

1
2
3
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7
8
9
10
11
12
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14
15
16
17
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19
20
21
22
23
24

I N D E X

PAGE NO.

DISCUSSION RE: LATE FILING OF THE SETTLEMENT AGREEMENT 9

DISCUSSION RE: CONFIDENTIAL TREATMENT 12

DISCUSSION RE: PUBLIC NOTICE ON STEP ADJUSTMENT 15

* * *

WITNESS PANEL: **STEPHEN P. ST. CYR**
 THOMAS A. MASON
 JAYSON P. LAFLAMME

Direct examination by Mr. Richardson 18, 69

Direct examination by Mr. Tuomala 45, 46

Interrogatories by Cmsr. Chattopadhyay 72, 103

Interrogatories by Cmsr. Simpson 86

Redirect examination by Mr. Richardson 105

* * *

CLOSING ARGUMENTS BY:

Mr. Richardson 108

Mr. Tuomala 114

Ms. Stansell 119

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
7	Direct Testimony for Permanent Rates of Stephen P. St. Cyr	<i>premarked</i>
8	Attachments to Direct Testimony of Stephen P. St. Cyr	<i>premarked</i>
9	Settlement Agreement - Permanent Rates, with Attachments A to E	<i>premarked</i>
10	Responses to Staff 1-6, with Bates 156-715 Attachment F to Settlement Agreement	<i>premarked</i>
11	RESERVED FOR RECORD REQUEST <i>(Provide New Hampshire Business Profits Tax rate for taxable periods ending December 31, 2022 and December 31, 2021. If the tax rate is other than 7.7%, provide updated schedules for both step increase and permanent rates.)</i>	85, 106
12	RESERVED FOR RECORD REQUEST <i>(Provide live Excel format of all schedules, Schedules 1-5D with respective years for the identified capital additions depreciation and retirement.)</i>	87, 106

P R O C E E D I N G

1
2 CMSR. SIMPSON: Good morning, everyone.
3 I am Commissioner Simpson. I'll be presiding
4 over today's proceeding as Chairman Goldner is
5 unavailable. I'm joined by Commissioner
6 Chattopadhyay.

7 We're here this morning in Docket DW
8 20-187 for a hearing regarding Lakes Region Water
9 Company's request for change in rates. On
10 January 15th, 2021, Lakes Region Water Company,
11 Incorporated, filed a Petition for Temporary and
12 Permanent Rates, including a request for approval
13 of a 10.44 percent return on equity and
14 corresponding change in customer service rates.
15 With its Petition, Lakes Region included a
16 request, pursuant to RSA 378, Section 27, for
17 temporary rates for proposed effect on October
18 1st, 2021.

19 The Company filed amendments to its
20 temporary rate request on February 12th and
21 February 26th, 2021, with temporary rates
22 established for Dockham Shores Division at
23 existing rates approved by the Commission in
24 Order 26,446. For all other customers, the

1 Company proposed an increase in existing rates of
2 4.51 percent, with the exception of its Wildwood
3 Division, for which it proposed an increase of
4 39.3 percent.

5 On April 7th, 2021, a group of
6 approximately 200 Lake Ossipee Village homeowners
7 filed a Petition to Intervene, through five
8 individuals representing the group *pro se*.

9 On August 30th, 2021, the New Hampshire
10 Department of Energy filed a Settlement Agreement
11 on Temporary Rates signed by Lakes Region and
12 DOE. A hearing on temp. rates was held on
13 September 8th, 2021. The Commission issued Order
14 Number 26,522 approving temp. rates on
15 September 23rd, 2021.

16 On April 27th, 2022, the Company filed
17 a Settlement Agreement on Permanent Rates between
18 Lakes Region and the Department of Energy. The
19 Settlement stated that the Lake Ossipee Village
20 Homeowners participated in the multiple rounds of
21 data requests and technical sessions that
22 resulted in the filed Settlement.

23 Let's take appearances. Lakes Region.

24 MR. RICHARDSON: Good morning,

1 Commissioners. Justin Richardson, with NH Water
2 Law, here on behalf of Lakes Region Water
3 Company.

4 With me here at counsel table I have
5 Ms. Leah Valladares, who's the Utility Manager.
6 And up at the witness stand is Mr. Tom Mason, who
7 is the President of Lakes Region Water Company,
8 and next to him, on his right or your left, is
9 Stephen St. Cyr, our rate consultant.

10 Thank you.

11 CMSR. SIMPSON: Thank you. New
12 Hampshire Department of Energy.

13 MR. TUOMALA: Good morning,
14 Commissioners. Christopher Tuomala, attorney
15 representing the New Hampshire Department of
16 Energy.

17 With me on the witness stand is Jayson
18 Laflamme. He's the Assistant Director of the
19 Water Group for the Regulatory Support Division
20 at the Department of Energy. And with me at
21 counsel table is David Goyette, an analyst in the
22 Water Group.

23 CMSR. SIMPSON: Thank you. And I
24 believe, via the remote feed, we have the Lake

1 Ossipee Village Homeowners Association?

2 MS. STANSELL: Good morning,
3 Commissioners. My name is Carol Stansell. My
4 apologies for not being able to attend in person
5 today, but I am representing the Lake Ossipee
6 Village Homeowners.

7 CMSR. SIMPSON: Thank you. Let's move
8 to preliminary matters.

9 Exhibits 1, 2, and 6 through 10 have
10 been prefiled and premarked for identification.
11 Is there anything else we need to cover regarding
12 exhibits?

13 MR. RICHARDSON: No, Commissioner.
14 However, if I may request, I noticed as I came in
15 this morning, there's not a camera on this desk
16 here. And, so, Ms. Stansell is unable to see me.
17 I've sent an e-mail to Ms. Borden, the moderator.
18 And, if it would make it easier for the hearing,
19 I could sign on from my laptop, so that at least
20 Ms. Borden can -- excuse me -- Ms. Stansell can
21 see all of the parties on the screen.

22 CMSR. SIMPSON: Just a moment.

23 *(Cmsr. Simpson and Cmsr. Chattopadhyay*
24 *conferring.)*

1 CMSR. SIMPSON: Ms. Stansell, I just
2 have a question for you. You can see the
3 Commission Bench clearly, is that correct?

4 MS. STANSELL: Yes. That is correct.

5 CMSR. SIMPSON: Are you comfortable
6 proceeding without video of the rest of the room,
7 including counsel for the Company and the
8 Department of Energy?

9 MS. STANSELL: I am.

10 CMSR. SIMPSON: Okay. Are you all
11 right proceeding as we are, Mr. Richardson --
12 Attorney Richardson?

13 MR. RICHARDSON: Absolutely. I was
14 only offering that to try to make it easier for
15 everyone involved. So, as long as Ms. Stansell
16 is comfortable with that, that's fine. I do have
17 my laptop here, and on.

18 CMSR. SIMPSON: Uh-huh.

19 MR. RICHARDSON: So, if there this is
20 an invite, I can connect to it. But we don't
21 have to delay the proceeding at all for that.
22 Thank you.

23 CMSR. SIMPSON: Okay. Thank you.

24 MS. STANSELL: Thank you.

1 CMSR. SIMPSON: And, Department of
2 Energy, are you all right proceeding as is?

3 MR. TUOMALA: Yes. I'm fine with that.
4 Thank you.

5 CMSR. SIMPSON: Great. Thank you.

6 MR. TUOMALA: Commissioner Simpson, if
7 I may?

8 CMSR. SIMPSON: Please.

9 MR. TUOMALA: I do have another
10 preliminary matter, if I may address the
11 Commission?

12 CMSR. SIMPSON: Please.

13 MR. TUOMALA: Okay. It happens to deal
14 with the submission date of the Settlement. Per
15 the procedural schedule, April 27th was the
16 filing date, but counsel for the Company filed
17 the Settlement on the 28th. And, pursuant to the
18 procedural order issued by the Commission, the
19 date was supposed to be the 27th. DOE contends
20 that, while the Settlement was filed one day
21 later than required by the procedural schedule,
22 the Settlement was not filed late per Puc Rule
23 203.20, Subsection (e), which provides that
24 "settlements shall be filed no less than five

1 days prior to hearing", which, by my calculation,
2 last Thursday does not violate that rule.

3 The DOE, however, with the Company, and
4 out of an abundance of caution, would like to
5 motion for a late acceptance of the filing, if
6 necessary, per Puc 203.20(f), which mandates the
7 Commission to "accept late-filed settlements when
8 it would (1) promote the orderly and efficient
9 conduct of the proceeding, and (2) will not
10 impair the rights of any party to the
11 proceeding."

12 I argue that submission of the
13 Settlement, while not global, since LOV did not
14 sign on to the Settlement, it does promote the
15 orderly and efficient conduct of this proceeding,
16 as it is a proposed substantive resolution of the
17 outstanding issues in this docket. Furthermore,
18 it does not impair the rights of any parties, as
19 all parties have had the opportunity to review
20 the Settlement prior to its submission. And,
21 after consulting with Ms. Stansell, representing
22 the Lake Ossipee Village Homeowners Association,
23 she indicated that, while she does not support
24 the Settlement, she does not object to its

1 filing, late or otherwise.

2 CMSR. SIMPSON: Thank you, Attorney
3 Tuomala. Are there any other comments with
4 respect to the filing of the Settlement at this
5 time, just preliminarily?

6 MR. RICHARDSON: None from Lakes Region
7 Water Company.

8 CMSR. SIMPSON: And, Ms. Stansell, do
9 you have any comments with respect to what you
10 just heard from the Department of Energy?

11 MS. STANSELL: I don't. We do not
12 object to the late filing.

13 CMSR. SIMPSON: Okay. Thank you. We
14 will proceed as is. I appreciate those comments
15 and overview of the rule. The Commission is
16 mindful of timely deadlines, and we appreciate
17 that the Settlement was filed, I believe my
18 comments had said "April 27th", but you are
19 correct, it was filed on the 28th. So, thank you
20 for that.

21 So, I'd like to move to public
22 comments. Ms. Stansell, do you have any comments
23 with respect to the exhibits the Company has
24 filed, identified in their Petition, or anything

1 that you would like to state for the record at
2 this time?

3 MS. STANSELL: Not at this time.

4 CMSR. SIMPSON: Okay. Thank you. Does
5 anyone object to the witnesses and the prefiled
6 testimony?

7 *(Mr. Tuomala and Ms. Stansell*
8 *indicating in the negative.)*

9 CMSR. SIMPSON: Okay. So, as noted,
10 the proposed Settlement, with attachments, was
11 filed on April 28th. We would note that there
12 had been no filings in this docket since the
13 Commission's procedural order approving the
14 parties' request to amend the procedural schedule
15 on January 26, 2022.

16 There were some items within the
17 Petition that we wanted to point out for the
18 Company. Based on the schedule that had been
19 approved at that time, party testimony was due to
20 be filed on the March 10th. No request for an
21 extension of either the settlement or party
22 testimony was submitted.

23 There was no cover letter attached to
24 the Settlement filing requesting confidential

1 treatment of any of the filed documents, although
2 certain pages are watermarked as "confidential",
3 and a number of pages are redacted with no
4 corresponding confidential version.

5 I believe that Attorney Richardson has
6 been in touch with the Clerk's Office on this
7 matter, is that correct?

8 MR. RICHARDSON: Yes. And, if it's
9 appropriate, I can explain the context of this.

10 CMSR. SIMPSON: Please.

11 MR. RICHARDSON: So, Attachment F was
12 added kind of at the very last stage. The
13 Department wanted to include the discovery
14 responses. Those are all public documents. What
15 apparently happened, and I went back and reviewed
16 this, was is that there was a Round 1 set of data
17 requests that had some documents that were marked
18 as "confidential". And, in the Round 2 data
19 requests, apparently, the attachments that were
20 part of the confidential filing, but were not
21 themselves confidential, because there was a
22 public and a nonpublic version, was attached to
23 the public responses. So, all of the documents
24 that you have are public.

1 The information that has been redacted
2 in the filing that you have on the website, none
3 of the parties have relied on any of the
4 redactions that are there. So, we're really only
5 asking that the public copy, which does contain
6 redacted provisions of some of, I believe, my
7 legal invoices is the issue, is -- it can be
8 admitted as such. No one is asking that this
9 Commission review any confidential materials as
10 part of the approval. That was just something
11 that happened in discovery. And what you have
12 before you is the public copy and not the
13 confidential copy.

14 CMSR. SIMPSON: So, with respect to the
15 limited set of information that you're seeking
16 confidential treatment for, you intend to file a
17 motion for confidential treatment, along with a
18 confidential version, and a properly redacted
19 version?

20 MR. RICHARDSON: I think what I would
21 prefer to do, with the Commission's -- subject to
22 the Commission's agreeance of this approach, is I
23 could file a letter or comment saying that the
24 document that's filed, despite the marked

1 portions of those pages that were confidential,
2 are, in fact, public. And that there's no
3 confidential information that's being submitted
4 as part of the case.

5 I believe in a couple instances the
6 underlying document was scanned with the
7 "confidential" watermark. So, there's no way for
8 me to remove it, without going back and changing
9 discovery responses that were submitted nine
10 months ago.

11 So, there's nothing confidential as
12 part of Attachment F to the Settlement Agreement
13 that you have before you.

14 CMSR. SIMPSON: Okay. Thank you. I'll
15 take those comments under advisement. I'll
16 confer with our Clerk's Office, and issue
17 guidance accordingly.

18 MR. RICHARDSON: Thank you.

19 CMSR. SIMPSON: One point I wanted to
20 raise, with respect to public notice, is with
21 respect to the Commission's Order 26,463, on
22 March 26, 2021, which specifically stated that no
23 step adjustments were requested in the Company's
24 initial Petition, and therefore shall not be

1 included for review or approval in this
2 proceeding.

3 I think we'll hear more from the
4 parties on this particular issue in direct. Is
5 that a fair expectation, Attorney Richardson?

6 MR. RICHARDSON: I had not planned to
7 address that. But it's certainly a question that
8 we can address as part of this proceeding.

9 CMSR. SIMPSON: Okay. And, on the
10 record, I just want to reiterate, with regard to
11 the Lake Ossipee Village Homeowners Association,
12 we don't have anything on the record at this time
13 with respect to their position on the Settlement
14 Agreement. It sounds as if the Association or
15 the Homeowners do not support the Settlement, but
16 they are not objecting to it. May I ask you to
17 confirm that, Ms. Stansell?

18 MS. STANSELL: In polling my
19 constituents, the general feeling is they are
20 opposed. The word "objection" did not come up in
21 our discussions. So, it's kind of a fine
22 distinction there. From day one, we were opposed
23 to any rate increase.

24 As I understand it, our not signing the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Settlement Agreement indicates that we object or
2 oppose. Do I need to clarify that?

3 CMSR. SIMPSON: No. I think that's
4 helpful. I just want to make sure I understand
5 the position of the parties, given that there was
6 no witness specifically offered and no testimony.
7 So, we just want to make sure that we fully
8 understand the homeowners group that you
9 represent involvement in the proceeding, and the
10 Settlement that's been put before us here.

11 So, that's helpful. Thank you.

12 MS. STANSELL: Thank you.

13 CMSR. SIMPSON: So, let's proceed with
14 witnesses. Mr. Patnaude, would you please swear
15 in the panel of witnesses.

16 (Whereupon **Stephen P. St. Cyr,**
17 **Thomas A. Mason,** and **Jayson P. Laflamme**
18 were duly sworn by the Court Reporter.)

19 CMSR. SIMPSON: Thank you. I'll
20 recognize Attorney Richardson for the Company.

21 MR. RICHARDSON: Thank you,
22 Commissioners.

23 I'll start with Mr. St. Cyr, if I may,
24 and introduce him first, and then I'll proceed to

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Mr. Mason afterwards.

2 I'd like to make an invitation to the
3 Department witness, Mr. Laflamme. As we go
4 through this, if you ever feel that there's
5 something that should be corrected in the
6 Company's testimony, or something, an additional
7 point that should be elaborated on, I'll invite
8 you to raise your hand and I'll recognize you at
9 that time, rather than have to come back and fix
10 it later or address it later.

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

12 **THOMAS A. MASON, SWORN**

13 **JAYSON P. LAFLAMME, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. RICHARDSON:

16 Q So, with that caveat, Mr. St. Cyr, starting with
17 you, could you please state your name and
18 business for the record?

19 A (St. Cyr) My name is Stephen P. St. Cyr. The
20 business is St. Cyr & Associates.

21 Q And, Mr. St. Cyr, what's your area of expertise
22 and what's your business?

23 A (St. Cyr) I provide accounting, management, and
24 regulatory services to utilities, mostly water

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 and sewer companies.

2 Q And what has your involvement been in this case?

3 A (St. Cyr) I prepared the original temporary and
4 permanent financial schedules, and oversaw the
5 direction of the supporting schedules. I
6 prepared both temporary and permanent rate
7 testimony. I was involved in either responding
8 to or reviewing data requests. I participated in
9 technical sessions and settlement conferences,
10 that ultimately led to the Settlement Agreement
11 in Temporary Rates and the proposed Settlement
12 Agreement for Permanent Rates here, being
13 presented today.

14 Q Thank you. And do you have your testimony, which
15 has been marked as "Exhibit 7", and your
16 schedules that support your testimony, which has
17 been marked as "Exhibit 8", with you today?

18 A (St. Cyr) I do.

19 Q And is that testimony and are those schedules
20 true and accurate to the best of your knowledge
21 and belief?

22 A (St. Cyr) Yes.

23 Q Okay. And, with the caveat that some of the
24 Company's request has been modified to reflect

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 the Settlement Agreement, are there any changes
2 or additions that you would make to your
3 testimony?

4 A (St. Cyr) There are not.

5 Q Okay. I'd like to, if I may, turn to the issue
6 that the Commissioners just raised about the step
7 increase. And was the Company's initial request
8 for a rate increase, I believe that included 2020
9 and 2021 plant additions, is that correct?

10 A (St. Cyr) That's correct. Although the Company
11 didn't specifically request a step adjustment, as
12 it evolved through this proceeding, we did, in
13 fact, pro form, for both 2020 and 2021 additions.
14 We also made numerous adjustments to both revenue
15 and expenses, some of which ultimately ended up
16 in the Step Adjustment.

17 Q So, would you agree with me that the items that
18 are in the Step Adjustment now are -- were
19 included in the initial filing, just as part of
20 the pro forma test year?

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

22 Q Thank you. Can you -- let's start with a summary
23 for the Commissioners, if you can, to explain
24 what the permanent rate increase is that you

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 requested that's in Exhibit 7 and 8?

2 A (St. Cyr) So, the Company originally requested
3 that the Commission approve the consolidation of
4 rates for all of its water systems, including the
5 Dockham Shores and Wildwood Water Company -- I'm
6 sorry, Wildwood water system.

7 The Company also asked the Commission
8 for approval of consolidated rates. And, if such
9 approval was granted, the Company specifically
10 requested approximately \$260,000 in revenue, or a
11 20 percent increase, for its 1,812 metered and
12 unmetered customers.

13 Q And I believe, in response to a prior Commission
14 order, the Company also did an alternative set of
15 schedules that would be requested, if
16 consolidation was not approved. And can you
17 highlight for the Commissioners what the rate
18 increases would be without rate consolidation?

19 A (St. Cyr) So, the Company actually prepared four
20 sets of schedules. There was the set of
21 schedules for the consolidated, including Dockham
22 Shores and Wildwood; there was a set of schedules
23 for just Lakes Region, excluding Dockham and
24 Wildwood; and then there was a separate set of

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 schedules for both Dockham and Wildwood.

2 Q Okay. And let's start with Lakes Region Water
3 Company, what we've heard today is the general
4 metered and unmetered rate or unmetered
5 customers. What would the request have been for
6 an increase for those customers?

7 A (St. Cyr) So, the original request for Lakes
8 Region itself, without Dockham and Wildwood, was
9 approximately 145,000, or 11.5 percent.

10 Q Okay. And that's -- so, for those, and that's
11 compared to the consolidated request that came in
12 of about 19.6, is that right?

13 A (St. Cyr) Yes, 19.69 percent.

14 Q Okay. What about Dockham Shores' customers?

15 A (St. Cyr) So, the Company originally requested
16 approximately 57,000, or 148 percent increase
17 over the then existing rates for Dockham.

18 Q And what was Wildwood's request, in the event
19 that rate consolidation is not approved?

20 A (St. Cyr) The Wildwood request was approximately
21 55,000, or a 213 percent increase over the then
22 existing rates.

23 Q Okay. Let's -- do you have the Settlement
24 Agreement, which has been marked as "Exhibit 9",

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 and the schedules, which has been marked as
2 "Exhibit 10", in front of you?

3 A (St. Cyr) I do.

4 Q Okay. And can you give us a summary of what the
5 Settlement Agreement provides for permanent
6 rates?

7 A (St. Cyr) Are you specifically looking for the
8 rates itself or the revenue?

9 Q Let's start with the revenue. I apologize.

10 A (St. Cyr) Okay. So, I'm specifically looking
11 at -- I believe this is Attachment A to the
12 Settlement Agreement, Schedule 3. There's also a
13 notation "Page 26" of Exhibit 9, if that's
14 helpful.

15 So, this schedule shows the permanent
16 rates, the operating income statement. And I'm
17 specifically looking at Columns (6), (7), and
18 (8), and the "Total Operating Revenue" line, it's
19 the fourth line down. The proforma test year
20 resulted in "\$1,598,165"; the revenue deficiency
21 was "41,678"; and the recommended operating
22 revenue was "\$1,639,843".

23 The 41,678 represents approximately a
24 2.6 percent increase over the test year revenues.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q And, so, comparing that to, and going back to the
2 question I asked you before about the step
3 increase, how significant is the removal of what
4 the 2020 and '21 plant adjustments were? Is that
5 one of the factors that reduces that number?

6 A (St. Cyr) It reduces it significantly. Yes, it
7 does.

8 Q Okay. Now, let's turn to rates for a moment.
9 And, on Page 10 of the Settlement Agreement, with
10 Exhibit 9, can you, when you turn to that, can
11 you explain how the Settlement of permanent
12 rates, what the rate increases are for each
13 category please?

14 A (St. Cyr) So, I'm looking at Page 10 of the
15 Settlement Agreement, Section H, "Rate Design",
16 and the I, "Permanent Rate Revenue Rates". And
17 there's a table, the first column in the table is
18 the "Rate Groups". It identifies the five
19 different classes that Lakes Region has. The
20 second column identifies the "Previously Approved
21 Base Charges". These are essentially the rates
22 that are in effect today. The third column shows
23 the "Proposed Revenue Requirement Base Charges"
24 as proposed in the Settlement Agreement. And,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 then, Columns 4 and 5 show the consumption rate.
2 And the specific indication that something is
3 "not applicable" is an indication that those
4 rates are unmetered.

5 Q Now, it doesn't have the percentages in there,
6 but let me just walk through that table. So,
7 General-Metered customers are going from
8 "145.42", to the new permanent rate of "148.31".
9 And, by my math, that's about 1.98 percent
10 increase?

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

12 Q Okay. And doing the same math, General-Unmetered
13 customers, that comes to about 2.82 percent?

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

15 Q Right. The Waterville Gateway Pool rate is 3.12
16 percent increase?

17 A (St. Cyr) Correct.

18 Q The Dockham Shores increase works out to 1.98
19 percent, the same as the General-Metered
20 customers, right?

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

22 Q But, then, the Wildwood system is going to see an
23 increase of 45.67 percent, is that right?

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

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q And why is the Wildwood system different
2 quantitatively in this case?

3 A (St. Cyr) So, the existing Wildwood rate is much
4 lower than the rate for the other systems. And
5 it's much lower, because that rate has been in
6 place for nearly two decades. We went back, the
7 last approved rate increase was actually March
8 24th, 1998, in Docket DR 121 [sic].

9 And, then, this is a system that Lakes
10 Region purchased, that was in need of repair.
11 Lakes Region essentially replaced the entire pump
12 house and made other system improvements that
13 resulted in part of that increase.

14 Q Uh-huh. But that 45.67 percent increase, do you
15 recall what the stand-alone increase would have
16 been for the Company per its original request
17 without rate consolidation?

18 A (St. Cyr) The Company had originally requested a
19 213 percent increase.

20 Q Okay. Now, how do these permanent rates that are
21 contained in the Settlement Agreement, how do
22 those compare to the existing temporary rates
23 that are currently in place?

24 And why don't I direct your attention

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 to Schedule 3 of Attachment C to the Settlement
2 Agreement, which is on pdf Page 56.

3 A (St. Cyr) So, I'm at Schedule 3. The schedule is
4 entitled the "Report of Proposed Rate Changes
5 Revenue & Rate Comparison". Did you want me to
6 cite the revenue or the rates?

7 Q I'm sorry if I use the words "rates" and
8 "revenue" interchangeably. I understand that, in
9 the second column, it shows the "Pro Forma Test
10 Year" of 1.598 million for the test year. That
11 was where I was thinking we would start.

12 A (St. Cyr) Okay. And these are the pro forma test
13 year revenues.

14 Q Yes. Okay. And, so, then there's a column for
15 the "Approved Temporary Rates". So, I was hoping
16 you could walk through the differences for each
17 class of customers?

18 A (St. Cyr) Okay. So, and let me start with, in
19 total, the approved temporary revenues amounted
20 to "\$1,662,000" --

21 *[Court reporter interruption.]*

22 WITNESS ST. CYR: I'm sorry, I know
23 that didn't come out right. Yes.

24 **CONTINUED BY THE WITNESS:**

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (St. Cyr) -- "\$1,662,395". And, as you can see,
2 that's higher than the pro forma test year
3 revenues, which means that the temporary rates
4 were greater than the proposed test year revenues
5 by \$22,552, and that's net throughout the entire
6 system. So, some customers would get a refund as
7 a result of that, and some customers would get an
8 additional charge as a result of that.

9 And that's specifically, in terms of
10 revenue, identified in the next column, the three
11 columns are identified as "changes", but the one
12 I'm looking at is the one "Temp to Perm". So, if
13 I look at "Unmetered General customers", the
14 first group of customers is going to see a credit
15 of "7,396". And the second group of customers,
16 which is the Wildwood customers, these are still
17 unmetered, would actually see an increase of
18 "\$4,007".

19 And then, if I go to the "Metered
20 General customers", the consolidated group of
21 customers will see a decrease of "\$20,220". And
22 the Dockham Shores customers would see an
23 increase of "\$1,080".

24 And the sum of all of those pieces,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 including the small adjustment for the Pool, is a
2 net reduction of "\$22,552".

3 BY MR. RICHARDSON:

4 Q Mr. St. Cyr, am I correct that these are, for
5 lack of a better word, annualized effects? So,
6 in other words, this is a -- these are credits or
7 debits that are accruing from the date that the
8 temporary rates were put into effect, until the
9 permanent rates are approved. So, the actual
10 amounts may vary, depending on what that period
11 of time is?

12 A (St. Cyr) That is correct.

13 Q Okay. While we're looking at Schedule 3,
14 Attachment C to the Settlement Agreement, which
15 is "Exhibit 9", could you explain what the step
16 agreement -- the Step Adjustment is and how it
17 will be applied in this as part of the Settlement
18 Agreement?

19 A (St. Cyr) Yes. And we are referring to this as
20 "Step I", but there's really only one step. So,
21 it's also referred to in some places as a "Step
22 Adjustment". But the Step Adjustment is for
23 plant placed in service in 2020 and 2021, and the
24 related depreciation and property taxes.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 It also included some adjustments for
2 wages. These were wages that the Company had
3 proposed, but held off, pending how those wages
4 were viewed during the course of the proceeding.

5 The step increase does include a couple
6 of -- three estimates, actually, estimates of
7 costs not to exceed \$36,150. This cost is
8 related to repaving of three roads in Paradise
9 Shores. The Company delayed repaving the work on
10 Robin Lane, Glen Forest Drive, and Sunrise Drive
11 at the request of the homeowners. This is the
12 Balmoral Improvement Homeowners' Association.
13 And they requested that, because they're the ones
14 that own the road and the right-of-way. And one
15 specific customer was objecting, and there's
16 potential legal issues. So, the Company held off
17 pending resolution of that matter.

18 The Company envisions, subsequent to
19 this hearing, that, when that work is finally
20 done, that it would submit the final actual costs
21 for the step adjustments. That those costs would
22 be audited by the DOE's Audit Division. They
23 would issue an audit report as is standard. To
24 the extent that the audit report finds something,

{DW 20-187} {05-05-22}

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 there would be some discussion. But, presumably,
2 the Company would accept whatever adjustments are
3 required.

4 And then, it would go back to the
5 Company and the DOE for final resolution, to be
6 submitted to the Commission for ultimate approval
7 of the Step Adjustment.

8 Q Mr. St. Cyr, would you agree with my statement
9 that, under the Settlement Agreement, the Step
10 Adjustment that's shown on Schedule 3 of
11 Attachment C, and also in Attachment B itself,
12 those figures are all stated on a "not to exceed"
13 basis?

14 A (St. Cyr) That is correct.

15 Q Okay. So, once the -- assuming the Settlement
16 Agreement is approved, what will happen to the
17 different categories of rates for Dockham Shores,
18 Wildwood, and the General-Metered customers?

19 A (St. Cyr) So, the Settlement Agreement
20 contemplates that those rates would be
21 incorporated into the consolidated rates.
22 Dockham Shores' customers are metered, so they
23 would become part of the metered rate. And
24 Wildwood are unmetered, so they would become part

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 of the unmetered rate.

2 Q And what are the benefits to the customers of
3 rate consolidation?

4 A (St. Cyr) So, there's a number of benefits.
5 First of all, from the Company's perspective,
6 we're interested in not having a wide disparity
7 among rates within our own system. You know, the
8 Settling Parties note that the current separate
9 Dockham Shores and Wildwood Divisions would face
10 substantial increases if they weren't part of the
11 consolidated rate. They are still facing an
12 increase, even if they are part of the
13 consolidated rate structure, but it's to a less
14 extent.

15 The Company manages all of its systems
16 in whole. It makes its determinations in terms
17 of capital improvements and priorities
18 systemwide. It doesn't do it on an individual
19 system basis. So, the priorities of one system
20 is compared to the priorities of others, in order
21 to get to the total.

22 So, for a number of years now, the
23 systems have been managed on a total basis,
24 rather than on an individual system basis.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 There are also a number of
2 administrative and -- administrative benefits,
3 specifically related to rate cases. You know, if
4 we had to file separate rate cases for each of
5 those two systems, you know, it's time-consuming,
6 it's costly. You know, we believe, as a whole,
7 that, you know, any improvements among one
8 system, you know, then gets essentially recovered
9 over all of the system's customers, rather than
10 the individuals. So, the smaller systems face
11 less of an immediate burden and less of a rate
12 shock. And we believe that, over time, all of
13 those systems benefit. You know, in one year
14 you're making improvements in one system, and, in
15 the next year, it's in another system. But all
16 of those improvements are recovered over all of
17 the Company's customers.

18 Q What effect does consolidation have or benefit,
19 in terms of the timing of request for rate
20 increases?

21 A (St. Cyr) So, it's all better to do a rate case
22 on a companywide basis. You know, one -- an
23 improvement in one system in and of itself won't
24 necessarily cause a deficiency in rates and

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 reduction in the rate of return. But, when you
2 sum the improvements in the various systems, then
3 it's the accumulation of those additions and the
4 changes and expenses that result in the need for
5 a rate increase in the first place. And, again,
6 we do that on a total company basis, and not on
7 an individual system basis.

8 Q Uh-huh. So, is it -- would you agree with the
9 statement that "over time, this benefits
10 customers, because it reduces the level of
11 administrative and rate case expense costs that
12 the customers would ultimately be responsible
13 for"?

14 A (St. Cyr) Yes.

15 Q Okay. Mr. St. Cyr, do you have an opinion as to
16 whether the permanent rates recommended in the
17 Settlement Agreement are just and reasonable?

18 A (St. Cyr) I do. I do believe that they are just
19 and reasonable. You know, that they reasonably
20 reflect the cost of service to the customers, and
21 provide a reasonable rate of return for the
22 Company's investment. And these are necessary
23 improvements that are prudent, used and useful,
24 and in the benefit of the customers.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q And the same question for the step increase, with
2 the one caveat that the 36,000 in additional
3 paving work hasn't been completed yet, but what's
4 your view of the step increase? Is that just and
5 reasonable or how would you characterize that?

6 A (St. Cyr) I do believe they are just and
7 reasonable as well.

8 Q Thank you, Mr. St. Cyr. Mr. Mason, I have just a
9 few questions for you.

10 I'll turn to my outline. Do you have
11 your testimony that's been marked as "Exhibit 1",
12 and your attachments, which has been marked as
13 "Exhibit 2", in front of you?

14 A (Mason) I do.

15 Q Okay. And, before you we dive into that, could
16 you just explain to the Commissioners who you are
17 and what you do for the Company?

18 A (Mason) Sure. I'm Tom Mason. I run Lakes Region
19 Water. I'm the president. Responsible for the
20 day-to-day operations of taking care of 19 water
21 systems. Pretty much what I do.

22 Q Okay. And is your testimony, that's contained in
23 Exhibit 1 and 2, is that true and accurate to the
24 best of your knowledge and belief?

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Mason) Yes.

2 Q Okay. Could you -- I want to ask you a question
3 about one aspect of the Settlement Agreement,
4 which is Exhibit 9. Do you have that in front of
5 you?

6 A (Mason) I'll find it.

7 Q I have a copy here for you, if you need it.

8 A (Mason) Yes, maybe I -- hang on. I'm sorry.

9 Q I'm going to ask you to go to Page 15 when you
10 can. Let me know when you're there.

11 A (Mason) Got it. I'm there.

12 Q Okay. Looking at the bottom paragraph on Page
13 15, I'll read that to you. It says: "As a
14 result" -- and we're talking about "installation
15 of meters", which is agreed to as a goal in the
16 Settlement Agreement. So, I'm going to read this
17 to you: "As a result, the Settling Parties agree
18 that Lakes Region will commit to a goal of
19 installing customer meters in its unmetered Deer
20 Cove, Lake Ossipee Village, and Indian Mound
21 divisions before it files its next case."

22 And then, in the next paragraph, it
23 says: "The Settling Parties agree that this
24 commitment is a goal and that no strict timeline

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 is imposed under the terms of this Settlement
2 Agreement. The Settling Parties, furthermore,
3 agree that there will be no penalty to the
4 Company should this goal not be met by its next
5 full rate proceeding provided that there are
6 reasonable circumstances beyond Lakes Region's
7 control preventing such."

8 And then, it goes on to explain, and I
9 won't read the whole thing, that, in the event
10 the goal isn't met, there will be a filing in the
11 rate case to explain what has been accomplished
12 and the reasons for any delays.

13 So, with that being understood, my
14 question to you is, can you explain to the
15 Commissioners, from a construction business
16 standpoint, what are the challenges that would
17 make accomplishing the goal of installing meters
18 on those three systems difficult to accomplish?

19 A (Mason) There's several things, each one is a
20 little bit individual. Take Deer Cove. Deer
21 Cove has a bunch of condo units that have one
22 feed line that come into them, and then they, you
23 know, then they feed from condo to condo. So, it
24 makes it -- it's kind of a unique situation on

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 how to meter that individually to each individual
2 customer. Some of the --

3 Q And I'm sorry to interrupt, but what is it about
4 the individual plumbing? Why is that --

5 A (Mason) Well, it would be a major -- I don't even
6 know how you'd do it, because the plumbing runs
7 from -- starts at one condo, goes to the next
8 one, goes to the next one. So, every time -- I
9 don't know how you would every meter the one, you
10 know, each individual one, because they actually
11 feed through the condo to the next one. So, it
12 would be pretty difficult. That's one situation.

13 Some of the other systems that we have,
14 take Ossipee Lake Village. It's a seasonal
15 community. There's quite a few people that
16 aren't there. It's hard to coordinate with them.
17 Some don't have cellars, they would need meter
18 pits. They're, you know, hard to get ahold of.

19 There's a lot of things. It would take
20 us quite a bit of time to, you know, to get this
21 worked out. But it's doable, it just would take
22 time.

23 Q Uh-huh. What about houses that have finished
24 basements?

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Mason) Yes, that's another problem. How do you
2 deal with, some of the nicer, newer houses have a
3 finished basement where the water line comes in,
4 how you would get a meter in there without, you
5 know, impacting their living space would be an
6 issue.

7 We got to research all of that and find
8 out, you know, at some point, who has that
9 situation, and who would need a meter pit, who
10 doesn't have a cellar or, you know, there's a lot
11 to coordinate. It's several hundred meters.

12 Q Uh-huh. What about -- well, so, let me jump
13 ahead a little bit. What's Lakes Region's plan
14 then to overcome these challenges and get these
15 systems metered?

16 A (Mason) Well, we're going to start to go out and
17 check out the impact of the different places to
18 figure out all of these issues, see who needs
19 what. We're also going to put out an RFP, just
20 to find out, we don't even know what the actual
21 cost of the project would be yet. So, we need to
22 get some numbers in to budget. And then,
23 obviously, we'd have to figure out a way to
24 finance it or get it in place. So, --

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q So, this is not work then where Lakes Region will
2 be taking its own employees and going into
3 people's basements?

4 A (Mason) No, no. Definitely. We need to have a
5 plumber do that.

6 Q Uh-huh. What's your expectations, in terms of
7 contractor and materials availability going
8 forward?

9 A (Mason) Well, we don't really know at this point.
10 I mean, you know, everything is a challenge right
11 now to get, at least in the water industry. So,
12 going forward, I don't know how available meters
13 will be, people. It's kind of a, you know, a
14 moving target at the minute.

15 Q Uh-huh. So, turning back to that paragraph in
16 the Settlement Agreement, on Exhibit 9, Pages 15
17 to 16, it says: "The Company also commits to
18 submitting with its next full rate case
19 proceeding a report on the status of meter
20 installations for those three divisions,
21 including detail regarding customer accounts
22 which did not have a meter installed and the
23 reason for such delay, for the Commission to
24 review" -- "for Commission review and disposition

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 as part of the next rate proceeding."

2 So, is it your understanding then that
3 the Company will go out, use its best efforts to
4 install meters, and then report back how it's
5 addressed each of these challenges that may occur
6 in the process of meter installation?

7 A (Mason) Yeah. Yes. Correct.

8 Q Okay. What's your -- I mean, what's your sense,
9 in terms of, you know, the range of likely
10 outcomes that may happen, and over what period of
11 time?

12 A (Mason) You know, during this current year, it
13 will probably just mostly be footwork, trying to
14 get a plan together, talk to vendors, software
15 people, anybody, you know, that we might use. We
16 haven't committed to a particular meter yet. So,
17 we have to do a lot of research in the meantime.
18 So, that would be this year.

19 And then, obviously, at that point, we
20 need to get onboard with Staff and figure how
21 we're going to fund this going forward, get that
22 in place, the financing. And then, at that
23 point, see availability of parts and, you know,
24 when we can get that going.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 But it's going to take a year and a
2 half to get this to the point where we might be
3 able to start it.

4 Q Uh-huh. And then, you'll find out what,
5 presumably, what the contractors come in for
6 prices and --

7 A (Mason) Right. Exactly. I mean, no one's
8 holding prices right now, everybody gives you a
9 price for today or, you know, maybe a couple of
10 weeks. But we need a ballpark. Technically, we
11 have no idea what it would, you know, the
12 magnitude of what we're going to have to spend to
13 do this.

14 Q Could you explain to the Commissioners what some
15 of the different options and capabilities of the
16 metering systems are that you would evaluate?

17 A (Mason) Sure. We, at the present time, we have
18 Sensus meters that are -- that can be radio-read.
19 There are some new meters out there that we're
20 using in a project that we worked on. And
21 they're cellphone-based. And they actually --
22 it's pretty cool. They actually report in
23 continually. So, you can set parameters in them
24 that tell you if a meter's, you know, say,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 running constantly for 24 hours, or something
2 like that. Where, you know, where most of our --
3 a good majority of our homes are seasonal, a lot
4 of times there's no one there. So, until
5 somebody shows up and says "Hey, my house is
6 flooded", we don't really know.

7 But, with the new technology that's
8 coming out in meters, we can actually -- the
9 meter can actually report in, if there's a change
10 in what it does or a parameter that's different,
11 so that we can then know ahead of time that, you
12 know, somebody that might not be there for the
13 whole winter has, you know, a broken pipe and is
14 flooding their home and wasting water.

15 Q What are the challenges associated with using
16 different types of meters?

17 A (Mason) Well, that's what we got to look into.
18 We got to find out how, you know, we have over a
19 thousand Sensus meters at this point, and we're
20 not really sure how the software, the reading,
21 the equipment can integrate. Obviously, we don't
22 want two complete systems that are different. It
23 would be difficult to do that. So, we have to
24 look into compatibility between mostly software,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 and the actual equipment and how they're read and
2 put into the system.

3 Q But this wouldn't be the first time you've done
4 that, because am I correct in understanding of
5 Dockham Shores and your General-Metered customers
6 use different meter systems?

7 A (Mason) Yes. They have a -- it's kind of an
8 add-on of a radio-read system. It's just not
9 quite as -- quite as nice as the new
10 cellphone-based systems. The cellphone-based
11 system is really pretty good for us, where we
12 have a majority of seasonal customers that, you
13 know, might not be there for a month at a time.
14 It would be awful nice to know that something was
15 going on in their house before they actually
16 showed up and found it themselves.

17 MR. RICHARDSON: Uh-huh. Thank you.
18 Those are all the questions I have. So, I'll
19 pass onto the Department or whoever follows.
20 Thank you.

21 CMSR. SIMPSON: Thank you, Attorney
22 Richardson. I'll recognize Attorney Tuomala for
23 the Department of Energy.

24 MR. TUOMALA: Thank you, Commissioner.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 If I may, I do have one follow-up question for
2 Mr. Mason regarding his testimony, in Exhibit 1,
3 if I may, before I move on to Jayson Laflamme?

4 CMSR. SIMPSON: No objection from the
5 Bench.

6 MR. TUOMALA: Okay. Thanks.

7 BY MR. TUOMALA:

8 Q Mr. Mason, would you please turn to Page 13 of
9 Exhibit 1, if you have it in front of you?

10 A (Mason) What page did you say?

11 Q Thirteen.

12 A (Mason) I've got it. Sorry. Got it.

13 Q Okay. And I'm going to direct your attention to
14 Line 7.

15 A (Mason) Okay.

16 Q And I'll read it for the record. It says: "I
17 also recommend that the Commission consider
18 allowing Lakes Region to make periodic step
19 adjustments or water infrastructure cost
20 adjustments as replacement projects for mains,
21 pumping and treatment systems, and customer
22 meters are completed and placed in service."

23 My question for you with that request,
24 is that -- is it fair to say that that request is

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 more akin to a Company request for a water
2 infrastructure conservation adjustment charge or
3 the QCPAC charge that the Pennichuck companies
4 have, as in the yearly filing to maintain Company
5 revenue for plant additions for the success --
6 the previous year?

7 A (Mason) Yes.

8 MR. TUOMALA: Okay. I appreciate that.
9 Thank you for that answer, Mr. Mason.

10 WITNESS MASON: No problem.

11 MR. TUOMALA: Now, I'd like to turn to
12 Mr. Laflamme. Good morning, Mr. Laflamme.

13 BY MR. TUOMALA:

14 Q Could you please state your full name for the
15 Commission and the record please?

16 A (Laflamme) Jayson Laflamme.

17 Q And whom are you employed by, Mr. Laflamme?

18 A (Laflamme) The New Hampshire Department of
19 Energy.

20 Q And what is your position at the Department of
21 Energy.

22 A (Laflamme) I am the Assistant Director of the
23 Water Group within the Regulatory Support
24 Division.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q Could you please describe your previous work
2 experience at the Commission, and now at the
3 Department of Energy?

4 A (Laflamme) Yes. I joined the Public Utilities
5 Commission in 1997 as a Utility Examiner in the
6 Commission's Audit Division. In 2001, I joined
7 the Commission's Gas & Water Division as a
8 Utility Analyst, and was eventually promoted to
9 Senior Utility Analyst in the Gas & Water
10 Division. In 2018, I became the Assistant
11 Director of the Commission's Gas & Water
12 Division. And, in July of last year, my position
13 was transferred to the newly created Department
14 of Energy.

15 Q And what are your responsibilities in your new
16 position at the Department of Energy?

17 A (Laflamme) I directly supervise the Water Staff
18 of the Regulatory Support Division, and primarily
19 oversee the course of examination for water and
20 wastewater dockets that are filed with the
21 Commission. I also directly examine select
22 dockets that come before the Commission, such as
23 the one being heard today.

24 Q And have you previously testified here at the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Commission before?

2 A (Laflamme) Yes, I have.

3 Q Okay. Could you further describe your
4 involvement with this particular docket please?

5 A (Laflamme) Yes. I examined the Company's rate
6 filing in conjunction with the books and records
7 previously on file with the Commission regarding
8 Lakes Region Water Company. I participated in
9 the discovery process, formulating data requests,
10 reviewing data responses, and participated in
11 technical sessions. I also participated in the
12 drafting of the Settlement Agreement that is
13 being presented today.

14 I also materially participated in
15 previous dockets involving Lakes Region,
16 including DW 15-209, which was Lakes Region's
17 last general rate proceeding; DW 16-619, which
18 was the Dockham Shores acquisition; DW 17-176,
19 which is the Wildwood acquisition; DW 18-056,
20 which was an income tax docket regarding Lakes
21 Region; DW 19-135, which was a CoBank financing;
22 and DW 19-177, which was a rate case specifically
23 for the Dockham Shores Division.

24 Q I would like you to look at Exhibit Number 9,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 which is the Settlement Agreement previously
2 referenced by Attorney Richardson. Do you have
3 that document in front of you, Mr. Laflamme?

4 A (Laflamme) Yes, I do.

5 Q And can you please identify this document for the
6 record?

7 A (Laflamme) Yes. This is the Settlement Agreement
8 reached by the Company and the Department in this
9 proceeding.

10 Q And did you state previously that you
11 participated in the drafting and review of this
12 document?

13 A (Laflamme) Yes, I did.

14 Q Do you wish to make any revisions to Exhibit
15 Number 9 at this time?

16 A (Laflamme) No, I do not.

17 Q And is the information contained in Exhibit 9
18 true and accurate to the best of your knowledge?

19 A (Laflamme) Yes, it is.

20 Q I would like you to turn to Bates Page 003 of the
21 Settlement Agreement in Exhibit 9. And turning
22 your attention to Section III, A -- Subsection A,
23 Subsection i, "Overview", could you please
24 describe what is contained in the Settlement

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Agreement with regard to proposed rate increases?

2 A (Laflamme) Certainly. The Settlement Agreement
3 is proposing a permanent rate increase for all of
4 Lakes Region's general water customers, based on
5 the Company's test year in this case of 2019, as
6 well as a step increase in revenues, based mainly
7 on plant additions made by the Company during
8 2020 and 2021.

9 However, due to the fact that the
10 majority of Lakes Region's customers would
11 realize a rate decrease relative to temporary
12 rates currently in place, when permanent rates
13 are put into effect, that would soon be followed
14 by a rate increase when the Step Adjustment is
15 implemented, the Settling Parties are proposing
16 instead to implement these two rate adjustments
17 simultaneously upon Commission approval of the
18 proposed Step Adjustment.

19 In the interim, the Company would
20 continue to charge its approved temporary rates.
21 The Settling Parties feel that this proposal will
22 aid in maintaining rate stabilization and
23 mitigate customer confusion.

24 Q Thank you for that. If you could turn to Bates

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Pages 004 and 005 of Exhibit 9, and specifically
2 it's Subsection ii of Section III. Could you
3 please -- excuse me, Section ii, A.ii, pardon me.
4 It outlines a projected timeline of events
5 relative to the remainder of this proceeding
6 based on the provisions contained in the
7 Settlement Agreement. Is that true?

8 A (Laflamme) That is correct.

9 Q And, in that section, how many Commission orders
10 are currently envisioned relative to the
11 remainder of this docket?

12 A (Laflamme) Three. The first will be an order
13 approving this Settlement Agreement and the
14 proposed permanent rates contained in the
15 Settlement Agreement; the second will be an order
16 approving the amount of the proposed Step
17 Adjustment, after it has been audited and
18 reviewed by the DOE Staff; and the third will be
19 an order approving the reconciliation and
20 adjustment of revenues between permanent rates
21 and temporary rates, as well as rate case expense
22 recovery.

23 Q Thank you. And if we could move on to the next
24 section, Subsection B, entitled "Permanent Rate

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Revenue Requirement", which is on Bates Page 005,
2 it states that the Settling Parties agree to a
3 total revenue requirement for Lakes Region of
4 "\$1,378,827", and that "represents an increase of
5 3.12 percent", and the Company's pro forma test
6 year revenues from general water customers. Is
7 that correct?

8 A (Laflamme) That is correct.

9 Q And it further indicates that the derivation of
10 this proposed increase can be found in Attachment
11 A to the Agreement, which starts on Bates
12 Page 019. Is that correct?

13 A (Laflamme) That is correct.

14 Q Mr. Laflamme, did you prepare Attachment A?

15 A (Laflamme) Yes, I did.

16 Q Can you please briefly walk the Commission
17 through the calculation of the proposed revenue
18 requirement contained in Attachment A?

19 A (Laflamme) Certainly. To do that, I would direct
20 your attention to the Summary schedule contained
21 on Bates Page 019. The Settling Parties have
22 agreed to a total Rate Base amount of \$3,607,730
23 as calculated on Schedule 2, Column 6, Bates Page
24 023, of Attachment A. To that amount an agreed

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 upon Rate of Return, as calculated on
2 Schedule 1a, Bates Page 020, of 8.52 percent is
3 applied in order to derive an Operating Income
4 Requirement of \$307,258. From that amount, the
5 Company's Pro Forma Test Year Operating Income,
6 from Schedule 3, Column 6, on Bates Page 026, of
7 \$276,868 is subtracted to derive Lakes Region's
8 Revenue Deficiency before Income Tax Effect of
9 \$30,930 [\$30,390?]. To this, a Tax Factor,
10 calculated on Schedule 1b, which is Bates page
11 022, of 72.92 percent is applied in order to
12 arrive at the agreed upon Revenue Deficiency
13 after Income Tax Effect of \$41,678, which, when
14 added to the Company's Pro Forma Test Year Water
15 Revenues of \$1,337,149 results in the proposed
16 Permanent Rate Revenue Requirement of \$1,378,827.
17 And this represents a 3.12 percent increase in
18 test year water revenues from general customers.
19 Q Before I move on, Mr. Laflamme, I want to turn
20 back to one of the figures you just stated for
21 the record. I believe the numbers were
22 transposed. But could you repeat again what
23 Lakes Region's Revenue Deficiency before Income
24 Tax Effect is?

{DW 20-187} {05-05-22}

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Laflamme) \$30,390.

2 Q Okay. I believe that you switched the 3 and the
3 9. So, for the record, it's "\$30,390", correct?

4 A (Laflamme) That is correct.

5 Q Thank you. Mr. Laflamme, you indicated that the
6 test year upon which the proposed revenue
7 requirement is based upon is 2019. Was an audit
8 of the test year 2019 performed by the
9 Department's Audit Staff?

10 A (Laflamme) Yes, it was. The Audit Report of the
11 Department's examination is included in the
12 Settlement Agreement as "Attachment E", which can
13 be found on Bates Pages 063 to 165. There was a
14 total of ten audit issues identified in that
15 report. And, with regard to those audit issues
16 that impacted the Company's revenue requirement,
17 adjustments were incorporated in Schedule 2a, on
18 Bates Pages 024 and 025, and Schedule 3a, of
19 Bates Pages 027 through 030, of Attachment A to
20 properly account for those items.

21 Q Mr. Laflamme, in Schedule 2 of Attachment A,
22 Bates Page 023, it indicates that the Company's
23 net rate base includes approximately \$3.8 million
24 in net plant investment. Is that correct?

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Laflamme) Yes.

2 Q Do you believe that the Company's plant
3 investments reflected in rate base is prudent,
4 used and useful?

5 A (Laflamme) Yes. The Company's plant investments
6 since its last general rate proceeding in DW
7 15-209 were examined as part of the Department's
8 audit in this case. And I would specifically
9 reference Bates Pages 065 through 089 of
10 Attachment E. Additionally, the Department's
11 Audit Staff previously conducted examinations of
12 the Company's Dockham Shores Division's pump
13 station replacement as part of DW 16-619, as well
14 as the Dockham Shores' operations in the DW
15 19-177 Dockham Shores rate proceeding.

16 Additionally, the Department's
17 engineering consultant, Douglas W. Brogan,
18 previously took part in the investigations of DW
19 19-135, which was the CoBank financing docket,
20 and DW 19-177, which was the Dockham Shores rate
21 proceeding, as well as reviewed the filing and
22 participated in discovery in this rate
23 proceeding.

24 Based on the Department's conclusions

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 regarding Lakes Region's plant additions, not
2 only in this proceeding, but also in the other
3 aforementioned proceedings, the Department
4 believes that the Company's net plant investment
5 reflected in rate base is prudent, used and
6 useful.

7 Q Thank you for that, Mr. Laflamme. If I can turn
8 your attention now to Subsection C, that's on
9 Bates Page 006, entitled "Step I", the Settling
10 Parties agreed to a combined step adjustment for
11 Lakes Region that would result in an additional
12 increase in the Company's revenues of not more
13 than \$144,863, which represents a further
14 increase in the Company's revenue requirement
15 from general customers of 10.83 percent. Is that
16 correct?

17 A (Laflamme) Yes, it is.

18 Q And this Step Adjustment consists essentially of
19 three components. Is that also correct?

20 A (Laflamme) Yes.

21 Q Could you please elaborate for the Commission?

22 A (Laflamme) Yes. The Step Adjustment consists of,
23 first of all, the combined cost of Lakes Region's
24 post-test year '20 and 2021 plant additions;

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 secondly, the post-test year annual wage
2 increases that were deferred pending review in
3 this proceeding; and, third, the cost of paving
4 work currently pending completion that is
5 associated with certain 2021 plant additions.

6 Q It further indicates that the derivation of this
7 Step Adjustment can be found in Attachment B,
8 which starts on Bates Page 039. Is that correct?

9 A (Laflamme) Yes, it is.

10 Q And did you prepare and edit Attachment B, Mr.
11 Laflamme?

12 A (Laflamme) Yes, I did.

13 Q Can you briefly walk through the
14 Commission through the -- briefly walk the
15 Commission through the calculation of the
16 proposed Step Adjustment contained in Attachment
17 B?

18 A (Laflamme) Certainly. I would direct your
19 attention to the Summary schedule contained on
20 Bates Page 039 of Attachment B. The top section
21 of this schedule shows the various additions to
22 the Company's rate base consisting of, first of
23 all, the net 2020 plant additions of \$191,581
24 from Schedule 2 of Attachment B, on Bates Pages

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 040 and 041; secondly, the net 2021 plant
2 additions, inclusive of the pending paving work,
3 of \$621,551 from Schedule 3 of Attachment B, and
4 those are specifically found on Bates Pages 043
5 and 044; and, third, in addition to the Company's
6 cash working capital component of \$2,154.

7 Altogether, the anticipated addition to
8 the Company's rate base resulting from the
9 proposed Step Adjustment is \$815,287. To that
10 amount the agreed upon rate of return, as
11 calculated on Schedule 1a of Attachment A, Bates
12 Page 020, of 8.52 percent is applied to derive
13 the anticipated increase in the Company's
14 operating income requirement of \$69,435.

15 To that amount various operating
16 expenses are added, consisting of, first of all,
17 the projected increase in annual wage expense of
18 \$11,769 from Schedule 4 of Attachment B, Bates
19 Page 046; the estimated annual depreciation
20 expense of \$48,006 associated with the '20 and
21 '21 plant additions from Schedules 2 and 3 of
22 Attachment B, Bates Pages 040 and 045; the
23 estimated annual property tax expense associated
24 with those plant additions of \$9,712 also from

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Schedules 2 and 3; and the estimated payroll tax
2 expense associated with wage increases of \$900
3 from Schedule 4 of Attachment B., located on
4 Bates Page 046; and, five, additional annual
5 income tax expense of \$25,790.

6 The resulting estimated increase in
7 Lakes Region's overall revenue requirement is
8 \$165,612, including that which would be
9 apportioned to the Company's special contract
10 with the Property Owners Association at
11 Suissevale. After subtracting the Suissevale
12 portion of those revenues in the amount of
13 \$20,749, as calculated on Schedule 5 of
14 Attachment B, located on Bates Pages 047
15 through 051, the remaining portion, or \$144,863,
16 is that which will be added to the revenue
17 requirement of Lakes Region's general water
18 customers. When compared to the Company's test
19 year pro forma water revenues of \$1,337,149, this
20 represents an additional 10.83 percent increase
21 in the Company's revenue requirement from general
22 water customers.

23 Q Mr. Laflamme, those components of the Step
24 Adjustment that you just reviewed for the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Commission, will they be reviewed and audited by
2 the Department's Audit Division?

3 A (Laflamme) Yes. Once the pending paving work has
4 been completed by Lakes Region, the Company will
5 file all applicable materials with the Department
6 for review, including an examination and
7 subsequent report by the Department's Audit
8 Division. And, then, the Department's Water
9 Group also will file a report of its findings
10 with the Commission.

11 Q Mr. Laflamme, what happens if Lakes Region does
12 not complete the pending paving work by six
13 months subsequent to the Commission's initial
14 order on the Settlement Agreement?

15 A (Laflamme) In the event the Company is unable to
16 complete the necessary paving work by six months
17 from the date of the Commission's initial order
18 approving the Settlement Agreement due to
19 circumstances beyond its control, and those are
20 specifically explained in Footnote 2, on Bates
21 Page 006 of the Settlement Agreement, the Company
22 reserves its right to withdraw those paving work
23 costs from the Step Adjustment.

24 Q Mr. Laflamme, what would be the maximum combined

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 effect of the proposed permanent rate increase
2 and Step Adjustment, as you have described them,
3 if they are approved by the Commission?

4 A (Laflamme) In accordance with Section III.D on
5 Bates Page 007 of the Settlement Agreement, the
6 maximum combined effect of the permanent rate
7 increase of \$41,678 and the proposed Step
8 Adjustment not to exceed \$144,863, would be a
9 total maximum increase in the Company's revenue
10 requirement of \$186,541. The resulting revenue
11 requirement from general water customers would be
12 a maximum amount of \$1,523,609 [\$1,523,690?], as
13 indicated on Schedule 2a of Attachment C, Bates
14 Page 054. When compared to the Company's pro
15 forma test year revenues from general water
16 customers of \$1,337,149, this represents a
17 combined increase of 13.95 percent.

18 Q Thank you for that. If you could move on to
19 Bates Page 008, Subsection E, titled "Cost of
20 Equity", in the Settlement Agreement, could you
21 please further explain that section for the
22 Commission?

23 A (Laflamme) Certainly. As indicated on Page 8 of
24 the Settlement Agreement, the Settling Parties

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 have agreed to a cost of common equity in this
2 case of 10.13 percent. This is based on the
3 formulaic approach for deriving a cost of common
4 equity for small water companies that was
5 previously proposed by the Public Utilities
6 Commission Staff on November 9th [4th?], 2019, in
7 Docket Number IR 19-005.

8 As background, in 2018, three regulated
9 water utilities, Abenaki Water Company, Hampstead
10 Area Water Company, and Lakes Region Water
11 Company, filed testimony in support of a
12 formulaic approach with regard to the
13 establishment of a cost of common equity for
14 small water utilities in New Hampshire.

15 Subsequently, the Commission opened IR 19-005
16 ultimately for the purpose of establishing a rule
17 change in that regard. The parties to that
18 proceeding included the three previously
19 mentioned water utilities, the Office of the
20 Consumer Advocate, and the Commission Staff.
21 Those parties ultimately agreed upon a formulaic
22 approach that was proposed to the Commission by
23 the Commission Staff on November 4th, 2019. A
24 copy of the Commission's cover letter, along with

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 the portion of the rule change specific to the
2 calculation of a generic return on equity, are
3 included in Attachment D to the Settlement
4 Agreement, on Bates Pages 057 through 059.

5 The parties in is IR 19-005 agreed to
6 utilize the proposed formula for determining the
7 cost of equity within the course of the permanent
8 rate proceedings of small water utilities. In
9 this docket, the Settling Parties also agree to
10 the use of the formulaic approach in the
11 determination of Lakes Region's revenue
12 requirement.

13 Q Attachment D to the Settlement Agreement includes
14 the calculation of a baseline return on equity of
15 9.63 percent based on the previously proposed
16 rule. Is that correct, Mr. Laflamme?

17 A (Laflamme) Yes, it is. The baseline ROE of 9.63
18 percent was last determined by the Department of
19 Energy Staff, then the Commission Staff, as of
20 May 4th, 2021. This calculation is found in
21 Attachment D, on Bates Page 060.

22 Q So, could you please explain to the Commission
23 how the proposed 10.13 percent return on equity
24 was determined?

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Laflamme) Sure. Based on the proposed rule,
2 50 basis points were added to the baseline ROE of
3 9.63 percent, in recognition of rate case expense
4 savings realized by not litigating cost of common
5 equity during the course of this rate proceeding.

6 Q Has the Commission previously approved this
7 approach for calculating cost of common equity?

8 A (Laflamme) Yes. The Commission approved the
9 revenue requirement proposed for Atkinson Area
10 Waste Water Recycling, Inc., in Docket Number DW
11 20-071, where this same methodology was employed
12 for the determination of return on equity in that
13 proceeding. And I would reference Commission
14 Order Number 26,547, dated November 9th, 2021.

15 Q Thank you for that, Mr. Laflamme. Do you believe
16 that the permanent rates and the proposed Step
17 Adjustment contained in the Settlement Agreement,
18 and with the caveat that the proposed Step
19 Adjustment is subject to DOE Audit Division
20 review and DOE Staff review with the Company, are
21 just and reasonable and serves the public
22 interest?

23 A (Laflamme) Yes. The Department believes that the
24 Settlement Agreement presented today will produce

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 just and reasonable rates that result in a fair
2 balancing of the interests between Lakes Region
3 Water Company and its customers.

4 First, with regard to the Dockham
5 Shores Division that is proposed to be included
6 in the Company's consolidated rates, Lakes Region
7 acquired this system consisting of 61 customers
8 in approximately 2017. And I would reference
9 Order Number 25,964, on November 10th, 2016, in
10 DW 16-619.

11 Upon its acquisition, the Company made
12 over \$300,000 in state and federally mandated
13 improvements, including a complete replacement of
14 the Dockham Shores' pump station. Recovery of
15 those investments through rates was approved
16 gradually, first, in Order Number 26,272, on July
17 11th, 2019, in DW 16-619, and this was
18 approximately 18 percent. And, then, in Order
19 Number 26,446, dated January 28th, 2021, in DW
20 19-177, and that was approximately 28 percent.
21 In this proceeding, an additional 12.7 percent
22 increase is proposed for the customers of Dockham
23 Shores.

24 While these respective rate increases

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 are not insignificant, in comparison with the
2 potential 76 percent rate increase these
3 customers would have realized on a stand-alone
4 basis, the resulting rate shock produced by such
5 has been somewhat mitigated.

6 Next, with regard to the Wildwood
7 Division that is also proposed to be included in
8 the Company's consolidated rates, Lakes Region
9 acquired this system consisting of 49 customers
10 in approximately 2018. And I would reference
11 Order Number 26,144, on June 15th, 2018, in DW
12 17-176.

13 Upon its acquisition, the Company made
14 over \$275,000 in improvements, also including a
15 complete replacement of its pump station. On a
16 stand-alone basis, the resulting rate increase
17 for the customers of this system would have
18 potentially been 213 percent. However, by
19 inclusion of this system in the Company's
20 consolidated rates, the resulting rate increase
21 will be substantially less, at 60.55 percent.
22 Again, while this rate increase is certainly not
23 insignificant, nevertheless, by including
24 Wildwood in the consolidated rate group, the

{DW 20-187} {05-05-22}

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 potential rate shock experienced by those
2 customers has been significantly reduced.

3 Furthermore, as stated previously,
4 Wildwood's rates have not increased since 1998,
5 and reference would be Order Number 22,881, dated
6 March 24th, 1998, in DR 97-121. At that time,
7 the Commission authorized a 65 percent increase
8 for that water system, noting that it had been
9 seven years since its prior rate case. In this
10 case, Wildwood has gone approximately 24 years
11 without a rate increase. So, an approximate 60
12 percent overall increase for this system equates
13 to approximately two and a half percent -- a two
14 and a half percent increase per year.

15 Finally, with regard to the existing
16 customers in the consolidated rate group, while
17 it is recognized that the inclusion of the
18 Dockham Shores and Wildwood systems in the
19 consolidated rate group results in more of a rate
20 increase for these customers than absent the
21 inclusion of these systems, the Department
22 believes that the general advantages of rate
23 consolidation, as outlined in Section III.G, on
24 Bates Pages 009 and 010 of the Settlement

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Agreement, offsets the impact of this increase.

2 The Department believes that the
3 potential overall resulting increase in revenues
4 of 13.95 percent that may ultimately be realized
5 by the existing consolidated rate group customers
6 is just and reasonable, especially in
7 consideration of the substantial capital
8 improvements undertaken by the Company, which are
9 reflected in this proposed increase, as well as
10 in comparison with the 19.69 percent increase in
11 revenues, on a consolidated basis, that was
12 originally requested by the Company at the outset
13 of this proceeding.

14 Q So, to sum up, Mr. Laflamme, do you recommend
15 that the Commission approve the Settlement
16 Agreement for permanent rates and a step
17 adjustment, and that approval will set just and
18 reasonable rates for its customers?

19 A (Laflamme) Yes, I do.

20 Q And, furthermore, does the Department of Energy
21 support approval of the Settlement Agreement by
22 the Commission as it is just and reasonable and
23 serves the public interest?

24 A (Laflamme) Yes, it does.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q Does that conclude your testimony, Mr. Laflamme?

2 A (Laflamme) Yes, it does.

3 MR. TUOMALA: Thank you, Mr. Laflamme.

4 No further questions.

5 MR. RICHARDSON: Mr. Acting Chairman,
6 if I may ask one question of Mr. Laflamme?

7 CMSR. SIMPSON: Any objection, Attorney
8 Tuomala?

9 MR. TUOMALA: No. No objection.

10 CMSR. SIMPSON: Please proceed.

11 BY MR. RICHARDSON:

12 Q Mr. Laflamme, you heard, in response to the
13 Commissioner's comment at the outset, Mr. St. Cyr
14 testified that the 2021 and 2020 plant
15 improvements that are now part of the Step
16 Adjustment were originally part of the pro forma
17 test year, do you recall that?

18 A (Laflamme) Yes.

19 Q Okay. So, how does removal of that, those
20 improvements in that, from the permanent rates,
21 proposed permanent rate, into a step adjustment,
22 how does that benefit or impact customers
23 positively or negatively?

24 A (Laflamme) The main benefit to removing those

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 2020 and 2021 plant adjustments from the
2 permanent rates is that it will result in a
3 substantially less temporary-to-permanent rate
4 reconciliation for customers.

5 Q And are there any adverse impacts to customers as
6 a result of that approach, compared to what the
7 Company proposed?

8 A (Laflamme) None that I can think of, no.

9 MR. RICHARDSON: Thank you.

10 CMSR. SIMPSON: Okay. Thank you. I'll
11 recognize Ms. Stansell, for the Lake Ossipee
12 Village Homeowners Association, if she has
13 anything to add?

14 MS. STANSELL: Thank you, Commissioner.
15 At this time, my brain is processing. I don't
16 have specific questions at this particular point,
17 but I do have some overall questions that may be
18 more appropriate in a summary spot.

19 CMSR. SIMPSON: Very good. Thank you,
20 Ms. Stansell. I will provide you with an
21 opportunity at the closing argument stage of this
22 proceeding.

23 MS. STANSELL: Thank you.

24 CMSR. SIMPSON: Thank you. So, at this

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 time, let's take a five-minute break. It's
2 currently 10:36 a.m. Let's return at 10:42. Off
3 the record.

4 *(Recess taken at 10:36 a.m., and the*
5 *hearing resumed at 10:48 a.m.)*

6 CMSR. SIMPSON: On the record. So,
7 before we move on to questions from
8 Commissioners, I just want to provide on the
9 record that I did confer with the Clerk's Office
10 with respect to the "confidential material"
11 issue. And we would ask the Company to
12 coordinate with the Department of Energy on any
13 documents that are watermarked "confidential",
14 but are not confidential, and to remove any
15 improperly provided "confidential" markings, and
16 to refile the documents that are nonconfidential.

17 And, for any documents that you are
18 seeking confidential treatment for, to file a
19 Motion for Confidential Treatment, with both
20 properly redacted and unredacted versions, per
21 the Puc 200 rules. So that we have all documents
22 in a form that is in conformance with the rules.

23 MR. RICHARDSON: We'll endeavor to do
24 that, Mr. Chairman. Thank you.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 CMSR. SIMPSON: Thank you. So, now, we
2 will move on to questions from the Commissioners.
3 And I will recognize my esteemed Commissioner,
4 Dr. Chattopadhyay.

5 CMSR. CHATTOPADHYAY: Thank you. Your
6 "esteemed", okay.

7 CMSR. SIMPSON: You've earned it.

8 CMSR. CHATTOPADHYAY: So, I have --
9 I'll just go over questions that are driven by
10 the discussions we've already had first, then I
11 have some that I had already jotted down
12 previously. So, let's do, you know, the first
13 one based on what I've already heard.

14 BY CMSR. CHATTOPADHYAY:

15 Q So, just give me a general sense, is the -- is
16 the Company, you know, consolidated, are you
17 thinking of acquiring other companies going
18 forward, or is 19 enough?

19 A (Mason) There's one that we're talking to,
20 another small one.

21 *[Court reporter interruption regarding*
22 *the use of the microphone.]*

23 WITNESS MASON: Oh, I'm sorry.

24 **CONTINUED BY THE WITNESS:**

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Mason) We're talking to another small company
2 that is a utility already. And they want to --
3 he wants to retire. So, it might be 20.

4 BY CMSR. CHATTOPADHYAY:

5 Q So, give me a sense, geographically, where are
6 these systems? I mean, you don't have to
7 specifically tell me it's here or there, but kind
8 of spread out, describe how the 19 systems, and
9 including the 20th one, if you go there later?

10 A (Mason) Sure. Most of our systems are in either
11 the Lakes Region or the Conway area, and the
12 Waterville area. They seem to revolve around
13 either a lake or a ski area. Like I said, most
14 of them are seasonal.

15 The one that I'm talking about that's
16 the addition is within a mile of one of our other
17 systems. So, very close.

18 Q You mentioned that the share of seasonal
19 customers in total customers is pretty high. Can
20 you give me a number, a percentage?

21 A (Mason) A good guess is probably 75/25, maybe 65.
22 Right, it's between 65 and 75 percent seasonal.

23 Q Okay. I hear from your response previously about
24 how long would it take to take care of the meters

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 in Deer Cove, LOV, and Indian Mound, you don't
2 have a good sense of how long would it take. But
3 let's say things kind of move smoothly, meaning
4 pre-COVID kind of situation.

5 A (Mason) Uh-huh.

6 Q How many years would it take to get it done?

7 A (Mason) I suspect it will take a year of
8 getting through paperwork and things like that,
9 financing. And, then, probably, the actual
10 construction, as long as we can plan ahead,
11 probably we can wrap up most of them in the next
12 year. There will be some that are difficulter
13 than others because of, you know, the situations.

14 But I would say two years, the end of a
15 two-year period, assuming, again, that we can get
16 parts, we can get everything going, I'd say two
17 years.

18 Q And how many meters are we talking about, like,
19 in those systems that you have to convert from
20 unmetered to metered?

21 A (Mason) Hang on just a second. Probably
22 somewhere in the neighborhood of 400.

23 Q And how many metered customers do you have in
24 your entire, you know, all of the systems right

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 now?

2 A (Mason) I believe -- I'm sure this number is
3 readily available.

4 A (St. Cyr) So, I guess I would refer the
5 Commission to the PUC Annual Report, Schedule, I
6 want to say "S-1", which identifies the rate
7 classes, metered and unmetered. You know, the
8 Company reports that data every year. And we
9 would, the most recent -- I guess we haven't
10 actually filed our 2021. So, the last year which
11 we would have filed it would have been 2020, and
12 that data is readily available.

13 And Leah might be able to provide it to
14 you while we're discussing.

15 Q Yes. I just wanted to get a general sense. I'm
16 not, you know, asking for exact numbers.

17 A (Mason) Jayson supplied it for us, 1,172 of
18 metered customers, and 639 non-metered.

19 Q Thank you. And when you go out and install those
20 meters as you're planning to, you had described,
21 like, it all depends on what the specific
22 situation is. Will some of the installations
23 require major work even with the -- I'm going to
24 use within quotes, the "distribution system", the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 pipes and all of that? Do you think that can
2 happen?

3 A (Mason) Not in the system itself. It will be
4 major work in the -- could be major work in where
5 we have to install them in the building. You
6 know, as far as what -- finished basements,
7 again, come to mind. You know, it can get really
8 crazy, trying to hide a heater in a wall, or do
9 whatever you have to do, if they don't have, you
10 know, a maintenance room or something like that
11 the meter -- that the water line comes into
12 today.

13 Most of them do. Most people put the
14 water lines in, into like the same room as the
15 boiler and the hot water heater and all that, but
16 not all of them. So, it can be tricky.

17 But, as far as the system itself, I
18 don't see anything that would happen out in our
19 part of the system.

20 Q Are the costs associated with those unusual
21 situations, those are going to be borne by the
22 customers directly? Or, what's the thinking?

23 A (Mason) We haven't really discussed that yet.

24 Q Okay.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Mason) I don't -- I probably don't want to say
2 that right now, because I'm not sure.

3 Q That's fine. I just, you know, I'm just trying
4 to --

5 A (Mason) Sure.

6 Q I don't want you to say something that you're not
7 comfortable with speaking.

8 Can you give me a sense of -- you know,
9 I'm going to, I think, around Bates Page 059,
10 060, Exhibit 9. It's about return on equity and,
11 ultimately, the return on capital. So, can you
12 give me a sense of how much 50 basis results in,
13 when you think about dollar earnings? Again,
14 give me a rough number?

15 A (Mason) Is that a "you" question, Steve? It's
16 probably not my question.

17 A (St. Cyr) It looks like Jayson is doing the math
18 on it. But you'd have to -- if you look at
19 Attachment A, --

20 Q Can you give me the Bates page number, that would
21 help?

22 A (St. Cyr) I believe that's 019.

23 Q Okay.

24 A (St. Cyr) So, this is Attachment A, Schedule 2,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 which would be 020. You can see the "Weighted
2 Average Cost of Capital", in Column (12). And
3 you can see the "10.13 percent". So, that amount
4 would have to be reduced to 9.63 percent, and
5 then allow a weighting to take place to get a new
6 weighted average rate of return, then apply to
7 rate base.

8 Q I know how to do it. I'm just, if you guys have
9 a quick sense of what the dollar amount is?

10 If you don't, that's fine. But I was
11 simply asking, I just want to -- and take your
12 time, as I see somebody is scribbling.

13 A (Mason) Yes. He's calculating over here.

14 A (St. Cyr) It's certainly something we could
15 provide, if that makes it easier. It might be
16 something we would want to -- if he gives you a
17 number subject to check, might be something we
18 would want to provide, if that's helpful.

19 Q Sure. But, if I'm satisfied with what he's
20 telling me, then I won't require it.

21 A (Laflamme) A rough, rough calculation.

22 Q Yes, that's good enough.

23 A (Laflamme) A rough calculation, I get 22,
24 approximately \$22,000.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q Okay. Thank you. So, let's go to Bates
2 Page 060, Exhibit 9. Are we there?

3 A (Laflamme) Yes.

4 Q So, I'm looking at the source documents. Why are
5 they so dated? It's already 2022. Has DOE, or
6 even the Company, attempted to figure out whether
7 we can get some updated numbers from the
8 information that's being cited there?

9 A (Laflamme) This is the -- this is the last
10 calculation that was done in which the Department
11 of Energy had access to the -- to the required
12 information. The Department of Energy lost
13 access to both the RRA and Value Line
14 publications soon after this was calculated. So,
15 this is the last -- this was the very last
16 calculation that we did, before we lost access to
17 the necessary publications.

18 Q Is, and you may not have the answer for it, but
19 I'm going to ask it anyway, is DOE working on,
20 you know, getting access to the documents going
21 forward? Do you know anything that's already
22 happening that would allow you to do so?

23 A (Laflamme) It is my understanding that attempts
24 are being made to regain access to those

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 publications. I don't know what the status of
2 those attempts are, however.

3 Q Can I assume the same is being, I mean, you know,
4 for both, meaning there are two sources here?

5 And because I work with data quite a bit, I can
6 tell you one of them is coming from SNL, the
7 other is Value Line. Is the DOE working on
8 getting both? Are you aware of it?

9 A (Laflamme) It is my understanding that attempts
10 are being made to regain access to those
11 publications. But, again, I don't know what the
12 status of those attempts are.

13 Q Okay. Can you, and it can be anyone, can you
14 describe how the fact that the temporary rates
15 are going to stay in place, my understanding here
16 is that, when you come back next time, along with
17 the step increase, and with the permanent rates,
18 that time would all implement the reconciliation.
19 And please confirm that, when you're going to do
20 that reconciliation, it's going to be between
21 just the permanent rate and the temporary rates?

22 A (Laflamme) Yes. That is correct.

23 Q I think you kind of mentioned that that's one of
24 the benefits. And, so, I'm just trying to make

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 sure.

2 A (Laflamme) Uh-huh.

3 Q The other question I'm not very clear about, when
4 you do that, will that lead to the kind of
5 situation you talked about, which is some
6 customers are going to get credits, others will
7 end up paying more?

8 A (Laflamme) Most of the Lakes Region customers
9 will be, I believe, will be eligible for a
10 credit. And I think -- I think that that's
11 indicated in the Attachment C, Page 5, I think
12 it's Schedule 3 of Attachment C. And it looks
13 like the customers that probably would be
14 eligible for a credit would be the Waterville
15 Valley Gateway Pool customers, the current
16 consolidated unmetered general customers, the
17 current consolidated metered general customers.

18 It looks like the only customers that
19 would -- where a surcharge would probably occur
20 would be the -- would be the Wildwood customers
21 and the Dockham Shores customers.

22 Q I have it noted down here a little bit wrong,
23 Attachment B, I think it was Bates Page maybe 050
24 something, let's go there. I'll be more specific

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 after we go there.

2 Yes. Bates Page 051. I'm just trying
3 to get a general sense, for the 2020, '21, those
4 two years, when you account for depreciation --
5 just a moment. What rate of depreciation is
6 being used?

7 A (Laflamme) The depreciation rates vary, and
8 depending upon -- depending upon the Company's --
9 of what the Company applies to various categories
10 of fixed plant. So, those, the annual
11 depreciation for the plant additions, are
12 calculated on Bates Pages 040 and 041, and Bates
13 Pages 043 and 044. And, depending upon the type
14 of -- the type of plant that was placed in
15 service, the depreciation rates would vary.

16 A (St. Cyr) And I can be more specific. First of
17 all, the Company uses the recommended, you know,
18 previously established PUC depreciation rates.
19 But, for pumps, it would be 10 years; for meters,
20 it would be 20 years; for services, it would be
21 45 years; for mains, it would be 50 years.

22 Q Okay.

23 A (St. Cyr) And then, structures, I think, are 40
24 years.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q That is helpful. So, when you are showing us the
2 depreciation amounts here, you know, and taking
3 account of it, it's only for the new plans that
4 are going into effect in 2020-21? Is that what
5 the calculations are?

6 A (St. Cyr) Yes. It's the annual depreciation --

7 Q Okay. I wanted to confirm that.

8 A (St. Cyr) -- associated with the 2020 and 2021
9 additions.

10 Q Okay.

11 A (St. Cyr) Yes.

12 Q So, this is, again, the question, we thought
13 about it internally, so I'm going to ask it, and
14 I'm going to read it to you. And, if it's not
15 worded properly, feel free to address what
16 corrections that might be needed.

17 So, the first, and, you know, the New
18 Hampshire Business Profits Tax was reduced from
19 7.7 percent to 7.6 percent for taxable periods
20 ending on or after December 31st, 2022. Right?

21 A (St. Cyr) I guess I -- I'm not sure what it is.
22 I can tell you that, for purposes of our
23 calculation, we were using 7.7 percent.

24 Q Okay. So, maybe I would put the question this

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 way: That has there been any change in the
2 Business Profit Tax rate? And, to our
3 understanding, it may have gone down. But
4 it's just -- but you're confirming that you've
5 used 7.7 percent. But, if it's meant to be 7.6
6 percent, we would like to see a, you know, a
7 revised calculation.

8 And don't assume I'm a tax specialist.
9 I'm just asking.

10 A (St. Cyr) So, we could -- to the extent it goes
11 down, we could certainly recalculate it. I guess
12 my -- and we could let known what that difference
13 is. My issue with potentially requiring us to
14 incorporate that would be that there are also a
15 lot of other changes that have taken place, for
16 example, throughout 2022, that aren't in here
17 that would warrant some consideration.

18 Q We will think about that. But I think it's -- I
19 would still like to have the recalculation done,
20 if the number is indeed different than 7.7
21 percent.

22 And it's -- and to the extent it's
23 about the way the Settlement Agreement has been
24 filed, it's -- you know, if the same rates are

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 going to continue, this may be really about being
2 addressed going forward. But I just want to flag
3 it.

4 A *(Witness St. Cyr indicating in the affirmative).*

5 Q Okay.

6 CMSR. SIMPSON: Commissioner
7 Chattopadhyay, are you making a record request?

8 CMSR. CHATTOPADHYAY: Yes. I think it
9 would be good. So, basically, please provide the
10 New Hampshire Business Profits Tax rate for
11 taxable periods ending December 31st, 2022,
12 December 31st, 2021. Second part would be, if
13 the tax rate is other than 7.7 percent, please
14 provide the updated schedules.

15 WITNESS LAFLAMME: Would that pertain
16 to both the permanent rate schedules and the step
17 schedules, or just the step schedules?

18 CMSR. CHATTOPADHYAY: Because you're
19 estimating what it would be as far as step
20 increase is concerned, I would like to have it
21 for both.

22 WITNESS LAFLAMME: For both permanent
23 and the step?

24 CMSR. CHATTOPADHYAY: Both the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 permanent and -- and, yes.

2 And it's entirely possible that I'm
3 wrong, that it didn't change, and it's just
4 stayed 7.7 percent. But just please take a look
5 and let us know.

6 *[Record request noted above.]*

7 CMSR. CHATTOPADHYAY: I think that's
8 all from my end.

9 CMSR. SIMPSON: Okay. Thank you,
10 Commissioner Chattopadhyay.

11 So, first, I'd like to note our
12 appreciation, as a Commission, for the
13 thoroughness in the Department of Energy's Audit
14 Report. So, Attorney Tuomala, Mr. Goyette, Mr.
15 Laflamme, thank you for your work in the Audit
16 Report. It's very helpful for us.

17 WITNESS LAFLAMME: Well, that was --
18 that would be Karen Moran and her staff, did the
19 Audit Report.

20 CMSR. SIMPSON: And my appreciation
21 extends to Ms. Moran and her staff as well. So,
22 thank you for that.

23 BY CMSR. SIMPSON:

24 Q Looking at Schedule 4, wage increases, can the

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Company please comment on the rationale for the
2 capitalization of some wages?

3 A (St. Cyr) So, some wages are related to capital
4 projects. And the wages related to those capital
5 projects get added to the cost. For example, if
6 a field person is working on, you know, replacing
7 a pump, then, the labor cost associated with
8 replacing that pump would go into a capital
9 account, just like the cost of the pump itself.

10 Q And, then, for more routine expenses, time
11 allocated from staff is attributed to direct
12 expenses, is that correct?

13 A (St. Cyr) It would be charged to either an
14 operating or a maintenance expense account, yes.

15 Q Okay. Thank you. Would the Company be able to
16 provide all of the schedules, 1 through 5d, in
17 live Excel format, with the respective years, for
18 the identified capital additions, depreciation,
19 and retirements?

20 A (St. Cyr) Yes.

21 Q Okay.

22 A (St. Cyr) Yes.

23 CMSR. SIMPSON: So, I'm going to make a
24 record request for that.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 WITNESS ST. CYR: And if you could
2 just -- so, this is Attachment B, Schedules 1
3 through 5, in Excel. They were probably all in
4 Excel to begin with.

5 *[Record request noted above.]*

6 MR. RICHARDSON: And, Mr. Acting -- if
7 I may, I think the request should be to the
8 Settling panel. Because I think we'll work with
9 the Department, the Department may have custody
10 of the last version of the schedules. So, for
11 the Company to provide them, I would have to ask
12 them from the Department.

13 CMSR. SIMPSON: Any comment on that
14 from the Department of Energy? Are you open to
15 coordinating with the Company on the provision of
16 those?

17 MR. TUOMALA: Absolutely.

18 CMSR. SIMPSON: Thank you. And, just
19 as a general matter, we, as a Commission, are
20 hoping to receive live Excel files. I'm sure, in
21 other proceedings, you've seen similar requests.
22 So, as a general matter, it's our hope to see
23 live Excel versions, so that we can take a look
24 at the underlying data as well. So, thank you

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 for that.

2 MR. TUOMALA: May I ask a clarifying
3 question for that?

4 CMSR. SIMPSON: Of course.

5 MR. TUOMALA: Live Excel spreadsheets
6 for all schedules supplied? Not in this case, in
7 particular, but I'm asking, I guess, for future
8 cases. Is it the Commission's expectation that
9 all supporting schedules for, say, a settlement
10 agreement, be accompanied with live Excel
11 spreadsheets?

12 CMSR. SIMPSON: I would say yes. More
13 often than not, if we don't receive some
14 information in a live Excel format, and it
15 appears to have come from an Excel file, we often
16 will ask for it.

17 So, unless there's a confidentiality
18 reason, or some reason why a party or the
19 Department of Energy would not prefer to provide
20 it in that format, then we would hope that we
21 would receive it from the beginning in live
22 format, in addition to a *pdf* or other format.

23 MR. TUOMALA: Thank you for that.

24 CMSR. SIMPSON: Thank you. Just give

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 me a moment, so I can ensure I have the correct
2 wording for my record request.

3 BY CMSR. SIMPSON:

4 Q So, this question is for Mr. Mason. In
5 Attachment E, the DOE Audit Report, Audit Issue
6 Number 6, the Department of Energy noted that the
7 Company disbursed paid-in capital to a specific
8 shareholder. And, from my review, it appears
9 that Lakes Region is held in trust in your
10 mother's name, is that correct?

11 A (Mason) That is correct.

12 Q And Barbara Mason, the shareholder at issue,
13 that's your mother, correct?

14 A (Mason) Yes.

15 Q So, can you just generally, for our
16 understanding, give us a little bit of history
17 about the Company? How your family came to form
18 the Company? How it's evolved over the years?
19 And the governance with your family over the
20 Company?

21 A (Mason) Sure. The Company was started in the
22 early '70s. It was something that, my parents
23 had moved to a subdivision, from Massachusetts,
24 and it ended up not having water. He ended up,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 because my dad used to do that for a living, he
2 ended up putting the water mains into the first
3 project. And then, it grew from there.

4 For a long time, there was only three
5 water systems that we ran or owned. In the last,
6 you know, since then, and especially since, oh,
7 2010 or so, we've probably taken on, you know,
8 we're up to 19 at this point, and possibly 20.

9 The Company is still officially owned
10 by my mother, who is 91 years-old. We have been
11 releasing money to her for the last couple of
12 years. They never ever took any money out of the
13 Company, until she's gotten to the point where
14 she's elderly, and we have to have, basically,
15 full-time help for her all the time. So, we
16 started to release some money back to her to try
17 to help with the healthcare costs.

18 My sisters are on the Board of
19 Directors, I'm on the Board of Directors, plus a
20 few other people. And that's pretty much the
21 story. It's grown a lot. It's a lot bigger than
22 it was. We have eleven employees, I believe, at
23 this point. Pretty much the story.

24 Q And kind of piggybacking off of a question from

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Commissioner Chattopadhyay, it sounds like the
2 Company does look for future acquisitions from
3 time to time?

4 A (Mason) Oh, definitely. Yes, we're always
5 checking to see what's out there. They're
6 getting harder and harder to find.

7 Q Uh-huh.

8 A (Mason) Most of them have gotten eaten up over
9 time. So, we run into one once in a while. So,
10 the one that we're looking at now or, basically,
11 the gentleman wants to retire. He formed a small
12 utility. He's in his, probably, 70s now, and he
13 wants to get out. So, that's, you know, we'll
14 incorporate him in probably, because it's just a
15 couple miles from a couple of different water
16 systems that we already own.

17 So, yes. No, basically, we're -- we've
18 kind of taken over a lot of water systems that
19 couldn't stand on their own. They were either,
20 you know, take Dockham Shores, they hadn't had a
21 rate increase since 1988. The gentleman that
22 owned it was in his late 80s, and basically said
23 he just didn't -- wasn't going to spend any of
24 his money on it. So, when we took it over, we

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 immediately, you know, did some research and some
2 engineering on it, and realized that we had to,
3 you know, put a new pump station in, upgrade a
4 bunch of the facilities, wells, things like that,
5 to make it a viable water system, which we did.

6 So, that's kind of what we do.

7 Q And how would you approach raising capital for
8 acquisitions like that?

9 A (Mason) That's a real problem, and I'm glad you
10 brought that up.

11 You know, there's only a couple sources
12 of capital. One would be for the investor or the
13 owner to put in the money. The second is to go
14 to a -- you know, we normally use CoBank to
15 borrow the money.

16 And, then, there really isn't, you
17 know, there's no way to get money, you know,
18 through any other source. So, basically, we run
19 off of what we generate, most of the money, you
20 know, a lot of the money, or the vast majority of
21 what we make goes back into the water systems
22 upgrading. We, you know, we spend a lot of money
23 on upgrades, of our own money, and then,
24 recently, in the last few years, CoBank has

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 helped us quite a bit.

2 There's some programs in the state with
3 DES, but, typically, they're not available to us,
4 because we're a, you know, a for-profit company.
5 And, to use -- to use their resources tends to be
6 way more expensive than going to a bank, because
7 of the federal hoops that you have to jump
8 through to qualify for the money.

9 And, you know, I mean, for a good
10 example, we built the pump station in Wildwood,
11 and it was -- it cost us \$260,000, and that was,
12 you know, what we actually spent on it. Well, at
13 about the same time, the engineer that had
14 designed that for us had another one that went
15 out to bid that he basically used the same plans.
16 And to go through the SRF funding, the other
17 people that -- we ended up, my other company, we
18 have a couple of companies, and LRW Water Service
19 ended up getting the bid on the other project,
20 which was, basically, a mirror image of the one
21 we just built. And that went out to bid, and we
22 were low bidder at \$430,000.

23 So, the difference between the 260 and
24 the 430 was some inflation, but mostly the cost

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 of having to deal with the federal government,
2 through the federal wages, through Buy American,
3 through many, many different reasons, it's
4 extremely expensive.

5 So, we tend to stay away from going to
6 the SRF funding. Because, in the end, it's just
7 too, for me, it costs -- it seems like the
8 customer ends up paying a lot more for the same
9 product.

10 So, that was a good question. Thank
11 you.

12 Q Thank you. And just a question for the panel.
13 We have Ms. Stansell on the line, and we received
14 many interventions from the Lake Ossipee Village
15 Homeowners Association.

16 In the Settlement Agreement, it
17 provides that LOV were engaged in the technical
18 sessions, and this Settlement Agreement is
19 somewhat of a product of the conversations that
20 were had throughout that effort. Somewhat
21 implying that the Settlement was shaped by those
22 discussions.

23 Can you comment on how you engaged with
24 the LOV parties and how the Settlement was formed

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 through those conversations?

2 A (Laflamme) In my interactions with Ms. Stansell,
3 I would say, you know, we had conversations. She
4 expressed her concerns about the increases in the
5 Lakes Region's rates over a number of rate cases.

6 I would say specifically, from the
7 Department's point of view, in a prior
8 conversation with Ms. Stansell, she mentioned the
9 metering issue.

10 And, so, I would, you know, I think the
11 provision -- the provision from, and I'm speaking
12 strictly from the Department's point of view, the
13 provision regarding the metering of the LOV,
14 Indian Mound, and the other system, was based
15 on -- based on concerns expressed by the LOV
16 customers in that regard. Just speaking from the
17 Department's point of view.

18 Q And the LOV's desire for metering?

19 A (Laflamme) Correct.

20 Q And that informed elements of the Settlement for
21 which the Company has set a goal of adding
22 metering for customers that are not currently
23 metered?

24 A (Laflamme) I would say -- I would say yes. Yes.

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 Q Okay. And that, I did want to follow up on some
2 of the metering questions. Can the Company
3 comment on the technology that you use for
4 metering? Is it a drive-by read system?

5 A (Mason) That's what we're going towards. At the
6 minute, we have to manually have somebody go out,
7 and there's a pad on the outside of the building,
8 and they go up and put a reader on it.

9 We are, you know, as part of this
10 process that we're starting, we're going to look
11 at what we can do to get to a more efficient way
12 of doing it, through either cellphone or through
13 setting up the drive-through system.

14 Q And you're evaluating those options?

15 A (Mason) Yes. I mean, it's definitely the way to
16 go, no question about it.

17 Q Uh-huh.

18 A (Mason) And it's just a matter of, you know, we
19 have 1,100 plus meters, is we got to figure out
20 how to best do that without -- without
21 reinventing the wheel, basically. I don't want
22 to have to start over, I mean, software for
23 everything was expensive, and I really don't want
24 to just junk that and start over again, if I

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 could help it. So, we have to try and figure out
2 whether the two systems can work together, and
3 how it would work, to get to that, to the end, to
4 get to either a radio read system or a
5 cellphone-based system.

6 Q And, as I read the Settlement Agreement, I can
7 understand the nuance with the goal that you're
8 setting, in order to expand metering
9 infrastructure for your customers. I would just
10 note for the record that my expectation would be
11 that, at the time you come in for your next rate
12 case, that you would be able to demonstrate
13 significant progress towards meeting that goal.

14 A (Mason) Right. Yes. We plan on it.

15 Q That, despite the allowances in the Settlement
16 Agreement as proposed for elements of that goal
17 not being met, that the Company will work towards
18 and will be implementing metering for more
19 customers moving forward?

20 A (Mason) Sure. Not a problem.

21 Q And when would the Company anticipate filing its
22 next rate case? Do you have that plan or even a
23 vision for that in mind at this time?

24 A (Mason) Well, typically, it's like every four,

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 around four years for us. I mean, these systems
2 were all built as developer-built systems. They
3 all, when we took them over, and even the ones
4 that we've had for a long time, tend to need a
5 lot of things.

6 As different rules come in about, you
7 know, that the DES puts out there, and just being
8 proactive, we tend to be fairly proactive on
9 things, I don't anticipate that we'll -- I mean,
10 I anticipate that pretty much every year we'll be
11 doing some sort of project.

12 And, so, typically, it works out about
13 every four years for us, on average. This
14 particular one, I'm not sure we would even have
15 come in, other than that the PUC kind of asked us
16 to come in for this particular rate case. I
17 probably would have spread it out a little bit
18 more, because it really is fairly minimal in the
19 scope of most of our rate cases.

20 A (St. Cyr) I would just add that it's largely
21 driven by additions to plant. So, the
22 accumulation of meters over two or three years,
23 plus other, you know, additions, certainly a
24 replacement of a pump station is a significant

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 addition. So, it's the accumulation of those
2 additions over some number of years that largely
3 drives the increase.

4 Although, during that same time period,
5 you know, wages are going up, electricity is
6 going up, you know, fuel, so forth. So, those
7 things are also factors. But those aren't
8 usually the ones that, by themselves, drive the
9 next rate case. And it would be fair to say that
10 probably three to five years is the window.

11 Q And, from an operation standpoint, how is the
12 Company's position with respect to retaining
13 qualified people, attracting qualified people?

14 A (Mason) Well, we're fine right now. But I will
15 say that things have changed a lot in the last
16 year moneywise. I mean, this, you know, Aquarion
17 right now has somebody -- is advertising for
18 somebody with a Class I license for \$80,000 a
19 year, which is a lot of money for that. And, you
20 know, what that's going to drive is, my guy's
21 looking at it and saying "oh", you know, this
22 person is, you know, that "they're looking for 80
23 grand, or, you know, to pay 80,000 or whatever."

24 And, so, it's -- that's my big worry in

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 the next year or two, is that help is going to
2 be -- trying to retain help is going to be a real
3 issue.

4 We try to, you know, give them good
5 benefits. We try to give them, you know, all
6 kinds of extras. But it's harder and harder to
7 do that with the environment that's out there
8 right now.

9 Q And, then, just so I have some clarity on what's
10 being proposed here. So, the Settlement requests
11 approval of the rate adjustment calculations
12 that's been supported by the Company and the
13 Department of Energy, with deferred
14 implementation until the end of the requested
15 proceeding that would approve the Step
16 Adjustment. So, can you comment on the
17 procedural schedule that the Company foresees or
18 the Department foresees moving forward, in terms
19 of milestones, and when those milestones might
20 occur?

21 A (Laflamme) Well, I would -- to do that, I would
22 draw your attention to the "Proposed Timeline"
23 that's included in the Settlement Agreement, and
24 it starts on Bates Page 004. And it starts with

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 the hearing that's being done today.

2 Q Uh-huh.

3 A (Laflamme) And, so, and the Company can comment
4 on this further, but, you know, the Company still
5 needs to complete the paving work. And then,
6 we -- and then, once that's completed, we would
7 anticipate a filing from the Company soon
8 afterwards. And then, once we receive that
9 information, then we would dispatch the Audit
10 Staff, and the DOE Staff would also review that
11 additional information, and reports would arise
12 out of that. And it would be submitted to the
13 Commission for review, and the subsequent order.

14 And then, after that, there would be
15 the customary review of the
16 temporary-to-permanent reconciliation, and also
17 the rate case expense review, which would also
18 result in a report from the Department of Energy.
19 That would be submitted to the Commission for
20 their review, and resulting in an order from the
21 Commission.

22 Q So, your expectation or request would be approval
23 of the permanent rate revenue requirement, as
24 provided in the Settlement Agreement, and then

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 approval, in principle, of the plan moving
2 forward, with the Company to submit, in a future
3 proceeding, reconciliation and step adjustment
4 elements as outlined in the Settlement Agreement.
5 Is that a fair characterization?

6 A (Laflamme) I would agree with that.

7 CMSR. SIMPSON: Okay. I don't have any
8 further questions at this time. Is there any
9 follow-up for you, Commissioner Chattopadhyay?

10 CMSR. CHATTOPADHYAY: Just a follow-up
11 on the discussion we were having on the tax rate
12 issue.

13 BY CMSR. CHATTOPADHYAY:

14 Q It was mentioned that there might be other
15 changes that have taken place. So, I just want
16 to get a sense of are the -- is anybody on the
17 panel aware of any other changes that have
18 happened in, you know, 2021, 2022, that you are
19 aware of? And it doesn't have to be about what
20 you -- how you run the operations, I'm not
21 talking about that. I'm talking about things in
22 the same vein as tax rate change or things like
23 that.

24 A (St. Cyr) So, the short answer is that there

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 would certainly be 2022 additions to plant, for
2 example. There would be changes in wages, for
3 example. There would be --

4 Q Like I said, I'm not talking about those. I'm
5 saying, you know, for example, a tax rate change.
6 So, are there other things out there that have
7 happened, by law or by, you know, similar means,
8 that would lead to a different situation in 2020,
9 '21, '22? And I --

10 A (St. Cyr) Perhaps property taxes would be
11 something similar to a change in the Business
12 Profit Tax rate.

13 Q Okay.

14 A (Laflamme) I think I would -- I would think there
15 would also be some consideration of a potential
16 movement in the interest rates as well,
17 especially this year. You know, that would be an
18 uncertainty, from the Department's point of view,
19 is impact on interest rates, especially given the
20 current economic conditions.

21 CMSR. CHATTOPADHYAY: Okay. Thank you.

22 CMSR. SIMPSON: Okay. Thank you. So,
23 now, I will recognize -- or, excuse me, yes, I'll
24 recognize Attorney Richardson, is there any

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 redirect for your witnesses?

2 MR. RICHARDSON: Just a couple very
3 quick questions.

4 **REDIRECT EXAMINATION**

5 BY MR. RICHARDSON:

6 Q Mr. Mason, you talked about the Company's Board
7 of Directors. And I think you had said there
8 were some people -- some others on it. And two
9 of the members of the Board, if I am correct, are
10 not family members at all, right? They're
11 outside --

12 A (Mason) Correct. One of them is a customer, one
13 of our water customers. And the other one is a
14 person that I used to work with.

15 Q And I believe this one is for Mr. Laflamme, but
16 also I'll direct it to the panel as well.

17 You were asked a question by the
18 Commissioners as to whether there would be a --
19 the step increase and reconciliation, and I think
20 the question was "would it be in a future
21 proceeding?" And I think the answer was "yes".

22 But isn't it the intent that the step
23 increase, the reconciliation will be resolved in
24 a future phase of this proceeding?

[WITNESS PANEL: St. Cyr|Mason|Laflamme]

1 A (Laflamme) That's correct. Yes.

2 MR. RICHARDSON: Okay. Thank you.

3 That's all I have.

4 CMSR. SIMPSON: Attorney Tuomala?

5 MR. TUOMALA: I have no further
6 questions. Thank you.

7 CMSR. SIMPSON: Thank you. So, without
8 objection, we'll strike ID on Exhibits 1, 2, 6,
9 7, 8, 9, and 10, and admit them as full exhibits.

10 And we will hold the record open for
11 Exhibits 11 and 12, pertaining to the record
12 requests propounded by the Commission, which
13 state, as Exhibit 11, "Please provide the New
14 Hampshire Business Profits Tax rate for taxable
15 periods ending December 31st, 2022 and
16 December 31st, 2021. If the tax rate is other
17 than 7.7 percent, please provide the updated
18 schedules for both the step increase and
19 permanent rates."

20 Exhibit 12 being "Please provide in
21 live Excel format all schedules, 1 through 5d,
22 with the respective years, for the identified
23 capital additions, depreciation, and
24 retirements."

1 In terms of timing, are there any
2 comments from the parties for when we should set
3 a deadline for filing of those record request
4 responses?

5 MR. RICHARDSON: I would say ten days
6 is ordinary. I don't think that it would even
7 take more than three. But let's -- by the time
8 Friday happens, it will be next week. So, I
9 would say "ten days", if that's acceptable to the
10 Department and other parties.

11 MR. TUOMALA: I would like to push my
12 luck here and ask for two weeks. Jayson Laflamme
13 and myself have rate hearings next week, where we
14 might not be able to get to review the schedules,
15 and we just want to be thorough.

16 I agree with Attorney Richardson, I
17 think we can get it in much sooner than the two
18 weeks. But I would prefer that cushion, if
19 that's acceptable to the Commission?

20 CMSR. SIMPSON: Okay. So, today is the
21 5th of May. Would the 20th of May be sufficient?
22 Or are you looking for 14 working days?

23 MR. TUOMALA: I'm sorry, I don't have
24 my calendar in front of me. I'm just looking for

1 two calendar weeks.

2 CMSR. SIMPSON: Two calendar weeks.

3 MR. TUOMALA: So, two Thursdays from
4 now would be acceptable.

5 CMSR. SIMPSON: Okay. All right.
6 Let's say May 19th.

7 MR. TUOMALA: That's great. Thank you.

8 CMSR. SIMPSON: Okay. We'll move to
9 closing arguments. I'll recognize Attorney
10 Richardson, for the Company.

11 MR. RICHARDSON: Thank you, Mr. Acting
12 Chairman, Commissioners.

13 We appreciate being here today. And we
14 appreciate your questions, the thoroughness of
15 your review, and the work done by all of the
16 parties.

17 Lakes Region, you know, is a small
18 water company, that has its own challenges that's
19 described at length in Mr. Mason's testimony. We
20 didn't go over that in a lot of detail, because
21 it's in writing and there are exhibits and DES
22 reports. But I'd recommend reviewing that to
23 understand this case, and really what an
24 excellent job the Company has done in coming in

1 with a request that I think is just and
2 reasonable, and shows a lot of really hard work.

3 A large credit of that goes to the
4 person to my right, and your left,
5 Ms. Valladares, who's the Utility Manager, and is
6 basically like our finance director. And that's
7 helped put this together and come up with the
8 schedules and the explanations and answers that
9 you've heard today.

10 Lakes Region's last rate case was in
11 2015, based on a 2014 test year. We're looking
12 at an overall revenue requirement of 1.378
13 million, which is 3.12 percent, or \$41,678 over
14 the pro forma test year revenues. 3.12 percent,
15 after five years since the last rate case, full
16 rate case, mind you, and there are other issues
17 that come into play. But I think that shows the
18 significant effort that the Company is doing to
19 keep rates down to help customers.

20 I want to talk about an issue that's
21 come up, because we've heard about whether the
22 step increase was included today. And we heard
23 Mr. St. Cyr explain that the original request was
24 to include a pro forma adjustment for all of the

1 improvements that are in the step, and that was
2 deferred. And you heard Mr. Laflamme say that
3 this benefits customers by going to a step
4 increase, and it has no adverse consequences to
5 them.

6 With the schedules in Attachment B, and
7 I had those in front of me a second ago, but just
8 to summarize, there was \$191,581 in plant
9 improvements in 2020 alone. Under traditional
10 ratemaking principles, the Company is normally
11 allowed to include post-test year adjustments in
12 the test year. We didn't do that in this case.
13 That was a major concession that was made. And
14 with that concession comes a fairly significant
15 depreciation expense that's not included in the
16 test year, and also the tax factor. So, when you
17 apply the rate of return of 8.52 percent to the
18 191,000 that's included, that results in a
19 revenue -- or, a revenue requirement of 16,322,
20 by my calculation as we're in here today. You
21 then have to apply the tax factor. You also
22 added depreciation to that. But we're looking at
23 a fairly significant concession by the Company.

24 And the reason that I bring that up is

1 is for two reasons: One is to address the
2 concern that the step increase, there was a
3 reference in the Order of Notice that there
4 wasn't a step increase originally noticed. And I
5 think, when we look at that carefully, and we
6 heard Attorney Tuomala ask a question of Mr.
7 Mason, that language was really referring to his
8 testimony, where he had requested or suggested an
9 annual series of adjustments, like what -- the
10 water conservation investment program that
11 Aquarion uses, there's a similar program for
12 Pennichuck. And the idea was to address metering
13 through an adjustment mechanism. And that's what
14 the Commission disallowed in that Order of Notice
15 was, was that kind of ongoing adjustment
16 mechanism, because we didn't file a petition for
17 it. But our Petition did include all of the
18 plant adjustments and wage adjustments.

19 So, I think that's, you know, the
20 record supports what we're doing. And the step
21 increase was actually something that was done,
22 which benefits customers, and reduces their rates
23 by giving them an ongoing credit of about \$22,000
24 and change, until we get to the step increase, at

1 which point the accrual of that credit to
2 customers will be cut off, and then we'll move to
3 the Step Adjustment rates. And there will be --
4 also be that recoupment credit will be given to
5 the customers and offset against rate case
6 expenses.

7 That's a really innovative approach
8 that's being used in this, to reduce the rate
9 case expenses and come up with a result that
10 doesn't cause customer confusion. And the rate
11 increase is really a small one, when you look at
12 the fact that this Company has gone five years
13 since its last general rate increase.

14 So, I think that, when we look at this
15 as a whole, and we've heard a lot of evidence
16 today, and I'm not going to try to summarize it
17 all, because there's been a lot of details and a
18 lot of really hard questions, and I don't want to
19 spend too long going over all of it.

20 But, at the end of the day, what RSA
21 378:27, 28, and 29 provide for is a reasonable
22 return on plant that is prudent, used and useful.
23 And I think it's very clear that that's where
24 we're at, and that's what the Settlement

1 Agreement provides for.

2 The step increase will benefit
3 customers, because it's within the scope of what
4 was requested and noticed in this Commission --
5 by this Commission in its Order of Notice. And
6 allowing that Step Adjustment to include '20 and
7 '21 plant improvements benefits customers by
8 offsetting when the next rate increase will
9 occur, at a time when we're facing some fairly
10 significant economic uncertainty, that Mr. Mason
11 also referred to, in looking at things like
12 wages, materials, contractor availability.

13 With that said, we ask you to approve
14 the Settlement Agreement. We'll, obviously,
15 provide the information that's been requested as
16 part of the record requests. But I think, at the
17 end of the day, what you have before you is a
18 very detailed review, with significant
19 compromises on both sides, and with a result
20 that's just and reasonable.

21 Thank you.

22 CMSR. SIMPSON: Thank you. Attorney
23 Tuomala, for the New Hampshire Department of
24 Energy.

1 MR. TUOMALA: Thank you, Commissioners.

2 For the reasons outlined here in
3 today's presentation, the Department of Energy
4 fully supports all aspects of the Settlement
5 Agreement, including the permanent rate revenue
6 requirement, resulting rates of that permanent
7 rate revenue requirement, consolidation of all
8 divisions into a single consolidated rate group,
9 and proposed Step I Adjustment for Lakes Region,
10 as described in the testimony here today and
11 explained thoroughly in the Settlement Agreement.

12 The Settling Parties support the
13 continuation of temporary rates, as has been
14 noted, for Lakes Region's customers, until such
15 time the Commission approves the Company's Step I
16 increase. As stated, that proposal will avoid
17 fluctuating rates and possible customer
18 confusion.

19 The Department of Energy further
20 supports this proposal as all parties, the
21 Company and its customers, will be protected by
22 the temporary-to-permanent rate recoupment
23 mechanism per RSA 378:29, which, as stated, will
24 garner a credit to most of Lakes Region's

1 customers.

2 The Department of Energy contends that
3 the Settlement Agreement is just and reasonable
4 and serves the public interest, as it is a
5 disposition of all issues in this rate
6 proceeding, and provides a clear path forward to
7 resolve the Company's Step I Adjustment, rate
8 case expense, and temporary-to-permanent rate
9 recoupment requests.

10 And I would like to piggyback off of
11 some of the statements made by Attorney
12 Richardson in his closing, regarding the Step I
13 Adjustment, and the Commission's concern that it
14 alluded to in the beginning of this hearing, and
15 referenced in its Order of Notice, Order Number
16 26,463, with the possible interpretation of the
17 Order of Notice prohibiting the Step I Adjustment
18 as presented here in today's Settlement
19 Agreement.

20 And I don't want to make a mountain out
21 of a mole hill, but I figured it would be best to
22 get it on the record, so we can provide, at least
23 from the Department's point of view, a
24 clarification. I would argue that the Order of

1 Notice does not prohibit the Step I Adjustment as
2 included in this Settlement Agreement. You heard
3 the testimony from Mr. Mason about his, directly
4 quoted testimony, that his request was akin to
5 the WICA Adjustment Charge that Aquarion now has,
6 and/or the QCPAC process, which is enjoyed by
7 Pennichuck Water Works and Pennichuck East
8 Utility, which is a yearly filing for plant
9 improvements from the prior year.

10 As the Settlement -- the Settlement
11 Agreement doesn't include a mechanism such as
12 that. I would say that this Settlement Agreement
13 does follow the Order of Notice, and that that
14 Step Adjustment included in there is separate,
15 because it's not a periodic adjustment, as
16 included in Mr. Mason's testimony. This is a
17 one-time Step Adjustment.

18 And, so, I would, furthermore, argue
19 that inclusion of the Step Adjustment in the
20 Settlement Agreement is necessary for a number of
21 reasons. One, this is an unusually long
22 investigation period due to COVID. So, it was a
23 2019 test year, and we're in 2022 right now.
24 That's a long period of time for plant

1 adjustments, that should be recognized to make
2 the Company whole. So, this Step Adjustment
3 brings them up through 2021. And the Department
4 recognized that this long period of time should
5 include a step adjustment beyond the test year,
6 since, at this point, we're three years outside
7 of that test year and those rates.

8 I would also argue that, without the
9 Step Adjustment, the Company would automatically
10 be underearning at the moment the order is issued
11 approving just the permanent rates in this case,
12 and we would be faced with another rate case
13 immediately for those plant additions. Which, as
14 we know, an additional rate proceeding is more
15 rate case expenses, and the customers bear those
16 rate case expenses.

17 So, not only does it make it whole
18 through 2021 with the inclusion of the Step I
19 provision, but it also saves customers from
20 additional proceeding, additional rate case
21 expenses, which they're going to have to face
22 with this proceeding as well.

23 I would also argue that, as stated by
24 Mr. St. Cyr, and also in Attorney Richardson's

1 closing, the crux or the Step Adjustment itself
2 was included, however, not labeled as a "step
3 adjustment", in its Petition. These plant
4 requests, plant additions were requested by the
5 Company in its initial filing. And what we have
6 is, we have a resulting Step Adjustment that is
7 actually lower than what they originally
8 requested. So, I would say, as far as due
9 process is concerned, the public, or the world as
10 we know it, had been noticed about those plant
11 requests, those additions in 2020 and '21. So, I
12 do not believe that there would be a due process
13 violation by accepting the Settlement, which
14 includes this Step I provision.

15 And we also heard from Mr. Laflamme
16 that this Step Adjustment actually benefits
17 customers. Not only does it avoid another rate
18 proceeding, but removing the requests from the
19 original filing now saves customers the possible
20 increase in that temporary-to-permanent rate
21 recoupment. So, the Company is made whole for
22 those plant investments, but customers are saved
23 from paying the difference all the way back to I
24 believe it was September of last year, when

1 temporary rates were approved. So, I believe
2 that the result is just and reasonable for
3 customers with that step inclusion.

4 In conclusion, the Department would
5 like to thank all the parties involved in this
6 docket for its participation, including the
7 multiple technical sessions and rounds of
8 discovery that all parties were involved with,
9 including the LOV homeowners. The Department of
10 Energy does recommend approval of the Settlement
11 Agreement, as it does provide just and reasonable
12 rates to promote company viability, in its
13 provision of safe and adequate water service per
14 RSA 374:1, and which do not result in an unjust
15 or unreasonable outcome for ratepayers, pursuant
16 to RSA 374:2 and RSA Chapter 378.

17 Thank you.

18 CMSR. SIMPSON: Thank you. And I will
19 now recognize Ms. Stansell, for Lake Ossipee
20 Village Homeowners.

21 MS. STANSELL: Thank you, Commissioner.

22 I would like to begin by making one
23 clarification to Mr. Laflamme's comments
24 regarding our intervention.

1 I recall the conversation that you and
2 I had via telephone with regard to metering in
3 our system. I believe there was a bit of a
4 misconception on the Department's part. We were
5 not necessarily advocating for metering, simply
6 pointing out that metering had been ordered in
7 the past and, over the course of ten years, was
8 never acted upon.

9 CMSR. SIMPSON: Okay. Thank you,
10 Ms. Stansell.

11 Is there anything else, before we go
12 off the record today, from any party?

13 MS. STANSELL: Not from myself. Thank
14 you.

15 CMSR. SIMPSON: Thank you,
16 Ms. Stansell.

17 MR. RICHARDSON: I think we've covered
18 it.

19 MR. TUOMALA: We have nothing further.

20 CMSR. SIMPSON: Excellent. Thank you,
21 everyone. We will take the matter under
22 advisement, and await responses, in terms of the
23 confidential material and the two record
24 requests.

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We are adjourned. Off the record.

***(Whereupon the hearing was adjourned
at 11:59 a.m.)***