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**APPEARANCES: (C o n t i n u e d)**

**Reptg. Residential Ratepayers:**

Donald M. Kreis, Esq, Consumer Advocate  
(Office of the Consumer Advocate)

**Reptg. New Hampshire Dept. of Energy:**

Mary E. Schwarzer, Esq.  
Jayson Laflamme, Dir./Water Division  
Anthony Leone, Water Division  
Douglas Brogan, Consulting Engineer  
(Regulatory Support Division)

**ALSO NOTED AS PRESENT:**

Michael C. Unger, Water Engineer  
(N.H. Department of Environmental Services)

Charlie Lanza, General Manager (HAWC)  
Stephen P. St. Cyr, Consultant (St. Cyr & Assoc.)  
John Sullivan, Controller (HAWC)  
Christine Lewis Morse, Vice President (HAWC)  
David Fox, Consultant (Raftelis Financial)

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**E X H I B I T S**

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**P R O C E E D I N G**

CHAIRMAN GOLDNER: Okay. Good morning, everyone. I'm Chairman Goldner. I'm joined today by Commissioner Simpson and Commissioner Chattopadhyay.

The authority to convene a hearing in this matter is provided in RSA Chapter 541-A, 374:2, 378:5, and 378:7. We are considering the testimony and evidence considering the proposed Step II Rate Adjustment. The Step II Rate Adjustment is the final proceeding contemplated by the Commission's approval of the Company's permanent rate structure approved in Docket 20-117, Order 26,635. And I should have said "We're here this morning for a hearing in Docket DW 23-020."

Okay. The parties should be aware that today's proceeding will not relitigate issues that have already been adjudicated. Specifically, we have concluded in Docket 20-117, via Order Numbers 26,874, 26,809, and 26,635, that the cost of the Merrimack Source Development Charge, MSDC, Capacity Agreement in rate base, and resultant rates, is just and reasonable under

1 the relevant statutory standards.

2 Given the priority -- given the prior  
3 rulings in the permanent rate case and the Step I  
4 proceeding, the Commission will not be  
5 relitigating whether or not the capacity added by  
6 the Southern Interconnection Agreement, SIA, and  
7 MSDC Agreement is prudent, used and useful. That  
8 issue has been decided.

9 Additionally, concerns have been raised  
10 whether HAWC is complying with the terms of the  
11 SIA. Today's proceeding will not focus on what  
12 level of water purchased by HAWC would cause or  
13 avoid a breach of the SIA. The Department of  
14 Environmental Services, not the Public Utilities  
15 Commission, is the state agency that can enforce  
16 the terms of the SIA.

17 Today, we'll be talking -- we'll be  
18 taking testimony and exhibits concerning the 2021  
19 capital additions contained in the requested Step  
20 II Rate Adjustment Petition. Specifically, are  
21 the expenses included in the Step II prudent,  
22 used and useful?

23 Okay. Let's take appearances. I'll  
24 begin by recognizing, HAWC, the Petitioner.

1 MR. AUGERI: Good morning. Attorney  
2 Tony Augeri. With me is Charlie Lanza, General  
3 Manager; Stephen St. Cyr, outside consultant;  
4 John Sullivan, controller; Christine Lewis Morse,  
5 Vice President; Heidi Tombarello, legal counsel;  
6 Dave Fox, consultant. And we also have a  
7 representative from the Department of  
8 Environmental Services here.

9 CHAIRMAN GOLDNER: Okay.

10 MR. AUGERI: Michael Unger.

11 CHAIRMAN GOLDNER: Very good. I'll  
12 recognize intervenor Karen Steele?

13 MS. STEELE: Good morning. Karen  
14 Steele here.

15 CHAIRMAN GOLDNER: Thank you. And the  
16 Town of Hampstead?

17 MS. WARNOCK: Good morning. Laurie  
18 Warnock, Selectman, and Stephanie Spivey,  
19 Hampstead Water Resource Committee.

20 CHAIRMAN GOLDNER: Very good. The Town  
21 of Atkinson?

22 MR. APPLE: John Apple, Town  
23 Administrator, Town of Atkinson.

24 CHAIRMAN GOLDNER: Very good. And the



1 New Hampshire DES?

2 MS. SCHWARZER: Good morning, Mr.

3 Chairman. Mary Schwarzer -- oh, excuse me.

4 CHAIRMAN GOLDNER: Yes.

5 MS. SCHWARZER: DES, not --

6 CHAIRMAN GOLDNER: Okay. I thought you  
7 had been promoted there.

8 *[Laughter.]*

9 MR. UNGER: I'm Michael Unger, New  
10 Hampshire DES.

11 CHAIRMAN GOLDNER: Thank you,  
12 Mr. Unger. The Office of the Consumer Advocate?

13 MR. KREIS: Good morning, Mr. Chairman,  
14 Commissioners. I'm Donald Kreis, the Consumer  
15 Advocate. Pursuant to RSA 363, Section 28, we  
16 represent the interests of residential utility  
17 customers.

18 CHAIRMAN GOLDNER: Very good. And,  
19 now, the New Hampshire Department of Energy?

20 MS. SCHWARZER: Good morning, Mr.  
21 Chairman. Mary Schwarzer, Staff Attorney with  
22 the Department of Energy. And with me is the  
23 Water Division Director Jayson Laflamme; Utility  
24 Analyst Anthony Leone; and our consultant,

1 Douglas Brogan.

2 CHAIRMAN GOLDNER: Very good.

3 Okay. First, as a preliminary issue,  
4 we'll address the motion to submit video evidence  
5 of a March 19, 2019, recording of the Southern  
6 New Hampshire Regional Interconnection Pipeline  
7 Project presentation by DES.

8 We'll begin with Ms. Steele. Ms.  
9 Steele, you filed a motion to submit video  
10 evidence. The Commission is concerned with how  
11 this evidence pertains to the ultimate issue of  
12 whether the assets included in Step II are  
13 prudent, used and useful. And if you could take  
14 a few minutes here to describe your submission?

15 MS. STEELE: My submission isn't  
16 specifically about Step II. It is because of the  
17 procedural order that the Commission handed down  
18 requesting that DES appear today to identify  
19 ownership or enforcement authority. And, so, the  
20 video shows that DES and Senator Chuck Morse of  
21 the Drinking Water Trust Fund back then, as well  
22 as General Manager of HAWC, Charlie Lanza, all  
23 indicate that the expectation was that 250,000  
24 gallons of water per day were to be purchased and

1           used first, before using water from any other  
2           sources.

3                       I knew that, if I just wrote down those  
4           words, there would be arguments about  
5           justification and authentication. And, so,  
6           that's why I have the video to back that up.  
7           That's really the point of the submission.

8                       I have transcribed, in my motion to  
9           submit video evidence, I've transcribed the  
10          sections that I would like to just -- to play.  
11          I've even made clips of those. And it's a total  
12          of two minutes that I'd be willing to play for  
13          the Commission, if you would allow me to.

14                      CHAIRMAN GOLDNER: Okay. Thank you,  
15          Ms. Steele.

16                      And can I get -- I'll go around the  
17          room to ask for responses. We'll begin with  
18          HAWC.

19                      MR. AUGERI: Thank you, Chairman  
20          Goldner.

21                      The procedural order that the  
22          Commission issued kind of hit the nail on the  
23          head: What's the relevancy of the proposed  
24          evidence and what's its probative value? The

1 actual Southern New Hampshire contract has now  
2 been admitted into evidence, I believe, in now  
3 three dockets, beginning in 19-147, which is the  
4 actual signed document; again, in 20-117; and I  
5 believe, although I could be mistaken, in this  
6 docket, judicial notice was taken of that very  
7 Agreement.

8 Those terms speak for themselves.  
9 Those terms, and it's important to note that the  
10 Agreement was signed after this presentation,  
11 which was simply just that, it was a community  
12 outreach on what may be coming for this  
13 Agreement. But it was only that. It was  
14 speculative still at that point. And, now, we  
15 actually have the terms of the Agreement that  
16 controls.

17 So, for those reasons, we would find  
18 that there's no probative value of this evidence,  
19 and shouldn't -- certainly is not relevant to  
20 this Step II of the permanent rate adjustment  
21 proceeding. And we would rely instead on the  
22 actual terms of the Agreement.

23 CHAIRMAN GOLDNER: Okay. Thank you.  
24 The New Hampshire Department of Energy?

1 MS. SCHWARZER: Thank you, Mr.  
2 Chairman.

3 Certainly we agree with what HAWC has  
4 suggested. At the same time, in light of the  
5 Commission's statement at the beginning of this  
6 hearing that the focus will not be on whether  
7 there's been a breach of that Agreement, it would  
8 seem to further support the position that the  
9 video is not relevant.

10 We're concerned that the relief Ms.  
11 Steele requests in her motion, on Page 3, which  
12 is to "provide an escalation path for the Towns  
13 of Atkinson and Hampstead should they need to  
14 file a complaint or a dispute", seems to suggest  
15 that she's asking to rewrite the contract, which  
16 is certainly not before us today.

17 So, the Department would object to  
18 admitting the video as evidence. But, in the  
19 alternative, if it is admitted, we believe it  
20 should be admitted in full, to provide the  
21 context of the informal comments, and not just as  
22 clips, as Ms. Steele recently proposed.

23 CHAIRMAN GOLDNER: Okay. Thank you,  
24 Attorney Schwarzer. The Office of the Consumer

1 Advocate?

2 MR. KREIS: Thank you, Mr. Chairman.

3 In the opinion of the Office of the  
4 Consumer Advocate, the Commission should admit  
5 the exhibit that Ms. Steele proposes to enter  
6 into evidence, and give it the weight that it  
7 deserves in making its ultimate decision on the  
8 merits of this particular case.

9 I haven't seen the video in question.  
10 So, I don't exactly know what it contains. I  
11 have listened attentively to Ms. Steele's  
12 description of it. While I agree that it's  
13 possible that, ultimately, the evidence might be  
14 deemed irrelevant, I think that's a decision best  
15 made by the Commissioners after the case is under  
16 advisement. It may have some probative value  
17 about the "prudence" and "used and useful" issues  
18 that you alluded to when you introduced the  
19 hearing this morning, Mr. Chairman.

20 And, overall, after I finish speaking,  
21 and everybody else has finished speaking, we will  
22 have spent considerably longer discussing the  
23 exhibit than it would take the Commission to  
24 review two minutes of video.

1 Thank you.

2 CHAIRMAN GOLDNER: Thank you. Let's  
3 now move to the Town of Hampstead?

4 MS. WARNOCK: I see no harm in --  
5 *(Feedback coming through the speakers.)*

6 MS. WARNOCK: Apparently, we're quite  
7 close.

8 I see no harm in the panel at least  
9 viewing the clips that Ms. Steele has provided,  
10 in the sense that I do think that it informs her  
11 position regarding HAWC's compliance with the  
12 contract.

13 CHAIRMAN GOLDNER: Okay. Thank you.  
14 And the Town of Atkinson?

15 MR. APPLE: Atkinson was a settling --  
16 Atkinson was a settling party on both of these  
17 dockets. But we have no objection to viewing the  
18 material that Ms. Steele would like to provide.

19 CHAIRMAN GOLDNER: Okay. Thank you.

20 *[Chairman Goldner and Atty. Ross*  
21 *conferring.]*

22 MS. STEELE: May I make another  
23 comment, Chairman -- Mr. Chairman?

24 CHAIRMAN GOLDNER: In just a moment

1 please, yes.

2 Would New Hampshire Department of  
3 Environmental Services care to comment?

4 MR. UNGER: No. We don't take a  
5 position either way on this.

6 CHAIRMAN GOLDNER: And, Ms. Steele,  
7 would you please proceed.

8 MS. STEELE: Thank you.

9 When I had reached out to the  
10 Department of Environmental Services before about  
11 this pipeline agreement, they said that they  
12 could not enforce the Agreement, because they did  
13 not sign the Agreement. And I know that, in your  
14 procedural order, the Commission indicated that  
15 you defer to DES.

16 So, as -- I believe that the video  
17 evidence is relevant to show what everyone --  
18 what the mindset was, and what the belief was, as  
19 far as the 250,000 gallons. But I'm glad  
20 Mr. Unger is here today, so that we can clarify  
21 who can enforce the Agreement, if they are not a  
22 signer. And, again, Atkinson and Hampstead would  
23 be the ones most injured. And, so, we're looking  
24 for a pathway for what somebody from Atkinson or



1 Hampstead or the towns would do if they had a  
2 dispute or a complaint.

3 CHAIRMAN GOLDNER: Okay. Thank you,  
4 Ms. Steele.

5 Having heard from all the parties,  
6 we'll take the matter under advisement, and issue  
7 a separate ruling concerning the motion. Thank  
8 you.

9 And, moving onto the next topic, I'll  
10 ask the parties if they would have any objections  
11 to taking administrative notice of Docket Number  
12 DE -- or, DW 20-117? Any objections?

13 MR. AUGERI: No objection from the  
14 Company.

15 CHAIRMAN GOLDNER: Thank you. Okay.  
16 Seeing none.

17 MR. KREIS: Mr. Chairman?

18 CHAIRMAN GOLDNER: Yes.

19 MR. KREIS: I apologize for  
20 interrupting. But I think I'm having a little  
21 difficulty with the ruling that you just made, or  
22 understanding it. You -- Ms. Steele has moved to  
23 admit an exhibit into evidence. You have said  
24 that the Commission will make a decision in

1 writing after the hearing. So, what happens at  
2 the hearing today, in relation to that exhibit?

3 Is the Commission going to watch or  
4 listen to that video today, or is that whole  
5 question now deferred?

6 CHAIRMAN GOLDNER: I think our -- the  
7 position is that we'll allow Ms. Steele and  
8 others to comment or weigh in on that topic  
9 today. The Commission doesn't intend to view the  
10 video today in this hearing. But we'll allow  
11 comments to be made over the course of the  
12 hearing on that topic, if any intervenor or any  
13 other party wishes.

14 MR. KREIS: Thank you. That helps.

15 CHAIRMAN GOLDNER: Okay.

16 MS. SCHWARZER: Mr. Chairman?

17 CHAIRMAN GOLDNER: Yes.

18 MS. SCHWARZER: If I could just speak  
19 briefly to the question of administrative notice?

20 CHAIRMAN GOLDNER: Uh-huh.

21 MS. SCHWARZER: The Department would  
22 ask specifically that the Commission take  
23 administrative notice of a settlement agreement  
24 from that docket on permanent rates, Exhibit 3,

1 Pages 1, 17, 52, and 73, because there's a  
2 calculation that will be relevant to this  
3 Step II, the position in the Settlement Agreement  
4 with regard to Step II.

5 And I have hard copies for the  
6 Commission, if I can approach? The other  
7 parties, with the exception of the Town of  
8 Atkinson, have all assented. And Atkinson  
9 wasn't -- I wasn't able to ask Mr. Apple.

10 But, if I may approach, I would just --

11 CHAIRMAN GOLDNER: Sure. Please  
12 approach.

13 *[Atty. Schwarzer distributing*  
14 *documents.]*

15 CHAIRMAN GOLDNER: Thank you. Thank  
16 you.

17 And would it cover your need, Attorney  
18 Schwarzer, if we took administrative notice of  
19 the entire docket? This is in 20-117, correct?

20 MS. SCHWARZER: Yes. Absolutely,  
21 Mr. Chairman.

22 CHAIRMAN GOLDNER: Okay. So, it would  
23 cover everything you need. Okay. Very good.  
24 Any objections?

1                    *[No verbal response.]*

2                    CHAIRMAN GOLDNER: Okay. We'll take  
3 administrative notice of Docket Number DW 20-117.

4                    *[Administrative notice taken of*  
5 *Docket DW 20-117.]*

6                    CHAIRMAN GOLDNER: Are there any other  
7 preliminary issues that the parties wish to  
8 raise, before we get started this morning?

9                    Attorney Schwarzer.

10                   MS. SCHWARZER: Thank you, Mr.  
11 Chairman. The Department --

12                   CHAIRMAN GOLDNER: Yes, please.

13                   MS. SCHWARZER: The Department would  
14 like to reserve some direct time, after the  
15 testimony of Ms. Steele and the DES witness,  
16 because we're not clear precisely on what they  
17 may address. So, there was an order of testimony  
18 that the other parties have assented to, which I  
19 could describe to the Commission, if it's  
20 acceptable to you.

21                   We would propose that HAWC and the  
22 Department of Energy's witnesses comprise the  
23 first panel. That HAWC speak first, and the  
24 Department speak second. That there be the

1 standard cross-examination, Commission questions,  
2 and redirect. And, then, either Ms. Steele or  
3 the DES witness speak, with the standard  
4 cross-examination, Commission questions. And,  
5 thereafter, we would ask that our witness, and I  
6 believe HAWC also would like to put its witnesses  
7 back on direct to address whatever comments are  
8 made by Ms. Steele and DES.

9 CHAIRMAN GOLDNER: Okay. Thank you.  
10 Any other -- any comments on that topic from the  
11 other parties?

12 *[No verbal response.]*

13 CHAIRMAN GOLDNER: Okay, no. And I'll  
14 ask, do the parties wish to make opening  
15 statements this morning?

16 *[No verbal response.]*

17 CHAIRMAN GOLDNER: No. Yes, sir?

18 MR. APPLE: The Town of Atkinson would  
19 like to reserve some time towards the end of the  
20 hearing, after remarks are made and  
21 cross-examinations, just to share our feeling on  
22 the rate case expense recoupment.

23 CHAIRMAN GOLDNER: Okay. Thank you.

24 Okay. So, before we proceed any

1 further this morning, we will take a quick break,  
2 and come back -- come back at 9:30. So, we'll  
3 return in ten minutes.

4 *(Recess taken at 9:21 a.m., and the*  
5 *hearing resumed at 9:33 a.m.)*

6 CHAIRMAN GOLDNER: Okay. Before we get  
7 moving this morning, we'll clarify the *pro se's*  
8 filing, or motion.

9 So, we're going to admit the transcript  
10 of the video contained in Ms. Steele's motion.  
11 We're not going to admit the video itself. We'll  
12 give it the weight it deserves. And I'll remind  
13 the parties that we're here to discuss Step II  
14 and the limited scope of today's hearing.

15 Okay. So, let's -- do the parties --

16 MS. STEELE: Mr. Chairman?

17 CHAIRMAN GOLDNER: Yes.

18 MS. STEELE: When you say you'll "admit  
19 the transcript", is it the transcript of the  
20 entire video?

21 CHAIRMAN GOLDNER: It's the transcript  
22 that was contained in your filing.

23 MS. STEELE: So, just that was in the  
24 hearing, okay.

1 CHAIRMAN GOLDNER: Correct.

2 MS. STEELE: Okay. Because I do have  
3 the flash drive from the Town of Hampstead of the  
4 entire meeting, if you would be interested.  
5 Again, as Attorney Schwarzer indicated, it would  
6 be best to have the entire meeting to provide  
7 context. So, I'm happy to provide that flash  
8 drive, if you would like to have the entire  
9 meeting transcribed and entered into evidence.

10 CHAIRMAN GOLDNER: No. We'll just be  
11 admitting the portion of the video that was  
12 transcribed that's currently in the filing.

13 MS. STEELE: Thank you.

14 CHAIRMAN GOLDNER: Okay.

15 Okay. So, I caught before that the  
16 parties did not wish to make an opening  
17 statement.

18 The parties have premarked and  
19 prenumbered the exhibits for the hearing today.  
20 Are there any additional exhibits that the  
21 parties wish to submit at this time?

22 *[No verbal response.]*

23 CHAIRMAN GOLDNER: Okay. Seeing none.  
24 Let's move to the witnesses. And I

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           understood, from Attorney Schwarzer before, that  
2           HAWC and the DOE will provide the first panel, is  
3           that correct?

4                   MS. SCHWARZER:   Yes, Mr. Chairman.

5                   CHAIRMAN GOLDNER:   Okay.   So, we can  
6           invite the witnesses to the stand.   And, then,  
7           once they reach the stand, Mr. Patnaude, if you  
8           could please swear in the witness panel.

9                           *(Whereupon **STEPHEN P. ST. CYR,***  
10                           ***CHARLIE LANZA,** and **ANTHONY LEONE** were*  
11                           *duly sworn by the Court Reporter.)*

12                   CHAIRMAN GOLDNER:   Just a  
13           clarification, Attorney Augeri.   I had three  
14           witnesses from HAWC, and a witness from the  
15           Department of Energy, but I only see three  
16           witnesses total?

17                   MR. AUGERI:   That is correct, Chairman.  
18           So, Mr. Fox was reserved, in the event, we  
19           weren't sure how the Commission was going to  
20           proceed with the DES questioning.

21                   CHAIRMAN GOLDNER:   Okay.

22                   MR. AUGERI:   Whether, what has now been  
23           taken under judicial notice, Docket 20-117, if  
24           issues of rate design were needed, that he would



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 be available, but not on the direct panel for  
2 Step II.

3 As to the DES witness, that's -- the  
4 Company has treated that as the Commission's  
5 request for that witness. So, --

6 CHAIRMAN GOLDNER: Perfect. Okay.  
7 Thank you.

8 Okay. As I understood before, so,  
9 Attorney Augeri, you'll go first, and then  
10 Attorney Schwarzer will go second, is that the  
11 order to go?

12 MR. AUGERI: That is correct.

13 CHAIRMAN GOLDNER: Okay. Thank you.  
14 Please proceed.

15 MR. AUGERI: Thank you. We'll begin  
16 with Stephen P. St. Cyr.

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

18 **CHARLIE LANZA, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. AUGERI:

21 Q Mr. St. Cyr, if you could please state your name  
22 and business for the record?

23 A (St. Cyr) My name is Stephen P. St. Cyr, with  
24 St. Cyr & Associates.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Q And what services does St. Cyr & Associates  
2 provide?

3 A (St. Cyr) We provide accounting, management, and  
4 regulatory services, mostly to utilities, and  
5 mostly to water and sewer companies.

6 Q And can you please describe your involvement in  
7 this docket?

8 A (St. Cyr) Yes. I've been involved in this docket  
9 since the beginning. I prepared the financial  
10 exhibits and the supporting schedules for  
11 temporary rates, permanent rates, Step I rates,  
12 and Step II rates. I prepared testimony and  
13 testified before the Commission on -- in the  
14 permanent rate hearing, the -- or, the Step I  
15 hearing. And I'm here today to testify on behalf  
16 of the Step II Settlement Agreement.

17 I've also responded to and reviewed the  
18 Company's responses to data requests. I've  
19 participated in technical sessions and settlement  
20 conferences, including the ones leading up to  
21 this Settlement Agreement that's before the  
22 Commission today.

23 CMSR. CHATTOPADHYAY: Can I request  
24 that you get closer to the mike please?

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 BY MR. AUGERI:

2 Q Regarding the Step II filing, and the Step II  
3 Settlement Agreement that is before the  
4 Commission today, did you prepare or are you  
5 familiar with the Agreement and the supporting  
6 schedules?

7 A (St. Cyr) I'm familiar with it. I worked with  
8 the parties on the Settlement Agreement and the  
9 DOE, with respect to the supporting schedules.

10 Q And can you explain how the Step II calculations  
11 came about?

12 A (St. Cyr) Yes. In PUC Order Number 26,635, the  
13 Commission approved a Settlement Agreement for  
14 Permanent Rates that contained two step  
15 increases. This order required that the Step II  
16 permanent rate adjustment not be filed before  
17 June 20, 2020 [June 20, 2022?], which the Company  
18 complied with. It also -- the Step II  
19 calculations supporting schedules were subject to  
20 review by the New Hampshire DOE Audit Division,  
21 and that audit has taken place.

22 Following completion of the audit,  
23 there was a technical session and data requests  
24 that were submitted and that the Company

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           responded to.

2                       And we're -- and, as a result of that  
3           technical session and follow-up, we have this  
4           Settlement Agreement which is before the  
5           Commission today.

6   Q       And were there any other terms that the  
7           Commission approved in Order 26,635 related to  
8           Step II?

9   A       (St. Cyr) So, there was some specific financial  
10          terms. One being that the step adjustment cannot  
11          result in an increase exceeding in -- exceeding  
12          to the Company's revenue requirement \$220,023.  
13          The calculation was to utilize a 4.5 percent rate  
14          of return. The rate base could not include --  
15          could not exceed the greater of 2,368,015, for a  
16          total rate base not to exceed 7,660,606. And  
17          this Settlement Agreement before the Commission  
18          meets all of those requirements.

19   Q       Are there any other terms?

20   A       (St. Cyr) The only other term was that the rates  
21          for municipal fire protection would remain  
22          unchanged.

23   Q       Did you prepare or are you familiar with the Step  
24          II Settlement Agreement and attachments that are

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 filed with the Commission as Exhibits 1 through 4  
2 today?

3 A (St. Cyr) Yes, I am.

4 Q And are there any -- could you describe the three  
5 attachments to that Settlement Agreement?

6 A (St. Cyr) Yes. The first attachment is the DOE  
7 Audit Report, dated April 28th, 2023, for Step  
8 II. This was prepared by the DOE Audit Division.  
9 Attachment B is the Step II adjustment  
10 calculation. This was originally prepared by me,  
11 audited by the New Hampshire DOE Audit Division,  
12 and reviewed and modified by the parties and the  
13 Company. And, lastly, Exhibit C [Attachment C?] is  
14 the Step II Cost of Service Study, which was  
15 prepared by Mr. Fox.

16 Q And what was the process to reach the Step II  
17 Settlement Agreement?

18 A (St. Cyr) So, the Company filed its proposed  
19 final cost and calculation on March 16, 2023. As  
20 per the Settlement Agreement on the permanent  
21 rates, the proposed final cost and calculation  
22 were subject to audit by the New Hampshire Audit  
23 Division.

24 Following completion of the audit and a

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 round of data requests, the parties held a  
2 technical session. As a result of the technical  
3 session, the Company filed a revised Step II  
4 final cost and calculation of the Step II  
5 adjustment, with the agreed upon adjustment  
6 that's before the Commission today.

7 Q And could you please provide an overview of the  
8 Step II Settlement Agreement?

9 A (St. Cyr) So, the Step II Settlement Agreement  
10 has a number of provisions, and includes the  
11 background and procedural history, the terms of  
12 the Settlement, the Step II Settlement Agreement,  
13 the maximum combined effect, the effective date,  
14 the resulting rates, and other provisions.

15 The purpose of the Step II Settlement  
16 Agreement is, in part, to -- intended to avoid  
17 the rate shock that would have occurred, in the  
18 event that the permanent rates, the Step I rates,  
19 and the Step II rates were all put in place at  
20 the same time.

21 The Settling Parties agreed that the  
22 proposed Step II adjustment will result in an  
23 increase not to exceed the \$220,023 in the  
24 Company's revenue requirement.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Q And what is the proposed Step II Adjustment based  
2 on?

3 A (St. Cyr) So, the Step II Adjustment is based on  
4 additions that were completed in 2021 that were  
5 subject to the Southern New Hampshire Water  
6 Infrastructure Project. The costs were  
7 substantially contributed by the State of New  
8 Hampshire. It was further based on a blended  
9 weighted average cost of capital. And it took  
10 into consideration the revenue and expenses that  
11 were affected by the Step II additions to plant.

12 Q Concerning the municipal fire protection rate,  
13 could you please explain how that was agreed  
14 upon?

15 A (St. Cyr) So, this -- yes. The Step II Settling  
16 Parties noted that, pursuant to the Settlement  
17 Agreement on Permanent Rates, the increase in  
18 rates through this proposed Step II adjustment  
19 would have caused the rates to fluctuate among  
20 the intervening Towns of Hampstead and Atkinson.  
21 As such, just like we did in the Step I approved  
22 rates, the Settling Parties recommended to keep  
23 the municipal fire protection charge level. The  
24 Step II Settling Parties also recommended that

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 the loss in revenue as a result of doing that  
2 would be absorbed by Hampstead Area Water  
3 Company. And the projected loss of revenue  
4 related to Step II was \$33,887.

5 Q Turning your attention to what was "Attachment  
6 B", marked as "Exhibit 3", could you please  
7 provide an overview of those calculations for  
8 Step II?

9 A (St. Cyr) Yes. If I may call the Commission and  
10 the parties' attention to this is "Attachment B,  
11 Schedule 1". This is essentially a summary  
12 schedule that's supported by the supporting  
13 schedules.

14 CMSR. CHATTOPADHYAY: Bates Page?

15 WITNESS ST. CYR: It's Bates Page 002,  
16 Attachment B, Schedule 1.

17 **CONTINUED BY THE WITNESS:**

18 A (St. Cyr) So, Schedule 1 shows the 2021 additions  
19 to plant. This is shown on the top line going  
20 across the page. It totals \$2,947,141. It also  
21 shows the additions to plant, including the  
22 amounts less depreciation, plus contribution in  
23 aid of construction, less accumulated  
24 depreciation -- I'm sorry, accumulated



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           amortization, and the addition of working  
2           capital.

3                       The total impact on rate base is  
4           \$61,690. This is approximately a third to -- a  
5           third of the way down the page in the "Total"  
6           column, "\$61,690". It's a relatively small  
7           increase in rate base, because of the substantial  
8           contribution by the State of New Hampshire.

9                       The next line, below the "Total Change  
10          in Rate Base", is the "Rate of Return". This is  
11          a weighted average rate of return, as shown on  
12          Schedule 2. The rate of return is 5.89 percent.  
13          And, when you apply the 5.89 percent to the rate  
14          base, your net increase in operating income  
15          requirement is \$3,635.

16                      To this, we have the changes in  
17          operation and maintenance. The change in the  
18          operation and maintenance include a couple of  
19          revenue components; the revenue from water that's  
20          resold and the revenue from new customers. The  
21          expenses offset that revenue, and take into  
22          consideration the purchase price of the water.  
23          That's the largest component of the O&M change.  
24          But, then, the depreciation expense, the

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           amortization, the change in property taxes, and  
2           income taxes.

3                       When you add those change in revenue  
4           and expenses to the increase in the net operating  
5           income requirement, you end up with a step  
6           increase of 2 million -- not 2 million --  
7           \$202,069.

8 BY MR. AUGERI:

9 Q       And, Mr. St. Cyr, does the actual total Step II  
10       increase exceed the not-to-exceed amount  
11       described in the Settlement Agreement in DW  
12       20-117 of "\$220,023"?

13 A       (St. Cyr) No, it does not. As a result, the  
14       Settling Parties agreed to the Step II revenue  
15       requirement of \$202,069, or 9.01 percent, over  
16       the 2019 test year water revenues and sales.

17 Q       And is there anything else you'd like to add  
18       about the Step II schedules?

19 A       (St. Cyr) So, just that the Schedule 2 of the  
20       attachment is the supporting calculation for the  
21       rate of return. Schedule 3 are the specific  
22       adjustments to rate base. Schedule 3b -- I'm  
23       sorry. Schedule 3a are the additions to plant by  
24       project, and shows the actual dollars spent on

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 each project, and the related depreciation and  
2 accumulated depreciation. Schedule 3b shows the  
3 contributions by the State of New Hampshire, and  
4 shows the amortization of the CIAC and the  
5 accumulated amortization. Schedule 3c shows the  
6 increase in local and state property taxes for  
7 each of the projects, and the total. Schedule 4  
8 shows the *pro forma* adjustments to net operating  
9 income. And, then, Schedules 4a and 4b shows the  
10 specific calculation of the increase in new  
11 customers, and the incremental increase in  
12 expenses as a result of these projects being  
13 placed in service and operating.

14 Q Thank you. Turning your attention to the  
15 Southern New Hampshire Regional Water  
16 Interconnection Project, are you aware of the  
17 Agreement regarding that Project?

18 A (St. Cyr) Yes. I'm generally aware of the  
19 Agreement.

20 Q And is the Company a party to that Agreement?

21 A (St. Cyr) Yes, it is.

22 Q And how much did the Company invest to become  
23 involved with that Project?

24 A (St. Cyr) So, it's important to note that,

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           although the Company made these investments, much  
2           of the funds to participate in the Southern New  
3           Hampshire Water Infrastructure Project was  
4           contributed by the State of New Hampshire through  
5           grants from the Drinking Water Fund set up by the  
6           New Hampshire DES, as a result of the state  
7           receiving funds from Exxon Mobil.

8   Q       Did the Company request recovery of rate case  
9           expenses related to this Step II Adjustment?

10  A       (St. Cyr) So, the Settlement Agreement provides a  
11           provision to allow the Company to request the  
12           Step II increases. And, just to remind the  
13           Commission, pursuant to Order Number 26,809, the  
14           Company is permitted to seek recovery of the rate  
15           case expenses for Step I within this docket. So,  
16           the Company expects that it will file its rate  
17           case expenses for both Step I and Step II as a  
18           part of this docket.

19  Q       Generally, taking all of the exhibits that you  
20           just discussed in total to the Settlement  
21           Agreement, are you aware of any material changes  
22           or corrections that need to be made either to the  
23           Settlement Agreement itself or any of the  
24           attachments appended to it that have been marked

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 as "Exhibits 1" through "4"?

2 A (St. Cyr) No.

3 Q Mr. St. Cyr, do you have an opinion as to whether  
4 the permanent rates recommended in the Step II  
5 Settlement Agreement are just and reasonable?

6 A (St. Cyr) So, I believe that they are just and  
7 reasonable, and they serve the public interest.  
8 This is in compliance with RSA 378:27-29 and PUC  
9 Order Number 26,635.

10 Q Thank you, Mr. St. Cyr. Now, I'll turn to Mr.  
11 Lanza.

12 Mr. Lanza, if you could please state  
13 your name and business for the record?

14 A (Lanza) Excuse me. My name is Charlie Lanza.  
15 And I am the General Manager of Hampstead Area  
16 Water Company.

17 Q And could you briefly describe what the position  
18 of General Manager of the Company entails?

19 A (Lanza) I am responsible for the overall  
20 operations of the Company.

21 Q And could you please describe your involvement in  
22 this Step II docket?

23 A (Lanza) So, I prepared testimony for the request  
24 to increase rates in this docket, and the

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 required -- I'm sorry, and the related docket, DW  
2 20-117. In addition, I was also involved in  
3 preparing and reviewing the Company responses to  
4 parties' data requests. Finally, I prepared for  
5 and participated in a number of technical  
6 sessions and settlement conferences, ultimately  
7 leading to development of this Step II Settlement  
8 Agreement submitted to the Commission as  
9 "Exhibits 1" through "4".

10 Q Regarding -- are you familiar with the original  
11 rate case that you alluded to, DW 20-117, the  
12 filing to implement the general rate increase in  
13 this docket?

14 A (Lanza) Generally, yes. In concert with our  
15 consultants, Mr. St. Cyr and Mr. Fox.

16 Q And are you familiar with the original proposed  
17 rate filing?

18 A (Lanza) Yes.

19 Q And did the Commission ultimately approve an  
20 adjustment to the Company's permanent rates?

21 A (Lanza) Yes, in Docket Number 20-117, and number  
22 26,635.

23 Q As part of that Order Number 26,635, were step  
24 adjustments contemplated and approved by the

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Commission?

2 A (Lanza) Yes. The Commission approved up to two  
3 step adjustments to the Company's permanent  
4 rates, provided certain conditions were met for  
5 each adjustment.

6 Q And did the Company seek a Step I Adjustment to  
7 its permanent rates?

8 A (Lanza) Yes. And a settlement was -- excuse me,  
9 a settlement agreement was approved by the  
10 Commission for a Step I adjustment in Docket  
11 Number 20-117, Order Number 26,809.

12 Q And has the Company sought a Step II Adjustment  
13 to its permanent rates?

14 A (Lanza) Yes. This current docket was opened to  
15 examine the Company's Step II Adjustment request.

16 Q Briefly turning back to Order Number 26,635, in  
17 Docket Number DW 20-117, what were the conditions  
18 for the Company to seek a Step II Adjustment in  
19 that order?

20 A (Lanza) As Mr. St. Cyr testified, the order  
21 required that the Company not file for a Step II  
22 permanent rate adjustment before June 20th, 2022.  
23 That all Step II calculations and supporting  
24 schedules were subject to review by New Hampshire

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           DOE Audit Division. And that the increase in  
2           revenue requirement for Step II not exceed  
3           \$220,023.

4   Q       And did the Company meet all of these  
5           requirements?

6   A       (Lanza) Yes, it did.

7   Q       Turning to the Settlement Agreement for the Step  
8           II, did you prepare or are you familiar with the  
9           Step II Settlement Agreement and the attachments  
10          filed with the Commission as "Exhibits 1"  
11          through "4"?

12   A       (Lanza) Yes. I worked with the Company, its  
13          consultants, and the parties, in the development  
14          of the Settlement Agreement and attachments.

15   Q       And concerning those materials, are you aware of  
16          any material changes or corrections that need to  
17          be made to either the Settlement Agreement or the  
18          attachments appended to it, comprising Exhibits 1  
19          through 4?

20   A       (Lanza) No, I am not.

21   Q       Mr. Lanza, do you have an opinion as to whether  
22          the Step II adjustment to permanent rates  
23          recommended in the Step II Settlement Agreement  
24          are just and reasonable?



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 A (Lanza) Yes. I believe the recommended Step II  
2 adjustments to the Company's permanent rate are  
3 just and reasonable, --

4 Q Thank you.

5 A (Lanza) -- and serve the public interest. Sorry.

6 MR. AUGERI: Thank you. That  
7 concludes, pending the redirect that Attorney  
8 Schwarzer mentioned, that we may choose to  
9 invoke.

10 CHAIRMAN GOLDNER: Okay. Thank you.  
11 Attorney Schwarzer.

12 MS. SCHWARZER: Thank you,  
13 Mr. Chairman.

14 **ANTHONY LEONE, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. SCHWARZER:

17 Q Good morning, Mr. Leone. Could you please state  
18 your name for the record?

19 A (Leone) My name is Anthony Leone.

20 Q And by whom are you employed?

21 A (Leone) I am employed by the New Hampshire  
22 Department of Energy.

23 Q And where do you work?

24 A (Leone) My office location is 21 South Fruit

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Street, Concord, New Hampshire.

2 Q And what position do you hold with the Department  
3 of Energy?

4 A (Leone) My position at the Department of Energy  
5 is Utility Analyst in the Water Group in the  
6 Regulatory Support Division.

7 Q Could you just briefly describe your educational  
8 background?

9 A (Leone) Yes. In 2001, I received a Bachelor of  
10 Science degree in Accounting. In 2016, I  
11 attended the NARUC Annual Regulatory Studies  
12 Program. In 2017, I attended NARUC's  
13 Intermediate Regulatory Studies Program. And, in  
14 2019, I attended the NARUC Utility Rate School.

15 Q Could you briefly describe your responsibilities  
16 as a Department of Energy analyst?

17 A (Leone) Yes. As an analyst, my responsibilities  
18 include the examination, evaluation, and analysis  
19 of various rate and other company filings. I  
20 also meet with company officials, attorneys,  
21 accountants, intervenors. And, when appropriate,  
22 submit testimony and testify on behalf of the  
23 Department.

24 Q Have you testified before this Commission before?

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 A (Leone) Yes. In Docket Number DW 20-184,  
2 Aquarion Water Company of New Hampshire Request  
3 for Increase in Rates; in Docket Number 20-117,  
4 on both the permanent rates and Step I rates.

5 Q What have you done with regard to Step II?

6 A (Leone) With regard to Step II, in my capacity as  
7 an analyst, I reviewed the filing, in conjunction  
8 with the books and records previously on file. I  
9 participated in the discovery process, that is  
10 formulated data requests, reviewed data  
11 responses, participated in tech sessions, as well  
12 as participated in the drafting of the Step II  
13 Settlement Agreement and its various attachments.

14 Q And do you have what's been marked "Exhibits 1"  
15 through "4" in this hearing before you today?

16 A (Leone) Yes, I do.

17 Q And is that the Settlement Agreement for the  
18 Step II?

19 A (Leone) Yes, it is.

20 Q Could you please describe briefly how the revenue  
21 requirement was calculated?

22 Oh, let me just skip, let me ask you  
23 another question. Did you hear HAWC's testimony  
24 about the revenue requirement?

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 A (Leone) Yes. Yes, I did.

2 Q And do you agree with it?

3 A (Leone) I do, yes.

4 Q Do you have any additional comments that you  
5 would like to make?

6 A (Leone) I just want to clarify one comment. I'm  
7 not sure if I heard incorrectly, but I think  
8 "Schedule 3c" was mentioned as "property taxes",  
9 and I believe it is "Schedule 3d".

10 Q So, would that be Exhibit --

11 A (Leone) In Exhibit 3.

12 Q Exhibit 3?

13 A (Leone) Yes.

14 Q You just want to clarify that Exhibit 3d *[sic]* is  
15 the schedule that addresses property taxes?

16 A (Leone) Correct. Yes.

17 Q Thank you. Are there any external factors that  
18 resulted in the revenue requirement proposed  
19 today being different than what was originally  
20 anticipated and described in the Settlement  
21 Agreement on Permanent Rates?

22 A (Leone) Yes, there is.

23 Q And could you explain that a bit further?

24 A (Leone) That external factor is the reinstatement

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 of the exemption for contributions in aid of  
2 construction from the gross income of water  
3 utilities, in other words, CIAC. And, in other  
4 words, the repeal of what has sometimes been  
5 referred to as a "CIAC tax". So, this impacted  
6 both the rate base and the rate of return, which  
7 ultimately resulted in the lower revenue  
8 requirement presented today.

9 Q And I believe you said that's your only concern  
10 with regard to the revenue requirement?

11 A (Leone) Yes.

12 Q Okay. Well, we will definitely get to some more  
13 detail about that. Can you say a bit more about  
14 the CIAC tax?

15 A (Leone) Yup. I would first need to just take a  
16 quick step back to the order on permanent rates,  
17 which listed three specific components that make  
18 up the Step II revenue requirement increase. And  
19 those being post test year plant additions placed  
20 into service in 2021; post test year plant  
21 retirements; and various other operating income  
22 adjustments.

23 Q And how did the CIAC tax affect those components?

24 A (Leone) Well, the first component, the post test

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 year plant additions represent completed and used  
2 and useful additions as of December 31st, 2021.  
3 These are the primary drivers of the Company's  
4 increase in rate base in Step II.

5 The vast majority of these plant  
6 additions were contributed. And it was only  
7 recently that amendments to the State of New  
8 Hampshire tax code were made to match the federal  
9 tax codes that now exclude contributions in the  
10 gross income of water utilities. And, therefore,  
11 the impact on the proposed Step II revenue  
12 requirement attributed from the plant additions  
13 is largely offset by the fact that they are now  
14 tax-free contributions.

15 Q And are you able to quantify that impact?

16 A (Leone) Yes. So, in the Company's original  
17 filing in the docket include Excel spreadsheets  
18 that indicated a proposed net increase in rate  
19 base of \$189,207, after removal of the CIAC tax,  
20 and finalizing costs through the audit, as  
21 Mr. St. Cyr pointed out, the proposed net  
22 increase in rate base was \$61,690, which is well  
23 below the not-to-exceed cap of 175,549.

24 Q And is there a document that would refer to the

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 earlier calculations in the permanent rate case?

2 You had mentioned -- let me strike that  
3 question. You mentioned the repeal of the CIAC  
4 tax also impacted the rate of return. And could  
5 you explain further how?

6 A (Leone) I'm sorry. Can you say that question one  
7 more time?

8 Q Sure. You were just talking about the change  
9 from when the CIAC tax was applicable, and then  
10 it was repealed.

11 A (Leone) Uh-huh.

12 Q Could you say more about what the original  
13 calculations were before the CIAC tax was  
14 repealed?

15 A (Leone) So, just one second here. Got to find  
16 the spot in the testimony here. I'm sorry.

17 Did you ask about the rate base or --

18 Q Could I ask a --

19 A (Leone) Is that what your question was, the rate  
20 base?

21 Q I'd be happy to hear about the rate base. Let me  
22 ask a different question, okay?

23 A (Leone) Okay.

24 Q You mentioned that "repeal of the CIAC tax also

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 impacted the rate of return."

2 A (Leone) Yes.

3 Q And could you, continuing from your earlier  
4 explanation, before the repeal, what had the  
5 calculations been anticipated for this Step II  
6 increase?

7 A (Leone) For the rate of return?

8 Q Correct. Uh-huh.

9 A (Leone) So, if we look at Exhibit 1, 1-4, the  
10 Settlement Agreement, at Bates Page 005, which is  
11 Section (a), the --

12 Q Mr. Leone?

13 A (Leone) Yes.

14 Q I'm sorry, I'm not quite with you. The  
15 exhibit -- the Settlement Agreement has been  
16 marked "1" through "4"?

17 A (Leone) Yes.

18 Q So, are you in Exhibit 1, which is the narration,  
19 or are you in a schedule?

20 A (Leone) I'm sorry, it's Exhibit 1, the narration.

21 Q Yes. Exhibit 1?

22 A (Leone) Yes.

23 Q Go ahead.

24 A (Leone) So, that should be Bates Page 005.



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           There's a Section (a), where it says "Overview".  
2           And it might actually be easier if we go to where  
3           it says "(b)", and there's one small paragraph  
4           before that.

5   Q       I see it.

6   A       (Leone) And it says "will result in an increase  
7           not to exceed \$220,023...utilizing a rate of  
8           return of 3.38 percent."

9   Q       And that is quoting the Agreement on permanent  
10          rates, correct?

11  A       (Leone) Correct.

12  Q       And was -- does the Step II proposed increase  
13          utilize a rate of return of 3.38 percent?

14  A       (Leone) The revenue requirement schedules  
15          actually present a rate of return of 5.89  
16          percent.

17  Q       And which schedule is that?

18  A       (Leone) That is going to be in Exhibit 3, the  
19          revenue requirement schedules, and that would be  
20          Bates Page 002.

21  Q       And, before we talk about what the change was,  
22          there was a document marked for administrative  
23          notice from 20-117 that showed a calculation for  
24          the 3.38 percent. Are you familiar with that

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 document?

2 A (Leone) Yes.

3 Q And do you have it before you? May I approach?

4 A (Leone) If you have a copy, I could --

5 Q I do.

6 A (Leone) That would be great. Thanks.

7 *[Atty. Schwarzer handing document to*  
8 *Witness Leone.]*

9 **BY THE WITNESS:**

10 A (Leone) So, yes. I have a copy in front of me  
11 now.

12 BY MS. SCHWARZER:

13 Q Okay. And, so, you're looking at what's been  
14 marked as "Exhibit 3", from Docket Number 20-117,  
15 is that correct?

16 A (Leone) Yes.

17 Q And, specifically, what has been marked as Bates  
18 Page 052 and 053, in the upper right-hand corner.  
19 The marking is a little hard to follow, in terms  
20 of the numbering. So, I'll just indicate for the  
21 court record that it appears that the schedules  
22 have been marked with Bates numbers in the upper  
23 right-hand corner, starting in bold,  
24 **"Settlement 0052"**, with the docket number

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           underneath it. Is that correct?

2   A        (Leone) Yes.

3   Q        Thank you. So, can you speak to what the  
4           initially anticipated rate of return was as  
5           reflected in this schedule?

6   A        (Leone) So, at the time, the best information  
7           that we had, the rate of return reflected "3.38  
8           percent", which is about halfway down on the  
9           "Total" column, which is on the right-hand side.

10   Q       And there's a statement on the left that says  
11           "Rate of Return Schedule 1a", and then "3.38  
12           percent"?

13   A        (Leone) Yes.

14   Q       And what does the schedule show that resulted in  
15           that calculation? With regard to the CIAC tax?

16   A        (Leone) So, if we look up from the 3.38 percent,  
17           about one, two, three, four, five places, there's  
18           a CIAC tax of "\$224,602". That CIAC tax is no  
19           longer a part of the Step II Settlement.

20   Q       So, you were referring to Exhibit 3, Bates  
21           Page 002, as filed in this docket?

22   A        (Leone) Yes.

23   Q       And, if we return to that schedule, does that  
24           show the calculation of the rate of return

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 without the CIAC tax amount?

2 A (Leone) Page 2 or Page 3?

3 Q Excuse me, Page 3.

4 A (Leone) Page 3. There is no CIAC tax amount in  
5 there.

6 Q And how is the 5.89 percent rate derived?

7 A (Leone) So, originally, the Step II rate of  
8 return was based upon a loan that was expected to  
9 pay the CIAC tax. After that tax was no longer  
10 present, the loan was not needed. It never  
11 materialized. And, at that point, the Settling  
12 Parties agreed to a blended rate of return,  
13 utilizing the rates of return on the permanent  
14 and the Step I. And Exhibit 3, Page 3, goes  
15 through the calculation of that blended rate of  
16 return.

17 Q In the opinion of the Department of Energy, is  
18 the Step II Settlement Agreement, marked as  
19 "Exhibits 1" through "4", including the resulting  
20 rates, just and reasonable and in the public  
21 interest?

22 A (Leone) Yes. In the opinion of the Department,  
23 the Settlement Agreement presented today will  
24 produce just and reasonable rates, and result in

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 a fair balancing of the interests between the  
2 Company and its customers.

3 Q And just a final question. Does this Step II  
4 rate also reflect that the Company conducted its  
5 first formal cost of service study?

6 A (Leone) Yes, it does. So, that cost of service  
7 study informed the parties about the rates, which  
8 would better align each rate with the cost to  
9 provide that service, which would minimize the  
10 cross-subsidization of services by other customer  
11 groups.

12 Q And what is your recommendation regarding the  
13 Step II Settlement Agreement?

14 A (Leone) The Department recommends that the  
15 Commission find that the Step II Settlement  
16 Agreement to be just and reasonable, and in the  
17 public interest. And approve it with an  
18 effective date that coincides with the date of  
19 the Commission order.

20 MS. SCHWARZER: Thank you. I have no  
21 further direct questions.

22 CHAIRMAN GOLDNER: Thank you. We'll  
23 move to cross-examination, beginning with the  
24 Office of the Consumer Advocate.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1                   MR. KREIS: Mr. Chairman, as you no  
2                   doubt recall, we filed a letter a while ago  
3                   indicating that, while we're not a signatory to  
4                   the Settlement Agreement, we support its terms,  
5                   and request that you adopt those terms.

6                   And, therefore, I have no questions on  
7                   cross-examination for any of these distinguished  
8                   witnesses.

9                   CHAIRMAN GOLDNER: Thank you, Attorney  
10                  Kreis.

11                  We'll now move to Ms. Steele. And,  
12                  Ms. Steele, just as a preface, I'll say that this  
13                  is an opportunity to question the witnesses  
14                  relative to Step II. And you'll have the  
15                  opportunity to testify later. But, right now,  
16                  it's just an opportunity to question these  
17                  witnesses, if you have any questions relative to  
18                  Step II?

19                  MS. STEELE: I have no questions.  
20                  Thank you.

21                  CHAIRMAN GOLDNER: Thank you. The Town  
22                  of Hampstead?

23                  MS. WARNOCK: No questions at this  
24                  time.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 CHAIRMAN GOLDNER: Thank you. And the  
2 Town of Atkinson?

3 *[Mr. Apple indicating in the negative.]*

4 CHAIRMAN GOLDNER: No questions. And  
5 we'll always afford the New Hampshire Department  
6 of Environmental Services, any questions if  
7 required or needed?

8 MR. UNGER: No questions, Mr. Chairman.

9 CHAIRMAN GOLDNER: Thank you. Okay.  
10 We'll move now to Commissioner questions,  
11 beginning with Commissioner Simpson.

12 CMSR. SIMPSON: Thank you,  
13 Mr. Chairman.

14 BY CMSR. SIMPSON:

15 Q So, I'd first like to move back to Attachment C,  
16 if we could. That was a response to a commission  
17 record request. And simply, I'm hoping that you  
18 might be able to touch on, at a high level, the  
19 types of assets that the Company is seeking  
20 recovery of in this step adjustment. The work  
21 that has gone on during the period of time  
22 pertaining to this step adjustment. The projects  
23 noted involve structures, pumping and treating --  
24 treatment equipment, while others include

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 transmission and distribution mains.

2 So, probably, Mr. Lanza, if you could  
3 speak to that first, that would be helpful?

4 A (Lanza) Yes. Absolutely, Commissioner.

5 MS. SCHWARZER: Excuse me, Commissioner  
6 Simpson. I apologize. I'm just -- I'm not sure  
7 what document we're looking at right now?

8 CMSR. SIMPSON: Uh-huh.

9 MR. AUGERI: For added clarification,  
10 it is confusing. It is labeled "Attachment C",  
11 but it has been marked as "Exhibit 4".

12 CMSR. SIMPSON: Thank you. Yes,  
13 Exhibit 4, Attachment C.

14 MS. SCHWARZER: Thank you.

15 **BY THE WITNESS:**

16 A (Lanza) All right. So, I'm going to go right  
17 down the list here, from left to right. And I  
18 will briefly explain what these projects  
19 consisted of. And, then, we can answer any  
20 follow-up questions.

21 So, "Shannon Road Water Main", that was  
22 a 12-inch line that allowed the Town of Salem to  
23 connect their water system to our water system in  
24 Atkinson.



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           The "H2 Base Project", that project is  
2 primarily related to the upgrade to the pump  
3 stations. I believe there was, in total, 10 or  
4 11 stations that we own that needed some form of  
5 upgrades to allow the water system to be  
6 compatible with the water that Salem would be  
7 selling us.

8           The "H2 Meditation" Project, that is a  
9 booster station that we own and maintain on a  
10 street called "Meditation Lane". And that  
11 station provides boosted water pressure to a  
12 higher elevation in the Town of Atkinson. The  
13 upgrades consisted of new controls, a generator,  
14 which we did not have previously, and that  
15 station also does provide fire protection for  
16 that higher elevation. So, that is --

17 BY CMSR. SIMPSON:

18 Q     And just for the record, it looks like you're  
19 looking through Exhibit 3, Bates Page 004,  
20 correct?

21 A     (Lanza) Just one second please.

22 Q     Yes. Take your time.

23           MS. SCHWARZER: Commissioner Simpson?

24           CMSR. SIMPSON: Yes.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 MS. SCHWARZER: If I might, I believe  
2 the confusion is that the exhibits, in some  
3 instances, do correspond to what was filed by the  
4 Company in response to the Commission's record  
5 requests on October 2nd.

6 CMSR. SIMPSON: Yes.

7 MS. SCHWARZER: So, if the Commission  
8 wishes to refer to the record request, I'm  
9 certainly happy to admit that as an  
10 administrative notice of what the Company filed  
11 into this docket? It might make the record  
12 clearer.

13 CMSR. SIMPSON: Just a moment.

14 *[Chairman and Commissioners*  
15 *conferring.]*

16 CMSR. SIMPSON: Okay. Thank you for  
17 that suggestion.

18 I think what Mr. Lanza is focused on  
19 right now is helpful to me, and in line with what  
20 I was asking. So, if there is a request for  
21 that, we can get there in the future. But I'd  
22 just like him to continue to walk through this  
23 schedule at the moment, so that I can understand  
24 the specific projects that are part of the rate

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 base adjustment. But I appreciate that.

2 MS. SCHWARZER: But, then, the exhibit  
3 that we're in right now?

4 CMSR. SIMPSON: We're on Exhibit 3.

5 MS. SCHWARZER: Exhibit 3?

6 CMSR. SIMPSON: Which I am looking at  
7 as Bates Page 004.

8 MS. SCHWARZER: Thank you.

9 CMSR. SIMPSON: And he started with  
10 "Shannon Road", the "H2 Base Project", third is  
11 "H2 Meditation Project".

12 BY CMSR. SIMPSON:

13 Q Is that what you were looking at, Mr. Lanza?

14 A (Lanza) It appears so. However, mine is numbered  
15 Bates Page 002.

16 Q And are you looking at Adjustment Number 93, 94,  
17 86? Is that what it's labeled as?

18 A (Lanza) No. No, it is not. I am on Bates  
19 Page 004 right now, to which I -- the font is  
20 almost to the size that I cannot read.

21 Q Okay. So, maybe if you could take a moment and  
22 direct us to the most appropriate list of  
23 projects, and describe that to us, I'll let you  
24 do that.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 A (Lanza) Yes.

2 Q Take your time for a moment.

3 A (Lanza) If we could go back to Bates Page 002, --

4 Q Which exhibit?

5 A (Lanza) Which is Exhibit 3, I believe.

6 A (St. Cyr) It's Exhibit 3, Attachment B,

7 Schedule 1, on Bates Page Number 002. And he's

8 looking at the "Additions and Retirements", the

9 top line --

10 Q Okay.

11 A (St. Cyr) -- across the page, --

12 Q Very good.

13 A (St. Cyr) -- that describe the projects.

14 Q Yes, that's fine. And I'm seeing the first line,

15 account number -- account "additions", "Shannon

16 Road Main", as described in "Attachment C,

17 Schedule 3a", moving to the right, "H2 Base

18 Project".

19 A (Lanza) That's correct.

20 Q Perfect. Okay. I think we're all on the same

21 page now.

22 A (Lanza) okay. Thank you.

23 Q Please proceed.

24 A (Lanza) All right. So, I left off on the

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Meditation Project. The next one on this page is  
2 the "Main Street PRV", Pressure Reducing Valve  
3 Project. And this consisted of a vault that was  
4 preexisting prior to -- involving or to join on  
5 the Southern New Hampshire Project. And the  
6 upgrades in this vault were primarily associated  
7 with controls and new valves to be able to  
8 provide the Town of Plaistow with consistent  
9 pressure downstream of that reducing vault.

10 The next project was the "Sawyer Tank  
11 Mixer Project". That's a tank that has been an  
12 asset of the Company since the '90s. And it did  
13 not have an active mixer for water quality  
14 purposes. Us and our engineers thought that that  
15 was a good use of resources, to be able to  
16 provide a mixer for water quality, primarily.

17 And, then, the last one on this page is  
18 the "East Road Water Main". And that work  
19 consisted of providing a 12-inch line from  
20 Atkinson to Plaistow to serve them.

21 Q And all of these projects are operationally in  
22 service, providing water service to customers  
23 today?

24 A (Lanza) That is correct.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Q Okay. And I think I understand, but there's a  
2 term "services" that are used that seem  
3 pertaining to the East Road Water Main. Are you  
4 familiar with that?

5 A (Lanza) I am not. I'm not familiar with what  
6 you're referring to exactly.

7 Q Okay. Just a moment. So, I'm looking at -- so,  
8 if we move on to Bates Page 004 of the same  
9 exhibit, Exhibit 3, there's "East Road Water Main  
10 Project CIAC, Amortization, in-service date as of  
11 2021."

12 A (Lanza) Yes. So, I believe the services related  
13 to that project, as my memory, if it serves me  
14 well, it was a curb stop that was provided for  
15 the particular customer to connect. They have  
16 not connected, to my recollection.

17 Q Okay. And, then, on the following page, which is  
18 Bates Page 005, it looks as if, for the  
19 "Services" component, there is an accumulated  
20 depreciation that's calculated on those services  
21 that's at two and a half percent, perhaps this is  
22 a question for Mr. St. Cyr. Can you address why  
23 that is being listed as "two and a half percent"?

24 A (St. Cyr) So, the "two and a half percent"

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 corresponds to a 40-year life, which is the  
2 recommended life for water services provided by  
3 the PUC.

4 Q Okay. Thank you. And, pertaining to municipal  
5 public fire protection rates, can the Company  
6 confirm that those are not changing because of  
7 this step adjustment in this proceeding?

8 A (St. Cyr) Yes. Those are not changing.

9 Q Okay. And how would the cost associated with  
10 those assets be accounted for? And I'm looking  
11 at Attachment C. Let me get the Bates. It's  
12 Bates -- still on Bates 005. So, for hydrants,  
13 how are those costs accounted for, if the rates  
14 here aren't changing?

15 A (St. Cyr) So, from an accounting perspective,  
16 they would be added to plant, and then  
17 depreciated over the standard PUC rates.

18 Q Uh-huh.

19 A (St. Cyr) In this case, that's 50 years. And it  
20 shows the related accumulated depreciation and  
21 the annual depreciation. Those are also taken  
22 into consideration in the cost of service study.  
23 But Mr. Fox would be the better person to ask as  
24 it pertains to how it is allocated to the various

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 customer classes, and ultimately leads to the  
2 rates that were charged.

3 Q But, ultimately, those costs incurred are not  
4 impacting the fire protection rates that are in  
5 service today?

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

7 CMSR. SIMPSON: Okay. Very good.  
8 Thank you, Mr. Chairman. That's all I have for  
9 this witness panel. Thank you.

10 CHAIRMAN GOLDNER: Thank you.  
11 Commissioner Chattopadhyay.

12 BY CMSR. CHATTOPADHYAY:

13 Q So, on the rate case expenses, do you have an  
14 estimate of what it would be?

15 A (St. Cyr) I do not.

16 Q Okay. Is that because you still don't know what  
17 it would be for Step II, or is it also because  
18 you still don't know what Step I would lead to?

19 A (St. Cyr) So, certainly, the Step I rate case  
20 expenses would be substantially complete. But  
21 there was still some discussion about the rates  
22 being suspended, and then reinstated. So, there  
23 is still some costs being incurred, and trying to  
24 determine what the impact of that would be. And,



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           then, we're still incurring costs related to Step  
2           II today. And, you know, we'll do so to a much  
3           lesser extent after today's hearing.

4   Q       So, you don't have any even ballpark figure as  
5           to what percentage it would be? Percentage  
6           increase to the rates? I know it's a surcharge,  
7           but it's --

8   A       (St. Cyr) I do not.

9   Q       Okay.

10   A       (St. Cyr) We could certainly -- we could  
11           certainly provide with the costs incurred up  
12           through probably September 30th. And, then, we  
13           would expect, as part of the Commission's  
14           approval, that there would be a 30-day period  
15           to -- for the Company in which to submit its  
16           actual costs.

17   Q       I think I'm fine. You don't need to, because of  
18           the process.

19   A       (St. Cyr) Yes. Thank you.

20   Q       Yes. Let's go to Exhibit 4, and this is purely  
21           out of curiosity, and whoever wants to address  
22           this, please do. So, if you go to Bates  
23           Page 004, and let me know when you're there.

24                    You are. Okay. For "Water Service

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Accounts", "three-fourths inches", right, there's  
2 a -- and, then, there's one, if you go to the  
3 "Fire Service Accounts", "Private Fire Service",  
4 "three inches", there are no accounts, correct?

5 A (St. Cyr) Correct.

6 Q And I'm just curious whether this is a new  
7 reality or it's been there for a long time? And,  
8 if it's there for a long time, why are those  
9 classes there, just out of curiosity?

10 A (Lanza) So, I'm not positive, however, I think  
11 they have been there for a long time.

12 Three-quarter inch meter is -- it's a fairly  
13 common-size meter. However, typically, you  
14 standardize on a residential meter size of  
15 five-eighths or three-quarter. And we've had  
16 five-eighths meters for 30 or 40 years.

17 So, I am not aware of any three-quarter  
18 meters. And, as I said, I believe that was a  
19 carryover.

20 And the three-inch private fire, a  
21 similar situation. I'm not aware of any  
22 three-inch. It certainly could happen. It's  
23 just not a common pipe size.

24 Q Okay. I'm going to go to DOE now, and Exhibit 1,

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1       Bates Page 005. So, if you go down to the end,  
2       just before Section (b) begins, it says "The  
3       Settling Parties agree that the proposed Step II  
4       adjustment, subject to DOE Audit Staff and  
5       Settling Parties' review, will result in an  
6       increase not to exceed \$220,023 in the Company's  
7       revenue requirement, utilizing a rate of return  
8       of 3.38 percent."

9               Was the 3.38 percent also qualified per  
10       the Settlement?

11              So, like, ultimately, I'm seeing a  
12       difference between 3.38 and the 5.89. I'm trying  
13       to understand. And it's sometimes good to be  
14       recused from rate cases, I was recused from DW,  
15       you know, the Docket Number 117. But this is  
16       still -- I'm just wondering what's the reason for  
17       going from 3.38 to 5.89. That increase, it's  
18       sort of taken care of much of the tax amount that  
19       you were talking about.

20              But what was the understanding, when  
21       you said "3.38 percent" previously in this  
22       Settlement -- in the previous Settlement? Was  
23       that a number that was to be adhered to, rather  
24       than having the ability to change it? What is

{DW 23-020} {10-11-23}

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 your opinion?

2 And I'm just -- I'm not sure. And  
3 others can also join in, if you have any  
4 thoughts.

5 A (Leone) Well, I think that the understanding was  
6 that it was expected on a loan --

7 *[Court reporter interruption.]*

8 **CONTINUED BY THE WITNESS:**

9 A (Leone) They were -- the parties were expecting a  
10 loan to pay for that CIAC tax. And the loan  
11 percent was 3.38 percent. And, when that no  
12 longer was needed, I believe the parties wanted  
13 to revisit the subject, and to figure out what  
14 would be an appropriate rate to put in there.  
15 And that's when I believe the Settlement resulted  
16 in the 5.89, which is the blended rates that were  
17 used in permanent and Step I.

18 BY CMSR. CHATTOPADHYAY:

19 Q Okay. Thank you. As far as, again, going back  
20 to Exhibit 4, Bates Page 005, the numbers  
21 reported there, and I'm going -- I think this is  
22 better answered by the Company, these numbers are  
23 for what period? Like, when did you look at, you  
24 know, how many accounts you have for different

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 classes? Is it from before or has it sort of  
2 been updated?

3 A (St. Cyr) So, I'll attempt to answer in the first  
4 place, but Mr. Fox may be the better person on  
5 this.

6 Q Okay.

7 A (St. Cyr) So, this takes into consideration all  
8 of the Company's costs up through the proposed  
9 Step II. And, as I look at proposed Step II, and  
10 see the operating costs and see the total plant  
11 investment, I believe that these are up through  
12 the end of the proposed Step II costs.

13 CMSR. CHATTOPADHYAY: Okay. Thank you.  
14 That's all I have.

15 CHAIRMAN GOLDNER: Okay. I think I  
16 have no additional questions.

17 I'll check with my fellow Commissioners  
18 to see if there's anything else they'd like to  
19 ask, before we move to redirect?

20 *[No verbal response.]*

21 CHAIRMAN GOLDNER: No? Okay. Let's  
22 move to redirect. Attorney Schwarzer, would you  
23 like to go first?

24 MS. SCHWARZER: Thank you, Mr.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 Chairman.

2 And this is a bit of an unusual  
3 situation, in that one of the Company witnesses  
4 has referred to something that falls outside of  
5 the Settlement Agreement. So, I would like to  
6 ask Mr. St. Cyr about that aspect that is not  
7 included in the Settlement Agreement.

8 CHAIRMAN GOLDNER: Let me ask Attorney  
9 Augeri if he's amenable to that, before knowing  
10 what the question even is?

11 MR. AUGERI: Yes.

12 *[Laughter.]*

13 MR. AUGERI: I feel like Johnny  
14 Carson's --

15 CHAIRMAN GOLDNER: Ed McMahon, yes.

16 MR. AUGERI: I guess, let's let it go,  
17 and I can chime in, if --

18 CHAIRMAN GOLDNER: Redirect on the  
19 redirect. Okay. Thank you.

20 MS. SCHWARZER: Thank you.

21 CHAIRMAN GOLDNER: Ms. Schwarzer.

22 **REDIRECT EXAMINATION**

23 BY MS. SCHWARZER:

24 Q Mr. St. Cyr, you were asked a question about rate

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 case expenses, correct?

2 A (St. Cyr) Yes.

3 Q And does the Settlement Agreement address rate  
4 case expenses?

5 A (St. Cyr) It does.

6 Q And is that in Exhibit 1, on Bates Page, I  
7 believe, 009?

8 A (St. Cyr) That is correct.

9 Q And those rate case expenses, as described in the  
10 Settlement Agreement, are consistent with New  
11 Hampshire Administrative 1900 rules, correct?

12 A (St. Cyr) That is also correct, yes.

13 Q And, in response to a question from the  
14 Commission, you mentioned that the Company is  
15 interested in trying to include in rate case  
16 expenses what it sees as its revenue loss  
17 resulting from the Step I rate suspension?

18 A (St. Cyr) So, I did not mention that, but that is  
19 under consideration by the Company.

20 Q I thought -- I thought you had mentioned that, as  
21 part of what you're expecting to include?

22 A (St. Cyr) So, I believe my reference was that the  
23 Commission had suspended the Step I order, and,  
24 as a result of that, the Company was still

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1           incurring some rate case expenses related to how  
2           that impacts, and what the Company does with that  
3           suspension period going forward.

4    Q       Okay.  So, if I misunderstood your comment, your  
5           "right now" testimony about the Step I Settlement  
6           is exclusively limited to what is described for  
7           rate case expenses on Page 9 of the Settlement  
8           Agreement?

9    A       (St. Cyr) That is correct.

10   Q       Consistent with the 1900 rules?

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

12   Q       And not including what the Company sees as its  
13           lost revenue?

14   A       (St. Cyr) So, I didn't address that.  But, as I  
15           said, the Company is considering just how to  
16           handle the roughly two-month period in which it  
17           lost revenue related to the suspension.

18   Q       And, for the purposes of this hearing, that is  
19           not before the Commission?

20   A       (St. Cyr) That -- we have not raised that before  
21           the Commission.

22   Q       And you haven't filed anything in writing either,  
23           correct?

24   A       (St. Cyr) That is correct.



[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 MS. SCHWARZER: Okay. Thank you.

2 WITNESS ST. CYR: You're welcome.

3 MS. SCHWARZER: I have no further  
4 redirect.

5 CHAIRMAN GOLDNER: Attorney Augeri?

6 MR. AUGERI: I have no further  
7 redirect.

8 CHAIRMAN GOLDNER: Okay. Commissioner  
9 Simpson has one further question. We'll give the  
10 parties an opportunity to redirect on the  
11 redirect, if needed.

12 CMSR. SIMPSON: Just following up on  
13 the fire protection rates.

14 BY CMSR. SIMPSON:

15 Q So, you noted that the rates for those customers  
16 are not changing due to this step adjustment,  
17 correct?

18 A (St. Cyr) Correct.

19 Q So, I just want to make sure I understand. In  
20 the narrative Settlement Agreement, Exhibit 1,  
21 Bates Page 009, at the last sentence of what's  
22 Section (f), it says "The Step II Settling  
23 Parties also recommend, and the Company, as a  
24 Settling Party agrees, that the Company will also

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 absorb the resulting revenue shortfall, projected  
2 to total \$33,887 for this Step II."

3 Can you explain to me the interplay  
4 between that? I take that to mean that costs  
5 incurred for fire protection equipment, because  
6 the rates aren't changing, the Company is paying  
7 for any of the cost associated with those in the  
8 interim, is that correct?

9 A (St. Cyr) So, yes, that's correct. And, if I  
10 could just remind the Commission, that this came  
11 about as a result of the Step I and Step II  
12 increases. We had a rate coming out of the  
13 permanent rate hearing.

14 Q Uh-huh.

15 A (St. Cyr) And my recollection is that the Step I  
16 rates for fire protection were going to go up,  
17 and then the Step II rates were going to go down,  
18 and that was a problem for the intervenor towns.  
19 And the Company and the Parties decided that we  
20 would level that off. But, by leveling that off,  
21 that resulted in a revenue requirement shortfall.  
22 And the Company agreed to cover that for both  
23 Step I and Step II. And this "33,887" represents  
24 the Step II portion of that.

[WITNESS PANEL: St. Cyr|Lanza|Leone]

1 CMSR. SIMPSON: Okay. Thank you for  
2 that clarification. That's all I had. Thank  
3 you, Mr. Chairman.

4 CHAIRMAN GOLDNER: Commissioner  
5 Chattopadhyay, any follow-up?

6 CMSR. CHATTOPADHYAY: No.

7 CHAIRMAN GOLDNER: Okay. Attorney  
8 Schwarzer, Attorney Augeri, any follow-up to the  
9 follow-up?

10 MR. AUGERI: No.

11 CHAIRMAN GOLDNER: Okay.

12 MS. SCHWARZER: No thank you, Mr.  
13 Chairman.

14 CHAIRMAN GOLDNER: Okay. Very good.  
15 Okay. Thank you. The witnesses are  
16 excused. You may return to your chairs.

17 Next, if the Department of  
18 Environmental Services is amenable to taking the  
19 stand, there may be some questions from the  
20 parties for the Department.

21 Please swear in the witness.

22 *(Whereupon **MICHAEL C. UNGER** was duly*  
23 *sworn by the Court Reporter.)*

24 CHAIRMAN GOLDNER: Attorney Augeri, do

[WITNESS: Unger]

1 you have any questions for the Department of  
2 Environmental Services?

3 MR. AUGERI: I do not. We would just  
4 reserve any redirect or cross, depending on the  
5 invitation that was extended by the Commission  
6 for this witness.

7 CHAIRMAN GOLDNER: Very good. Attorney  
8 Schwarzer?

9 MS. SCHWARZER: As does the Department.  
10 Thank you.

11 CHAIRMAN GOLDNER: The Office of the  
12 Consumer Advocate?

13 MR. KREIS: No questions from the OCA.

14 CHAIRMAN GOLDNER: Ms. Steele?

15 MS. STEELE: Yes, I do. Thank you.

16 **MICHAEL C. UNGER, SWORN**

17 BY MS. STEELE:

18 Q Mr. Unger, in reading the Memorandum of  
19 Understanding that was signed in 2018, DES signed  
20 that. But DES did not sign the actual Pipeline  
21 Agreement. I was wondering why that was?

22 A I'm not sure exactly of the legal reasons. The  
23 Attorney General's Office was involved with  
24 negotiating both the Memorandum of Understanding

[WITNESS: Unger]

1 and the Southern Interconnect Agreement. And,  
2 so, they would have been the ones to make that  
3 decision, that the Department wouldn't be a  
4 signatory to the Agreement itself.

5 Q So, even though you are not -- DES is not a  
6 signatory to the Pipeline Agreement, do you have  
7 enforcement authority over the Agreement?

8 A Yes. And I think, when we had spoken a while ago  
9 on the phone, I had mistakenly said that "we  
10 don't." But, in reviewing the documents for the  
11 hearing, and looking back again, there is a  
12 provision, under "Third Parties", that DES can  
13 enforce and does reserve rights under the  
14 Agreement.

15 Q And what is your interpretation of HAWC's  
16 requirement to buy and sell 250,000 gallons a day  
17 of pipeline water prior to using water from their  
18 other sources? Is that included in the  
19 Agreement?

20 A Yes. So, the Agreement, there's two parts to the  
21 capacity requirements. So, that's the maximum  
22 allowed usage. And, then, there's also a minimum  
23 requirement. And, you know, in this case, those  
24 numbers are the same, but they're calculated over

[WITNESS: Unger]

1 different time periods.

2 So that the maximum usage is calculated  
3 using Manchester Water Works of their MSDC, which  
4 is "Merrimack Source Development Charge", and  
5 that's based on a 60-day average. So, that's the  
6 maximum, on a rolling average.

7 And, then, the minimum requirement came  
8 out of negotiations preparing the Agreement, and  
9 that was something that was being pushed for by  
10 the suppliers, Manchester Water Works, as the  
11 producer, and then the Town of Derry, which is  
12 wheeling water, but isn't using regional water as  
13 part of the Agreement. But they were looking for  
14 a certain guarantee or assurance of revenue in  
15 order to participate in the Project. And, so, as  
16 a part of that, all the parties agreed to this.  
17 And that's a 60-day -- I mean, I'm sorry, a  
18 six-month average on a minimum usage.

19 And, so, in theory, it would be the  
20 kind of case where you could just set a valve and  
21 take that amount of water on a continuous basis.  
22 In practice, it's more difficult than that,  
23 because both the Town of Salem and Hampstead Area  
24 Water Company have their own sources. And, so,

[WITNESS: Unger]

1 they're trying to balance operations and water  
2 quality across the whole system, and also manage  
3 water level in their tanks, to turn them over and  
4 maintain water quality. And, so, it's really  
5 operational decisions that they need to make of  
6 how much water to take at any given time, with  
7 the intent being, at the end of the six-month  
8 period, that they have used that minimum  
9 requirement.

10 CHAIRMAN GOLDNER: So, Ms. Steele, the  
11 Commission customarily affords *pro se* litigants  
12 wide latitude. But I need you to focus in on  
13 Step II, which is the topic today. So, please  
14 make sure your questions for Mr. Unger are  
15 focused on Step II.

16 MS. STEELE: I misunderstood your  
17 procedural order then, Mr. Chairman. Because  
18 your procedural order indicated to bring DES here  
19 to testify as to both the Pipeline Agreement, as  
20 well as the MSDC Agreement. And that is the area  
21 in which I would like to question Mr. Unger.

22 CHAIRMAN GOLDNER: Just a moment.

23 *[Chairman Goldner and Atty. Ross*  
24 *conferring.]*

[WITNESS: Unger]

1 CHAIRMAN GOLDNER: So, Ms. Steele, you  
2 are correct, but only as they relate to Step II.

3 So, in other words, there's a rate  
4 increase being proposed here today. If you have  
5 any questions that are tied to that rate  
6 increase, then those are -- those are in play for  
7 today's hearing.

8 But, if it's not tied to the rate  
9 increase, then the issues are in the rear-view  
10 mirror and have already been decided in the prior  
11 case.

12 MS. STEELE: There are still open  
13 questions of enforcement of the Pipeline  
14 Agreement, or -- and we can't discuss that today?

15 CHAIRMAN GOLDNER: Not in this docket,  
16 that is correct. This docket is only related to  
17 the Step II request by the Company.

18 MS. STEELE: Then, I have no further  
19 questions.

20 CHAIRMAN GOLDNER: Okay. Thank you.  
21 Let's move to the Town of Hampstead?

22 MS. WARNOCK: We have no questions for  
23 DES.

24 CHAIRMAN GOLDNER: Okay. Thank you.



[WITNESS: Unger]

1 The Town of Atkinson?

2 *[Mr. Apple indicating in the negative.]*

3 CHAIRMAN GOLDNER: No questions. Sorry  
4 about the microphone situation.

5 Did I miss anybody?

6 *[No indication given.]*

7 CHAIRMAN GOLDNER: Okay. Let's move to  
8 Commissioner questions, beginning with  
9 Commissioner Simpson.

10 CMSR. SIMPSON: Thank you for coming  
11 today. I don't have any further questions.

12 CHAIRMAN GOLDNER: Commissioner  
13 Chattopadhyay?

14 CMSR. CHATTOPADHYAY: I don't have any  
15 questions either.

16 CHAIRMAN GOLDNER: Okay. And the Chair  
17 has no further questions.

18 I'll just ask the witness if there's  
19 anything that you would like to add, given sort  
20 of the awkward nature of this particular  
21 testimony?

22 WITNESS UNGER: No. Just want to thank  
23 the Commission for the opportunity to be here and  
24 to help explain and answer any questions.

[WITNESS: Steele]

1 CHAIRMAN GOLDNER: Thank you very much.  
2 Thank you for coming today. Thank you,  
3 Mr. Unger. You're excused.

4 Okay. So, Ms. Steele, we'll afford you  
5 an opportunity to take the stand, if you wish?  
6 That is -- it's purely at your discretion.

7 So, Ms. Steele, you'll have an  
8 opportunity for a closing statement. And, right  
9 now, we're going to give all of the parties an  
10 opportunity to ask any questions they wish of  
11 you. So, we'll just go around the table here  
12 quickly.

13 Attorney Augeri, do you have any --  
14 *[Court reporter interruption.]*

15 CHAIRMAN GOLDNER: Oh, I'm sorry.  
16 Sorry, we need to swear you in first. Thank you.

17 *(Whereupon **KAREN S. STEELE** was duly*  
18 *sworn by the Court Reporter.)*

19 CHAIRMAN GOLDNER: Thank you, Ms.  
20 Steele. Attorney Augeri, do you have any --

21 WITNESS STEELE: May I make a  
22 statement, Mr. Chairman?

23 CHAIRMAN GOLDNER: Just a moment.  
24 *[Chairman Goldner and Atty. Ross*

[WITNESS: Steele]

1                   *conferring.]*

2                   CHAIRMAN GOLDNER: Sure. How -- maybe  
3 five minutes is enough, Ms. Steele?

4                   WITNESS STEELE: Absolutely. It's  
5 brief.

6                   CHAIRMAN GOLDNER: Thank you. Please  
7 proceed.

8                   **KAREN S. STEELE, SWORN**

9                   **DIRECT EXAMINATION STATEMENT**

10                  WITNESS STEELE: And, again, you  
11 will -- it is more focused on the Pipeline  
12 Agreement in general, but I think that this is an  
13 appropriate opportunity to ask some questions and  
14 to share some information.

15                  CHAIRMAN GOLDNER: Okay. If you could  
16 just please tie it to Step II as much as you can,  
17 we'd appreciate that.

18                  WITNESS STEELE: Thank you.

19                  CHAIRMAN GOLDNER: Thank you.

20                  WITNESS STEELE: You're welcome.

21                  Good morning. I would like to thank  
22 the Commission for allowing me to be a part of  
23 the process as an intervenor, and for inviting  
24 DES here to clear up some ambiguities.

[WITNESS: Steele]

1           The three topics for which I'm most  
2 interested to be resolved today are:  
3 Confirmation of who will enforce that HAWC honor  
4 the Pipeline Agreement of purchasing and selling  
5 250,000 gallons per day before selling water from  
6 their other sources; enforcement that water sold  
7 to Plaistow be pipeline water; and a defined  
8 escalation path and process for the towns and  
9 residents of Atkinson and Hampstead for which to  
10 file a complaint or a dispute. This currently  
11 does not exist, as they are not signers of the  
12 Agreement.

13           I looked up RSA 485-F, which created  
14 the Drinking Water and Groundwater Trust. And,  
15 in Section 1, the "Purpose Statement" reads as  
16 follows: "To the extent practicable and  
17 consistent with the provisions of this chapter,  
18 existing groundwater resources shall be preserved  
19 and protected and alternate [sic] sources of  
20 drinking water shall be made available."

21           The Drinking Water and Groundwater  
22 Trust Fund is who funded the significant majority  
23 of this pipeline project. I interpret that this  
24 contributes to why the Pipeline Agreement says

[WITNESS: Steele]

1           that HAWC shall sell 250,000 gallons per day from  
2           the pipeline before selling water from their  
3           other sources. To preserve and to protect  
4           Atkinson's groundwater resources.

5                        On March 19th, 2019, I, as a member of  
6           the League of Women Voters, hosted an event at  
7           Kimball Library, in Atkinson, New Hampshire, for  
8           DES to pitch the pipeline project and to answer  
9           questions. Erin Holmes of DES, Senator Chuck  
10          Morse of the Drinking Water Trust Fund, and  
11          Charlie Lanza of HAWC, all clearly state the  
12          expectation that, per the Agreement, HAWC will be  
13          getting 250,000 gallons a day from the pipeline.  
14          HAWC General Manager, Charlie Lanza, states it  
15          best. In answering a question, he responds:  
16          "Right now, we're expecting 250,000 gallons a day  
17          to come through this Phase 1 of the regional  
18          interconnection. So, that will be 250,000  
19          gallons a day that we won't be producing out of  
20          our wells. That 250,000 gallons a day is going  
21          to be prioritized, meaning that the agreement  
22          with the state specifies that that water has to  
23          be used up prior to using our own sources."

24                        As a reminder, the objective of the

[WITNESS: Steele]

1 pipeline project is to get clean drinking water  
2 to Plaistow. HAWC does not buy water from  
3 Manchester or Derry. Plaistow does not buy water  
4 from Manchester or Derry. HAWC buys water from  
5 Salem, and HAWC sells water to Plaistow.

6 In reading the pipeline agreement, in  
7 theory, HAWC does not need to buy pipeline water  
8 from Salem to sell to Plaistow. HAWC could sell  
9 Atkinson's groundwater to Plaistow.

10 As a private well owner in Atkinson, I  
11 would like to ensure that all water sold to  
12 Plaistow be purchased from Salem, and that HAWC  
13 first purchase and sell 250,000 gallons per day  
14 in Atkinson and Hampstead's core before using  
15 water from their other sources, groundwater, in  
16 order to protect Atkinson's groundwater  
17 resources.

18 My question is, who will enforce this?  
19 And where do we, in Atkinson and Hampstead, go  
20 for enforcement and relief?

21 Thank you.

22 CHAIRMAN GOLDNER: Thank you, Ms.  
23 Steele.

24 Let's begin with the Company, and

[WITNESS: Steele]

1 Attorney Augeri, any questions?

2 MR. AUGERI: I guess one.

3 **CROSS-EXAMINATION**

4 BY MR. AUGERI:

5 Q Ms. Steele, with your opening statement, can you  
6 elaborate how that relates to this Step II,  
7 seeking a Step II adjustment to the Company's  
8 permanent rates?

9 A Again, as mentioned, my interpretation from the  
10 procedural order inviting DES here was to answer  
11 questions on the Pipeline Agreement and the MSDC,  
12 the agreement with Manchester Water Works.

13 Q So, general, not specific to anything that's been  
14 marked as an "Exhibit 1" through "4"?

15 A Correct.

16 MR. AUGERI: Okay. Thank you.

17 CHAIRMAN GOLDNER: Attorney Schwarzer?

18 MS. SCHWARZER: Thank you, Mr.

19 Chairman.

20 BY MS. SCHWARZER:

21 Q Ms. Steele, you were here when the Department of  
22 Environmental Services' witness testified,  
23 correct?

24 A Correct.

[WITNESS: Steele]

1 Q And did he not say that "the Department of  
2 Environmental Services has the authority to  
3 enforce the Agreement"?

4 A He did. He did. But I wasn't allowed to do  
5 follow-up questions to ask why it has not been  
6 enforced to date.

7 Q Were you -- did you hear his testimony that the  
8 250,000 gallons was a rolling six-month average?

9 A Correct. And HAWC is -- was currently, prior to  
10 my Motion for Rehearing, because they were not  
11 maintaining that 250,000 gallons a day on a  
12 rolling six-month average. It was more around  
13 75 percent.

14 Since then, since my hearing -- or, my  
15 Motion for Rehearing, they have increased the  
16 amount that they are now purchasing.

17 Q Ms. Steele, with regard to the video, was the  
18 video that you were quoting recorded before the  
19 Agreement was signed by the parties?

20 A It was recorded before the pipeline agreement,  
21 but after the Memorandum of Understanding. In  
22 fact, it was three weeks prior to when the  
23 President of HAWC signed the Agreement.

24 Q And it was before it was reviewed by the New



[WITNESS: Steele]

1 Hampshire Attorney General's Office?

2 A That I'm not sure. I would have to look it up.

3 Q Do you know if it was before the contract was  
4 reviewed and approved by Governor & Council?

5 A I do not know the answer to that.

6 MS. SCHWARZER: Thank you.

7 WITNESS STEELE: Uh-huh.

8 CHAIRMAN GOLDNER: Thank you. Attorney  
9 Kreis?

10 MR. KREIS: Thank you, Mr. Chairman.

11 First, I would just like to say, as the  
12 state's ratepayer advocate, I thank Ms. Steele  
13 for her activism and her involvement in both this  
14 case and all matters related to this utility. I  
15 think that, when people like you lean into this  
16 process, the public interest is advanced. And I  
17 don't think that you've gotten enough credit for  
18 the hard work that you've been doing to hold the  
19 utility and its regulators and state agencies  
20 accountable. So, I just want to say "thanks."

21 And I want to ask you I think a version  
22 of the question the Company already asked you,  
23 maybe drilling down a little bit, so that it's  
24 really clear what you are trying to achieve, and

[WITNESS: Steele]

1           whether this particular hearing could affect the  
2           achievement of your objectives.

3                         So, just a couple of more detailed  
4           questions than you've already received.

5 BY MR. KREIS:

6 Q       So, you probably remember hearing, I think it was  
7       Mr. Lanza, testifying about a series of capital  
8       projects that have been placed into service such  
9       that they form part of the basis for the Step II  
10      rate increase. You heard that testimony, yes?

11 A      Correct.

12 Q      And does the -- would any of those capital  
13      projects have been unnecessary, if the 250,000  
14      gallons per day purchase that we've been talking  
15      about were actually undertaken by the Company to  
16      the extent you think the Company should be making  
17      those purchases?

18 A      No, I don't think that they were all necessary.  
19      And, from speaking to DES and Senator Morse about  
20      the pipeline project, again, the objective was to  
21      get clean water to Plaistow. And, so, HAWC was  
22      going to get roughly 6 million in free  
23      infrastructure to be able to convey up to 570,000  
24      gallons per day to Plaistow. So, had they only

[WITNESS: Steele]

1 done that, it would have cost HAWC nothing,  
2 because the state was paying for everything.

3 HAWC chose to increase their  
4 infrastructure to handle up to 750,000 gallons  
5 per day for Atkinson/Hampstead core. So, they  
6 committed to purchasing 250,000 gallons a day in  
7 Phase 1, and they requested to have an additional  
8 500,000 gallons per day in Phase 2, though, they  
9 have not committed to that, is the best of my  
10 understanding.

11 Q Okay. Just so it's clear, the capital projects  
12 I'm talking about appear in maybe other places,  
13 but the list I'm looking at is in Exhibit 3, on  
14 Bates Page 007. And there are one, two, three,  
15 four, five, six of them.

16 Could you testify to which of those  
17 capital projects would not have been necessary,  
18 if the Company were making the water purchases  
19 you think it is obliged to make?

20 A I cannot specify, but I do think that that would  
21 be the -- the size would be reduced and,  
22 therefore, the cost would have been reduced.

23 Q Okay. I guess I'd like to ask you the same  
24 question about the incremental operating costs

[WITNESS: Steele]

1           that form the basis of the Step II rate increase.  
2           Are there operating costs that, in your opinion,  
3           the Company could have avoided putting into rates  
4           via Step II, had it been making the water  
5           purchases you think it should be, is obliged to  
6           make?

7   A       Yes.

8   Q       Can you testify to which of those operating costs  
9           you're talking about?

10  A       No, I cannot right now.

11  Q       Okay. My ultimate question, I guess, is, should  
12           the Company approve the Settlement Agreement that  
13           is -- or, should the Commission, I mean, approve  
14           the Settlement Agreement that is before it today,  
15           and approve the Step II increase? Would that  
16           preclude the Company from making the purchases  
17           you think it is obliged to make?

18  A       Can you restate the question please?

19  Q       Well, I'm just trying to focus, because the  
20           Commission has asked us to focus, on the proposed  
21           Step II increase. And what the Commission has  
22           before it today is a Settlement Agreement that  
23           was signed by the Department, the Company, and a  
24           couple of municipalities, saying "Here's the

[WITNESS: Steele]

1 Step II increase that we think is justifiable and  
2 in the public interest. So, please approve it."

3 And I know that your concern has to do  
4 with water purchases that you think the Company  
5 undertook an obligation to make, but is not, in  
6 fact, making. And I'm just -- I want to make  
7 clear whether the Commission approving the  
8 Settlement Agreement will affect in any way the  
9 outcome that you are actually trying to achieve?

10 A I apologize, I don't have those exhibits. And I  
11 haven't done the analysis on the specific  
12 numbers.

13 MR. KREIS: Okay. I have no further  
14 questions, Commissioners. Thank you for allowing  
15 me to question the witness.

16 CHAIRMAN GOLDNER: Thank you. Does the  
17 Town of Hampstead have any questions?

18 *[Ms. Warnock indicating in the*  
19 *negative.]*

20 CHAIRMAN GOLDNER: No. Town of  
21 Atkinson?

22 *[Mr. Apple indicating in the*  
23 *negative.]*

24 CHAIRMAN GOLDNER: No. And does the

[WITNESS: Steele]

1 New Hampshire Department of Environmental  
2 Services have any questions?

3 MR. UNGER: Yes, Mr. Chairman. I  
4 guess, more for the Commission. We were talking  
5 about how much water HAWC has taken from the  
6 project. I don't know if any of that data has  
7 been entered into the record, or it just seems  
8 like there's sort of a general understanding that  
9 they haven't been.

10 And I know, just based on my quick  
11 review of information that we have on hand,  
12 that's not the case. They have been taking,  
13 maybe not exactly, but quite close. We just  
14 don't have actual numbers to be speaking to.

15 And, so, I just wanted to say make that  
16 point. I don't know, procedurally, how the  
17 Commission will handle that. But seems like  
18 there's a data gap here in the discussion.

19 CHAIRMAN GOLDNER: Okay. No, thank you  
20 for putting that on the record. That is helpful.

21 What we'll do now --

22 WITNESS STEELE: Mr. Chairman, if I  
23 might? I did present all of that data at the  
24 last hearing. So, unfortunately, I do have the

[WITNESS: Steele]

1 data, that Mr. Unger is incorrect in some of  
2 those statements.

3 CHAIRMAN GOLDNER: Thank you,  
4 Ms. Steele.

5 So, what we'll do is we'll come back at  
6 11:15. And, Ms. Steele, if you could return to  
7 the stand when we get back, I would appreciate  
8 it. Thank you. We're off the record.

9 WITNESS STEELE: Thank you.

10 *(Recess taken at 11:03 a.m., and the*  
11 *hearing resumed at 11:18 a.m.)*

12 CHAIRMAN GOLDNER: Okay. We'll go back  
13 on the record, and resume with Commissioner  
14 questions of Ms. Steele.

15 Commissioner Simpson, do you have any  
16 questions for Ms. Steele?

17 CMSR. SIMPSON: I don't. I'll just  
18 echo what the Consumer Advocate said. It's  
19 appreciated to have individual representatives  
20 from time to time here. So, appreciate your  
21 efforts, but I don't have any questions.

22 Thank you.

23 WITNESS STEELE: Thank you.

24 CHAIRMAN GOLDNER: Commissioner

[WITNESS: Steele]

1 Chattopadhyay?

2 CMSR. CHATTOPADHYAY: I don't either.

3 CHAIRMAN GOLDNER: Okay. Thank you. I  
4 have no further questions, Ms. Steele.

5 At this time, I think you can return to  
6 your seat. Thank you. You're excused.

7 Okay. At this time, I believe we've  
8 heard from all the witnesses. And we can move to  
9 closing statements, beginning with the New  
10 Hampshire Department of Energy.

11 MS. SCHWARZER: Mr. Chairman, was the  
12 Town of Atkinson going to make a statement? And  
13 I ask merely because the Department may wish to  
14 comment.

15 CHAIRMAN GOLDNER: Okay. Sure. Does  
16 the Town of Atkinson wish to make a statement at  
17 this time?

18 MR. APPLE: Certainly. And thank you  
19 for the microphone.

20 CHAIRMAN GOLDNER: Thank you.

21 MR. APPLE: The statement I'd like to  
22 make is pertaining to rate case expenses, and the  
23 recoument thereof after-the-fact. The Town of  
24 Atkinson was a original Settling Party in the



1 original docket of DW 20-117, acknowledging the  
2 fact that the step increases would have a ceiling  
3 to each one of them, and would be approved by  
4 this Commission, if found to be just and within  
5 those limits.

6 Since then, the Town of Atkinson has  
7 not wavered from its dedication to that  
8 Settlement Agreement. Up to that point, there  
9 was -- it was an arduous period to get to the  
10 original Settlement, where the Town had incurred  
11 high legal expenses of its own. Also, an initial  
12 rate case expense of approximately \$111,000.

13 Now, moving forward, yes, within the  
14 Settlement, the Town agreed to pay for rate case  
15 expenses to get to the finish line. However, it  
16 was under the understanding that the process had  
17 been laid out, hopefully, ending in a timely  
18 manner. I believe it was the DOE who recommended  
19 breaking out a separate docket for the Rate II  
20 expenses, is that correct?

21 MS. SCHWARZER: I believe you're  
22 mistaken.

23 MR. APPLE: Step II --

24 MS. SCHWARZER: I believe the

1 Commission opened the separate docket for Step  
2 II.

3 CHAIRMAN GOLDNER: Step II is a  
4 separate docket from the base rate case.

5 MR. APPLE: Okay. Which in and of  
6 itself raised the case rate *[sic]* expenses by  
7 going through this process.

8 And my hat off to Ms. Steele for her  
9 digging deep into this subject, and really doing  
10 her research, but that has also prolonged this  
11 whole process.

12 And I would just ask the Commission's  
13 thoughtful consideration, when the rate case  
14 expense recoupment is presented to you, that you  
15 take under consideration that the Town of  
16 Atkinson has not wavered from its original  
17 agreement, and has also agreed to the addition of  
18 the second docket, and the Settlement Agreement  
19 found within that.

20 And that's all I have, Chairman.

21 CHAIRMAN GOLDNER: Thank you. Thank  
22 you.

23 So, when each of the parties make their  
24 closing statement, if you could please also

1 include your comments relative to the Town of  
2 Atkinson's comments just laid out.

3 So, let's begin with the Department of  
4 Energy.

5 MS. SCHWARZER: Thank you, Mr.  
6 Chairman.

7 The Department supports the Settlement  
8 for Step II, HAWC, HAWC's Step II as filed. And  
9 we ask that the Commission approve it as just and  
10 reasonable and in the public interest.

11 We certainly appreciate the  
12 responsiveness of HAWC and the other parties in  
13 the informal settlements, and especially the tech  
14 sessions that happened here.

15 The Department understands the request  
16 from the Town of Atkinson to somehow suggest  
17 apportioning rate case expenses based upon  
18 perhaps motions practice or time incurred. And,  
19 while we are sympathetic to costs involved, the  
20 Department believes that the Code of  
21 Administrative Rules, Chapter 1900, appropriately  
22 addresses rate case expenses and what's covered,  
23 and that they should be equitably shared among  
24 customers, so that no individual person is

1           intimidated or reluctant to come forward and  
2           participate in the process.

3                     Thank you.

4                     CHAIRMAN GOLDNER: Thank you. Thank  
5           you. The Office of the Consumer Advocate?

6                     MR. KREIS: Thank you, Mr. Chairman.  
7           Just sort of taking the issues that have come up  
8           in reverse order.

9                     Everyone in this room can be assured  
10          that at the appropriate time, when the Company  
11          comes back to recover additional rate case  
12          expenses, we will give that a careful look on  
13          behalf of the residential utility customer class  
14          that we represent overall.

15                    That issue isn't before the Commission  
16          today. And, so, I'm not going to say anything  
17          else about that.

18                    Other than to say that, despite the  
19          suggestion that there has been a "revolving door"  
20          phenomenon with respect to our participation in  
21          cases related to this Company, that, in fact, is  
22          not true, because I have been the Consumer  
23          Advocate throughout. And I'm actually a fairly  
24          large percentage of the Consumer Advocate Staff,

1 and I have been paying attention, and will  
2 continue to do so.

3 With respect to the proposed Step II  
4 rate increase, and the Settlement Agreement that  
5 is in front of you, I had previously filed a  
6 letter indicating that our Office supports the  
7 terms of that Agreement. I continue to support  
8 them.

9 The questions I asked Ms. Steele were  
10 intended to try to button down the question of  
11 whether any of the issues that she is concerned  
12 about have any bearing on whether the proposed  
13 step increase is just and reasonable, based on  
14 the capital additions and the incremental  
15 operating costs. And I didn't hear any evidence  
16 to suggest that there are -- there was anything  
17 imprudent about the operating expenses or the  
18 capital additions.

19 And, for that reason, I continue to  
20 recommend that the Commission approve the  
21 Settlement Agreement, and with it the Step II  
22 Adjustment.

23 I just would earnestly request  
24 everybody in the room to do what I did, and what

1 Commissioner Simpson did, which is try to be as  
2 respectful and solicitous as possible of those  
3 who come to the PUC without a deep knowledge in  
4 utility regulation and how it works.

5 Because, when people walk out of this  
6 hearing room feeling like they haven't been  
7 heard, they haven't been able to be understood,  
8 they haven't been able to raise their issues, and  
9 they are not getting what they need out of their  
10 state government, that's bad for all of us. And  
11 I try to avoid that outcome whenever I can,  
12 regardless of what the PUC decides.

13 I think that's enough sermonizing for  
14 me. Thank you.

15 CHAIRMAN GOLDNER: All right. Ms.  
16 Steele?

17 MS. STEELE: I oppose the Step II  
18 increase, again, as I opposed the original rate  
19 increase and the Step I, because I believe the  
20 premise is flawed. A significant benefit of all  
21 of this spend goes to Lewis Builders and Atkinson  
22 Country Club, which are owned by the same family  
23 that owns HAWC. And only a small percentage of  
24 this spend benefits current customers.

1                   CHAIRMAN GOLDNER: Thank you, Ms.  
2                   Steele. The Town of Hampstead?

3                   MS. WARNOCK: I have to echo the  
4                   Atkinson Town Manager's comments regarding the  
5                   rate expense. It seems to me to be a  
6                   disincentive for towns to challenge anything  
7                   within the contract negotiation process.

8                   As such, we come into this with a  
9                   fiduciary responsibility to represent our towns,  
10                  and to understand the process, which, generally  
11                  speaking, we are absolutely new to, due to the  
12                  cycle of elections, *et cetera*. And we come  
13                  against a team of professionals, all of whom are  
14                  reasonably expected to be paid, but we don't even  
15                  know what the total rate case expenses for the  
16                  first Settlement portion are at this part of the  
17                  game. And we go into accepting the Settlement  
18                  without knowing what the total cost is going to  
19                  be. And, as it was, our Settlement took two  
20                  steps, because we were afraid of sticker shock,  
21                  which was great, now we're going to add on  
22                  additional fees for the rate case expenses to our  
23                  customers, because we challenged portions of the  
24                  negotiation process.

1           So, I have to agree that I understand,  
2           by rule and regulation, that they're entitled to  
3           recoup their expenses. I think we face a  
4           significant disadvantage in that process and in  
5           that -- that allowance.

6           CHAIRMAN GOLDNER: Okay. Thank you.

7           Would the Town of Atkinson have  
8           anything to add to the prior comments?

9           MR. APPLE: I would just like to say  
10          that I think that was well stated by the Town of  
11          Hampstead. And, again, ask the Commission's  
12          thoughtful consideration when the rate case  
13          expense recoupment is submitted to you for  
14          review.

15          Thank you.

16          CHAIRMAN GOLDNER: Thank you very much.  
17          Does the Department of Environmental Services  
18          have anything to add in closing?

19          MR. UNGER: No, Mr. Chairman. I don't  
20          have anything to add. Thank you.

21          CHAIRMAN GOLDNER: Okay. Thank you.  
22          And, then, finally, Attorney Augeri, and HAWC.

23          MR. AUGERI: Just as to what is before  
24          the Commission, we would ask that the Settlement



1 Agreement for Step II, and the attached  
2 schedules, Exhibits 1 through 4, be approved by  
3 this Commission, based on the testimony you've  
4 heard, and also the prior submissions, that they  
5 are -- that those recommended rates are just and  
6 reasonable and in the public interest.

7 Turning to the comment, I will first  
8 say that we believe that that process is covered  
9 under the PUC Rules 1900, regarding rate case  
10 expenses. We began this proceeding taking  
11 judicial notice of Docket DW 20-117, which  
12 happened over two years ago. And we would merely  
13 point out that -- and I would also echo the  
14 commentary that this process is an important one,  
15 that everyone needs to be heard.

16 I would suggest that perhaps there's a  
17 point where we need to think about that in the  
18 future. Because we've just heard from the Town  
19 of Atkinson saying that rate case expenses are,  
20 you know, this was prolonged since the Permanent  
21 Rate Settlement, and the Town of Hampstead joined  
22 in on that.

23 I reference 20-117, because the  
24 original intervention suggested that Ms. Steele

1 work as much as possible with the Town of  
2 Atkinson, and then they have now just told this  
3 Commission "Lighten up, if you would, on the  
4 expenses" that were generated by a party that  
5 didn't work with them at all since permanent  
6 rates.

7 Number one, I think that's concerning.  
8 Number two, it's almost telling the Town of  
9 Atkinson that your town administrator has just  
10 been too involved in this process; your  
11 selectboard, which have been involved and are  
12 noticed in this process; and their legal counsel,  
13 who used to sit in one of your chairs, as a  
14 former commissioner of this Commission, didn't do  
15 their job properly enough, in some respects, that  
16 she can do better.

17 Again, I am couching those comments on  
18 it is important that this be an open forum.  
19 However, where she's not a ratepayer, it needs to  
20 be some thoughtful discussions in the future,  
21 perhaps, on that viability and what is being  
22 contributed to the process, I think need to be  
23 reexamined in the future.

24 I'll leave it at that, because, you

1 know, the rate case process of the PUC Rules 1900  
2 will take from there.

3 Thank you.

4 CHAIRMAN GOLDNER: Thank you. We'll  
5 move at this point to exhibits. Are there any  
6 objections to striking Exhibits 1 through 4?

7 MS. SCHWARZER: No.

8 CHAIRMAN GOLDNER: Okay. No  
9 objections. So, we'll admit Exhibits 1 through 4  
10 as full exhibits.

11 We'll also reserve "Exhibit 5" for the  
12 transcript of the video contained in the motion  
13 from Ms. Steele.

14 ***(Exhibit 5 reserved)***

15 CHAIRMAN GOLDNER: And we'll have the  
16 Clerk's Office assign "Exhibit 5" to that, and  
17 Bates page, so that that's a part of the exhibit.

18 Is there any objection to that approach  
19 from Ms. Steele's exhibits?

20 MR. KREIS: Just so I understand, Mr.  
21 Chairman. So, what you're saying is, Ms. Steele  
22 doesn't have to file that exhibit. You'll take  
23 care of creating the mechanics of creating the  
24 exhibit?

1                   CHAIRMAN GOLDNER: Yes, that's correct.  
2                   Is that acceptable to everyone?

3                   That saves Ms. Steele from having to  
4                   resubmit everything and assigning pages and so  
5                   forth.

6                   MR. AUGERI: Sure. The Company has no  
7                   objection.

8                   I guess I'd just echo a point Attorney  
9                   Schwarzer raised earlier about "Is this the full  
10                  exhibit?" Because we -- I just want to make sure  
11                  it's in its totality for full context and all of  
12                  that, as Ms. Schwarzer said.

13                  CHAIRMAN GOLDNER: So, in the motion,  
14                  Ms. Steele included I think it was four quotes,  
15                  Ms. Steele -- four or five quotes. So, we're  
16                  including those quotes as transcribed in her  
17                  motion. So, it's embedded in her motion already.  
18                  We're just including those as exhibits for the  
19                  record.

20                  Okay. Everybody is okay with that?

21                  [No verbal response.]

22                  CHAIRMAN GOLDNER: Okay. Yes, we're  
23                  just trying to ease the administrative burden,  
24                  and so Ms. Steele doesn't have to resubmit

1 everything.

2 Okay. Is there anything else that we  
3 need to cover today?

4 *[No verbal response.]*

5 CHAIRMAN GOLDNER: All right. Well,  
6 we'll thank everyone for their time -- oh,  
7 Attorney Augeri?

8 MR. AUGERI: I just wanted to, if I  
9 could, just --

10 CHAIRMAN GOLDNER: You're like Columbo.  
11 *[Laughter.]*

12 MR. AUGERI: Just one more. I was  
13 going to try the accent.

14 CHAIRMAN GOLDNER: Right.

15 MR. AUGERI: And perhaps only a handful  
16 of us know the "Columbo" reference.

17 So, it was touched upon by testimony of  
18 Mr. St. Cyr. It is not part of this proceeding,  
19 but we wanted to give the Commission a heads up  
20 on the Company does plan to file to seek that  
21 time period of Step I rates, essentially, where  
22 that was suspended, the suspended period, where  
23 the motion was ultimately denied to reconsider.

24 And just wanted to alert that to you,

1           because there's been consistent testimony from  
2           the prior docket, and now this docket, about  
3           "rate shock", so to speak. And, if it's  
4           entertained and allowed by the Commission, it  
5           would -- we envision that as being a monthly  
6           surcharge, similar to rate case expenses. And we  
7           wanted to make sure that was incorporated in that  
8           discussion.

9                         But, again, that's a couple of ifs,  
10           it's more of an FYI for the Commission.

11                        CHAIRMAN GOLDNER: Okay. Thank you.  
12           That's administratively helpful.

13                        MR. KREIS: Mr. Chairman, as an FYI  
14           from the Consumer Advocate, we'll have to look  
15           hard about whether that raises retroactive  
16           ratemaking issues.

17                        CHAIRMAN GOLDNER: Very good. This is  
18           the FYI section --

19                                 *[Laughter.]*

20                        CHAIRMAN GOLDNER: -- of the hearing  
21           today. Attorney Schwarzer, I see that you also  
22           have an FYI.

23                        MS. SCHWARZER: Thank you, Mr.  
24           Chairman.

1                   This was brought -- the Company's  
2                   proposal was brought to our attention yesterday.  
3                   And, so, we have not -- we haven't seen anything  
4                   in writing, and we don't have a formal position.

5                   However, we would submit that it's  
6                   appropriate to the 20-117 docket, not for  
7                   inclusion here, and did want to be clear that it  
8                   is not part of the Settlement Agreement.

9                   CHAIRMAN GOLDNER: I understand.

10                  MS. SCHWARZER: Thank you.

11                  CHAIRMAN GOLDNER: Thank you.

12                  Okay. I think everyone -- I'm seeing a  
13                  lot of heads nodding up and down as a "yes". So,  
14                  thank you for the heads up, and for the time  
15                  today from everyone. And we are adjourned.

16                  ***(Whereupon the hearing was adjourned***  
17                  ***at 11:34 a.m.)***