

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

January 9, 2018 - 1:33 p.m.  
Concord, New Hampshire

23 JAN 18 PM 0:00

RE: DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.:  
Request for Change in Rates.  
(Hearing on temporary rates)

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Kathryn M. Bailey  
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Hampstead Area Water Co., Inc.:  
Robert C. Levine, Esq.

Reptg. PUC Staff:  
Alexander F. Speidel, Esq.  
Mark Naylor, Director/Gas & Water Div.  
Jayson Laflamme, Gas & Water Division  
Robyn Descoteau, Gas & Water Division

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

**CERTIFIED  
ORIGINAL TRANSCRIPT**

**I N D E X**

**PAGE NO.**

**WITNESS PANEL:           STEPHEN P. ST. CYR**  
**ROBYN J. DESCOTEAU**

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

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1	Stipulation Agreement on Temporary Rates, including attachments (12-28-17)	6
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**CLOSING STATEMENTS BY:**

Mr. Speidel	29
Mr. Levine	30

**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We're here in Docket DW 17-118, which is Hampstead Area Water Company's rate case. They filed a petition for a temporary rate increase. We're here for a hearing on that request. There is a Settlement on file.

Before we do anything else, let's take appearances.

MR. LEVINE: Good morning -- good afternoon, Commissioners. I'm Robert C. Levine, attorney for the Company. With me at counsel's table is Steve St. Cyr, our consultant; John Sullivan, our Controller; and Harold Morse, President of the Water Company.

MR. SPEIDEL: Good afternoon, Commissioners. Alexander Speidel, representing the Staff of the Commission. And I have with me Mark Naylor, the Director of the Water Division. And also I have Jayson Laflamme and Robyn Descoteau, Utility Analysts for the Water Division.

CHAIRMAN HONIGBERG: All right. How are we proceeding this afternoon?

{DW 17-118} [RE: Temporary rates] {01-09-18}

1                   MR. SPEIDEL: Well, Mr. Chairman, we  
2                   would suggest that a panel of witnesses, with  
3                   Mr. St. Cyr, the accountant and testimonial  
4                   witness for the Company, and Ms. Descoteau take  
5                   the stand and offer a presentation of the  
6                   Stipulation Agreement.

7                   We would like to have that marked as  
8                   the first exhibit in this docket filing, and  
9                   I'll give it a little wrinkle as to why paper  
10                  copies have been distributed around the hearing  
11                  room.

12                  But, that said, once they have  
13                  finished their presentation, we would invite  
14                  the Commissioners to ask Bench questions of the  
15                  witnesses.

16                  CHAIRMAN HONIGBERG: All right. So,  
17                  it sounds like one preliminary matter to deal  
18                  with is the document we have in front of us.

19                  Are there any other preliminary  
20                  matters?

21                  MR. SPEIDEL: Not to my knowledge,  
22                  no.

23                  CHAIRMAN HONIGBERG: All right. Why  
24                  don't we have the witnesses take their place in

1 the witness box while someone explains what you  
2 need to tell us about Exhibit 1.

3 MR. SPEIDEL: It's just a little bit  
4 of a clean-up. Ms. Descoteau, my colleague,  
5 kindly noticed that, when this material was  
6 filed, that Bate stamps had not been added to  
7 the attachments to the Stipulation Agreement.  
8 So, this is an updated version of the filing  
9 that had been originally made, let's see, I  
10 want to double-check to make sure I have the  
11 date correct for the record.

12 CHAIRMAN HONIGBERG: The cover letter  
13 is dated "December 28th", I think.

14 MR. SPEIDEL: Yes. December 28th,  
15 and that was also the filing date. And it's  
16 currently under Tab 15, but this updated  
17 version has the Bate stamps, and obviously  
18 would have a new date. But there's no  
19 substantive difference in the actual filing  
20 material.

21 CHAIRMAN HONIGBERG: All right.  
22 Thank you.

23 MR. SPEIDEL: And we would like to  
24 have this marked as "Exhibit 1" at some point.

[WITNESS PANEL: St. Cyr|Descoteau]

1 CHAIRMAN HONIGBERG: Now is as good a  
2 time as any.

3 MR. SPEIDEL: Excellent. Thank you.

4 (The document, as described, was  
5 herewith marked as **Exhibit 1** for  
6 identification.)

7 CHAIRMAN HONIGBERG: All right.  
8 Anything else we need to deal with before we  
9 have the witnesses sworn in?

10 MR. LEVINE: No, Commissioner.

11 CHAIRMAN HONIGBERG: All right.  
12 Mr. Patnaude, would you do the honors please.

13 (Whereupon **Stephen P. St. Cyr**  
14 and **Robyn J. Descoteau** were duly  
15 sworn by the Court Reporter.)

16 CHAIRMAN HONIGBERG: Mr. Levine.

17 MR. LEVINE: Thank you,  
18 Mr. Commissioner.

19 CHAIRMAN HONIGBERG: Off the record.

20 *[Brief off-the-record discussion*  
21 *ensued.]*

22 MR. LEVINE: Thank you,  
23 Mr. Commissioner.

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

{DW 17-118} [RE: Temporary rates] {01-09-18}

**ROBYN J. DESCOTEAU, SWORN**

**DIRECT EXAMINATION**

BY MR. LEVINE:

Q Mr. St. Cyr, will you please state your name  
and business address for the record.

A (St. Cyr) My name is Stephen P. St. Cyr. The  
business address is 17 Sky Oaks Drive,  
Biddeford, Maine.

Q And by whom are you employed?

A (St. Cyr) I'm employed by St. Cyr & Associates.  
We do accounting, tax, management, and  
regulatory work.

Q And what is your relationship to the Company?

A (St. Cyr) We provide professional services to  
them. Specifically, we review their financial  
statements, prepare their PUC Annual Report,  
and assist them in regulatory filings before  
the Public Utilities Commission, including this  
particular case.

Q Have you previously testified before the  
Commission?

A (St. Cyr) Yes, I have.

Q And what is your involvement in this case?

A (St. Cyr) My involvement in this case was that

[WITNESS PANEL: St. Cyr|Descoteau]

1 I assisted the Company in preparing both the  
2 temporary and permanent rate case schedules. I  
3 also prepared my own testimony in support of  
4 the Company's request. In addition, I prepared  
5 the Report of Proposed Changes and the rate  
6 calculations. Finally, I worked with the  
7 Company in responding to Staff's data requests,  
8 and worked with both the Company and the Staff  
9 in developing the temporary rate schedules in  
10 the Stipulation Agreement.

11 MR. LEVINE: Thank you. At this  
12 point, Mr. Commissioner, I would turn the  
13 questioning over to my colleague, Mr. Speidel.

14 CHAIRMAN HONIGBERG: Mr. Speidel.

15 MR. SPEIDEL: Thank you, Mr.  
16 Chairman.

17 BY MR. SPEIDEL:

18 Q Ms. Descoteau, could you state your full name  
19 please.

20 A (Descoteau) My name is Robyn J. Descoteau.

21 Q And with whom are you employed and what is your  
22 business address?

23 A (Descoteau) I'm employed by the New Hampshire  
24 Public Utilities Commission. And my business

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1 address is 21 South Fruit Street, Concord, New  
2 Hampshire.

3 Q What is your position at the Public Utilities  
4 Commission?

5 A (Descoteau) I'm a Utility Analyst with the Gas  
6 & Water Division.

7 Q Could you please describe your position and  
8 responsibilities at the Commission.

9 A (Descoteau) I'm responsible for the  
10 examination, evaluation, and analysis of rate,  
11 finance -- rate and finance filings. This  
12 includes the recommendation of changes in  
13 revenue levels that conform to regulatory  
14 methodologies and/or proposals for economical,  
15 accounting and operational changes affecting  
16 regulated utility revenue requirements. I  
17 represent Staff in meetings with company  
18 officials, outside attorneys and accountants  
19 relative to the rate case and financing  
20 matters, as well as the Commission's rules  
21 policies, and procedures.

22 Q What is your area of expertise?

23 A (Descoteau) Accounting and finance.

24 Q Do you consider the testimony you offer today

[WITNESS PANEL: St. Cyr|Descoteau]

1 to be within your area of expertise?

2 A (Descoteau) Yes, I do.

3 Q Please describe your involvement with this  
4 docket.

5 A (Descoteau) I reviewed the original filing,  
6 including the testimony, testing the  
7 mathematical integrity of the filing and traced  
8 the filing back to the PUC Annual Reports on  
9 file with the Commission. I also reviewed the  
10 Annual [Audit?] Report prepared by the PUC  
11 Audit Staff. Following this, I asked one set  
12 of discovery questions and reviewed the  
13 responses. I also participated in the  
14 settlement discussions and prepared the revenue  
15 requirement schedules for the Settlement  
16 Agreement.

17 Q Are you aware of any corrections or changes  
18 that ought to be made to the Settlement  
19 Agreement or its schedules?

20 A (Descoteau) No, I am not.

21 MR. SPEIDEL: Thank you. I believe  
22 that Mr. Levine would like to begin some direct  
23 questioning of Mr. St. Cyr at this point.

24 CHAIRMAN HONIGBERG: Mr. Levine.

{DW 17-118} [RE: Temporary rates] {01-09-18}

1 MR. LEVINE: Thank you.

2 BY MR. LEVINE:

3 Q Mr. St. Cyr, what is the purpose of your  
4 testimony today?

5 A (St. Cyr) The purpose of my testimony is to  
6 support the Stipulation Agreement on Temporary  
7 Rates before the Commission today.

8 Q Before we address the temporary rates, please  
9 provide an overview of the permanent rate  
10 request.

11 A (St. Cyr) Yes. For permanent rates, HAWC has  
12 proposed to increase its annual revenues by a  
13 total of \$288,310, or 16.10 percent, to a total  
14 revenue requirement of 2,078,777. In its  
15 permanent rate filing, HAWC proposed a year-end  
16 rate base, an overall rate of return of  
17 6.42 percent, including a proposed cost of  
18 equity of 11.6 percent and a weighted average  
19 cost of debt of 3.46 percent, and increases to  
20 various expenses, including wages and benefits.

21 If the proposed revenue requirement is  
22 approved as submitted, HAWC's average  
23 customer's annual bill would increase from  
24 475.47 to 557.01, an increase of 81.60, or

1 17.16 percent.

2 Q Is there anything else that you would like to  
3 address before we address temporary rates?

4 A (St. Cyr) Yes. As part of the permanent rate  
5 filing, HAWC has proposed a cost of equity of  
6 11.6 percent. In my testimony, I indicated the  
7 Company was also considering hiring a cost of  
8 equity witness, specifically to look at the  
9 Company and its financial position, and to make  
10 a recommendation for a cost of equity specific  
11 to Hampstead Area Water Company.

12 Since that time, the Company has actually  
13 joined Abenaki Water Company and Lakes Region  
14 Water Company in hiring Pauline M. Ahern. She  
15 is an Executive Director at ScottMadden,  
16 Incorporated. The three companies expect to  
17 make a filing this month on an appropriate cost  
18 of equity for the three small New Hampshire  
19 water companies. HAWC anticipates that the  
20 result in that proceeding will be incorporated  
21 in this proceeding before it concludes.

22 Q Is there anything else you'd like to touch on  
23 in that regard?

24 A (St. Cyr) Yes. Only that the parties were

1 generally made aware of this and provided for  
2 it in the procedural schedule.

3 Q As to the temporary rate filing, can you  
4 provide an overview?

5 A (St. Cyr) Sure. For purposes of the temporary  
6 rate, HAWC proposed to increase its annual  
7 revenues by a total of \$131,780, or  
8 7.36 percent, to a total revenue requirement of  
9 1,922,247. In its temporary rate filing, HAWC  
10 proposes a more traditional 13-month average  
11 rate base, an overall rate of return of  
12 5.44 percent, including a proposed cost of  
13 equity of 9.6 percent, and a weighted average  
14 cost of debt of 3.46 percent, and made minimal  
15 adjustments to its expenses.

16 If the proposed revenue requirement was  
17 approved as submitted, HAWC's average annual  
18 customers' bills would go from 475.47 to  
19 512.77, an increase of 37.30, or 7.84 percent.

20 Q Does the Company propose any changes to its  
21 rate design?

22 A (St. Cyr) No. HAWC proposes to maintain the  
23 same base rates as is identified on Page 2 of  
24 the Stipulation Agreement, and proposes any

[WITNESS PANEL: St. Cyr|Descoteau]

1       increase in temporary rates be added to the  
2       consumption rate.

3   Q     Is there anything else you'd like to address  
4       before we discuss the terms of the Stipulation  
5       Agreement?

6   A     (St. Cyr) No.

7               MR. LEVINE:   Mr. Commissioners -- or,  
8       Commissioners, please, I'd like to turn my  
9       questioning over to Attorney Speidel.

10               MR. SPEIDEL:   Okay.

11   BY MR. SPEIDEL:

12   Q     Ms. Descoteau, in the context of the Settlement  
13       Agreement, could you please describe the  
14       difference between the temporary revenue  
15       requirement proposed by Hampstead in the  
16       temporary rate filing and the Settlement  
17       Agreement revenue requirement.

18   A     (Descoteau) Sure.   The Settlement Agreement  
19       revenue requirement is slightly lower than that  
20       described by Mr. St. Cyr due to four  
21       adjustments made to the rate base and two  
22       adjustments made to expenses.

23   Q     Would you agree with the proposition that the  
24       Settlement Agreement represents a compromise of

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1 the Staff's and Company's positions?

2 A (Descoteau) Yes, it does.

3 Q What is the revenue requirement recommended by  
4 the Settlement Agreement?

5 A (Descoteau) The recommended temporary revenue  
6 requirement proposed for Hampstead Area Water  
7 Company is \$1,845,496, and that that is a  
8 7.22 percent increase over current rates. This  
9 was based on a 2016 test year.

10 Q Does the Settlement Agreement include schedules  
11 showing how the revenue requirements were  
12 calculated?

13 A (Descoteau) Yes, it does. The calculation of  
14 proposed temporary revenue requirement is  
15 detailed in Attachment A, Schedules 1 through  
16 5.

17 Q What is the proposed rate of return under the  
18 Settlement Agreement?

19 A (Descoteau) The proposed rate of return is  
20 5.44 percent. And if you would refer to  
21 Attachment A, Schedule 2, this is detailed.  
22 This is comprised of a weighted average  
23 long-term debt equally 2.35 percent and common  
24 equity totally 3.09 percent. Debt is

1 67.78 percent and equity is 32.22 percent. The  
2 parties have agreed that, for purposes of this  
3 Agreement, the equivalent of a 9.6 rate of  
4 return on equity, the ROE, is reasonable. This  
5 ROE will be reevaluated during the next phase  
6 of this case.

7 Q Could you please explain Schedule 3, Rate Base,  
8 which, under the Hearing Exhibit 1, let me see  
9 where it is --

10 A (Descoteau) It's on Page 9.

11 Q Oh, thank you. Bates Page 009.

12 A (Descoteau) Schedule 3 shows the rate base as  
13 submitted in the initial filing and as  
14 reflected showing Staff proforma adjustments.

15 Q Did you make -- oh, I'm sorry.

16 A Schedule 3a, which is on Page 10, will show the  
17 four adjustments that were made by Staff.  
18 Specifically, there was an adjustment made for  
19 prepaid insurance, which exclude -- excuse me.  
20 Those were for all of the prepaid,  
21 miscellaneous prepaid, they already are  
22 included in operating expenses. And this is a  
23 newer adjustment that we're just starting to  
24 make, so that their expenses are not



1 double-accounted in cash working capital. And  
2 Fieldstone location was moved to Property Held  
3 for Future Use. And there was also cash  
4 working capital adjustments based on proforma  
5 adjustments.

6 Q On Schedule 3, Ms. Descoteau, what is "working  
7 capital"?

8 A (Descoteau) "Working capital" is an allowance  
9 for funds that the utility expended for the  
10 operation and maintenance of the utility prior  
11 to receiving revenues for the services  
12 provided. Hampstead used a formula common in  
13 utility practice: O&M expenses, times a  
14 working capital percentage, which in this case  
15 is 12.33 percent, which is half of the billing  
16 period of 15 days, plus 30 days, divided by 365  
17 days in the year.

18 Q Could you please explain Schedule 4, which  
19 reads "Income Statement"?

20 A (Descoteau) Sure. That's found on Page 12.  
21 The income statement, as submitted -- it shows  
22 the income statement as submitted in the  
23 initial filing and as reflected following the  
24 proforma adjustments, which are found on Page

1 13.

2 Q Were any adjustments made to this schedule,  
3 and, if so, could you please explain them?

4 A (Descoteau) Two adjustments were made. One was  
5 made to reduce the Admin. and General expenses  
6 for a 401k which was not taken by an employee,  
7 and the second was to take the tax effect of  
8 all of the adjustments, the proforma  
9 adjustments.

10 Q And the tax effect of proforma adjustments are  
11 explained on Schedule 4b?

12 A (Descoteau) Yes, on Page 14.

13 Q Could you please explain what impact the  
14 temporary rate proposed under the Settlement  
15 Agreement will have on the monthly bill of a  
16 residential customer.

17 A (Descoteau) Sure. These are found on Page 16.  
18 A residential customers using 5.700 cubic feet  
19 of water, which was estimated by the Company in  
20 one of the data responses, will see their water  
21 increase from 38.49 per month to 41.53 per  
22 month, or an increase of \$3.04 per month.  
23 Which is an average of approximately 36.53, or,  
24 as Mr. St. Cyr pointed out, approximately

[WITNESS PANEL: St. Cyr|Descoteau]

1 37.30. By rounding, it just comes out a little  
2 bit different from the 36.53 and the 37.30.

3 Q You mean "rounding of consumption" or "rounding  
4 of rates"?

5 A (Descoteau) No. Just how we compute it.

6 Q Okay. I won't get into that then. What is the  
7 proposed effective date of the temporary rate  
8 increase?

9 A (Descoteau) The proposed effective date for the  
10 temporary rate increase is for service rendered  
11 on or after October 17th, 2017. Per the  
12 Affidavit of Mailing submitted by the Company  
13 on October 17th, 2017, this is the latest date  
14 current and prospective customers of the  
15 Company were notified of the Petition for the  
16 Change in Rates.

17 Q And is that the date of notice by public notice  
18 for publication as required by the Order of  
19 Notice?

20 A (Descoteau) Yes, it is.

21 Q Are you aware that by statute, upon the  
22 settling of permanent rates by the Commission,  
23 a utility can recoup the revenue difference  
24 between temporary and permanent rates?

{DW 17-118} [RE: Temporary rates] {01-09-18}

1 A (Descoteau) Yes, I am.

2 Q How would that occur?

3 A (Descoteau) Following the final Commission  
4 order in this proceeding of permanent rates,  
5 the Company will file its calculation of the  
6 temporary-permanent rate recoupment amount, and  
7 the proposed surcharge will be submitted for  
8 Staff's review. Following its review, Staff  
9 will make a recommendation to the Commission  
10 concerning the Company's proposed recoupment  
11 amount and the amount of the surcharge.

12 Q Ms. Descoteau, do you believe that these rates  
13 that are proposed as part of the Stipulation  
14 Agreement or Settlement Agreement are just and  
15 reasonable and in the public interest?

16 A (Descoteau) Yes, I do.

17 MR. SPEIDEL: Thank you. I would  
18 invite Mr. Levine to make any more direct  
19 questions of Mr. St. Cyr that he'd like. I do  
20 have one cross-examination question for Mr. St.  
21 Cyr, a friendly cross-examination question.

22 MR. LEVINE: Thank you.

23 BY MR. LEVINE:

24 Q Mr. St. Cyr, is there anything else you'd like

[WITNESS PANEL: St. Cyr|Descoteau]

1 to add in light of Ms. Descoteau's testimony?

2 A (St. Cyr) No, there is not.

3 Q Do you support the terms of the Stipulation  
4 Agreement on Temporary Rates?

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

6 Q Does this conclude your testimony?

7 A (St. Cyr) Yes, it does.

8 MR. LEVINE: Thank you,  
9 Commissioners.

10 CHAIRMAN HONIGBERG: Mr. Speidel.

11 **CROSS-EXAMINATION**

12 BY MR. SPEIDEL:

13 Q Mr. St. Cyr, Ms. Descoteau made a reference to  
14 a difference in calculation regarding the  
15 customer bill impacts. Could you please walk  
16 through for the Commissioners exactly what was  
17 going on there, in terms of the slight  
18 calculation discrepancy?

19 A (St. Cyr) I believe the discrepancy was due to  
20 her using a specific cubic feet calculation  
21 versus what the Company, which took it as an  
22 average dollar over average number of  
23 customers. It didn't look at the specific  
24 consumption use. I believe that's what created

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1 the difference.

2 A (Descoteau) And mine had the adjustments, the  
3 four adjustments, or what it was, the six  
4 adjustments that we made also, so it brought it  
5 down a little bit. I forgot about that when I  
6 was making my statement.

7 Q I must confess that, as a layperson, you may be  
8 speaking accountantese [sic] at each other.  
9 So, you'll have to help us.

10 A (Descoteau) I'm going to correct my testimony  
11 back a little bit. The reason --

12 Q Okay.

13 A (Descoteau) The reason that the 37.30 is higher  
14 than 36.53 was because the 36.53 is following  
15 the adjustments that Staff made, and the 37.30  
16 that Mr. St. Cyr was speaking about is based on  
17 the original filing before the adjustments were  
18 made, and before the Settlement Agreement.

19 Q So, are you both --

20 A (Descoteau) I shouldn't have done that original  
21 testimony.

22 Q So, is it fair to say that both of you are in  
23 agreement that the bottom-line monthly rate  
24 that will result, will you see --

[WITNESS PANEL: St. Cyr|Descoteau]

1 A (Descoteau) The 36.53 is the amount that the  
2 customers will be seeing as a change -- I mean  
3 the yearly amount. Sorry.

4 Q The yearly amount.

5 A (Descoteau) The 36.53 is the yearly amount.  
6 The \$3.04 is the monthly amount that they will  
7 see.

8 Q So, there's agreement that the \$3.04 is the  
9 correct monthly impact, and that the 36.53 is  
10 the correct annual impact of this proposed  
11 Stipulation Agreement. Is that fair to say, in  
12 terms of the increase size? I'm just trying to  
13 get to ground with this.

14 CHAIRMAN HONIGBERG: Understanding  
15 that those are the numbers that are at the  
16 bottom of Bates Page 016?

17 MR. SPEIDEL: Right.

18 CHAIRMAN HONIGBERG: Exhibit A,  
19 Schedule 6?

20 MR. SPEIDEL: Right.

21 **BY THE WITNESS:**

22 A (St. Cyr) So, let me just backtrack a little  
23 bit. What I presented and what's in the  
24 temporary rate filing was what the Company

{DW 17-118} [RE: Temporary rates] {01-09-18}

1 initially proposed.

2 BY MR. SPEIDEL:

3 Q Yes.

4 A (St. Cyr) And that calculation was based on  
5 total revenue, divided by total customers, to  
6 get to an average amount that a customer would  
7 pay.

8 Q Okay.

9 A (St. Cyr) That was a calculation that I did and  
10 that I presented. Robyn took that same  
11 information, made some adjustments to the  
12 revenue and expenses, which changes the revenue  
13 requirement, and then she also did it on a  
14 specific consumption, you know, an average  
15 consumption, rather than an average number of  
16 customers. So, we did different calculations.

17 But we are in agreement that what's  
18 presented in the Stipulation Agreement and in  
19 the schedules is accurate.

20 Q And that the bill impact for customers  
21 resulting from the stipulated rates will be  
22 \$3.04 per month?

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

24 MR. SPEIDEL: Okay. I will hang my



[WITNESS PANEL: St. Cyr|Descoteau]

1       hat on that, just put a little asterisk next to  
2       that.

3                   I'm sorry. Thank you.

4                   CHAIRMAN HONIGBERG: Commissioner  
5       Bailey.

6                   CMSR. BAILEY: Thank you.

7 BY CMSR. BAILEY:

8 Q       Ms. Descoteau, can you go to your -- the page  
9       where you make your adjustments?

10 A       (Descoteau) Yes.

11 Q       I'm looking for it. Ten. Bates Page 010.

12 A       (Descoteau) Yes.

13 Q       That's not the page I was looking for. That's  
14       the page I thought I was looking for. Hang on  
15       one sec.

16               Let me just get directly to the point. In  
17       your filing, Mr. St. Cyr, and in your  
18       adjustments, you calculated the BET tax as  
19       0.72 percent, right?

20 A       (Descoteau) Mr. St. Cyr did it, in his original  
21       filing, he did it at the old rate.

22 Q       Yes.

23 A       (Descoteau) We changed it to the new rate in  
24       the Settlement Agreement filing.

{DW 17-118} [RE: Temporary rates] {01-09-18}

1 Q So, the new, to 0.675?

2 A (Descoteau) Yes.

3 Q Okay. Did you do the same thing for the

4 Business Profits Tax?

5 A (Descoteau) Yes.

6 Q Okay. And the Settlement Agreement was filed

7 before the 2017 Federal Tax Act was signed into

8 law. It was like the same day, right?

9 A (Descoteau) We had gotten notification of it

10 ahead of time.

11 Q Did you take that into account? The reduction

12 in federal taxes, from 35 percent point to 21

13 percent?

14 A (Descoteau) On federal taxes, no.

15 A (St. Cyr) But, if I may just point out, that

16 there is no impact on either temporary or

17 permanent rates for this Company. This Company

18 is an S Corporation, which means that its

19 taxable income and loss is passed on from the

20 corporation to the individuals. So, there

21 actually are no federal taxes included in

22 either the current rate or the temporary rates

23 or permanent rates.

24 A (Descoteau) Right.

[WITNESS PANEL: St. Cyr|Descoteau]

1 Q Okay. That's why this schedule shows zero for  
2 federal taxes?

3 A (Descoteau) Right.

4 A (St. Cyr) That is correct.

5 A (Descoteau) But the New Hampshire BET was  
6 adjusted.

7 CMSR. BAILEY: Okay. All right.

8 Thank you.

9 CHAIRMAN HONIGBERG: Commissioner  
10 Giaimo.

11 CMSR. GIAIMO: Thank you. Good  
12 afternoon.

13 WITNESS ST. CYR: Good afternoon.

14 CMSR. GIAIMO: So, I just want to  
15 make sure I heard what I thought I heard.

16 BY CMSR. GIAIMO:

17 Q So, the initial rate as proposed had a 6.42  
18 return on investment?

19 A (St. Cyr) The permanent rate.

20 Q The permanent rate.

21 A (St. Cyr) Yes. 6.42 percent rate of return.

22 Q And then I thought I heard you say that the  
23 temporary rate was 5.44 percent?

24 A (St. Cyr) That is also correct.

{DW 17-118} [RE: Temporary rates] {01-09-18}

[WITNESS PANEL: St. Cyr|Descoteau]

1 Q Okay.

2 A (St. Cyr) And the difference between the two is  
3 the difference in the percentage for the cost  
4 of equity. In the permanent rate, we have  
5 proposed 11.6 percent. In the temporary rate,  
6 we have accepted the PUC approved 9.6 percent.

7 Q Thank you. Okay. Is there any specific  
8 location in Exhibit -- what's proposed to be  
9 Exhibit 1, is there any specific location where  
10 I would find the "5.44" number?

11 A (St. Cyr) Yes.

12 A (Descoteau) Yes.

13 A (St. Cyr) It's shown on Attachment A, Schedule  
14 A. The second line item, "5.44 percent". And  
15 that's supported by Schedule 2, which provides  
16 more detail in terms of the debt and equity.  
17 And the debt itself is supported further by  
18 Schedule 2a.

19 CMSR. GIAIMO: That's great. That's  
20 all I have. Thank you.

21 CHAIRMAN HONIGBERG: I have no  
22 questions.

23 Does either Mr. Levine or Mr. Speidel  
24 have any follow-up for the witnesses?

{DW 17-118} [RE: Temporary rates] {01-09-18}

[WITNESS PANEL: St. Cyr|Descoteau]

1 MR. SPEIDEL: None. Thank you.

2 MR. LEVINE: I do -- I do not.

3 CHAIRMAN HONIGBERG: All right.

4 Well, thank you. You can return to your seats.

5 We'll wrap up quickly, I think, though.

6 Without objection, we'll strike ID on  
7 Exhibit 1?

8 *[No indication given.]*

9 CHAIRMAN HONIGBERG: I'll note for  
10 the record that there is no member of the  
11 public here to comment on the temporary rate  
12 issue. We have received some written  
13 submissions, but those are directed at the  
14 permanent rate increase. But those are in our  
15 files and on the website as well.

16 If there's nothing else, then we can  
17 have the parties sum up. Mr. Levine, why don't  
18 you start us off. No, I'm sorry. You're the  
19 moving party. Mr. Speidel, why don't you start  
20 us off.

21 MR. SPEIDEL: Mr. Chairman, simply  
22 the Staff recommends that the Commission  
23 approve the Settlement Agreement as filed by  
24 the two parties, the Company and Staff. And

{DW 17-118} [RE: Temporary rates] {01-09-18}

1        thanks the Commission for its consideration of  
2        this question.

3                Thank you.

4                CHAIRMAN HONIGBERG: Thank you,  
5        Mr. Speidel. Now, Mr. Levine.

6                MR. LEVINE: Thank you, Commissioner.  
7        We believe that the Settlement Agreement as  
8        submitted is a just and reasonable result  
9        reached by both Staff and the Company, and  
10       presents it to the Commissioners for their  
11       consideration.

12               CHAIRMAN HONIGBERG: All right.  
13       Thank you all. We will take the matter under  
14       advisement, issue an order as quickly as we  
15       can. And we will adjourn.

16                        ***(Whereupon the hearing was***  
17                        ***adjourned at 2:01 p.m.)***