

Hampstead Area Water Company

before the

New Hampshire Public Utilities Commission

DW 20-117

Direct Testimony of Stephen P. St. Cyr on **WICA**

Q. Please state your name and address.

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

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

A. I am presently employed by St. Cyr & Associates (“SPS&A”), which primarily provides accounting, management, regulatory and tax services. SPS&A devotes a significant portion of the practice to serving utilities. SPS&A has a number of regulated water and sewer utilities among its clientele. I have prepared and presented a number of rate case filings before the New Hampshire Public Utilities Commission (“PUC”). Prior to establishing SPS&A, I worked in the utility industry for 16 years, holding various managerial accounting and regulatory positions. I have a Business Administration degree with a concentration in accounting from Northeastern University in Boston, Ma. I obtained my CPA certificate in Maryland (but not certified in NH due to different certificate requirements).

Q. Is SPS&A presently providing services to Hampstead Area Water Company (“HAWC” or the “Company”)?

A. Yes. SPS&A assists HAWC in its year end closing and preparation of financial

statement and tax returns. SPS&A assists HAWC in various regulatory filings including expansion of its franchise, financing of construction projects and adjusting rates. SPS&A has been engaged to prepare the various rate case exhibits, supporting schedules and written testimony.

Q. What is the purpose of your **WICA** testimony?

A. The purpose of my **WICA** testimony is to support HAWC's efforts to implement a water infrastructure and conservation adjustment, to develop plant costs and to propose a surcharge for recovery of such costs.

Q. Please provide an overview of the **WICA** rate filing.

A. The Company is proposing a Water Infrastructure and Conservation Adjustment ("WICA"). The purpose of the WICA is to recover the fixed costs (return, depreciation, property taxes and income taxes) of certain PUC approved non-revenue producing system production and customer meters purchased, installed and placed in service between rate cases.

Q. What are the benefits to the Company and its customers of WICA?

A. Aside from recovering such costs, the **WICA** provides the Company with the resources to accelerate meter replacements for the purpose of improving the reliability of meter readings to potentially reduce water loss and to more accurately measure water consumed by customers.

Q. Over what period of time is the Company proposing to expend funds and recover such funds?

A. The Company proposes to expend funds over three years for the twelve months ending September 30, 2021, September 30, 2022 and September 30, 2023 and to begin

recovering such funds January 1 of the following year.

Q. What type of plant and at what cost is the Company proposing?

A. The Company proposes to replace production meters and customer meters. Many of the existing production meters have been in service a number of years and are in need of replacement. New production meters would provide more accurate readings of the water being produced. Many of the existing customer meters have also been in service a number of years and are in need of replacement. New customer meters would provide more accurate readings of the water being consumed. New production meters and new customer meters would enable the Company to better measure the amount of water loss and, as a result, to better be able to target its leak detection, with the result being less water loss. The Company anticipates expending \$79,500, \$111,500 and \$111,500 in the twelve months ending 9/30/21, 9/30/22 and 9/30/23, respectively.

Q. When would the first proposed surcharge occur?

A. The first surcharge would be effective 1/1/22, based on the actual costs incurred during the twelve months ending 9/30/21.

Q. Are there supporting schedules?

A. Yes, there are 3 supporting schedules.

Q. Please explain the 3 supporting schedules.

A. WICA Schedule 1 shows a monthly surcharge per customer of \$0.26. It is derived by dividing the total revenue requirement by the average number of general customers by the 12 months ($\$10,833 / 3,533 / 12$). WICA Schedule 2 shows the proposed revenue requirement effective 1/1/22. The total revenue requirement amounts to \$10,833. It is derived by applying the proposed pro forma rate of return in DW 20-117 to the net

investment plus the related operating expenses ($\$77,125 \times 5.56\% + \$6,545$). WICA Schedule 3 shows the proposed eligible projects for the three years ending 9/30/21, 9/30/22 and 9/30/23. It also shows the state and local property taxes and income taxes for the twelve months ending 9/30/21.

Q. Please summarize the **WICA**.

A. The Company proposes, subject to PUC approval, the implementation of a **WICA**. The proposed first monthly surcharge per customer of \$0.26 would be effective 1/1/2022 based on actual funds expended on production meters and customer meters during the twelve months ending 9/30/21.

Q. Does this conclude your testimony?

A. Yes.