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**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**  
**HAMPSTEAD AREA WATER COMPANY, INC.**

**DW 19-xxx**

**PETITION FOR APPROVAL OF EXPANSION OF FRANCHISE, CONTRACT,  
ACQUISITION OF ASSETS AND APPLICATION OF EXISTING RATES**  
**PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR**

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive,  
Biddeford, Me.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to support Hampstead Area Water Company, Inc’s  
 (“Company” or “HAWC”) effort to obtain Public Utilities Commission’s  
 (“PUC”) approval of expansion of the franchise area within the Town of  
 Sandown, and for approval of contract, acquisition of assets and the application of  
 the recently approved consolidated rate to be applied to that area. My  
 responsibilities include preparing the financial exhibits and prefiled direct  
 testimony which describes the financial impact of the expansion of the franchise  
 area. In addition, I am prepared to testify in support of the expansion of the  
 franchise area.

1 Q. Have you prepared testimony before this Commission?

2 A. Yes, I have prepared and presented testimony in numerous cases before the Public  
3 Utilities Commission, including requests for new and expanded franchises,  
4 requests for approval of State Revolving Fund (“SRF”), commercial bank and  
5 owner financings and requests for rate and step increases.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to describe the financial impact of the expansion  
8 of the franchise area.

9 Q. What is the nature of the assets being acquired?

10 A. The assets being acquired are pump station improvements, well improvements,  
11 treatment equipment, mains and meters.

12 Q. What is the purchase price of the assets being acquired?

13 A. The purchase price is \$70,500.

14 Q. Are there any other costs being incurred?

15 A. Yes, there are costs being incurred to purchase and install meters and to obtain  
16 PUC approval of the franchise expansion.

17 Q. How much of the costs will be financed?

18 A. A promissory note amounting to \$22,000 will be paid to Lewis Builder, Inc.,  
19 (“Lewis”) an affiliate of the Company, at no interest, in installments of \$1,000,  
20 each installment being payable upon each hookup of water service and installation  
21 of a meter for said service for each of the 22 units. Lewis is contributing \$48,500  
22 of the plant. Such contribution is reflected as a contribution in aid of

1 construction. The additional costs to purchase and install meters and to obtain  
2 PUC approval will be paid out of internal cash.

3 Q. Has the project been approved by the New Hampshire Department of  
4 Environmental Services (“DES”)?

5 A. Yes.

6 Q. How does the Company propose to recover its investment?

7 A. The Company proposes to recover its investment through the normal course of  
8 business, and the application of the recently PUC approved consolidated rates.

9 Q. What are the current rates?

10 A. The Company proposes to maintain the customer charges per meter size and  
11 utilize the consumption charge from \$6.11 per ccf.

12 Q. Has the Company determined the impact of the additions to plant on the  
13 Company’s financial statements?

14 A. Yes. I have prepared proforma financial statements identified as SPS 1-1 – 7.

15 Q. Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and  
16 Other Deferred Debits?

17 A. Yes. Generally, column (a) identifies the line number on the schedule. Column  
18 (b) identifies the PUC account title and account number. Column (c) identifies  
19 the actual December 31, 2007 account balances. Column (d) identifies the  
20 adjustments. Column (e) reflects the adjusted December 31, 2007 account  
21 balances for the 2019 expansion of the franchise area.

22 Q. Please explain the adjustments related to 2019 franchise expansion.

23 A. Schedule SPS 1-1 contains 3 adjustments.

1           The first adjustment to Utility Plant for \$86,400 represents the total  
2 additions to plant in service for the costs associated with the acquisition of assets  
3 and HAWC incurred costs. There are no retirements associated with the new  
4 plant.

5           The second adjustment to Accumulated Depreciation for \$1,340 represents  
6 a half-year depreciation on the \$86,400 of plant additions.

7           The third adjustment to Cash for (\$11,426) is the net of the anticipated  
8 cash received from the developer for the 21% CIAC and from the 22 new  
9 customers, less payment for the HAWC incurred plant costs, the increase in O&M  
10 expenses, state and local property taxes and the 21% CIAC tax. While the  
11 Company would prefer that the net cash be positive, the Company has cash to  
12 cover the negative cash impact.

13 Q.   Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and  
14 Liabilities.

15 A.   The description of the columns is the same as SPS 1-1.

16 Q.   Please explain the adjustments related to the 2019 franchise expansion.

17 A.   Schedule SPS 1-2 contains 4 adjustments.

18           The first adjustment to Retained Earnings for \$3,872 represents the net  
19 income impact of the various income statement transactions (i.e., revenue, O&M  
20 expenses, depreciation expenses, amortization of CIAC and taxes.

21           The second adjustment to Other Long Term Debt of \$22,000 represents  
22 the amount owed to the Lewis for the purchase of the water system.

1           The third adjustment to Contribution in Aid of Construction of \$48,500  
2 represents the amount of contributed plant.

3           The fourth adjustment to A/A of CIAC for \$649 represents a half-year  
4 amortization of CIAC on the \$48,500 of contributed plant additions.

5 Q.    Would you please explain Schedule SPS 2, entitled Statement of Income?

6 A.    The description of the columns is the same as SPS1-1.

7 Q.    Please explain the adjustments related to the 2019 franchise expansion.

8 A.    There are 6 adjustments to the Statement of Income.

9           The first adjustment to Operating Revenue of \$19,266 represents the  
10 CIAC tax from Lewis and the anticipated revenue from the 22 new customers.

11          The second adjustment to O&M expenses of \$3,299 is for the anticipated  
12 increase in expenses associated with purchased power, pumping labor and  
13 expense, etc.

14          The third adjustment to Depreciation Expense of \$1,340 represents the  
15 increase due to a half-year depreciation on the additions to plant.

16          The fourth adjustment to Amortization of CIAC of (\$649) represents the  
17 increase due to a half-year amortization of CIAC on the contributed portion of the  
18 additions to plant.

19          The fifth adjustment to Taxes other than Income of \$1,308 represents the  
20 increase in state and local property taxes.

21          The sixth adjustment to Income Taxes of \$10,185 represents increase in  
22 federal income tax associated with the CIAC on the \$48,500 of contributed plant  
23 additions.

1 Q. Would you please explain Schedule SPS 3, entitled Balance Sheet, Equity Capital  
2 and Liabilities?

3 A. The actual 2017 Current Year End Balance is also reflected on the Balance Sheet  
4 (see SPS 1-2). The related capitalization ratios are shown on the bottom half of  
5 the Schedule. The Company's debt to equity position is weighted towards debt  
6 due to its negative retained earnings. The Company's owner has made significant  
7 equity contribution in recent years. The Company expects that the ratio will  
8 improve with the recently approved rate increase in DW 17-118. There is only a  
9 minor change in the ratios as a result of the franchise expansion.

10 Q. Please explain Schedule SPS-4, entitled Journal Entries.

11 A. Schedule SPS-4 identifies the specific journal entries used to develop the  
12 proforma financial statements. The significant journal entries are the recording of  
13 (1) the additions to plant and the related CIAC and internal cash, (2) the  
14 anticipated revenue from the 22 new customers, and (3) the payment of the  
15 federal income tax associated with \$48,500 of contributed plant.

16 Q. Would you like to explain SPS-5?

17 A. SPS-5 shows the plant by PUC account, the amount, the depreciation expense and  
18 accumulated depreciation. Also, it shows the estimated assessed value and the  
19 related state and local property taxes. In addition, it shows the CIAC by PUC  
20 account, the amount, the amortization of CIAC and accumulated amortization of  
21 CIAC.

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- 1 Q. Would you please explain SPS-6?
- 2 A. SPS-6 shows the source and use of the funds. The source is the contributed plant  
3 and the related CIAC tax, promissory note and internal cash. The use is the plant  
4 costs and the CIAC tax.
- 5 Q. Would you please explain SPS-7?
- 6 A. SPS-7 shows the anticipated franchise costs to pursue NHPUC approvals.
- 7 Q. Why should the Commission approve the franchise expansion?
- 8 A. The Commission should approve the franchise expansion because it is in the best  
9 interest of the Company and both its new and existing customers. The acquisition  
10 of the assets and the connection to the Fairfield water system will enable the  
11 Company to provide safe and reliable water to the 22 unit development.
- 12 Q. Is there anything else that the Company would like to bring to the Commission's  
13 attention?
- 14 A. No.
- 15 Q. Please summarize the approvals that the Company is requesting.
- 16 A. The Company respectfully requests that the PUC approve the expansion of the  
17 franchise area to the Kelly Green development in Sandown, NH, the acquisition  
18 of the assets and the application of the recently PUC approved consolidated rates.
- 19 Q. Does this conclude your testimony?
- 20 A. Yes.