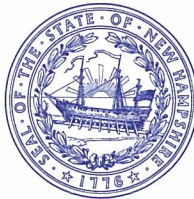


THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Robert R. Scott
Martin P. Honigberg

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

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Website:
www.puc.nh.gov

NHPUC 12FEB14PM4:32

February 12, 2014

Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DW 12-306 Rosebrook Water Company, Inc.
Staff Recommendation regarding Recovery of Rate Case Expenses

Dear Ms. Howland:

On January 8, 2014, Rosebrook Water Company, Inc. (Rosebrook) submitted to the Commission Staff (Staff) a proposal for recovering its rate case expenses. Rosebrook's submission was made in accordance with a stipulation agreement which was approved by the Commission in Order No. 25,613 on December 23, 2013.

Rosebrook requested recovery of a total of \$24,917.53 in rate case expenses. Rosebrook calculated a surcharge to collect the expenses from its ratepayers; it recommended the surcharge be apportioned among the ratepayers equally in four quarterly installments at the same time as the water rates are due. Rosebrook has 404 ratepayers and thus the recovery would be \$61.68 per ratepayer over 4 quarterly billing periods, or \$15.42 per ratepayer per quarter. Rosebrook's summary of rate case expenses is attached.

To assist Staff in its review of this proposal, Rosebrook submitted copies of invoices in support of the rate case expense amounts indicated above. Staff thoroughly reviewed this documentation and found the documentation to corroborate the requested expenses. Copies of this backup documentation are available upon request. Based on this review as well as Staff's discovery, Staff recommends the Commission approve recovery of \$1,177.99 in rate case expenses. This is \$23,739.54 less than the amount requested by Rosebrook.

✓

January 10, 2014

Staff deducted from Rosebrook's request, expenses related to services provided by St. Cyr & Associates because these expenses were contracted by the McLane Law firm, not Rosebrook, for the provision of accounting services for the rate case and non-rate case related work. The McLane Law firm does not represent Rosebrook in this proceeding. According to St. Cyr & Associates, Inc., the expenses under this contract were paid in full by a third party, Wells Fargo. Rosebrook and Wells Fargo seek Commission approval for the transfer of Rosebrook's stock to Wells Fargo in Docket No. DW 12-299. Upon advice of counsel, because Rosebrook has not incurred these expenses, it would be inappropriate for Rosebrook to seek recovery from ratepayers. Additionally, rate case expenses can only be recovered by regulated utilities pursuant to PART Puc 1903 of the Commission's rules. For these reasons, Staff recommends the Commission authorize Rosebrook to recover \$1,177.99 in rate case expenses.

With respect to a surcharge, Staff recommends that Rosebrook be authorized to recover its rate case expenses through a surcharge apportioned among all ratepayers equally in one quarterly installment at the same time as the water rates are due. Because Rosebrook has 404 ratepayers, the surcharge would be \$2.92 per ratepayer for one quarter.

Rosebrook has reviewed Staff's recommendations and has authorized Staff to report the following: "Staff appears to have incorrectly assumed that the expenditures associated with the services provided by Mr. St. Cyr is not an obligation of Rosebrook, and therefore should not be recoverable as rate case expenses. Mr. St. Cyr's invoices were paid by Wells Fargo in the first instance because of the severe cash shortage that Rosebrook has been facing. Had Wells Fargo not paid the invoices on Rosebrook's behalf, Rosebrook would have been unable to pay Mr. St. Cyr for his services. However, counsel for Wells Fargo has advised the Company not to pursue the matter."

If you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,



Robyn J. Descoteau
Utility Analyst, Gas & Water Division

Attachment: Rosebrook's summary of rate case expenses
Rosebrook's responses to Staff Discovery Set 3 (redacted)

cc: Service List

Rosebrook Water Company

DW 12-306 Rate Case Expenditures

St. Cyr & Associates

<u>Date of Invoice</u>	<u>Period</u>	<u>Vendor / Supplier</u>	<u>Total Amount</u>
-		St. Cyr & Associates	\$ 2,000.00
12/7/2012		St. Cyr & Associates	2,127.11
1/12/2013	12/12	St. Cyr & Associates	156.25
2/8/2013	01/13	St. Cyr & Associates	1,781.25
3/10/2013	02/13	St. Cyr & Associates	3,566.78
4/16/2013	03/13	St. Cyr & Associates	78.13
5/10/2013	04/13	St. Cyr & Associates	2,108.15
6/8/2013	05/13	St. Cyr & Associates	1,281.25
7/3/2013	06/13	St. Cyr & Associates	3,656.25
8/6/2013	07/13	St. Cyr & Associates	468.75
9/18/2013	08/13	St. Cyr & Associates	1,062.50
10/4/2013	09/13	St. Cyr & Associates	3,625.00
11/2/2013	10/13	St. Cyr & Associates	578.13
12/1/2013	11/13	St. Cyr & Associates	-
1/3/2014	12/13	St. Cyr & Associates	781.25
1/6/2014	01/14	St. Cyr & Associates	468.75
Total			<u>\$23,739.54</u>

Company Costs

<u>Date of Invoice</u>	<u>Period</u>	<u>Vendor / Supplier</u>	<u>Total Amount</u>
1/7/2013		MWHotel Postage	\$ 187.90
1/29/2013		Nancy Oleson Mileage	87.50
3/11/2013		Steven E. Patnaude, LCR Transcript	180.60
9/17/2013		Nancy Oleson Mileage	116.39
10/1/2013		Steven E. Patnaude, LCR Transcript	<u>605.60</u>
Total			<u>\$ 1,177.99</u>

Grand Total	<u>\$24,917.53</u>
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SPSt. Cyr
1/7/2014

Rosebrook Water Company

DW 12-308 Proposed Surcharge for Recovery of Rate Case Expenditures

Total Step Increase Expenditures	<u>\$ 24,917.53</u>
Number of Customers	<u>404</u>
Total Proposed Surcharge per Customer	<u>\$61.68</u>
Total Proposed Surcharge per Customer per quarter	<u>\$15.42</u>

SPSt. Cyr
1/7/2014

**DW 12-306
ROSEBROOK WATER COMPANY
STAFF DATA REQUESTS – SET 3**

Data Requests Received: October 11, 2013

Date of Response: October 18, 2013

Staff 3-1

Witness: Stephen P. St. Cyr

Request: Please provide a copy of Stephen P. St. Cyr & Associates engagement letter for professional services associated with the preparation and filing of the 2012 rate case; \$4,000.

Responses: See attached engagement letter.

February 24, 2012

Rolf Goodwin
McLane Graf, Raulerson & Middleton PA
900 Elm Street
P. O. Box 326
Manchester, N. H. 03105

Re: Rosebrook Water Company – 2012 Rate Case

Dear Mr. Goodwin:

This letter states my understanding of the objectives of the engagement, the nature of the service and the terms of the arrangement.

1. Review the financial statements and PUC Annual Report and supporting financial data for the twelve months ended December 31, 2011.
2. Determine the actual rate of return and revenue deficiency for the twelve months ended December 31, 2011.
3. Prepare notice of intent to file for change in rates and request for waiver of certain PUC 1604.01 requirements.
4. Prepare initial rate filing including the following:
 - (1) Introductory Letter
 - (2) Report of Proposed Rate Change
 - (3) Proposed Tariff Rate Page
 - (4) Direct Testimony of Stephen P. St. Cyr
 - (5) Rate Case Exhibits (including proforma adjustments)
 - (6) Proposed Statement to be transmitted to customers
 - (7) Response to certain NHPUC 1604.01 requirements
 - (8) An attestation regarding the rate filing being an accurate reflection of the Company's books
5. Prepare for and participate in prehearing conference and technical session.
6. Assist in NHPUC Audit. Review/Respond to Audit Requests.
Review/Respond to Audit Report.

7. Review/Respond to Staff/Intervener Data Requests.
8. Prepare for and participate in Settlement Conference. Negotiate Settlement Agreement.
9. Prepare for and participate at hearing on merits.
10. Review NHPUC order. Assist in implementation of NHPUC order.

The hourly fee for preparation of the rate filing and work performed in connection with the rate filing is [REDACTED] per hour. Out of pocket expenses (i.e., mileage, copies, postage, telephone, etc.) will also be billed. The estimated costs for my services of pursuing the rate case over the next six to twelve months are \$10,000 - \$15,000. The estimate assumes that the financial information is readily available, properly recorded and reasonably accurate. It also assumes that you and/or your staff and the staff that provides services to Rosebrook Water Company work cooperatively with me in obtaining the financial information required for the preparation of the initial filing and throughout the rate proceeding. Billing for such services will initially be in two installments, the first, \$2,000.00 along with a signed copy of the engagement letter, and second, \$2,000.00 plus expenses incurred to date upon completion of the rate filing (tasks 1 – 4). Subsequently, billing for such services will be monthly in arrears at [REDACTED] per hour. Payment is due upon receipt of billing.

I appreciate the opportunity to be of service to you. I believe this letter accurately summarizes the significant tasks and terms of the engagement. If you have any questions, please call me at 207-282-5222 or email me at stephenpstcyr@yahoo.com. If you agree with the tasks and terms of the engagement as described in this letter, please sign the letter and return it to me.

Very truly yours,

Stephen P. St. Cyr

This letter sets forth the tasks and terms of the service to be performed and the fee and billing arrangement by Stephen P. St. Cyr & Associates for Rosebrook Water Company.

Rolf Goodwin

**DW 12-306
ROSEBROOK WATER COMPANY
STAFF DATA REQUESTS – SET 3**

Data Requests Received: October 11, 2013

Date of Response: October 18, 2013

Staff 3-2

Witness: Stephen P. St. Cyr

Request: Please provide copies of cancelled checks for all rate case related expenses for which the company requests reimbursement.

Response: Neither the Company nor St. Cyr & Associates have the cancelled checks for payment of St. Cyr's rate case related invoices. St. Cyr submits his invoices to McLane for review and McLane forward the invoices to Wells for payment. As such, Wells would have the cancelled checks. Wells has paid St. Cyr for services provided thru June 30, 2013.

**DW 12-306
ROSEBROOK WATER COMPANY
STAFF DATA REQUESTS – SET 3**

Data Requests Received: October 11, 2013

Date of Response: October 18, 2013

Staff 3-3

Witness: Stephen P. St. Cyr

Request: Please provide an explanation as to why Stephen P. St. Cyr & Associates invoices were sent to McLane, Graf, Raulerson & Middleton PA, 900 Elm Street, P.O. Box 326, Manchester, NH 03105-0326.

Response: McLane, Graf, Raulerson & Middleton PA (“McLane”) represents Wells Fargo (“Wells”), the prospective owner of Rosebrook Water Company. Wells was advised that Rosebrook was overdue for a rate increase and requested McLane to oversee Rosebrook’s rate case on their behalf. As such, St. Cyr consults with and gets input and direction from McLane. St. Cyr’s invoices are submitted to McLane for review and forwarded onto Wells for payment.

**DW 12-306
ROSEBROOK WATER COMPANY
STAFF DATA REQUESTS – SET 3**

Data Requests Received: October 11, 2013
Staff 3-4

Date of Response: October 18, 2013
Witness: Stephen P. St. Cyr

Request: In reference to Stephen P. St. Cyr & Associates invoice charges dated 01/04 and 01/05, please explain how preparing and emailing a Form W-9 relates to the rate case.

Response: McLane requested and St. Cyr complied with the request to provide name, address, type of entity and taxpayer identification number on Form W-9 so as to get paid its rate case related expenditures.

**DW 12-306
ROSEBROOK WATER COMPANY
STAFF DATA REQUESTS – SET 3**

Data Requests Received: October 11, 2013
Staff 3-5

Date of Response: October 18, 2013
Witness: Stephen P. St. Cyr

Request: Regarding the costs submitted by Nancy Oleson on 1/29/13 and 9/17/13, please explain the increase in mileage from Bartlett to Concord from 175 miles in January to 206 miles in September.

Response: On 1/29/13 Ms. Oleson left from the Company location to attend the prehearing conference and technical session at the PUC. On 9/17/13 Ms. Oleson left her home to attend the hearing on permanent rates at the PUC. Ms. Oleson's home is a further away than the Company location.