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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 19, 2012 - 10:18 a.m.
Concord, New Hampshire

NHPUC NOV05'12 PM 2:48

RE: DW 12-170
HAMPSTEAD AREA WATER COMPANY:
Notice of Intent to File Rate Schedules.
(Hearing regarding temporary rates)

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq.
Mark Naylor, Director/Gas & Water Division
Jayson Laflamme, Gas & Water Division
James Lenihan, Gas & Water Division

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

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I N D E X

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JAYSON P. LAFLAMME

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	HAWC Rate Filing, including the Petition, Tariff Page, Testimonies, Attachments, etc. (07-25-12)	6
2	Stipulation Agreement on Temporary Rates	6
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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing this morning in Docket DW 12-170, which is
4 Hampstead Area Water Company's request for a permanent
5 rate increase, which it filed on July 27, 2012. The
6 request for permanent rates would be an increase of
7 6.99 percent, based on a 2011 test year, and also
8 including a step adjustment for 2012 plant additions that
9 it anticipated will be completed by September 30, 2012.

10 We're here this morning on a request for
11 temporary rates that was noticed by a subsequent
12 secretarial letter. And I don't believe we have -- I'm
13 sorry, I'm incorrect. We do have intervenors, but it
14 doesn't appear that there are any here today. Maybe we
15 don't have intervenors. Am I crossing my cases up?

16 MS. THUNBERG: Staff would speak up.
17 Staff has reached out to OCA. Office of Consumer Advocate
18 has been monitoring the case. They have expressed to
19 Staff they are not wanting to actively participate. So,
20 Staff is not aware of any other party, other than the
21 Company and Staff, in this proceeding. Thank you.

22 CHAIRMAN IGNATIUS: Thank you. I think
23 I was thinking of another water company case. So, let's
24 begin with appearances.

1 MR. LEVINE: Good morning,
2 Commissioners. I'm Attorney Robert Levine, appearing for
3 Hampstead Area Water Company. With me is Steve St. Cyr,
4 out consultant; our Controller, John Sullivan; and the
5 President of the water company, Harold Morse.

6 MR. MORSE: Good morning.

7 CHAIRMAN IGNATIUS: Good morning.

8 MS. THUNBERG: Good morning,
9 Commissioners. Marcia Thunberg, representing Staff today.
10 And, with me today is Mark Naylor, Jayson Laflamme, and
11 Jim Lenihan. And, if I may segue into what the Company
12 and Staff have agreed to for a presentation, is we are
13 proposing to put Jayson Laflamme on as a witness, as well
14 as Stephen St. Cyr as a witness.

15 And, we also have agreement on
16 identification of exhibits that we'd like to use today.
17 If it would -- step back. We would prefer to just read
18 them, list them off right now, and then authenticate them
19 as we get through the witnesses. And, that would be,
20 before you we have the initial filing dated July 25th from
21 the Company, it's the permanent rate filing, temporary
22 rate request in it. Staff took the original that was
23 filed, sequentially numbered all of the pages. That's why
24 you have a second copy of this filing. It's just the page

1 numbers have been added. So that, when we get to the
2 permanent rate proceeding, should we need to refer to this
3 document, it's already page numbered.

4 CHAIRMAN IGNATIUS: Thank you.

5 MS. THUNBERG: For Exhibit 2, we filed
6 two settlement agreements in this case. We inadvertently
7 discovered an error. So, the Settlement Agreement,
8 without the cover page, we are asking be marked for
9 identification as "Exhibit 2". This Settlement Agreement
10 was filed with the Commission on October 17th.

11 CMSR. HARRINGTON: Excuse me. That is
12 the October 15th dated Settlement Agreement basically just
13 goes in the bucket?

14 MS. THUNBERG: Correct, because we
15 inadvertently recommended a bills rendered implement --
16 effective date, rather than a service rendered effective
17 date, which is contrary to our rules, the Commission's
18 rules, administrative rules.

19 As Exhibit 3, we will -- this has not
20 yet been filed in the docketbook, but we will be
21 introducing this through our witnesses, Exhibit 3 is a
22 copy of a redacted bill. The redactions protect the
23 identity of the customers. On one page, you have a bill
24 date at the top right of August 15th; on the other side of

1 the page, the bill date is -- or, the due date is shown as
2 "August 31st". And, we'd ask that be marked for
3 identification as "Exhibit 3". Lastly, this, for Exhibit
4 4, the affidavit of publication is in the docketbook, but
5 we wanted to refer to it, so we just added this as a
6 official exhibit, to corroborate the effective date that
7 we are suggesting. So, this is a September 13th dated
8 cover letter from Hampstead Area Water Company enclosing
9 the affidavit of publication.

10 And, that's it for the exhibits.

11 CHAIRMAN IGNATIUS: All right. I don't
12 know if we -- I don't know if we normally make the
13 affidavit a formal exhibit. It gets filed in the
14 docketbook. So, I don't think we need to make that an
15 exhibit, but thank you for producing it. We had a SNAFU
16 earlier in the week, where someone inadvertently failed to
17 publish, and it caused all sorts of complications.

18 MS. THUNBERG: Thank you. So, we'll
19 just have the Exhibits 1, 2, and 3.

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

24 MS. THUNBERG: If we could present our

[WITNESS PANEL: St. Cyr~Laflamme]

1 panel now?

2 CHAIRMAN IGNATIUS: Please do. I assume
3 that the order and the discussion of how things are being
4 presented is acceptable to the Company?

5 MR. ST. CYR: Yes, it is.

6 MR. LEVINE: Yes.

7 (Whereupon **Stephen P. St. Cyr** and
8 **Jayson P. Laflamme** were duly sworn by
9 the Court Reporter.)

10 CHAIRMAN IGNATIUS: Oh. Please proceed.
11 I'm sorry.

12 MR. LEVINE: Thank you, Commissioners.
13 We'd like to start with Stephen St. Cyr.

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

15 **JAYSON P. LAFLAMME, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. LEVINE:

18 Q. Mr. St. Cyr, please state your name and business
19 address for the record.

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

23 Q. Now, would you please describe what services your
24 company offers.

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 A. (St. Cyr) The company offers accounting, tax,
2 regulatory, and management services, primarily to
3 utilities, and specifically water and sewer companies.

4 Q. And, what do you consider your area of expertise?

5 A. (St. Cyr) Accounting, tax, and management.

6 Q. And, what services do you, through your company,
7 provide to Hampstead Area Water Company?

8 A. (St. Cyr) The company specifically reviews and assists
9 the Company in finalizing its year-end financial
10 statements, it prepares the PUC annual report, and it
11 assists the companies in regulatory filings, such as a
12 financing or a rate filing, including this particular
13 rate filing.

14 Q. And, are these services within your area of expertise?

15 A. (St. Cyr) Yes, they are.

16 Q. And, prior to today, have you ever testified before
17 this Commission?

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

19 Q. And, has that prior testimony been within your area of
20 expertise?

21 A. (St. Cyr) Yes.

22 Q. Now, have you reviewed the initial filing?

23 A. (St. Cyr) I have.

24 Q. Did you assist in preparing it?

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 A. (St. Cyr) I prepared the rate schedules with the help
2 of the Company, and I prepared the testimony related to
3 those schedules. And, I assisted the Company in the
4 other aspects of the rate filing.

5 Q. Okay. Now, calling your attention to the Petition, is
6 there any corrections to this document that you're
7 aware of that needs to be made?

8 A. (St. Cyr) No.

9 Q. Did you have occasion to review the Petition?

10 A. (St. Cyr) Yes.

11 Q. All right. In the Petition, on Page 6, underlying 6,
12 which is 3 of 6 in the Petition, there was a date that
13 the Company had proposed for completion of capital
14 improvements, in the Paragraph 14.

15 MR. LEVINE: I can show that to you, if
16 I may approach?

17 CHAIRMAN IGNATIUS: Please.

18 BY MR. LEVINE:

19 Q. And, if you would review Paragraph 14. And, I'd ask
20 you if that refreshed your recollection in this regard?

21 A. (St. Cyr) Yes, I do remember this now. In the original
22 filing, the Company used a "September 30, 2013" date,
23 and that date should have been "December 31st, 2012".

24 MR. LEVINE: Thank you. I have no other

[WITNESS PANEL: St. Cyr~Laflamme]

1 questions.

2 CMSR. HARRINGTON: Excuse me. Just are
3 you trying to -- are you referring to the last line of
4 Page -- underlying Page 6?

5 MR. LEVINE: Correct.

6 CMSR. HARRINGTON: Which says,
7 "Effective upon completion of the work anticipated on
8 September 30th, 2013", --

9 MR. LEVINE: Correct.

10 CMSR. HARRINGTON: -- that should be
11 changed now to read something different?

12 MR. LEVINE: Yes. "December" -- it was
13 meant to read -- it was a typographical error. It was
14 meant to be just year-end, "December 31st, 2012".

15 CMSR. HARRINGTON: Okay. So, we should
16 change that on our copies?

17 MR. LEVINE: Please.

18 CMSR. HARRINGTON: Thank you.

19 MR. LEVINE: And, I don't have any
20 further questions at this time.

21 BY MS. THUNBERG:

22 Q. Mr. Laflamme, could you please state your name and
23 position for the record.

24 A. (Laflamme) Yes. My name is Jayson Laflamme. I'm a

[WITNESS PANEL: St. Cyr~Laflamme]

1 Utility Analyst in the Gas & Water Division of the
2 Public Utilities Commission.

3 Q. And, as an analyst in the Gas & Water Division, how did
4 you participate in this docket?

5 A. (Laflamme) I reviewed the filing, along with other
6 documents that were already on file for the Company at
7 the Commission, and participated in formulating the
8 Settlement Agreement that's being proposed today.

9 Q. Thank you. What is your area of expertise?

10 A. (Laflamme) Accounting and finance.

11 Q. And, when you reviewed these documents and participated
12 in the settlement document, was that work within your
13 area of expertise?

14 A. (Laflamme) Yes.

15 Q. Did you conduct discovery also?

16 A. (Laflamme) Not with regards to the temporary rates.

17 Q. Did you review the books and records on file of the
18 Company?

19 A. (Laflamme) Yes, I did.

20 Q. And, when you're talking about "reviewing the initial
21 filing", we've marked for identification the
22 "July 25th" dated filing from the Company's Exhibit 1,
23 is that the filing that you reviewed?

24 A. (Laflamme) Yes, it was.

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 Q. And, we've marked for identification, as "Exhibit 2",
2 the Settlement Agreement. And, is that the document
3 that you participated in?

4 A. (Laflamme) Yes.

5 Q. And, were you aware of the correction that Mr. St. Cyr
6 discussed on Page 6 of Exhibit 1?

7 A. (Laflamme) Yes, I was. Yes.

8 Q. Mr. St. Cyr, I have a question for you. Did you
9 participate in the Settlement Agreement?

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

11 Q. And, you're aware of the terms of the Settlement
12 Agreement?

13 A. (St. Cyr) I am.

14 Q. Do you have a copy in front of you?

15 A. (St. Cyr) I do.

16 Q. Could I have you turn to Page 4 please. Paragraph
17 letter E, and the "Completion Date" paragraph, I just
18 want to draw your attention to. When you made the
19 correction to Exhibit 1, that correction is also
20 carried through in this Paragraph E, is that correct?

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

22 Q. Mr. St. Cyr, could you briefly explain why Hampstead
23 Area Water Company is seeking rate relief?

24 A. (St. Cyr) The Company believes that it's not earning

[WITNESS PANEL: St. Cyr~Laflamme]

1 its authorized rate of return. And, the Company's 2011
2 test year includes only a partial level of certain
3 expenses that are incurred on an annual basis now.

4 Q. And, what is the total rate request that the Company is
5 looking for for permanent rates?

6 A. (St. Cyr) Overall, the request is about \$102,000. It's
7 actually broken up into two pieces; a piece related to
8 permanent rates of approximately 59,000, and a piece
9 related to the step increase of approximately 43,000.
10 The sum of the two is the 102,000 that the Company is
11 requesting, and it represents about a 6.99 percent
12 increase in overall rates.

13 Q. With respect to the terms in Exhibit 2, in the
14 Settlement Agreement -- or, Stipulation Agreement on
15 Temporary Rates, I should correct myself, I'd like to
16 turn your attention to Page 3, "Stipulated Terms",
17 Paragraph B. And, is it fair to characterize this
18 paragraph as saying that "the Company is agreeing to
19 existing rates as temporary rates"?

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

21 Q. And, do you have an opinion as to whether that rate
22 relief is appropriate for the Company at this stage?

23 A. (St. Cyr) I believe it is.

24 Q. Mr. Laflamme, I'd like to turn to you. Do you have

1 Exhibit 2 in front of you?

2 A. (Laflamme) Yes, I do.

3 Q. And, Page 3, I'd like to draw your attention to the
4 terms.

5 A. (Laflamme) Uh-huh.

6 Q. And, does Staff have an opinion as to why existing
7 rates -- or, why it has agreed to existing rates as
8 temporary rates?

9 A. (Laflamme) Yes. Staff has done its own internal
10 analysis with regards to the Company's earnings,
11 specifically with regard to the 2011 test year. And,
12 Staff found that the rate of return earned by the
13 Company during the 2011 test year was slightly below
14 it's last authorized rate of return, from its last rate
15 proceeding, of 6.05 percent. Staff calculated a rate
16 of return of approximately 5.3 percent. However, that
17 5.3 percent is a little above the rate of return that's
18 being requested by the Company in this rate proceeding
19 of 4.97 percent.

20 However, as Mr. St. Cyr indicated, there
21 are a number of expenses that the Company is proposing,
22 which are not reflected in the Company's test year. In
23 addition to that, the Company has made some significant
24 capital improvements over the last two plus years,

[WITNESS PANEL: St. Cyr~Laflamme]

1 which are not reflected in the Company's rates. Based
2 on all those factors, Staff believes that making
3 present rates temporary was the appropriate course in
4 this -- in this rate case.

5 Q. Mr. St. Cyr, do you know how Hampstead Area Water
6 Company issues its bills, whether it's quarterly or
7 monthly?

8 A. (St. Cyr) The Company issues them monthly.

9 Q. And, you're aware in the terms that a proposed
10 effective date is "September 1, 2012" for these
11 existing rates as temporary rates, is that correct?

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

13 Q. And, does that date coincide with the billing cycle?

14 A. (St. Cyr) It coincides with a portion of the billing
15 cycle.

16 Q. Do you have any other further explanation of how going
17 forward the Company will be -- or, I guess this affects
18 recoupment, but how the effective date will mesh with
19 the billing?

20 A. (St. Cyr) Yes. The Company reads its meters on the 1st
21 and the 15th of each month. So, an October 1 billing
22 would be for the period September 1 through
23 September 30th. They also read their meters the 15th
24 of the month and issue bills shortly after that. So,

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 our October 15th billing would be for the period
2 September 15th through October 15th.

3 Q. Mr. Laflamme, I'd like to turn to you. Are you aware
4 -- or, I'd like to draw your attention to the
5 September 1st effective date that's in the Settlement
6 Agreement?

7 A. (Laflamme) Yes.

8 Q. And, can you please explain why Staff agreed to this
9 effective date?

10 A. (Laflamme) Staff agreed to the effective date because
11 we felt it was appropriate, given the fact that the --
12 it allowed for the fact that the customers were allowed
13 ample opportunity to be adequately notified before the
14 implementation of the effective date. The order of
15 notice from the Commission was issued on August 21st,
16 display ad appeared in the newspaper on August 31st.
17 And, also, the Company printed a notification to its
18 customers regarding this potential rate increase,
19 printed that notification in customer bills throughout
20 the month of August.

21 MS. THUNBERG: I'd like to show the
22 witness what we've identified as "Exhibit 3"?

23 CHAIRMAN IGNATIUS: That's fine.

24 BY MS. THUNBERG:

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 Q. Mr. Laflamme, could you please tell me if you are
2 familiar with this exhibit?

3 A. (Laflamme) Yes, I am.

4 Q. And, what is this exhibit?

5 A. (Laflamme) It's a copy of a redacted bill issued by the
6 Company on -- with a due date of August 15th, 2012.

7 Q. And, have you seen this document before?

8 A. (Laflamme) Yes, I have.

9 Q. And, does this document -- or, could you please explain
10 where in this document the customer notification of the
11 rate proceeding occurs?

12 A. (Laflamme) Yes. There's a box in the left-hand bottom
13 corner indicating that the Hampstead Area Water Company
14 has filed with the New Hampshire Public Utilities
15 Commission for a proposed increase of its water rates,
16 and provides further explanation regarding that
17 petition that was filed by the Company.

18 Q. And, I'd like to also ask you, are you familiar or
19 could you read into the record the bill date that
20 appears in the middle of the page? And, you can pick
21 either side of this document.

22 A. (Laflamme) The bill date that's indicated is
23 "July 20th, 2012".

24 Q. And, if you could read the bill date from the other

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 side?

2 A. (Laflamme) The bill date on the other side is
3 "August 6th, 2012".

4 Q. Okay. Mr. St. Cyr, are you familiar with how Hampstead
5 conducts its billing?

6 A. (St. Cyr) Yes.

7 Q. And, with these bill dates that Mr. Laflamme just read
8 off, do you know how soon the customers would have had
9 -- actually had this bill in their hands?

10 A. (St. Cyr) Within a day or two of the bill actually
11 being sent out.

12 Q. Okay. Mr. Laflamme, did that actual notice to
13 customers factor into Staff's agreement to a
14 September 1 effective date?

15 A. (Laflamme) Yes, it did.

16 Q. Mr. Laflamme, I just want to move on to the concept of
17 reconciliation. Are you familiar with the Company's
18 ability to recover the difference between temporary and
19 permanent rates?

20 A. (Laflamme) Yes, I am.

21 Q. Can you please describe how Staff expects recoupment of
22 between temporary and permanent to happen as this
23 proceeding progresses?

24 A. (Laflamme) Yes. As was the case in prior rate

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 proceedings involving the Company, as well as other
2 rate proceedings that this Commission has dealt with,
3 it's Staff's expectation that the Company, at the close
4 of the proceeding, the Company will make a filing with
5 the Commission showing the -- showing the calculation
6 of it's -- the recoupment of temporary versus permanent
7 rates. Staff and any other parties will be involved in
8 reviewing that filing. The Staff will make a
9 recommendation to the Commission, which we expect the
10 Commission to review. And, we expect that the
11 Commission will issue an order authorizing the recovery
12 of the difference between temporary and permanent
13 rates.

14 Q. Mr. Laflamme, do you have an opinion as to the just and
15 reasonableness of the proposed temporary rates?

16 A. (Laflamme) Given the factors that have been expressed
17 thus far, Staff believes that the proposal to make
18 current rates temporary rates in this rate proceeding
19 is just and reasonable.

20 Q. Mr. St. Cyr, do you have an opinion as to the just and
21 reasonableness of the proposed rates?

22 A. (St. Cyr) I believe that they are just and reasonable.

23 MS. THUNBERG: Staff and the Company
24 have no further direct questions of the panel.

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 CHAIRMAN IGNATIUS: All right. Thank
2 you. Commissioner Harrington, questions?

3 CMSR. HARRINGTON: Just two quick
4 questions.

5 BY CMSR. HARRINGTON:

6 Q. One, this is kind of unusual in that the temporary
7 rates are just a continuation of the existing rates. I
8 would assume the purpose of temporary rates was to, you
9 know, come up with something that we would be -- such
10 that it would mitigate the potential increases coming
11 down the road. Would either of you care to comment? I
12 don't think I've seen this before, where we've had a
13 case where there was an application for a permanent
14 rate increase, and the temporary rates were settled on
15 by mutual agreement at no increase at all. Could you
16 just comment on that at all?

17 A. (St. Cyr) I've been involved in at least a few cases
18 where this has happened. And, there is some
19 cost-effectiveness to this. Rather than the Company
20 filing a separate set of schedule and a separate
21 testimony related to it, and trying to justify some
22 increase or decrease from existing rates, it's just
23 simpler from the Company's perspective, less time, less
24 money, in order to approach it this way.

{DW 12-170} [Re: Temporary Rates] {10-19-12}

[WITNESS PANEL: St. Cyr~Laflamme]

1 Q. Okay. Well, that makes sense. Thank you. The second
2 one then, I guess I just ask, this is on the
3 notification on the bill. I got to be honest with you,
4 I knew what I was looking for, and I had trouble
5 finding it. So, I'm just wondering, how many people do
6 you think that received this bill actually looked at
7 that very fine print and came up with the idea or
8 actually were notified that the Company was projecting
9 a rate increase, a proposed rate increase? Do you have
10 -- I mean, has the Company received many phone calls?
11 Has the PUC received many phone calls on this? Either
12 of you could comment on that.

13 A. (Laflamme) I'm not aware of any phone calls that were
14 received.

15 Q. I guess my point being, that maybe we could look in the
16 future, if you're going to give, and I realize it's
17 required by law that we inform the customers that
18 there's a potential rate increase, but, if we're going
19 to give them that, we might as well give them something
20 that they will actually see. You know, something maybe
21 a little bolder in the other side, "Your bill may go
22 up." That's going to get people's attention. "See
23 over here." Because the way this is right now, this is
24 -- I mean, it's compliance with the law, but it's a

[WITNESS PANEL: St. Cyr~Laflamme]

1 total waste of time. No one is going to read that
2 note. I'm not trying to pick on you guys, I'm just --
3 maybe it's something that the Commission needs to look
4 at. If we're going to make the Company spend money to
5 print notifications on things, we might as well spend
6 the money at least so it will accomplish something.
7 This is, you know, this could have been written in
8 Greek and you would have probably gotten no less
9 response than you are right now.

10 A. (St. Cyr) I guess part of what I would say in response
11 to that is, the alternative for notification sometimes
12 can be a notice in the legal section of the newspapers.

13 Q. Which is even less effective.

14 A. (St. Cyr) Which is even less effective. And, sometimes
15 notification can be, particularly with smaller
16 companies and fewer customers, can be a copy of the
17 order itself, which is, you know --

18 Q. I'm not trying to be overly critical of you -- of the
19 Company in this case, or anybody else. I'm just
20 saying, it's something we should note that, if we're
21 requiring the companies to give notification, maybe we
22 can try to look generically at making them a little --
23 being a little more effective. That's all.

24 CMSR. HARRINGTON: That's all I have.

[WITNESS PANEL: St. Cyr~Laflamme]

1 CHAIRMAN IGNATIUS: Mr. Levine.

2 MR. LEVINE: The only thing maybe on
3 this point is that this information box wasn't something
4 just particular to this single bill, it's something we
5 have done consistently throughout our billing. If we have
6 any notices we want to give customers, we do it this way.
7 So, they're used to seeing that notification box. It
8 isn't something that all of a sudden popped up.

9 CMSR. HARRINGTON: I thinking more that
10 it's a problem with maybe the Commission on this than your
11 individual company. They may be used to seeing the box, I
12 doubt very much they're used to reading the box, though.

13 MR. LEVINE: Okay.

14 CMSR. HARRINGTON: Thank you.

15 CHAIRMAN IGNATIUS: Commissioner Scott,
16 any questions?

17 CMSR. SCOTT: Just to clarify.

18 BY CMSR. SCOTT:

19 Q. So, at the very start, we looked on Exhibit 1, Page 6,
20 or 3 of 6, and that was issued as a typo. So, it
21 originally said "September 30th, 2013", that should
22 have been "2012", is that correct?

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

24 MR. LEVINE: Yes. December 31, 2012.

[WITNESS PANEL: St. Cyr~Laflamme]

1 CMSR. SCOTT: Okay. So, it should have
2 been, at that point, "December 31, 2012"?

3 MR. LEVINE: Correct.

4 CMSR. SCOTT: So, is that the same
5 change to "December 31st, 2012" that is reflecting on --
6 reflected on the Settlement Agreement, Exhibit 2, on
7 Page 4, Section E?

8 MR. LEVINE: Correct.

9 CMSR. SCOTT: Okay. But my confusion
10 is, is that says -- that indicated a change from
11 December 31st -- excuse me, indicated a change from
12 "September 30th, 2012" to "December 31st, 2012". So, I
13 just want to understand the sequence of the change.

14 MR. LEVINE: Right. It was just a
15 blatant typo in the Petition. It should be
16 "December 31st, 2012". And, that's what the Paragraph E
17 in the Settlement Agreement Stipulation is reflecting.

18 CMSR. SCOTT: Okay. So, I know this is
19 -- I'm picking at nits here. So, the September -- in
20 Exhibit 2, Page 4, Section E, the "instead of September
21 30th, 2012", where did that come from?

22 MR. LEVINE: Oh. An additional typo.
23 Excuse me. I see your point.

24 CMSR. SCOTT: A typo to the typo, okay.

[WITNESS PANEL: St. Cyr~Laflamme]

1 All right. Well, I feel a little bit better, I don't
2 think I missed something now. Okay. Good.

3 BY CMSR. SCOTT:

4 Q. And, just for general, for my education, on -- in
5 Exhibit 2, the Settlement Agreement, you do mention on
6 the first page your -- the 2011, as of December 2011,
7 debt to equity ratio of 84 to 16 percent. I was just
8 curious how that compares to historical for the
9 Company?

10 A. (St. Cyr) I would say it's generally in the ballpark.
11 That the Company has been aware that its debt portion
12 is high, and over the years has made various attempts
13 to reduce that. So, the Company is generally aware of
14 that. And, historically, I think this is probably
15 consistent with what we've had.

16 Q. And, while we're on that topic. So, the capital
17 project that is supposed to be done by the 30th -- the
18 31st of December, will that, after that's done, will
19 that change this ratio appreciably or --

20 A. (St. Cyr) Yes. The 2012 additions to plant are being
21 financed with debt. Some of that debt may be reflected
22 in the capital structure as of 12/31/2011. But, to the
23 extent that some of that debt is spent in 2012, then
24 that would have the impact of increasing the debt

{DW 12-170} [Re: Temporary Rates] {10-19-12}

1 slightly more.

2 CMSR. SCOTT: Thank you.

3 CHAIRMAN IGNATIUS: I have a couple of
4 questions. One on this, the "typo on the typo". It may
5 not be of any great import, but I remember we went through
6 this at the prehearing conference, because of some
7 confusion between our order of notice and the original
8 filing. And, I could have sworn that it was -- the
9 mistake was "2013", the mistake was not "September 30th",
10 and that it was supposed to be "September 2012". But, at
11 any rate, if we're all in agreement that now the target
12 date for completion of the step investments is
13 "December 31st, 2012", is that correct?

14 MR. LEVINE: Correct.

15 MS. THUNBERG: Yes.

16 CHAIRMAN IGNATIUS: All right. And,
17 when are the hearings scheduled on the merits in this
18 case?

19 MS. THUNBERG: Staff does not recall.

20 CHAIRMAN IGNATIUS: I ask, because, and
21 it's probably in my files somewhere in here, it makes a
22 difference -- oh, okay. We're well out into 2013, hearing
23 on permanent rates in May. Okay. It makes a difference
24 in terms of the step increase information.

1 BY CHAIRMAN IGNATIUS:

2 Q. Which leads me to another question about
3 reconciliation. Mr. Laflamme, the import of setting an
4 effective date for temporary rates at current rates is
5 not that the rate changes, but the date at which the
6 reconciliation kicks in is established, correct?

7 A. (Laflamme) Yes.

8 Q. For reconcilable rates at the end of the case, you
9 would not include any of the step increase amounts,
10 correct?

11 A. (Laflamme) That's correct.

12 Q. So, anything that's not yet used and useful, hasn't
13 been completed, would not be included in the amount
14 that's reconciled back to September 1st, 2012?

15 A. (Laflamme) That is correct.

16 Q. So, it's likely you'll end up with a two-stage
17 reconciliation. Some things that kick in -- some
18 investments that would kick in as of September 1st, and
19 some that would kick in as of whenever the step
20 increase numbers are completed?

21 A. (Laflamme) Correct.

22 CHAIRMAN IGNATIUS: All right. I have
23 no other questions. Do we have any other, any redirect,
24 Mr. Levine?

[WITNESS PANEL: St. Cyr~Laflamme]

1 MR. LEVINE: No, Commissioner.

2 MS. THUNBERG: Yes.

3 CHAIRMAN IGNATIUS: Any redirect from
4 Staff?

5 **REDIRECT EXAMINATION**

6 BY MS. THUNBERG:

7 Q. Mr. Laflamme, I just want to discuss the step issue
8 that Chairman Ignatius was discussing with you. And, I
9 think the word "reconciliation" and "step" were used
10 together. Is a step increase reconciled?

11 A. (Laflamme) No.

12 Q. A temporary/permanent rate is reconciled?

13 A. (Laflamme) That's correct. Yes.

14 MS. THUNBERG: Okay. That was the only
15 clarification I wanted to offer. Thank you.

16 CHAIRMAN IGNATIUS: Thank you. Is there
17 anything else? Any other administrative matters, other
18 than striking identification on the exhibits and admitting
19 them as full exhibits?

20 MR. LEVINE: No. That's the only one.

21 CHAIRMAN IGNATIUS: All right. Then, we
22 shall do so. And, opportunity for closings. Staff?

23 MS. THUNBERG: Yes. Thank you,
24 Commissioners, for your time today. Staff respectfully

1 requests that you approve the Stipulation Agreement. As
2 indicated in the testimony, Staff and Hampstead have
3 agreed to existing rates as temporary. And, as
4 Commissioner Harrington has noted, there is no immediate
5 rate relief, but Staff wants to note that the rate request
6 is only 6.99 percent. So, Staff felt comfortable with
7 having existing as temporary, because the ultimate -- even
8 though mitigation of rate increases is usually a driving
9 force for implementing temporary rates, we didn't have
10 that much of a concern about customers post the May 2013
11 hearing having a huge bill increase, because the
12 underlying increase is relatively low, at 6.99 percent.

13 Also, Staff is pleased that the Company
14 is able to have existing as temporary, because it shows to
15 some degree the health, the financial health of the
16 Company, and that they are doing some proper planning in
17 seeking their rate case relief periodically enough that
18 they're not in dire financial straits when they come in
19 for a rate increase.

20 Let's see. With respect to the
21 additional notice, I don't want to belabor that. But
22 Staff -- this is sort of an offer of proof. Staff
23 Director -- or, Director of Gas and Water Division, Mark
24 Naylor, received a call from a customer requesting that

1 notice be added to the bill. And, so, Mr. Naylor had
2 conveyed that to the Company. So, Staff sees this
3 additional notice to customers on the bill as something
4 that's additional to the order of notice, the display ad
5 that goes out. So, I just wanted to offer that. That
6 part of -- that Staff has received requests from customers
7 for this information on the bill. Whether it's of a font
8 size that's attractive to the eye or not is something
9 Staff will, going forward, look at.

10 With respect to the temporary rate
11 recoupment, Staff has indicated that it will be audited.
12 And, so, any recovery in the future is going to still need
13 the Commission's approval.

14 RSA 3:78:30 requires a bond if temporary
15 rates -- or, allows the opportunity for the Commission to
16 impose a bond if the temporary rates are higher than
17 permanent. Obviously, here, there is no increase in
18 temporary rates. So, Staff sees that part of the statute
19 as not applicable for today.

20 And, again, thank you for your time
21 today. And, we respectfully request that you approve the
22 Settlement Agreement.

23 CHAIRMAN IGNATIUS: Thank you.

24 Mr. Levine.

1 MR. LEVINE: Thank you, Commissioners
2 and Chairman Ignatius. I want to thank the Commission for
3 their attention today in our oral presentation. I really
4 don't have much to add besides what Attorney Thunberg did
5 cover, is this is an agreement between the Staff and
6 Company. And, we look forward to working with Staff in
7 the resolution of this rate case.

8 Again, I apologize for the confusion on
9 that date for capital improvements. Construction projects
10 are often a moving target, but we do wish to get them
11 completed in this calendar year 2012.

12 And, on the point of the notice on the
13 billings, it was a suggestion by Mr. Naylor. So, it is
14 kind of a work-in-progress. We have never really done it
15 before or were required to do it before, we voluntarily
16 did it at that suggestion. And, we're open to getting
17 notices to customers in this regard and in an efficient
18 manner. Because, quite frankly, the publication in the
19 newspapers is more of a moving target than the customers
20 getting a bill, which they do get.

21 So, I thank the Commissioners for your
22 attention today and ask that the Stipulation be approved.

23 CHAIRMAN IGNATIUS: Thank you. If
24 there's nothing further, we'll take the matter under

1 advisement and stand adjourned. Thank you.

2 **(Whereupon the hearing ended at 10:57**
3 **a.m.)**

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