increase and our request, effective October 1st,
6 2010.

7 Q. And Ms. Andrews, did both of these notices get sent
8 out to the customers prior to the September 29th
9 effective date?

10 A. (Ms. Andrews) Yes, they were.

11 Q. Do you have a copy of the Stipulation Agreement in
12 front of you?

13 A. (Ms. Andrews) I do.

14 Q. And I'd like to have you turn to Attachment B.
15 That's the last two pages of the Stipulation
16 Agreement. And I'd like to ask you a general
17 question of the proposed revenue increase that's
18 requested in the Stipulation Agreement.

19 How does the Company plan to implement that
20 revenue increase among its customers?

21 A. (Ms. Andrews) I went through all 62 customers and
22 took a look at their readings. We would go forward
23 with a minimum charge, beginning October 1st, with
24 the new rate charge, the new rate, and look at any

1 excess from September 29th through January 1st, which
2 would be billed at the new rate. And that's what
3 this spreadsheet here is.

4 Q. Now, I notice on the far right-hand column there's a
5 Recoupment column, and there's some negative numbers.
6 Can you just explain whether that's something to be
7 billed and collected from the customer or if it's a
8 refund?

9 A. (Ms. Andrews) That's a loss that the Company had. So
10 it would be billed to the customer.

11 Q. Thank you for that clarification.

12 I'd like to have you identify for the record
13 what we've asked to be marked for identification as
14 Exhibit 3.

15 A. (Ms. Andrews) We have our tariff page, New Hampshire
16 PUC No. 8, Page 11, Second Revision, signed by Hugh
17 Hastings, effective January 1st, 2009. These are the
18 current rates being charged to New Hampshire
19 customers and the proposed, effective September 29th,
20 2010, Fryeburg Water Company, PUC No. 8, Third
21 Revision, Page 11, superseding the second revised
22 Page 11.

23 Q. And the tariff that's dated September 29th, these are
24 the proposed rates?

1 A. (Ms. Andrews) Correct.

2 Q. And of the 62 customers that the Company has, can you
3 please just identify, since there are a number of
4 different charges, where do those 62 customers fall?

5 A. (Ms. Andrews) The majority of them fall -- are
6 quarterly-rate customers. We do have a seasonal
7 customer as well.

8 Q. I'm sorry. You said one seasonal?

9 A. (Ms. Andrews) Yes.

10 Q. I have a couple questions regarding the Stipulation
11 Agreement, if you could have that in front of you.

12 And on the Stipulation Agreement, Attachment A,
13 Page 8 of 14, if you could turn to that.

14 A. (Ms. Andrews) I'm there.

15 Q. I'd like to draw your attention to Paragraph III(4),
16 Tariff Sheets Approved.

17 Now, correct me if I'm wrong. The State of
18 Maine -- or the Maine Public Utilities Commission
19 approved Sheet No. 1, Sheet No. 2, Sheet No. 3 that
20 are listed there; is that correct?

21 A. (Ms. Andrews) That is correct.

22 Q. And if I were to turn further into this attachment,
23 on Page 12 of 14, 13 of 14, and 14 of 14, are these
24 the tariff pages that the Maine PUC approved?

1 A. (Ms. Andrews) Yes, they are.

2 Q. And is it -- am I correct, in that Sheet No. 2, Fifth
3 Revision, which is on Page 13 of this exhibit, this
4 is not a charge that the Fryeburg Water Company
5 charges in New Hampshire? Is that correct?

6 A. (Ms. Andrews) That is correct.

7 Q. And turning to Page 14 of Attachment A, which is
8 Sheet No. 3, Fourth Revision, is this also a charge
9 that does not apply in New Hampshire?

10 A. (Ms. Andrews) That is correct.

11 Q. So, of the Maine-approved tariffs, it's just Page 1,
12 Fifth Revision, that would apply to New Hampshire; is
13 that correct?

14 A. (Ms. Andrews) Correct.

15 Q. Ms. Andrews, do you have an opinion as to the just
16 and reasonableness of the rates that the Company
17 plans to charge? Do you consider them just and
18 reasonable?

19 A. (Ms. Andrews) Yes, I do.

20 Q. And Mr. Naylor, do you have an opinion as to whether
21 the rates that are proposed for the customers as a
22 result of the revenue increase are just and
23 reasonable?

24 A. (Mr. Naylor) Yes, I do. I believe they are just and

1 reasonable.

2 MR. RICHARDSON: Do The Commissioners
3 have a copy of the Stipulation Agreement, just as I
4 go through asking these questions? Okay. Thank you.

5 EXAMINATION

6 BY MR. RICHARDSON:

7 Q. Jean, if you could turn to Page 4 of 11 of the
8 Stipulation Agreement -- that's Exhibit 2, where it
9 says in Section III, Subsection A-1, Notice to
10 Customers -- and just tell the Commission what the
11 current practice is for providing notice when you
12 file in Maine for a rate increase. What do you
13 generally do?

14 A. (Ms. Andrews) I haven't been involved in too many of
15 the rate cases. But what I've always done is, when I
16 file in Maine, I like to file it with New Hampshire
17 as quickly as possible, just so that they have the
18 information as well. We hear back and notify
19 customers, so any intervenors can petition the PUC.

20 Q. And what is the -- is it the Company's practice to
21 send the notices of the Maine proceeding also to the
22 New Hampshire customers?

23 A. (Ms. Andrews) I have always done so.

24 Q. And that practice will continue on this?

1 A. (Ms. Andrews) Yes, it will.

2 Q. Okay. And then, looking at the next page where it
3 says Notice to the Commission, what's your
4 understanding of how this settlement agreement will
5 operate, in terms of the notice that you'll provide
6 once you've filed in Maine?

7 A. (Ms. Andrews) The notice to New Hampshire customers
8 or to --

9 Q. Well, in this case, talking about how the Company
10 plans to operate in terms of notifying the Commission
11 in New Hampshire.

12 A. (Ms. Andrews) We will send a notice of intent.

13 Q. Okay. And then, what in general has been your
14 experience with how long the Maine PUC takes to
15 review rates?

16 A. (Ms. Andrews) Again, I haven't been involved in very
17 many. But the last one took approximately three
18 months.

19 Q. And how many proceedings have you been involved in?

20 A. (Ms. Andrews) Two.

21 Q. Two? Okay. And does that -- it's your understanding
22 that that's not atypical?

23 A. (Ms. Andrews) Correct.

24 Q. And what typically -- do you have temporary rates in

1 Maine, or does the Commission approve it effective as
2 of what date?

3 A. (Ms. Andrews) They approve it as effective -- well,
4 it lists the date that we requested at this point.
5 However, they did approve it on April 16th, effective
6 April 1st.

7 Q. Okay. So it's more or less the time of the
8 settlement agreement. That's been your experience.

9 A. (Ms. Andrews) Correct.

10 Q. Okay. And let's look at the next section. And this
11 is the Section B, Request to Change in Permanent
12 Rates. It says no longer than 60 days after filing
13 its notice of intent. What is -- what's the
14 Company's intention for how quickly it's going to
15 move, once it's filed in Maine, with then filing its
16 schedules in New Hampshire?

17 A. (Ms. Andrews) Well, as soon as we receive our order
18 of notice we'd like to file the schedule.

19 Q. But I mean, I guess what I'm saying is, when you file
20 in Maine, it's your understanding that, in this
21 Subparagraph B, that you'll essentially take your
22 Maine filing and provide that to the Commission in
23 New Hampshire as its New Hampshire filing?

24 A. (Ms. Andrews) Correct.

1 Q. Now, what is -- I'm going to skip over C for a
2 moment, the Order of Notice, and focus on Paragraph D
3 on Page 6 of 11.

4 What does the Company plan to do once it
5 receives its Maine PUC approval?

6 A. (Ms. Andrews) We will submit any additional
7 information to New Hampshire, as well as the order
8 from the Maine PUC and our schedules, as well as
9 proposed tariff schedules for New Hampshire
10 customers.

11 Q. Hmm-hmm. And the schedules that you'll be providing
12 will actually be the ones that were approved by the
13 Maine PUC?

14 A. (Ms. Andrews) Correct.

15 Q. And those differ slightly from the New Hampshire
16 ones?

17 A. (Ms. Andrews) We hope not.

18 Q. Okay. I mean in terms of the format --

19 A. (Ms. Andrews) Oh, format. Absolutely.

20 Q. -- of the information that's provided.

21 Okay. And so that is the purpose behind the
22 waiver provision that's in Paragraph E?

23 A. (Ms. Andrews) Correct.

24 Q. And what is the Company's hope, in terms of how the

1 New Hampshire PUC process would then proceed?

2 A. (Ms. Andrews) We hope that the whole procedure will
3 be streamlined, saving time and hopefully costs
4 associated with a rate case.

5 Q. But is it your understanding that this provision
6 provides for temporary rates to take effect at the
7 Maine PUC rate, based on Staff recommendation?

8 A. (Ms. Andrews) Yes.

9 Q. Okay. And that would be where it says -- that's
10 discussed in Paragraph G on Page 7 of 11?

11 A. (Ms. Andrews) Yes.

12 Q. Okay. Why do you think it's in the customer's
13 interest to proceed in that fashion and not simply do
14 a full rate case in New Hampshire?

15 A. (Ms. Andrews) We feel that it's going to save
16 customers money, with there only being 62 customers
17 in New Hampshire. Having a full rate case can be
18 expensive.

19 Q. So you think that, as a general matter, then, it
20 provides benefits to the New Hampshire customers to
21 apply the Maine rate --

22 A. (Ms. Andrews) Yes.

23 Q. -- as opposed to having to do a rate case and a
24 surcharge?

1 A. (Ms. Andrews) Correct.

2 Q. And what -- how does that benefit the Company?

3 A. (Ms. Andrews) Well, it streamlines the process,
4 saving a lot of time and money. And it just gets the
5 rates effective, hopefully, sooner.

6 Q. And why is time an issue?

7 A. (Ms. Andrews) Well, we're a very small company, and
8 we wear many hats. And if we're concentrating on a
9 long process, then we can't concentrate in other
10 areas.

11 Q. Are you a full-time employee of the Company?

12 A. (Ms. Andrews) I am not full-time, no.

13 Q. How many employees does the Company have?

14 A. (Ms. Andrews) Four.

15 Q. Four. Okay. And what are their responsibilities?

16 A. (Ms. Andrews) The others?

17 Q. Yes.

18 A. (Ms. Andrews) We have a president, a superintendent
19 and an assistant superintendent, as well as myself.

20 Q. So it's your feeling that allowing the Maine rate to
21 be adopted will benefit the Company and its customers
22 by allowing you to focus more on essentially the core
23 operations?

24 A. (Ms. Andrews) Correct.

1 MR. RICHARDSON: Do you want to
2 proceed or ask Mark questions at this point?

3 MS. THUNBERG: I'm prepared to ask.

4 MR. RICHARDSON: Okay.

5 EXAMINATION

6 BY MS. THUNBERG:

7 Q. Mr. Naylor, with respect to the Stipulation
8 Agreement, we've got a pretty detailed document here,
9 and I'm not asking you to go into detail and describe
10 every step that's in here. Jean Andrews has already
11 done some of that. But I think it would be helpful
12 to get the 10,000-foot-level view of, with the
13 process that's proposed in this document, and knowing
14 your history of being here, what is a -- if you could
15 please describe what is a new process and what is, in
16 this document, consistent with the old process of
17 handling Fryeburg rate cases.

18 A. (Mr. Naylor) Well, I think what's new is we have put
19 down on paper some of the steps that we may have
20 taken in previous cases, but perhaps not as cleanly
21 as we might have in terms of ensuring notice to
22 customers and providing the Company a clear structure
23 to use when they seek a rate proceeding. The Company
24 has indicated in its filing and in its discussions

1 with Staff its desire to streamline the process, and
2 we certainly agree with that. This Commission has
3 adopted the Maine rates in previous cases, but it
4 hasn't always been as easy as we hoped it would be,
5 and perhaps should be. The last case that was done,
6 I believe, was in '07. There's no prohibition on
7 Construction Work in Progress in Maine. The Company
8 had a small amount of CWIP in its rates in Maine, and
9 so the Commission here had a much more lengthy
10 review. And that ultimately generated a fair amount
11 of rate case expense which had to be borne by the 67
12 customers here in New Hampshire.

13 So I think what we've done is to present to the
14 Commission today a process which will streamline how
15 the Company can seek new rates, make sure that we
16 have adequate notice to the New Hampshire customers
17 of the ongoing proceeding in Maine, and at the same
18 time we'll open our docket here through the
19 acceptance of a notice of intent from the Company.
20 The Company will make its Maine filing with us here,
21 and we will have a docket ready to receive the
22 Company's approval or final order from the Maine
23 Commission and then make a recommendation on it from
24 that point. So it certainly should be a much cleaner

1 and easier process. This company's not a large
2 company overall. I think it has about 800 or so
3 customers in total. So it's important, I think, to
4 try to make this a cleaner process and easier and
5 less expensive. So I think that's what we've
6 accomplished in this agreement.

7 Q. Mr. Naylor, do New Hampshire customers lose any
8 rights under this proposal?

9 A. (Mr. Naylor) They do not. And this Commission will
10 always retain the ability to review the Company's
11 rates as approved in Maine, to look at any aspect of
12 the Company's cost structure, its operations. The
13 Commission does not cede any jurisdiction whatsoever
14 with respect to Fryeburg's service in New Hampshire.

15 EXAMINATION

16 BY MR. RICHARDSON:

17 Q. I just have a brief question for Staff, if I could.

18 Mark, in Paragraph G on Page 7 of 11, and then
19 spilling over onto 8, it says that, in the event
20 Staff recommends that the Commission issue an order
21 suspending the rates approved by the MPUC, Staff
22 agrees to recommend that the Commission allow
23 Fryeburg to charge the rates approved by the MPUC as
24 temporary rates, subject to reconciliation or

1 adjustment, pursuant to R.S.A. 378:27-29. And I was
2 hoping you could explain to me how you see that
3 working.

4 A. (Mr. Naylor) Well, this particular section of the
5 agreement permits the Company to put into rates --
6 put into effect the rates that it's been granted in
7 Maine at the same time the rates are permitted to go
8 into effect in Maine. In the event that Staff were
9 to make a recommendation that the Commission open a
10 proceeding for further review, it seems only logical
11 that there would certainly be some basis for opening
12 the review. And so it makes sense that the rates for
13 the New Hampshire customers that have taken effect
14 and gone into effect be subject to modifications.
15 The only way to really do that is to treat them as
16 temporary rates. And so that's the purpose of this.
17 I think, from a practical sense, the only thing that
18 would really be -- excuse me -- that's really of
19 significant concern for Staff is the fact that
20 Construction Work in Progress is not permitted in New
21 Hampshire. So that, to me, at least sitting here
22 today, that's the only thing that really causes me a
23 lot of concern, would be if they were CWIPing the
24 rates approved in Maine. Then, that would certainly

1 be the major issue that we would take up and
2 recommend the Commission issue a suspension order.
3 But this gives the Company the ability to put into
4 effect the approved rates from Maine for all of its
5 customers at the same time. The Company was
6 concerned about that aspect of treating all of its
7 customers the same. And so this is the approach that
8 we agreed on to make that happen.

9 Q. Thank you.

10 EXAMINATION

11 BY MS. THUNBERG:

12 Q. Mr. Naylor, I have one other follow-up. With respect
13 to having the rate increase go into effect for all of
14 the customers at the same time, does that minimize
15 any shifting of the burden? Would it, I guess,
16 eliminate Maine customers bearing a disproportionate
17 amount of the revenue increase until the New
18 Hampshire customers caught up?

19 A. (Mr. Naylor) It certainly could. And that's really a
20 fairness issue that the Company has raised to us in
21 our discussions about this. They felt that the
22 Company should be treating all of its customers the
23 same way, and if there is a change in rates, that
24 that change should take effect for all customers at

1 the same time. So we agreed with that. And from
2 that standpoint, that's why we included this
3 provision.

4 MS. THUNBERG: Thank you. It appears
5 that we have no further questions for the panel.

6 CHAIRMAN GETZ: Thank you.
7 Commissioner Ignatius.

8 CMSR. IGNATIUS: Thank you.

9 INTERROGATORIES BY CMSR. IGNATIUS:

10 Q. Good afternoon. Ms. Andrews, at times there have
11 been issues with Fryeburg regarding water quality and
12 some customer service issues. Are there currently
13 any pending matters with the environmental regulators
14 in either Maine or New Hampshire, as far as you know?

15 A. (Ms. Andrews) No, there are not.

16 Q. And how about any open customer issues that are being
17 looked at by either of the two jurisdictions?

18 A. (Ms. Andrews) No, there are not.

19 Q. Assuming this settlement is approved, the Company
20 would still file an annual report with the New
21 Hampshire PUC?

22 A. (Ms. Andrews) That's correct.

23 Q. And it would still be subject to the New Hampshire
24 assessment?

1 A. (Ms. Andrews) Yes.

2 Q. Mr. Naylor, a question about the waiver provisions on
3 Page 6 of the Stipulation Agreement, Exhibit 2. The
4 document lists a number of our administrative rules
5 to be waived because there are similar provisions in
6 Maine, and it would be -- you'll get to the same
7 information with Maine documents and not require
8 duplicative filings in New Hampshire; correct?

9 A. (Mr. Naylor) That's correct.

10 Q. Sometimes our administrative rules reference
11 statutory requirements as well as administrative
12 rules that we've created to further implement
13 statutory requirements; correct?

14 A. (Mr. Naylor) Yes, that's correct.

15 Q. Have you looked to see if any of the things through
16 which waiver is being sought are actually statutory
17 requirements which we don't have the authority to
18 waive?

19 A. (Mr. Naylor) Yes, we certainly went through all of
20 the administrative rules. I don't recall anything
21 implicated with respect to statutes. Seems like the
22 biggest burden to bring together this stipulation was
23 the anti- -- the so-called anti-CWIP provision. But
24 in reviewing the orders issued in Maine, the

1 standards appear to be pretty much the same, in terms
2 of how we look at rate base and used and useful
3 standard. Expenses are treated very similarly, in
4 terms of what's allowed in and what's not and what
5 kind of pro forma adjustments can be made. So I
6 don't think we have any issues there that are of
7 concern.

8 Q. Ms. Andrews, one other thing I wanted to check with
9 you on. If you'd look at Exhibit 3, which is the
10 proposed new tariff, and compare it to the existing
11 tariff. Do you have those?

12 A. (Ms. Andrews) I do.

13 Q. There are a couple of things that I wonder if they're
14 typos, and make sure if they are, they're cleaned up
15 before they're filed.

16 If you look at the quarterly rates in the top
17 block of the proposed rates, for over 72,000 cubic
18 feet per quarter, the number is .779; in the two
19 blocks below it's just .79. Should it be .79?

20 A. (Ms. Andrews) No. And we brought that up. It was
21 investigated, because we caught that as well.

22 What happened in the Maine PUC case is, at the
23 last minute, the public advocate wanted to take
24 \$10,000 off the requested increase. And in order to

1 accomplish that, Malcolm Horton, our auditor at the
2 time, came up with these figures. Unfortunately, he
3 is no longer with us to get maybe some more
4 documentation on how he did that. But it has been
5 double-checked, and his notes have been
6 double-checked, and that is correct.

7 Q. Okay. That's fine. So that's correct.

8 And then the very bottom line on that proposed
9 sheet has the 6-inch-pipe meter size going down
10 compared to the current rates, when every other
11 number on the sheet seems to go up. So I wondered if
12 that was intentional or a typographical error. Do
13 you see the \$686.35 on the proposed? Compare that to
14 \$759.72 in the existing.

15 A. That, too, was questioned, and it was -- again, it
16 was believed to have been just, without having Mr.
17 Horton here to answer that for us. But that was
18 questioned. We don't have -- I think we have one
19 customer with a 6-inch.

20 Q. The monthly charge is proposed to be just under \$300.

21 A. (Ms. Andrews) 298.45. Yes.

22 Q. So I would assume the quarterly charge would be just
23 under \$900.

24 A. (Ms. Andrews) That would make sense.

1 Q. You might just double-check --

2 A. (Ms. Andrews) Yeah.

3 Q. -- and if there needs to be a revision to the tariff
4 sheet, have that submitted so there's no confusion.
5 Thank you.

6 A. (Ms. Andrews) Thank you.

7 CHAIRMAN GETZ: I think that can be
8 done as a compliance matter.

9 INTERROGATORIES BY CHAIRMAN GETZ:

10 Q. Just a couple of questions, Ms. Andrews.

11 If I do my math correctly, it looks like the
12 East Conway customers are 7 to 8 percent of the
13 Fryeburg customers overall. Does that sound about
14 right?

15 A. (Ms. Andrews) Sounds about right.

16 Q. And are all of the customers in East Conway
17 residential?

18 A. (Ms. Andrews) The majority, yes. We have a couple
19 businesses and one farm.

20 Q. And I assume in the Fryeburg, Maine customer base,
21 there's more business and industry and commercial
22 customers?

23 A. (Ms. Andrews) Yes, there are.

24 Q. Is it likely that the revenues in the -- or usage in

1 East Conway is less than 7 percent overall?

2 A. (Ms. Andrews) It is.

3 Q. All right. That's all I have.

4 Is there anything else for the witnesses?

5 MS. THUNBERG: None.

6 MR. RICHARDSON: I had one follow-up
7 question in response to a question raised by
8 Commissioner Amidon [sic]. And it's almost as much a
9 statement as a question, but I'll pose it to the
10 witness.

11 EXAMINATION

12 BY MR. RICHARDSON:

13 Q. On Page 8 of the settlement agreement, you see where
14 Section VIII is -- Section H, the last sentence in
15 the first paragraph, says that, in the event that the
16 effective date of any change in rates approved by the
17 MPUC does not comply with notice requirements under
18 New Hampshire law or this agreement, Fryeburg shall
19 revise the effective date of its New Hampshire tariff
20 schedules accordingly.

21 And so my question, for actually both witnesses,
22 is that this agreement is really intended to use the
23 initial order of notice in order to meet the
24 statutory notice requirements; would you agree with

1 that?

2 A. (Ms. Andrews) Did you say Page 8?

3 Q. Page 8 of 11. And it's in Paragraph H.

4 (Witness reviews document.)

5 A. (Ms. Andrews) Yes, that's my understanding.

6 A. (Mr. Naylor) Yes, I agree.

7 CHAIRMAN GETZ: Okay. Thank you. I
8 take it there's nothing further for the witnesses, so
9 you're excused. Thank you.

10 (WHEREUPON the witnesses were
11 excused.)

12 CHAIRMAN GETZ: I note that the
13 exhibits were marked for identification as described
14 by counsel. Any objections to striking
15 identifications and admitting them into evidence?

16 MS. THUNBERG: None.

17 MR. RICHARDSON: None.

18 CHAIRMAN GETZ: They'll be admitted
19 into evidence.

20 (WHEREUPON exhibits marked for
21 identification now admitted into evidence.)

22 CHAIRMAN GETZ: So, opportunity for
23 closings.

24 MS. THUNBERG: Thank you,

1 Commissioners, for your consideration of the proposal
2 today.

3 In looking back at the prior rate
4 cases of this Company, just to give a summary, back
5 in 1976, the Company sought a rate increase and did
6 not seek rate case expenses. Six years later, in
7 1982, there was another rate case; again, no rate
8 case expenses. And in both of those cases, '76 and
9 '82, the Commission appeared to have just adopted the
10 Maine rates with a streamlined review in New
11 Hampshire.

12 There was another rate case in 1989.
13 again, it was streamlined; no rate case expenses. In
14 1992, there was a rate case that had no expenses. I
15 couldn't discern whether it was as streamlined as the
16 prior rate cases. And a couple more, just to
17 continue. In 2000, there was a rate review, and the
18 Company expressly agreed not to recover rate case
19 expenses. The anomaly is, as Commissioner Ignatius
20 alluded to, in 19 -- in 2007, rather, there was a
21 water-quality issue. And that rate case was dealing
22 with water-quality issues at the time. There were --
23 also, there was a CWIP issue and there were rate case
24 expenses incurred. But looking at the history of

1 this Company and how the Commission has treated it in
2 the past, it's been more of a streamlined process.
3 So, with this particular case, Staff and the Company
4 thought it would be best to let's expressly identify
5 what that streamline process should be and put it in
6 a document. So that was the genesis of the proposal
7 that you have before you, is to just document what
8 has happened in the past.

9 So, going forward, I know Ms. Andrews
10 testified the benefits of the customers and the
11 benefit to the Company are reduced costs for both the
12 Company and rate case expense for the customers.
13 Staff supports this. Staff has thoroughly
14 reviewed -- even though this particular rate case
15 proceeding was more of a streamlined nature, it
16 thoroughly reviewed what occurred in Maine and is
17 comfortable with the revenue requirement adopted
18 there. It is less than what the Company proposed
19 initially, and Staff is comfortable with how that
20 revenue requirement is allocated to the customers.
21 And with that, we respectfully request you approve
22 the Stipulation Agreement today. Thank you.

23 CHAIRMAN GETZ: Thank you.

24 Mr. Richardson.

1 MR. RICHARDSON: Thank you, Mr.
2 Chairman. I really haven't prepared much of a
3 closing statement. But I'd just like to briefly say
4 that the Company appreciates the Commission's review
5 and Staff's review in this case.

6 Obviously, the Company has lost money
7 in the three years of 2009, 2008 and 2007. And it's
8 important, if you're going to run a water company and
9 provide the quality of water that people expect, that
10 you're also entitled to a reasonable return upon the
11 investment. And so this agreement accomplishes that,
12 in terms of a rate case. And I think that's good,
13 and I think that the Company has really done a lot to
14 help both its Maine customers and its New Hampshire
15 customers. Going forward, I think that that's the
16 real interesting part in all of this.

17 And, of course, as you know, we came
18 into this proceeding asking for an open-ended,
19 essentially, authority to charge the Maine rates.
20 But we kept an open mind, and we came up with a
21 process that we think operates within the confines of
22 New Hampshire law and really provides a tremendous
23 benefit. I mean, it puts -- this case and this
24 agreement are unusual, in that it really puts both

1 the Company and its customers in the same shoes,
2 because the customers in Maine are really receiving a
3 benefit from the Maine rate review and the Company's
4 willingness to charge those rates, because what --
5 you know, what they're getting is essentially the
6 rates that are approved, the rates that are just and
7 reasonable. The difference between Maine rates and
8 New Hampshire rates hasn't been all that great in the
9 past. And so what we're -- it sounds like a cliché
10 for a company to say that this is in its customer's
11 best interests. But in this case, I really think it
12 is, because those 62 customers now -- used to be
13 67 -- are really there and are being served not
14 because it's in Fryeburg Water's financial best
15 interest to do that. It's really a historical
16 accident. If you go back and look at the history,
17 the Company's source of supply was a reservoir that
18 was in East Conway. That reservoir was discontinued,
19 and the Company continued to serve them. Of course,
20 the geography and the economics of water systems
21 being what they are -- you know, we're not a large
22 customer. It's very difficult to operate in a
23 distinct regulatory environment with only 60 or 70
24 customers that you can amortize the regulatory

1 expenses over.

2 So what this will allow the New
3 Hampshire customers to do is to receive the benefit
4 of essentially a very similar rate review. And it
5 allows the Company to benefit because it can take all
6 the resources that it would spend getting New
7 Hampshire rates approved and going through a full
8 rate case and use those to focus on its core
9 operations. It obviously has a very small staff.
10 Ms. Andrews is part-time.

11 And so what we end up with is really
12 the best of both worlds. And we think that we have
13 gone through and we've met all the requirements for
14 notice that are statutorily based. We looked very
15 hard at 378:3. And what we did in order to meet that
16 requirement was we had the Company submit its
17 schedules in Maine as part of its New Hampshire
18 filing, more or less simultaneously. And then
19 there's an order of notice that gets issued. And
20 that order of notice will be issued by this
21 Commission, and it will be served by the Company. So
22 everyone will have knowledge of what's happening, and
23 they'll have the legal notice of the rate request
24 that's been made. At that point, this Commission

1 will have the opportunity to conduct its own
2 investigation, and the Company will continue to
3 respond to any information request, as any regulated
4 utility would.

5 What will happen is, once the Maine
6 rates are approved, using that prior order of notice
7 that was served on the New Hampshire customers, it
8 will then move very quickly to some form of a
9 settlement, either through quick issues through a
10 suspension order; or, if the Staff is inclined to
11 recommend it -- and they don't have to. They're free
12 to recommend whatever they would like to under New
13 Hampshire law -- they'll come out with that
14 recommendation to simply adopt the Maine rate, which
15 we think is what's going to happen. So, in effect,
16 from the outside, from a customer's perspective, this
17 settlement agreement is going to look and feel just
18 like a regular rate case. They're going to receive
19 an order of notice. It's going to tell them that
20 they can provide comments to this Commission. Staff
21 can consider those. This Commission can consider
22 those. Once the Maine approval is known, we're going
23 to move hopefully fairly quickly, and we hope that
24 we'll have rates that match what New Hampshire law

1 requires so that they can be implemented on a
2 Company-wide basis. Ad that's really what the
3 objective is here. And we hope that in reviewing
4 this you'll reach the same conclusions. Thank you.

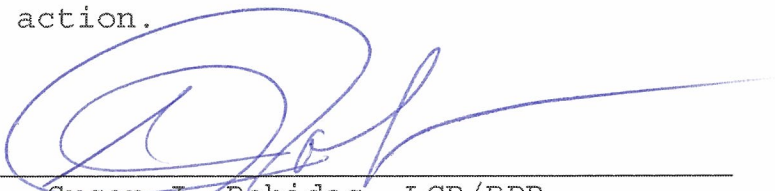
5 CHAIRMAN GETZ: All right. Thank you.
6 We will close the hearing and take the matter under
7 advisement.

8 (WHEREUPON, the hearing was adjourned
9 at 2:55 p.m.)

C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public of
the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic notes
of these proceedings taken at the place and
on the date hereinbefore set forth, to the
best of my skill and ability under the
conditions present at the time.

I further certify that I am neither
attorney or counsel for, nor related to or
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and further, that I am not a relative or
employee of any attorney or counsel employed
in this case, nor am I financially interested
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