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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 3, 2008 - 10:15 a.m.
Concord, New Hampshire

NHPUC DEC18'08 PM 3:04

RE: DW 08-065
HAMPSTEAD AREA WATER COMPANY:
Notice of Intent to File Rate Schedules.
(Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Hampstead Area Water Company:
Robert C. Levine, Esq.

Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: STEPHEN P. ST. CYR
 JAYSON P. LaFLAMME

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E X H I B I T S

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1	Initial filing, including petition, tariff pages, testimony and schedules, <i>et al</i>	5
2	Amendment to the Petition regarding Temporary Rates (09-18-08)	5
3	Stipulation on Temporary Rates (11-20-08)	5

* * *

CLOSING STATEMENTS BY:

Ms. Hollenberg	20
Ms. Thunberg	21
Mr. Levine	21

P R O C E E D I N G S

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DW 08-065. On
4 June 25, 2008, Hampstead Area Water Company filed
5 schedules and supporting testimony for an increase in
6 permanent rates that would increase annual revenue by
7 13.77 percent. We issued an order suspending the tariff
8 revisions and establishing a prehearing conference, that
9 order was issued on July 25. Subsequent to a prehearing
10 conference on September 3rd, we adopted by secretarial
11 letter a procedural schedule that included a hearing for
12 today on temporary rates. And, we have a Stipulation on
13 Temporary Rates that was filed on November 20.

14 So, can we take appearances please.

15 MR. LEVINE: Good morning,
16 Commissioners. Attorney Robert Levine, for the Company.
17 With me today is Stephen St. Cyr, our consultant; our
18 Controller, John Sullivan; and the President of the
19 Company, Harold Morse.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MS. HOLLENBERG: Good morning. Rorie
24 Hollenberg and Stephen Eckberg, here for the Office of

1 Consumer Advocate.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. MORRISON: Good morning.

4 CMSR. BELOW: Good morning.

5 MS. THUNBERG: Good morning,

6 Commissioners. Marcia Thunberg, on behalf of Staff. And,

7 with me today is Mark Naylor, Jayson LaFlamme, Jim

8 Lenihan, and Doug Brogan. Thank you.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 CHAIRMAN GETZ: Is the proposal to have

13 a panel on the Stipulation or how do the parties want to

14 proceed?

15 MS. THUNBERG: Mr. Chairman, the Company

16 and Staff propose a panel of Jayson LaFlamme and Stephen

17 P. St. Cyr to testify as to the Stipulation. We also

18 have, if I may at this time, three exhibits that we -- the

19 OCA, Staff, and the Company, have by agreement agreed to

20 have identified. And, Exhibit 1 for identification is the

21 initial filing, which you already have a copy of. We have

22 a copy for the clerk that's sequentially numbered

23 consistent with the Administrative Rules. And, then,

24 Exhibit 2 would be the amended petition, which, in

[WITNESS PANEL: St. Cyr|LaFlamme]

1 essence, is the temporary rate filing. And, then,
2 Exhibit 3 would be the Stipulation.

3 CHAIRMAN GETZ: Okay. We'll mark the
4 exhibits as described by Ms. Thunberg. And, please
5 proceed.

6 (The documents, as described, were
7 herewith marked as **Exhibits 1** through **3**,
8 respectively, for identification.)

9 CHAIRMAN GETZ: And, please proceed.

10 (Whereupon **Stephen P. St. Cyr** and
11 **Jayson P. LaFlamme** were duly sworn and
12 cautioned by the Court Reporter.)

13 MR. LEVINE: If it please the
14 Commissioners, I have some questions for Mr. St. Cyr.

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

16 **JAYSON P. LaFLAMME, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. LEVINE:

19 Q. Mr. St. Cyr, what is your name and business address?

20 A. (St. Cyr) My name is Stephen P. St. Cyr. The business
21 address is 17 Sky Oaks Drive, Biddeford, Maine.

22 Q. And, who is your employer?

23 A. (St. Cyr) St. Cyr & Associates.

24 Q. And, what are your responsibilities in this case?

[WITNESS PANEL: St. Cyr|LaFlamme]

1 A. (St. Cyr) My responsibilities include preparing the
2 rate case schedules, with the assistance of the
3 Company, preparing my direct testimony, assisting the
4 Company in meeting other rate filing requirements,
5 helping the Company respond to data requests, and
6 working with the Company, Staff, and the Office of OCA
7 in developing this Stipulation Agreement.

8 Q. And, did you also assist the Company in preparing the
9 temporary rate request?

10 A. (St. Cyr) Yes, I did.

11 Q. Now, have you testified before this Commission?

12 A. (St. Cyr) Yes.

13 Q. And, what is the purpose of your testimony today?

14 A. (St. Cyr) The purpose of the testimony is to support
15 the Company's efforts to obtain temporary rates.

16 Q. Now, are you familiar with the initial rate filing
17 petition that was filed in this docket?

18 A. (St. Cyr) Yes.

19 MR. LEVINE: If I may show the witness
20 the Exhibit 1?

21 (Atty. Levine handing document to the
22 witness.)

23 BY MR. LEVINE:

24 Q. I'll show you this document and ask you to identify it,

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 if you may.

2 A. (St. Cyr) This is the Company's initial rate filing in
3 this case.

4 MR. LEVINE: If I may have it so marked?

5 CHAIRMAN GETZ: I think it's already
6 been marked.

7 MS. THUNBERG: That's right.

8 CHAIRMAN GETZ: The initial filing has
9 been marked as "Exhibit 1", and the September 18 amendment
10 has been marked as "Exhibit 2", and the Stip as "Exhibit
11 3".

12 BY MR. LEVINE:

13 Q. Did the Company originally request temporary rates as
14 part of its general rate filing?

15 A. (St. Cyr) No, it did not. It decided to wait for the
16 procedural schedule to see what that looked like before
17 it made a decision with respect to temporary rates.
18 Once the parties had agreed on a procedural schedule,
19 the Company decided to make an amendment to its filing
20 to include temporary rates.

21 Q. Now, you're familiar with that temporary rate filing?

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

23 Q. I show you Exhibit 2. Is this that temporary rate
24 filing?

[WITNESS PANEL: St. Cyr|LaFlamme]

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

2 Q. Can you summarize the amendment to the petition for the
3 temporary rates?

4 A. (St. Cyr) Yes. The Company requested temporary
5 revenues of approximately \$85,000 effective July 1,
6 2008. The temporary revenue increase of 85,000 would
7 have enabled the Company to earn a prorated rate of
8 return of 6.22 percent, on a prorated rate base of
9 approximately \$3.6 million. If the proposed temporary
10 revenue increase were approved, the average annual bill
11 for residential customers would have increased from
12 \$424.92 to \$454.78, an increase of \$29.87, or
13 approximately 7 percent.

14 Q. And, what was the proposed temporary rate request?

15 A. (St. Cyr) The request in terms of rates, the Company
16 actually did not propose any change in its quarterly
17 base charge. Those base charges are \$25 for a
18 five-eighths meter, \$50 for a three-quarter inch meter,
19 \$75 for a 1-inch meter, 150 for a one and a half inch
20 meter, and 250 for a 2-inch meter. The consumption
21 rate on a per hundred cubic feet was proposed to
22 increase from \$3.71 per hundred cubic feet, to \$4.13
23 per hundred cubic feet.

24 Q. Now, was this position on temporary rate request

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 accepted by Staff?

2 A. (St. Cyr) No.

3 Q. Have you reviewed the comments and changes made by
4 Staff in response to the proposed temporary rate
5 request?

6 A. (St. Cyr) Yes, I have.

7 Q. And, did Staff, OCA, and the Company meet in a
8 technical rate session?

9 A. (St. Cyr) Yes, we did.

10 Q. Was the Stipulation the result of that meeting?

11 A. (St. Cyr) Yes, it was.

12 Q. And, if I show you the Stipulation, which I believe is
13 Exhibit 3, can you identify this document?

14 A. (St. Cyr) This is the Stipulation Agreement on
15 Temporary Rates, signed by the parties, the Company,
16 the Staff, and the Office of Consumer Advocate, dated
17 November 20, 2008.

18 Q. Are you familiar with the terms of the document?

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

20 Q. And, what was the result agreed to in the Stipulation?

21 A. (St. Cyr) The parties agreed to set the existing rates
22 as temporary rates.

23 Q. And, without going through the -- what those existing
24 rates are, basically, the base rates stay the same as

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 you've described previously, and the consumption rate
2 stays at what figure?

3 A. (St. Cyr) At \$3.71 per hundred cubic feet.

4 Q. And, when would these temporary rates be effective?

5 A. (St. Cyr) The effective date agreed to by the parties
6 was September 1, 2008, on a service rendered basis.

7 Q. And, why was September 1 chosen and that basis chosen?

8 A. (St. Cyr) September 1, 2008 was chosen so that, by the
9 time in which the Company received a order from the
10 Commission, the service would have been provided to the
11 customers that the Company would be billing them.

12 Q. Now, would there be any reconciliation of temporary
13 rates in this proceeding?

14 A. (St. Cyr) Yes.

15 Q. And, when would that occur?

16 A. (St. Cyr) That would occur upon Commission approval of
17 the permanent rates at the conclusion of this
18 proceeding.

19 Q. Is it your opinion that these temporary rates, as
20 proposed in the Stipulation, are just and reasonable?

21 A. (St. Cyr) Yes.

22 Q. Is there anything else that you would like to bring to
23 the Commissioners' attention?

24 A. (St. Cyr) No.

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 MR. LEVINE: That's all the questions
2 that I have, Mr. Chairman.

3 CHAIRMAN GETZ: Thank you.

4 MS. THUNBERG: Staff's going to pick up
5 from here. Thank you.

6 BY MS. THUNBERG:

7 Q. Mr. LaFlamme, if I could just get some background on
8 you please. If you can please state your name and
9 business address for the record.

10 A. (LaFlamme) My name is Jayson LaFlamme. I work for the
11 New Hampshire Public Utilities Commission, 21 South
12 Fruit Street, Suite 10, Concord, New Hampshire.

13 Q. And, can you please describe your position and
14 responsibilities with the Commission?

15 A. (LaFlamme) I'm an Analyst in the Gas and Water Division
16 of the Commission. My primary responsibilities are to
17 review rate filings and financing requests made by
18 water and sewer utilities. And, primarily, my focus is
19 the financing aspects of utility filings that are made
20 before the Commission.

21 Q. Mr. LaFlamme, what do you consider to be your area of
22 expertise?

23 A. (LaFlamme) Accounting and finance.

24 Q. And, prior to today, have you testified before this

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Commission?

2 A. (LaFlamme) Yes, I have.

3 Q. And, has that testimony been within your area of
4 expertise?

5 A. (LaFlamme) Yes, it has.

6 Q. And, is today's testimony going to be within your area
7 of expertise?

8 A. (LaFlamme) Yes, it is.

9 Q. Thank you. Could you please describe your involvement
10 with this docket.

11 A. (LaFlamme) My involvement in this docket included
12 reviewing the Company's filing for permanent and
13 temporary rates. In conjunction with that, I reviewed
14 the books and records on file with the Commission with
15 regards to Hampstead Area Water Company. And, I also
16 participated in the -- in the discovery process for
17 temporary rates, and was involved in the technical
18 session between the parties, and was also involved in
19 the formulation of the Stipulation Agreement that is
20 being presented today.

21 Q. Mr. LaFlamme, are you familiar with Exhibit 1, the
22 initial filing?

23 A. (LaFlamme) Yes.

24 Q. And, we've marked for identification Exhibit 2, the

[WITNESS PANEL: St. Cyr|LaFlamme]

1 temporary rate filing. Are you also familiar with that
2 document?

3 A. (LaFlamme) Yes, I am.

4 Q. And, Mr. St. Cyr, I have a follow-up question with you.
5 I believe you testified earlier this morning that you
6 had prepared many of the schedules that were in the
7 initial filing, is that correct?

8 A. (St. Cyr) Yes.

9 Q. And, are you aware of any changes or corrections that
10 need to be made to those schedules?

11 A. (St. Cyr) No.

12 Q. Have you also included testimony in Exhibit 1, is that
13 correct?

14 A. (St. Cyr) That's also correct.

15 Q. And, with Exhibit 2, the temporary rate filing, are you
16 aware of any corrections or changes that need to be
17 made to this document?

18 A. (St. Cyr) No.

19 Q. And, did you also file testimony in this Exhibit 2?

20 A. (St. Cyr) I did.

21 Q. And, with respect to the testimony in Exhibit 2, if you
22 were asked those same questions today, would you adopt
23 the same responses that appear in this document?

24 A. (St. Cyr) Yes.

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Q. Thank you. Mr. LaFlamme, do you have a copy of the
2 Stipulation Agreement in front of you?

3 A. (LaFlamme) Yes, I do.

4 Q. And, with respect to the temporary rate, i.e. being
5 current as temporary, can you please state what Staff's
6 opinion is as to why it settled on current rates as
7 temporary rates?

8 A. (LaFlamme) In Staff's review of the Company's test
9 year, which is the calendar year ended December 31st,
10 2007, it appeared from what the Company filed, as well
11 as Staff's analysis, that the Company was only slightly
12 under earning as of the end of the calendar year 2007.
13 However, based upon what the Company has included in
14 its -- in its temporary rate filing, as well as its
15 permanent rate filing, it appears that the Company is
16 currently in an under earnings position. We felt that
17 it would be equitable for the Company and its
18 customers, if, while we investigated those
19 circumstances and issues presented by the Company, that
20 we just make current rates temporary, and allow for the
21 discovery process to reveal at what level permanent
22 rates should be set at.

23 Q. Thank you. Mr. St. Cyr, I'd like to just follow up
24 with you on the -- and have you describe the billing

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 cycle that the Company normally goes through. And, so,
2 my specific question is, with respect to the stipulated
3 effective date of September 1, can you just explain how
4 that fits into the Company's normal billing cycle?

5 A. (St. Cyr) Yes. The effective date was set in such a
6 way so that, when the Commission issues an order, we
7 were assuming that the Commission would issue an order
8 sometime in December, the Company would then bill, say,
9 January 1st for the prior months, August, September and
10 October, and we wanted the effective date to be a date
11 prior to the period in which service was actually
12 provided in.

13 Q. And, the Company bills on a quarterly basis, is that
14 correct?

15 A. (St. Cyr) It bills on a quarterly basis, but it bills,
16 you know, a number of systems, it's actually doing a
17 series of quarterly billings basically every two weeks.
18 But it has approximately 19 systems, and it's, you
19 know, billing those 19 systems four times a year.

20 Q. And, does a -- having a September 1 service rendered
21 basis ensure that all customers receive the rate at the
22 same time, knowing that there is this variation in when
23 bills are issued?

24 A. (St. Cyr) Yes.

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Q. Mr. St. Cyr, do you know when the Company published a
2 notice in the paper about this docket's rate increase?

3 A. (St. Cyr) It was required to publish July 30th. I
4 don't remember the specific date. I know it was
5 published by that date.

6 Q. And, you would agree September 1 is after that July
7 notice date?

8 A. (St. Cyr) Yes.

9 Q. Thank you. Mr. LaFlamme, if I could just return to you
10 and have you -- are you familiar with the concept of
11 the temporary rate reconciliation?

12 A. (LaFlamme) Yes.

13 Q. And, can you please describe what Staff expects would
14 happen -- well, actually, I guess I'll withdraw that
15 question. Sorry, just had to clarify. When you have
16 current rates as temporary rates, and you have a
17 permanent rate go into effect, how does that
18 calculation happen and translate into bills to
19 customers?

20 A. (LaFlamme) Well, what I -- based upon what has been
21 done with other utilities, we envision that, when a
22 permanent rate is established by the Commission, then
23 we will go back and compare that permanent rate with
24 the temporary rate, which in this case is the current

[WITNESS PANEL: St. Cyr|LaFlamme]

1 rates being charged by the Company. And, the
2 difference -- the difference between the permanent rate
3 and the temporary rate will be, well, will be recovered
4 by the Company from the time that permanent or
5 temporary rates go into -- have gone into effect,
6 which, in this case, is proposed to be September 1st of
7 2008.

8 Q. And, Mr. LaFlamme, does Staff usually have a
9 recommendation that it would file with the Commission
10 prior to the Commission approving any temporary rate
11 reconciliation surcharge?

12 A. (LaFlamme) That is correct. It's usually Staff will
13 review the proposal made by the Company and will give a
14 recommendation to the Commission for the Commission to
15 decide what the recoupment should be.

16 Q. Okay. So, at this stage of the docket, Staff is not
17 asking the Commission to approve any specific
18 reconciliation amount at this time?

19 A. (LaFlamme) That is correct.

20 Q. Okay. What is your opinion or what is Staff's opinion
21 as to the just and reasonableness of the temporary
22 rates?

23 A. (LaFlamme) Staff believes that the temporary rates
24 being requested are just and reasonable, for the

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Company, as well as its customers.

2 MS. THUNBERG: Thank you for letting
3 Staff and the Company present the witnesses. They're
4 available for questioning now.

5 CHAIRMAN GETZ: And, neither of you have
6 questions for either of your witnesses, I take it?

7 MR. LEVINE: Correct.

8 CHAIRMAN GETZ: Okay. So, Ms. Thunberg?
9 (No verbal response)

10 CHAIRMAN GETZ: Now, Ms. Hollenberg.

11 MS. HOLLENBERG: Thanks. I just have a
12 couple of questions.

13 **CROSS-EXAMINATION**

14 BY MS. HOLLENBERG:

15 Q. Mr. St. Cyr, I thought I heard, when you were asked a
16 question about the effective date by the Staff's
17 attorney, I thought I heard you say something about the
18 fact that it would be "prior to service provided to the
19 customers", and you referenced a January billing for a
20 period of "August, September, and October". But a
21 September 1 date wouldn't be prior to service in
22 August, right? I guess I -- do you recall that? I
23 heard the word "prior", and so it just struck me. I
24 just wanted to ask you if you could clarify that?

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 A. (St. Cyr) The proposed effective date --

2 Q. Uh-huh.

3 A. (St. Cyr) -- came about because we wanted to provide
4 assurance that service would be provided before a new
5 rate would take effect. So, for a January billing,
6 that would include the months of October, November, and
7 December. Service would have been provided for those
8 periods before the Company actually does the billing in
9 January.

10 Q. But the -- So, the effective date of September 1,
11 though, you will be charging on a service rendered
12 basis from that point forward?

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

14 Q. And, that enables, as I think you responded to Staff's
15 questions, that enables all the customers to be treated
16 the same, in terms of the effective date?

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

18 Q. Okay. And, Mr. LaFlamme, if I could just ask you a
19 question. I believe you testified about the things
20 that or the documents that you reviewed in your work on
21 this case. And, you, I think, testified to the
22 petitions that were filed and that are presented for
23 the Commission as exhibits, as well as books and
24 records on file with the Commission. Could you explain

{DW 08-065} [RE: Temporary Rates] {12-03-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 what that consisted of?

2 A. (LaFlamme) Mainly, that consists of the annual reports
3 that are filed every March 31st with the Commission,
4 and, specifically, the 2007 Annual Report that was
5 filed this year by Hampstead Area Water Company.

6 MS. HOLLENBERG: Thank you. I don't
7 have any other questions.

8 CHAIRMAN GETZ: Thank you. No questions
9 from the Bench. I take it there's no call for redirect?

10 MS. THUNBERG: No.

11 MR. LEVINE: No, there is not.

12 CHAIRMAN GETZ: Okay. Then, the
13 witnesses are excused. Thank you, gentlemen. Is there
14 any objections to striking identifications and admitting
15 the exhibits into evidence?

16 MR. LEVINE: None.

17 MS. THUNBERG: None.

18 CHAIRMAN GETZ: Then, they will be
19 admitted into evidence. Is there anything else before we
20 provide an opportunity for closing statements?

21 (No verbal response)

22 CHAIRMAN GETZ: Hearing nothing, then
23 we'll begin with Ms. Hollenberg.

24 MS. HOLLENBERG: Thank you. The Office

1 of Consumer Advocate appreciates the Company and Staff's
2 work with them on this Stipulation. And, we recommend
3 that the Commission approve it.

4 CHAIRMAN GETZ: Thank you.
5 Ms. Thunberg.

6 MS. THUNBERG: Succinctly, Staff
7 recommends the Commission approve the Stipulation. And,
8 we're thankful for your time today in letting us present
9 it. Thank you.

10 CHAIRMAN GETZ: And, Mr. Levine.

11 MR. LEVINE: Thank you, Commissioners.
12 We appreciate the courtesy rendered by the Commission and
13 the Staff and the Office of the OCA, and join in their
14 request that the Commission approve the Stipulation as
15 submitted.

16 CHAIRMAN GETZ: Okay. Then, thank you,
17 everyone. We'll take the matter under advisement and
18 close the hearing.

19 **(Whereupon the hearing ended at 10:40**
20 **a.m.)**

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24