

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 20, 2014 - 11:25 a.m.
Concord, New Hampshire

NHPUC JUN10'14 AM 9:41

RE: DW 13-128
PITTSFIELD AQUEDUCT COMPANY:
Notice of Intent to File Rate Schedules.
(Hearing on Permanent Rates)

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Martin P. Honigberg

Sandy Deno, Clerk

APPEARANCES: Reptg. Pittsfield Aqueduct Company:
Thomas B. Getz, Esq. (Devine, Millimet...)

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
James Brennan
Office of Consumer Advocate

Reptg. PUC Staff:
Marcia A. Brown, Esq.
Mark Naylor, Dir./Gas & Water Division
Jayson Laflamme, Gas & Water Division
Robyn Descoteau, Gas & Water Division

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

ORIGINAL

PAGE NO.

WITNESS PANEL: DONALD L. WARE
LARRY D. GOODHUE
ROBYN J. DESCOTEAU

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Administrative notice taken of the testimony in the May 20, 2014 transcript in DW 13-126 regarding Sections C, D, E, & F of the Settlement Agreement in DW 13-126

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
3	Settlement Agreement on Permanent Rates, including attachments	5
4	PUC Staff's Final Audit Report (noted as dated 01-14-13, correct date should be 01-14-14)	5

P R O C E E D I N G

CHAIRMAN IGNATIUS: All right. I'd like to open the hearing in Docket DW 13-128. This is Pittsfield Aqueduct Company's permanent rate case. We have noticed a hearing for this morning on the filing of the Settlement Agreement in this case that's been entered into by the Company, the Office of Consumer Advocate, and the Commission Staff.

Let's begin first with appearances please.

MR. GETZ: Good morning, madam Chair, Commissioners. I'm Tom Getz, with the law firm of Devine, Millimet & Branch, on behalf of Pittsfield Aqueduct Company. And, with me this morning are John Patenaude, the Chief Executive Officer, Charlie Hoepper, the Director of Regulatory Affairs. And, in the witness box are Don Ware, the Chief Operating Officer, and Larry Goodhue, the Chief Financial Officer.

CHAIRMAN IGNATIUS: Good morning.

MS. HOLLENBERG: Good morning. Rorie Hollenberg and James Brennan here for the Office of Consumer Advocate.

MS. BROWN: Good morning, Commissioners. Marcia Brown, on behalf of Staff. And, with me today is

1 Mark Naylor and Jayson Laflamme. And, with the
2 presentation of the Settlement Agreement today, the
3 parties would like to present a panel of witnesses. And,
4 Robyn Descoteau is Staff's participant in that panel.

5 We also, the parties in this case, would
6 like to premark for identification some exhibits, if I may
7 go through those?

8 CHAIRMAN IGNATIUS: Yes, please.

9 MS. BROWN: The Settlement Agreement,
10 which was filed on May 15th, we would like to mark that as
11 "Exhibit 3", the Settlement Agreement and the attachments.

12 CHAIRMAN IGNATIUS: So marked.

13 (The document, as described, was
14 herewith marked as **Exhibit 3** for
15 identification.)

16 MS. BROWN: For Exhibit 4, there are a
17 number of references to the Audit Report in the Settlement
18 Agreement. And, we failed to attach that. So, I'd like
19 to mark that, or we'd like to mark the Audit Report dated
20 "January 14th, 2013" as "Exhibit 4".

21 CHAIRMAN IGNATIUS: All right. We'll
22 mark each of those for identification.

23 (The document, as described, was
24 herewith marked as **Exhibit 4** for

1 identification.)

2 MS. BROWN: There is also a mathematical
3 error in the Settlement Agreement. On Page 7 of the
4 Settlement Agreement, there are two figures for the
5 eminent domain costs. The \$540,000 figure should have
6 been "\$490,090". The \$4 million figure should have been
7 "4,458,232". Those numbers were derived from Attachment
8 B. And, on Page 31 of the Settlement Agreement, you will
9 see a couple of columns: "Amount to Disallow", which had
10 that incorrect \$540,000 figure. So, that should be
11 corrected to "\$490,090". The last column, "Audited
12 Recoverable Dollar", or dollar symbol, that \$4 million
13 total should be "4,458,300" -- I'm sorry, "\$232
14 (\$4,458,232). Those are the only two changes that we are
15 aware of.

16 CHAIRMAN IGNATIUS: Thank you.

17 MS. HOLLENBERG: Excuse me just for a
18 moment. Should the audit be dated "2014"?

19 MS. BROWN: That looks like a typo.
20 This is the Final Audit Report for this particular docket.
21 There was no other one. So, Staff would surmise that
22 that's got to be an error, and should be "2014".
23 Especially since it was talking about reports issued in
24 "November 2013" at the end of this first page. So, thank

1 you for pointing that out.

2 CHAIRMAN IGNATIUS: Thank you. All
3 right. Then, are we ready to begin with the panel?

4 (No verbal response)

5 CHAIRMAN IGNATIUS: If so, then, Mr.
6 Patnaude, will you swear the witnesses please.

7 (Whereupon **Donald L. Ware, Larry D.**
8 **Goodhue, and Robyn J. Descoteau** were
9 duly sworn by the Court Reporter.)

10 **DONALD L. WARE, SWORN**

11 **LARRY D. GOODHUE, SWORN**

12 **ROBYN J. DESCOTEAU, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. GETZ:

15 Q. Good morning. Mr. Ware, some preliminary questions for
16 you. Please state your full name for the record.

17 A. (Ware) Donald L. Ware.

18 Q. And, by whom are you employed?

19 A. (Ware) Pennichuck Water Works.

20 Q. What is your position with the Company?

21 A. (Ware) My position with the Pittsfield Aqueduct Company
22 is Chief Operating Officer.

23 Q. And, would you please briefly describe your duties.

24 A. (Ware) Yes. As Chief Operating Officer, I'm

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 responsible for the Engineering, Distribution, Water
2 Supply, and Customer Service functions of the
3 Pittsfield Aqueduct Company.

4 Q. Thank you. And, Mr. Goodhue, would you please state
5 your full name for the record.

6 A. (Goodhue) Yes. It is Larry D. Goodhue.

7 Q. And, by whom are you employed?

8 A. (Goodhue) Pennichuck Water Works.

9 Q. What is your position with the Company?

10 A. (Goodhue) My position with Pittsfield Aqueduct is as
11 Chief Financial Officer, Treasurer, and Controller.

12 Q. And, would you please describe your duties.

13 A. (Goodhue) Yes. My responsibilities include oversight
14 for the Financial, Accounting, Compliance and Budgeting
15 areas of the Company.

16 Q. And, Mr. Ware, did you file direct testimony on
17 permanent rates in this case on May 31, 2013, which can
18 be found at Tab 8 of Exhibit 1?

19 A. (Ware) Yes, I did.

20 Q. Was that testimony prepared by you or under your
21 supervision?

22 A. (Ware) Yes, it was.

23 Q. Do you have any changes or corrections?

24 A. (Ware) No, I do not.

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1 Q. And, if I were to ask you those same questions today,
2 would your answers be the same?

3 A. (Ware) Yes, they would be.

4 Q. And, did you participate in the development of the
5 Settlement Agreement on behalf of the Company in this
6 proceeding?

7 A. (Ware) Yes, I did.

8 Q. So, Mr. Goodhue, did you file direct testimony on
9 permanent rates in this case on May 31, 2013, which can
10 be found in Tab 9 of Exhibit 1?

11 A. (Goodhue) Yes, I did.

12 Q. Was that testimony prepared by you or under your
13 supervision?

14 A. (Goodhue) Yes, it was.

15 Q. Do you have any changes or corrections to that
16 testimony?

17 A. (Goodhue) No, I do not.

18 Q. If I were to ask you those same questions today, would
19 your answers be the same?

20 A. (Goodhue) Yes, they would.

21 Q. And, did you participate in the development of the
22 Settlement Agreement on behalf of the Company?

23 A. (Goodhue) I did, yes.

24 Q. Do either you or Mr. Ware have any changes that should

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 be made to the Settlement Agreement?

2 A. (Goodhue) I do not.

3 A. (Ware) I do not.

4 MR. GETZ: Thank you, gentlemen.

5 BY MS. BROWN:

6 Q. Ms. Descoteau, could you please state your name and
7 position with the Commission for the record.

8 A. (Descoteau) My name is Robyn J. Descoteau. I'm a
9 Utility Analyst of the Gas/Water Division for the New
10 Hampshire Public Utilities Commission.

11 Q. And, as a utility analyst, can you please describe your
12 responsibilities?

13 A. (Descoteau) I am responsible for the examination,
14 evaluation, and analysis of rate and financing filings,
15 including the recommendation of changes in revenue
16 levels that conform to regulatory methodologies and/or
17 proposals for economical -- economical and accounting
18 and operational changes affecting regulated utility
19 revenue requirements.

20 I also represent Staff in meetings with
21 the Company officials, outside attorneys, and
22 accountants relative to rate case and financing
23 matters, as well as Commission rules and policies and
24 procedures.

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[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 Q. Can you please tell me what your area of expertise is?

2 A. (Descoteau) Accounting and finance.

3 Q. And, the testimony you'll be providing today, will that
4 be within your area of expertise?

5 A. (Descoteau) Yes, it will.

6 Q. Can you tell me or please describe your involvement
7 with this docket?

8 A. (Descoteau) I reviewed the original finance -- filing,
9 including testimony. I reviewed the Audit Reports. I
10 asked three sets of discovery questions, reviewed the
11 responses to each set, the revised filing, when it was
12 presented. And, I participated in the settlement
13 discussions and prepared the revenue requirement
14 schedules for the Settlement Agreement.

15 Q. Ms. Descoteau, when you mention the "Audit Reports",
16 are you referring to the Audit Report that I just asked
17 to be premarked for identification as "Exhibit 4"?

18 A. (Descoteau) That's correct.

19 Q. Okay. All right. And, I'm sorry, did you say that
20 you're familiar with the Settlement Agreement?

21 A. (Descoteau) Yes.

22 Q. You did. Okay. Can you please explain your
23 involvement with the Settlement Agreement?

24 A. (Descoteau) I prepared the revenue requirement

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1 schedules.

2 Q. Okay. And, other than the corrections that I read into
3 the record regarding the eminent domain costs, are you
4 aware of any changes or corrections that need to made
5 to the Settlement Agreement?

6 A. (Descoteau) No, I'm not.

7 CMSR. HONIGBERG: Can I step you,
8 Ms. Brown, for just a sec? Regarding those eminent domain
9 costs, unfortunately, I had a few moments here, and I
10 added up one of the columns.

11 MS. BROWN: Are we still wrong?

12 CMSR. HONIGBERG: I think we may still
13 be wrong. If someone could take a look on Page 31 of this
14 Agreement, the third column, under "Audited Recoverable",
15 I am fairly certain that that third column, actually, the
16 last digit is going to be a 1, not a 2. So, clearly, it's
17 not going to affect very much here, but --

18 WITNESS DESCOTEAU: It's probably just a
19 rounding issue at that point, an Excel rounding. If
20 you --

21 CMSR. HONIGBERG: These are actual
22 dollars we're talking about. These are bills from
23 dollars -- from vendors. So, I don't think we're talking
24 about --

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 MS. BROWN: I think if you add them
2 sideways, it works out, and you don't have the rounding
3 error.

4 WITNESS DESCOTEAU: Right.

5 MS. BROWN: You have a "total", less the
6 disallowed, gives you the 230 -- gives you one with a 2 at
7 the end of it.

8 (Court reporter interruption.)

9 MS. BROWN: Gives you one with a 2 in
10 it.

11 WITNESS DESCOTEAU: If you add the
12 columns from left to right, it's "4,458,232".

13 CMSR. HONIGBERG: Okay.

14 WITNESS DESCOTEAU: What happens a lot
15 with Excel spreadsheets is you have the "cents" column
16 hidden, so, you get rounding issues.

17 CMSR. HONIGBERG: So, just to be clear,
18 so that that record is clear, the numbers that are in the
19 right-hand column have cents in them.

20 WITNESS DESCOTEAU: They're hidden.

21 CMSR. HONIGBERG: There's a decimal
22 point, and then two -- two cents listed. But they're
23 hidden in this spreadsheet?

24 WITNESS DESCOTEAU: Correct.

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[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 CMSR. HONIGBERG: If you add them up,
2 they round to the "232" digit at the end, correct?

3 WITNESS DESCOTEAU: Right. When they're
4 hidden.

5 CMSR. HONIGBERG: Okay.

6 WITNESS DESCOTEAU: They're just the
7 rounding issues.

8 CMSR. HONIGBERG: All right. Thank you.
9 Sorry to interrupt.

10 MS. BROWN: No, that's okay.

11 BY MS. BROWN:

12 Q. Ms. Descoteau, you had mentioned that you created the
13 schedules. So, if I could start with you on these
14 schedules to the Settlement Agreement.

15 A. (Descoteau) Yes.

16 Q. You have a summary of the proposed revenue increase on
17 Page 2, do you see that, of the Settlement Agreement?

18 A. (Descoteau) One more time?

19 Q. I'd like to draw your attention to Page 2 of the
20 Settlement Agreement.

21 A. (Descoteau) Correct.

22 Q. And "Permanent Rates".

23 A. (Descoteau) Yes.

24 Q. And, do you see the "8.95 percent" increase?

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1 A. (Descoteau) I do.

2 Q. And the permanent rates --

3 A. (Descoteau) Yes.

4 Q. -- increase?

5 A. (Descoteau) Yes.

6 Q. You have schedules, do you not, --

7 A. (Descoteau) I do.

8 Q. -- indicating how you arrived at that?

9 A. (Descoteau) I do.

10 Q. Okay. If you could please explain those.

11 A. (Descoteau) The schedules begin on Page 13, and they go
12 through Page 22. And, on Attachment A, you have the
13 revenue requirement schedules. It begins with rate
14 base, which is also found on Schedule 2, of "799,765".
15 You multiply that by the rate of return of 600 --
16 excuse me -- "6.14 percent", which is found on
17 Schedule 1A. And, you come out with an operating
18 income requirement of "49,106". And, you deduct from
19 that the proforma operating income, found on
20 Schedule 3, of "12,137". And, you get a revenue
21 deficiency before taxes of "36,969". And, then, you
22 adjust that for the income tax factors of
23 "60.39 percent". And, you come up with a revenue
24 deficiency of "61,217".

1 Q. Okay. Thank you. Can I have you go back to the rate
2 base?

3 A. (Descoteau) Okay.

4 Q. And, on Schedule 2.

5 A. Yes.

6 Q. There are a series of adjustments 1 through 6.

7 A. (Descoteau) Yes.

8 Q. And, I note that they are explained on Page -- on
9 Schedule 2A. Are there any of these adjustments that
10 are more significant than the other that you wish to
11 bring to the Commissioners' attention?

12 A. (Descoteau) Adjustment Number 1 relates to the
13 non-revenue producing additions, where we -- the Staff
14 and the Settling Parties agreed on an adjustment for
15 the non-revenue producing additions of "\$8,119". And,
16 then, Adjustment Number 3, there was an adjustment for
17 the Construction Work in Progress of "\$19,522".

18 Q. Thank you. A question regarding the total rate base.
19 Do you have an opinion as to whether the plant in this
20 rate base is used and useful?

21 A. (Descoteau) Through discovery and from the audit that
22 was conducted, I do believe it's used and useful.

23 Q. Thank you. With respect to the rate of return, how did
24 you calculate the rate of return?

1 A. (Descoteau) The rate of return is calculated on
2 Schedule 1A. And, it takes the short-term debt and
3 common stock, and it's based on the financing
4 components for rate of return of 6.14 percent.

5 Q. And, there's no long-term debt?

6 A. (Descoteau) No.

7 Q. I'd like to move to the Revenue Requirement summary on
8 Page 13, you have the "Operating Income Requirement".
9 I'd like to go to that schedule, Schedule 3. And, you
10 made a number of adjustments --

11 A. (Descoteau) Yes.

12 Q. -- as a result of this Settlement.

13 A. (Descoteau) Yes.

14 Q. And, it looks like you took the original filing, then
15 there were Company responses to Staff 3-7.

16 A. (Descoteau) That's correct.

17 Q. Are there any of these adjustments that are more
18 significant than another that you wish to bring to the
19 Commissioners' attention?

20 A. (Descoteau) The property tax adjustments were just to
21 adjust, that's Adjustment Number 10, to adjust the 2013
22 to the actual billings. And, that's the most
23 significant one.

24 Q. And, what was the test year?

1 A. (Descoteau) 2012.

2 Q. And, so, is this adjustment based on the 2013
3 billings --

4 A. (Descoteau) Yes.

5 Q. -- for 2012?

6 A. (Descoteau) Yes.

7 Q. Thank you. Now, you have a schedule in here, 3B, which
8 had changes or adjustments for the income taxes. Could
9 you just explain this please.

10 A. (Descoteau) Yes. Schedule 3B adjusts the income taxes
11 based on the adjustments made from the proforma
12 adjustments, and just increases or decreases the
13 expense -- the income tax expense based on the
14 adjustments. It's adjusted through the operating
15 expenses.

16 MS. BROWN: Okay.

17 (Atty. Brown conferring with Atty. Getz)

18 BY MR. GETZ:

19 Q. Mr. Ware, turning to Page 3 of the Settlement
20 Agreement, Section B, concerns the effective date for
21 the permanent rate increase. Would you just briefly
22 summarize what the agreement is there.

23 A. (Ware) Yes. The agreement was that the permanent rate
24 increase would go into effect for service rendered on

1 or after July 1st of 2013. And, that the Company would
2 file with the Commission within 30 days of the final
3 order a calculation showing the amount of recoupment
4 that we expect. The recoupment being the difference
5 between the temporary rates and the permanent rates on
6 all service after July 1st, 2013 up through the date of
7 the order. As indicated, you know, we'll be providing
8 those calculations to the OCA. Additionally, we'll be
9 filing compliance tariffs to supplement the filing, to
10 indicate the approved recoupment, as well as the
11 permanent rates that will be in effect.

12 MR. GETZ: Thank you.

13 BY MS. BROWN:

14 Q. Ms. Descoteau, a question about, when that filing
15 recoupment between temporary and permanent rates come
16 in, what is Staff going to do with that filing?

17 A. (Descoteau) Staff will be reviewing Pittsfield
18 Aqueduct's filing and will be making a recommendation
19 to the Commission concerning the Company's proposed
20 recoupment amount and the surcharge recommendation.

21 MS. BROWN: Commissioners, at this
22 point, there's -- we're getting to the point in the
23 Settlement Agreement that overlaps with the prior docket.
24 And, in that docket, I had notified you that we would be

1 making an argument that the Commission -- or, a request
2 that the Commission take administrative notice. So, I'd
3 like to make that argument at this point. Under RSA
4 541-A:33, the Commission is allowed to take administrative
5 notice of records in other proceedings before this agency,
6 and that authority is also carried through with our
7 administrative rule Puc 203.27.

8 As you know, Pittsfield Aqueduct
9 Company, Pennichuck East utility, and Pennichuck Water
10 Works all are under common ownership. And, in Docket DW
11 11-026, there were certain accounting entries involving
12 equity items and a Municipal Acquisition Regulatory Asset.
13 We would like the portion of the transcript that discusses
14 these issues from docket DW 13-126 to be noticed in this
15 docket, DW 13-128. And, the specific issues are, as they
16 appear in the Settlement Agreement, the testimony
17 involving, on Page 3, "Clarification of Certain
18 Ambiguities Contained in DW 11-026 Settlement Agreement".
19 We'd also like to have notice taken of the testimony in
20 the PEU hearing on the "Valuation of Equity-Related
21 Items". I think Mr. Goodhue had testified to that issue,
22 along with the "Determination of Return on Equity". And,
23 then, I believe it was Mr. Ware and Mr. Laflamme who
24 discussed the "Treatment of Non-Revenue Producing Items".

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 There was also, I think, previous
2 testimony on the "Eminent Domain Costs". And, then, there
3 was brief testimony on the "MARA", which I believe was Mr.
4 Goodhue.

5 So, that was -- that's the extent of the
6 subject matter that we'd like the Commission to take
7 notice of, so that we don't have to reiterate it here,
8 given that the same parties are involved.

9 CHAIRMAN IGNATIUS: Is there any
10 objection to the request?

11 MR. GETZ: No objection.

12 MS. HOLLENBERG: My only comment would
13 be that, to the extent that my questioning covered the
14 issues that we're discussing now, as far as administrative
15 notice, that those also, those portions of my questioning
16 and answers related to that be included as well.

17 CHAIRMAN IGNATIUS: Thank you. And, I
18 assume that the request would cover any other questioning
19 by Commissioners or otherwise addressing those areas that
20 are covered in Sections C, D, E, and F of the Settlement
21 Agreement we'd be taking notice of?

22 MS. BROWN: Yes. Good modifications.
23 Thank you.

24 CHAIRMAN IGNATIUS: I think that's fine.

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1 It's a nice way to be sure that all of that information is
2 in the record, without having to restate all of it. So,
3 we'll grant the request. Thank you.

4 MS. BROWN: Thank you.

5 **(Administrative notice taken.)**

6 BY MR. GETZ:

7 Q. Mr. Ware, if I turn to your attention to Pages 7 and 8
8 of the Settlement Agreement, Section G, "Rate Design",
9 and Section H, "Rate Impacts", would you please briefly
10 describe the agreement on those issues among the
11 parties.

12 A. (Ware) Yes. The agreement was that there would be no
13 change to Pittsfield's rate design. And, that the rate
14 design, the 8.95 percent increase that was recommended,
15 would be applied uniformly to each one of the customer
16 classes. And, the result of that 8.95 percent rate
17 increase, again, looking at the average residential
18 customer with a 5/8ths inch meter, based on a usage of
19 700 -- excuse me -- 70 hundred cubic feet per year,
20 would result in a annual bill of \$747.48, which
21 translates to an increase over the current rates for
22 the same amount of usage of \$61.22 per year, or \$5.10
23 per month.

24 Q. Thank you. Then, if we can move onto the next section

1 of the Settlement Agreement, Section I, on Page 8,
2 would you please explain the agreement regarding the
3 WICA for this proceeding.

4 A. (Ware) Yes. As part of DW 10-090, the Commission gave
5 us in that order the ability to implement a WICA pilot.
6 Since that time, we have not implemented a pilot,
7 because, again, as we have looked at the nature of what
8 a WICA is, and the plans for capital improvements at
9 the Pittsfield Aqueduct Company, the WICA did not seem
10 to be an appropriate mechanism to have in force.

11 And, so, consequently, you know, we have
12 not implemented it. And, we do not plan to pursue or
13 implement a pilot program. And, we concurred with the
14 Staff and Settling Parties that the allowance of a
15 pilot would expire as of the date of the order in this
16 particular rate case.

17 MR. GETZ: Thank you.

18 BY MS. BROWN:

19 Q. Ms. Descoteau, I just want to step back to another
20 issue I forgot to ask you. You explained earlier that
21 you had created all of the schedules for the Settlement
22 Agreement, correct?

23 A. (Descoteau) Correct.

24 Q. And, some of the adjustments in those schedules were

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 based from the Audit Report, is that right?

2 A. (Descoteau) That's right.

3 Q. Are you aware of any issues that were left unresolved
4 in the Audit Report?

5 A. (Descoteau) They have all been resolved.

6 MS. BROWN: Okay. Thank you.

7 (Atty. Brown conferring with Atty. Getz)

8 BY MR. GETZ:

9 Q. Mr. Ware, also turning back to the Settlement
10 Agreement, and Section J, on Page 8. Would you please
11 describe the agreement with respect to the Rate Case
12 Expense Surcharge.

13 A. (Ware) Yes. The Settling Parties agreed that
14 Pittsfield would be allowed to recover its reasonable
15 rate case expenses for the proceeding through a
16 surcharge. And, the surcharge would be applied over a
17 12-month period.

18 Q. And, the Staff and the parties would have the
19 opportunity to review and provide a recommendation?

20 A. (Ware) Correct. We will submit to the Staff and to
21 the OCA the final rate case expenses for purposes of
22 audit and review no later than 30 days from the final
23 order.

24 MR. GETZ: Thank you.

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1 BY MS. BROWN:

2 Q. Ms. Descoteau, once PAC makes its filing for its rate
3 case expenses with the Commission, what will Staff's
4 role be?

5 A. (Descoteau) Similar to the filing between permanent and
6 temporary rates, excuse me, the Staff will be reviewing
7 the rate case expenses for reasonableness, and we'll be
8 making a recommendation to the Commission on the
9 proposed recoupment and surcharge.

10 Q. Thank you. Mr. Ware, I have a question to you about
11 competitive bidding, and whether the Company was able
12 to take advantage of that with respect to its rate case
13 expenses?

14 A. (Ware) Yes. In this case, the outside help that we
15 used again was legal. At the initiation of the
16 process, we sought RFPs from various legal firms. And,
17 as a result, we selected to work with Devine, Millimet
18 for this case.

19 Q. Thank you. Mr. Ware, there's -- the issue of
20 regulatory compliance isn't expressly in the Settlement
21 Agreement, but it's always good to check in with a
22 utility at the time of a rate case on its compliance
23 with Department of Environmental Services and EPA. Are
24 there any compliance issues that the Company is

1 addressing that you want to bring to the Commission's
2 attention?

3 A. (Ware) We are in compliance with and have completed all
4 our efforts to be in compliance with the current
5 regulations that govern us.

6 MS. BROWN: Great.

7 BY MR. GETZ:

8 Q. Mr. Goodhue, in your opinion, is the Settlement
9 Agreement reasonable and in the public interest?

10 A. (Goodhue) Yes. Yes, I do feel so. And, pardon me a
11 minute. Yes. As it provides for adequate revenue and
12 cash flow to meet the Company's ongoing expenses, and
13 an opportunity to earn a fair return on our investment.

14 Q. Mr. Ware, do you agree?

15 A. (Ware) Yes, I do.

16 Q. And, also, Mr. Ware, one additional question. Are you
17 aware of any outstanding issues with any customers who
18 may have filed comments in this docket?

19 A. (Ware) I am not aware of any outstanding issues.

20 MR. GETZ: Thank you.

21 BY MS. BROWN:

22 Q. Ms. Descoteau, do you have an opinion as to the just
23 and reasonableness of the rates proposed in this
24 Settlement -- or, that will result from the revenue

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 requirement proposed in this Settlement Agreement?

2 A. (Descoteau) I feel they are just and reasonable at this
3 time.

4 Q. And, I guess I'll -- this is similar to the question
5 that you were asked by counsel, Mr. Goodhue, but I'll
6 ask you about customer rates. Do you have an opinion
7 as to the just and reasonableness of the rates that
8 will result from the revenue requirement?

9 A. (Goodhue) I'm in agreement that they will be just and
10 reasonable.

11 Q. Mr. Ware, your opinion?

12 A. (Ware) I would concur that the Settlement Agreement
13 results in just and reasonable rates.

14 MS. BROWN: Thank you. I think we're
15 done with our direct now. Thank you.

16 CHAIRMAN IGNATIUS: All right. Mr.
17 Getz, you're done?

18 MR. GETZ: Yes.

19 CHAIRMAN IGNATIUS: All right. Ms.
20 Hollenberg, do you have questions?

21 MS. HOLLENBERG: Yes, just a few. Would
22 you like me to do those now?

23 CHAIRMAN IGNATIUS: Please.

24 MS. HOLLENBERG: Okay. Thank you.

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1 Actually, it looks like I just have one area to cover.

2 **CROSS-EXAMINATION**

3 BY MS. HOLLENBERG:

4 Q. Mr. Goodhue, you testified in the initial filing -- if
5 you could turn to Page 13 of your testimony please.

6 A. (Goodhue) One moment. I'm going to get that from my
7 associate.

8 MR. GETZ: You're referring to Tab 9 of
9 Exhibit 1?

10 MS. HOLLENBERG: Yes, please. Thank
11 you.

12 (Atty. Getz handing document to Witness
13 Goodhue.)

14 WITNESS GOODHUE: You said "Page 13"?

15 MS. HOLLENBERG: Yes, please.

16 WITNESS GOODHUE: One moment. Go ahead.

17 BY MS. HOLLENBERG:

18 Q. So, to introduce another acronym to our day's hearings,
19 I'd like to talk to you for a few minutes about the
20 "rate stabilization fund".

21 A. (Goodhue) Yes, ma'am.

22 Q. And, you testified on this page about what that fund is
23 and the purpose of the fund. And, basically, it was a
24 sum of money out of the acquisition debt, is that

1 correct?

2 A. (Goodhue) That is correct.

3 Q. \$5 million?

4 A. (Goodhue) That is correct.

5 Q. Which was contributed initially to PWW, I believe?

6 A. (Goodhue) It is PWW. Yes, ma'am.

7 Q. Okay. And, that was contributed initially as debt?

8 A. (Goodhue) Initially, that is how it was bookkept, yes.

9 Q. And, we will talk later, when we talk about the PWW
10 settlement, about how that amount is now going to be
11 booked going forward, is that correct?

12 A. (Goodhue) That is correct.

13 Q. Okay. And, the purpose of the RSF was to, for lack of
14 better words, to have a fund, access to funds to make
15 up any shortfall in the CBFRR amounts that were due to
16 be paid to Pennichuck Corp. from the utilities, is that
17 correct?

18 A. (Goodhue) That's correct. Relative to the CBFRR
19 revenues, yes.

20 Q. Yes. Thank you. And, would you agree that, since the
21 acquisition, there have been funds transferred from the
22 RSF to PAC, for purposes of its meeting its CBFRR
23 payment to Pennichuck, is that correct?

24 A. (Goodhue) During the test year 2012, the amount of

1 money was just under \$5,000.

2 Q. Thank you. And, in your testimony, at Page 13, you
3 suggest that there be a mechanism established for PAC,
4 similar to the mechanism currently in place for PWW, so
5 that revenues earned in excess of the CBFRR or below
6 the CBFRR are subject to the establishment of a
7 deferred credit or deferred debit, to be collected or
8 refunded in rates, amortized over a three-year period,
9 is that correct?

10 A. (Goodhue) That is correct. That is the structure, yes.

11 Q. So, in other words, you -- the Company, at the time of
12 the initial filing, the Company was thinking that it
13 would like to have a mechanism to recover through
14 customer rates any amounts that were transferred from
15 the RSF to that utility, for purposes of paying the
16 bond revenue requirement amounts, is that correct?

17 A. (Goodhue) Yes.

18 Q. And, do you agree that the Settlement Agreement in this
19 case does not include a mechanism to accomplish that
20 goal?

21 A. (Goodhue) I agree with that statement.

22 MS. HOLLENBERG: Okay. Thank you so
23 much. No other questions.

24 CHAIRMAN IGNATIUS: Thank you.

1 Commissioner Scott, any questions?

2 CMSR. SCOTT: Very briefly.

3 BY CMSR. SCOTT:

4 Q. So, Mr. Ware, on your testimony at the last page in
5 Tab 8 of Exhibit 1, it looks like that, going back to
6 my questioning in the last docket of the number of
7 customers and water usage, that that page seems to
8 indicate between 2009 and 2012 there's a slight
9 decrease in customers?

10 A. (Ware) That is -- that is correct.

11 Q. Is that a -- is that a trend or is that just --

12 A. (Ware) It appears to be a trend. When we acquired the
13 system, there was a little over 650 customers. We
14 currently have, I think as of last count, around 612
15 customers.

16 Q. And, for the next couple years, you expect a similar
17 decline, is that --

18 A. (Ware) Hard to say, in that particular town, what to
19 expect. But the town has not grown. There's been some
20 loss of commerce and some loss of residential
21 customers.

22 Q. So, somewhat tied to the economy, I assume?

23 A. (Ware) Yes.

24 Q. And, of course, not correspondingly, but also similar

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 to the last docket, there's a general decrease in the
2 amount of water usage it looks like?

3 A. (Ware) That is correct.

4 Q. And, can you characterize the general condition of the
5 system, as far as repairs, leaks?

6 A. (Ware) The system, as it was originally constructed,
7 was constructed all with primarily cast or ductile iron
8 pipe. There was some what we would call "tin pipe" in
9 the system. All that tin pipe has been replaced. And,
10 so, structurally, the distribution system is in fairly
11 good shape, although, again, the age of the pipe is
12 starting to get up there. And, there is still some
13 unlined cast iron pipe. But, again, structurally, it's
14 in good shape. The unaccounted for water falls within
15 the normal expectations of the standard set by the
16 American Water Works Association. The treatment plant
17 is currently producing water in compliance with all the
18 requirements of the Safe Drinking Water Act.

19 Q. And, all customers for this utility are metered also?

20 A. (Ware) That is correct.

21 CMSR. SCOTT: That's all I have. Thank
22 you.

23 CHAIRMAN IGNATIUS: Thank you.

24 Commissioner Honigberg?

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1 CMSR. HONIGBERG: I have no questions.

2 Thank you.

3 CHAIRMAN IGNATIUS: I have just a couple
4 of questions.

5 BY CHAIRMAN IGNATIUS:

6 Q. It appears in the schedules, looking at Schedule 1A,
7 and, Ms. Descoteau, you testified to it, there's no
8 long-term debt for the Company?

9 A. (Descoteau) That's correct.

10 Q. Is that unusual?

11 A. (Descoteau) It happens occasionally, but, you know,
12 it's somewhat unusual.

13 Q. Mr. Goodhue, do you want to -- any comments on why it
14 is that the Company has short-term debt, but no
15 long-term debt?

16 A. (Goodhue) The amount of capital investment we're making
17 on an annual basis is not highly significant. So, it's
18 either being funded through short-term intercompany
19 borrowings from the parent company.

20 Q. All right. And, you've determined that that's at a
21 better rate for ratepayers than doing it through a
22 long-term debt?

23 A. (Goodhue) One of the items is the Company is very
24 small. And, the ability to get long-term debt for very

[WITNESS PANEL: Ware~Goodhue~Descoteau]

1 small projects, you've got a couple of factors when
2 you're looking at very small amounts of money that
3 you're trying to borrow, and/or the Company, on its
4 own, its ability to borrow those monies from financial
5 institutions are limited.

6 Q. All right. Regarding recovery of Rate Case Expense
7 Surcharge, I think it was Mr. Ware who testified that
8 it would be -- that the numbers would be submitted
9 within 30 days, as described in Section J, on Page 8.
10 But you said that it would then be "recovered over a
11 12-month period". And, I don't see that as a term in
12 the Settlement. Is that yet to be worked out, and
13 ultimately up to the Commission to determine the period
14 of the surcharge?

15 A. (Ware) I believe the -- well, I know, in PEU, there was
16 a 12-month recovery period. And, if it's missing from
17 here, it certainly was our thoughts that it would be
18 over a 12-month period.

19 Q. Given the very small number of customers here, it can
20 make a difference how long you recover rate case
21 expenses. Would you agree?

22 A. (Ware) Yes.

23 CHAIRMAN IGNATIUS: I have no other
24 questions then. Is there any redirect from Mr. Getz or

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1 Ms. Brown?

2 MS. BROWN: Yes. Just a clarification
3 on the last point, about the 12-month recovery.

4 **REDIRECT EXAMINATION**

5 BY MS. BROWN:

6 Q. Let me get my questioning right. Mr. Ware, is it
7 correct that there is a -- the temporary/permanent
8 recoupment is a 12-month recovery proposal on Page 3 of
9 the Settlement Agreement?

10 A. (Ware) Yes. The temporary -- the recovery of the --
11 or, the recoupment of the difference between temporary
12 and permanent is over a 12-month period.

13 Q. Is it envisioned that the Rate Case Expense Surcharge
14 and the Temporary/Permanent Recoupment Surcharge will
15 be combined?

16 A. (Ware) That was the intent of the Agreement, yes. It
17 references that in here.

18 Q. Okay. I see that now on Page 8, the surcharges will be
19 combined. So, is that where you got the Rate Case
20 Expense surcharge would be 12 months?

21 A. (Ware) Yes.

22 Q. Okay.

23 A. (Ware) That's where we drew that conclusion.

24 MS. BROWN: Okay. I think that's the

1 only clarification I just wanted to bring. Thank you.

2 CHAIRMAN IGNATIUS: Thank you. Mr.
3 Getz.

4 MR. GETZ: Nothing further. I think
5 that clarifies the relationship between the Rate Case
6 Expense Surcharge and the recoupment period for the other
7 surcharge.

8 CHAIRMAN IGNATIUS: All right.
9 Ms. Hollenberg, any redirect?

10 MS. HOLLENBERG: If I may just ask one
11 question, for clarification purposes of Mr. Ware about the
12 timing of the last rate case?

13 WITNESS WARE: Yes.

14 MS. HOLLENBERG: For purposes of showing
15 the time period that has gone by since the last rate case.

16 CHAIRMAN IGNATIUS: Normally, we
17 wouldn't do that. But it's a quick question and you can
18 go ahead.

19 MS. HOLLENBERG: Okay.

20 **RECROSS-EXAMINATION**

21 BY MS. HOLLENBERG:

22 Q. Mr. Ware, do you agree that the Company's last rate
23 case was in 2008?

24 A. (Ware) For Pittsfield, the last rate case had a test

1 year of 2009.

2 MS. HOLLENBERG: Okay. Thank you so
3 much.

4 CHAIRMAN IGNATIUS: All right. Thank
5 you. Then, witnesses are excused. Thank you for your
6 testimony.

7 Is there any objection to striking the
8 identification of the exhibits and making them full
9 exhibits to the docket?

10 MR. GETZ: No objection.

11 MS. HOLLENBERG: No thank you.

12 CHAIRMAN IGNATIUS: Okay. We'll do
13 that. Anything to take up before closing comments?

14 MR. GETZ: No.

15 CHAIRMAN IGNATIUS: If not, then, let's
16 begin with Ms. Hollenberg.

17 MS. HOLLENBERG: Thank you. The Office
18 of Consumer Advocate recommends that the Commission
19 approve the Settlement Agreement as proposed by the
20 parties. And, we thank the Company and Staff for its time
21 and cooperation in this case, as well as for the
22 Commission in its time this morning. Thank you.

23 CHAIRMAN IGNATIUS: Thank you.
24 Ms. Brown.

1 MS. BROWN: Staff respectfully requests
2 the Commission approve the proposed revenue requirement
3 and the resulting rates, and to approve the terms of the
4 Settlement Agreement. We request that you take
5 administrative notice of the testimony from Docket DW
6 13-126, relating to the Settlement issues that appear at
7 Paragraphs C, D, E, and F. And, thank you again for your
8 time.

9 CHAIRMAN IGNATIUS: Thank you. Mr.
10 Getz.

11 MR. GETZ: Thank you, madam Chair. The
12 Company, likewise, wants to thank the Staff and the OCA
13 for their efforts in this proceeding, and would ask the
14 Commission to approve the Settlement Agreement.

15 CHAIRMAN IGNATIUS: All right. We'll
16 take it under advisement. We know that we have the final
17 of the three cases scheduled to begin at 1:30.

18 MR. GETZ: Yes.

19 CHAIRMAN IGNATIUS: So, we will be
20 adjourned until then.

21 **(Whereupon the hearing was adjourned at**
22 **12:11 p.m.)**

23

24