

BEFORE THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Lakes Region Water Co., Inc

Petition for Step Adjustment

Docket No. DW 20 – 187

TESTIMONY OF STEPHEN ST CYR
IN SUPPORT OF STEP 1 ADJUSTMENT

October 18, 2022

1 **Q. Please state your name and address.**

2 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates (“SPS&A”), 17 Sky Oaks
3 Drive, Biddeford, Me. 04005.

4 **Q. Please summarize your professional and educational background.**

5 A. I am the owner of Stephen P. St. Cyr & Associates and provide accounting,
6 management and regulatory services to investor-owned utilities. For the last 30
7 years, I have worked with numerous water utilities to prepare rate schedules and
8 rate case filings before the New Hampshire Public Utilities Commission.

9 Prior to my current business of SPS&A, I worked in the utility industry for 16
10 years, holding various managerial accounting and regulatory positions.

11 I have a Business Administration degree with a concentration in accounting from
12 Northeastern University in Boston, Massachusetts. I have a Certified Public
13 Accountant Certificate in the State of Maryland. I do not provide CPA services in
14 New Hampshire due to differing state requirements.

15 **Q. What is your role in this proceeding?**

16 A. I worked with Lakes Region Water Co., Inc. (“LRWC” or “Company”) and
17 reviewed its accounts and records to prepare its request for permanent and
18 temporary rate increases in this proceeding. I also worked with the Company and
19 the Department of Energy to prepare the schedules that were included in the April
20 28, 2022 Settlement Agreement establishing the permanent rates established in
21 this proceeding which were approved by the Commission on May 27, 2022 in
22 Order No. 26,633.

23

1 **Q. What is the purpose of your testimony today?**

2 A. The purpose of this testimony is to provide the Company's proposed rate
3 schedules for a step increase as provided by the terms of the April 28, 2022
4 Settlement Agreement and the May 27, 2022 Order No. 26,633. These schedules
5 are attached and were prepared by me in cooperation with Lakes Region's Utility
6 Manager, Leah Valladares. All of the information in the schedules are based on
7 the Company's books and records and are available for review by the Department
8 of Energy's Audit Staff.

9 **Q. Please summarize the Company's request for a Step Adjustment in**
10 **permanent rates.**

11 A. The Settlement Agreement approved by the Commission allowed for a combined
12 step adjustment, referred to as the "Step 1 Adjustment" in an amount not to
13 exceed \$144,863. Under the terms of the Settlement Agreement approved by the
14 Commission in Order No. 26,633, the Step 1 Adjustment is based on the
15 following three components:

- 16 (1) The costs of post-test year plant additions placed in service as of
17 December 31, 2021;
- 18 (2) Limited post-test year Annual Wage Expense increases that set forth in
19 Schedules 1 to 5d in Attachment B to the Settlement Agreement; and
- 20 (3) The costs for paving costs which were completed during the second
21 quarter of 2022 which had originally been scheduled to be completed as
22 part of the plant additions placed in service as of December 31, 2021, but
23 which the Company deferred due to a customer legal dispute concerning

1 the Balmoral Improvement Association’s right-of-way and easement
2 rights in that system.

3 **Q. What is the current status of the projects and adjustments that are the**
4 **subject of the Step 1 Adjustment?**

5 A. All of the projects that were included in the Step 1 Adjustment, including paving
6 work, have been fully completed and placed in service. All of the wage expense
7 adjustments which were deferred pending review in the rate case have also been
8 implemented on a Company-wide basis.

9 **Q. Please summarize the components of the Step 1 Adjustment.**

10 A. As shown in the schedules attached to this testimony, the actual Total Addition to
11 Rate Base is \$888,593. The increase in the Net Operating Income Requirement is
12 \$75,678. The Increase in Revenue Requirement is \$181,449. However, of this
13 amount, a total of \$20,749 is attributable to the Company’s wholesale supply
14 agreement with Property Owners’ Association of Suissevale Incorporated,
15 resulting in a step adjustment to permanent rates of \$160,700. See Schedule 1.
16 However, the Company is asking for an increase \$144,863, which is the not-to-
17 exceed amount approved by the Commission in the Settlement Agreement.

18 **Q. What steps are expected in order to implement the Step Adjustment under**
19 **the terms of the Settlement Agreement?**

20 A. The Company expects to work with the Department of Energy Audit Division to
21 audit the Company’s actual expenditures and the resulting revenue requirement.
22 Once the Department of Energy audit is complete, the Company expects that the
23 Department of Energy will provide its preliminary audit report for review by the

1 Company for comment and a response to any issues identified in the audit report.
2 The Company's comments will then be noted in the final audit report which will
3 include both the Company's comments and the recommendations by the
4 Department of Energy's Audit Division, with a recommendation for a Step 1
5 Adjustment to the Company's permanent rates to be approved by the
6 Commission.

7 **Q. What other considerations or steps remain in this proceeding for approval of**
8 **the Step 1 Adjustment?**

9 A. The Company will work with the interested parties in order to propose a schedule
10 to allow the Commission to consider the recommendations of the Department of
11 Energy, the Company and the intervenors Lake Ossipee Village property owners,
12 if any, concerning the Step 1 Adjustment. Because this proceeding has already
13 been duly noticed by the Commission's March 26, 2021 Order of Notice No.
14 26,463, a new order of notice is not required or recommended.

15 **Q. What other steps will remain in this proceeding?**

16 A. The Company recommends that the Step 1 Adjustment be approved on a service
17 rendered basis as of the 1st day of the month following the date of an order by the
18 Commission approving the Step 1 Adjustment. This will simplify billing and the
19 reconciliation of temporary and permanent rates under RSA 378:29 as the
20 Company is currently charging the temporary rates approved in this proceeding
21 under the terms of the Settlement Agreement.

22 Once the effective date of the change to the approved Permanent rates is known,
23 the Company will then file its proposed amortization and recovery of rate

1 reconciliation and rate case expenses.

2 **Q. Does this conclude your testimony?**

3 **A. Yes.**