

1 STATE OF NEW HAMPSHIRE

2 BEFORE THE

3 PUBLIC UTILITIES COMMISSION

4 LAKES REGION WATER COMPANY

5 REBUTTAL TESTIMONY OF STEPHEN P. ST. CYR IN DW 10-141

6 Q. Please state your name and address.

7 A. Stephen P. St. Cyr of St. Cyr & Associates, 17 Sky Oaks Drive, Biddeford, Me.  
8 04005.

9 Q. What is your involvement in this filing?

10 A. I prepare the initial filing requesting PUC approval of temporary rates, permanent  
11 rates and a step adjustment to rates. I also assisted the Company in responding to  
12 data requests. In addition, I worked with the Company and the Staff of the PUC  
13 to reach the Stipulation Agreement – Temporary Rates.

14 Q. What is the purpose of your rebuttal testimony?

15 A. The purpose of my rebuttal testimony is to respond to the testimony of Stephen R.  
16 Eckberg on behalf of the OCA dated November 24, 2010.

17 Q. Are you planning to address all of the concerns raised by Mr. Eckberg?

18 A. Generally, yes.

19 Q. What are specific issues raised in Mr. Eckberg's testimony?

20 A. The specific issues raised in Mr. Eckberg's testimony are pension expenses, long  
21 term debt to Company's owners, "service trades," the Special Contract with  
22 Property Owners Association at Swissvale, Inc. ("POASI") and York Village.

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2 Q. Please respond to the issue raised by Mr. Eckberg as it pertains to the pension  
3 expense.

4 A: The Company acknowledges that an expense was paid during its test year to its  
5 owners as a retirement pension. This pension was not set up in the conventional  
6 way in that contributions were not historically made to a pension fund which  
7 ultimately would pay the owners upon retirement. That said, the Company  
8 believes that setting up a pension benefit is a reasonable expense of any business,  
9 including a utility. The Company recognizes the OCA's concerns and believes  
10 that this issue should be further discussed and evaluated as part of the permanent  
11 rate case.

12 Q. Please respond to the issues raised by Mr. Eckberg as they pertain to the debt  
13 issued to the Company's owners.

14 A: The Company incorporates the response it supplied to this same issue that was  
15 raised by Mr. Eckberg in DW 08-070.

16 Q. Please respond to the issue raised by Mr. Eckberg as it pertains to the "service  
17 trades."

18 A. the Company incorporates the response it supplied to this same issue that was  
19 raised by Mr. Eckberg in DW 08-070.

20 Q. Please respond to the series of issues raised by Mr. Eckberg as they pertain to the  
21 Special Contract with the Property Owner's Association of Swissvale, Inc.  
22 ("POASI").

1 A: The POASI special contract was specifically approved by the Commission. If Mr.  
2 Eckberg has concerns about the POASI special contract, the Company believes  
3 that such concerns should be raised in a different forum than at the temporary rate  
4 stage. If Mr. Eckberg believes that the POASI contract issue should be revisited  
5 by the Commission, they can certainly raise that issue in a more formal context.

6 Q. Please respond to the issues raised by Mr. Eckberg as they pertain to York  
7 Village.

8 A. Mr. Eckberg also raised this issue in the context of the Step 3 increase. The  
9 Company makes reference to its response to the same issue raised Mr. Eckberg in  
10 DW 08-070. In addition, after obtaining approval for the interconnection between  
11 Brake Hill and Gunstock Glen, the Company was approached by the developer of  
12 York Village. York Village is squarely within the Company's franchise area.  
13 The developer of York Village stated to the Company that it was planning on  
14 building seventeen (17) homes in the new development and requested the  
15 Company to run a water main to the development. The Company agreed to  
16 supply water to the development provided that the developer install at his costs  
17 the necessary mains and services to connect Brake Hill water system and then  
18 contribute such infrastructures to the Company as contribution in aid of  
19 construction (CIAC). The work was ultimately performed by the developer (the  
20 developer contracted with LRW Service for this work). The addition to plant for  
21 the mains and services and the related CIAC was properly booked in 2007. The  
22 Company wishes to point out that the sum due from the York Village developer  
23 on account of this work is the "credit" that is referenced in the Company's

1 response to the so-called “bartering issue” raised by Mr. Eckberg in this case and  
2 in DW 08-070.

3 Q. Mr. St. Cyr, do you have any other general comments to Mr. Eckberg’s  
4 testimony?

5 A: The Company and Staff have worked to find a fair and reasonable balance  
6 between the interests of the Company and its rate payers in reaching the  
7 Stipulation Agreement. While the Company believes that Mr. Eckberg raises  
8 some important points for further consideration and discussion, these points and  
9 considerations do not change the fact that the Company’s revenue is too low  
10 compared to its operating costs and capital needs. The Stipulation Agreement on  
11 temporary rates and on the Step 3 increases are a fair compromise at this stage of  
12 the proceeding. Most, if not all, of Mr. Eckberg’s issues are more appropriately  
13 addressed as part of the more exhaustive process of the permanent rate case.  
14 Reconciliation will apply to any deviations between the agreed to temporary rates  
15 and the permanent rates.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes.

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19 SPSt. Cyr

20 12/10/10

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