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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 29, 2010 - 9:58 a.m.  
Concord, New Hampshire

NHPUC JUL19'10 PM12:45

RE: DW 10-134  
HAMPSTEAD AREA WATER COMPANY:  
Petition for Approval of Financing  
and Step Increase.  
(Prehearing conference)

PRESENT: F. Anne Ross, Esq.  
(Presiding as Hearings Examiner)

Sandy Deno, Clerk

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

Reptg. PUC Staff:  
Marcia A.B. Thunberg, Esq.  
Mark A. Naylor, Director/Gas & Water Division  
James L. Lenihan, Gas & Water Division  
Douglas W. Brogan, Gas & Water Division  
Jayson P. LaFlamme, Gas & Water Division

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

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

1  
2 MS. ROSS: Good morning. I am Anne  
3 Ross. I will be serving as Hearings Examiner this  
4 morning. And, I will prepare a report and recommendations  
5 to the Commission following this prehearing conference.  
6 This is a prehearing conference in DW 10-134. On  
7 April 20th, 2010, Hampstead Area Water Company filed a  
8 motion to amend its petition for a financing and for a  
9 step increase to rates as a result of additions to its  
10 plant in service. On February 2nd, 2007, the Commission,  
11 by Order 24,728, in docket DW 06-104, approved Hampstead  
12 Area Water Company's request to borrow up to \$267,299.

13 In the amended petition, Hampstead Area  
14 Water Company now seeks to borrow a total of \$356,275.  
15 Hampstead states that the increase is largely due to  
16 increased expenses associated with its Department of  
17 Environmental Services permitting process. Hampstead  
18 calculates that financing \$356,275 will require a \$97,647  
19 or 6.82 percent increase to the revenue requirement  
20 approved in its last rate case. Hampstead seeks to  
21 collect this increased revenue requirement through an  
22 increase to its Consumption Charge by \$0.43 per hundred  
23 cubic feet.

24 I would like to note that the

{DW 10-134} [Prehearing conference] {06-29-10}

1 publication affidavit indicates that the order of notice  
2 was published on June 1st, 2010. And, at this point, I  
3 would like to take appearances.

4 MR. LEVINE: Good morning, madam Hearing  
5 Examiner. Attorney Robert Levine, for Hampstead Area  
6 Water Company. With me is our consultant, Stephen St.  
7 Cyr; our Controller, John Sullivan; Charlie Lanza, from  
8 our Engineering Department; and the President of the  
9 Company, Harold Morse.

10 MS. ROSS: Good morning.

11 MS. THUNBERG: Good morning, madam  
12 Hearings Examiner. This is Marcia Thunberg, on behalf of  
13 Staff. And, with me today is Mark Naylor, Jim Lenihan,  
14 Doug Brogan, and Jayson LaFlamme. Thank you.

15 MS. ROSS: Good morning. Is the OCA  
16 appearing in this docket?

17 MS. HOLLENBERG: No. Thank you. We're  
18 just observing at this point in time. Thank you so much.

19 MS. ROSS: With that, I guess I would  
20 like to ask the parties if you could briefly summarize  
21 your positions. And, if there are any procedural issues,  
22 we will deal with those in your position statements as  
23 well.

24 MR. LEVINE: Thank you. It's the

1 position of the Company that, given the events and the  
2 scope of work that we had undergone with the Department of  
3 Environmental Services for a large groundwater withdrawal,  
4 that this hydrological study, the first that Hampstead had  
5 undertaken, had become larger than what we had anticipated  
6 in the initial filing, and that's obvious from our  
7 petition. Complicated in the prosecution of that  
8 application was the factor that we had to replace the  
9 water engineering company that we had retained. We feel  
10 that it was a legitimate undertaking, and that we had  
11 diligently then proceeded with the prosecution of the  
12 application for the Department of Environmental Services,  
13 which has been recently completed. As a result of which,  
14 we had incurred the costs, which had exceeded the  
15 financing that had previously been approved.

16 One issue that had been raised by the  
17 OCA upon our filing of this motion to amend was a concern  
18 of theirs that we did not duly inform Staff or the OCA  
19 regarding these increases as they were proceeding. And, I  
20 just want the Commission to note our filing or  
21 supplemental filing of June 3rd, 2010, where we detailed  
22 and provided a hard copy backup of all the occurrences  
23 where we informed Staff and the OCA of the circumstances  
24 surrounding the increased costs and how the hydrological

1 project was proceeding. Thank you.

2 MS. THUNBERG: Good morning. This  
3 filing by Hampstead Area Water Company is an amendment of  
4 the Commission's previous order in Docket DW 06-104. And,  
5 specifically, Hampstead is seeking to increase the amount  
6 of financing approval up to \$356,275. This is an amount  
7 that is approximately \$89,000 more than what the Company  
8 originally sought for financing approval. The proceeds of  
9 the financing are for the same project as presented in  
10 Docket Number DW 06-104. It is to finance the hydrology  
11 study that Attorney Levine has just described. And,  
12 again, it is Staff's position that the study was required  
13 by DES. Hampstead Area Water Company is also seeking to  
14 implement the authorized step adjustment that was included  
15 in the Settlement Agreement that was previously authorized  
16 in DW 06-104.

17 Staff is still in the process of  
18 reviewing Hampstead's voluminous filing. At a purely  
19 mathematical level, the invoices supplied total the  
20 \$356,275 Hampstead seeks to finance. Staff is now  
21 reviewing the invoices with a more critical eye, as it did  
22 with the original proposal. And, it will be reviewing  
23 such issues as whether the expenses are appropriate, and  
24 if the asset life proposed is appropriate, if the billing

1 among the related parties is consistent with formulas that  
2 were previously set out in Dockets DW 02-128 and 05-065.

3 Staff is looking forward to working with  
4 the Company to develop a proposed procedural schedule that  
5 will include discovery on this additional amount proposed  
6 for financing. And, Staff foresees it will -- well, Staff  
7 foresees entering into a settlement agreement with the  
8 Company, as it did in the earlier docket. And, on that  
9 presumption, it will present a joint recommendation to the  
10 Commission at a later time. Thank you.

11 MS. ROSS: I have a question for Staff.  
12 Are you -- is Staff intending to use the Audit Division to  
13 assist in the investigation of the costs in the case?

14 MS. THUNBERG: Staff has not yet  
15 determined whether it needs Audit right now, as our Staff  
16 analysts have already looked at the invoices, and  
17 mathematically they do equate to the total that Hampstead  
18 is seeking. But I think Staff needs to go to the next  
19 level and look at the prudence of the expenses that were  
20 incurred.

21 If your question is going to whether we  
22 need additional time for a formal final audit report, we  
23 will consider that. We'll keep the parties apprised.  
24 And, we will make note of that in the letter when we

1 propose a procedural schedule.

2 MS. ROSS: Thank you. Are there any  
3 other issues?

4 (No verbal response)

5 MS. ROSS: We have no intervenors, so we  
6 don't need to take positions on requests for intervention.  
7 If there's nothing further, I would close the prehearing  
8 conference, and ask the Staff and the Company, and the  
9 OCA, if they wish to participate, to come up with a  
10 proposed procedural schedule that they can recommend.  
11 Thank you.

12 (Whereupon the prehearing conference  
13 ended at 10:06 a.m. and a technical  
14 session was held thereafter.)

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