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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

January 4, 2011 - 10:08 a.m.  
Concord, New Hampshire

NHPUC JAN24'11 AM 8:45

RE: DW 10-159  
WEST SWANZEY WATER COMPANY:  
Notice of Intent to File Rate Schedules.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. West Swanzey Water Company:  
Stephen P. St. Cyr  
Sarah Brown

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

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

ORIGINAL





1 CHAIRMAN GETZ: Thank you. Ready to  
2 proceed.

3 MS. THUNBERG: While the witnesses are  
4 going to the witness box, I'd just like to announce that  
5 by agreement we have marked or agreed to the premarking of  
6 certain exhibits. Exhibit 1 will be the initial filing,  
7 which I believe you have before you.

8 CHAIRMAN GETZ: Yes.

9 MS. THUNBERG: Exhibit 2 is going to be  
10 the Settlement Agreement, which I believe you already have  
11 a copy.

12 CHAIRMAN GETZ: Yes.

13 MS. THUNBERG: And, Exhibit 2 is going  
14 to be a bill form, which you do not -- yes, this is -- I'm  
15 sorry, did I say "3"? I meant the Settlement Agreement is  
16 Exhibit 2, the bill form is Exhibit 3, and I will hand  
17 this out to you at this point. And, I will have the  
18 witnesses describe the documents on direct.

19 (The documents, as described, were  
20 herewith marked as *Exhibit 1*, *Exhibit 2*,  
21 and *Exhibit 3*, respectively, for  
22 identification.)

23 CHAIRMAN GETZ: Thank you.

24 (Whereupon *Stephen P. St. Cyr*, *Jayson P.*

[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1                    **LaFlamme**, and **James L. Lenihan** were duly  
2                    sworn and cautioned by the Court  
3                    Reporter.)

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

5                    **JAYSON P. LaFLAMME, SWORN**

6                    **JAMES L. LENIHAN, SWORN**

7                    **DIRECT EXAMINATION**

8 BY MS. THUNBERG:

9 Q.    Mr. LaFlamme, if I could just start with you. Have you  
10       describe -- state your name and describe your position  
11       with the Commission please.

12 A.    (LaFlamme) My name is Jayson LaFlamme. I work as a  
13       Utility Analyst in the Gas/Water Division of the New  
14       Hampshire Public Utilities Commission.

15 Q.    And, can you please describe your area of expertise?

16 A.    (LaFlamme) Accounting and finance.

17 Q.    And, is the testimony that you will be providing today  
18       within that area of expertise?

19 A.    (LaFlamme) Yes, it is.

20 Q.    And, can you please describe your specific involvement  
21       with this docket?

22 A.    (LaFlamme) Yes. I reviewed the filing submitted by the  
23       Company, participated in submission of data requests,  
24       reviewed the responses from the Company, also

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 participated in the formulation of the Settlement  
2 Agreement that's being presented today.

3 Q. Thank you. Mr. Lenihan, if I could just have you state  
4 your name and describe your position with the  
5 Commission for the record.

6 A. (Lenihan) James L. Lenihan. I'm a Utility Analyst with  
7 the New Hampshire Public Utilities Commission in its  
8 Gas and Water Division.

9 Q. And, can you please describe your area of expertise?

10 A. (Lenihan) Reviewing -- I review dockets, water dockets  
11 that come in before the Commission, rate increases,  
12 specifically reviewing the cost allocations to the  
13 various customer classes; also special contracts that  
14 come before the Commission; and overall general tariff  
15 provisions that set out the guidelines under which  
16 service is provided.

17 Q. And, Mr. Lenihan, is your testimony today going to be  
18 within that area of expertise?

19 A. (Lenihan) Yes, it is.

20 Q. And, can you please describe your specific involvement  
21 with this docket?

22 A. (Lenihan) I've reviewed the original filing,  
23 participated in the discovery process, participated in  
24 settlement conferences, and had the opportunity to

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 review and participate in the preparation of the  
2 Settlement that's before the Commission today.

3 Q. Okay. And, Mr. St. Cyr, could you please state your  
4 name and business for the record.

5 A. (St. Cyr) My name is Stephen P. St. Cyr. And, the  
6 business is Stephen P. St. Cyr & Associates.

7 Q. And, how are you associated with the Company regarding  
8 this proceeding?

9 A. (St. Cyr) On an annual basis, I assist the Company in  
10 closing its financial books and records. I prepare the  
11 PUC Annual Report and prepare their tax returns. I  
12 also have assisted the Company in this particular  
13 docket.

14 Q. And, in assisting the Company with this particular  
15 docket, did that include the participation in the  
16 Settlement Agreement?

17 A. (St. Cyr) Yes, it did. It involved preparing the  
18 initial filing from the books and records of the  
19 Company, assisting the Company in preparing and  
20 responding to data requests, participating in the  
21 technical session, the settlement conference, and the  
22 formulation of the Settlement Agreement.

23 Q. And, when you state that you had "prepared filings",  
24 are you familiar with the contents of what we've marked

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 for identification as "Exhibit 1"? The cover sheet  
2 says "Testimony and Exhibits and other rate case filing  
3 requirements".

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

5 Q. And, did you prepare this document?

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

7 Q. Are there any changes or corrections that need to be  
8 made to this document?

9 A. (St. Cyr) No, there is not.

10 Q. Thank you. And, Mr. Lenihan, I believe you said you  
11 had participated in the Settlement Agreement. Are you  
12 familiar with the terms of this document?

13 A. (Lenihan) Yes.

14 Q. And, Mr. LaFlamme, are you familiar with the terms of  
15 the Settlement Agreement?

16 A. (LaFlamme) Yes.

17 Q. And, Mr. LaFlamme, are you familiar with any changes or  
18 corrections that need to be made to the document at  
19 this time?

20 A. (LaFlamme) No.

21 Q. And, Mr. Lenihan, the same question to you. Are you  
22 aware of any changes or corrections that need to be  
23 made to the Settlement Agreement at this time?

24 A. (Lenihan) No, not at this time.

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 Q. And, Mr. St. Cyr, I have the same question to you.

2 A. (St. Cyr) No changes that I'm aware of.

3 Q. Thank you. Mr. LaFlamme, I'd like to draw your  
4 attention to Exhibit 2, the Settlement Agreement, and  
5 have you turn to Page 2, the "Revenue Requirement"  
6 section.

7 A. (LaFlamme) Uh-huh.

8 Q. And, I'd like to have you explain how it is that Staff  
9 came to agree to the \$67,015 revenue requirement?

10 A. (LaFlamme) Okay. The revenue requirement, the  
11 calculation of that would be found on Attachment A,  
12 Schedule 1, which is marked as "Page 7" to the  
13 Settlement Agreement. And, you can find a summary of  
14 the calculation of the revenue requirement, starting  
15 with an average rate base of \$197,490, the calculation  
16 of that is found on Schedule 2 of Attachment A.  
17 Applied to the average rate base is a rate of return  
18 5.27 percent. The calculation of that is found on  
19 Schedule 1a of Attachment A. That results in an  
20 operating income requirement of \$10,398. The adjusted  
21 net operating income, from Schedule 3, is subtracted  
22 from that amount, resulting in a revenue deficiency  
23 before income taxes of \$1,826. The adjusted net  
24 operating income was based on what the Company filed,

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 which included the Company's adjustment for additional  
2 revenue in this docket. So, that's why it resulted in  
3 a revenue -- a revenue surplus of \$1,826. And, a tax  
4 factor of 86.28 percent was applied to that, which  
5 increased the revenue surplus to \$2,117. And,  
6 subtracting that amount from the proforma test year  
7 water revenue, which was filed by the Company in their  
8 filing of \$69,132, we derived the revenue requirement  
9 recommended by Staff and agreed to by the Company of  
10 \$67,015.

11 The test year water sales actually  
12 earned by the Company during 2009 was \$59,000 --  
13 \$59,006. So, the increase -- the revenue requirement  
14 that's being presented today is actually an \$8,009  
15 increase over what the Company earned during 2009, or  
16 13.57 percent.

17 Q. Thank you, Mr. LaFlamme. Mr. St. Cyr, I just wanted to  
18 put this revenue increase in perspective and ask you a  
19 general question. Can you please describe what fueled  
20 the filing of this rate case?

21 A. (St. Cyr) The specific trigger was the 2009 financial  
22 results. In my introductory letter in the filing and  
23 throughout my testimony on the schedules, I showed that  
24 the Company had actually lost \$5,807 during 2009.

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 That's the specific trigger that triggered this rate  
2 case.

3 Q. Thank you. Mr. LaFlamme, a question back to you, on  
4 Page 7 of the Settlement Agreement, where you describe  
5 the summary, including the average rate base. Do you  
6 have an opinion as to whether the rate base included in  
7 this Settlement is prudent, used and useful?

8 A. (LaFlamme) Yes. It's Staff's belief that the rate base  
9 is prudent, used and useful.

10 Q. Now, when you were going through your summary, you  
11 listed that there were some adjustments that were made.  
12 Are there any that stick out as noteworthy that you  
13 would like to bring to the Commissioners' attention?

14 A. (LaFlamme) Yes. If you turn to actually Pages 13 and  
15 14, which is Attachment A, Schedules 3 and 3a, those  
16 provide the adjustments that were -- that were made by  
17 Staff to the Company's filing. The biggest adjustment  
18 that was made was Adjustment Number 14, which increase  
19 the Company's operating expenses by \$4,600. That was  
20 based on the fact that the Company has updated their  
21 affiliate agreements or management fees and rent. And,  
22 as a result of those updated agreements, it's increased  
23 the annual management fees and rental fees by \$4,600.

24 Q. Okay. Mr. St. Cyr, I'd like to ask you a question

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 about this affiliate agreement. Can you please  
2 describe whether the Company has an agreement to file  
3 soon?

4 A. (St. Cyr) The Company has with us today the new  
5 agreements between Sarah Brown and the West Swanzey  
6 Water Company. They include the management and  
7 administration, as well as some rent. These are  
8 modifications of the existing agreements and are  
9 reflected in the Settlement Agreement.

10 Q. And, will you be making that filing today?

11 A. (St. Cyr) Yes, we will be.

12 Q. Thank you. Mr. LaFlamme, back to you. And, again,  
13 looking at Page 7 of the Settlement Agreement, there's  
14 a rate of return of "5.27 percent". Can you please  
15 explain why Staff is of the opinion that that is a  
16 reasonable rate of return?

17 A. (LaFlamme) Yes. As I indicated earlier, the  
18 calculation of that rate of return is found on  
19 Schedule 1a, which is Page 8 to the Settlement  
20 Agreement. Staff believes it's a reasonable rate of  
21 return. It's based on the balance of the two bank  
22 loans that the Company had outstanding as of the end of  
23 2009. And, it also reflects the actual interest rate  
24 on those bank loans as of 12/31/09, as you can see in

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 the middle of that schedule, 6 and a half percent and  
2 3.75 percent. Also reflected is the owners' equity in  
3 the Company as of 12/31/09, and applied to that is a  
4 9.75 percent return on equity, which is -- which is  
5 consistent with the return on equity that's been  
6 approved by the Commission for other small water  
7 utilities.

8 Q. Mr. St. Cyr, I have a question for you, about when was  
9 the last time the Company was in for a rate increase?

10 A. (St. Cyr) It was 1988, more than 20 years ago.

11 Q. Mr. Lenihan, I have a few questions for you. And, I'd  
12 like to draw your attention to Exhibit 2, Page 3, and  
13 the paragraph "Rate Design and Effect on Customer  
14 Rates". If you can just let me know when you're at  
15 that page.

16 A. (Lenihan) I have that page.

17 Q. Does the Settlement Agreement recommend any changes to  
18 the Company's present rate design?

19 A. (Lenihan) Yes, there is one, one change. And, that is  
20 to the meter charge or customer charge, the fixed  
21 quarterly charge. The current charge is \$6.82 a  
22 quarter. The Company proposed that that charge be  
23 increased, primarily because the real low end users on  
24 the system, by virtue of their low consumption rate, it

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1 was believed suggested that they weren't paying a  
2 sufficient amount to maintain the system. Staff asked  
3 that further analysis be prepared by the Company, which  
4 it did, and it submitted various increases, amount  
5 increases to the customer charge. Staff reviewed that  
6 information. And, as a result of Staff's review, it  
7 was offered that the rate -- that the customer charge  
8 increase to the \$18 rate per quarter. I think the  
9 Company had requested initially that the increase be  
10 \$7.99 -- I mean, the new rate be \$7.99, up from  
11 6.87 [6.82?]. Staff didn't have -- did not object to  
12 that, to the concept of putting more of the revenue on  
13 the fixed charge. And, as a result of negotiations  
14 with the Company, the \$18 per quarter customer charge  
15 was agreed to and is recommended to the Commission for  
16 approval.

17 Q. Mr. Lenihan, I think you may have answered the  
18 question, but I just want to ask you directly. What  
19 are the benefits of increasing this fixed charge as  
20 Staff and the Company have agreed to do?

21 A. (Lenihan) Well, the benefits -- the benefit is that the  
22 higher end users are no longer paying a  
23 disproportionately higher share of the fixed costs  
24 needed to maintain the system. And, as I said, the low

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1 end users were not paying -- it's believed that they  
2 were not paying a sufficient amount to cover a lot of  
3 the fixed costs that -- a lot of the fixed costs that,  
4 in some utilities, are covered under a consumption  
5 charge. Since water is very highly capital-intensive,  
6 the variable costs of water are not nearly as great as  
7 those with gas, natural gas, or electricity. So,  
8 people who don't use, who don't take the product,  
9 obviously don't pay that contribution to the fixed  
10 charges.

11 What Staff has proposed -- what Staff  
12 and the Company is proposing today is to bring that  
13 fixed charge up, so that it more adequately reflects  
14 the fixed costs that are there, that the Company has to  
15 cover to maintain the system, whether or not service is  
16 taken, and also shifts it away from the normal higher  
17 users that burden of covering fixed costs for the  
18 customers that are in the very low end of the spectrum.

19 Q. Mr. Lenihan, I'd like to have you turn to Page 17 of  
20 the Settlement Agreement, and it's entitled  
21 "Calculation of Customer Rates". And, the question I  
22 have is, relating back on Page 3, we talk about or the  
23 Settlement Agreement notes that there's a  
24 "13.57 percent" overall increase to the revenue of the

[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 Company. On Page 17, when the chart breaks it down by  
2 customer, we're seeing "164 percent increase". And, I  
3 would just ask you to explain how it is that it happens  
4 that this page reflects "164" or thereabouts percent  
5 increase for some customers?

6 A. (Lenihan) The "164 percent increase" is to be applied  
7 to the customer -- to the meter charge. The old \$6.82  
8 charge is now \$18 per quarter. That's where the  
9 "163 percent increase" comes from. As I said, the  
10 initial request by the Company was to raise the  
11 customer charge from 6.82 to 7, I believe 7.99 per  
12 quarter. And, after discussions with the Company, and  
13 the Company's suggestion that it be allowed to recover  
14 more of the fixed charge, more of the costs providing  
15 service through the fixed charge, that they raise the  
16 fixed charge in order to cover these, more of the fixed  
17 costs. That's why the "167" -- I mean "164 percent  
18 increase" is applied to the customer or meter charge.

19 The fire protection charges were  
20 increased in accordance with the overall company  
21 revenue increase, which was 13.57 percent. Just the  
22 larger increase to the customer charge just provides  
23 the Company with more revenue from the low end users.  
24 That's -- the effect to the customers, which is based

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1 on a varying consumption, is found on the bottom of  
2 Page 3 in the Stipulation. So, the more the customers  
3 use, the less the impact of the rate increase.

4 Q. Mr. Lenihan, another question on Page 17. As I guess  
5 illustrated with this calculation of customer rates,  
6 there are 75 residential customers and 5 fire  
7 protection customers, is that correct?

8 A. (Lenihan) That's my understanding.

9 Q. And, where we look down to "Private Fire Protection"  
10 and the percent rate increase is "13.57", there was no  
11 rate design change for those particular customers, is  
12 that correct?

13 A. (Lenihan) That's correct. The increase is equal to the  
14 overall revenue increase that's identified in the  
15 Settlement.

16 Q. Okay. And, the other -- the residential customers were  
17 the only ones that saw that rate design change --

18 A. (Lenihan) That's correct.

19 Q. -- that threw off the percent increase?

20 A. (Lenihan) It should be noted that, because the  
21 consumption charge is only going up approximately four  
22 cents per hundred gallons, that the customers will not  
23 see a large increase in the consumption charge. And,  
24 that minimum increase to the consumption charge is then

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1 offset by the increase in the customer charge. So, the  
2 overall impact, again, it will vary depending upon  
3 where the customer falls in the overall consumption  
4 pattern. But, as it says on the bottom of Page 3,  
5 there's an illustration of how the effect -- how the  
6 increase in the rate design change will impact various  
7 users.

8 Q. Mr. Lenihan, I'd like to move forward to Page 5 of the  
9 Settlement Agreement, specifically Paragraph E, "Bill  
10 Forms". And, I'd like to just show you a document and  
11 have you describe it for the record.

12 (Atty. Thunberg distributing documents.)

13 **BY THE WITNESS:**

14 A. (Lenihan) Counsel has handed me a document, which is a  
15 bill form that indicates when and what the reading --  
16 what the last meter reading was, and what the current  
17 meter reading is that forms the basis of the  
18 consumption charge, which is then added to the customer  
19 charge.

20 MS. THUNBERG: Thank you. And, I  
21 believe we've premarked this for identification as  
22 "Exhibit 3".

23 **BY MS. THUNBERG:**

24 Q. And, Mr. Lenihan, on the last -- the last sentence to

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 Paragraph E says "West Swanzey and Staff agree to work  
2 together in order to resolve these and other bill form  
3 deficiencies within 30 days of the date of this  
4 agreement." Has Staff and the Company reached  
5 agreement on the bill form?

6 A. (Lenihan) I believe there is agreement. As to whether  
7 or not it's officially submitted, I have to  
8 double-check.

9 Q. Can I ask you a question? On Exhibit 3 that you just  
10 reviewed, the bill form, is it your understanding that  
11 that form is what the Company plans to use to conduct  
12 its billing?

13 A. (Lenihan) That's my understanding.

14 Q. And, is Staff in agreement with that form?

15 A. (Lenihan) That's correct. That's correct.

16 Q. Thank you. So, with Staff having that Exhibit 3, would  
17 you consider this 30 day deadline, Paragraph E, to have  
18 been completed?

19 A. (Lenihan) Yes.

20 Q. Thank you. Mr. St. Cyr, I'd like to turn to you and  
21 ask you a couple questions. On Page 4, Paragraph C,  
22 "Step Adjustment", identified in the Settlement  
23 Agreement. And, I'd like to just have you explain the  
24 nature of the proposed capital improvements.

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 A. (St. Cyr) The Company plans to rehab its Well Number 2,  
2 to clean it out to see if it can improve the access to  
3 the water and the efficiency of the operation. And, at  
4 the same time, either repair or replace the pump that  
5 draws water from that well.

6 Q. Is there any change to the current estimate of  
7 "\$33,000" that's contained in the Settlement Agreement?

8 A. (St. Cyr) Not currently. The Company has gone back to  
9 its well and pump guy and has asked for a more detailed  
10 estimate. But the current estimate that we're working  
11 with is \$33,000.

12 Q. Okay. Can you please describe the time frame over  
13 which the Company plans to complete this work, and also  
14 just describe the steps the Company is going through?

15 A. (St. Cyr) Yes. Once the Company has a more detailed  
16 estimate in hand, it plans to use that as a basis to  
17 prepare a financing petition to seek PUC approval of  
18 the amount of the financing, and at the same time use  
19 that as a basis to take to the bank and specifically  
20 seek a letter of commitment, which would identify the  
21 terms of the financing. Once it has the bank  
22 commitment letter in hand, and has PUC approval, it  
23 would then borrow the money, the work would be done in  
24 the spring/summer. And, once the work is completed,

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 the Company would then submit a filing indicating the  
2 actual cost incurred and requesting the step increase  
3 for recovery of those costs.

4 Q. Mr. St. Cyr, there is no deadline provided in Paragraph  
5 C. And, is the Company amenable to amending this  
6 paragraph to include a deadline for filing for its step  
7 for these particular capital improvements, a deadline  
8 of December 31st, 2011?

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

10 Q. And, I ask that question to Mr. LaFlamme. Is it  
11 Staff's position that it would be amenable to changing  
12 this paragraph to include a "December 31st, 2011"  
13 filing deadline for the step adjustment for these  
14 improvements?

15 A. (LaFlamme) Yes.

16 Q. Thank you. Mr. St. Cyr, this paragraph includes an  
17 estimate on the potential revenue requirement impact.  
18 Do you expect those to change?

19 A. (St. Cyr) Yes, I would. Once the actual costs are  
20 known, certainly, the amount would change. We're  
21 currently using "33,000". We would use whatever the  
22 actual amount is. In this calculation, the Company is  
23 also using an 8 percent interest rate. It believes it  
24 can probably get a lower interest rate on a variable

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1 rate, maybe something similar to 8 percent on a fixed  
2 rate. It has to work out those terms with the bank.  
3 But the revenue requirement would be based on whatever  
4 the actual interest rate is for the loan. So, those  
5 two components in particular would change. And, these  
6 are estimates that the Company would plan to replace  
7 with its actual costs, when the financing is completed  
8 and the work is done.

9 Q. I assume that, if the Company is making a filing for a  
10 financing approval, it will have more firm numbers than  
11 what are included in this Agreement?

12 A. (St. Cyr) Yes, it would.

13 Q. Thank you. Mr. St. Cyr, I'd like to draw your  
14 attention to Page 5 of the Settlement Agreement, and  
15 the paragraph entitled "Rate Case Expenses". And, does  
16 the Company have a estimate of its rate case expenses  
17 at this time?

18 A. (St. Cyr) Its estimate is approximately \$8,000.

19 Q. And, can you please describe when the Company expects  
20 to file its rate case expenses?

21 A. (St. Cyr) The Company expects that over the course of  
22 the next week or two the Company can get a filing  
23 before Staff for their review. The Company would hope  
24 to be able to reach a joint agreement -- a joint

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 recommendation with Staff, and would hope that it could  
2 be incorporated in the PUC's order in this case.

3 Q. And, does the Company -- would the Company agree to  
4 amend this paragraph to include a 30 day deadline, and  
5 that 30 day tolling from the date of this Settlement  
6 Agreement? Would the Company agree to a deadline?

7 A. (St. Cyr) Yes, it would.

8 Q. Mr. LaFlamme, I'd ask you a question about is Staff  
9 agreeable to amending this rate case expense paragraph  
10 to include a deadline of 30 days by the date of the  
11 Settlement Agreement for the Company to file its rate  
12 case expenses?

13 A. (LaFlamme) Yes.

14 Q. Thank you. Mr. Lenihan, do you believe or do you have  
15 an opinion as to the just and reasonableness of the  
16 rates that are proposed in this Settlement Agreement?

17 A. (Lenihan) Yes. I believe that the rates as proposed in  
18 the Settlement Agreement are just and reasonable.

19 Q. And, Mr. LaFlamme, do you have an opinion as to the  
20 just and reasonableness of the rates included in the  
21 Settlement Agreement?

22 A. (LaFlamme) Yes. It is my opinion that the rates that  
23 are proposed are just and reasonable.

24 Q. And, Mr. St. Cyr, do you have an opinion as to the same

[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 question to you?

2 A. (St. Cyr) Yes. On behalf of the Company, we, too,  
3 believe that the Settlement Agreement is just and  
4 reasonable.

5 MS. THUNBERG: Staff has no further  
6 direct for the panel. Thank you.

7 CHAIRMAN GETZ: Thank you. Commissioner  
8 Below.

9 CMSR. BELOW: Good morning.

10 BY CMSR. BELOW:

11 Q. Mr. St. Cyr, with regard to the step adjustment for  
12 2011 capital improvements, the final sentence says  
13 "this step adjustment should be applied equally on a  
14 percentage basis to its rate classes." What do you  
15 understand that to mean? Would that be a uniform  
16 percentage increase on both fixed and variable rates?

17 A. (St. Cyr) Yes, that's our understanding.

18 Q. Okay. And, is that the same for Staff?

19 A. (Lenihan) Yes.

20 A. (LaFlamme) yes.

21 Q. Okay. And, I think Ms. Thunberg asked you both about a  
22 deadline for filing a step increase, but didn't -- you  
23 didn't indicate what -- how long -- what deadline might  
24 be reasonable. You indicated that it would be

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 reasonable to have a deadline or you would be agreeable  
2 to it. What do you think would be a reasonable  
3 deadline for filing of a step adjustment?

4 A. (St. Cyr) Actually, I believe Ms. Thunberg proposed  
5 that it be amended so that the Company would file it  
6 before December 31st of 2011.

7 Q. Okay.

8 A. (St. Cyr) And, the Company would certainly plan to do  
9 that within that time frame.

10 Q. Okay. Maybe I missed that. Thank you. Just out of  
11 curiosity, the private fire protection is for sprinkler  
12 systems for some municipal or commercial customers?

13 A. (Lenihan) Yes, that's correct.

14 Q. And, I think there's testimony that the 75 customers  
15 who take -- consume water were residential. Is it  
16 possible that a few of those are commercial, such as  
17 the four with 2-inch meters?

18 A. (Lenihan) Yes.

19 Q. Okay.

20 A. (Lenihan) Larger users.

21 Q. Okay. And, generally, are these mostly year-round or  
22 are there some seasonal homes mixed in?

23 A. (St. Cyr) These are year-round homes.

24 CMSR. BELOW: Year-round homes. Okay.

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[WITNESS PANEL: St. Cyr~LaFlamme~Lenihan]

1 That's all. Thank you.

2 CMSR. IGNATIUS: No questions. Thank  
3 you.

4 CHAIRMAN GETZ: Anything further, Ms.  
5 Thunberg?

6 MS. THUNBERG: No redirect. Thank you.

7 CHAIRMAN GETZ: Okay. Hearing nothing,  
8 then the witnesses are excused. Thank you, gentlemen.

9 I take it there's no objection to  
10 striking identifications, so the exhibits will be admitted  
11 into evidence. Is there anything prior to a closing  
12 statement?

13 (No verbal response)

14 CHAIRMAN GETZ: Hearing nothing, then,  
15 Ms. Thunberg.

16 MS. THUNBERG: Yes. Thank you,  
17 Commissioners, for your time. And, we respectfully  
18 request that you approve the Settlement Agreement and the  
19 terms and the amendments that were offered at the hearing  
20 today. As the witnesses have explained, it's been 20  
21 years since this Company has had a rate increase. Staff  
22 has worked with the Company. It is a small operation.  
23 We've tried to minimize its rate case expenses by working  
24 on its rate design and getting the affiliate agreements

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1 up-to-date. So, we feel like we've combed through pretty  
2 thoroughly this Company, and that the Settlement Agreement  
3 represents a good revenue for it going forward. And, the  
4 Company and the Staff will be continuing to work together  
5 on the step adjustment to see that through completion.

6 And, thank you again. And, we  
7 respectfully request your approval of the Settlement  
8 Agreement as amended. Thank you.

9 CHAIRMAN GETZ: Thank you. Mr. St. Cyr.

10 MR. ST. CYR: Just that the Company  
11 obviously supports the Agreement. And, it appreciates  
12 having worked with Staff and coming to an agreement in the  
13 Settlement, and would respectfully request that you  
14 approve the Agreement. Thank you.

15 CHAIRMAN GETZ: Okay. Thank you. We'll  
16 close the hearing and take the matter under advisement.

17 MS. THUNBERG: Thank you.

18 **(Whereupon the hearing ended at 11:04**  
19 **a.m.)**