

1 Stephen P. St. Cyr & Associates

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6
7 Direct Testimony of Stephen P. St. Cyr for **Temporary Rates** in DW 20-112

8
9 Q. Please state your name and address.

10
11 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,
12 Biddeford, Me. 04005.

13
14 Q. Please state your present employment position and summarize your professional
15 and educational background.

16
17 A. I am presently employed by St. Cyr & Associates, which provides accounting,
18 tax, management and regulatory services. St. Cyr & Associates was established
19 in 1993. The Company devotes a significant portion of the practice to serving
20 utilities. The Company has a number of regulated water utilities among its
21 clientele. I have prepared and presented a number of rate case filings before the
22 New Hampshire Public Utilities Commission. Prior to establishing St. Cyr &
23 Associates, I worked in the utility industry for 16 years, holding various
24 managerial accounting and regulatory positions. I have a Business
25 Administration degree with a concentration in accounting from Northeastern
26 University in Boston, Ma. I obtained my CPA certificate in Maryland, however,
27 I'm not currently licensed in NH due to different licensing requirements. I have a
28 master level Certificate in Taxation from New Hampshire College (now Southern
29 New Hampshire University).

30
31 Q. Is St. Cyr & Associates presently providing services to Abenaki Water Company
32 ("AWC" or "Company")?

33
34 A. Yes. St. Cyr & Associates prepared the various **temporary rate case** exhibits
35 and supporting schedules as well as the written testimony and other rate case
36 filing requirements **for temporary rates**. Also, St. Cyr & Associates prepare
37 both recent financing applications (DW 20-044 and DW 20-088). In addition, St.
38 Cyr & Associates prepares Abenaki's PUC Annual Reports.

39
40 Q. Are you familiar with the pending **temporary** rate application of the various
41 AWC water and sewer systems and with the various exhibits submitted as
42 Schedules 1 through 4 inclusive, with related pages and attachments for each of
43 the water systems and the sewer system?

44
45 A. Yes, I am. The **temporary rate case** exhibits were prepared by me, utilizing the
46 financial records of the Company.

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6
7 Q. What is the test year that AWC is using in this **temporary rate** filing?

8
9 A. AWC is utilizing the twelve months ended December 31, 2019 for the Lakeland
10 ("LL") Water and White Rock ("WR") and the 12 months ended 4/30/20 for
11 Tioga Gilford Village ("TGV") and Tioga Belmont ("TB"). AWC is using the 12
12 months ended 4/30/20 for TGV and TB because there were only 8 months of
13 actual data in the 2019 test year. AWC is also utilizing the twelve months
14 ended December 31, 2019 for the Lakeland ("LL") Sewer.

15
16 Q. Before you explain the schedules, please provide a brief overview of AWC.

17
18 A. AWC, a wholly owned subsidiary of New England Service Company ("NESC"),
19 is a public utility distributing water to approximately 725 customers in Carroll,
20 Belmont, Bow and Gilford, NH. It also provides sewer to 158 customers in
21 Belmont, NH. As a public utility operating in New Hampshire, the Company
22 functions under the rules and regulations prescribed by the New Hampshire
23 Public Utilities Commission ("NHPUC").

24
25 Q. Is the rate application applicable to all of AWC's systems?

26
27 A. No, the rate application excludes the Rosebrook water system.

28
29 Q. Are there specific things prompting the **temporary rate filing**?

30
31 A. Yes. First of all, the WR, TGV and TB all experience net losses during the test
32 year. As such, part of the rate application is simply to allow those systems to
33 recover its costs and earn its PUC approved rates of return. Second, each of the
34 water systems incurred normal replacement of plant and/or new plant during the
35 test year. Both TGV and TB made significant investments in the purchased and
36 installed meters. Third, LL Water, WR & TB systems has incurred costs i.e.,
37 water boiling, tax rate effect change, water outages, tank inspection, etc. that have
38 been deferred. Those systems are now seeking recovery of such costs over
39 various periods of time. Finally, Lakeland and White Rock's last rate increase was
40 approved in DW 15-199, based on a proformed 2014 test year. TGV and TB's
41 last rate increase was approved in DW 10-217, based on a proformed test year for
42 the 12 months ended 10/31/09. With the proposed increase in **temporary** rates
43 and revenues, AWC should be able to eliminate the net loss, recover its
44 investments, earn its PUC approved rate of return on its investment and continue
45 to provide service to its customers at fair and reasonable rates.

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6
7 Q. Is there anything else prior to summarizing the schedules?

8
9 A. No.

10
11 Q. What is the purpose of your testimony?

12
13 A. The purpose of my testimony is to support AWC's efforts to increase rates on a
14 **temporary basis.**

15
16 Q. Please provide an overview of the temporary rate filing.

17
18 A. **The temporary rate filing is the same as the permanent rate filing, except for**
19 **the elimination of certain pro forma adjustments that are more**
20 **appropriately reviewed as part of the permanent rate filing. AWC adjusted**
21 **the revenue downward for each of the systems. It eliminated most of expense**
22 **adjustments for each of the systems. It also eliminated most of rate base**
23 **adjustments for each of the systems. In addition, AWC eliminated the pro**
24 **forma capital structure and rate of return. With the elimination of the**
25 **various adjustments, AWC believes that the temporary increase in rates /**
26 **revenues for each of the systems is fair, reasonable and manageable. It allows**
27 **each of the systems to earn its PUC approved rate of return on its prudently**
28 **incurred investments and to pay for its necessary operating expenses. The**
29 **proposed temporary increase will enable each of the systems to continue**
30 **providing good water with good pressure and reliability at a good price.**

31
32 Q. Would you please summarize the schedules?

33
34 A. Yes. The schedules consist of AWC 2019, 2018 and 2017 balance sheets and
35 income statements, the 2019 statement of income by system, the 2019, 2018 and
36 2017 capital structures, the 2019 actual and the rate of return information
37 (collectively referred to as the Total Company Schedules). The Total Company
38 Schedules are followed by a set of **temporary** rate schedules for the LL Sewer
39 entity and the LL Water, WR, TGV and TB water systems.

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6
7 Q. Please describe the **Total Company Schedules**.

8
9 A. The Total Company Schedules consist of the 2019, 2018 and 2017 balance sheets
10 and income statements, the 2019 statement of income by system, the 2019, 2018
11 and 2017 capital structures, the 2019 actual long term debt and the rate of return
12 information

13
14 Overall, Schedule 1a and 1b shows the Company's balance sheet has increased
15 \$487,621 since 2017, including an increase in utility plant of \$599,472. The
16 Company's cash position has been strained, resulting in a significant A/P to
17 Associated Co., which was subsequently converted to additional paid in capital.
18 Company has also experienced increases in preliminary survey and investigation
19 charges of \$102,041 and miscellaneous deferred debits of \$157,681. In addition,
20 the Company has an increase in additional paid in capital of \$474,730 including
21 the previously mentioned conversion of A/P to Associated Co. Its long-term debt
22 decreased in 2018 and increased in 2019.

23
24 Overall, in 2019, Schedule 2a shows the Company's net income amounted to
25 \$29,063. The Company's operating revenues decreased in 2018 and increased in
26 2019, due to an increase in rates in its Rosebrook water system and 8 months of
27 revenue from newly acquired TGV and TB water systems. The Company's
28 operating expenses decreased in 2018 and increased in 2019. The increase in
29 2019 is in part due to O&M expenses associated with newly acquired TGV and
30 TB water system.

31
32 A closer look at the Company's 2019 net income as shown on Schedule 2b
33 reveals that Rosebrook and Lakeland contributed to the overall net income and
34 WR, TGV and TB did not. WR, TGV & TB experienced net losses amounting to
35 \$19,532, \$13,067 and \$19,975, respectively.

36
37 As such, part of the proposed increase in **temporary** rates / revenues is to simply
38 allow those systems to cover their expenses and earn their presently PUC
39 approved rate of return.

40
41 Schedule 3 shows the 2019, 2018 & 2017 capital structures. As indicated earlier,
42 the Company has an increase in additional paid in capital of \$474,730 including
43 the previously mentioned conversion of A/P to Associated Co. Its long-term debt
44 decreased in 2018 and increased in 2019.

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6
7 Schedule 4 shows the Company's long term debt and interest expense for both
8 actual and pro forma 2019. The actual cost of debt is 4.08%. The pro forma cost
9 of debt is 4.08%, the same as the actual costs of debt for **temporary rate**
10 **purposes**.

11
12 Schedule 5 shows the rate of return information including overall rate of return of
13 7.81% for both actual and pro forma, respectively. It also shows the capital
14 structures and capital structures percentage for 2019, 2018 and 2017. The
15 Company is utilizing the PUC approved rate of return in DW 15-199.

16
17 Q. Is there anything else that you would like to address related to the Total Company
18 Schedules?

19
20 A. No.

21
22 Q. Please begin by describing the **LL Sewer Schedules for temporary rates**.

23
24 A. The schedule entitled "Computation of Revenue Deficiency for the Test Year
25 ended December 31, 2019," summarizes the supporting schedules. The actual
26 revenue (deficiency) surplus for LL Sewer for the test year amounts to (\$2,121).
27 It is based upon an actual test year with a 5 quarter average rate base of \$49,752
28 as summarized in Schedule 3. AWC's actual rate of return is 7.81% for the actual
29 test year. The rate of return of 7.81%, when multiplied by the rate base of
30 \$49,752, results in an operating income requirement of \$3,886. As shown on
31 Schedule 1, the actual net operating income (loss) for LL Sewer for the test year
32 was \$1,765. The operating income required, less the net operating income (loss),
33 results in an operating income (deficiency) surplus before taxes of (\$2,121). LL
34 Sewer did not calculate the tax effect of the revenue deficiency, resulting in a
35 revenue (deficiency) surplus for LL Sewer of (\$2,121).

36
37 The pro forma revenue deficiency for LL Sewer for the test year amounts to zero.
38 It is based upon a pro formed test year rate base of \$52,698, as summarized in
39 Schedule 3. AWC is utilizing the actual rate of return of 7.81% for the pro
40 formed test year. The pro formed rate of return of 7.81% when multiplied by the
41 rate base of \$52,698, results in an operating net income requirement of \$4,116.

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7 As shown on Schedule 1, the pro formed net operating income for LL Sewer for
8 the test year is \$4,115. The operating income required, less the net operating
9 income, results in a deficiency of zero. The tax effect of the deficiency is zero,
10 resulting in a revenue deficiency for LL Sewer of zero.
11

12 Schedule 1 reflects LL Sewer's Statement of Income. Column b shows the actual
13 2019 year end balances. Column c shows pro forma adjustments for known and
14 measurable changes to test year revenues and expenses. Column d shows the pro
15 forma 2019 year end balances. The 2018 and 2017 Statements of Income are not
16 available since 2019 was the first year in which AWC separated the water and
17 sewer. During the 2019 test year, LL Sewer net income (loss) was \$1,765.
18

19 Schedule 1A shows the pro forma adjustments to revenue and expenses. The
20 Company made 2 pro forma adjustments to operating revenues totaling \$5,534
21 and a few pro forma adjustments to operating expenses totaling \$3,184. The
22 specific pro forma adjustments are identified on the Statement of Income – Pro
23 forma Adjustments (Schedule 1A). A brief explanation is as follows:
24

25 Pro forma Adjustment to Operating Revenues

26
27 Operating Revenues – \$5,534
28

29 The Company decreased test year operating revenue by (\$5,309) to
30 eliminate the surcharge revenue.

31 The Company increased test year operating revenue by \$10,573 for the
32 proposed amount of revenues necessary to cover its expenses and allow it to earn
33 its proposed rate of return.
34

35 Pro forma Adjustments to Operating Expense

36
37 Operating Expenses:
38

39 Purchased Water Treatment - \$0
40

41 Miscellaneous Pumping Expenses - \$2,206

42 In 2019 LL Sewer removed and unbound sewer pump 1. Initially, it
43 charged such expense to miscellaneous deferred debit. Upon further review, it
44 was determined that the expense was maintenance in nature and should have been
45 charged to expense. As such, the pro forma adjustment transferred the expense
46 from miscellaneous deferred debits to miscellaneous pumping expenses.

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6
7 Lease Agreements - \$0

8
9 PUC Audit - \$0

10
11 Amortization Expenses – Other - \$594

12
13 2019 Tax Rate Effect Change

14
15 During 2018 & 2019 AWC incurred \$8,490 of costs related to Dockets IR
16 18-001 and DW 18-047 related to the PUC investigation to determine the rate
17 effect of federal and state corporate tax reductions. The investigation involved
18 AWC preparing a compliance plan along with attachments, the PUC Staff
19 recommendation and the PUC order approving Staff's recommendation. AWC
20 later allocated such costs to its 3 systems at the time including Lakeland. In 2019
21 Lakeland further allocated such costs between water and sewer. LL Sewer costs
22 amounts to \$1,536. LL Sewer is proposing to recover the costs over 5 years, at an
23 annual cost of \$307.

24
25 2019 Sewer Step Rate Increase

26
27 In DW 15-199 the PUC approved a step increase for an anticipated
28 increase in sewer rates that the City of Laconia charges LL Sewer. LL Sewer
29 pursued the step increase in 2019 and incurred various \$1,536 costs to do so. LL
30 Sewer is proposing to recover the costs over 5 years, at an annual cost of \$287.

31
32
33 Income Taxes - \$384

34
35 The Company has provided the calculation of the federal income taxes and the
36 state business taxes (Schedule 1B). The Company has also provided the effective
37 tax factor (Schedule 1C).

38
39 The total pro forma adjustments to Operating Expenses amount to \$3,184.

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6
7 The net of the pro forma adjustments to operating revenue of \$5,534 and
8 the pro forma adjustments to operating expenses of \$3,184 results in a net pro
9 forma adjustment of \$2,350. When the net operating income associated with the
10 pro forma adjustments is added to net operating income from the test year, the pro
11 forma test year net operating income totals \$4,115. The pro forma test year net
12 operating income of \$4,115 allows LL Sewer to cover its expenses and
13 earn its actual 7.81% return on its investments.
14

15 Q. Does that complete your description of the pro forma adjustments to revenues and
16 expenses?
17

18 A. Yes.
19

20 Q. Please describe Schedule 2, the Balance Sheet.
21

22 A. See Total Company Balance Sheet.
23

24 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
25 schedule.
26

27 A. Schedule 3 reflects LL Sewer Rate Base the 5 quarter average. Column b – f
28 shows the actual balance at the end of each quarter. Column g shows the average
29 of the 5 quarter balances. Column h shows the pro forma adjustments. Column i
30 shows the pro forma 5 quarter average balances.
31

32 Schedule 3A shows the Rate Base – LL Sewer Pro forma Adjustments.
33 Adjustments #3 & #4 are the adjustments related to the Dockets IR 18-001 and
34 DW 18-047 regarding the PUC investigation to determine the rate effect of
35 federal and state corporate tax reductions and step increase costs totaling \$2,971.
36 LL Sewer is proposing to recover both costs over 5 years, at an annual cost of
37 \$594. The half year amortization of such costs is \$297.
38

39 Adjustment #6 pertains to cash working capital and shows the additional cash
40 working capital due to the proposed increase in O&M expenses. The cash
41 working capital balances are further supported by Schedules 3C.
42

43 The Total Pro Forma December 31, 2019 Rate Base balance amounts to \$52,698.
44
45

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6
7 Q. Would you please explain Schedule 4, Rate of Return Information?

8
9 A. See Total Company Capital Structure and Rate of Return Information. Please
10 note that the Capital Structure and Rate of Return Information is for AWC (Total
11 Company) and not just LL Sewer.

12
13 Q. Please explain the Report of Proposed Rate Changes.

14
15 A. If LL Sewer's rate filing is approved as submitted, its total sewer Operating
16 Revenues will amount to \$121,455, an increase of \$5,534.

17
18 Q. Is LL Sewer proposing any changes to the methodology used in calculating the
19 rates?

20
21 A. No. LL Sewer is calculating the new rates in a manner consistent with its present
22 rates.

23
24 Q. When is LL Sewer proposing that the new rates be effective?

25
26 A. The proposed effective date is 30 days from LL Sewer's rate filing.

27
28 Q. Would you please summarize what the LL Sewer is requesting in its **temporary**
29 **rate filing**?

30
31 A. LL Sewer respectfully requests that the Commissioners approve an increase in
32 annual revenues of \$5,534 for **temporary** rates.

33
34 Q. Is there anything further that you would like to discuss?

35
36 A. No, there is nothing further to my testimony as it pertains to LL Sewer.

37
38 Q. Please begin by describing the **LL Water Schedules for temporary rates**.

39
40 A. The schedule entitled "Computation of Revenue Deficiency for the Test Year
41 ended December 31, 2019," summarizes the supporting schedules. The actual
42 revenue (deficiency) surplus for LL Water for the test year amounts to \$6,261. It
43 is based upon an actual test year with a 5 quarter average rate base of \$298,944 as
44 summarized in Schedule 3. AWC's actual rate of return is 7.81% for the actual
45 test year. The rate of return of 7.81%, when multiplied by the rate base of
46 \$298,944, results in an operating income requirement of \$23,347.

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8 As shown on Schedule 1, the actual net operating income (loss) for LL Water for
9 the test year was \$29,608. The operating income required, less the net operating
10 income (loss), results in an operating income (deficiency) surplus before taxes of
11 \$6,261. LL Water did not calculate the tax effect of the revenue deficiency,
12 resulting in a revenue (deficiency) surplus for LL Water of \$6,261.
13

14 The pro forma revenue deficiency for LL Water for the test year amounts to zero.
15 It is based upon a pro formed test year rate base of \$306,898, as summarized in
16 Schedule 3. AWC is utilizing its actual rate of return of 7.81% for the pro formed
17 test year. The pro formed rate of return of 7.81% when multiplied by the rate
18 base of \$306,898, results in an operating net income requirement of \$23,969.
19

20 As shown on Schedule 1, the pro formed net operating income for LL Water for
21 the test year is \$23,969. The operating income required, less the net operating
22 income, results in a deficiency of zero. The tax effect of the deficiency is zero,
23 resulting in a revenue deficiency for LL Water of zero.
24

25 Schedule 1 reflects LL Water's Statement of Income. Column b shows the actual
26 2019 year end balances. Column c shows pro forma adjustments for known and
27 measurable changes to test year revenues and expenses. Column d shows the pro
28 forma 2019 year end balances. The 2018 and 2017 Statements of Income are not
29 available since 2019 was the first year in which AWC separated the water and
30 sewer. During the 2019 test year, LL Water net income (loss) was \$24,447.
31

32 Schedule 1A shows the pro forma adjustments to revenue and expenses. The
33 Company made 1 pro forma adjustment to operating revenues totaling (\$4,964)
34 and a few pro forma adjustments to operating expenses totaling \$675. The
35 specific pro forma adjustments are identified on the Statement of Income – Pro
36 forma Adjustments (Schedule 1A). A brief explanation is as follows:
37

38 Pro forma Adjustment to Operating Revenues

39
40 Operating Revenues – (\$4,964)
41

42 The Company has decreased test year revenues for the proposed amount
43 of revenues necessary to cover its expenses and allow it to earn its proposed rate
44 of return.
45
46

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7
8 Pro forma Adjustments to Operating Expense

9
10 Operating Expenses:

11
12 Lease Agreements - \$0

13
14 PUC Audit - \$0

15
16 Depreciation Expense - \$0

17
18 Amortization Expense - \$990

19
20 In 2017 LL Water incurred \$6,996 related to a water boiling order. LL
21 Water deferred such costs. It is now proposing to seek recovery over a ten year
22 period. The annual costs amounts to \$700. Also, see Schedule 3C.
23

24 During 2018 & 2019 AWC incurred \$8,490 of costs related to Dockets IR
25 18-001 and DW 18-047 related to the PUC investigation to determine the rate
26 effect of federal and state corporate tax reductions. The investigation involved
27 AWC preparing a compliance plan along with attachments, the PUC Staff
28 recommendation and the PUC order approving Staff's recommendation. AWC
29 later allocated such costs to its 3 systems at the time including Lakeland. In 2019
30 Lakeland further allocated such costs between water and sewer. LL Water costs
31 amounts to \$1,453. LL Water is proposing to recover the costs over 5 years, at an
32 annual cost of \$290. Also, see Schedule 3C.
33

34 Taxes other than Income - \$0

35
36 Income Taxes – (\$315)

37
38 The Company has provided the calculation of the federal income taxes and
39 the state business taxes (Schedule 1B). The Company has also provided the
40 effective tax factor (Schedule 1C).
41

42 The total pro forma adjustments to Operating Expenses amount to \$617.
43
44
45
46

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6
7 The net of the pro forma adjustments to operating revenue of (\$4,964) and
8 the pro forma adjustments to operating expenses of \$675 results in a net pro forma
9 adjustment of (\$5,639). When the net operating income associated with the pro
10 forma adjustments is added to net operating income from the test year, the pro
11 forma test year net operating income totals \$23,969. The pro forma test year net
12 operating income of \$23,969 allows LL Water to cover its expenses and
13 earn its actual 7.81% return on its investments.

14
15 Q. Does that complete your description of the pro forma adjustments to revenues and
16 expenses?

17
18 A. Yes.

19
20 Q. Please describe Schedule 2, the Balance Sheet.

21
22 A. See Total Company Balance Sheet.

23
24 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
25 schedule.

26
27 A. Schedule 3 reflects LL Water Rate Base for the 5 quarter average. Column b – f
28 shows the actual balance at the end of each quarter. Column g shows the average
29 of the 5 quarter balances. Column h shows the pro forma adjustments. Column i
30 shows the pro forma year-end balance.

31
32 Schedule 3A shows the Rate Base – LL Water Pro forma Adjustments.
33 Adjustments #6 & #7 are the adjustments related to the 2017 water boiling
34 amounting to \$6,996 and the Dockets IR 18-001 and DW 18-047 regarding the
35 PUC investigation to determine the rate effect of federal and state corporate tax
36 reductions amounting to \$1,453. The total addition to rate base is \$8,449. Also,
37 see Schedule 3C. LL Water is proposing that the 2017 water boiling costs and the
38 PUC investigation costs be recovered over 10 years and 5 years, respectively.
39 The total ½ year amortization amounts to \$495. Also, see Schedule 3C

40
41 The Total Pro Forma December 31, 2019 Rate Base balance amounts to
42 \$306,898.

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6
7 Q. Would you please explain Schedule 4, Rate of Return Information?

8
9 A. See Total Company Capital Structure and Rate of Return Information. Please
10 note that the Capital Structure and Rate of Return Information is for AWC (Total
11 Company) and not just LL Water.

12
13 Q. Please explain the Report of Proposed Rate Changes.

14
15 A. If LL Water's rate filing is approved as submitted, its total water Operating
16 Revenues will amount to \$117,773, a decrease of (\$4,957).

17
18 R. Is LL Water proposing any changes to the methodology used in calculating the
19 rates?

20
21 A. No. LL Water is calculating the new rates in a manner consistent with its present
22 rates.

23
24 R. When is LL Water proposing that the new rates be effective?

25
26 A. The proposed effective date is 30 days from LL Water's rate filing.

27
28 Q. Would you please summarize what the LL Water is requesting in its **temporary**
29 **rate filing**?

30
31 A. LL Water respectfully requests that the Commissioners approve a decrease in
32 overall annual revenues of (\$4,957) including a decrease of (\$1,485) in total water
33 revenues for **temporary** rates.

34
35 Q. Is there anything further that you would like to discuss?

36
37 A. No, there is nothing further to my testimony as it pertains to LL Water.
38
39
40
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42
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45
46

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7 Q. Please begin by describing the **WR Water Schedules for temporary rates.**

9 A. The schedule entitled "Computation of Revenue Deficiency for the Test Year ended December 31, 2019," summarizes the supporting schedules. The actual revenue (deficiency) surplus for WR for the test year amounts to (\$36,243). It is based upon an actual test year with a 5 quarter average rate base of \$243,250 as summarized in Schedule 3. AWC's actual rate of return is 7.81% for the actual test year. The rate of return of 7.81%, when multiplied by the rate base of \$243,250, results in an operating income requirement of \$18,998. As shown on Schedule 1, the actual net operating income (loss) for WR for the test year was (\$17,425). The operating income required, less the net operating income (loss), results in an operating income (deficiency) surplus before taxes of (\$36,423). WR did not calculate the tax effect of the revenue deficiency, resulting in a revenue (deficiency) surplus for WR of (\$36,423).

22 The pro forma revenue deficiency for WR for the test year amounts to zero. It is based upon a pro formed test year rate base of \$344,574, as summarized in Schedule 3. AWC is utilizing its actual rate of return of 7.81% for the pro formed test year. The pro formed rate of return of 7.81% when multiplied by the rate base of \$344,574, results in an operating net income requirement of \$26,911.

28 As shown on Schedule 1, the pro formed net operating income for WR for the test year is \$26,911. The operating income required, less the net operating income, results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in a revenue deficiency for WR of zero.

33 Schedule 1 reflects WR's Statements of Income. Column b shows the actual 2019 year end balances. Column c shows pro forma adjustments for known and measurable changes to test year revenues and expenses. Column d shows the pro forma 2019 year end balances. The 2018 and 2017 Statements of Income are shown in columns e and f, respectively. During the 2019 test year, WR net income (loss) was (\$19,532).

40 Schedule 1A shows the pro forma adjustments to revenue and expenses. The Company made 1 pro forma adjustment to operating revenues totaling \$71,733 and a few pro forma adjustments to operating expenses totaling \$27,397. The specific pro forma adjustments are identified on the Statement of Income – Pro forma Adjustments (Schedule 1A). A brief explanation is as follows:

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6
7 Pro forma Adjustment to Operating Revenues

8
9 Operating Revenues – \$71,733

10
11 The Company has increased test year revenues for the proposed amount of
12 revenues necessary to cover its expenses and allow it to earn its proposed rate of
13 return.

14
15 Pro forma Adjustments to Operating Expense

16
17 Operating Expenses:

18
19 Lease Agreements - \$0

20
21 PUC Audit - \$0

22
23 Depreciation Expense - \$0

24
25 Amortization of CIAC – (\$1,600)

26
27 In 2019/2020, WR had its tanks inspected, costing a total \$26,512. WR
28 received a grant of \$8,000 from ... WR deferred the costs and the related grant.
29 WR is now seeking recovery of the amount and the related grant over 5 year. The
30 annual amortization of CIAC over 5 years amounts to \$1,600. Also, see Schedule
31 3C.

32
33 Amortization Expense associated with Miscellaneous Deferred Debits - \$14,380

34
35 In 2018 & 2019 WR incurred significant expenditures amounting to
36 \$87,625 related to water outages. WR deferred such costs. It is now proposing to
37 seek recovery over a ten year period. The annual costs amounts to \$8,763. Also,
38 see Schedule 3C.

39 During 2018 & 2019 AWC incurred \$8,490 of costs related to Dockets IR
40 18-001 and DW 18-047 related to the PUC investigation to determine the rate
41 effect of federal and state corporate tax reductions. The investigation involved
42 AWC preparing a compliance plan along with attachments, the PUC Staff
43 recommendation and the PUC order approving Staff's recommendation. AWC
44 later allocated such costs to its 3 systems at the time including WR. WR costs
45 amounts to \$1,577. WR is proposing to recover the costs over 5 years, at an
46 annual cost of \$315. Also, see Schedule 3C.

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6
7 In 2019/2020, WR had its tanks inspected, costing a total \$26,512. WR received
8 a grant of \$8,000 from WR deferred the costs and the related grant. WR is
9 now seeking recovery of the amount and the related grant over 5 year. The annual
10 costs over 5 years amount to \$5,302. Also, see Schedule 3C.

11
12 Taxes other than Income – \$0

13
14 In 2020 WR anticipates adding \$169,097 to plant in service. The addition
15 of \$169,097 to plant in service increases the property tax valuation for both state
16 and local property taxes. The calculation of the increase amounts to \$861 and
17 \$3,420 for state and local property taxes, respectively. Also, see Schedule 3B.

18
19 Income Taxes – \$14,616

20
21 The Company has provided the calculation of the federal income taxes and
22 the state business taxes (Schedule 1B). The Company has also provided the
23 effective tax factor (Schedule 1C).

24
25 The total pro forma adjustments to Operating Expenses amount to
26 \$27,397.

27
28 The net of the pro forma adjustments to operating revenue of \$71,733 and
29 the pro forma adjustments to operating expenses of \$27,397 results in a net pro
30 forma adjustment of \$44,336. When the net operating income associated with the
31 pro forma adjustments is added to net operating income from the test year, the pro
32 forma test year net operating income totals \$26,911. The pro forma test year net
33 operating income of \$26,911 allows WR to cover its expenses and earn its actual
34 7.81% return on its investments.

35
36 Q. Does that complete your description of the pro forma adjustments to revenues and
37 expenses?

38
39 A. Yes.

40
41 Q. Please describe Schedule 2, the Balance Sheet.

42
43 A. See Total Company Balance Sheet.

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6
7 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
8 schedule.

9
10 A. Schedule 3 reflects WR Rate Base for the 5 quarter average. Column b – f shows
11 the actual balance at the end of each quarter. Column g shows the average of the
12 5 quarter balances. Column h shows the pro forma adjustments. Column i shows
13 the pro forma year-end balance.

14
15 Schedule 3A shows the Rate Base – WR Pro forma Adjustments. Adjustments #6
16 & #7 are the adjustments related to the 2018 & 2019 water outages amounting to
17 \$87,625, the Dockets IR 18-001 and DW 18-047 regarding the PUC investigation
18 to determine the rate effect of federal and state corporate tax reductions
19 amounting to \$1,577 and the 2019/2020 tank inspections amounting to \$26,512.
20 The total addition to rate base is \$115,714. Also, see Schedule 3C. WR is
21 proposing that the 2018 & 2019 water outages over 10 years and the PUC
22 investigation and tank inspection 5 years. The total ½ year amortization amounts
23 to \$7,190. Also, see Schedule 3C.

24
25 Adjustment #s 9 and 11 are related to the \$8,000 grant for the tank inspections
26 reflected as CIAC and the ½ year amortization of CIAC amounting to \$800.
27 Also, see Schedule 3C.

28
29 The Total Pro Forma December 31, 2019 Rate Base balance amounts to
30 \$344,574.

31
32 Q. Would you please explain Schedule 4, Rate of Return Information?

33
34 A. See Total Company Capital Structure and Rate of Return Information. Please
35 note that the Capital Structure and Rate of Return Information is for AWC (Total
36 Company) and not just WR.

37
38 Q. Please explain the Report of Proposed Rate Changes.

39
40 A. If WR's rate filing is approved as submitted, its total water Operating Revenues
41 will amount to \$153,944 including \$156,566 from residential customers, an
42 increase of \$74,430.

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6
7 Q. Is WR proposing any changes to the methodology used in calculating the rates?

8
9 A. No. WR is calculating the new rates in a manner consistent with its present rates.

10
11 Q. When is WR proposing that the new rates be effective?

12
13 A. The proposed effective date is 30 days from WR's rate filing.

14
15 Q. Would you please summarize what the WR is requesting in its **temporary rate**
16 **filing**?

17
18 A. WR respectfully requests that the Commissioners approve an increase in annual
19 revenues of \$71,733 including \$74,430 from residential customers for **temporary**
20 **rates**.

21
22 Q. Is there anything further that you would like to discuss?

23
24 A. No, there is nothing further to my testimony as it pertains to WR.

25
26 Q. Please begin by describing the **TGV Water Schedules for temporary rates..**

27
28 A. The schedule entitled "Computation of Revenue Deficiency for the Test Year
29 ended December 31, 2019," summarizes the supporting schedules. The actual
30 revenue (deficiency) surplus for TGV for the test year amounts to (\$33,209). It is
31 based upon an actual test year with a 5 quarter average rate base of \$119,913 as
32 summarized in Schedule 3. AWC's actual rate of return is 7.81% for the actual
33 test year. The rate of return of 7.81%, when multiplied by the rate base of
34 \$119,913, results in an operating income requirement of \$9,365. As shown on
35 Schedule 1, the actual net operating income (loss) for TGV for the test year was
36 (\$23,844). The operating income required, less the net operating income (loss),
37 results in an operating income (deficiency) surplus before taxes of (\$33,209).
38 TGV did not calculate the tax effect of the revenue deficiency, resulting in a
39 revenue (deficiency) surplus for TGV of (\$33,209).

40
41 The pro forma revenue deficiency for TGV for the test year amounts to zero. It is
42 based upon a pro formed test year rate base of \$119,913, as summarized in
43 Schedule 3. AWC is utilizing its actual rate of return of 7.81% for the pro formed
44 test year. The pro formed rate of return of 7.81% when multiplied by the rate
45 base of \$119,913, results in an operating net income requirement of \$9,365.
46

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6
7 As shown on Schedule 1, the pro formed net operating income for TGV for the
8 test year is \$9,366. The operating income required, less the net operating income,
9 results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in
10 a revenue deficiency for TGV of zero.
11

12 Schedule 1 reflects TGV's Statements of Income for the 12 months ended
13 4/30/20. As previously stated, TGV is using the 12 months ended 4/30/20
14 because there were only 8 months of actual data in the 2019 test year. Column b
15 shows the actual 12 months ended 4/30/20. Column c shows pro forma
16 adjustments for known and measurable changes to test year revenues and
17 expenses. Column d shows the pro forma 12 months ended 4/30/20. The 12
18 months ended 4/30/19 and 4/30/18 was prior to AWC's ownership. During the 12
19 months ended 4/30/20, TGV net income (loss) was (\$24,600).
20

21 Schedule 1A shows the pro forma adjustments to revenue and expenses. The
22 Company made 1 pro forma adjustment to operating revenues totaling \$40,830
23 and a few pro forma adjustments to operating expenses totaling \$7,620. The
24 specific pro forma adjustments are identified on the Statement of Income – Pro
25 forma Adjustments (Schedule 1A). A brief explanation is as follows:
26

27 Pro forma Adjustment to Operating Revenues

28
29 Operating Revenues – \$40,830
30

31 The Company has increased test year revenues for the proposed amount of
32 revenues necessary to cover its expenses and allow it to earn its proposed rate of
33 return.
34

35 Pro forma Adjustments to Operating Expense

36
37 Operating Expenses:
38

39 Lease Agreements - \$0
40

41 PUC Audit - \$0
42

43 Depreciation Expense - \$0
44
45
46

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6
7 Amortization of Organizational Costs - \$0

8
9 Taxes other than Income – \$661

10
11 Total annual property taxes for the Town of Gilford are \$1,153. The
12 amount of property taxes reflected in the test year was \$492, resulting in a pro
13 forma adjustment of \$661.

14
15 Income Taxes – \$6,959

16
17 The Company has provided the calculation of the federal income taxes and
18 the state business taxes (Schedule 1B). The Company has also provided the
19 effective tax factor (Schedule 1C).

20
21 The total pro forma adjustments to Operating Expenses amount to \$7,620.

22
23 The net of the pro forma adjustments to operating revenue of \$40,830 and
24 the pro forma adjustments to operating expenses of \$7,620 results in a net pro
25 forma adjustment of \$33,210. When the net operating income associated with the
26 pro forma adjustments is added to net operating income from the test year, the pro
27 forma test year net operating income totals \$9,366. The pro forma test year net
28 operating income of \$9,366 allows TGV to cover its expenses and earn its actual
29 7.81% return on its investments.

30
31 Q. Does that complete your description of the pro forma adjustments to revenues and
32 expenses?

33
34 A. Yes.

35
36 Q. Please describe Schedule 2, the Balance Sheet.

37
38 A. See Total Company Balance Sheet.

39
40 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
41 schedule.

42
43 A. Schedule 3 reflects TGV Rate Base for both the 5 quarter average and the pro
44 forma year-end balance. Column b – f shows the actual balance at the end of each
45 quarter. Column g shows the average of the 5 quarter balances. Column h shows
46 the pro forma adjustments. Column i shows the pro forma year-end balance.

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6
7 Please note that the December 2018 and March 2019 balances are before AWC
8 purchase of TGV. As such, the December 2018 and the March 2019 balances are
9 assumed to be the same as June 2019.

10
11 There are no pro forma adjustments to rate base.

12
13 The Total Pro Forma December 31, 2019 Rate Base balance amounts to
14 \$119,913.

15
16 Q. Would you please explain Schedule 4, Rate of Return Information?

17
18 A. See Total Company Capital Structure and Rate of Return Information. Please
19 note that the Capital Structure and Rate of Return Information is for AWC (Total
20 Company) and not just TGV.

21
22 Q. Please explain the Report of Proposed Rate Changes.

23
24 A. If TGV's rate filing is approved as submitted, its total water Operating Revenues
25 will amount to \$69,663, an increase of \$40,830.

26
27 Q. Is TGV proposing any changes to the methodology used in calculating the rates?

28
29 A. No. TGV is calculating the new rates in a manner consistent with its present
30 rates.

31
32 Q. When is TGV proposing that the new rates be effective?

33
34 A. The proposed effective date is 30 days from TGV's rate filing.

35
36 Q. Would you please summarize what the TGV is requesting in its **temporary rate**
37 **filing**?

38
39 A. TGV respectfully requests that the Commissioners approve an increase in annual
40 revenues of \$40,830 for **temporary rates**.

41
42 Q. Is there anything further that you would like to discuss?

43
44 A. No, there is nothing further to my testimony as it pertains to TGV.
45

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6
7 Q. Please begin by describing the **TB Water Schedules for temporary rates**.

8
9 A. The schedule entitled "Computation of Revenue Deficiency for the Test Year
10 ended December 31, 2019," summarizes the supporting schedules. The actual
11 revenue (deficiency) surplus for TB for the test year amounts to (\$37,089). It is
12 based upon an actual test year with a 5 quarter average rate base of \$72,615 as
13 summarized in Schedule 3. AWC's actual rate of return is 7.81% for the actual
14 test year. The rate of return of 7.81%, when multiplied by the rate base of
15 \$72,615, results in an operating income requirement of \$5,671. As shown on
16 Schedule 1, the actual net operating income (loss) for TB for the test year was
17 (\$31,418). The operating income required, less the net operating income (loss),
18 results in an operating income (deficiency) surplus before taxes of (\$37,089). TB
19 did not calculate the tax effect of the revenue deficiency, resulting in a revenue
20 (deficiency) surplus for TB of (\$37,089).

21
22 The pro forma revenue deficiency for TB for the test year amounts to zero. It is
23 based upon a pro formed test year rate base of \$102,910, as summarized in
24 Schedule 3. AWC is utilizing its actual rate of return of 7.81% for the pro formed
25 test year. The pro formed rate of return of 7.81% when multiplied by the rate
26 base of \$102,910, results in an operating net income requirement of \$8,037.

27
28 As shown on Schedule 1, the pro formed net operating income for TB for the test
29 year is \$8,037. The operating income required, less the net operating income,
30 results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in
31 a revenue deficiency for TB of zero.

32
33 Schedule 1 reflects TB's Statements of Income for the 12 months ended 4/30/20.
34 As previously stated, TB is using the 12 months ended 4/30/20 because there were
35 only 8 months of actual data in the 2019 test year. Column b shows the actual 12
36 months ended 4/30/20. Column c shows pro forma adjustments for known and
37 measurable changes to test year revenues and expenses. Column d shows the pro
38 forma 12 months ended 4/30/20. The 12 months ended 4/30/19 and 4/30/18 was
39 prior to AWC's ownership. During the 12 months ended 4/30/20, TGV net
40 income (loss) was (\$32,136).

41
42 Schedule 1A shows the pro forma adjustments to revenue and expenses. The
43 Company made 1 pro forma adjustment to operating revenues totaling \$62,110
44 and a few pro forma adjustments to operating expenses totaling \$22,655. The
45 specific pro forma adjustments are identified on the Statement of Income – Pro
46 forma Adjustments (Schedule 1A). A brief explanation is as follows:

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6
7 Pro forma Adjustment to Operating Revenues

8
9 Operating Revenues – \$62,110

10
11 The Company has increased test year revenues for the proposed amount of
12 revenues necessary to cover its expenses and allow it to earn its proposed rate of
13 return.

14
15 Pro forma Adjustments to Operating Expense

16
17 Operating Expenses:

18
19 Lease Agreements - \$0

20
21 PUC Audit - \$0

22
23 Depreciation Expense - \$0

24
25 Amortization of CIAC - \$0

26
27 Amortization Expenses – Other - \$3,189

28
29 In 2019 TB incurred significant expenditures associated with a main break
30 and the purchase of water to provide to customers during the outage. The
31 expenditures amounted to \$31,890. TB deferred such costs. It is now proposing
32 to seek recovery over a ten year period. The annual costs amounts to \$3,189.
33 Also, see Schedule 3C.

34
35 Taxes other than Income – \$9,912

36
37 Total annual property taxes for the Town of Belmont are \$10,212. The
38 amount of property taxes reflected in the test year was \$300, resulting in a pro
39 forma adjustment of \$9,612.

40
41 Income Taxes – \$9,554

42
43 The Company has provided the calculation of the federal income taxes and
44 the state business taxes (Schedule 1B). The Company has also provided the
45 effective tax factor (Schedule 1C).

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6
7 The total pro forma adjustments to Operating Expenses amount to
8 \$22,556.
9

10 The net of the pro forma adjustments to operating revenue of \$62,110 and
11 the pro forma adjustments to operating expenses of \$22,955 results in a net pro
12 forma adjustment of \$39,455. When the net operating income associated with the
13 pro forma adjustments is added to net operating income from the test year, the pro
14 forma test year net operating income totals \$8,037. The pro forma test year net
15 operating income of \$8,037 allows TB to cover its expenses and earn its actual
16 7.81% return on its investments.
17

18 Q. Does that complete your description of the pro forma adjustments to revenues and
19 expenses?
20

21 A. Yes.
22

23 Q. Please describe Schedule 2, the Balance Sheet.
24

25 A. See Total Company Balance Sheet.
26

27 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
28 schedule.
29

30 A. Schedule 3 reflects TB Rate Base for both the 5 quarter average. Column b – f
31 shows the actual balance at the end of each quarter. Column g shows the average
32 of the 5 quarter balances. Column h shows the pro forma adjustments. Column i
33 shows the pro forma year-end balance. Please note that the December 2018 and
34 March 2019 balances are before AWC purchase of TB. As such, the December
35 2018 and the March 2019 balances are assumed to be the same as June 2019.
36

37 Schedule 3A shows the Rate Base – TB Pro forma Adjustments. Adjustments #9
38 & #10 are the 2019 main break and purchase of water amounting to \$31,890 and
39 the related ½ year amortization of such amount over 10 years amounting to
40 \$1,595. Also, see Schedule 3C.
41

42 The Total Pro Forma December 31, 2019 Rate Base balance amounts to
43 \$102,910.
44
45
46

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6
7 Q. Would you please explain Schedule 4, Rate of Return Information?

8
9 A. See Total Company Capital Structure and Rate of Return Information. Please
10 note that the Capital Structure and Rate of Return Information is for AWC (Total
11 Company) and not just TB.

12
13 Q. Please explain the Report of Proposed Rate Changes.

14
15 A. If TB's rate filing is approved as submitted, its total water Operating Revenues
16 will amount to \$80,456, an increase of \$62,110.

17
18 Q. Is TB proposing any changes to the methodology used in calculating the rates?

19
20 A. No. TB is calculating the new rates in a manner consistent with its present rates.

21
22 Q. When is TB proposing that the new rates be effective?

23
24 A. The proposed effective date is 30 days from TB's rate filing.

25
26 Q. Would you please summarize what the TB is requesting in its **temporary rate**
27 **filing**?

28
29 A. TB respectfully requests that the Commissioners approve an increase in annual
30 revenues of \$62,110 for **temporary rates**.

31
32 Q. Is there anything further that you would like to discuss?

33
34 A. No, there is nothing further to my testimony as it pertains to TB.

35
36 Q. Please begin by describing the **AWC Combined Water Schedules**.

37
38 A. There are no AWC combined water schedules. While AWC is proposing to
39 consolidate water rates for the LL Water, WR, TGV & TB systems for permanent
40 rate, it is not proposing to do so as part of temporary rates.

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6
7 Q. Is there anything else that you would like to address?

8
9 A. Yes. AWC has engaged the services of Stephen P. St. Cyr & Associates to
10 prepare the rate filing and pursue the rate increase throughout the rate case
11 proceeding. St. Cyr & Associates and AWC have agreed on a per hour fee of
12 \$140.00 for each hour of work performed. AWC and I believe that the fees are
13 fair and reasonable. At this point, AWC does not anticipate utilizing outside legal
14 counsel.

15
16 Q. Does this conclude your testimony?

17
18 A. Yes.

19
20
21
22 SPSt. Cyr

23 09/21/20